

Senate Banking and Insurance Committee

Citizens Property Insurance Corporation

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October 4, 2011

# What is Citizens?

- A State-created, not-for-profit, tax-exempt governmental entity whose public purpose is to provide property insurance coverage to those unable to find coverage in the voluntary admitted market
- Created from the merger of the Florida Windstorm Underwriting Association (FWUA) and the Florida Residential Property and Casualty Joint Underwriting Association (FRPCJUA)
  - FWUA: created in 1972 as insurer of last resort to provide wind-only coverage in Monroe County. The wind-only territories of the FWUA were expanded over time to include most coastal regions
  - FRPCJUA: created in 1992 following Hurricane Andrew as insurer of last resort for territories not served by the FWUA
- Governed by an eight member board of Governors, two of whom are appointed by each of the following State leaders: Governor, Chief Financial Officer, Senate President, and Speaker of the House
- Operates pursuant to a plan of operation which is reviewed and approved by the Financial Services Commission
- Subject to regulation by the Florida Office of Insurance Regulation, Operational Reviews by the Auditor General and the OIR, external audits, robust Office of Internal Audit

# Basics re: Citizens

- Unlike a private insurer, Citizens does not have the ability to manage its book of business so that the exposure matches its surplus and reinsurance program. Citizens accepts most risks and its potential wind risk far exceeds its existing surplus and reinsurance.
- While Citizens is in its best ever financial position, with projected 2011 combined surplus + FHCF reimbursements + private reinsurance of just over \$16.7 billion, we continue to rely on assessments to fund catastrophe losses in the event of a large storm or multiple smaller storms in a single season.
- Citizens currently has over \$12 billion in cash and invested assets (includes \$3.8 billion in pre-event liquidity).

# Estimated Claims-Paying Ability – 2011 Hurricane Season

Description	\$'s in Millions		
	Personal & Commercial Lines Accounts	Coastal Account	Total
Beginning Accumulated Surplus <sup>1</sup>	\$ 2,770	\$ 2,332	\$ 5,102
Budgeted Net Income <sup>2</sup>	286	354	640
<b>Total Accumulated Surplus available for claims</b>	<b>\$ 3,056</b>	<b>\$ 2,686</b>	<b>\$ 5,742</b>
Pre-Event Liquidity Available <sup>3</sup>	-	3,821	3,821
Projected FHCF Coverage (Mandatory Layer Only) <sup>4</sup>	2,581	4,010	6,591
Private Reinsurance <sup>5</sup>	-	575	575
<b>Total 2011 Projected Claims-Paying Ability</b>	<b>\$ 5,637</b>	<b>\$ 11,092</b>	<b>\$ 16,729</b>

## Notes:

- <sup>1</sup> Accumulated Surplus (audited) as of December 31, 2009, plus audited 2010 net income and other changes in surplus.
- <sup>2</sup> Budget is approved by the Board of Governors.
- <sup>3</sup> Pre-Event liquidity does not represent risk transfer and any funds drawn must be repaid. Pre-Event debt is serviced by operating cash.
- <sup>4</sup> FHCF coverage is based on estimates of preliminary exposure data, rating factors and coverage multiples. The final retention and coverage amounts may be significantly different from these estimates.
- <sup>5</sup> Assumes the occurrence of an event or events sufficient to pierce and exhaust private reinsurance coverage.

# Financing

## •Pre-Event Bonds

- Issued to provide liquidity for timely payment of valid claims
- Debt service is paid from operating funds and bond proceeds themselves
- Can be issued taxable or tax exempt

## •Post -Event Bonds

- Triggered by Emergency Assessments
- Very unlikely for PLA/CLA
- 2% probability for Coastal Account for 2011 hurricane season
- Emergency Assessments can be levied over a number of years
- Debt service is paid by Emergency Assessments

## •Citizens credit

- Rated A+ stable by S&P and Fitch; A2 stable by Moody's
- Strength of credit
  - Ability to levy assessments
  - Participation in the FHCF
  - Strong non-impairment language in the statute
- Name change from HRA to Coastal Account
- Different from FHCF

# Rates

- Prior to 2007, rates were set to non-competitive levels based on “Top 20” filings
- Effective January 1, 2007 through December 31, 2009, rates for personal residential and commercial residential were frozen (based on 2006 rates)
- Wind mitigation credits were doubled in 2008
- Beginning in 2010, Citizens was permitted to increase premiums but with a 10% cap on policy level annual increases
- With the current 10% cap, it will take several years to reach actuarially sound rates

# Rates (cont'd)

- Even if rates are actuarially sound, assessments could be triggered depending on amount of losses in a season (severe single event or multiple events in a single season)
- When Citizens' rates are actuarially sound, such rates could still be less than private market due to differences in cost structure
  - No taxes
  - No profit/ return to investors
  - Lower administrative expenses as a governmental entity
  - Less reinsurance than private market
  - Lower commissions, no contingent commissions, profit sharing
  - No advertising

# Summary of Rate Changes- Sinkhole Only – Excludes Board of Governors' approved phase-in

<b>Product Line</b>	<b>Type of Policy</b>	<b>12/31/2010 Total Inforce Premium at Current Rate Level</b>	<b>Indicated Rate Change</b>	<b>Filed Rate Change</b>	<b>Approved Rate Change</b>
PRM and PRW	Homeowners - HO3	43,887,611	443.6%	447.0%	33.1%
PRM and PRW	Renters - HO4	0	0.0%	0.0%	0.0%
PRM and PRW	Condos Unit Owner - HO6	0	0.0%	0.0%	0.0%
<b>PRM and PRW</b>	<b>Total Homeowners</b>	<b>43,887,611</b>	<b>443.6%</b>	<b>447.0%</b>	<b>33.1%</b>
PRM and PRW	Dwelling-DP3/DW2	5,507,535	619.1%	619.1%	87.6%
PRM	Dwelling-DP1	252,905	898.8%	898.8%	287.7%
<b>PRM and PRW</b>	<b>Total Dwelling</b>	<b>5,760,440</b>	<b>631.4%</b>	<b>631.4%</b>	<b>96.4%</b>
<b>Total Personal Residential Sinkhole</b>		<b>49,648,051</b>			



# Summary of Rate Changes – Wind and Other Perils

## Personal Lines Excludes Sinkhole

Product Line	Type of Policy	12/31/2010 Total Inforce Premium at Current Rate Level	Indicated Rate Change	Filed Rate Change	Approved Rate Change
PRM and PRW	Homeowners - HO3	1,352,031,891	35.0%	9.4%	5.5%
PRM and PRW	Renters - HO4	6,138,568	15.8%	-0.3%	0.9%
PRM and PRW	Condos Unit Owner - HO6	93,751,667	26.8%	4.2%	8.3%
<b>PRM and PRW</b>	<b>Total Homeowners</b>	<b>1,451,922,126</b>	<b>34.4%</b>	<b>9.0%</b>	<b>5.6%</b>
PRM and PRW	Dwelling-DP3/DW2	357,783,934	36.1%	8.5%	6.4%
PRM	Dwelling-DP1	32,492,292	49.9%	10.8%	8.2%
<b>PRM and PRW</b>	<b>Total Dwelling</b>	<b>390,276,226</b>	<b>37.2%</b>	<b>8.7%</b>	<b>6.5%</b>
<b>Total Personal Residential Non-Sinkhole</b>		<b>3,294,120,478</b>			

Product Line	Type of Policy	12/31/2010 Total Inforce Premium at Current Rate Level	Indicated Rate Change	Capped Rate Change
CRW	Condo	108,192,970	80.8%	13.5%
CRW	Apartment	30,305,576	75.0%	13.7%
<b>CRW*</b>	<b>Total</b>	<b>138,498,546</b>	<b>79.5%</b>	<b>13.6%</b>
<b>CNRW</b>	<b>Total</b>	<b>80,107,521</b>	<b>78.8%</b>	<b>10.0%</b>
CRM	Condo	173,985,703	18.3%	5.2%
CRM	Apartment	48,258,265	22.6%	11.3%
<b>CRM**</b>	<b>Total</b>	<b>222,243,968</b>	<b>19.2%</b>	<b>6.6%</b>
<b>Total Commercial Residential</b>		<b>2,505,097,380</b>	<b>35.6%</b>	<b>8.8%</b>

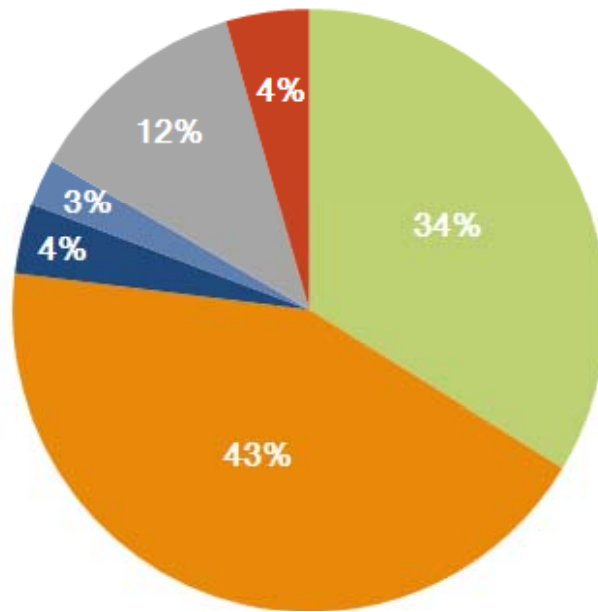
\* These numbers do not include a-rated policies or special classes

\*\* These numbers do not include a-rated policies, special classes, or specifically rates

# Projected Claims Paying Resources - Combined Accounts 2011 Hurricane Season<sup>1</sup>

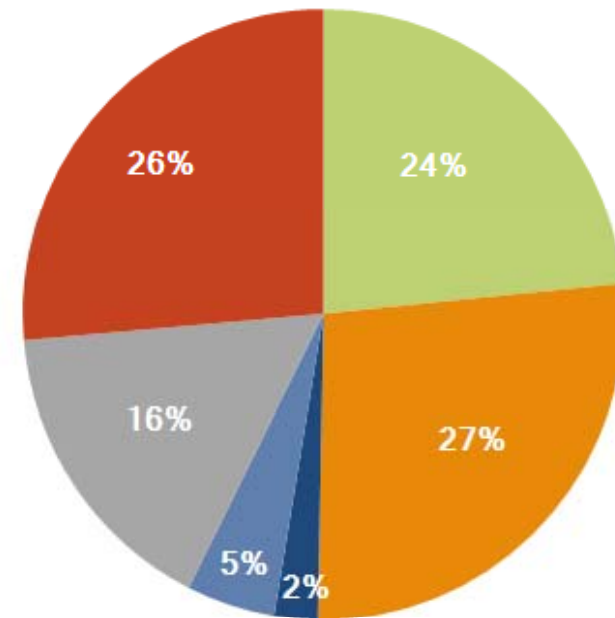
## 1-in-50 Yr Event

Probability of Single-Event Occurrence = 2%



## 1-in-100 Yr Event

Probability of Single-Event Occurrence = 1%



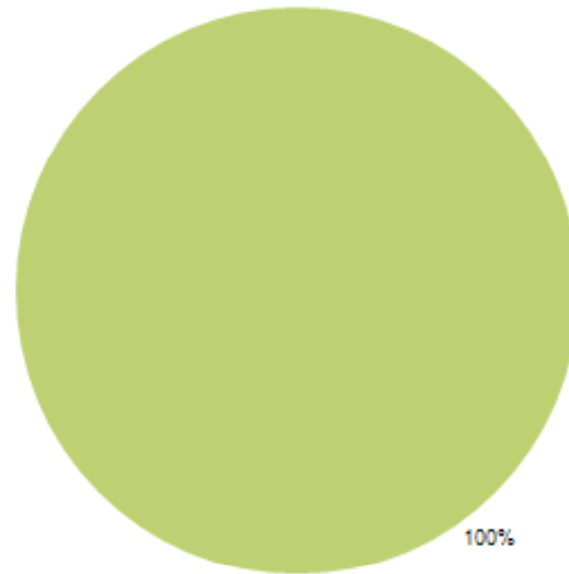
	<i>(in billions)</i>		
	PLA/CLA	Coastal	Total
Probable Maximum Loss	\$ 5.038	\$ 10.216	\$ 15.254
<b>Claims-Paying Resources:</b>			
Accumulated Surplus	\$ 2.458	\$ 2.686	\$ 5.144
FHCf Reimbursements	2.581	4.010	6.591
Private Reinsurance	-	0.575	0.575
Citizens Policyholder Surcharges	-	0.391	0.391
Regular Assessments	-	1.860	1.860
Emergency Assessments	-	0.694	0.694
<b>Total</b>	<b>\$ 5.038</b>	<b>\$ 10.216</b>	<b>\$ 15.254</b>

	<i>(in billions)</i>		
	PLA/CLA	Coastal	Total
Probable Maximum Loss	\$ 8.528	\$ 15.990	\$ 24.518
<b>Claims-Paying Resources:</b>			
Accumulated Surplus	\$ 3.056	\$ 2.686	\$ 5.742
FHCf Reimbursements	2.581	4.010	6.591
Private Reinsurance	-	0.575	0.575
Citizens Policyholder Surcharges	0.781	0.391	1.172
Regular Assessments	2.111	1.860	3.971
Emergency Assessments	-	6.468	6.468
<b>Total</b>	<b>\$ 8.528</b>	<b>\$ 15.990</b>	<b>\$ 24.518</b>

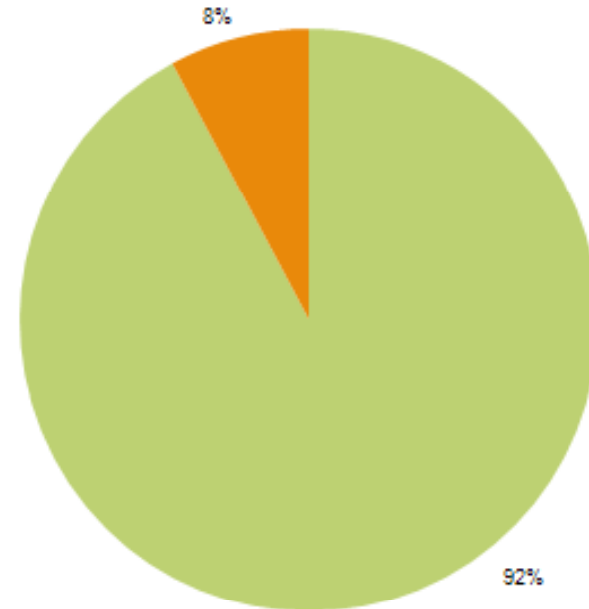
<sup>1</sup> See Notes & Assumptions ; PML in pie charts includes estimate for LAE

# Projected Claims Paying Resources - Combined Accounts 2011 Hurricane Season<sup>1</sup>

1-in-5 Yr Event  
1-in-5 Yr Event  
Probability of Both Occurrences = 4%



1-in-5 Yr Event  
1-in-10 Yr Event  
Probability of Both Occurrences = 2%



	<i>(in billions)</i>		
	PLA/CLA	Coastal Account	Total
Probable Maximum Loss (see note below)	\$ 0.728	\$ 1.468	\$ 2.196

	<i>(in billions)</i>		
	PLA/CLA	Coastal Account	Total
Probable Maximum Loss (see note below)	\$ 1.375	\$ 2.884	\$ 4.259

Claims-Paying Resources:

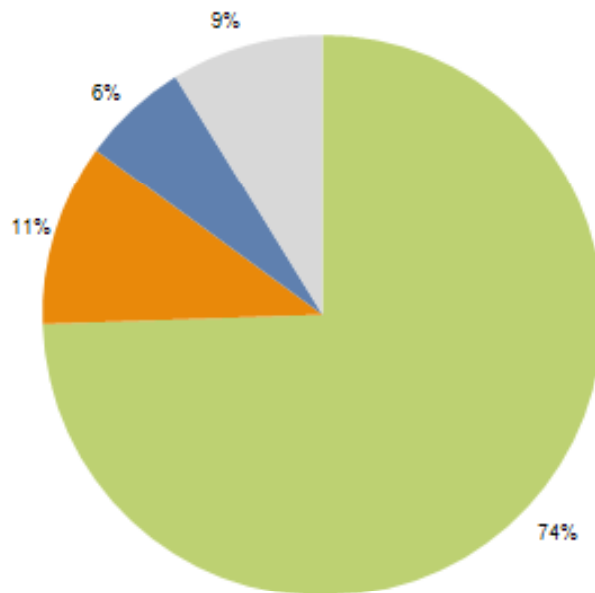
	PLA/CLA	Coastal Account	Total
Accumulated Surplus	\$ 0.728	\$ 1.468	\$ 2.196
FHCF Reimbursements	-	-	-
Private Reinsurance	-	-	-
Citizens Policyholder Surcharges	-	-	-
Regular Assessments	-	-	-
Emergency Assessments	-	-	-
<b>Total</b>	<b>0.728</b>	<b>1.468</b>	<b>2.196</b>

	PLA/CLA	Coastal Account	Total
Accumulated Surplus	\$ 1.375	\$ 2.550	\$ 3.925
FHCF Reimbursements	-	0.334	0.334
Private Reinsurance	-	-	-
Citizens Policyholder Surcharges	-	-	-
Regular Assessments	-	-	-
Emergency Assessments	-	-	-
<b>Total</b>	<b>1.375</b>	<b>2.884</b>	<b>4.259</b>

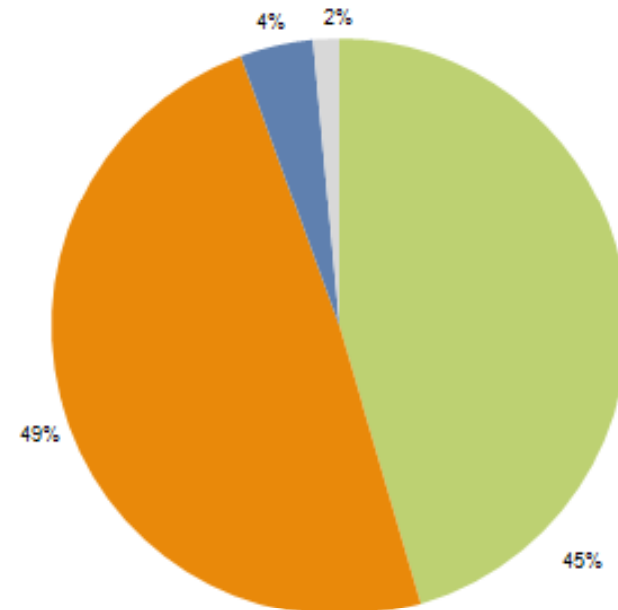
<sup>1</sup> See Notes & Assumptions attached hereto; PML in pie charts includes estimate for LAE

# Projected Claims Paying Resources - Combined Accounts 2011 Hurricane Season<sup>1</sup>

1-in-10 Yr Event  
1-in-10 Yr Event  
Probability of Both Occurrences = 1%



1-in-5 Yr Event  
1-in-25 Yr Event  
Probability of Both Occurrences = 0.8%



	<i>(in billions)</i>		
	PLA/CLA	Coastal Account	Total
Probable Maximum Loss (see note below)	\$ 2.022	\$ 4.300	\$ 6.322

	<i>(in billions)</i>		
	PLA/CLA	Coastal Account	Total
Probable Maximum Loss (see note below)	\$ 3.143	\$ 6.395	\$ 9.538

Claims-Paying Resources:

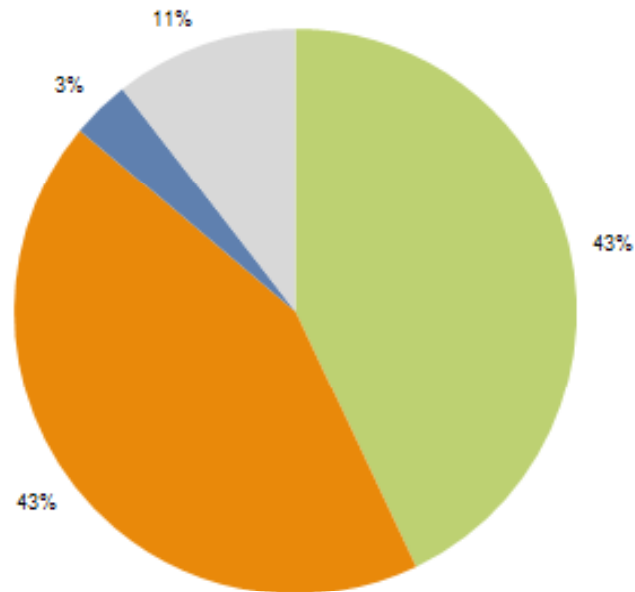
	PLA/CLA	Coastal Account	Total
Accumulated Surplus	\$ 2.022	\$ 2.686	\$ 4.708
FHCf Reimbursements	-	0.667	0.667
Private Reinsurance	-	-	-
Citizens Policyholder Surcharges	-	0.391	0.391
Regular Assessments	-	0.556	0.556
Emergency Assessments	-	-	-
<b>Total</b>	<b>2.022</b>	<b>4.300</b>	<b>6.322</b>

	PLA/CLA	Coastal Account	Total
Accumulated Surplus	\$ 1.649	\$ 2.686	\$ 4.335
FHCf Reimbursements	1.495	3.178	4.672
Private Reinsurance	-	-	-
Citizens Policyholder Surcharges	-	0.391	0.391
Regular Assessments	-	0.141	0.141
Emergency Assessments	-	-	-
<b>Total</b>	<b>3.143</b>	<b>6.395</b>	<b>9.538</b>

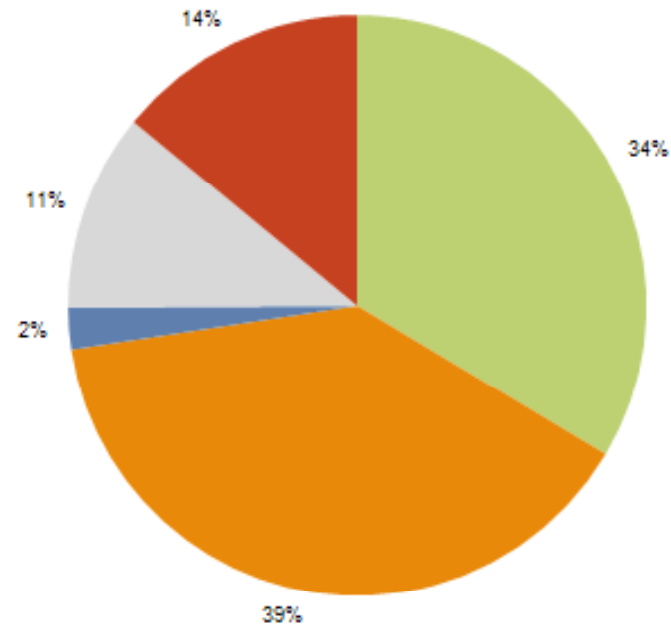
<sup>1</sup> See Notes & Assumptions; PML in pie charts includes estimate for LAE

# Projected Claims Paying Resources - Combined Accounts 2011 Hurricane Season<sup>1</sup>

1-in-10 Yr Event  
1-in-25 Yr Event  
Probability of Both Occurrences = 0.4%



1-in-25 Yr Event  
1-in-25 Yr Event  
Probability of Both Occurrences = 0.16%



	<i>(in billions)</i>		
	PLA/CLA	Coastal Account	Total
Probable Maximum Loss (see note below)	\$ 3.790	\$ 7.811	\$ 11.601

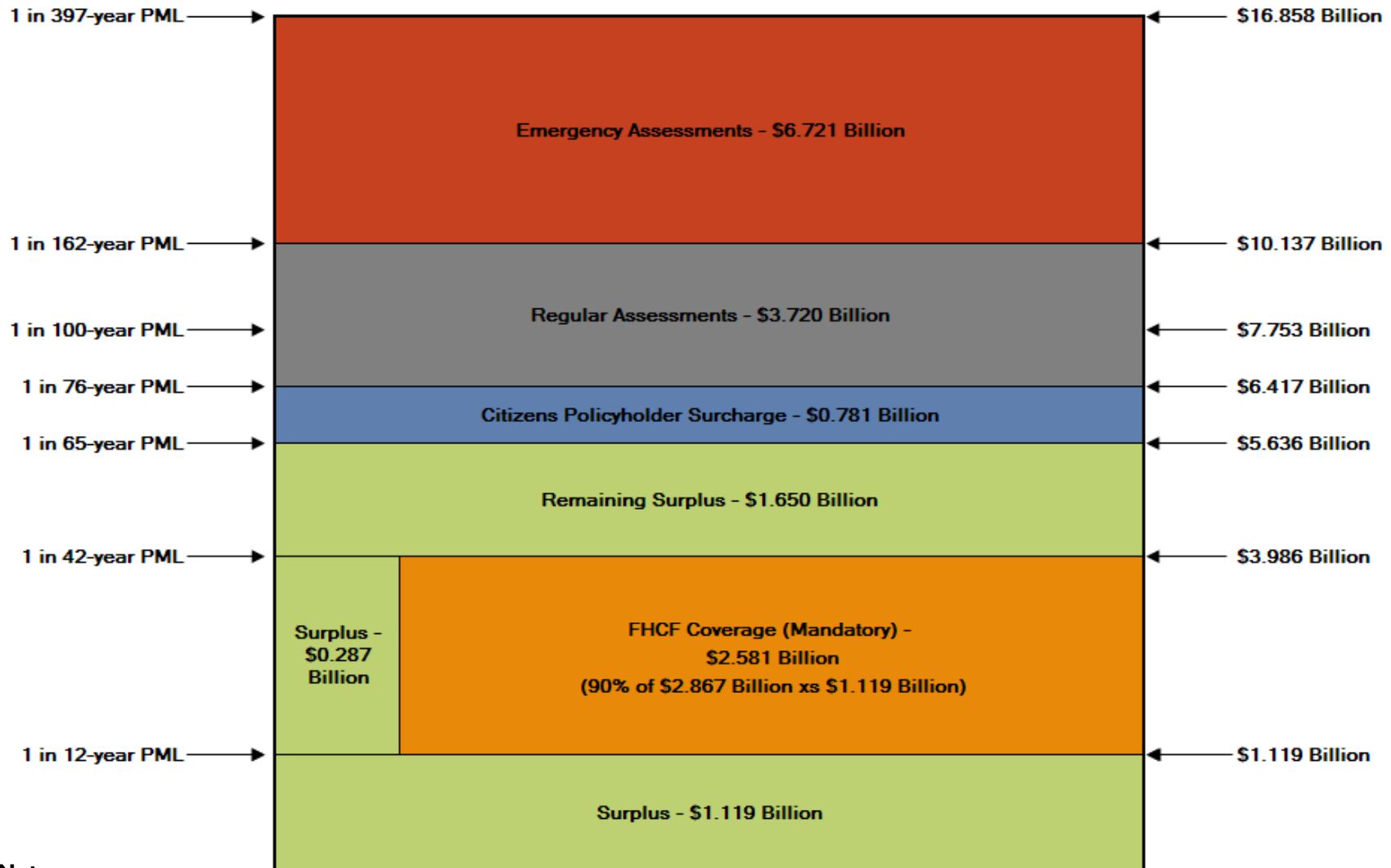
	<i>(in billions)</i>		
	PLA/CLA	Coastal Account	Total
	\$ 5.559	\$ 11.322	\$ 16.881

<u>Claims-Paying Resources:</u>			
Accumulated Surplus	\$ 2.295	\$ 2.686	\$ 4.982
FHCf Reimbursements	1.495	3.511	5.006
Private Reinsurance	-	-	-
Citizens Policyholder Surcharges	-	0.391	0.391
Regular Assessments	-	1.223	1.223
Emergency Assessments	-	-	-
<b>Total</b>	<b>3.790</b>	<b>7.811</b>	<b>11.601</b>

	\$ 2.978	\$ 2.686	\$ 5.664
	2.581	4.010	6.591
	-	-	-
	-	0.391	0.391
	-	1.860	1.860
	-	2.376	2.376
<b>Total</b>	<b>5.559</b>	<b>11.322</b>	<b>16.881</b>

<sup>1</sup> See Notes & Assumptions; PML in pie charts includes estimate for LAE

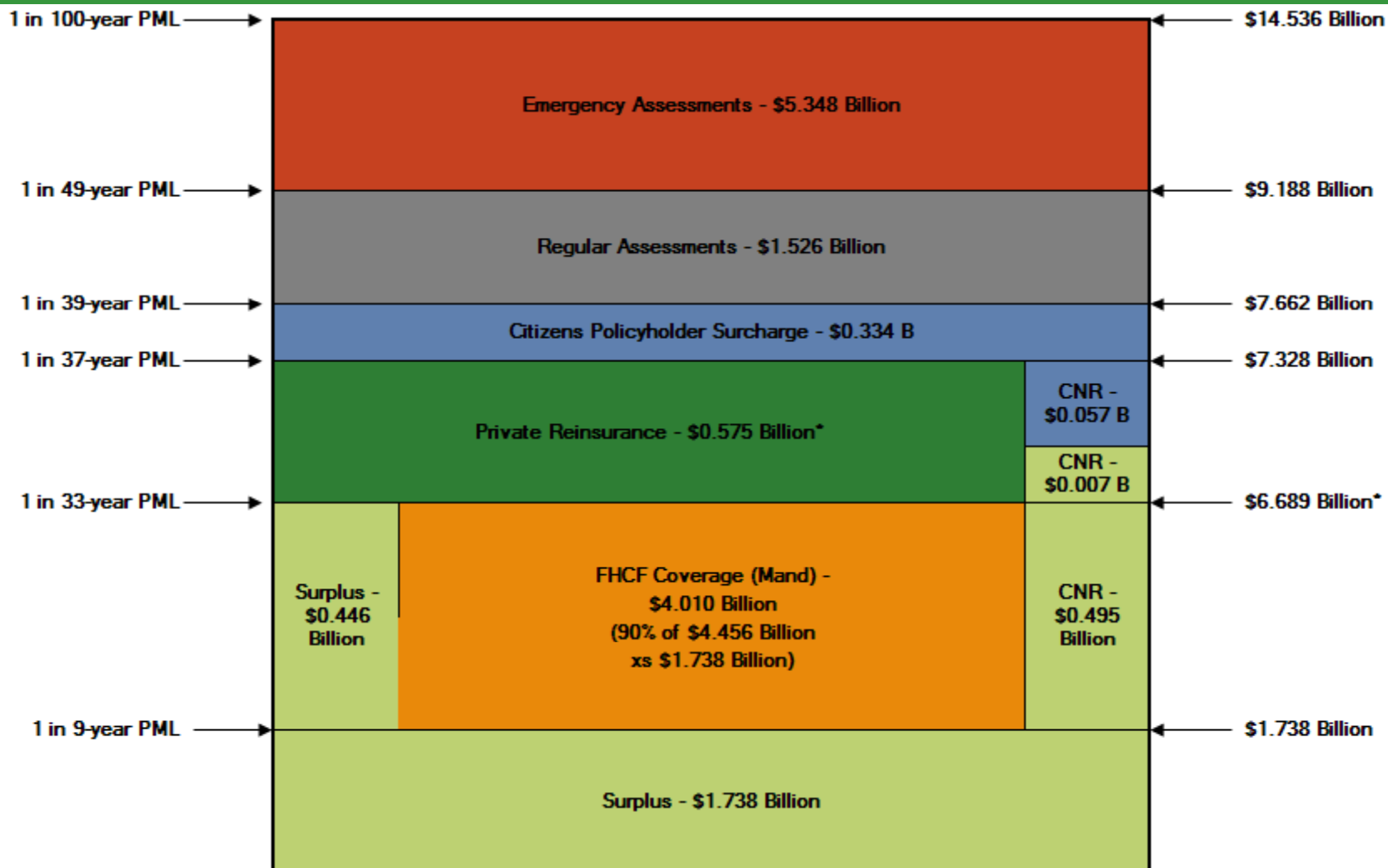
# Projected Layer Chart - Personal Lines/Commercial Lines Accounts 2011 Hurricane Season<sup>4</sup>



**Notes:**

- 1) FHC coverage is based on preliminary retention and payment multiples. The actual retention and limits may be significantly different from these estimates. This layer chart is not drawn to scale.
- 2) Modeled PMLs are weighted 1/3rd Long-Term and 2/3rds Near-Term, reflect Single-Event Occurrences and are based on exposures as of December 31, 2010.
- 3) Emergency Assessments are the maximum annual amount allowed by Florida Statutes (10% per account). However, Emergency Assessments could potentially
- 4) Refer to additional notes page within Appendix for assumptions. PML in layer charts does not include LAE estimate.

# Projected Layer Chart - Coastal Account 2011 Hurricane Season<sup>4</sup>



## Notes:

- 1) FHCFCoverage is based on preliminary retention and payment multiples. The actual retention and limits may be significantly different from these estimates. This layer chart is not drawn to scale.
- 2) Modeled PMLs are weighted 1/3rd Long-Term and 2/3rds Near-Term, reflect Single-Event Occurrences and are based on exposures as of December 31, 2010.
- 3) The amount of Emergency Assessments is the amount required to fund projected losses from a 1-in-100 year event. The maximum annual amount of Emergency Assessments is limited by Florida Statutes (10% per account). Emergency Assessments could potentially be recovered over many years.
- 4) Refer to additional notes page within Appendix for assumptions. PML in layer charts does not include LAE estimate.

\* Actual attachment point for private coverage is \$6.302 billion and excludes CNR losses. The additional surplus of \$387 million (\$6.689 billion less \$6.302 billion) is available to pay losses on top of FHCFCoverage, including CNR losses.

# Perspective on Private Reinsurance

- **Florida Statutes require that Citizens “shall make its best efforts to procure catastrophe reinsurance at reasonable rates, to cover its projected 100-year probable maximum loss as determined by the board of governors.”**
- Can reduce the probability and amount of assessments, depending on the path and severity of a 2011 hurricane
- Budget for last several years includes component for private reinsurance
- Plan supported by Board of Governors in Spring 2011 is to be a consistent buyer



# Historical Private Market Risk Transfer

- 2005 Hurricane Season: private reinsurance was purchased
- 2006 and 2007 Hurricane Seasons: No private reinsurance purchased
- 2008 hurricane season: private reinsurance purchased for HRA only (excluding commercial non-residential): \$446 million of coverage for losses in excess of \$1.67 billion
- 2009 and 2010 Hurricane Seasons: No private reinsurance purchased
- 2011 Hurricane Season: private reinsurance purchased for Coastal account only (excluding commercial non-residential): \$575 million of coverage for losses in excess of \$6.3 billion
  - Met with 31 reinsurers in Bermuda and 21 markets in London
  - Received initial authorizations from 43 reinsurers for coverage of approximately \$671 million for losses in excess of \$6.3 billion within the Coastal Account
  - Authorizations included thirteen Bermuda reinsurers, sixteen reinsurers from London markets, four from the domestic market, five from the international market and four from the capital markets
  - Capital markets component are fully collateralized

# Reinsurers On Citizens' 2011 Program

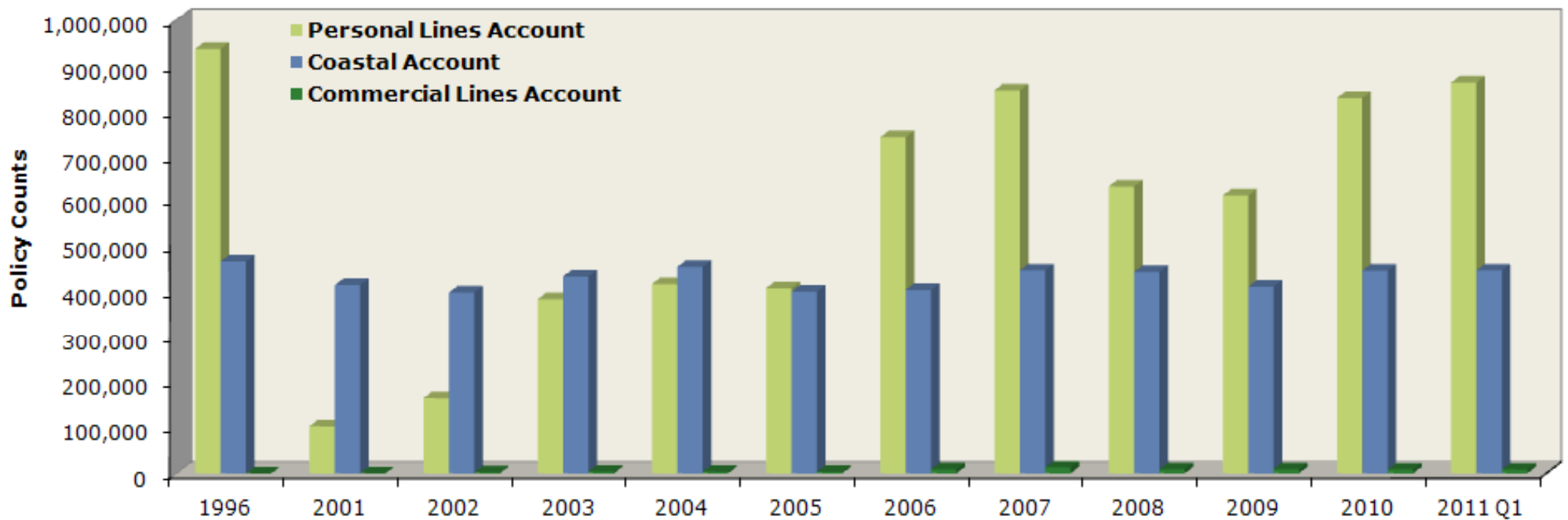
Market	Reinsurers
<b>Bermuda</b>	Ace Tempest Ltd Alterra Bermuda Ltd Amlin Bermuda Ltd (o/b/o Amlin Syndicate 2001) Arch Re Ltd Ariel Reinsurance Company Ltd Catlin Insurance Company Ltd Montpelier Reinsurance Ltd Partner Reinsurance Co Ltd Renaissance Re Ltd. Tokio Millennium Re Ltd Tokio Millennium Re Ltd o/b/o Clariden Leu Tokio Millennium Re Ltd o/b/o Leadenhall Capital Partners XL Re Ltd
<b>International</b>	Flagstone Reassurance Suisse SA Scor Global P&C S.E. Hannover Ruckversicherungs AG o/b/o Juniperus Capital Sirius International Insurance Corp. Taiping Reinsurance Co., Ltd
<b>Capital</b>	Axis Ins Ltd o/b/o Global Credit Reinsurance Ltd/Deutsche Bank D.E. Shaw Re Ltd Nephila Capital (Poseidon Re Ltd) White Rock Ins Co PCC Ltd o/b/o Securis Investment Partners

Market	Reinsurers
<b>London</b>	AML (#2001) ANT (#1274) ARK (#4020) ASC (#1414) CSL (#1084) FDY (#435) HIS (#33) IRK (#626) MAP (#2791) NOA (#3902) NVA (#2007) QBE (#566) REN (#1458) SAM (#727) SDM(#807) SJC (#2003)
<b>Domestic</b>	American Standard Insurance Company Odyssey America Reinsurance Corporation QBE Reinsurance Corporation Swiss Re America Corporation

# Options to Reduce Assessments

- **Reduce Citizens exposure/shrink Citizens**
  - Improve the private property insurance market (takeout/keepout)
  - Consider coverage changes
  - Continue to seek rate adequacy
- **Obtain rate adequacy**
  - Provides additional surplus to pay for future cat events
  - Could help to reduce the number of policies coming to Citizens due to price differential
  - For 2012 risks accepted, expect to be undercharging significantly
- **Transfer risk to the private markets**
  - Traditional Reinsurance
  - Alternative Risk Transfer – Cat Bonds

# Citizens Policy Counts by Account and Year



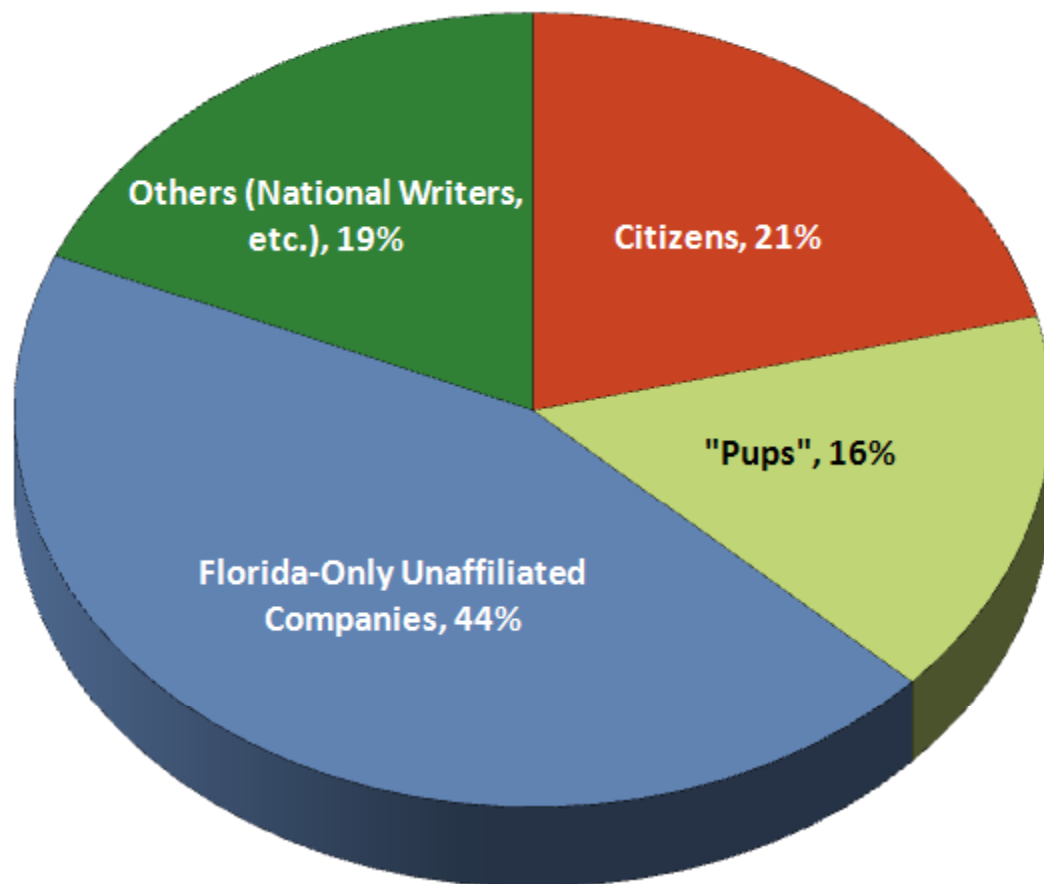
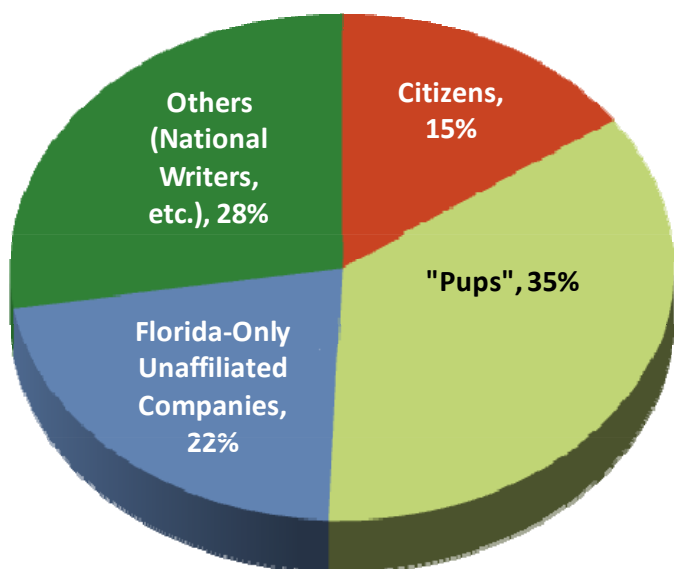
	1996	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 Q1
Personal Lines Account	936,837	102,792	164,274	383,283	416,529	407,387	743,592	845,857	629,467	609,652	829,406	863,038
Coastal Account	465,739	414,123	397,676	433,077	453,755	399,418	403,509	446,181	442,671	410,436	445,679	446,130
Commercial Lines Account	0	198	2,157	3,863	3,702	3,212	8,841	12,911	8,810	9,126	8,453	8,303
Transition Policies <sup>2</sup>	n/a	n/a	n/a	n/a	n/a	n/a	142,980	n/a	n/a	n/a	n/a	n/a
<b>Total</b>	<b>1,402,576</b>	<b>517,113</b>	<b>564,107</b>	<b>820,223</b>	<b>873,986</b>	<b>810,017</b>	<b>1,298,922</b>	<b>1,304,949</b>	<b>1,080,948</b>	<b>1,029,214</b>	<b>1,283,538</b>	<b>1,317,471</b>

**Notes:**

- 1) Excludes takeout policies
- 2) The transition policies from 2006 are the policies assumed from the Poe Financial Group that remained on the Poe system at the end of that calendar year

# Florida Residential Property Admitted Market Breakdown As of March 31, 2011

June 30, 2004

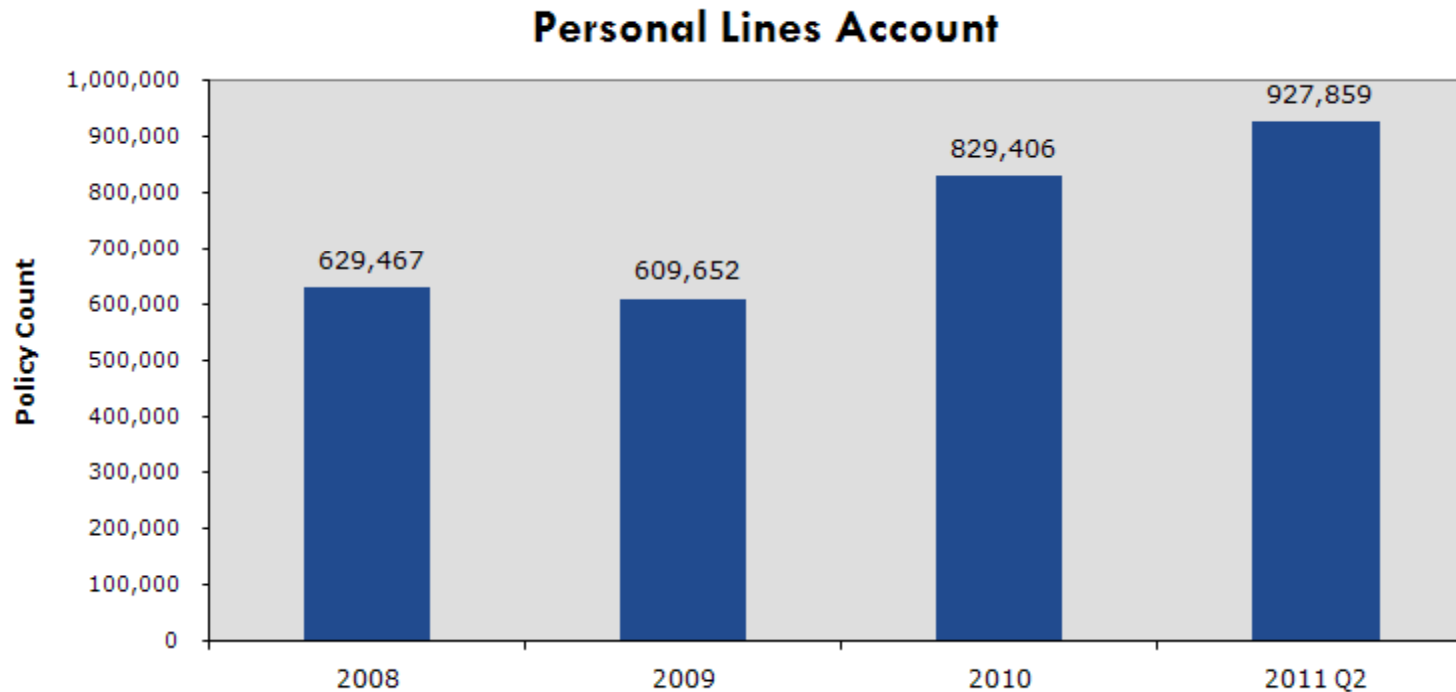


**The Florida Residential Property Insurance Admitted Market is divided into 4 major parts: (1) Citizens; (2) the Florida only subsidiaries “pups” of the major national writers; (3) the Florida-only domestic companies; and (4) non-domestic nationwide property writers, such as USAA, etc.**

**Source:** Florida Office of Insurance Regulation, Quarterly Supplemental Report (QUASR). Includes licensed carriers only. Surplus lines companies are not included. Based on insured value for policies with wind coverage.

# Market Share

- Coastal Account has over 65% market share
- CLA has approximately 53% market share
- PLA has approximately 20% market share
- PLA is the book of business experiencing significant growth since 1/1/10 and is most ripe for depopulation and keep out programs

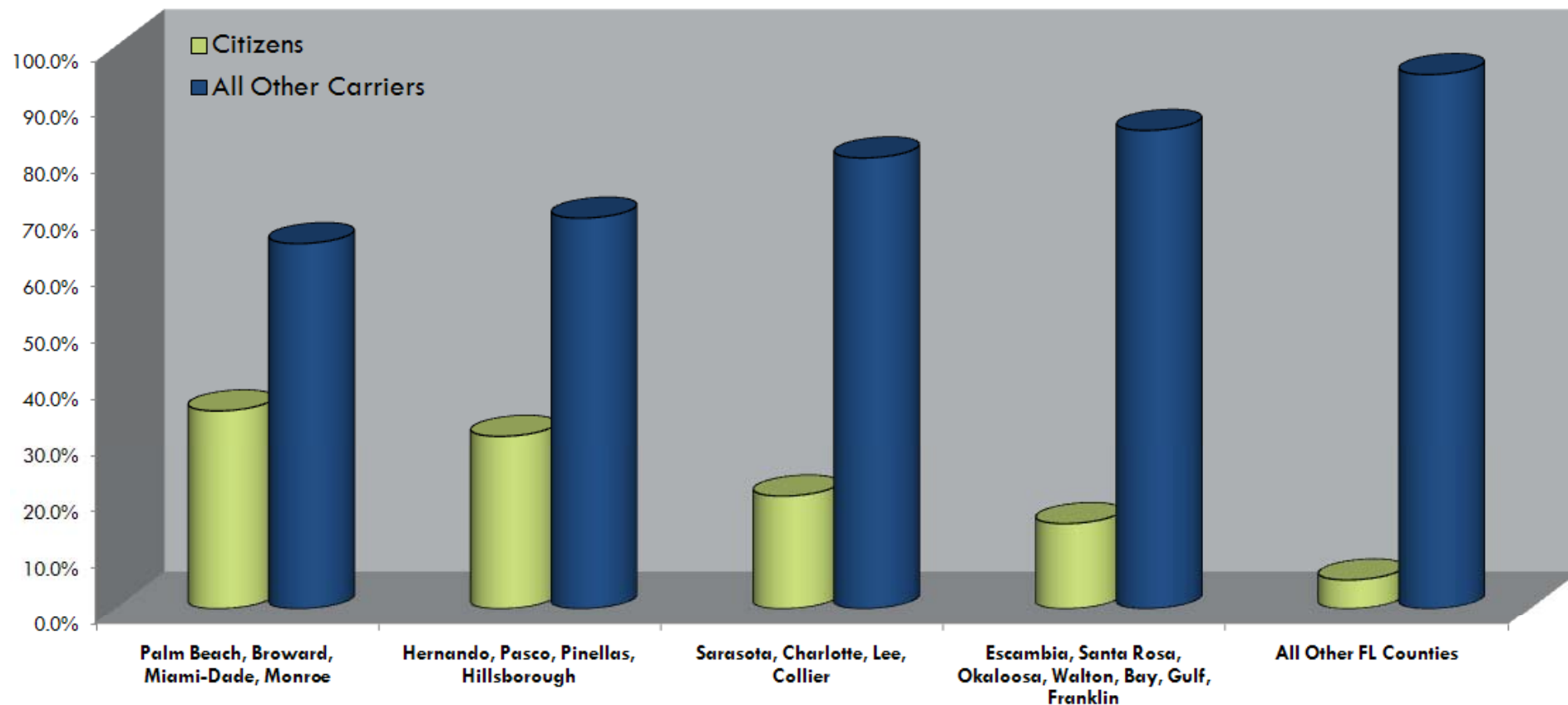


# Significant Growth Only in the Personal Lines Account (PLA)

## Why do policies come to Citizens?

- Price - Premium is likely lower than private market
- Agents
  - Captive agents
  - Citizens cannot become insolvent
  - Price
- Less stringent underwriting requirements
- Geographic concentration in SE Florida and Sinkhole territories
- Wind Mitigation Credit factor
- Few private companies want to write Commercial Residential policies and/or Coastal properties

# Florida Residential Property Market – Citizens vs. All Other Carriers Market Share As of March 31, 2011



Counties	Total Exposure		Market Share	
	Citizens	All Other Carriers	Citizens	All Other Carriers
Palm Beach, Broward, Miami-Dade, Monroe	\$236,585,079,520	\$436,751,449,665	35.1%	64.9%
Hernando, Pasco, Pinellas, Hillsborough	\$90,848,764,391	\$205,749,822,535	30.6%	69.4%
Sarasota, Charlotte, Lee, Collier	\$59,856,843,652	\$239,914,121,853	20.0%	80.0%
Escambia, Santa Rosa, Okaloosa, Walton, Bay, Gulf, Franklin	\$16,969,808,329	\$95,513,991,970	15.1%	84.9%
All Other FL Counties	\$46,490,519,673	\$863,291,345,546	5.1%	94.9%

**Source:** Florida Office of Insurance Regulation, Quarterly Supplemental Report (QUASR). Includes licensed carriers only. Surplus lines companies are not included. Based on insured value for policies with and without wind coverage.



# Appendix

# Projected Claims Paying Resources and Layer Charts

## Notes & Assumptions

**NOTES** - The charts attempt to show total projected claims-paying resources needed for various storm events. However, the charts reflect approximations and are not perfect. Some significant observations are as follows:

- ⊗ **Timing** - The charts show estimates of ultimate resources needed, not liquidity needs on a timed basis. An account with sufficient ultimate claims-paying resources could still require liquidity facilities as some resources could potentially be unavailable following a major event.
- ⊗ **Return Times** - A loss event for one account will not be the same size event for other accounts. The relative magnitude of an event will depend on the size, severity and path of the storm. Probable Maximum Loss ("PML") estimates are weighted 1/3<sup>rd</sup> Standard Sea-Surface Temperature (Long-Term) and 2/3<sup>rd</sup>s Warm Sea-Surface Temperature (Near-Term), are based on Single-Event Occurrences. Layer Chart Projections **do not include** any provision for the adjustment of claims (LAE); Projected Claims Paying Resources **do include** a provision of 10% for the adjustment of claims (LAE). PML estimates were modeled using AIR Clasic/2, Version 12.0.4, including Loss Amplification, excluding Storm Surge, on exposures as of December 31, 2010.
- ⊗ **Account Combination** - Each account is accounted for separately as required by Florida Statutes. However, the PLA and the CLA are evaluated together for reinsurance and credit purposes. Therefore, the charts illustrate the effect of the PLA and the CLA aggregated, not combined as one account.
- ⊗ **Commercial Non-Residential Exposure** - Commercial Non-Residential ("CNR") exposures in the CLA and the Coastal Account are not reinsured by the Florida Hurricane Catastrophe Fund ("FHCF"). The charts include a provisional estimate for CNR losses in the Coastal Account for all return times (see assumption below). Historically, CNR losses in the CLA have been negligible and therefore a separate provision (for non-reimbursement from the FHCF) is not considered in the
- ⊗ **Projected Surplus** - The charts use estimated accumulated surplus determined in accordance with Statutory Accounting Principles ("SAP"). However, actual assessments are based on adjusted surplus determined in accordance with accounting principles generally accepted in the United States of America (GAAP), which varies from SAP.

### ASSUMPTIONS:

▶ Maximum Citizens Policyholder Surcharge Percentage	15% per account
▶ Projected Regular Assessment Base	\$31.00 Billion
▶ Maximum Regular Assessment Percentage	6% per account
▶ Projected Emergency Assessment Base	\$33.60 Billion
▶ Maximum Emergency Assessment Percentage	10% per account
▶ Estimated CNR (Not covered by the FHCF) for the Coastal Account	10% for all event Return Times
▶ Exposure Measurement Date	December 31, 2010
▶ Projected Accumulated Surplus	\$5.742 billion at December 31, 2011
	--> \$3.056 billion in the PLA/CLA
	--> \$2.686 billion in the Coastal Account

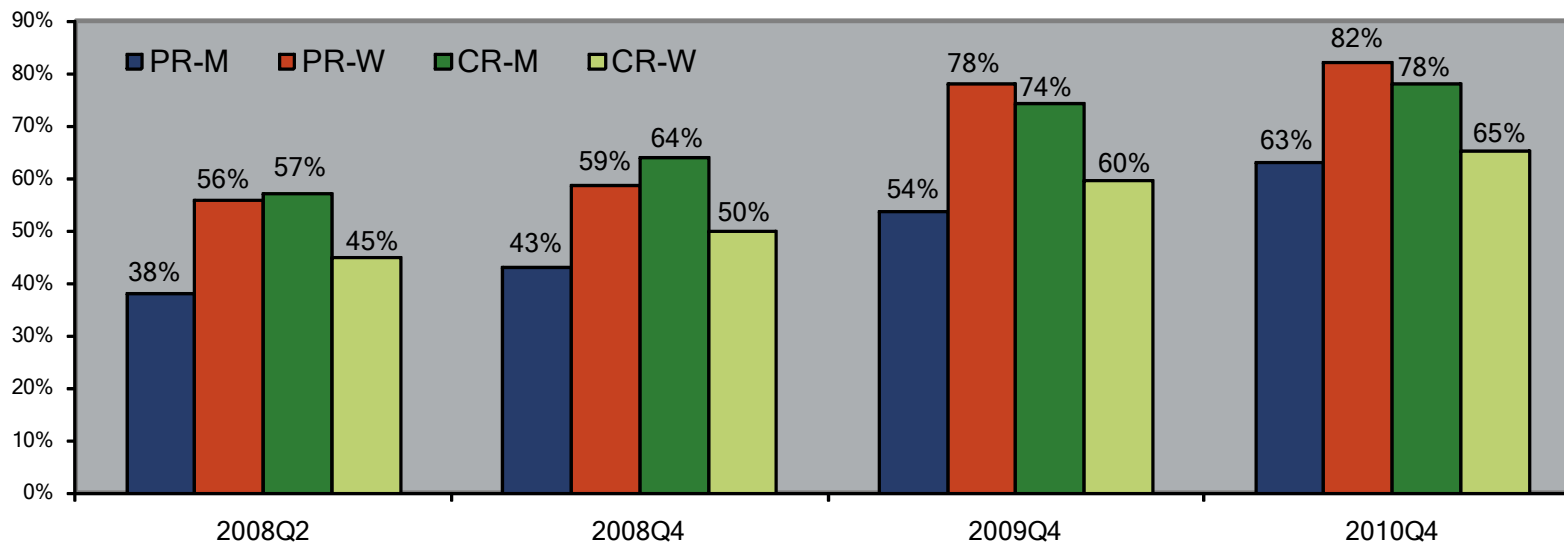
# Inspection Program

- 32,628 personal residential and commercial lines inspections have been fully processed as of May 31, 2011
  - The estimated increase in premium as a result of these inspections is \$15,535,192
- Future plans for the program:
  - Expand the scope to include new business
  - Commercial multiple building inspections
  - Retail inspections
  - Allow for additional inspection types such as four point, general condition, and mobile home tie down

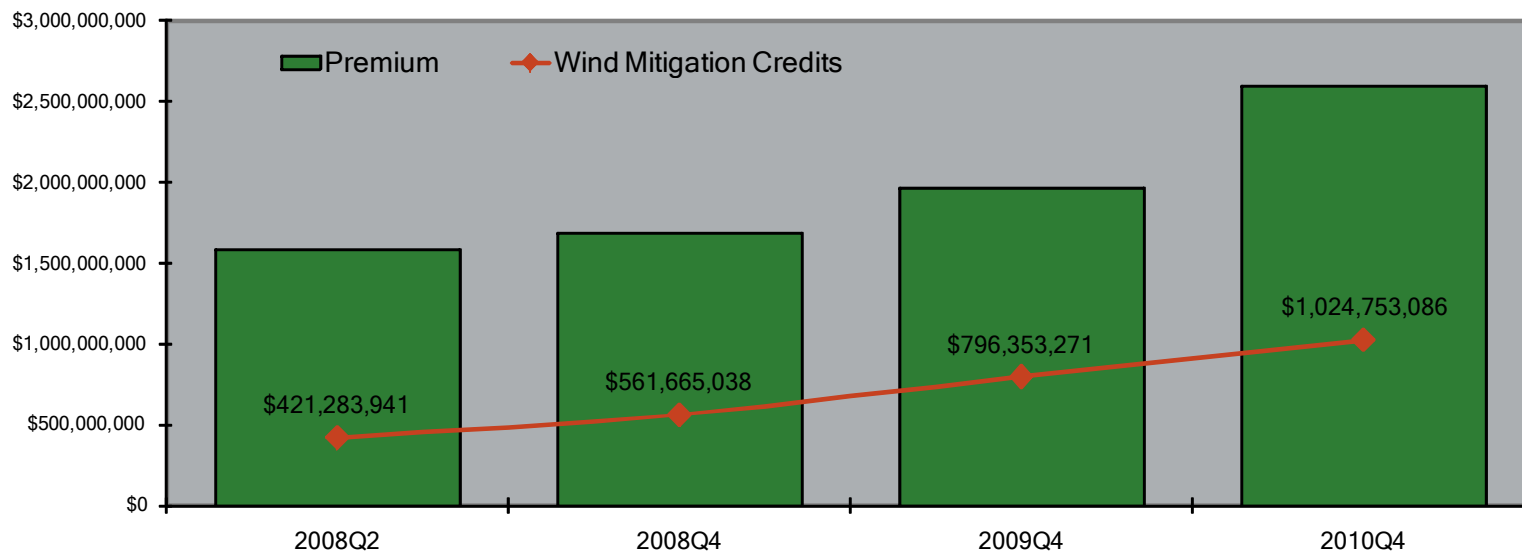
# Wind Mitigation Credits Trend Analysis

## As of December 31, 2010

Percentage of Policies Including Wind with WMC



Premium for Buildings with WMC versus Total WMC

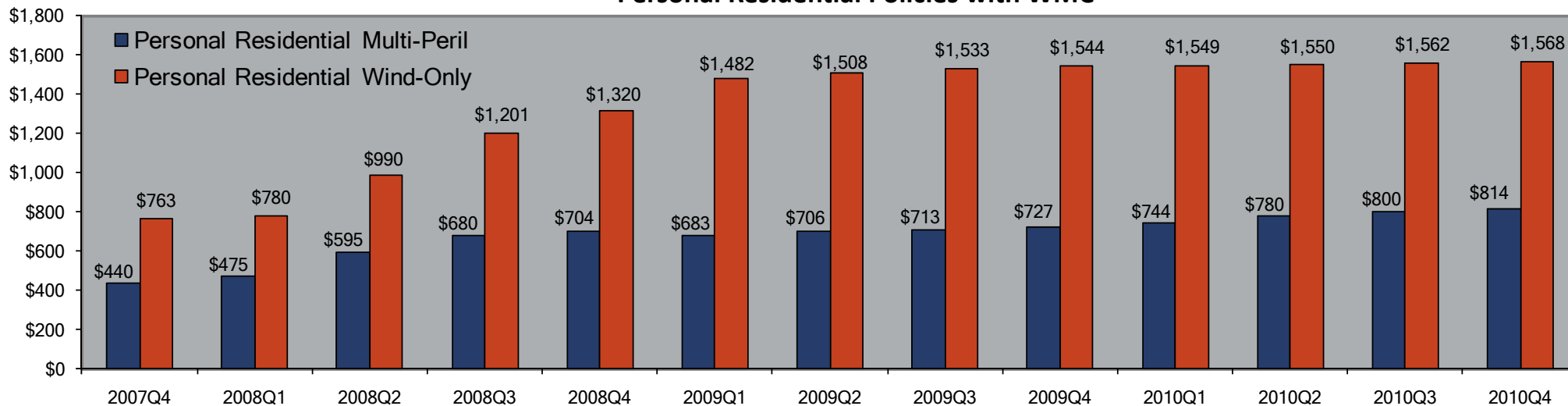


**Note:** Premium is provided only for those buildings with wind mitigation credits. Premium is calculated as follows:  

$$\text{Premium} = \text{Total Premium including Surcharges} - \text{Total Surcharges} + \text{Total Wind Mitigation Credits}.$$

# Average Wind Mitigation Credits As of December 31, 2010

### Personal Residential Policies with WMC



### Commercial Residential Policies with WMC

