

Citizens Property Insurance Corporation

Presentation to the Florida Cabinet

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What is Citizens?

-  Citizens is a State-created, not-for-profit, tax-exempt governmental entity whose public purpose is to provide property insurance coverage to those unable to find affordable coverage in the voluntary admitted market.
-  Citizens operates pursuant to a plan of operation which is reviewed and approved by the Financial Services Commission.
-  Citizens is subject to regulation by the Florida Office of Insurance Regulation.
-  Citizens is currently the largest property insurer in Florida with just over 1 million policies extending approximately \$405 billion of property coverage to Floridians - representing approximately 23% of the residential premium in the State.

Executive Summary

-  Four years of no hurricanes striking Florida has resulted in Citizens being in the best financial position ever with approximately \$11 billion of cash and invested assets, \$4 billion of accumulated surplus and an estimated 2010 claims-paying capacity of over \$14 billion.
-  The combined PLA/CLA requires no outside liquidity for the first time in Citizens' history. Citizens recently completed a successful pre-event financing program for the HRA. The rate freeze has been lifted and the glide-path has been implemented. These measures will help assure that Citizens fulfills its obligations to policyholders.
-  Exposure, policies inforce and PML have all decreased approximately 20%, 28%, and 10%, respectively, since 2007.
-  Citizens' leadership includes an experienced and engaged Board of Governors and an executive management team with over 107 years of combined industry knowledge and expertise.

Claims-Paying Resources

Citizens' resources include both resources typically available to private insurance companies and resources uniquely available to it as a governmental entity with the statutory ability to levy assessments in the event of a deficit .

Typical Resources
<ul style="list-style-type: none">• Insurance Premiums• Investment Income• Accumulated Surplus• Florida Hurricane Catastrophe Fund Reimbursements• Private Reinsurance, if purchased

Unique Resources
<ul style="list-style-type: none">• Citizens Policyholder Surcharges• Regular Assessments• Emergency Assessments

-  = A Liquid Resource
-  = Not a Liquid Resource
-  = A Potentially Liquid Resource (using interim assessments)

Statement of Admitted Assets, Liabilities & Accumulated Surplus Statutory Basis, as of 12/31/09 (Unaudited)

Admitted assets	
Cash and invested assets	\$ 8,202,690,020
Premiums receivable, net	120,642,034
Reinsurance recoverable	23,511,385
Other admitted assets	18,865,762
Assessment receivable	423,166,822
Total Admitted Assets	<u>\$ 8,788,876,023</u>
Liabilities	
Loss reserves	\$ 605,641,418
Loss expense reserves	136,506,005
Unearned premiums, net	947,043,361
Reinsurance premiums payable	35,076,357
Advance premiums & suspended cash	85,536,121
Notes payable	2,864,492,693
Interest payable	33,681,580
Other liabilities	87,892,407
Total Liabilities	<u>\$ 4,795,869,942</u>
Accumulated surplus	
Beginning accumulated surplus	3,156,365,212
Change in non-admitted assets	55,068,433
Change in other	17,804,781
Net income	763,767,655
Ending accumulated surplus	<u>3,993,006,081</u>
Total Liabilities & Accumulated Surplus	<u>\$ 8,788,876,023</u>

Estimated Claims-Paying Ability

Description	<u>\$'s in Millions</u>		
	PLA / CLA	HRA	Pro-Forma Combined
Accumulated Surplus at December 31, 2009	\$ 2,463	\$ 1,530	\$ 3,993
2010 Budgeted Net Income ¹	<u>274</u>	<u>392</u>	<u>666</u>
Total Accumulated Surplus available for claims	2,737	1,922	4,659
Pre-event Liquidity Available ²	0	3,671	3,671
Projected FHCF Coverage (Mandatory Layer Only) ³	<u>1,947</u>	<u>3,894</u>	<u>5,841</u>
Total Claims-Paying Ability	\$ <u>4,684</u>	\$ <u>9,487</u>	\$ <u>14,171</u>

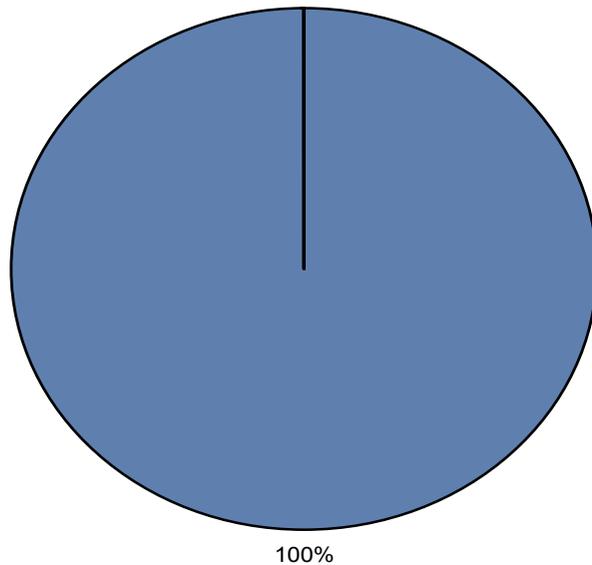
Notes:

- 1) Adjusted to reflect the Board-approved removal of a provision to purchase the optional TICL coverage available from the FHCF.
- 2) Pre-Event Liquidity reflects HRA pre-event liquidity program. This does not represent risk transfer and any funds drawn must be repaid.
- 3) FHCF coverage is based on estimates of preliminary exposure data, rating factors and coverage multiples. The final retentions and coverage amounts may be significantly different from these estimates. Citizens' Board of Governors has elected to not purchase TICL or private reinsurance for 2010.

Estimated 2010 Claims-Paying Resources

1-in-5 Yr Event

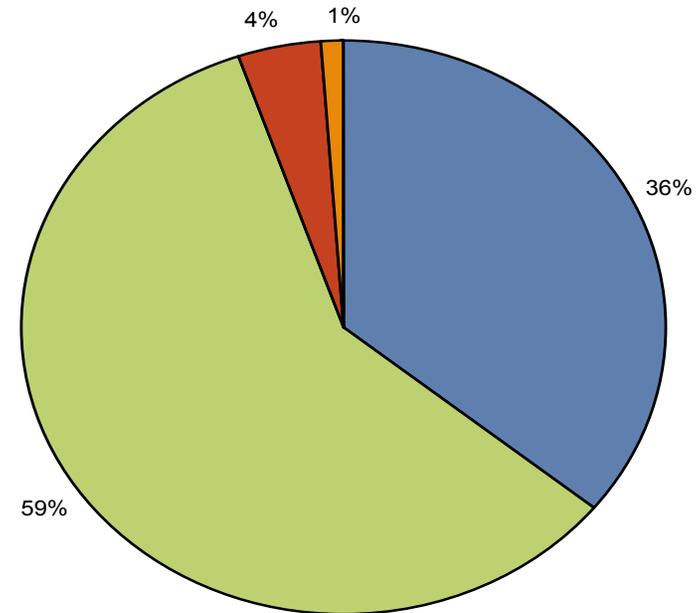
Probability of Occurrence = 20%



	<i>(in billions)</i>
Probable Maximum Loss ¹	\$ 1.498
<u>Claims-Paying Resources:</u>	
Accumulated Surplus	\$ 1.498
FHCF Reimbursements	-
Citizens Policyholder Surcharges	-
Regular Assessments	-
Emergency Assessments	-
Total	\$ 1.498

1-in-25 Yr Event

Probability of Occurrence = 4%



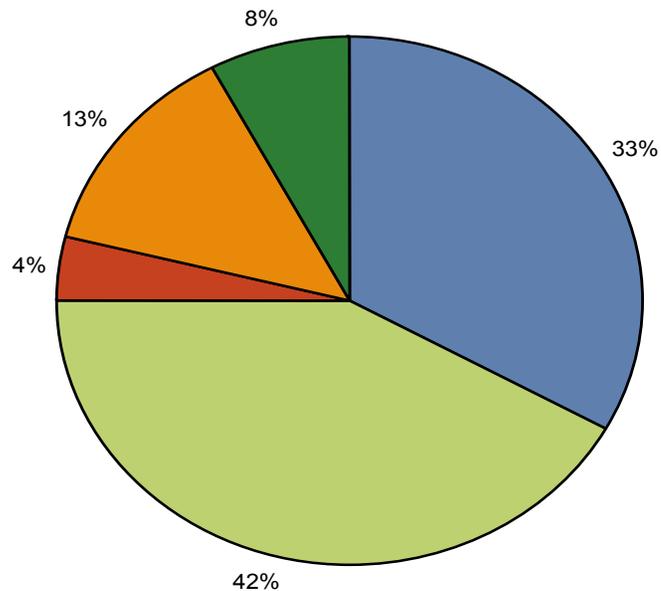
	<i>(in billions)</i>
Probable Maximum Loss ¹	\$ 8.172
<u>Claims-Paying Resources:</u>	
Accumulated Surplus	\$ 2.934
FHCF Reimbursements	4.808
Citizens Policyholder Surcharges	0.344
Regular Assessments	0.086
Emergency Assessments	-
Total	\$ 8.172

¹PML estimates are the modeled losses resulting from a storm event plus the projected cost of adjusting claims. Please see Notes & Assumptions on Page 8.

Estimated 2010 Claims-Paying Resources

1-in-50 Yr Event

Probability of Occurrence = 2%



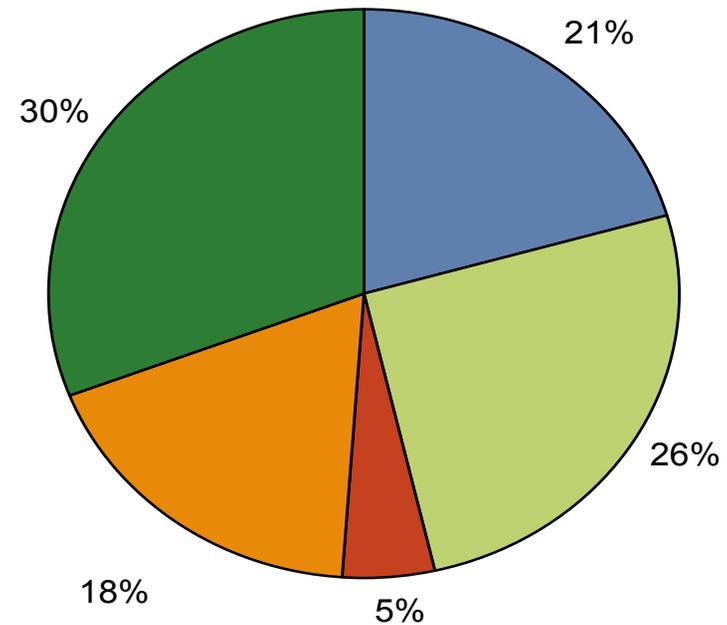
Probable Maximum Loss¹ (in billions) \$ 13.950

Claims-Paying Resources:

Accumulated Surplus	\$ 4.619
FHCF Reimbursements	5.841
Citizens Policyholder Surcharges	0.527
Regular Assessments	1.873
Emergency Assessments	1.091
Total	\$ 13.950

1-in-100 Yr Event

Probability of Occurrence = 1%



Probable Maximum Loss¹ (in billions) \$ 22.487

Claims-Paying Resources:

Accumulated Surplus	\$ 4.619
FHCF Reimbursements	5.841
Citizens Policyholder Surcharges	1.031
Regular Assessments	4.072
Emergency Assessments	6.924
Total	\$ 22.487

¹PML estimates are the modeled losses resulting from a storm event plus the projected cost of adjusting claims. Please see Notes & Assumptions on Page 8.

Estimated Claims-Paying Resources Notes and Assumptions

NOTES --> The charts attempt to show projected claims-paying resources available in various loss occurrence scenarios. However, the charts reflect approximations and are not perfect. Some significant observations are described below.

- ☼ Timing - The charts do not show the liquidity needs on a timed basis. An account with ample ultimate claims-paying resources may still require liquidity as some of the resources could potentially be unavailable following a major hurricane.
- ☼ Return Times - A loss event in one account may not be the same size event in other accounts. The relative magnitude of a loss will depend on the size, severity and path of the storm. Probable Maximum Loss ("PML") estimates are weighted 1/3rd historical and 2/3rd stochastic, are based on single-event occurrences and include a provision for loss adjustment expense. PML estimates were modeled using RMS RiskLink, Version 9, including Loss Amplification, excluding Storm Surge.
- ☼ Account Combination - As required by Florida Statutes, each account is separately stated for the purposes of deficit calculation and assessment purposes. But, they are combined for reinsurance and credit purposes. The charts illustrate the effect of all three accounts aggregated, not combined.
- ☼ Commercial Non-Residential Exposure - Commercial Non-Residential ("CNR") and Commercial Residential ("CR") exposures in the CLA and HRA are not reinsured by the Florida Hurricane Catastrophe Fund ("FHCF"). The charts utilize a provisional estimate of 10% of total losses for CNR in the HRA at all return times. Historically, the amount of CNR losses in the CLA and CR losses have been negligible and therefore are not considered in the charts.

ASSUMPTIONS:

▶ Projected Direct Written Premium for 2010	\$2.3 Billion
▶ Maximum Citizens Policyholder Surcharge Percentage	15% per account
▶ Regular Assessment Base	\$31.2 Billion
▶ Maximum Regular Assessment Percentage	6% per account
▶ Emergency Assessment Base	\$33.5 Billion
▶ Maximum Emergency Assessment Percentage	10% per account
▶ HRA Commercial Non-Residential (Not covered by the FHCF)	10% at all Return Times
▶ Estimate for loss adjustment expense	10% at all Return Times
▶ Accumulated Surplus projection date	December 31, 2010
▶ Exposure Measurement Date	September 30, 2009

Overview of Assessments

1.

Citizens Policyholder Surcharge

Up to 15% per account for HRA, PLA, and/or CLA deficits
Applies at new business/renewal for all Citizens' policyholders

2.

Regular Assessment

Up to 6% per account for HRA, PLA and/or CLA deficits
Applies at new business/renewal for all non-Citizens' policyholders

3.

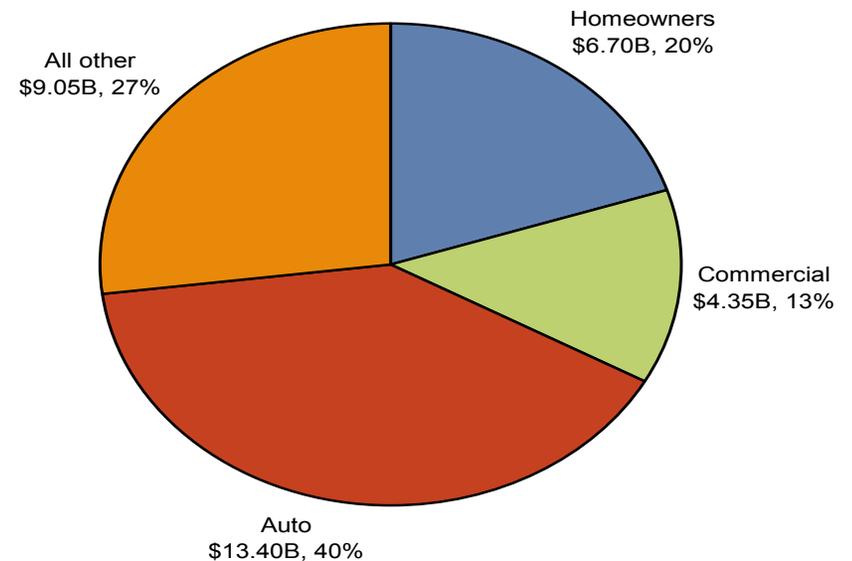
Emergency Assessment

Up to 10% per year per account for HRA, PLA and/or CLA deficits
Applies at new business/renewal for all Citizens' and non-Citizens' policyholders

Assessment Base is Broad, Diverse and Large

- Regular and emergency assessments are levied statewide on almost 90% of property and casualty insurance policies.
- The total projected assessment base for 2010 is \$33.5 billion.

Projected Composition of 2010 Assessment Base



Lines Subject to Assessment

Fire	Private Passenger Auto No Fault
Allied Lines	Other Private Passenger Auto Liability
Multiple Peril Crop	Commercial Auto No Fault
Farmowners Multiple Peril	Other Commercial Auto Liability
Homeowners Multiple Peril	Private Passenger Auto Physical Damage
Commercial Multiple Peril (non liability)	Commercial Auto Physical Damage
Commercial Multiple Peril (liability portion)	Aircraft (all perils)
Mortgage Guaranty	Fidelity
Ocean Marine	Surety
Inland Marine	Burglary and Theft
Financial Guaranty	Boiler and Machinery
Earthquake	Credit
Other Liability	Aggregate Write-Ins
Products Liability	Community Association Self - Insurance

Conclusion

-  Citizens is in the best financial position ever with approximately \$4 billion of accumulated surplus and an estimated 2010 claims-paying capacity of over \$14 billion. The combined PLA/CLA requires no pre-event liquidity for the first time in Citizens' history.
-  Citizens meets the NAIC and state of Florida solvency requirements including Risk-Based Capital
-  Exposure, policies inforce, and PML continue to decline
-  Rate freeze lifted and the glide-path has been initiated

Definitions

-  **PLA** – Personal Lines Account
-  **CLA** – Commercial Lines Account
-  **HRA** – High Risk Account
-  **FHCF** – The Florida Hurricane Catastrophe Fund
-  **TICL** – Temporary Increase in Coverage Limit
-  **CNR** – Commercial Non-Residential
-  **CR** or **CMR** – Commercial Residential
-  **NAIC** – National Association of Insurance Commissioners
-  **SIFMA** – Securities Industry and Financial Markets Association
-  **FRN** – Floating-Rate Notes

HRA Senior Secured Bonds, Series 2010A

Summary of Terms

	Series 2010A-1 \$1.55B	Series 2010A-2 (Short-Term Notes) \$500M	Series 2010A-3 (SIFMA FRNs) \$350M	Aggregate Series 2010A Bonds \$2.4B
Pricing Date	March 22, 2010			
Settlement Date	April 6, 2010			
Security	Bond Proceeds, Investment Earnings, Net Premiums and Surcharges, FHCF Reimbursements, Citizens' Policyholders Surcharge, Regular Assessments and Emergency Assessments			
Ratings	Moody's Investors Service A2/MIG1 Standard & Poor's A+/SP-1+			
Structure	Insured Serial Bonds 2010 - 2017: Uninsured Serial Bonds 2013 - 2017	Note maturing on April 21, 2011	SIGMA-indexed Floating Rate Note maturing June 1, 2013	Note maturing on April 21, 2011 Serial Bonds 2013 - 2017
Average Life	5.691 Years	1.042 Years	3.153 Years	4.353 Years
Final Maturity	June 1, 2017	April 21, 2011	June 1, 2013	June 1, 2017
True Interest Cost	4.058%	1.481%	2.126%	3.714%

Financing Highlights

- Citizens placed \$2.4 billion of tax-exempt pre-event capital markets instruments, the high end of its financing range
 - This financing enables Citizens to meet its 2010 liquidity goals
- Successful bond financing eliminates the need for a bank facility this year, saving Citizens significant money and time
- Total interest costs were over 150 basis points lower than in 2009, saving Citizens more than \$36 million per year
- Retail investors bought over \$650 million of bonds, nearly double the amount placed with retail investors last year
- The incorporation of floating rate notes helps diversify Citizens' liquidity instruments and investor base, while providing more cost certainty on this portion of the program