

AGENDA
FINANCIAL SERVICES COMMISSION
Office of Insurance Regulation
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April 13, 2010

MEMBERS

Governor Charlie Crist
Attorney General Bill McCollum
Chief Financial Officer Alex Sink
Commissioner Charles Bronson

Contact: Monte Stevens
(850-413-2571)

9:00 AM
LL-03, The Capitol
Tallahassee, Florida

<u>ITEM</u>	<u>SUBJECT</u>	<u>RECOMMENDATION</u>
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| 1. | Presentation by Citizens Property Insurance Corporation by Sharon Binnun, Chief Financial Officer and John Forney, Financial Advisor | |
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ATTACHMENT 1

FOR DISCUSSION

Citizens Property Insurance Corporation

Presentation to the Florida Cabinet

Sharon Binnun, Citizens' Chief Financial Officer/Senior Vice President

John Forney, Financial Advisor, Managing Director Raymond James

April 13, 2010

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 and \$405 billion of insured property coverage, and represents approximately 23% of the residential premium in the State.

Claims-Paying Resources

Citizens resources include both typical insurance company financial resources and resources unique to it as a governmental entity with assessment power.

Typical Financial Resources

- Insurance Premiums
- Investment Income
- Operating Surplus from Prior Years
- Florida Hurricane Catastrophe Fund Reimbursements
- Private Reinsurance, if purchased

Unique Financial Resources

- Citizens Policyholder Surcharges
- Regular Assessments
- Emergency Assessments

- = Liquid Resource
- = Illiquid Resource
- = 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

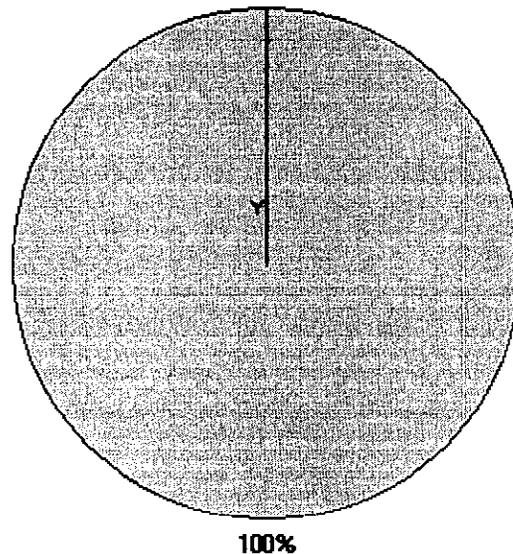
\$	2,463	\$	1,530	\$	3,993
	191		222		413
	83		170		253
\$	2,737	\$	1,922	\$	4,659
\$	0	\$	3,671	\$	3,671
\$	1,947	\$	3,894	\$	5,841
\$	4,684	\$	9,487	\$	14,171

Notes:

- 1) Pre-Event Liquidity reflects HRA pre-event liquidity program. This does not represent risk transfer and any funds drawn must be repaid.
- 2) 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 estimations. 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%

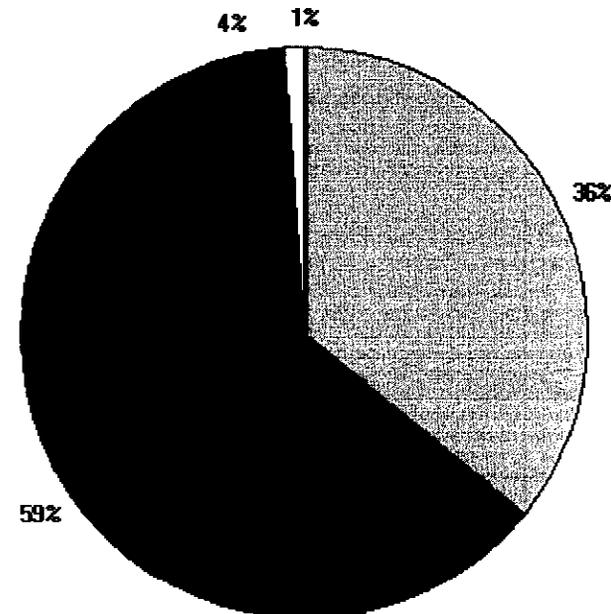


Probable Maximum Loss (in billions) 1.498

Claims-Paying Resources:

	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%



Probable Maximum Loss (in billions) 8.172

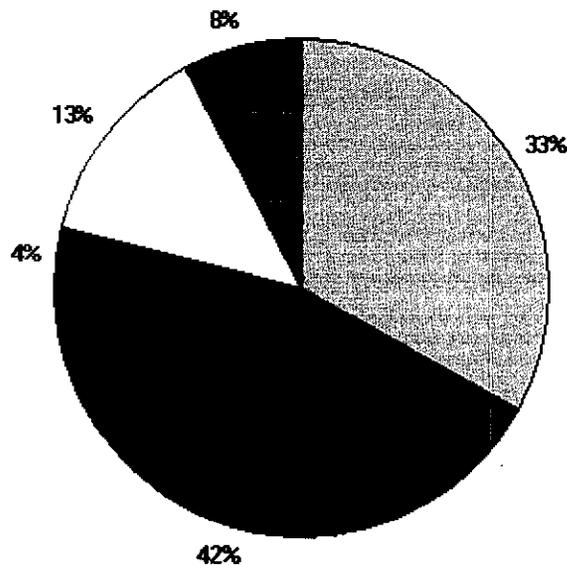
Claims-Paying Resources:

	Accumulated Surplus	2.934
	FHCF Reimbursements	4.808
	Citizens Policyholder Surcharges	0.344
	Regular Assessments	0.086
	Emergency Assessments	-
Total		8.172

Please see Notes & Assumptions attached hereto

Estimated 2010 Claims-Paying Resources

1-in-50 Yr Event
Probability of Occurrence = 2%

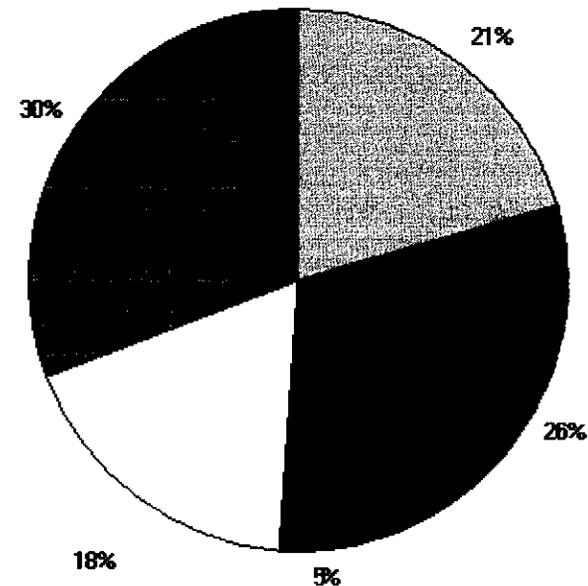


Probable Maximum Loss (in billions) 13.950

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 Loss (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

Please see Notes & Assumptions attached hereto

Estimated Claims-Paying Resources Notes and Assumptions

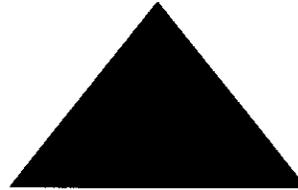
NOTES --> The charts attempt to show projected claims-paying resources available in various loss occurrence scenarios. However, the charts reflect approximations and are not perfect. Some significant observations are described below.

- ☼ 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.
- ☼ 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:

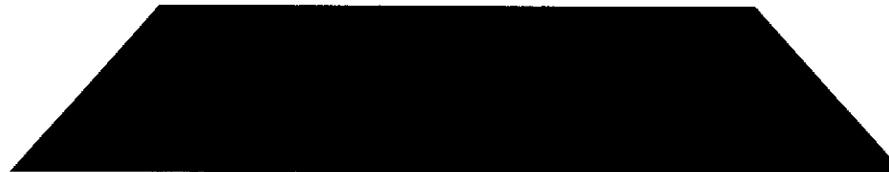
▶ Projected Direct Written Premium for 2010	\$2.3 Billion
▶ Maximum Citizens Policyholder Surcharge Percentage	15% per account
▶ Regular Assessment Base	\$31.2 Billion
▶ Maximum Regular Assessment Percentage	6% per account
▶ Emergency Assessment Base	\$33.5 Billion
▶ Maximum Emergency Assessment Percentage	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

Overview of Assessments



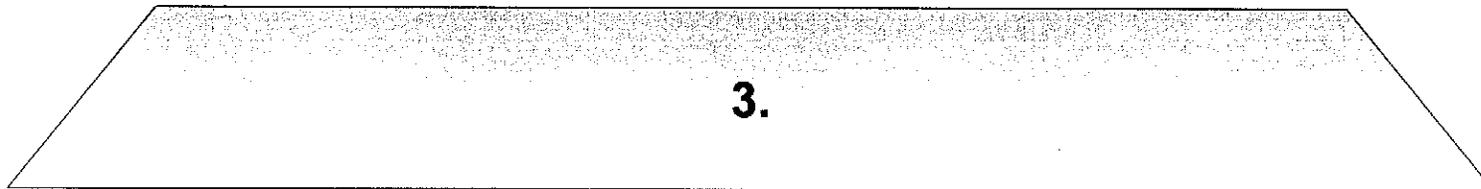
Citizens Policyholder Surcharge

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



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.

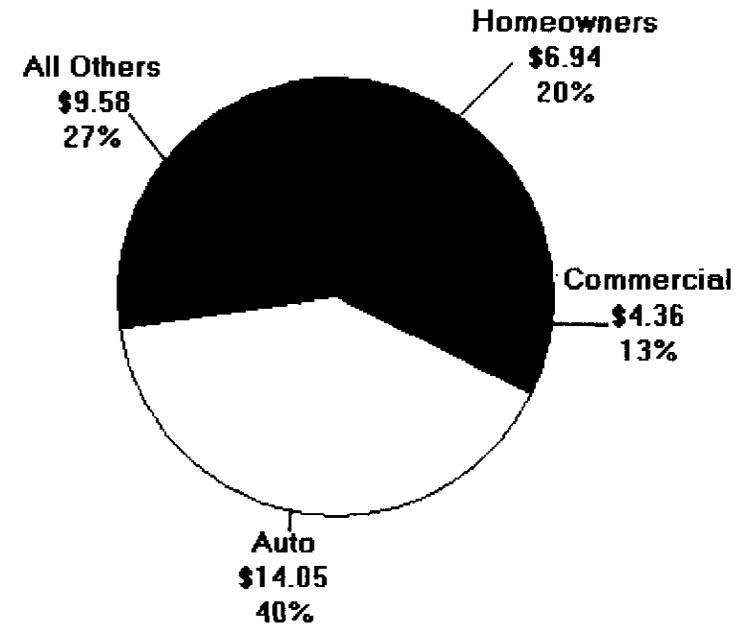
Emergency Assessment

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

- Emergency assessment is levied statewide on almost 90% of property and casualty insurance policies, including essential policies like home, auto, and commercial
- Total base approximately \$34.9 billion (2008)
- Assessment must be paid by policyholder to have policy deemed paid - highly enforceable
- Similar to a broad-based sales tax on an essential product

Composition of Assessment Base (\$ in billions)



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
- ✔ 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

HRA Senior Secured Bonds, Series 2010A

Summary of Terms

March 22, 2010

April 6, 2010

Bond Proceeds, Investment Earnings, Net Premiums and Surcharges, FHC F Reimbursements, Citizens' Policyholders Surcharge, Regular Assessments and Emergency Assessments

Moody's Investors Service A2/MIG1 Standard & Poor's A+/SP-1+

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
5.691 Years	1.042 Years	3.153 Years	4.353 Years
June 1, 2017	April 21, 2011	June 1, 2013	June 1, 2017
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