

OFFICE OF INSURANCE REGULATION

KEVIN M. McCARTY
COMMISSIONER

IN THE MATTER OF:

CASE No.: 87821 -06

CITIZENS PROPERTY INSURANCE CORPORATION

ORDER APPROVING
CERTIFICATION OF REGULAR ASSESSMENT

THIS CAUSE came on for consideration upon the filing made by CITIZENS PROPERTY INSURANCE CORPORATION (hereinafter referred to as "CITIZENS") with the OFFICE OF INSURANCE REGULATION (hereinafter referred to as the "OFFICE") with a request for verification and approval of a certification of its need for a Regular Assessment pursuant to the Plan of Operation of CITIZENS and §627.351(6)(p)1, Florida Statutes. After a complete review of the entire record, and upon consideration thereof and being otherwise fully advised in the premises, the OFFICE finds as follows:

1. The OFFICE has jurisdiction over the parties and the subject matter of these proceedings.
2. CITIZENS has been established in accordance with the provisions of §627.351(6), Florida Statutes, as amended, to provide insurance for residential and commercial property to qualified risks under circumstances specified in the Statute.
3. The Board of CITIZENS has certified to the OFFICE that CITIZENS has a need for a Regular Assessment in the amount of \$163,079,097 due to a 2005 Plan Year Deficit and that it

has satisfied the conditions specified Section 16, paragraph D of the Plan of Operation of CITIZENS, specifically:

- (a) Incurred Losses used in the computation of such Plan Year Deficit are supported by a projection by CITIZENS' independent actuary;
- (b) Investment Income or Loss projections used in the computation of such Plan Year Deficit are based on advice of CITIZENS' financial advisors;
- (c) The Board has determined at a properly noticed meeting that the Assessment is in the best interest of CITIZENS and is consistent with the Statute; and
- (d) The Regular Assessment is specifically recommended by the Board.

4. The OFFICE has obtained and reviewed Board documentation from the May 25, 2006 meeting and confirmed that the Board certified a 2005 Plan Year Deficit existed. The OFFICE confirmed that the incurred losses were supported by an independent actuary and obtained and reviewed the 2005 actuarial opinion. The OFFICE verified the income and loss documentation to the 2005 audited financial statements. The OFFICE reviewed documentation, including the Board's Resolution, from the September 14, 2006 Board meeting and verified that the Board determined that the Regular Assessment was in the best interest of CITIZENS and that the Board recommended the assessment.

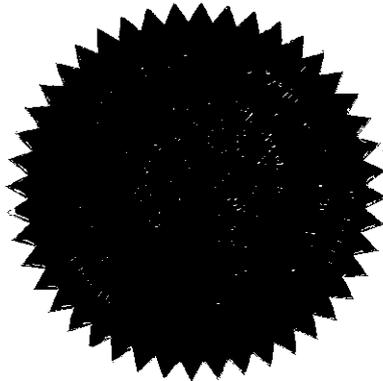
5. The OFFICE has reviewed the arithmetic calculation used to determine the amount of the Regular Assessment to be levied on Assessable Insurers and Assessable Insureds.

6. A copy of the Resolution of the Board of CITIZENS, dated September 14, 2006, is attached.

WHEREFORE, in consideration of the foregoing and being otherwise duly advised in the premises, it is hereby **ORDERED**:

That the Certification submitted to the OFFICE by CITIZENS of its need for a regular assessment as to the 2005 Plan Year Deficit is **APPROVED**. In accordance with Section 44, paragraph (2), of SB 1980, CITIZENS shall include in the notice of assessment to each assessable insurer the amount by which the assessment has been reduced due to the \$715 million appropriation from the Florida Legislature.

DONE and ORDERED this 22nd day of November 2006.





KEVIN M. MCCARTY
COMMISSIONER

NOTICE OF RIGHTS

Any party to these proceedings adversely affected by this Order is entitled to seek review of this Order pursuant to Section 120.68, Florida Statutes, and Rule 9.110, Fla.R.App.P. Review proceedings must be instituted by filing a petition or notice of appeal with the General Counsel of the Office of Insurance Regulation, acting as the Agency Clerk, at 612 Larson Building, Tallahassee, Florida 32399-4206, and a copy of the same with the appropriate district court of appeal, within thirty (30) days of rendition of this Order.

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RESOLUTION

OFFICE OF INSURANCE REGULATION

WHEREAS, Citizens Property Insurance Corporation ("Citizens") is a statutorily created corporation established pursuant to Chapter 627, Part I, Section 627.351(6), Florida Statutes, as amended (the "Statute");

WHEREAS, the Statute provides Citizens the authority to levy a Regular Assessment and Market Equalization Surcharge in order to recover a deficit;

WHEREAS, Citizens' Plan of Operation, as amended (the "Plan"), provides authority to the Board of Governors to levy a Regular Assessment and Market Equalization Surcharge as permitted by the Statute;

WHEREAS, the Board approved the 2005 Plan Year Deficit as follows:

- (a) \$87,180,761 in the Personal Lines Account ("PLA");
- (b) \$4,564,398 in the Commercial Lines Account ("CLA");
- (c) \$1,673,836,269 in the High Risk Account ("HRA");

WHEREAS, based upon a Regular Assessment base for 2005 of \$7,863,339,383 the PLA would have had a regular assessment of \$87,180,761, the CLA would have had a regular assessment of \$4,564,398, and the HRA would have had a regular assessment of \$786,333,938 and an emergency assessment of \$887,502,331.

WHEREAS, the legislature appropriated \$715,000,000 to reduce the deficits, thereby eliminating the PLA and CLA deficits and regular assessments, and reducing the HRA regular assessment by \$623,254,841 to \$163,079,097 or 2.07%.

WHEREAS, for the 2005 Plan Year Deficit, Citizens' enabling statute provides that, in its next rate filing, or by a separate rate filing solely for this purpose, Citizens shall levy upon its policyholders a Market Equalization Surcharge arising from a regular assessment in such account in a percentage equal to the total amount of such regular assessments divided by the aggregate statewide direct written premium for subject lines of business for the prior calendar year; and based upon the regular assessment the Market Equalization Surcharge should be 2.07%.

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED BY THE BOARD OF GOVERNORS OF CITIZENS PROPERTY INSURANCE CORPORATION, AS FOLLOWS:

Section 1. Findings and Determination. This Board has found and determined and does hereby declare as follows:

- (a) the incurred losses in the computation of the Plan Year Deficit were supported by Citizens' independent actuary;
- (b) the investment income or loss projections used in the computation of the Plan Year Deficit were based on the advice of Citizens' financial advisors;
- (c) the HRA Regular Assessment and Market Equalization Surcharge of 2.07% are in the best interest of Citizens and is consistent with the Statute;

RESOLUTION

Section 2. Certifications. This Board hereby certifies as follows:

- (a) Citizens needs the Regular Assessment and Market Equalization Surcharge;
- (b) the Board has satisfied all conditions specified by the Statute and/or the Plan in order to levy an assessment;

Section 3. Recommendations. This Board hereby recommends as follows:

- (a) the Regular Assessment and Market Equalization Surcharge be levied;
- (b) interest at the rate of 1% per month be charged to any Assessable Insurer, Assessable Insured, or Citizens' Policyholder that fails to timely pay its assessment or surcharge in full within the required time period.

THIS RESOLUTION INTRODUCED and ADOPTED by the Citizens Board of Governors at its Regular meeting on 09/14/2006.



CHAIRMAN
Board of Governors
Citizens Property Insurance Corporation

[SEAL]

ATTEST: Robert L. Richer
EXECUTIVE DIRECTOR
Citizens Property Insurance Corporation