OFFICE OF INSURANCE REGULATION

FILED
JAN 11 2007
OFFICE OF INSURANCE REGULATION
Docketed by:

KEVIN M. MCCARTY
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 87822 -06

CITIZENS PROPERTY INSURANCE CORPORATION

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ORDER APPROVING CERTIFICATION OF EMERGENCY ASSESSMENT

THIS CAUSE came on for consideration upon the filing by CITIZENS PROPERTY INSURANCE CORPORATION (hereinafter "Citizens") with the OFFICE OF INSURANCE REGULATION (hereinafter referred to as the "Office") of certification of a deficit in the high-risk account (the "High-Risk Account") for the 2005 Plan Year exceeding an amount recoverable via a Regular Assessment, and upon request for verification and approval of certification of Citizens' need for an Emergency Assessment within the High-Risk Account pursuant to its Plan of Operation and the provisions of Section 627.351(6)(b)3.d, 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 Citizens and the subject matter of this proceeding.

2. The Board of Governors (the "Board") of Citizens has certified in writing to the Office by Resolution (attached hereto as "Exhibit A") that Citizens has a need for an Emergency Assessment within the High-Risk Account and that it has satisfied the conditions specified in Section 17 of the Citizens Plan of Operation and Section 627.351(6), Florida Statutes, specifically:

(a) Citizens' Board has determined that the deficit in the High-Risk Account for the 2005 Plan Year exceeds the maximum aggregate Regular Assessment within such account;

(b) Citizens' Board has determined the amount of the Emergency Assessment, and the remittance schedule for Assessable Insurers and the FSLSO, at a property noticed meeting.

3. The remaining 2005 Plan Year deficit in the High-Risk Account, after collection of the Regular Assessment, to be collected through the Emergency Assessment is $887,502,331, exclusive of interest, fees, and costs. This is an annual assessment on the direct written premium of all subject lines of business of 1.4%.

4. The Office has received the Resolution and Certification and has reviewed the arithmetic calculations applicable to the Emergency Assessment to be levied on Assessable Insurers and Assessable Insureds.

5. Pursuant to the legislative direction contained in Section 44 of 2006 Senate Bill 1980, the Emergency Assessment shall be amortized over a period of ten years. The Office anticipates that due to yearly changes in the Direct Written Premium base the uniform percentage collected each year will have to be adjusted to achieve a more exact correlation between the

revenues derived from the Emergency Assessment and the amounts needed to amortize the remaining deficit in the High-Risk Account, for the 2005 Plan Year. The amount of the Emergency Assessment collected in a particular year shall be a uniform percentage of that year's direct written premium for subject lines of business and all accounts of Citizens as annually determined by the Board and verified by the Office pursuant to Section 627.351(6)(b)(3)d, Florida Statutes.

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

That the arithmetic calculations used by the Citizens' Board are correct and the levying of the Emergency Assessment as described herein and in the attached Resolution is **APPROVED**.

DONE and **ORDERED** this 11th day of January, 2007.

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.

RESOLUTION

WHEREAS, Citizens Property Insurance Corporation ("Citizens") is a statutorily created entity established pursuant to Subsection 627.351(6), Florida Statutes, as amended (the "Statute"); and

WHEREAS, for a 2005 Plan Year Deficit (as defined in Citizens' Plan of Operation), the Statute and Plan of Operation provide Citizens with the authority to levy an Emergency Assessment in order to eliminate any deficit that will not be remedied by a Regular Assessment; and

WHEREAS, the Board of Governors of Citizens ("the Board") had previously determined that a 2005 Plan Year Deficit exists, 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"); and

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

WHEREAS, in its 2006 legislative session, the Florida Legislature appropriated $715,000,000 to reduce the 2005 Plan Year Deficits described above, thereby eliminating the PLA and CLA deficits and the corresponding need for Regular Assessments in those accounts, and reducing the HRA deficit and the corresponding Regular Assessment by $623,254,841 to $163,079,097 or 2.07% of Direct Written Premium ("DWP"); and

WHEREAS, for the 2005 Plan Year Deficit in the HRA, Citizens' Board of Governors, pursuant to the Statute and its Plan of Operation, has previously authorized and certified the need for a Regular Assessment of $163,079,097, or 2.07% of DWP; and

EXHIBIT

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WHEREAS, the remaining 2005 Plan Year Deficit in the HRA after collection of the Regular Assessment, to be collected through an Emergency Assessment, is $887,502,331; and

WHEREAS, the Board has reviewed the remittance schedule below associated with the Emergency Assessment required in connection with the remaining 2005 Plan Year Deficit in the HRA; and

WHEREAS, pursuant to the trust indenture under which Citizens has issued indebtedness to defray one or more Plan Year Deficits and pay related policyholder claims in the HRA (the "HRA Trust Indenture"), Citizens is required to levy, and to direct all Assessable Insurers and the Florida Surplus Lines Service Office and Citizens to collect and remit, Emergency Assessments from policyholders of Assessable Insurers, Assessable Insureds, and policyholders of Citizens, respectively, in respect of any Plan Year Deficit paid, in whole or in part, from draws of debt proceeds issued under the HRA Trust Indenture, (a) if the first draw of proceeds to pay the Plan Year Deficit is made in the year in which the event causing the Plan Year Deficit occurred, by no later than October 1 of the following year, and (b) if the first draw of proceeds to pay the Plan Year Deficit is made in the year following the year in which the event causing the Plan Year Deficit occurred, by no later than April 1 of the year following the year in which such proceeds are first drawn and by April 1 of each year thereafter, as necessary.

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

(a) The incurred losses in the computation of the 2005 Plan Year Deficit in the HRA exceed the maximum aggregate Regular Assessment on Assessable Insurers and Assessable Insureds, and the amount of such incurred losses has been certified by Citizens' independent actuary;

(b) Citizens requires the Emergency Assessment;

(c) The Board has satisfied all conditions specified by the Statute and/or the Plan of Operation in order to levy an Emergency Assessment;

(d) The Board hereby levies an HRA Emergency Assessment of $887,502,331, plus estimated interest, fees, commissions, required reserves and other costs associated with the financing of the original 2005 Plan Year Deficit in the HRA, on policies issued and renewed beginning July 1, 2007, to be amortized over a ten-year period as provided in Section 44 of 2006 Senate Bill 1980;

(e) For policies issued and renewed beginning July 1, 2007, the uniform percentage to be applied to DWP by Assessable Insurers, the Florida Surplus Lines Service Office, and Citizens is 1.4%; provided that the Board of Governors may periodically recalculate the uniform percentage to be applied to DWP, if and as necessary, to comply with any applicable bond financing documents and to reflect projected changes in future DWP, so as to ensure as reasonably as practicable that the revenues derived from the Emergency Assessment will be sufficient to amortize over a 10-year period indebtedness issued under the HRA Trust Indenture to finance or refinance the 2005 Plan Year Deficit);

(f) The following remittance schedule is approved: Assessable Insurers and the FSLSO shall remit to Citizens Emergency Assessments on DWP monthly, with the first remittance to be made by the 15th day of the month beginning August 2007; provided that the Board of Governors may modify this remittance schedule;

(g) The Emergency Assessment, uniform percentage, and remittance schedule approved herein conform with any and all requirements of the HRA Trust Indenture, are in the best interests of Citizens, and are consistent with the Statute and the Plan of Operation;

(h) Interest at the rate of 1% per month shall be charged to any Assessable Insurer, Assessable Insured, or Citizens' Policyholder that fails to timely pay or remit its Emergency Assessment in full within the required time period.

THIS RESOLUTION was INTRODUCED and ADOPTED by the Citizens' Board of Governors at its regular meeting on December 7, 2006.

CHAIRMAN

Board of Governors

Citizens Property Insurance Corporation

[SEAL]

ATTEST:

Citizens Property Insurance Corporation