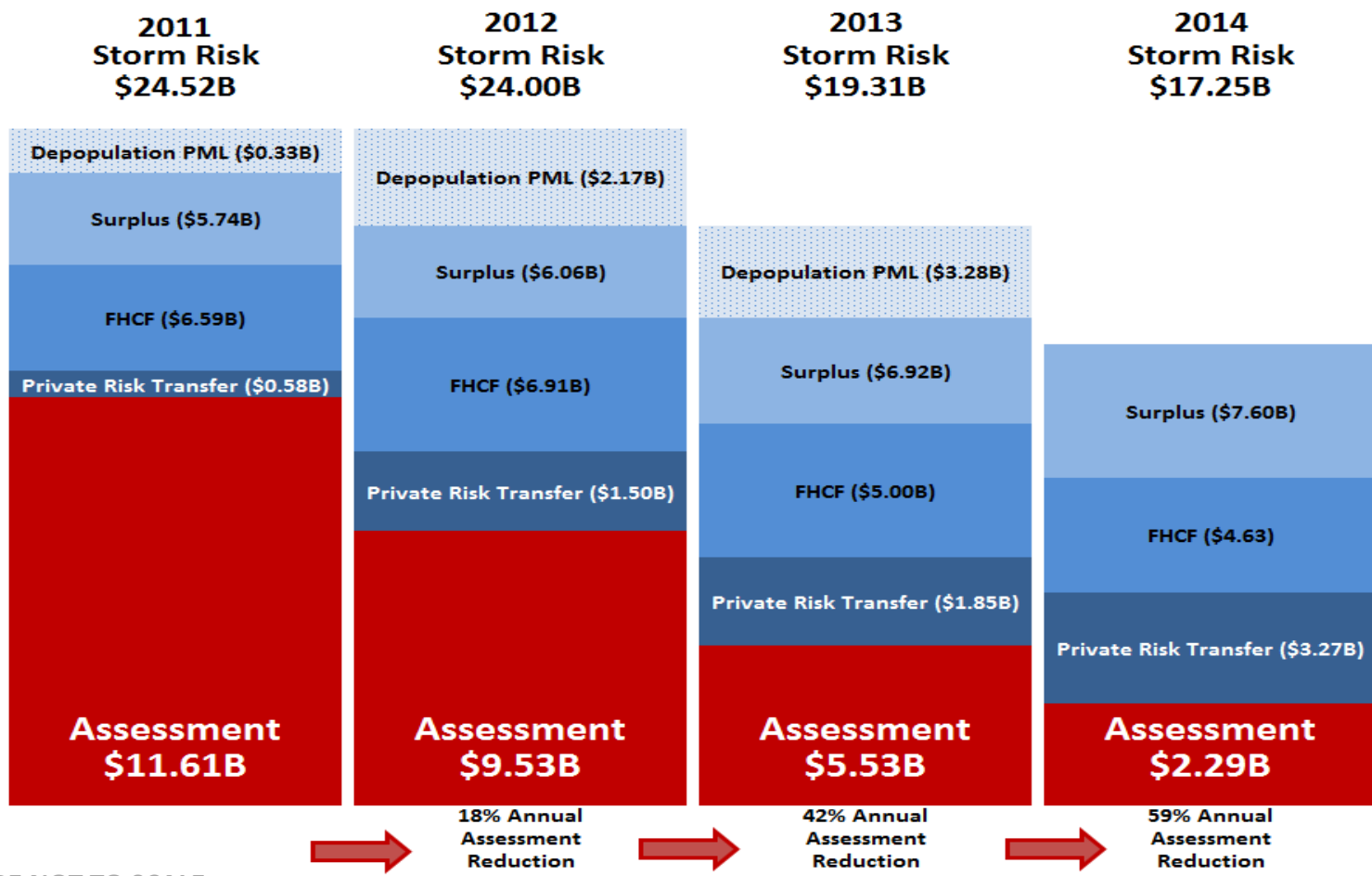


Barry Gilway, President/CEO and Executive Director
John Rollins, Chief Risk Officer

Public Hearing on Recommended Rates for 2015
August 27, 2014

Background: Depopulation, Clearinghouse, and Risk Transfer Have Reduced Both Storm Risk and Assessment Burden



VALUES ARE NOT TO SCALE

NOTES:

1. Storm Risk is as measured by 100-year probable maximum loss (PML) plus estimated loss adjustment expenses using the Florida Hurricane Catastrophe Fund (FHCF) account allocation where PLA and CLA are combined. PLA/CLA combined PMLs are added to the Coastal PMLs to be consistent for surplus distribution.
2. Surplus, Florida Hurricane Catastrophe Fund (FHCF) & Assessments are as projected at beginning of storm season
3. 2014 FHCF projections are preliminary and actual amounts may differ significantly from these projections.
4. Depopulation PML data is as of 12/31/13; therefore, 2014 information is not included.



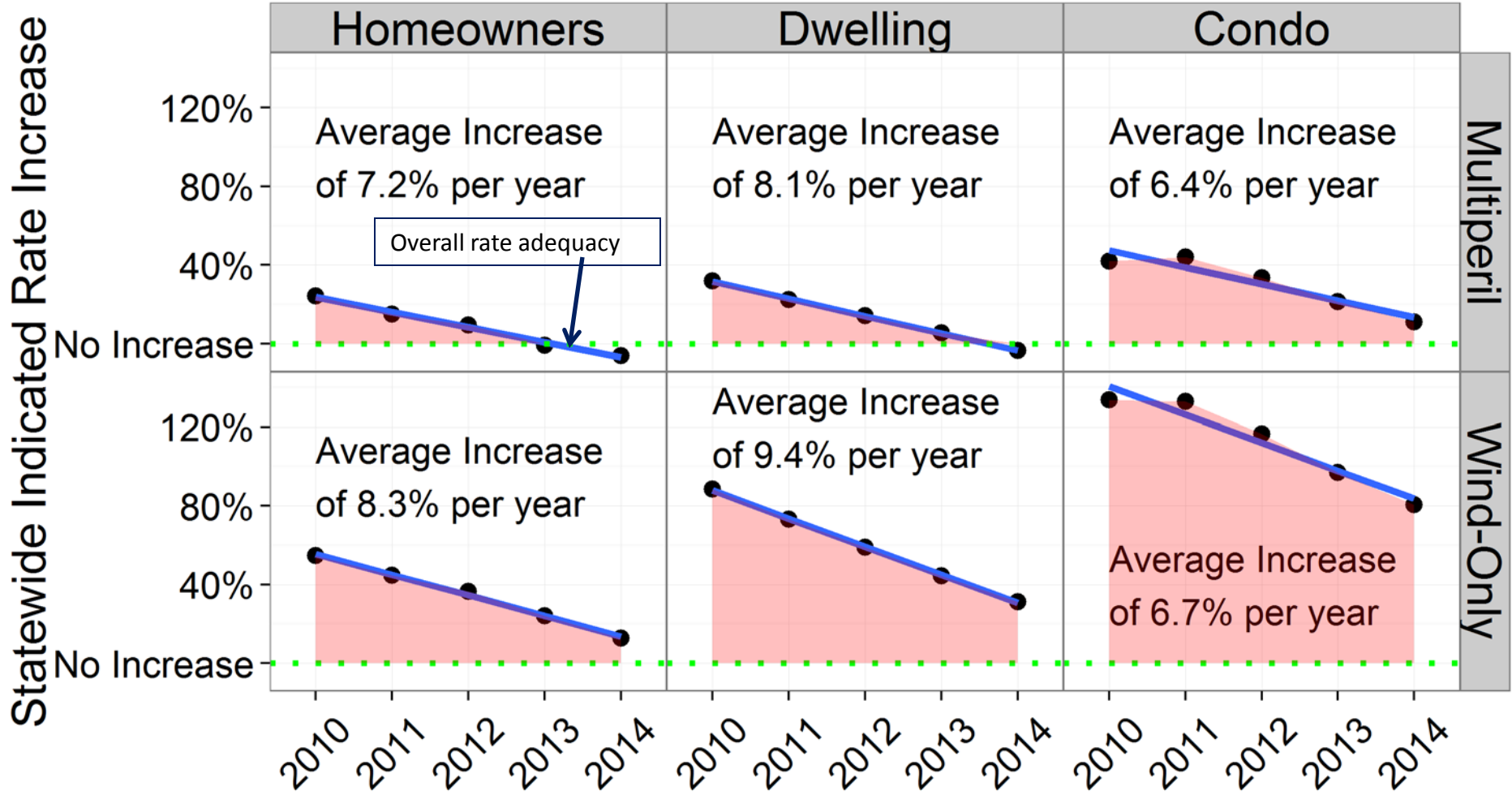
2015: Citizens Recommends a Mix of Lower Rates and Targeted Increases, Capped by Glide Path

- Recommended actuarially sound rates decline for nearly 70% of personal lines policies, particularly inland and multi-peril home and unit-owners. Why?
 1. Five years of glide path have restored rate adequacy in many lines and areas
 2. Moderation of loss trends for most causes, including sinkhole
 - Major exception: water losses in certain areas
 3. Decline in unit costs for reinsurance means lower net costs of capital even with larger buy
 - Risk-adjusted rates on line are down ~15% year over year
 4. Range of scientific opinion on expected hurricane losses stable (cat model results)
 - High Public Model results impact Condo Unit and Mobile Home
- Recommended rate increases are confined to generally coastal territories and wind-only. Why?
 - Historical rate inadequacy was more severe, particularly for policies with high wind loss mitigation credits, so glide path to adequacy is longer
 - Decline in reinsurance costs has shortened glide path by a year or two, and rate indications have moderated significantly

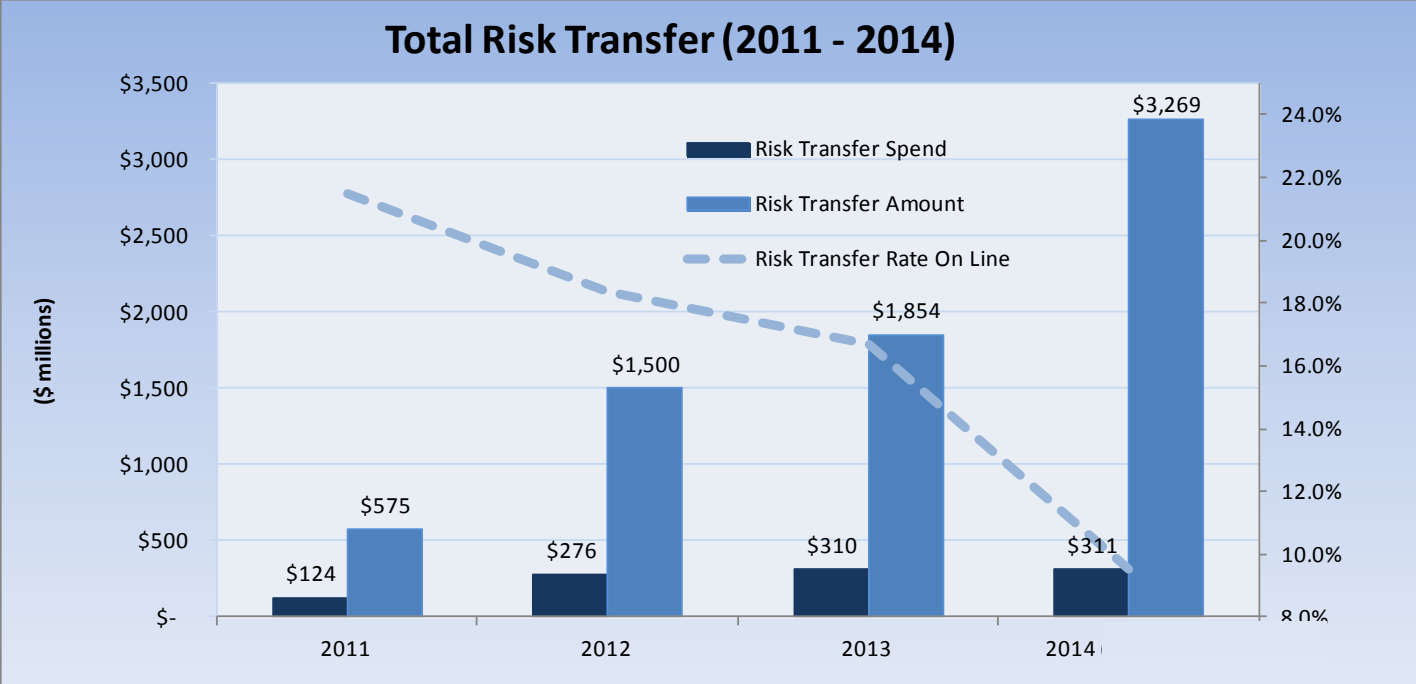
2015: Citizens Recommends a Mix of Lower Rates and Targeted Increases, Capped by Glide Path

- Sinkhole rates – no change recommended except +10% in Hernando. Why?
 1. Senate Bill 408 has positive impacts to more recent claim years, but may be court-tested
 - New claim reports are down ~60% versus pre-SB408 claim years
 2. Global settlement offers may help close out claims from earlier years
 - Five law firms representing 755 claims have signed on
 3. An actuarial pause is appropriate while claims and legal impacts are sorted out
- Existing glide path implementation will continue to be followed

The Glide Path Has Steadily Restored Rate Adequacy, but Gaps Remain in Wind-Only Lines



Net Costs of Reinsurance Have Declined Despite Explosion in Program Size, Due to More Bang for Buck

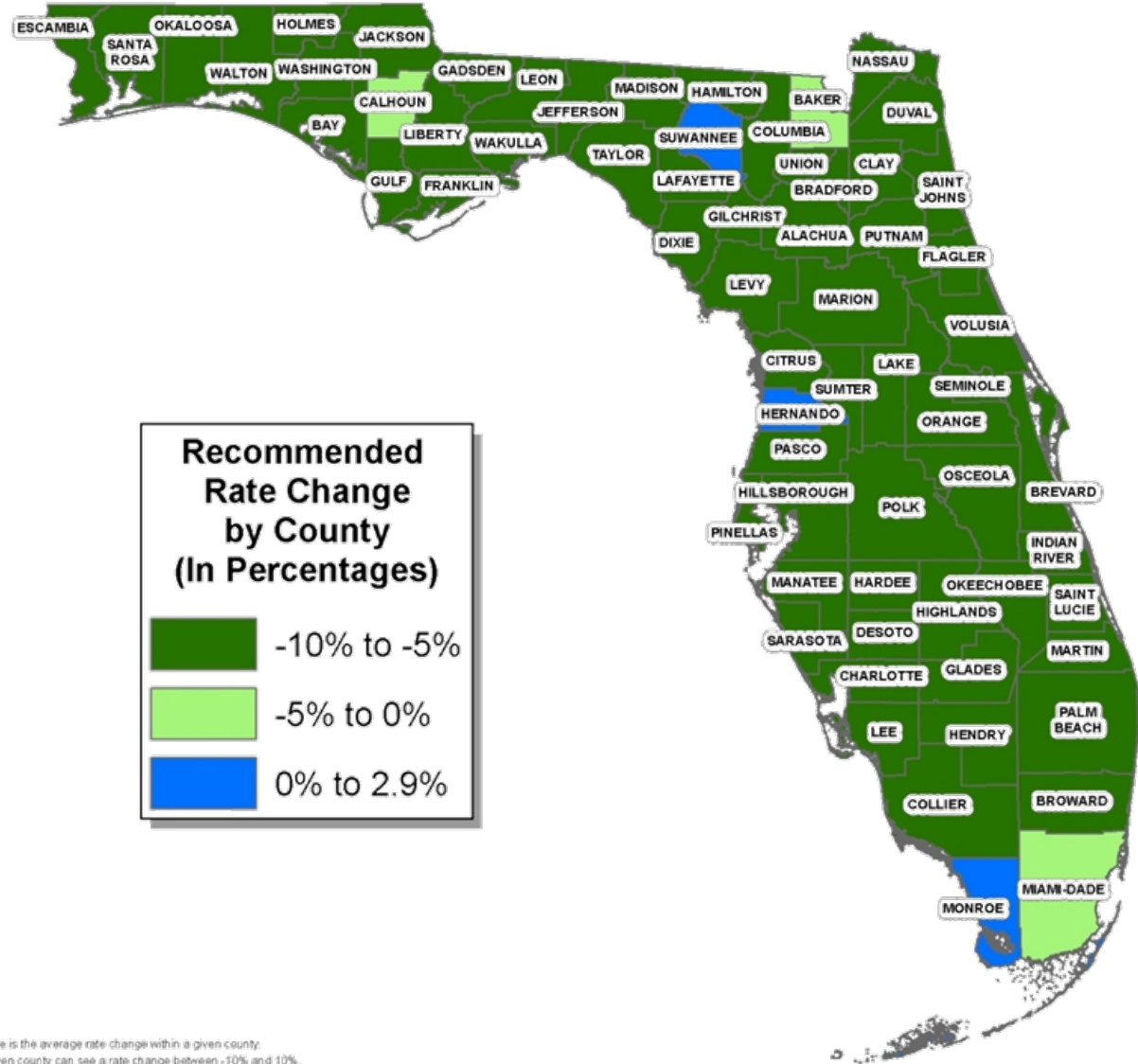


	Total Risk Transfer Program (in millions)			
	2011	2012	2013	2014
Risk Transfer Amount	\$ 575	\$ 1,500	\$ 1,854	\$ 3,269
Risk Transfer Spend	\$ 124	\$ 276	\$ 310	\$ 311
Risk Transfer Rate On Line	21.5%	18.4%	16.7%	9.5%

- Gross spend is similar to last year, but more coverage, better terms, and lower retentions improve net costs after expected recoveries, and contribute to lower rates

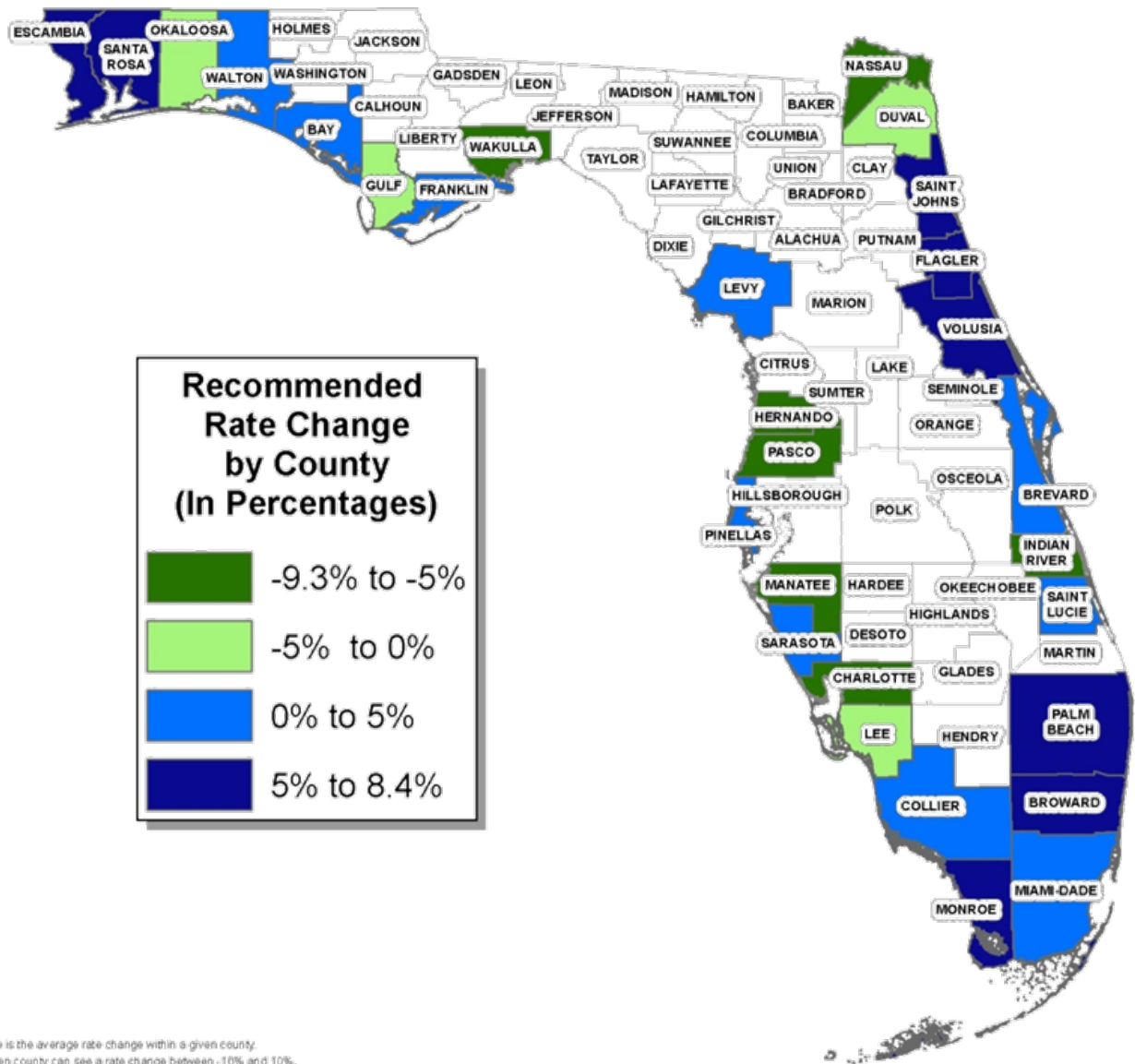


Rate Impacts Vary By Region, but Generally Decline for Multi-Peril Personal Lines



Notes:
 1. Percentage of rate change is the average rate change within a given county.
 2. Policy holders within a given county can see a rate change between -10% and 10%.

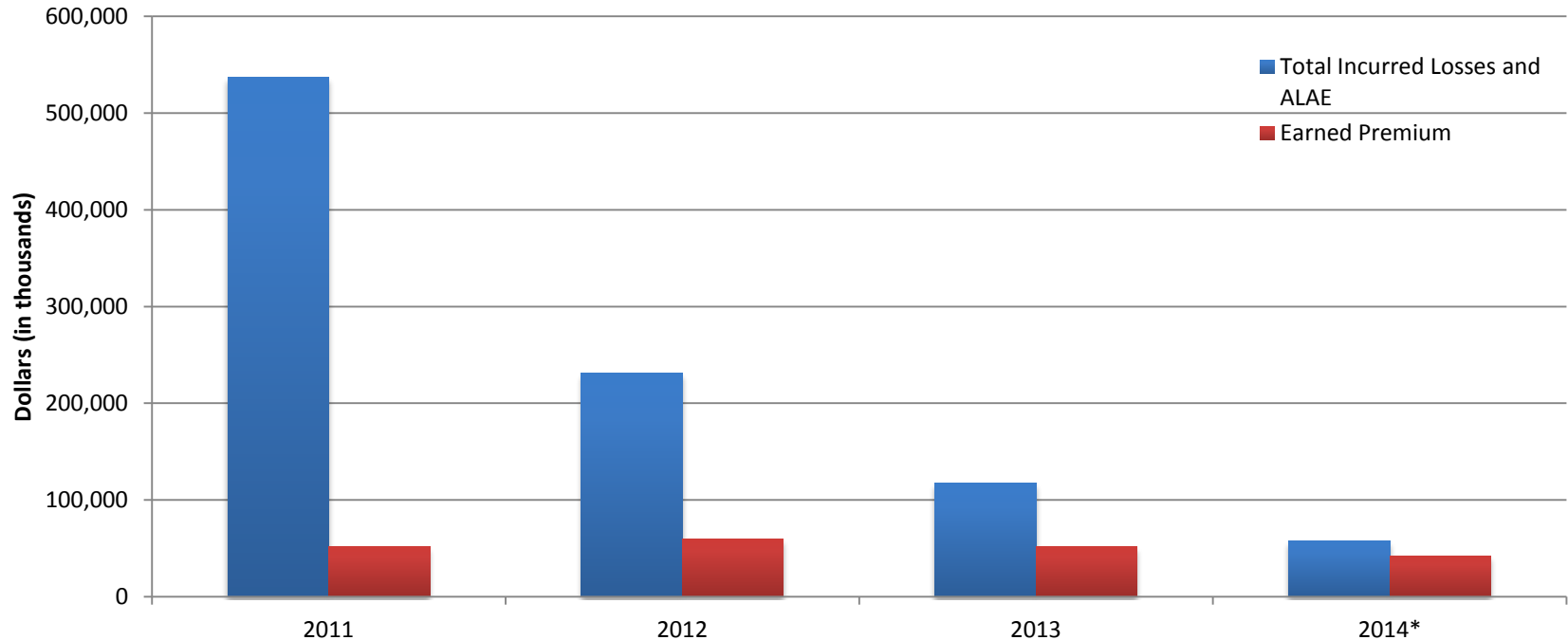
Rate Increases Generally Affect Wind-Only and Coastal Policies



Notes:

1. Percentage of rate change is the average rate change within a given county.
2. Policy holders within a given county can see a rate change between -10% and 10%.

Sinkhole Rates: Standing Pat due to Legal and Claims Factors and High Actuarial Uncertainty

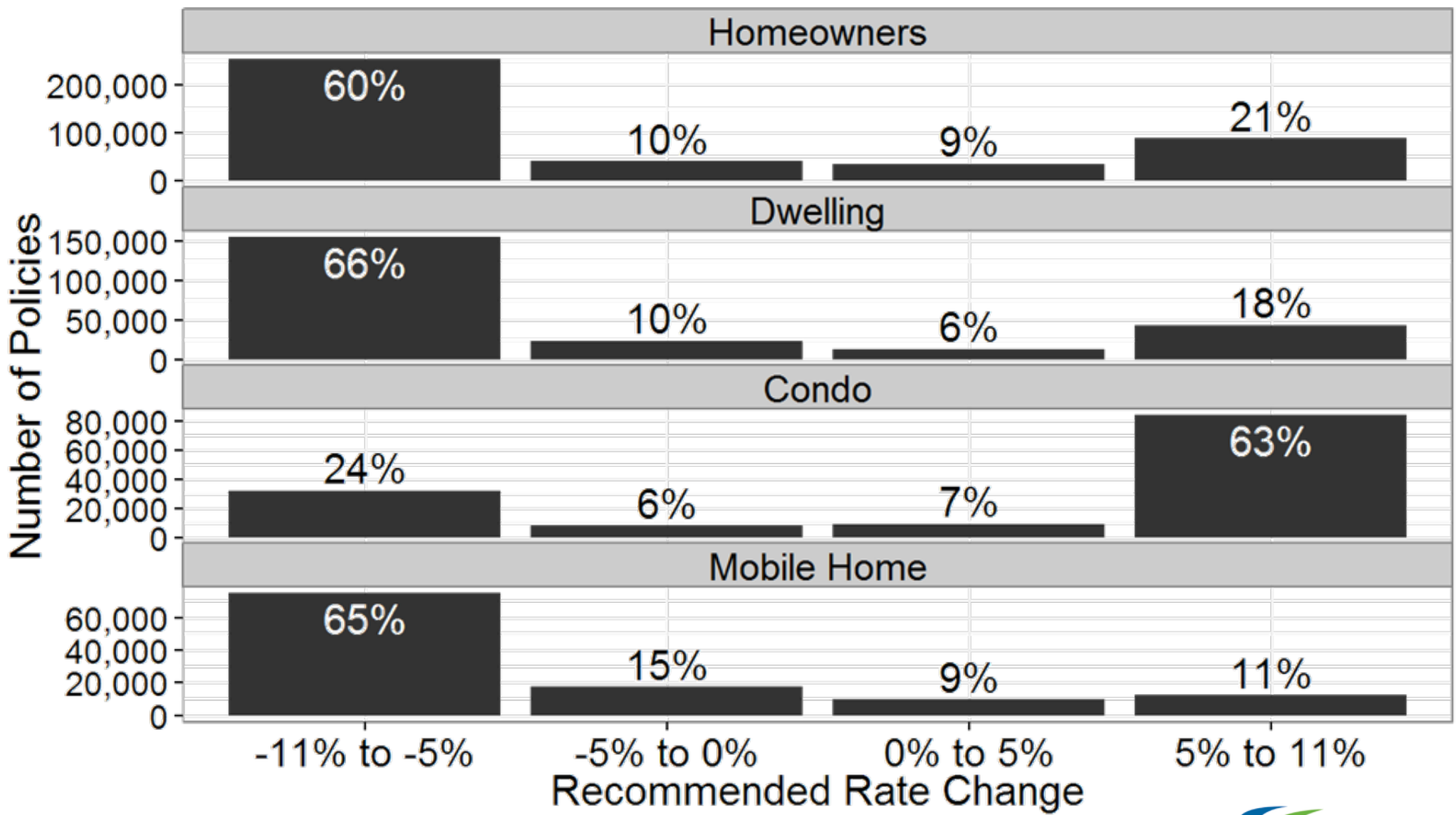


- No sinkhole rate change recommended except +10% in Hernando
- Senate Bill 408 has positive impacts to more recent claim years, but will be tested by courts
- Global settlement offers may help close out earlier claim years

Figure shows calendar year incurred losses including IBNR.

* For 2014, projected values based on premium and losses through 6/30/2014.

Range of Policyholder Impacts Reflects Overall Decreases, Targeted Increases and Caps



Questions and Discussion