



2007 CAS Spring Meeting



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Overview

Citizens began as an Important Safety Net for Floridians

- Created in 2002 by statute – merger of FRPCJUA and FWUA
- Citizens is *required by law* to accept all applicants who are otherwise insurable but cannot find coverage in the voluntary market.
- Citizens, like most state residual market facilities is required to accept business (on an individual and aggregate basis) that voluntary insurers will not write.



Overview - Accounts

The policies within Citizens are written in three separate accounts. These accounts are the **Personal Lines Account (PLA)**, the **High Risk Account (HRA)** and the **Commercial Lines Account (CLA)**.

- **PLA**

- Former FRPCJUA :

- **CLA**

- Former FRPCJUA:

- **HRA**

- Former FWUA:.

• Each have separate calculations of surplus, plan year deficit and assessment base.



Overview – Types of Policies in the PLA

The policies in the **Personal Lines Account (PLA)** are personal residential and cover a variety of perils (e.g. fire, wind, theft, sinkhole, etc.) and are referred to as “**Multi-Peril.**” Below is a brief description of the types of policies in the **PLA**:

- **HO-3 (Homeowners)** - Provides the owner of an owner occupied home with building, other structures, contents, additional living expense and liability coverage.
- **HO-4 (Tenant Contents)** - Provides a renter or tenant with contents, additional living expense and liability coverage.
- **HO-6 (Condominium Unit Owners)** - Provides the owner of condominium unit with interior building, contents additional living expense and liability coverage. The units covered by this policy can be either owner or tenant occupied.
- **DP-3 (Dwelling)** - Provides the owner of a rental home with coverage for the dwelling, other structures, contents, loss of rent and premises liability coverage. The homes covered by this policy are typically tenant occupied.
- **DP-1 (Dwelling)** - This policy is similar to a DP-3, but covers fewer perils at a reduced premium.
- **MH-3 (Mobile Homeowners)** - Provides the owner of a mobile / manufactured home with coverage for their mobile / manufactured home, other structures, contents, additional living expense and liability. The homes covered by this policy are owner occupied.



Overview – Types of Policies in the HRA

There are both **Personal Residential** and **Commercial Policies** in the **High Risk Account (HRA)**. The policies in HRA cover the peril of **Windstorm and Hail** exclusively and are referred to as “**Wind-Only.**” The coverage forms for policies in this account do not include liability coverage.

Below is a brief description of the types of policies in the HRA:

- **Dwelling** – Provides building, other structures, contents and loss of use coverage to the owner of a home regardless of the occupancy. The homes covered by this policy can be either owner or tenant occupied.
- **Tenant Contents** – Provides a renter or tenant with contents and additional living expense coverage.
- **Condominium Unit Owners** - Provides the owner of condominium unit with interior building, contents and additional living expense. The units covered by this policy can be either owner or tenant occupied.
- **Mobile Homeowners** - Provides the owner of a mobile / manufactured home with coverage for their mobile / manufactured home, other structures, contents, additional living expense and liability. The homes covered by this policy can be owner or tenant occupied.
- **Commercial Non-Residential** – Provides coverage for non-residential commercial buildings. Examples include a real estate office, executive office suite or the main building of a gas station.
- **Commercial Residential** – Provides coverage for residential commercial buildings. Examples include condominium buildings and apartment buildings.
- **Multi-peril policies**



Overview – Types of Policies in the CLA

The policies in the Commercial Lines Account (CLA) cover commercial residential buildings for a variety of perils (e.g. fire, wind, sinkhole, etc.). The policies in this account are also referred to as “Multi-Peril.”

- **Commercial Residential** - The policies in this account provide coverage for residential commercial buildings and contents. Examples include condominium buildings and apartment buildings.
- **Commercial Nonresidential** – PCJUA transition and development of multi-peril product.

Liability coverage is not available for the policies in this account.



Overview – Tampa Transition Policies

Tampa Transition Policies are policies that are transitioning to Citizens forms and rates from liquidated carriers. These Citizens policies remain on the liquidated carriers policy forms and may be written into Citizens at the expiration of the current policy term. Citizens transition policies include both commercial residential and personal residential.



Overview – Citizens vs Voluntary Market

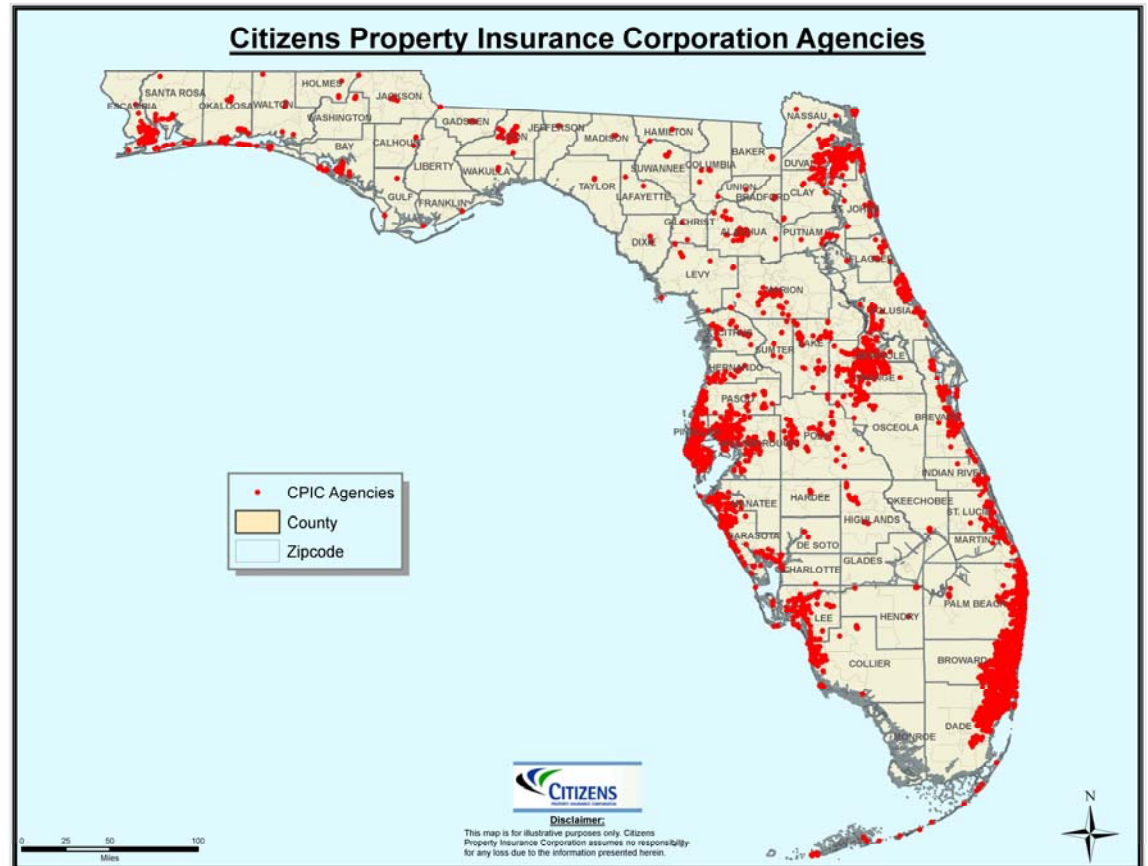
Citizens is required to write what the voluntary market does not want:

- The type and location of policies written with Citizens is directly related to the willingness of the voluntary market to write property policies in Florida. Voluntary carriers seek to optimize their portfolio of property business with regard to underwriting characteristics, exposure to catastrophic hurricane loss and exposure to other risk.
 - **Underwriting Characteristics** – All voluntary homeowners carriers have underwriting guidelines for selecting the age, value, construction characteristics and exposure to liability loss of the properties their policies cover. Their underwriting guidelines are designed to manage the probability of loss.
 - **Exposure to Catastrophic Hurricane** – Voluntary carrier's monitor the location of the properties they write to guard against unprofitable concentration of risk in any one area. A voluntary carrier's willingness to write in areas with greater exposure to catastrophic hurricane depends upon their premium revenue in relation to the pricing and availability of reinsurance.
 - **Exposure to Other Risk** – The prime example of the voluntary market's reaction to significant loss by other risk is sinkhole. The voluntary market has dramatically reduced their exposure in Pasco, Pinellas, Hernando, Citrus and Hillsborough counties because of the exposure to sinkhole loss. Another example is Mobile home. Recent increases of the cost to reinsure Mobile Homes has caused voluntary markets to restrict the number and type of Mobile Homes they write.



Overview - Agents Representing Citizens

- Over 8,500 agents, at 6,000 + locations
- Multiple LOBs with varying rules
- Frequent changes
- Communication issues





Overview – Citizens and the Voluntary Market

Citizens ends up with policies with an increased probability of loss:

- Policies in all Citizens accounts are highly concentrated along the coast.
- Over 81% of the Homeowners Policies in Citizens PLA are over 20 years old and 46% are over 40 years old.
- Approximately 55% of the HO-3 Homeowners Policies in Citizens PLA have a Coverage A value under \$150,000.
- Citizens policy count in sinkhole prone areas (Pasco, Pinellas, Hillsborough and Hernando Counties) has gone from around 1,000 in 2001 to over 244,000 as of May 31, 2007.
- The number of PLA Mobile Home policies in-force has grown from approximately 3,000 in 2002 to over 170,000 as of May 31, 2007. In addition, 84% are over 10 years old and 60% are over 20 years old.



Recent Legislative Changes

- Since the 2006 Regular Florida Legislative Session, an estimated 110 laws have been enacted or modified that affect Citizens.
- Many of the changes were repealed or modified in subsequent sessions



Recent Legislative Changes

2006 Regular Session (SB 1980: 53 Items)

- Homestead vs. Non-homestead property – Eligibility Changes
- Mandatory 10 day waiting period
- Requires that all Mobile Homes built prior to 1994 be written at ACV
- Requires rates to be sufficient to cover a 1 in 100 year PML in the PLA/CLA by March 1, 2007
- Requires rates to be sufficient in the HRA to cover a 1 in 70 year PML by March 1, 2007; a 1 in 85 year PML by 2008; and a 1 in 100 year PML by 2009
- Presumed Factor Filing to reflect savings for Sinkhole Changes made in SB 1980



Recent Legislative Changes

2007 Special Legislative Session (HB 1A: 33 Items)

- Presumed Factor Filing – Additional Coverage options with the FHCF
- Homestead vs. Non-homestead – eligibility changes repealed
- Repeals requirement that Citizens rates be sufficient to cover specified levels of Probable Maximum Loss
- Deletes requirement that Citizens Rates be non-competitive and no lower than the top 20 insurers.
- Rate Rollback – Rescinds rates approved and implemented in January 2007
- Freezes Citizens Rates through December 31, 2008.
- Requires OIR to establish Citizens' rates
- Eligibility – 25% threshold
- PCJUA Transition – Citizens writing commercial coverage statewide
- Multi-Peril Policies in HRA Territories
- Expands Citizens assessment base to be the same as the Florida Hurricane Catastrophe Fund base
- Windstorm Exclusion
- Requires insurers to provide policyholders option of selecting reduction in hurricane deductible instead of premium for mitigation features.
- Optional Sinkhole coverage



Recent Legislative Changes

2007 Regular Session (SB 2498: 24 Items)

- Eligibility – Changes 25% threshold passed in HB 1A to 15%
- Defines comparable coverage for eligibility purposes
- Repeals Mandatory 10 day waiting period passed in SB 1980
- Optional Sinkhole Coverage – Pilot Program



Recent Legislative Changes

Bottom Line:

- Easier access to Citizens
- Citizens rates no longer required to be non-competitive
- New / amended laws steer Citizens away from original mandate
- Limited incentive to put private capital at risk



Recent Activity

- The number of new applications received by Citizens continues to increase.
- 2007 average is 60K-70K new applications per month.
- Received over 25K new applications the week of June, 4, 2007.
- On pace to receive over 100k new applications in June, 2007.
- Commercial Residential new business up by over 1000% and continues to rise.



As of March 31, 2005...

- Total PIF of 819K with \$200B of estimated exposure.
- 1 in 100 year PML estimated at:
 - PLA: \$1.6 billion
 - HRA: \$8.8 billion.
 - CLA: \$352 million



As of May 31, 2007

Account	Policies in Force	Exposure
High Risk Account	415,240	\$203,476,160,192
Personal Lines Account	859,774	\$170,778,578,524
Commercial Lines Account	10,334	\$73,633,965,468
Transition - Residential	20,356	\$4,511,871,431
Transition - Commercial	22	\$167,789,372
Total	1,305,726	\$452,568,364,987



PML's as of March 31, 2007

Citizens Property Insurance
 Probable Maximum Loss (PML)
 Including Tampa Transition Policies
 RMS RiskLink, Version 6.0
 RMS RiskLink, including demand surge, excluding storm surge

PML Annual Aggregate - Seasonal

Return

Period	CLA	PLA	HRA
250	\$5.0B	\$12.5B	\$25.0B
100	\$2.8B	\$7.6B	\$14.9B

PML Occurance - Single Event

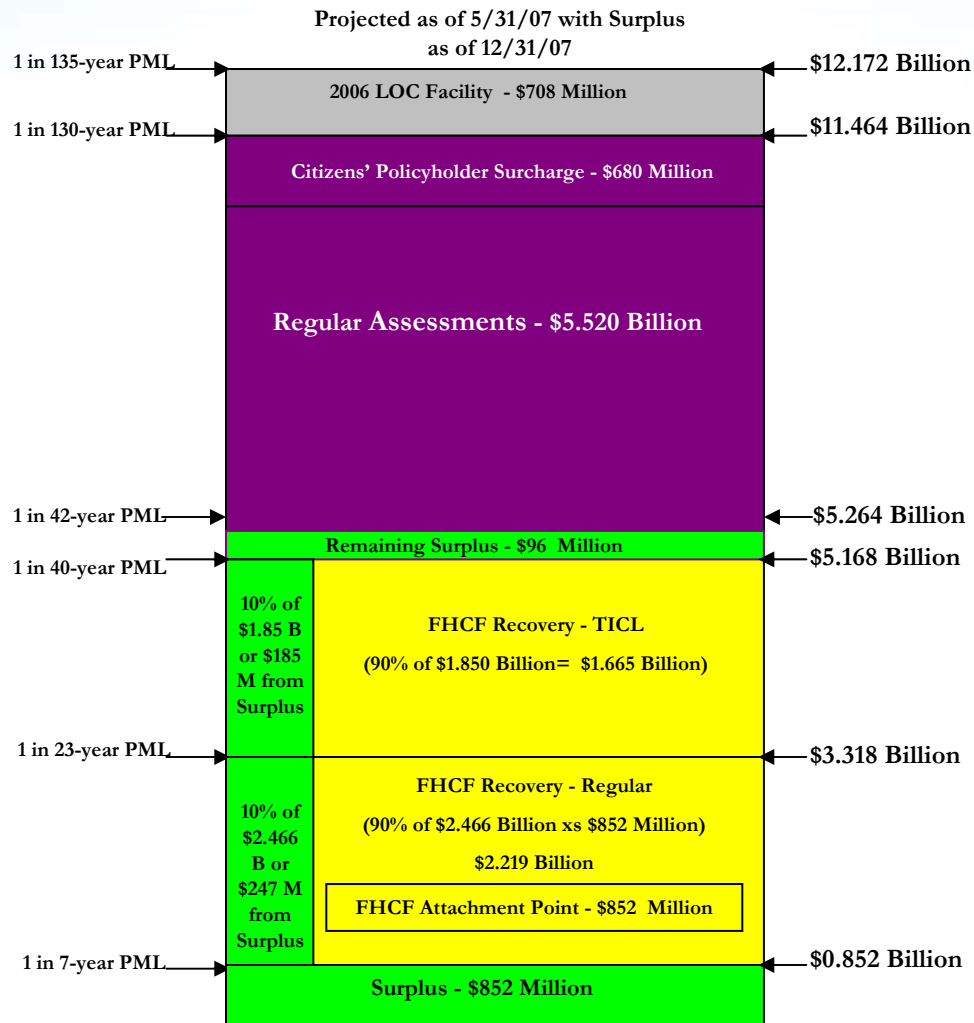
Return

Period	CLA	PLA	HRA
250	\$4.8B	\$11.9B	\$23.7B
100	\$2.7B	\$7B	\$13.8B

Note: The PMLs in these tables were calculated using RiskLink version 6.0, Historical (long-term) and Stochastic (mid-term) event sets, weighted, including demand surge and excluding storm surge. Citizens prepares its PMLs with a weighted rate comprised of 67% Stochastic rate and 33% Historical rate.

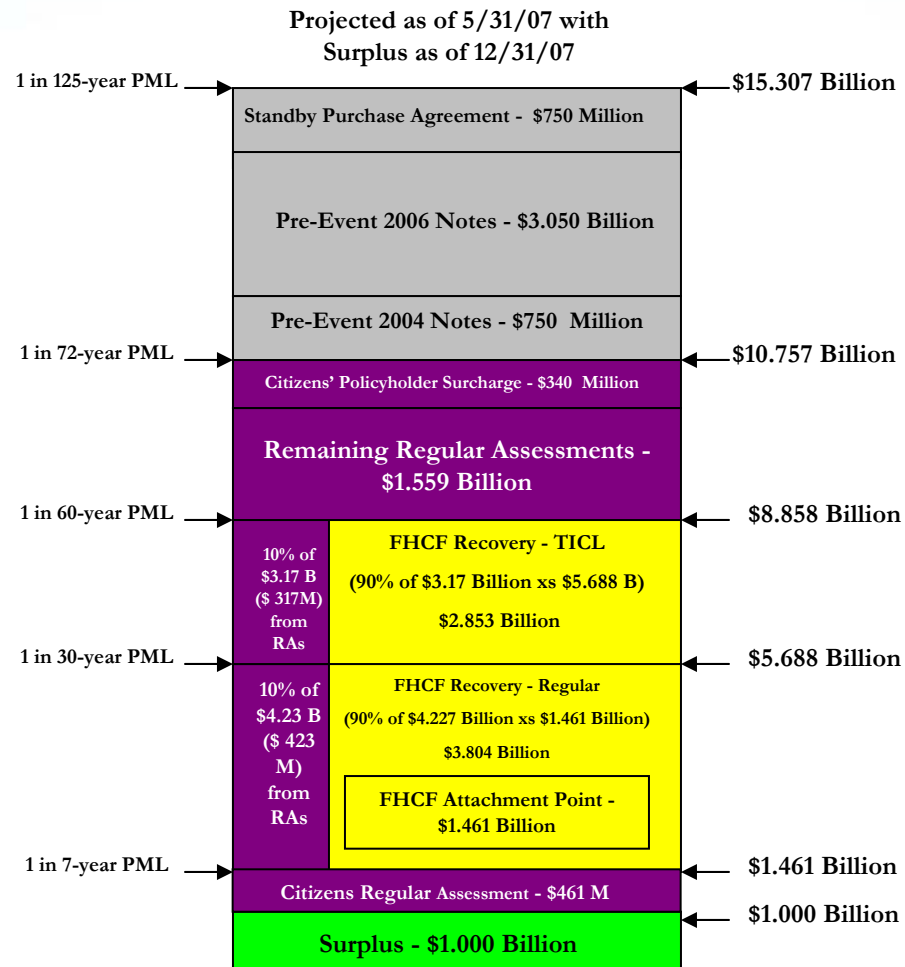


PLA/CLA Projected Claims Paying Resources (2007 Hurricane Season) With 12/31/06 Modeling Data





HRA Projected Claims Paying Resources (2007 Hurricane Season) With 12/31/06 Modeling Data





Thank You