

Deliverables for Long Term Solutions Taskforce – 12/14/2005

1. Depopulation history from 1998 to present. Breakout PLA & HRA takeouts separately.

SEE ATTACHMENT A

2. Since 2002, the number of policies coming into Citizens in the HRA and PLA compared to those that have been assumed due to the depopulation program. (aggregate data)

SEE ATTACHMENT B

3. Provide a map of PLA and HRA policies statewide. Policies in force by county? Exposure by county? Indicate population explosions by county and risk.

SEE ATTACHMENT C

4. Can it be more profitable for a private carrier to assume policies than to write as new business? [Responder to be determined.]
5. How are bonuses calculated? Are takeout bonuses used as an expense item in the actuarial rate filing?

Takeout bonuses are not used as an expense item in the actuarial rate filing. An “actuarially sound” rate is meant to reflect expected losses and expenses. Bonuses paid out are not an appropriate factor in a rate filing.

See ATTACHMENT D for information on bonus calculations.

6. Is reinsurance used as an expense item in the actuarial rate filing? Provide information on reinsurance layering distribution and provide information on the relative cost of reinsurance.

Yes, the net cost of reinsurance purchased is included in the indications used in the rate filings.

See ATTACHMENT E for information on reinsurance layering distribution and relative costs.

7. Gather data for Task force on Citizens service improvements implemented to date:

- Communication:
In an effort to keep policyholders informed, Citizens initiated a Hurricane Preparedness consumer awareness campaign in June 2005. The campaign featured a mailer sent to each Citizens' policyholder. The mailer reiterated Citizens' commitment to customer service and included tips and information to help guide policyholders in preparing for hurricane season.

Currently, Citizens is preparing an additional consumer education mailer that will include information on rates, hurricane mitigation, and customer service improvements. This campaign includes a website that will be designed to provide policyholders with an online resource for answering questions.

Note: All communication efforts will be provided in English and Spanish.

- Exchange of information with agents:
Citizens recognizes the importance of communication with its agency force. Year to date, Citizens has issued 23 technical bulletins to its more than 7,000 agents to assure that all are kept abreast of legislative requirements, policy provisions and underwriting procedures. Each bulletin distributed by Citizens is first vetted by an Agent Outreach Committee which provides comments, criticism and suggestions to improve the bulletin. Every significant underwriting or procedural change is communicated to this Agent Outreach Committee as well.
- Claims handling/Claims adjusting staff:
Following the 2004 hurricane season, Citizens made a number of changes to its infrastructure including significantly expanding the Catastrophe Claims Department. As a result of these changes, during the 2005 storm season, Citizens has directly managed both company employees and adjusting firms in the processing and payment of claims. Under this new system, Citizens' Catastrophe Team has been able to provide more efficient claims handling and better overall customer service.

Citizens' improvements are evident when comparing the number of calls made by Citizens policyholders to the Department of Financial Services (DFS) - Consumer Hotline. By December 2004, Citizens had received 120,000 claims. At that time, DFS had recorded more than 6,000 calls from customers who contacted DFS for assistance. In stark contrast, Citizens' 2005 response to more than 155,000 claims has generated just over 300 DFS service requests.

- Role of Miami-Dade office:
Citizens is establishing a regional claims processing office in Miami-Dade County. Citizens has thus far hired 2 General Adjusters who are adjusting

claims in the field. We are looking for shared office space in the Miami-Dade area. This office will serve as a regional claims processing office.

- Office redundancy:
Citizens' has Catastrophe Claims handling facilities in both Jacksonville and Tallahassee. Both of these locations have state of the art data centers and redundant operational capability. Additionally, our policy management system is housed in a secure IBM data center in North Carolina.
- What type of penalty clauses have been added to adjuster contracts?:
The Catastrophe Claims Service Agreement contains several provisions addressing performance standards and penalties including:
 - A service level agreement which prescribes performance standards and corresponding penalties for failure to comply with each standard;
 - A provision that violation of the service level agreement can also constitute a material breach justifying termination of the agreement;
 - A provision authorizing Citizens to conduct performance reviews and assess monetary or other penalties if deficiencies in service are identified.
 - A requirement that the adjusting firm maintain professional liability (errors & omissions) insurance with minimum limits of \$1 million per occurrence and \$5 million in the aggregate.
- Modifications to Catastrophe plan; Is the plan being followed?:

SEE ATTACHMENT F

8. Show the effect on exposure of Citizens if high value home policies are eliminated (PML effect on the entire book of business). If you look at all the high value policies (>\$1 million), do you create more exposure than risk of loss, that is, would elimination of high value homes result in a greater loss in premium than reduction in exposure?

Will provide response for January Task Force meeting.

9. Provide information on the scenarios listed below:
 - If Citizens current book of business consisted of wind-only, what would exposure be? What would premium be?

We do not have the requested information.

- If Citizens wrote wind statewide, what would exposure be? What would premium be? [Note: this question will be addressed by the Florida Hurricane Catastrophe Fund]

10. Provide a side by side comparing the Citizens policy to the voluntary market. [This information will be provided by DFS.]

11. What are the limits/coverages/deductibles for mobile homes offered by Citizens and does it differ from the private market now or private market when there was one? [This information will be provided by OIR.]

12. Should Citizens track the refusal of an agent to permit the assumption of the policy so it can be determined where the declinations are coming from? [Decision paper by Collins Center] How many policies have not been assumed?

According to companies currently participating in depopulation, between 25-30% are not assumed due to Consumer Choice.

13. How do we define “skin in the game” and what incentive does the insurer have to adjust properly? [Decision paper by Collins Center]

14. Provide the following information for the PLA:

<u>PLA</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Premium – Wind (\$ & % of total PLA)				
Premium – Non-wind				
Losses – Wind				
Losses – Non-Wind				
Expense – Wind				
Expense – Non-wind				

We do not have the requested information.

15. What is the breakdown of Citizens total operating expenses/allocated loss adjustment expenses per year?

SEE ATTACHMENT G

16. Should Citizens charge different rates for second homes? [OIR to do some initial research.]

17. What share of the property marketplace does the surplus lines industry have and does it have additional capacity? [Florida Surplus Lines Service Office will address.]

18. What are the checks and balances in the federal flood program? [Collins Center will research.]

19. Address the implementation of SB 1486. [OIR will do a presentation of this at a subsequent meeting.]

Corrected 1-10-06

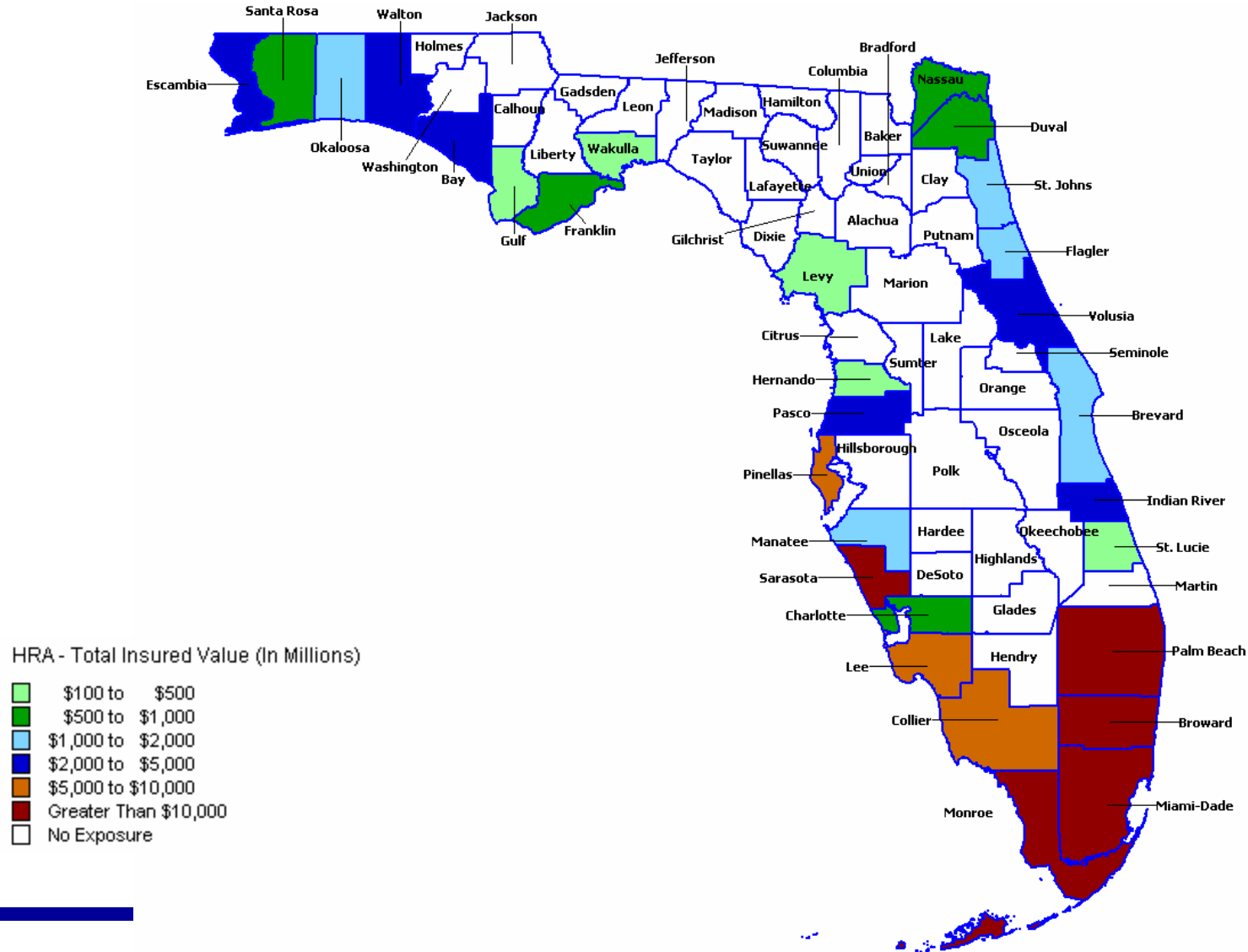
Depopulation Summary 1998-2005			
Calendar Year	PLA	HRA	Total Polices Assumed
1998	322,211	0	322,211
1999	106,309	37,312	143,621
2000	48,630	40,465	89,095
2001	2,760	58,606	61,366
2002	21,783	0	21,783
2003	28,219	0	28,219
2004	145,959	12,457	158,416
2005	218,695	75,556	294,251
Total	<u>894,566</u>	<u>224,396</u>	<u>1,118,962</u>

2002-2005 Depopulation History Relative to Year-End Policy Totals

Year	PLA Policies Taken Out	PLA Policies In-force Year-End	HRA Policies Taken Out	HRA Policies In-Force Year-End	Total Policies In-Force Year End
2002	21,783	206,256	0	397,676	603,932
2003	28,219	383,280	0	433,056	816,336
2004	145,959	416,529	12,457	453,765	870,294
2005	218,695	435,401	75,556	400,573	835,974

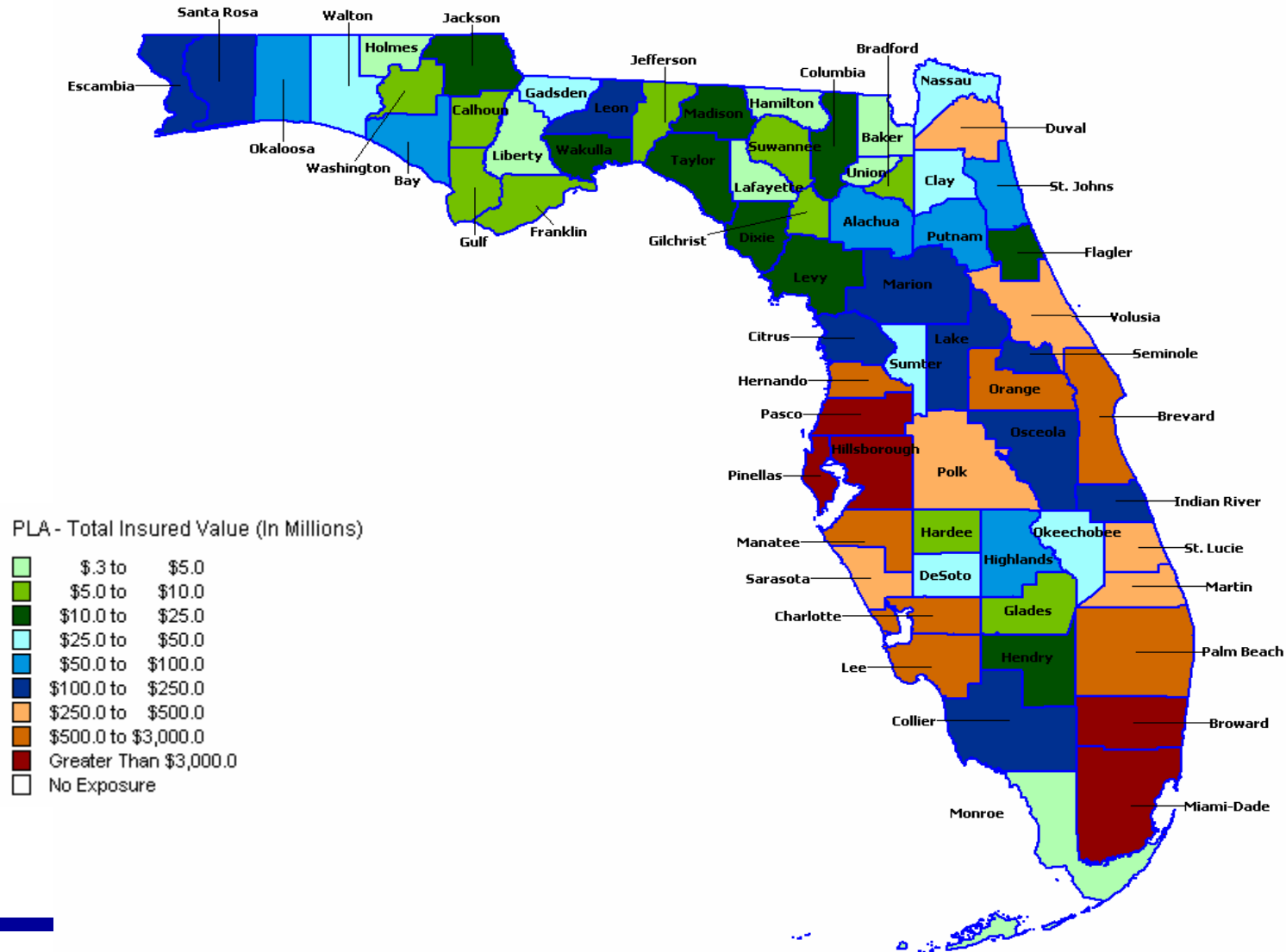
High Risk Account Insured Value By County

Concentration of Risk - Insured Value for with wind HRA Policies from Citizens Data as of September 30, 2005



Personal Lines Account Insured Value By County

Concentration of Risk - Insured Value for with wind PLA Policies from Citizens Data as of September 30, 2005



TOTAL IN-FORCE POLICIES BY ACCOUNT AND COUNTY
As of October 31, 2005

HRA	POLICIES IN-FORCE	TOTAL PREMIUM	COV A, B & C EXPOSURE
Bay	6,879	8,059,892	2,067,984,380
Brevard	5,017	6,276,814	1,863,259,213
Broward	74,335	2,297,954	20,889,671,067
Charlotte	1,595	33,317,185	607,700,584
Collier	11,222	221,884,459	6,513,462,567
Dade	98,772	1,625,290	31,514,695,272
Duval	2,008	1,625,290	736,135,956
Escambia	9,343	10,607,650	3,029,581,468
Flagler	2,893	2,265,371	1,005,094,483
Franklin	2,636	4,537,165	839,948,609
Gulf	1,759	2,303,049	421,197,392
Hernando	1,244	972,858	256,361,788
Indian River	4,579	18,516,259	2,526,102,452
Lee	18,240	29,589,549	6,555,159,789
Levy	565	390,424	115,822,435
Manatee	3,204	4,509,719	1,204,974,716
Monroe	28,614	96,032,742	9,052,975,987
Nassau	1,156	1,363,464	661,869,026
Okaloosa	2,361	4,270,910	1,332,621,229
Palm Beach	66,375	134,448,355	22,889,320,930
Pasco	11,690	9,859,538	1,996,271,570
Pinellas	16,641	19,523,814	5,446,147,073
Santa Rosa	1,656	2,541,015	655,115,808
Sarasota	30,218	37,335,891	10,257,075,009
St. Johns	2,501	2,734,828	1,133,576,809
St. Lucie	2,120	2,734,184	344,102,445
Volusia	16,249	10,884,635	4,351,841,158
Wakulla	655	513,488	133,240,709
Walton	8,889	17,546,456	4,119,270,845
Total	433,416	812,109,802	142,520,580,769

Policy Growth in Sinkhole Areas

- Sinkholes have contributed significantly to policy growth especially in the Tampa Bay area, which includes Hernando, Hillsborough, Pasco and Pinellas counties.
- In addition, sinkhole claims have increased loss costs on multi-peril policies.
- Chart below reflects the growth patterns associated with sinkhole properties throughout Florida.

Policies in Forces, as of

Area	12/31/2001	12/31/2002	12/31/2003	12/31/2004	Change
Tampa Bay	1,012	18,550	95,051	140,171	13751%
Dade, Broward, PB	100,723	140,193	239,441	205,644	104%
All Other	1,057	5,530	48,769	70,678	6587%

HRA Mobile Home Policies in Force, as of

County	Nov-03	Oct-04	Oct-05	Change
Bay	501	421	379	-122
Brevard	106	112	101	-5
Broward	179	162	192	13
Charlotte	58	51	53	-5
Collier	213	219	204	-9
Dade	545	660	676	131
Duval	0	0	0	0
Escambia	23	25	24	1
Flagler	256	263	274	18
Franklin	55	50	55	0
Gulf	115	116	106	-9
Hernando	49	55	51	2
Indian River	1	1	1	0
Lee	1815	1,776	1,750	-65
Levy	26	25	26	0
Manatee	54	59	71	17
Monroe	4023	3,924	3,723	-300
Nassau	0	0	0	0
Okaloosa	4	4	3	-1
Palm Beach	644	707	670	26
Pasco	987	1,163	1,297	310
Pinellas	47	6	0	-47
Santa Rosa	2	2	1	-1
Sarasota	1294	1,266	2,790	1496
St. Johns	62	69	67	5
St. Lucie	1006	920	835	-171
Volusia	110	120	337	227
Wakulla	75	80	77	2
Walton	302	310	293	-9
TOTAL	12,552	12,566	14,056	1,504

Depopulation

- Citizens is required by Florida law to design incentive programs and make every best effort to encourage licensed insurance companies to assume policies, thereby returning its policyholders to the private market. The following incentive programs have been approved to assist in depopulation.
- Under all incentive programs, takeout companies must remove a percentage of selected policies from Miami-Dade, Broward or Palm Beach Counties. The assumption company must also retain policies for a minimum of three years to qualify for a bonus.

Program	Minimum Policies	Miami, Broward, and Palm Beach*	Maximum Bonus as % of Premium
Takeout Incentive Program A	10,000	40%	12.50%
Takeout Incentive Program B	30,000	60%	15.00%
Takeout Incentive Program C	50,000	80%	17.00%
Takeout Incentive Program D	20,000	50%	25.00%

* Must cover residential properties with HO2 and HO3, and Dwelling Fire Policies located in Miami-Dade, Broward or Palm Beach Counties.

 *PLA*

 *HRA*

Citizens Property Insurance Corporation

Proposed Takeout Incentive Programs

Proposed Depopulation Program – General

The contract period to remove policies from Citizens will be eighteen (18) months. Any single assumption in a take-out contract period must remove a minimum of 2,500 policies or a Total Insured Value (coverages A, B, C & D combined) of five hundred (500) million dollars. High Risk Account (HRA) and Personal Lines Account (PLA) take-outs are exclusive and may not be assumed simultaneously under a single eighteen (18) month take-out contract. Policies are designated as either bonus eligible or non-bonus eligible on the attached schedules. Non-bonus eligible policies do not count toward reduced ceding commission, bonus or additional bonus thresholds.

PLA or HRA Non-Bonus Programs

1. The assuming carrier must remove during the take-out contract period a minimum of either:
 - a. 10,000* policies with wind coverage; or
 - b. Policies with wind coverage that have a Total Insured Value (coverages A, B, C & D combined) of two (2) billion dollars*.
2. Policies must be retained by the assuming carrier for a minimum of three (3) years.

* Take-outs consisting exclusively of Mobile Home policies have the following minimums:

Non-Bonus – 2,500 policies
With Bonus – 10,000 policies

PLA or HRA Bonus Programs

The assuming carrier must remove during the take-out contract period a minimum of either:

- a. 25,000* bonus eligible policies with wind coverage; or
- b. Bonus eligible policies with wind coverage that have a Total Insured Value (coverages A, B, C & D combined) of five (5) billion dollars*.
- c. Prior to assuming policies, the assuming carrier must select either a three (3) or five (5) year bonus program. No agreement may be modified mid-term to change to a different bonus program.

* Take-outs consisting exclusively of Mobile Home policies have the following minimums:

Non-Bonus – 2,500 policies
With Bonus – 10,000 policies

Three (3) Year Bonus Program

1. A base take-out bonus will be paid according to the location and type of policy, as outlined on the attached schedules, for bonus eligible policies retained by the assuming carrier for a minimum of three (3) years.
2. Policies must be retained by the assuming carrier for a minimum of three (3) years. The base take-out bonus for any policy will only be paid if the assuming carrier retains either the minimum number of bonus eligible policies or TIV for at least three (3) years.
3. Assuming carriers are eligible to receive an additional bonus amount for assuming a greater number of policies. The additional bonus amounts and corresponding take-out volumes are listed in the table labeled Ceding Commission and Additional Bonus Amounts.

Citizens Property Insurance Corporation

Proposed Takeout Incentive Programs

Three (3) Year Bonus Program (continued)

4. The additional take-out bonus for any policy will only be paid if the assuming carrier retains either the minimum number of bonus eligible policies or TIV required to qualify for the additional bonus amount listed in the table labeled Ceding Commission and Additional Bonus Amounts for a minimum of (3) years.

Three (3) Year Assumption example: if a policy is eligible for a 10% base bonus and the assuming carrier removes a minimum of 80,000 bonus eligible policies from the HRA for three (3) years, the bonus calculation for that policy would be as follows (assuming all other requirements are met):

a. Three (3) Year Assumption	10%
b. 80,000 Policies Additional Bonus	10%
c. Total Bonus for qualifying policy	<u>20%</u>

Five (5) Year Bonus Program

1. A take-out bonus will be paid according to the location and type of policy for bonus eligible policies retained by the assuming carrier for a minimum of five (5) years. The bonus amount will be one and one-half (1.5) times the base bonus amount listed on the attached schedules.
2. Policies must be retained by the assuming carrier for a minimum of five (5) years. The take-out bonus for any policy will only be paid if the assuming carrier retains either the minimum number of bonus eligible policies or TIV for at least five (5) years.
3. Assuming carriers are eligible to receive an additional bonus amount for assuming a greater number of bonus eligible policies. The additional bonus amounts and corresponding take-out volumes are listed in the table labeled Ceding Commission and Additional Bonus Amounts.
4. The additional take-out bonus for any policy will only be paid if the assuming carrier retains either the minimum number of bonus eligible policies or TIV required to qualify for the additional bonus amount listed in the table labeled Ceding Commission and Additional Bonus Amounts for a minimum of (5) years.

Five Year (5) Assumption example: if a policy is eligible for a 10% base bonus and the assuming carrier removes a minimum of 90,000 bonus eligible policies from the PLA for five (5) years, the bonus calculation for that policy would be as follows (assuming all other requirements are met):

a. Five (5) Year Assumption (10% X 1.5)	15%
b. 90,000 Policies Additional Bonus	10%
c. Total Bonus for qualifying policy	<u>25%</u>

Citizens Property Insurance Corporation

Proposed Takeout Incentive Programs

Ceding Commission and Additional Bonus Amounts

There are additional incentives for assuming carriers that remove larger numbers of bonus eligible policies or TIV from the Personal Lines Account or High Risk Account. Citizens agrees to reduce the ceding commission for all policies in a take-out if either the minimum number of bonus eligible policies or TIV are assumed. The Base Bonus Amounts for bonus eligible policies can also be increased if a carrier assumes and retains either the minimum number of bonus eligible policies or TIV for the minimum contract period (three or five years).

Ceding Commission and Additional Bonus Amounts (PLA)

Number of Bonus Eligible Policies	Minimum Bonus Eligible Total Insured Value (TIV)	Ceding Commission	Additional Bonus Amount
Less than 60,000	N/A	16%	0%
60,000 to 74,999	\$11 Billion	Reduced to 12%	2%
75,000 to 89,999	\$14 Billion	Reduced to 9%	5%
90,000 and up	\$17 Billion	Reduced to 6%	10%

Ceding Commission and Additional Bonus Amounts (HRA)

Number of Bonus Eligible Policies	Minimum Bonus Eligible Total Insured Value (TIV)	Ceding Commission	Additional Bonus Amount
Less than 35,000	N/A	16%	0%
35,000 to 49,999	\$10 Billion	Reduced to 12%	2%
50,000 to 79,999	\$14 Billion	Reduced to 9%	5%
80,000 and up	\$22 Billion	Reduced to 6%	10%

Citizens Property Insurance Corporation

Proposed Takeout Incentive Programs

Ceding Commission and Additional Bonus Amounts (Mobile Home)

Number of Bonus Eligible Policies	Minimum Bonus Eligible Total Insured Value (TIV)	Ceding Commission	Additional Bonus Amount
Less than 15,000	N/A	16%	0%
15,000 to 19,999	N/A	Reduced to 12%	2%
20,000 to 29,999	N/A	Reduced to 9%	5%
30,000 and up**	N/A	Reduced to 6%	10%

Policy Cancellations

Valid Cancellations:

A “Valid Cancellation Reason” includes the following:

1. Non-payment of premium; or
2. Insured initiated cancellation (e.g. transfer of ownership, insured request, policy replaced, etc).

Policies that cancel for a Valid Cancellation Reason will count toward minimum policy / TIV requirements for bonus or additional bonus amounts. Any bonus or additional bonus for any eligible policy which cancels for a Valid Cancellation Reason will be paid on a pro-rata basis corresponding with the time the policy is in-force with the assuming carrier. The pro-rata provision will not apply if the assuming carrier demonstrates continued coverage of the residence premises of the cancelled policy under a new policy.

Invalid Cancellations

An “In-valid Cancellation Reason” includes any insurer initiated cancellation, other than described above. No bonus or additional bonus will be paid on any policy that is cancelled by the assuming carrier for an Invalid Cancellation Reason. Policies that cancel for an Invalid Cancellation Reason will not count toward any minimum policy / TIV requirements for bonus or additional bonus.

Bonus Eligible Premium

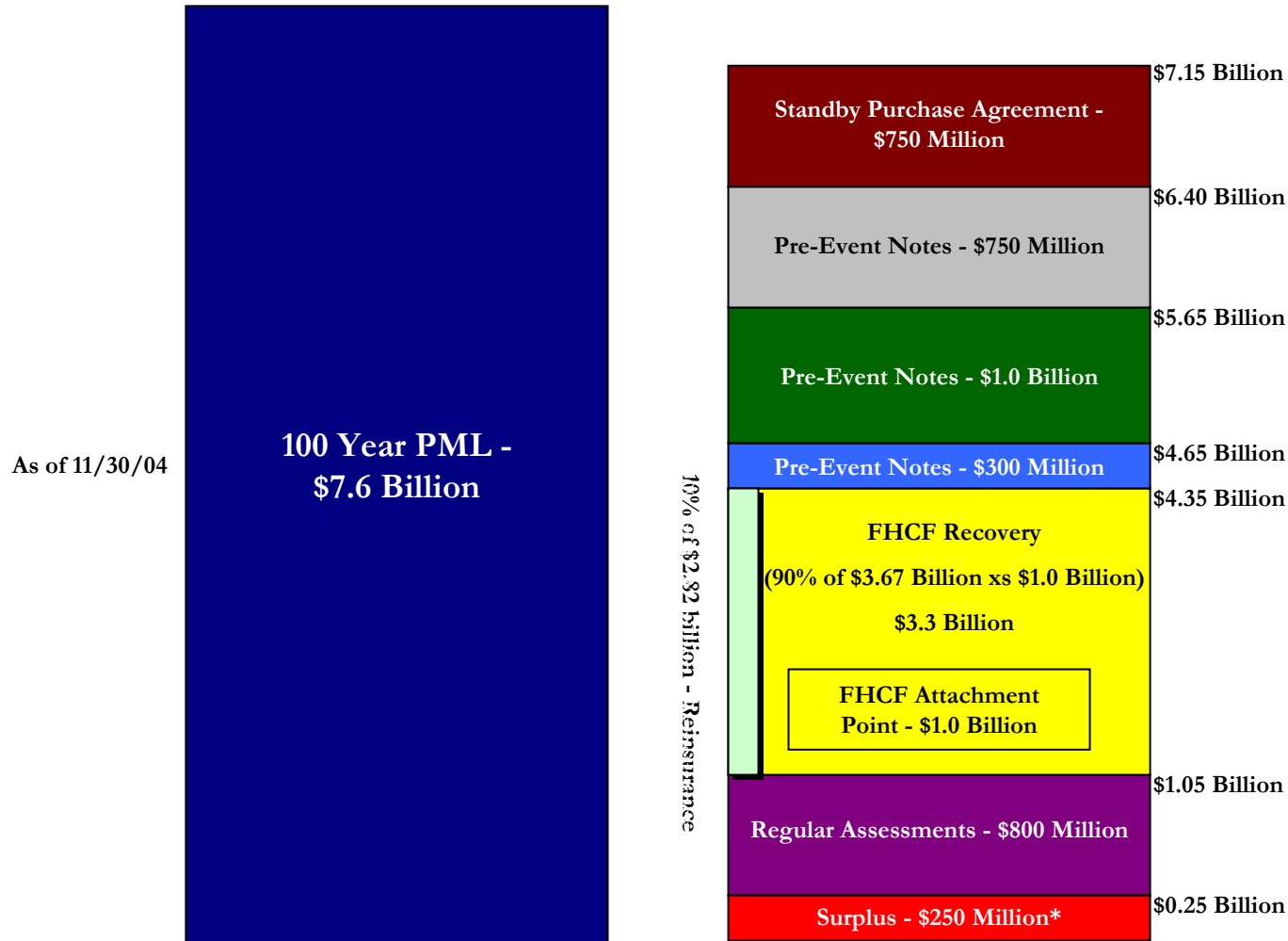
The bonus and any additional bonus for a qualifying policy will be calculated by multiplying the bonus amount (base bonus plus any additional bonus amount) by the net annual written premium. Net annual written premium is defined as the written premium less the following fees, taxes and/or surcharges:

- Tax Exempt Surcharge
- Market Equalization Surcharge
- Emergency Management Preparedness and Assistance Trust Fund Surcharge (PLA Only)
- Catastrophe Reinsurance Surcharge (HRA Only)
- Other fees, taxes or surcharges as determined by Citizens

REINSURANCE

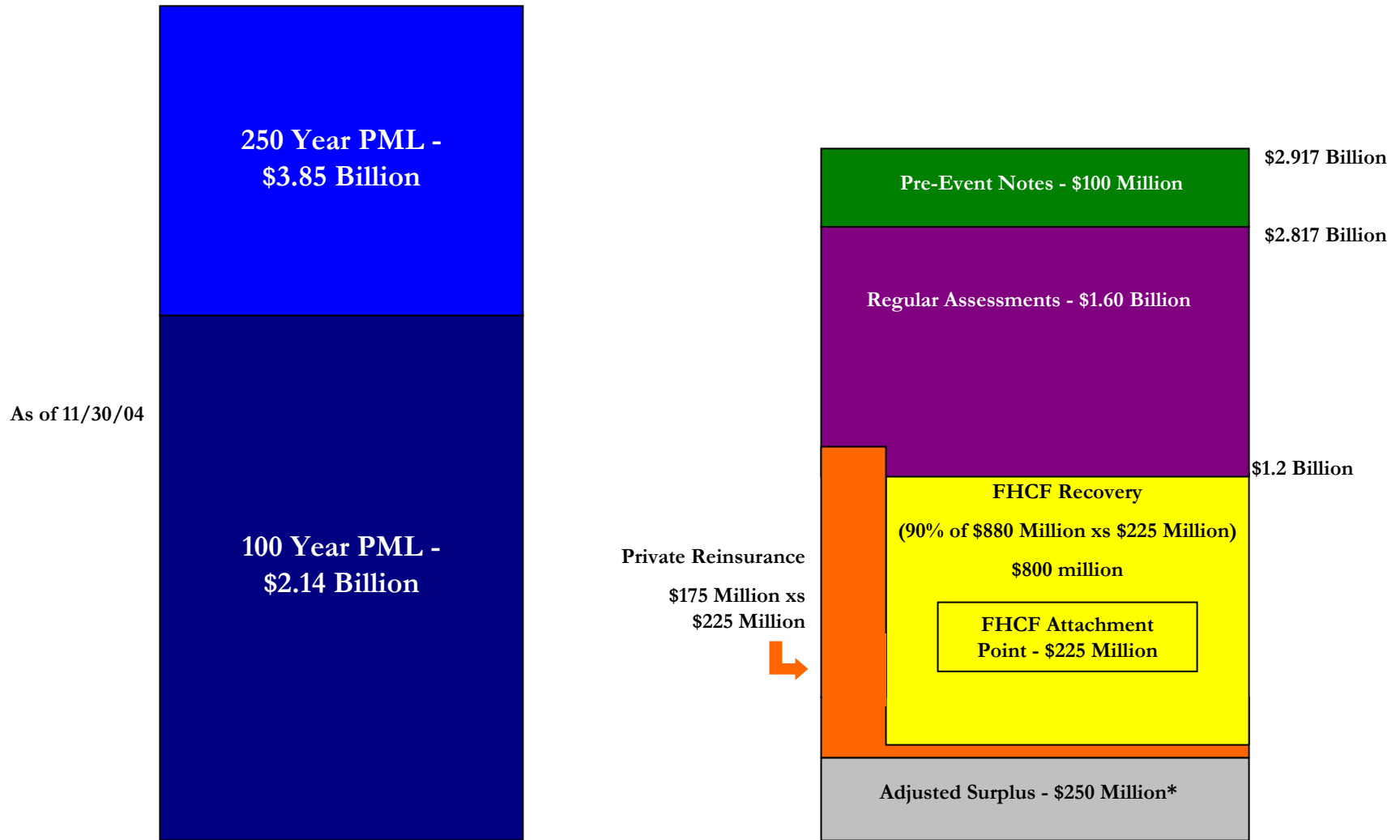
- The statute, F.S. Ch. 627.351 (6)(c)(9), requires that Citizens, “shall make its best efforts to procure catastrophe reinsurance at reasonable rates, to cover its projected 100-year probable maximum loss as determined by the board of governors.”
- Citizens had not purchased reinsurance at any time prior to the 2005 Hurricane Season because reinsurance rates were not reasonable given the probability of risk.
- With the goal of reducing the likelihood and potential impact of assessments on Floridians, Citizens’ Board of Governors approved the purchase of reinsurance at their June 29 meeting.
- For the PLA, Citizens purchased \$175 million in season-long coverage, which is available after \$225 million in losses. The coverage is designed to supplement current coverage provided by the Hurricane CAT Fund. The plan reduces the possibility of assessing by 21 percent if losses are due to one major storm or 41 percent if losses are due to multiple storms. The cost of this coverage is \$28,875,000.
- Citizens also purchased reinsurance for the HRA. Under the approved plan, Citizens obtained \$282 million in season-long coverage after \$775 million in losses, which supplements current CAT Fund coverage. If losses exceed \$3.59 billion from a single storm, reinsurance coverage is reduced; however, additional funds (excess recoveries) will most likely be available from the CAT Fund. In the event of multiple storms, the limit at which coverage is reduced will vary. The cost of this coverage is \$20,113,875.

HRA Claims Paying Resources (2005 Hurricane Season)



* Surplus is projected as of 6/30/05 and assumes that the deficit has been collected; this amount in no way reflects year-end surplus which is used to calculate a deficit.

PLA/CLA Claims Paying Resources (2005 Hurricane Season)



* Surplus is projected as of 6/30/05; this amount in no way reflects year-end surplus which is used to calculate a deficit.

Deliverables for Long Term Solutions Taskforce – 12/14/2005

1. Depopulation history from 1998 to present. Breakout PLA & HRA takeouts separately.

SEE ATTACHMENT A

2. Since 2002, the number of policies coming into Citizens in the HRA and PLA compared to those that have been assumed due to the depopulation program. (aggregate data)

SEE ATTACHMENT B

3. Provide a map of PLA and HRA policies statewide. Policies in force by county? Exposure by county? Indicate population explosions by county and risk.

SEE ATTACHMENT C

4. Can it be more profitable for a private carrier to assume policies than to write as new business? [Responder to be determined.]
5. How are bonuses calculated? Are takeout bonuses used as an expense item in the actuarial rate filing?

Takeout bonuses are not used as an expense item in the actuarial rate filing. An “actuarially sound” rate is meant to reflect expected losses and expenses. Bonuses paid out are not an appropriate factor in a rate filing.

See ATTACHMENT D for information on bonus calculations.

6. Is reinsurance used as an expense item in the actuarial rate filing? Provide information on reinsurance layering distribution and provide information on the relative cost of reinsurance.

Yes, the net cost of reinsurance purchased is included in the indications used in the rate filings.

See ATTACHMENT E for information on reinsurance layering distribution and relative costs.

7. Gather data for Task force on Citizens service improvements implemented to date:

- Communication:
In an effort to keep policyholders informed, Citizens initiated a Hurricane Preparedness consumer awareness campaign in June 2005. The campaign featured a mailer sent to each Citizens' policyholder. The mailer reiterated Citizens' commitment to customer service and included tips and information to help guide policyholders in preparing for hurricane season.

Currently, Citizens is preparing an additional consumer education mailer that will include information on rates, hurricane mitigation, and customer service improvements. This campaign includes a website that will be designed to provide policyholders with an online resource for answering questions.

Note: All communication efforts will be provided in English and Spanish.

- Exchange of information with agents:
Citizens recognizes the importance of communication with its agency force. Year to date, Citizens has issued 23 technical bulletins to its more than 7,000 agents to assure that all are kept abreast of legislative requirements, policy provisions and underwriting procedures. Each bulletin distributed by Citizens is first vetted by an Agent Outreach Committee which provides comments, criticism and suggestions to improve the bulletin. Every significant underwriting or procedural change is communicated to this Agent Outreach Committee as well.
- Claims handling/Claims adjusting staff:
Following the 2004 hurricane season, Citizens made a number of changes to its infrastructure including significantly expanding the Catastrophe Claims Department. As a result of these changes, during the 2005 storm season, Citizens has directly managed both company employees and adjusting firms in the processing and payment of claims. Under this new system, Citizens' Catastrophe Team has been able to provide more efficient claims handling and better overall customer service.

Citizens' improvements are evident when comparing the number of calls made by Citizens policyholders to the Department of Financial Services (DFS) - Consumer Hotline. By December 2004, Citizens had received 120,000 claims. At that time, DFS had recorded more than 6,000 calls from customers who contacted DFS for assistance. In stark contrast, Citizens' 2005 response to more than 155,000 claims has generated just over 300 DFS service requests.

- Role of Miami-Dade office:
Citizens is establishing a regional claims processing office in Miami-Dade County. Citizens has thus far hired 2 General Adjusters who are adjusting

claims in the field. We are looking for shared office space in the Miami-Dade area. This office will serve as a regional claims processing office.

- Office redundancy:
Citizens' has Catastrophe Claims handling facilities in both Jacksonville and Tallahassee. Both of these locations have state of the art data centers and redundant operational capability. Additionally, our policy management system is housed in a secure IBM data center in North Carolina.
- What type of penalty clauses have been added to adjuster contracts?:
The Catastrophe Claims Service Agreement contains several provisions addressing performance standards and penalties including:
 - A service level agreement which prescribes performance standards and corresponding penalties for failure to comply with each standard;
 - A provision that violation of the service level agreement can also constitute a material breach justifying termination of the agreement;
 - A provision authorizing Citizens to conduct performance reviews and assess monetary or other penalties if deficiencies in service are identified.
 - A requirement that the adjusting firm maintain professional liability (errors & omissions) insurance with minimum limits of \$1 million per occurrence and \$5 million in the aggregate.
- Modifications to Catastrophe plan; Is the plan being followed?:

SEE ATTACHMENT F

8. Show the effect on exposure of Citizens if high value home policies are eliminated (PML effect on the entire book of business). If you look at all the high value policies (>\$1 million), do you create more exposure than risk of loss, that is, would elimination of high value homes result in a greater loss in premium than reduction in exposure?

Will provide response for January Task Force meeting.

9. Provide information on the scenarios listed below:
 - If Citizens current book of business consisted of wind-only, what would exposure be? What would premium be?

We do not have the requested information.

- If Citizens wrote wind statewide, what would exposure be? What would premium be? [Note: this question will be addressed by the Florida Hurricane Catastrophe Fund]

10. Provide a side by side comparing the Citizens policy to the voluntary market. [This information will be provided by DFS.]

11. What are the limits/coverages/deductibles for mobile homes offered by Citizens and does it differ from the private market now or private market when there was one? [This information will be provided by OIR.]

12. Should Citizens track the refusal of an agent to permit the assumption of the policy so it can be determined where the declinations are coming from? [Decision paper by Collins Center] How many policies have not been assumed?

According to companies currently participating in depopulation, between 25-30% are not assumed due to Consumer Choice.

13. How do we define “skin in the game” and what incentive does the insurer have to adjust properly? [Decision paper by Collins Center]

14. Provide the following information for the PLA:

<u>PLA</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Premium – Wind (\$ & % of total PLA)				
Premium – Non-wind				
Losses – Wind				
Losses – Non-Wind				
Expense – Wind				
Expense – Non-wind				

We do not have the requested information.

15. What is the breakdown of Citizens total operating expenses/allocated loss adjustment expenses per year?

SEE ATTACHMENT G

16. Should Citizens charge different rates for second homes? [OIR to do some initial research.]

17. What share of the property marketplace does the surplus lines industry have and does it have additional capacity? [Florida Surplus Lines Service Office will address.]

18. What are the checks and balances in the federal flood program? [Collins Center will research.]

19. Address the implementation of SB 1486. [OIR will do a presentation of this at a subsequent meeting.]

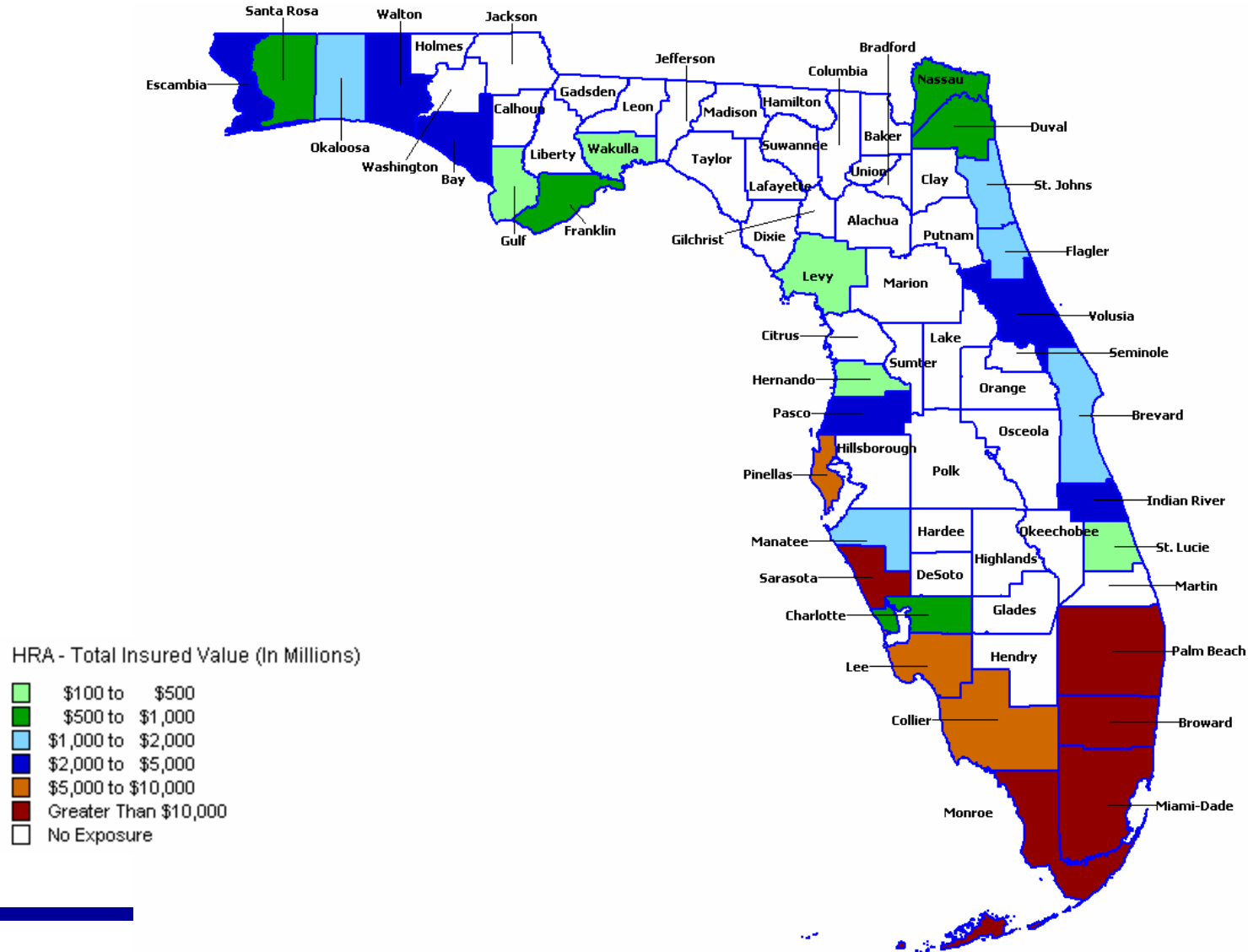
Depopulation Summary 1998-2005			
Calendar Year	PLA	HRA	Total Polices Assumed
1998	322,211	n/a	n/a
1999	106,309	37,312	143,621
2000	48,630	40,465	89,095
2001	2,760	58,606	61,366
2002	21,783	0	21,783
2003	28,219	0	28,219
2004	145,959	12,457	158,416
2005	218,695	75,556	294,251
Total	<u>894,566</u>	<u>88,013</u>	<u>982,579</u>

2002-2005 Depopulation History Relative to Year-End Policy Totals

Year	PLA Policies Taken Out	PLA Policies In-force Year-End	HRA Policies Taken Out	HRA Policies In-Force Year-End	Total Policies In-Force Year End
2002	21,783	206,256	0	397,676	603,932
2003	28,219	383,280	0	433,056	816,336
2004	145,959	416,529	12,457	453,765	870,294
2005	218,695	435,401	75,556	400,573	835,974

High Risk Account Insured Value By County

Concentration of Risk - Insured Value for with wind HRA Policies from Citizens Data as of September 30, 2005



TOTAL IN-FORCE POLICIES BY ACCOUNT AND COUNTY
As of October 31, 2005

HRA	POLICIES IN-FORCE	TOTAL PREMIUM	COV A, B & C EXPOSURE
Bay	6,879	8,059,892	2,067,984,380
Brevard	5,017	6,276,814	1,863,259,213
Broward	74,335	2,297,954	20,889,671,067
Charlotte	1,595	33,317,185	607,700,584
Collier	11,222	221,884,459	6,513,462,567
Dade	98,772	1,625,290	31,514,695,272
Duval	2,008	1,625,290	736,135,956
Escambia	9,343	10,607,650	3,029,581,468
Flagler	2,893	2,265,371	1,005,094,483
Franklin	2,636	4,537,165	839,948,609
Gulf	1,759	2,303,049	421,197,392
Hernando	1,244	972,858	256,361,788
Indian River	4,579	18,516,259	2,526,102,452
Lee	18,240	29,589,549	6,555,159,789
Levy	565	390,424	115,822,435
Manatee	3,204	4,509,719	1,204,974,716
Monroe	28,614	96,032,742	9,052,975,987
Nassau	1,156	1,363,464	661,869,026
Okaloosa	2,361	4,270,910	1,332,621,229
Palm Beach	66,375	134,448,355	22,889,320,930
Pasco	11,690	9,859,538	1,996,271,570
Pinellas	16,641	19,523,814	5,446,147,073
Santa Rosa	1,656	2,541,015	655,115,808
Sarasota	30,218	37,335,891	10,257,075,009
St. Johns	2,501	2,734,828	1,133,576,809
St. Lucie	2,120	2,734,184	344,102,445
Volusia	16,249	10,884,635	4,351,841,158
Wakulla	655	513,488	133,240,709
Walton	8,889	17,546,456	4,119,270,845
Total	433,416	812,109,802	142,520,580,769

Policy Growth in Sinkhole Areas

- Sinkholes have contributed significantly to policy growth especially in the Tampa Bay area, which includes Hernando, Hillsborough, Pasco and Pinellas counties.
- In addition, sinkhole claims have increased loss costs on multi-peril policies.
- Chart below reflects the growth patterns associated with sinkhole properties throughout Florida.

Policies in Forces, as of

Area	12/31/2001	12/31/2002	12/31/2003	12/31/2004	Change
Tampa Bay	1,012	18,550	95,051	140,171	13751%
Dade, Broward, PB	100,723	140,193	239,441	205,644	104%
All Other	1,057	5,530	48,769	70,678	6587%

HRA Mobile Home Policies in Force, as of

County	Nov-03	Oct-04	Oct-05	Change
Bay	501	421	379	-122
Brevard	106	112	101	-5
Broward	179	162	192	13
Charlotte	58	51	53	-5
Collier	213	219	204	-9
Dade	545	660	676	131
Duval	0	0	0	0
Escambia	23	25	24	1
Flagler	256	263	274	18
Franklin	55	50	55	0
Gulf	115	116	106	-9
Hernando	49	55	51	2
Indian River	1	1	1	0
Lee	1815	1,776	1,750	-65
Levy	26	25	26	0
Manatee	54	59	71	17
Monroe	4023	3,924	3,723	-300
Nassau	0	0	0	0
Okaloosa	4	4	3	-1
Palm Beach	644	707	670	26
Pasco	987	1,163	1,297	310
Pinellas	47	6	0	-47
Santa Rosa	2	2	1	-1
Sarasota	1294	1,266	2,790	1496
St. Johns	62	69	67	5
St. Lucie	1006	920	835	-171
Volusia	110	120	337	227
Wakulla	75	80	77	2
Walton	302	310	293	-9
TOTAL	12,552	12,566	14,056	1,504

Depopulation

- Citizens is required by Florida law to design incentive programs and make every best effort to encourage licensed insurance companies to assume policies, thereby returning its policyholders to the private market. The following incentive programs have been approved to assist in depopulation.
- Under all incentive programs, takeout companies must remove a percentage of selected policies from Miami-Dade, Broward or Palm Beach Counties. The assumption company must also retain policies for a minimum of three years to qualify for a bonus.

Program	Minimum Policies	Miami, Broward, and Palm Beach*	Maximum Bonus as % of Premium
Takeout Incentive Program A	10,000	40%	12.50%
Takeout Incentive Program B	30,000	60%	15.00%
Takeout Incentive Program C	50,000	80%	17.00%
Takeout Incentive Program D	20,000	50%	25.00%

* Must cover residential properties with HO2 and HO3, and Dwelling Fire Policies located in Miami-Dade, Broward or Palm Beach Counties.

 *PLA*

 *HRA*

Citizens Property Insurance Corporation

Proposed Takeout Incentive Programs

Proposed Depopulation Program – General

The contract period to remove policies from Citizens will be eighteen (18) months. Any single assumption in a take-out contract period must remove a minimum of 2,500 policies or a Total Insured Value (coverages A, B, C & D combined) of five hundred (500) million dollars. High Risk Account (HRA) and Personal Lines Account (PLA) take-outs are exclusive and may not be assumed simultaneously under a single eighteen (18) month take-out contract. Policies are designated as either bonus eligible or non-bonus eligible on the attached schedules. Non-bonus eligible policies do not count toward reduced ceding commission, bonus or additional bonus thresholds.

PLA or HRA Non-Bonus Programs

1. The assuming carrier must remove during the take-out contract period a minimum of either:
 - a. 10,000* policies with wind coverage; or
 - b. Policies with wind coverage that have a Total Insured Value (coverages A, B, C & D combined) of two (2) billion dollars*.
2. Policies must be retained by the assuming carrier for a minimum of three (3) years.

* Take-outs consisting exclusively of Mobile Home policies have the following minimums:

Non-Bonus – 2,500 policies
With Bonus – 10,000 policies

PLA or HRA Bonus Programs

The assuming carrier must remove during the take-out contract period a minimum of either:

- a. 25,000* bonus eligible policies with wind coverage; or
- b. Bonus eligible policies with wind coverage that have a Total Insured Value (coverages A, B, C & D combined) of five (5) billion dollars*.
- c. Prior to assuming policies, the assuming carrier must select either a three (3) or five (5) year bonus program. No agreement may be modified mid-term to change to a different bonus program.

* Take-outs consisting exclusively of Mobile Home policies have the following minimums:

Non-Bonus – 2,500 policies
With Bonus – 10,000 policies

Three (3) Year Bonus Program

1. A base take-out bonus will be paid according to the location and type of policy, as outlined on the attached schedules, for bonus eligible policies retained by the assuming carrier for a minimum of three (3) years.
2. Policies must be retained by the assuming carrier for a minimum of three (3) years. The base take-out bonus for any policy will only be paid if the assuming carrier retains either the minimum number of bonus eligible policies or TIV for at least three (3) years.
3. Assuming carriers are eligible to receive an additional bonus amount for assuming a greater number of policies. The additional bonus amounts and corresponding take-out volumes are listed in the table labeled Ceding Commission and Additional Bonus Amounts.

Citizens Property Insurance Corporation

Proposed Takeout Incentive Programs

Three (3) Year Bonus Program (continued)

4. The additional take-out bonus for any policy will only be paid if the assuming carrier retains either the minimum number of bonus eligible policies or TIV required to qualify for the additional bonus amount listed in the table labeled Ceding Commission and Additional Bonus Amounts for a minimum of (3) years.

Three (3) Year Assumption example: if a policy is eligible for a 10% base bonus and the assuming carrier removes a minimum of 80,000 bonus eligible policies from the HRA for three (3) years, the bonus calculation for that policy would be as follows (assuming all other requirements are met):

a. Three (3) Year Assumption	10%
b. 80,000 Policies Additional Bonus	10%
c. Total Bonus for qualifying policy	<u>20%</u>

Five (5) Year Bonus Program

1. A take-out bonus will be paid according to the location and type of policy for bonus eligible policies retained by the assuming carrier for a minimum of five (5) years. The bonus amount will be one and one-half (1.5) times the base bonus amount listed on the attached schedules.
2. Policies must be retained by the assuming carrier for a minimum of five (5) years. The take-out bonus for any policy will only be paid if the assuming carrier retains either the minimum number of bonus eligible policies or TIV for at least five (5) years.
3. Assuming carriers are eligible to receive an additional bonus amount for assuming a greater number of bonus eligible policies. The additional bonus amounts and corresponding take-out volumes are listed in the table labeled Ceding Commission and Additional Bonus Amounts.
4. The additional take-out bonus for any policy will only be paid if the assuming carrier retains either the minimum number of bonus eligible policies or TIV required to qualify for the additional bonus amount listed in the table labeled Ceding Commission and Additional Bonus Amounts for a minimum of (5) years.

Five Year (5) Assumption example: if a policy is eligible for a 10% base bonus and the assuming carrier removes a minimum of 90,000 bonus eligible policies from the PLA for five (5) years, the bonus calculation for that policy would be as follows (assuming all other requirements are met):

a. Five (5) Year Assumption (10% X 1.5)	15%
b. 90,000 Policies Additional Bonus	10%
c. Total Bonus for qualifying policy	<u>25%</u>

Citizens Property Insurance Corporation

Proposed Takeout Incentive Programs

Ceding Commission and Additional Bonus Amounts

There are additional incentives for assuming carriers that remove larger numbers of bonus eligible policies or TIV from the Personal Lines Account or High Risk Account. Citizens agrees to reduce the ceding commission for all policies in a take-out if either the minimum number of bonus eligible policies or TIV are assumed. The Base Bonus Amounts for bonus eligible policies can also be increased if a carrier assumes and retains either the minimum number of bonus eligible policies or TIV for the minimum contract period (three or five years).

Ceding Commission and Additional Bonus Amounts (PLA)

Number of Bonus Eligible Policies	Minimum Bonus Eligible Total Insured Value (TIV)	Ceding Commission	Additional Bonus Amount
Less than 60,000	N/A	16%	0%
60,000 to 74,999	\$11 Billion	Reduced to 12%	2%
75,000 to 89,999	\$14 Billion	Reduced to 9%	5%
90,000 and up	\$17 Billion	Reduced to 6%	10%

Ceding Commission and Additional Bonus Amounts (HRA)

Number of Bonus Eligible Policies	Minimum Bonus Eligible Total Insured Value (TIV)	Ceding Commission	Additional Bonus Amount
Less than 35,000	N/A	16%	0%
35,000 to 49,999	\$10 Billion	Reduced to 12%	2%
50,000 to 79,999	\$14 Billion	Reduced to 9%	5%
80,000 and up	\$22 Billion	Reduced to 6%	10%

Citizens Property Insurance Corporation

Proposed Takeout Incentive Programs

Ceding Commission and Additional Bonus Amounts (Mobile Home)

Number of Bonus Eligible Policies	Minimum Bonus Eligible Total Insured Value (TIV)	Ceding Commission	Additional Bonus Amount
Less than 15,000	N/A	16%	0%
15,000 to 19,999	N/A	Reduced to 12%	2%
20,000 to 29,999	N/A	Reduced to 9%	5%
30,000 and up**	N/A	Reduced to 6%	10%

Policy Cancellations

Valid Cancellations:

A “Valid Cancellation Reason” includes the following:

1. Non-payment of premium; or
2. Insured initiated cancellation (e.g. transfer of ownership, insured request, policy replaced, etc).

Policies that cancel for a Valid Cancellation Reason will count toward minimum policy / TIV requirements for bonus or additional bonus amounts. Any bonus or additional bonus for any eligible policy which cancels for a Valid Cancellation Reason will be paid on a pro-rata basis corresponding with the time the policy is in-force with the assuming carrier. The pro-rata provision will not apply if the assuming carrier demonstrates continued coverage of the residence premises of the cancelled policy under a new policy.

Invalid Cancellations

An “In-valid Cancellation Reason” includes any insurer initiated cancellation, other than described above. No bonus or additional bonus will be paid on any policy that is cancelled by the assuming carrier for an Invalid Cancellation Reason. Policies that cancel for an Invalid Cancellation Reason will not count toward any minimum policy / TIV requirements for bonus or additional bonus.

Bonus Eligible Premium

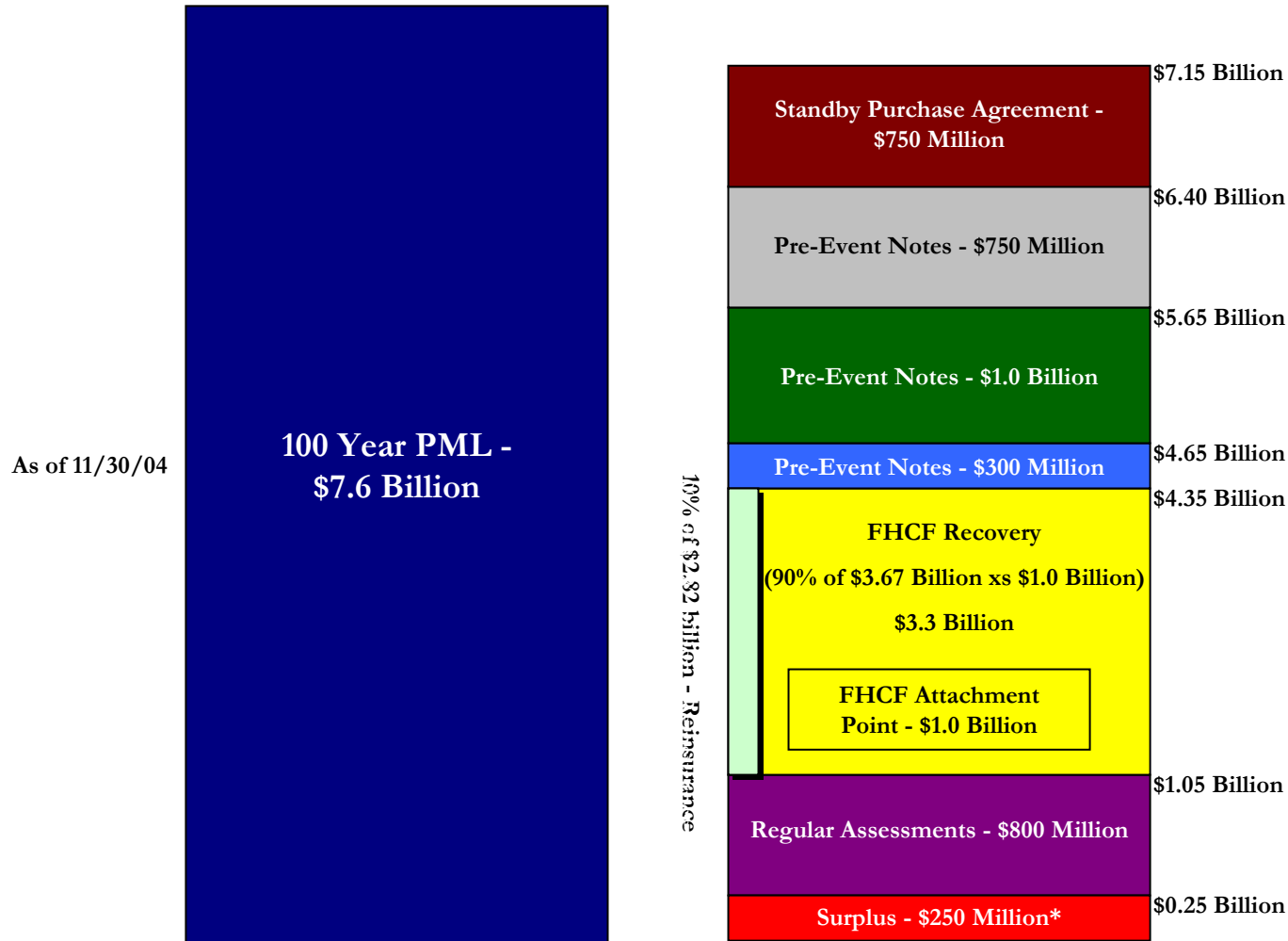
The bonus and any additional bonus for a qualifying policy will be calculated by multiplying the bonus amount (base bonus plus any additional bonus amount) by the net annual written premium. Net annual written premium is defined as the written premium less the following fees, taxes and/or surcharges:

- Tax Exempt Surcharge
- Market Equalization Surcharge
- Emergency Management Preparedness and Assistance Trust Fund Surcharge (PLA Only)
- Catastrophe Reinsurance Surcharge (HRA Only)
- Other fees, taxes or surcharges as determined by Citizens

REINSURANCE

- The statute, F.S. Ch. 627.351 (6)(c)(9), requires that Citizens, “shall make its best efforts to procure catastrophe reinsurance at reasonable rates, to cover its projected 100-year probable maximum loss as determined by the board of governors.”
- Citizens had not purchased reinsurance at any time prior to the 2005 Hurricane Season because reinsurance rates were not reasonable given the probability of risk.
- With the goal of reducing the likelihood and potential impact of assessments on Floridians, Citizens’ Board of Governors approved the purchase of reinsurance at their June 29 meeting.
- For the PLA, Citizens purchased \$175 million in season-long coverage, which is available after \$225 million in losses. The coverage is designed to supplement current coverage provided by the Hurricane CAT Fund. The plan reduces the possibility of assessing by 21 percent if losses are due to one major storm or 41 percent if losses are due to multiple storms. The cost of this coverage is \$28,875,000.
- Citizens also purchased reinsurance for the HRA. Under the approved plan, Citizens obtained \$282 million in season-long coverage after \$775 million in losses, which supplements current CAT Fund coverage. If losses exceed \$3.59 billion from a single storm, reinsurance coverage is reduced; however, additional funds (excess recoveries) will most likely be available from the CAT Fund. In the event of multiple storms, the limit at which coverage is reduced will vary. The cost of this coverage is \$20,113,875.

HRA Claims Paying Resources (2005 Hurricane Season)



* Surplus is projected as of 6/30/05 and assumes that the deficit has been collected; this amount in no way reflects year-end surplus which is used to calculate a deficit.

PLA/CLA Claims Paying Resources (2005 Hurricane Season)

