

April 17, 2008

**Evaluation of HB 983
Florida Windstorm Insurance Consumer Empowerment
Program
Florida 2008 Regular Legislative Session**

Office of the Consumer Advocate
State of Florida

Prepared by:
Stephen A. Alexander, FCAS, MAAA, MBA



TABLE OF CONTENTS

SCOPE 3
LIMITATIONS..... 4
CONCLUSIONS 5
BACKGROUND 7
ANALYSIS..... 8
KEY ASSUMPTIONS 10
DATA RELIANCES 12
EXHIBITS 13

SCOPE

This report has been prepared at the request of the Florida Hurricane Catastrophe Fund (FHCF). The purpose of this report is to provide an actuarial evaluation of the impact that implementation of House Bill 983 (HB 983), the Florida Windstorm Insurance Consumer Empowerment Program, of the Florida 2008 Regular Legislative Session will have upon average homeowners insurance premiums in the state of Florida.

No attempt has been made to estimate the number of policyholders in each market (private or Citizens) that will be written in the other market. To the extent policyholders switch by choice from the private market to the Florida Windstorm Insurance Program (FWIP), or vice versa, or are forced into the FWIP, the total market change will vary from the indicated changes in this report. This report does not analyze the viability of the proposed legislation based upon the future random occurrence of hurricanes. Furthermore, this report does not analyze the potential level of assessments for FWIP policyholders. Finally, this report does not analyze any other factors that may impact average homeowners insurance premiums in the state of Florida upon implementation of HB 983.

LIMITATIONS

The conclusions of this report are developed in the accompanying text and exhibits, which together comprise the report. The conclusions in this report are related to its stated purpose only and may not be applicable for other purposes. This report should only be distributed in its entirety and should not replace the due diligence on behalf of any third party. The author reserves the right to make or approve any changes to this report. Judgments as to the conclusions, indications, methods, and data contained in this report should be made only after studying the report in its entirety. The author is available to explain any matter presented herein and assumes that the user of the report will seek such explanation as to any matter in question.

CONCLUSIONS

The Consumer Advocate’s indicated average changes in premiums after the implementation of HB 983 are summarized in the following chart. These indications assume: 1) the level of actuarial soundness of Citizens Property Insurance Corporation (Citizens) rates will not change between 2007 and 2010, 2) the level of actuarial soundness of FWIP rates in 2010 will initially be the same as Citizens, 3) the FHCF will provide reinsurance coverage for commercial residential policies at 90% of \$3.33 billion excess of a retention of \$1 billion per storm as provided by HB 983, 4) authorized insurers will not be writing any commercial residential coverage at the time of implementation of HB 983, and therefore 5) all commercial residential policies written by Citizens will be assumed by the FWIP and any commercial residential policies written in the surplus lines market will continue to be written in that market.

Assuming reinsurance rates do not change between 2007 and 2010, this report estimates that the average premiums in the private market (non-participating insurers as defined in HB 983) will increase by 46.1%, and the FWIP’s average premiums will be 21.0% above Citizens rates. Assuming reinsurance rates decrease 15% per year between 2007 and 2010, average premiums in the private market will increase by an estimated 29.1%, and the FWIP’s average premiums will increase 8.7% above Citizens’ average premiums.

<u>FHCF Provides 90% of \$3.33 Billion Excess of \$1 Billion to FWIP Commercial Residential</u>			
	Private Market	Florida Windstorm Insurance Program	Total Market
No Change in Reinsurance Rates	46.1%	21.0%	37.3%
Reinsurance Rates Decline 15% per Year for 3 Years	29.1%	8.7%	21.3%

Note: This report estimates that the HB 983 provision eliminating the “excessive” limitation of F.S. 627.062 will increase private market average premiums by approximately 5.0% and is included in all private market premium increase indications in this report.

If HB 983 were amended such that the FHCF provided reinsurance coverage to the private market of 100% of \$11 billion excess of an attachment point of \$1 billion per storm, then the large indicated premium increases in the private market could be substantially reduced.

Assuming reinsurance rates do not change between 2007 and 2010, the average premiums in the private market will increase by an estimated 1.6%, and the FWIP average premiums will increase by an estimated 21.0% above Citizens' average premiums. Assuming reinsurance rates decrease 15% per year between 2007 and 2010, average premiums in the private market will increase by an estimated 5.6%, and the FWIP average premiums will increase by an estimated 8.7% above Citizens' average premiums.

<u>FHCF Provides 100% of \$11 Billion Excess of \$1 Billion to Private Market</u>			
	Private Market	Florida Windstorm Insurance Program	Total Market
No Change in Reinsurance Rates	1.6%	21.0%	8.4%
Reinsurance Rates Decline 15% per Year for 3 Years	5.6%	8.7%	6.8%

These estimated changes are based on numerous assumptions, most notably: 1) private insurers will purchase reinsurance from the private market to replace FHCF reinsurance lost due to the implementation of HB 983; 2) policies currently written by Citizens will be written by the FWIP, and policies written in the private market will remain in the private market; and 3) private reinsurers will have the capacity to provide the additional coverage shifted to them from the FHCF.

If sufficient private reinsurance capacity is not available, then premiums may increase even more than indicated in the previous charts, possibly forcing more policyholders from the private market into the FWIP. However, no attempt has been made to estimate the number of policyholders in each market (private or Citizens) that will be written in the other market. To the extent policyholders switch by choice from the private market to the FWIP, or vice versa, or are forced into the FWIP, the total market change will vary from the indicated changes in the previous charts.

Note: this report does not analyze the viability of the proposed legislation based upon the future random occurrence of various sized hurricanes. Furthermore, this report does not analyze the potential level of assessments for FWIP or private market policyholders.

BACKGROUND

HB 983 allows non-participating insurers to write residential hurricane insurance without being subject to the “excessive” limitation of F.S. 627.062. Alternatively, insurers can “participate” in a new state-created entity, the FWIP, which directly covers the risk of hurricane, while insurers perform all administrative and claims functions such as underwriting, policy issuance, premium collection, claims adjusting, the insurers still write non-hurricane residential coverage. In short, the FWIP will operate much like a reinsurer, except that participating insurers will have no contingent liability if the FWIP fails to pay hurricane claims.

Under HB 983, the FHCF provides only limited reinsurance coverage for commercial residential exposures (condominium associations) with a retention of \$1 billion and a limit of coverage of \$3 billion per storm. This report assumes that such reinsurance is provided based on long-term average annual hurricane losses plus expenses and does not include any capital build-up factor or risk margin. Another assumption is that commercial residential exposures written by Citizens prior to the implementation of HB 983 will all be written in the FWIP after the implementation of HB 983, and the private market will not be writing any commercial residential policies prior to the implementation of HB 983.

The FWIP’s rates will remain low to the extent it relies upon its assessment authority rather than private reinsurance to finance its catastrophic risk. However, HB 983 provides that the FWIP will purchase private reinsurance for at least 50% of its hurricane risk in the layers between its 50-year probable maximum loss (PML) to its 250-year PML, unless the State Board of Administration determines that private reinsurance would not be a “cost-effective means of reducing the potential assessment liability of property owners”. The analysis in this report assumes such a minimum level of reinsurance is purchased.

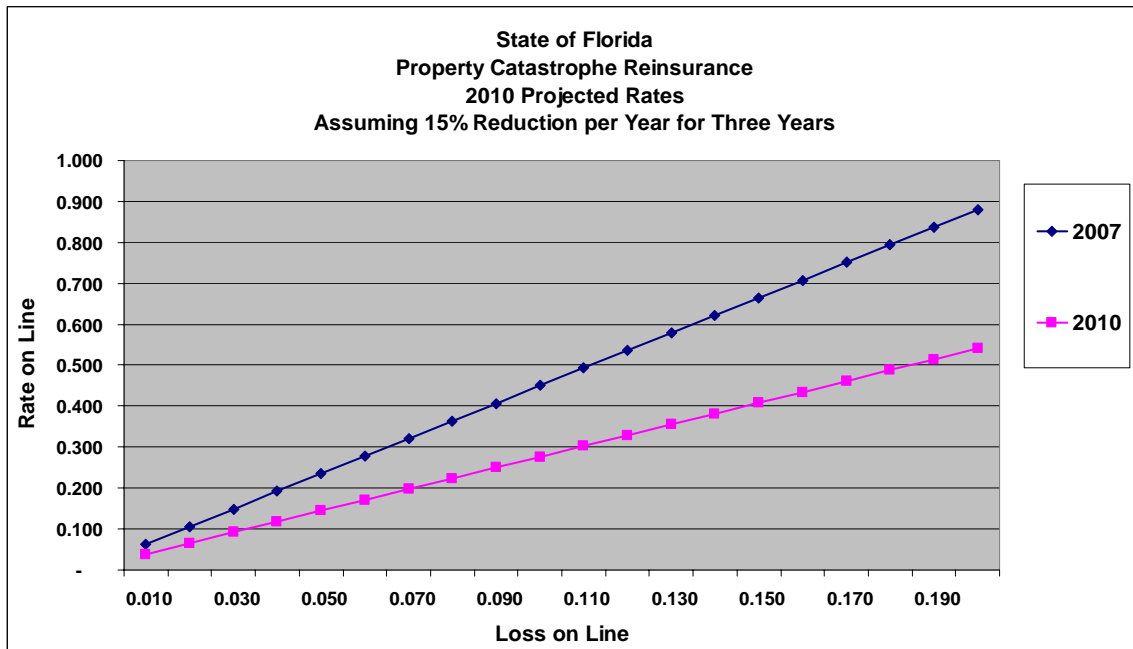
Thus, under HB 983 some consumers may be able to choose between an assessable windstorm policy and a substantially higher-priced private insurance policy with little assessment risk, although affordable private market policies may not be available to high-risk policyholders. Furthermore, after the initial implementation of HB 983, the relative rate levels of the private market and the FWIP will depend upon the level of assessments in the FWIP. After a major storm or series of storms, FWIP premiums with assessments may be higher than private market premiums.

ANALYSIS

This analysis is based upon the relationship between the rate-on-line and the loss-on-line for catastrophe reinsurance. Research of Florida homeowners rate filings indicates a well-defined linear relationship between the loss-on-line and the rate-on-line for pricing Florida catastrophe reinsurance (Exhibit 4). For the 2007 hurricane season, Florida reinsurance was priced on average at 2.0% of the amount of coverage (the line) plus 4.4 times the expected losses in the layer of reinsurance priced.

For example, the average premium in 2007 for \$1,000,000 of property catastrophe reinsurance in Florida in a layer in which the expected losses were \$5,000 was \$42,000 [2.0% of \$1,000,000 (\$20,000) plus 4.4 times \$5,000 (\$22,000)]. For this layer of reinsurance, the net cost of reinsurance is \$37,000 [the difference between the premium (\$42,000) and the expected losses (\$5,000)]. A computer simulation model determines the expected losses of \$5,000, which approximates the 200-year PML: \$1,000,000 of coverage being paid out once every 200 years ($\$1,000,000 / 200 = \$5,000$).

This analysis assumes that private property catastrophe reinsurance rates will decrease approximately 15% per year between 2007 and 2010 unless there are unusually large hurricane losses in the United States or catastrophe property losses worldwide. The following chart plots the assumed linear relationship between the rates-on-line and losses-on-line in 2007 and the projected relationship in 2010, assuming rates-on-line decrease 15% per year for the next three years.



The key elements of HB 983 that will have a major impact on the market are: 1) the shift of \$25 billion of the current \$28 billion of reinsurance risk of the FHCF back to the private reinsurance market, and 2) the requirement that the FWIP purchase 50% of private reinsurance coverage in the layer from the FWIP 50-year PML to the 250-year PML.

This analysis assumes that private insurers will purchase private reinsurance to replace FHCF reinsurance lost due to the implementation of HB 983. Private insurers on average currently purchase private reinsurance to cover losses: 1) from the 4-year PML up to the FHCF attachment point, 2) in the 10% FHCF corridor, and 3) up to the 150-year PML above the FHCF limit of coverage. Exhibits 2 and 3 calculate the net cost of reinsurance under the current statutory scheme and under the alternative scheme as proposed in HB 983. Additionally, Exhibits 2 and 3 calculate the net cost of reinsurance assuming: 1) catastrophe reinsurance rates do not change between 2007 and 2010, and 2) catastrophe reinsurance rates decrease 15% per year for three years. Exhibit 1 summarizes the results calculated in Exhibits 2 and 3.

Exhibit 3, Sheets 7 and 8 calculate the net cost of reinsurance at 2007 rates and at 2010 rates (assuming catastrophe reinsurance rates decrease 15% per year for three years), and assuming HB 983 is amended to provide \$11 billion of reinsurance coverage to the private market at an attachment point of \$1 billion per storm. Such an amendment would result in a minimal change in the net cost of reinsurance in the private market and is offered as an alternative that may be more acceptable to consumers. The impact of such an amendment is summarized in Exhibit 1, Sheets 4 and 5.

KEY ASSUMPTIONS

This report contains numerous assumptions, most notably the following:

- The level of actuarial soundness of Citizens rates will not change between 2007 and 2010.
- The level of actuarial soundness of FWIP rates in 2010 will initially be the same as Citizens.
- Private insurers on average currently purchase private reinsurance to cover losses: 1) from the 4-year PML up to the FHCF attachment point, 2) in the 10% FHCF corridor, and 3) up to the 150-year PML above the FHCF limit of coverage.
- Private insurers will purchase private reinsurance to replace FHCF reinsurance lost due to the implementation of HB 983.
- Private reinsurers will have the capacity to provide the additional coverage shifted by HB 983 from the FHCF to the private reinsurance market. If private reinsurance capacity is not available, then premiums may increase even more than indicated in this report, possibly forcing more policyholders from the private market into the FWIP.
- The authorized private market will not be writing any commercial residential (condominium association) policies at the time of implementation of HB 983, all commercial residential policies will be assumed by the FWIP from Citizens, and commercial residential exposures written by unauthorized insurers in the surplus lines market will continue to be written in the surplus lines market and will not be eligible for coverage from the FHCF.
- The FHCF will reinsure the FWIP only for commercial residential exposures subject to 10% coinsurance and a \$1 billion retention and \$3.33 billion limit per storm. This represents net coverage of \$3 billion at 90% reinsurance from approximately the 8-year PML to the 45-year PML for commercial residential exposures (Exhibit 3, Sheet 5).
- Private property catastrophe reinsurance rates will continue to decrease approximately 15% per year unless there are unusually large hurricane losses in the United States or catastrophe property losses worldwide.
- The FWIP will not purchase private reinsurance for the FHCF 10% corridor for commercial residential exposures.
- The analysis in this report assumes the FWIP will purchase private reinsurance for 50% of its hurricane risk in the layer from its 50-year PML to its 250-year PML.

- The percentage change in premiums in 2010 caused by the implementation of HB 983 will be independent of the growth in exposures, premiums, and expenses between 2007 and 2010 due to causes other than HB 983. This assumption is reasonable, because the estimated percentage change in premiums resulting from the implementation of HB 983 is based on a premium ratio that would “cancel out” any growth effects from causes other than HB 983, such as inflation or exposure growth.
- The reinsurance provided by the FHCF will be priced based on long-term average annual hurricane losses plus expenses and will not include any capital build-up factor or risk margin.
- The FWIP’s expense and profit percentage of premium will be the same as the Citizen’s expense and profit percentage of premium of 25.7%.
- In addition to the assumptions stated in this report, numerous other assumptions underlie the calculations and results presented herein.

DATA RELIANCES

The following sources of data were relied upon in order to complete this analysis:

- [“Florida Hurricane Catastrophe Fund 2007 Ratemaking Formula Report to the State Board of Administration of Florida,” March 20, 2007.](#)
- National Association of Insurance Commissioners (NAIC) I-Site database for statutory annual statement data. (Accessed March 2007).
- Best's Aggregates and Averages: Property/Casualty – United States & Canada. 2005 Edition.
- Citizens Property Insurance Corporation, “Modeled Loss Report RMS RiskLink, Version 7.0 (as of 9/30/07).”
- [“Annual Statement of the Citizens Property Insurance Corporation of Tallahassee in the State of Florida to the Insurance Department of the State of Florida for the Year Ended December 31, 2007.”](#) (Statement of Income, page 4 and Underwriting and Investment Exhibit, page 8.)
- Financial Service Commission, Office of Insurance Regulation’s I-File Workflow System for various homeowners’ insurance rate filings for the state of Florida to estimate 2007 reinsurance rates on line versus losses on line (Exhibit 4, Sheet 1). (Accessed March 2007.)
- [Financial Service Commission, Office of Insurance Regulation, “House Bill 1A Presumed Rating Factors.” March 1, 2007.](#) (Calculation of TICL layer presumed factor.)
- NAIC, “Report on Profitability by Line by State,” 2005.
- [Financial Service Commission, Office of Insurance Regulation, “Update on the Presumed Factor Program: Presentation to the Senate Banking and Insurance Committee,” January 8, 2008.](#)

The accuracy of the data and information provided was relied upon without independent investigation or verification. The data was checked for reasonableness, and data considered inaccurate or incomplete was not used. However, if the data is subsequently found to be inaccurate or incomplete, the conclusions in this report may need to be revised.

EXHIBITS

Exhibit 1, Sheet 1:	Premium Impact of Proposed Legislation
Exhibit 1, Sheet 2:	Evaluation of HB 983 - 2007 Reinsurance Rates
Exhibit 1, Sheet 3:	Evaluation of HB 983 - Reinsurance Rates Decline 15% per Year for Three Years
Exhibit 1, Sheet 4:	Evaluation of HB 983 - 2007 Reinsurance Rates – FHCF Provides \$11 Billion Excess of \$1 Billion Coverage
Exhibit 1, Sheet 5:	Evaluation of HB 983 - Reinsurance Rates Decline 15% per Year for Three Years - FHCF Provides \$11 Billion Excess of \$1 Billion Coverage
Exhibit 2, Sheet 1:	Private Market Net Cost of Reinsurance - 2007 Reinsurance Rates - Current FHCF Structure
Exhibit 2, Sheet 2:	Private Market Net Cost of Reinsurance - Reinsurance Rates Decline 15% per Year for Three Years - Current FHCF Structure
Exhibit 2, Sheet 3:	Citizens Net Cost of Reinsurance - No Private Reinsurance - Current FHCF Structure
Exhibit 3, Sheet 1:	Private Market Net Cost of Reinsurance - 2007 Reinsurance Rates - HB 983 Structure
Exhibit 3, Sheet 2:	Private Market Net Cost of Reinsurance - Reinsurance Rates Decline 15% per Year for Three Years - HB 983 Structure
Exhibit 3, Sheet 3:	FWIP Net Cost of Reinsurance - 2007 Reinsurance Rates - HB 983 Structure
Exhibit 3, Sheet 4:	FWIP Net Cost of Reinsurance - Reinsurance Rates Decline 15% per Year for Three Years - HB 983 Structure
Exhibit 3, Sheet 5:	\$3.33 Billion Excess of \$1 Billion Layer - Commercial Residential - HB 983 Structure
Exhibit 3, Sheet 6:	Commercial Residential Share of Premiums - HB 983 Structure
Exhibit 3, Sheet 7:	Private Market Net Cost of Reinsurance - 2007 Reinsurance Rates - FHCF provides 100% of \$11 billion excess of \$1 billion coverage
Exhibit 3, Sheet 8:	Private Market Net Cost of Reinsurance - Reinsurance Rates Decline 15% per Year for Three Years - FHCF provides 100% of \$11 billion excess of \$1 billion coverage
Exhibit 4, Sheet 1:	Chart of Exhibit 4, Sheet 2
Exhibit 4, Sheet 2:	Rate on Line versus Loss on Line - Florida 2007 - Homeowners Rate Filings
Exhibit 5:	Homeowners Insurance - Florida 2007 - Premium and Loss Experience
Exhibit 6:	Estimated Hurricane versus Non-Hurricane Premiums
Exhibit 7:	Estimated Average Expense and Profit Ratios
Exhibit 8:	Citizens Property Insurance Corporation - 2007 Calendar Year - Underwriting and Loss Adjustment Expense Ratios
Exhibit 9:	Countrywide Expense Ratios
Exhibit 10:	State of Florida Expense Ratios
Exhibit 11:	Modeled Average Annual Hurricane Losses
Exhibit 12:	Selected Increase in Rates after Removal of Excessive Provision



State of Florida
Office of the Consumer Advocate
Evaluation of HB 983
2008 Regular Legislative Session
Premium Impact of Proposed Legislation

Summary

FHCF Provides 90% of \$3.33 Billion
Excess of \$1 Billion to FWIP Commercial
Residential

FHCF Provides 100% of \$11 Billion
Excess of \$1 Billion to Private Market

	(1)	(2)	(3)	(4)	(5)	(6)
	Private Market	Florida Windstorm Insurance Program	Total Market	Private Market	Florida Windstorm Insurance Program	Total Market
No Change in Reinsurance Rates	46.1%	21.0%	37.3%	1.6%	21.0%	8.4%
Reinsurance Rates Decline 15% per Year for 3 Years	29.1%	8.7%	21.3%	5.6%	8.7%	6.8%

Notes:

- (1) & (2) Exhibit 1, Sheets 2 and 3, Row (12)
- (4) & (5) Exhibit 1, Sheets 4 and 5, Row (12)

State of Florida
Office of the Consumer Advocate
Evaluation of HB 983
2008 Regular Legislative Session

2007 Reinsurance Rates

	Current Market Structure			HB 983 Market Structure		
	Private Market	Citizens	Total	Private Market	FWIP	Total
(1) Net Cost of Reinsurance	1,302,841,065	-	1,302,841,065	3,449,450,674	647,418,137	4,096,868,811
(2) Expected Hurricane Losses & Loss Adjustment Expense	1,659,574,117	1,967,529,990	3,627,104,108	1,659,574,117	1,967,529,990	3,627,104,108
(3) Expected Non-Hurricane Losses & Loss Adjustment Expense	2,078,316,442	882,924,753	2,961,241,194	2,078,316,442	882,924,753	2,961,241,194
(4) Fixed Underwriting Expense	447,300,000	239,400,000	686,700,000	447,300,000	239,400,000	686,700,000
(5) Total Fixed Expenses	5,488,031,624	3,089,854,743	8,577,886,366	7,634,641,233	3,737,272,880	11,371,914,112
(6) Estimated Expense and Profit Percentage of Premiums	29.6%	25.7%		29.6%	25.7%	
(7) Estimated Fixed Expense Percentage of Premiums	6.3%	6.3%		6.3%	6.3%	
(8) Estimated Variable Expense and Profit Percentage of Premiums	23.3%	19.4%		23.3%	19.4%	
(9) Estimated 2007 Direct Earned Premium	7,155,191,165	3,833,566,678	10,988,757,843	9,953,899,912	4,636,814,987	14,590,714,900
(10) Estimated Increase Due to Elimination of "Excessive" Provision in Law				497,694,996	-	497,694,996
(11) Total 2010 Gross Premium Under HB 983 Market Structure				10,451,594,908	4,636,814,987	15,088,409,895
(12) Total % Increase in Premium Under HB 983 Market Structure				46.1%	21.0%	37.3%

Notes:

- (1) & (2) (Exhibit 2, Sheets 1 & 3 and Exhibit 3, Sheets 1 & 3, Row (13)) x \$1,000,000,000
- (3) Exhibit 6, Rows (5) and (14)
- (4) (7) x (7,100,000,000 or 3,800,000,000)
- (5) (1) + (2) + (3)
- (6) Exhibit 7, Column (4)
- (7) Calculation of TICL layer presumed factor for HB/SB 1A prepared by the Office of Insurance Regulation
- (8) (6) - (7)
- (9) (5) / (1 - (8)). Actual Direct Earned Premiums are \$7,148,396,000 and \$3,832,400,000 per NAIC I-Site Database and Citizens Statutory Annual Statement.
- (10) (Exhibit 12, Row (4)) x (9)
- (11) (9) + (10)
- (12) (11) / ((9) at Current Market Structure) - 1

State of Florida
Office of the Consumer Advocate
Evaluation of HB 983
2008 Regular Legislative Session

Reinsurance Rates Decline 15% per Year for Three Years

	Current Market Structure			HB 983 Market Structure		
	Private Market	Citizens	Total	Private Market	FWIP	Total
(1) Net Cost of Reinsurance	571,043,365	-	571,043,365	1,667,344,071	270,063,950	1,937,408,021
(2) Expected Hurricane Losses & Loss Adjustment Expense	1,659,574,117	1,967,529,990	3,627,104,108	1,659,574,117	1,967,529,990	3,627,104,108
(3) Expected Non-Hurricane Losses & Loss Adjustment Expense	2,078,316,442	882,924,753	2,961,241,194	2,078,316,442	882,924,753	2,961,241,194
(4) Fixed Underwriting Expense	447,300,000	239,400,000	686,700,000	441,000,000	239,400,000	680,400,000
(5) Total Fixed Expenses	4,756,233,924	3,089,854,743	7,846,088,666	5,846,234,630	3,359,918,693	9,206,153,323
(6) Estimated Expense and Profit Percentage of Premiums	29.6%	25.7%		29.6%	25.7%	
(7) Estimated Fixed Expense Percentage of Premiums	6.3%	6.3%		6.3%	6.3%	
(8) Estimated Variable Expense and Profit Percentage of Premiums	23.3%	19.4%		23.3%	19.4%	
(9) Estimated 2007 Direct Earned Premium	6,201,087,254	3,833,566,678	10,034,653,932	7,622,209,426	4,168,633,614	11,790,843,040
(10) Estimated Increase Due to Elimination of "Excessive" Provision in Law				381,110,471	-	381,110,471
(11) Total 2010 Gross Premium Under HB 983 Market Structure				8,003,319,897	4,168,633,614	12,171,953,511
(12) Total % Increase in Premium Under HB 983 Market Structure				29.1%	8.7%	21.3%

Notes:

- (1) & (2) (Exhibit 2, Sheets 2 & 3 and Exhibit 3, Sheets 2 & 4, Row (13)) x \$1,000,000,000
- (3) Exhibit 6, Rows (5) and (14)
- (4) Exhibit 1, Sheet 2, Row (4)
- (5) (1) + (2) + (3)
- (6) Exhibit 7, Column (4)
- (7) Calculation of TICL layer presumed factor for HB/SB 1A prepared by the Office of Insurance Regulation
- (8) (6) - (7)
- (9) (5) / (1 - (8))
- (10) (Exhibit 12, Row (4)) x (9)
- (11) (9) + (10)
- (12) (11) / ((9) at Current Market Structure) - 1

State of Florida
Office of the Consumer Advocate
Evaluation of HB 983
2008 Regular Legislative Session

2007 Reinsurance Rates

	Current Market Structure			FHCF Provides \$11 Billion Excess of \$1 Billion Coverage		
	Private Market	Citizens	Total	Private Market	FWIP	Total
(1) Net Cost of Reinsurance	1,302,841,065	-	1,302,841,065	1,126,691,759	647,418,137	1,774,109,896
(2) Expected Hurricane Losses & Loss Adjustment Expense	1,659,574,117	1,967,529,990	3,627,104,108	1,659,574,117	1,967,529,990	3,627,104,108
(3) Expected Non-Hurricane Losses & Loss Adjustment Expense	2,078,316,442	882,924,753	2,961,241,194	2,078,316,442	882,924,753	2,961,241,194
(4) Fixed Underwriting Expense	447,300,000	239,400,000	686,700,000	447,300,000	239,400,000	686,700,000
(5) Total Fixed Expenses	5,488,031,624	3,089,854,743	8,577,886,366	5,311,882,318	3,737,272,880	9,049,155,197
(6) Estimated Expense and Profit Percentage of Premiums	29.6%	25.7%		29.6%	25.7%	
(7) Estimated Fixed Expense Percentage of Premiums	6.3%	6.3%		6.3%	6.3%	
(8) Estimated Variable Expense and Profit Percentage of Premiums	23.3%	19.4%		23.3%	19.4%	
(9) Estimated 2007 Direct Earned Premium	7,155,191,165	3,833,566,678	10,988,757,843	6,925,531,053	4,636,814,987	11,562,346,040
(10) Estimated Increase Due to Elimination of "Excessive" Provision in Law				346,276,553	-	346,276,553
(11) Total 2010 Gross Premium Under HB 983 Market Structure				7,271,807,606	4,636,814,987	11,908,622,593
(12) Total % Increase in Premium Under HB 983 Market Structure				1.6%	21.0%	8.4%

Notes:

- (1) & (2) (Exhibit 2, Sheets 1 & 3 and Exhibit 3, Sheets 1 & 3, Row (13)) x \$1,000,000,000
(3) Exhibit 6, Rows (5) and (14)
(4) (7) x (7,100,000,000 or 3,800,000,000)
(5) (1) + (2) + (3)
(6) Exhibit 7, Column (4)
(7) Calculation of TICL layer presumed factor for HB/SB 1A prepared by the Office of Insurance Regulation
(8) (6) - (7)
(9) (5) / (1 - (8)). Actual Direct Earned Premiums are \$7,148,396,000 and \$3,832,400,000 per NAIC I-Site Database and Citizens Statutory Annual Statement.
(10) (Exhibit 12, Row (4)) x (9)
(11) (9) + (10)
(12) (11) / ((9) at Current Market Structure) - 1

State of Florida
Office of the Consumer Advocate
Evaluation of HB 983
2008 Regular Legislative Session

Reinsurance Rates Decline 15% per Year for Three Years

	Current Market Structure			FHC Provides 100% of \$11 Billion Excess of \$1 Billion Coverage		
	Private Market	Citizens	Total	Private Market	FWIP	Total
(1) Net Cost of Reinsurance	571,043,365	-	571,043,365	599,170,307	270,063,950	869,234,257
(2) Expected Hurricane Losses & Loss Adjustment Expense	1,659,574,117	1,967,529,990	3,627,104,108	1,659,574,117	1,967,529,990	3,627,104,108
(3) Expected Non-Hurricane Losses & Loss Adjustment Expense	2,078,316,442	882,924,753	2,961,241,194	2,078,316,442	882,924,753	2,961,241,194
(4) Fixed Underwriting Expense	447,300,000	239,400,000	686,700,000	447,300,000	239,400,000	686,700,000
(5) Total Fixed Expenses	4,756,233,924	3,089,854,743	7,846,088,666	4,784,360,866	3,359,918,693	8,144,279,559
(6) Estimated Expense and Profit Percentage of Premiums	29.6%	25.7%		29.6%	25.7%	
(7) Estimated Fixed Expense Percentage of Premiums	6.3%	6.3%		6.3%	6.3%	
(8) Estimated Variable Expense and Profit Percentage of Premiums	23.3%	19.4%		23.3%	19.4%	
(9) Estimated 2007 Direct Earned Premium	6,201,087,254	3,833,566,678	10,034,653,932	6,237,758,625	4,168,633,614	10,406,392,240
(10) Estimated Increase Due to Elimination of "Excessive" Provision in Law				311,887,931	-	311,887,931
(11) Total 2010 Gross Premium Under HB 983 Market Structure				6,549,646,557	4,168,633,614	10,718,280,171
(12) Total % Increase in Premium Under HB 983 Market Structure				5.6%	8.7%	6.8%

Notes:

- (1) & (2) (Exhibit 2, Sheets 1 & 3 and Exhibit 3, Sheets 1 & 3, Row (13)) x \$1,000,000,000
- (3) Exhibit 6, Rows (5) and (14)
- (4) (7) x (7,100,000,000 or 3,800,000,000)
- (5) (1) + (2) + (3)
- (6) Exhibit 7, Column (4)
- (7) Calculation of TICL layer presumed factor for HB/SB 1A prepared by the Office of Insurance Regulation
- (8) (6) - (7)
- (9) (5) / (1 - (8)). Actual Direct Earned Premiums are \$7,148,396,000 and \$3,832,400,000 per NAIC I-Site Database and Citizens Statutory Annual Statement.
- (10) (Exhibit 12, Row (4)) x (9)
- (11) (9) + (10)
- (12) (11) / ((9) at Current Market Structure) - 1

State of Florida
Office of the Consumer Advocate
Private Market Net Cost of Reinsurance
2007 Reinsurance Rates
Current FHCF Structure
(\$ Billions)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Single Event Return Time	Probability of Exceedance	Probability of Losses in Layer	Private + Citizens Gross Loss	Private Gross Loss	Private Gross Loss & LAE	Private Gross Layer of Loss & LAE	Private Gross Average Expected Loss & LAE in Layer	Private 10% Corridor Reinsurance Premium	Private Additional Reinsurance Premium	Total Private Reinsurance Premium	Total Private Net Cost of Reinsurance
1000	0.001	0.0001	133.80	61.22	64.28	3.03	0.000				
900	0.001	0.0001	127.50	58.34	61.25	3.31	0.001				
800	0.001	0.0002	120.60	55.18	57.94	2.21	0.001				
700	0.001	0.0002	116.00	53.08	55.73	3.31	0.002				
600	0.002	0.0003	109.10	49.92	52.41	4.08	0.004				
500	0.002	0.0005	100.60	46.03	48.33	4.23	0.006				
400	0.003	0.0008	91.80	42.00	44.10	5.00	0.012				
300	0.003	0.0007	81.40	37.24	39.11	2.93	0.009				
250	0.004	0.0010	75.30	34.45	36.18	3.46	0.014				
200	0.005	0.0017	68.10	31.16	32.72	4.61	0.026				
150	0.007	0.0033	58.50	26.77	28.10	5.24	0.047		0.307	0.307	0.260
100	0.010	0.0011	47.60	21.78	22.87	1.49	0.015		0.095	0.095	0.079
90	0.011	0.0014	44.50	20.36	21.38	1.54	0.018		0.107	0.107	0.089
80	0.013	0.0018	41.30	18.90	19.84	1.44	0.019		0.111	0.111	0.092
70	0.014	0.0011	38.30	17.52	18.40	0.72	0.010		0.059	0.059	0.049
65	0.015	0.0013	36.80	16.84	17.68	0.91	0.014		0.080	0.080	0.065
60	0.017	0.0015	34.90	15.97	16.77	1.15	0.020	0.011		0.011	0.009
55	0.018	0.0018	32.50	14.87	15.61	0.91	0.017	0.009		0.009	0.008
50	0.020	0.0022	30.60	14.00	14.70	1.01	0.021	0.011		0.011	0.009
45	0.022	0.0028	28.50	13.04	13.69	1.15	0.028	0.014		0.014	0.011
40	0.025	0.0036	26.10	11.94	12.54	1.10	0.030	0.015		0.015	0.012
35	0.029	0.0048	23.80	10.89	11.43	1.30	0.042	0.021		0.021	0.016
30	0.033	0.0067	21.10	9.65	10.14	1.25	0.049	0.023		0.023	0.019
25	0.040	0.0100	18.50	8.46	8.89	1.49	0.073	0.034		0.034	0.027
20	0.050	0.0026	15.40	7.05	7.40	0.34	0.017	0.008		0.008	0.006
19	0.053	0.0029	14.70	6.73	7.06	0.24	0.013	0.006		0.006	0.005
18	0.056	0.0033	14.20	6.50	6.82	0.38	0.022	0.010		0.010	0.008
17	0.059	0.0037	13.40	6.13	6.44	0.34	0.021	0.010		0.010	0.007
16	0.063	0.0042	12.70	5.81	6.10	0.34	0.022	0.010		0.010	0.008
15	0.067	0.0048	12.00	5.49	5.77	0.34	0.024	0.011		0.011	0.008
14	0.071	0.0055	11.30	5.17	5.43	0.34	0.026	0.012		0.012	0.009
13	0.077	0.0064	10.60	4.85	5.09	0.43	0.036	0.016		0.016	0.013
12	0.083	0.0076	9.70	4.44	4.66	0.38	0.035	0.016		0.016	0.012
11	0.091	0.0091	8.90	4.07	4.28	0.43	0.043	0.019		0.019	0.015
10	0.100	0.0111	8.00	3.66	3.84	0.43	0.048	0.021		0.021	0.017
9	0.111	0.0139	7.10	3.25	3.41	0.43	0.054	0.024		0.024	0.019
8	0.125	0.0179	6.20	2.84	2.98	0.48	0.068		0.181	0.181	0.113
7	0.143	0.0238	5.20	2.38	2.50	0.48	0.080		0.185	0.185	0.106
6	0.167	0.0333	4.20	1.92	2.02	0.58	0.115		0.229	0.229	0.115
5	0.200	0.0500	3.00	1.37	1.44	0.58	0.144		0.239	0.239	0.096
4	0.250	0.0833	1.80	0.82	0.86	0.48	0.160				
3	0.333	0.3333	0.80	0.37	0.38	0.38	0.256				
(13) Total/Average						64.28	1.660	0.302	1.594	1.896	1.303

Notes:

- (1) Page 50, FHCF 2007 Ratemaking Formula Report
- (2) 1/(1)
- (3) (2) prior - (2)
- (4) Page 50, FHCF 2007 Ratemaking Formula Report
- (5) (4) x (1 - Exhibit 11, Column (3))
- (6) (5) times 1.05 based on actuarial judgment and FHCF 2007 Ratemaking Formula Report, page 49
- (7) [(5) - (5) prior]
- (8) (7) times upward sum of (3)
- (9) .10 x [Exhibit 4, Sheet 2, Column (5) Intercept x (7) + Exhibit 4, Sheet 2, Column (5) Slope x (8)].
- (10) [Exhibit 4, Sheet 2, Column (5) Intercept x (7) + Exhibit 4, Sheet 2, Column (5) Slope x (8)]. Layers below FHCF based on actuarial judgment.
- (11) (9) + (10)
- (12) (11) - (8) or (11) - .10 x (8) for FHCF reinsured layer

State of Florida
Office of the Consumer Advocate
Private Market Net Cost of Reinsurance
Reinsurance Rates Decline 15% per Year for Three Years
Current FHCF Structure
(\$ Billions)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Single Event Return Time	Probability of Exceedance	Probability of Losses in Layer	Private + Citizens Gross Loss	Private Gross Loss	Private Gross Loss & LAE	Private Gross Layer of Loss & LAE	Private Gross Average Expected Loss & LAE in Layer	Private 10% Corridor Reinsurance Premium	Private Additional Reinsurance Premium	Total Private Reinsurance Premium	Total Private Net Cost of Reinsurance
1000	0.001	0.0001	133.80	61.22	64.28	3.027	0.000				
900	0.001	0.0001	127.50	58.34	61.25	3.315	0.001				
800	0.001	0.0002	120.60	55.18	57.94	2.210	0.001				
700	0.001	0.0002	116.00	53.08	55.73	3.315	0.002				
600	0.002	0.0003	109.10	49.92	52.41	4.084	0.004				
500	0.002	0.0005	100.60	46.03	48.33	4.228	0.006				
400	0.003	0.0008	91.80	42.00	44.10	4.996	0.012				
300	0.003	0.0007	81.40	37.24	39.11	2.931	0.009				
250	0.004	0.0010	75.30	34.45	36.18	3.459	0.014				
200	0.005	0.0017	68.10	31.16	32.72	4.612	0.026				
150	0.007	0.0033	58.50	26.77	28.10	5.237	0.047		0.189	0.189	0.142
100	0.010	0.0011	47.60	21.78	22.87	1.489	0.015		0.058	0.058	0.043
90	0.011	0.0014	44.50	20.36	21.38	1.537	0.018		0.066	0.066	0.048
80	0.013	0.0018	41.30	18.90	19.84	1.441	0.019		0.068	0.068	0.049
70	0.014	0.0011	38.30	17.52	18.40	0.721	0.010		0.036	0.036	0.026
65	0.015	0.0013	36.80	16.84	17.68	0.913	0.014		0.049	0.049	0.035
60	0.017	0.0015	34.90	15.97	16.77	1.153	0.020	0.007		0.007	0.005
55	0.018	0.0018	32.50	14.87	15.61	0.913	0.017	0.006		0.006	0.004
50	0.020	0.0022	30.60	14.00	14.70	1.009	0.021	0.007		0.007	0.005
45	0.022	0.0028	28.50	13.04	13.69	1.153	0.028	0.009		0.009	0.006
40	0.025	0.0036	26.10	11.94	12.54	1.105	0.030	0.009		0.009	0.006
35	0.029	0.0048	23.80	10.89	11.43	1.297	0.042	0.013		0.013	0.008
30	0.033	0.0067	21.10	9.65	10.14	1.249	0.049	0.014		0.014	0.010
25	0.040	0.0100	18.50	8.46	8.89	1.489	0.073	0.021		0.021	0.014
20	0.050	0.0026	15.40	7.05	7.40	0.336	0.017	0.005		0.005	0.003
19	0.053	0.0029	14.70	6.73	7.06	0.240	0.013	0.004		0.004	0.002
18	0.056	0.0033	14.20	6.50	6.82	0.384	0.022	0.006		0.006	0.004
17	0.059	0.0037	13.40	6.13	6.44	0.336	0.021	0.006		0.006	0.004
16	0.063	0.0042	12.70	5.81	6.10	0.336	0.022	0.006		0.006	0.004
15	0.067	0.0048	12.00	5.49	5.77	0.336	0.024	0.007		0.007	0.004
14	0.071	0.0055	11.30	5.17	5.43	0.336	0.026	0.007		0.007	0.005
13	0.077	0.0064	10.60	4.85	5.09	0.432	0.036	0.010		0.010	0.006
12	0.083	0.0076	9.70	4.44	4.66	0.384	0.035	0.010		0.010	0.006
11	0.091	0.0091	8.90	4.07	4.28	0.432	0.043	0.012		0.012	0.008
10	0.100	0.0111	8.00	3.66	3.84	0.432	0.048	0.013		0.013	0.008
9	0.111	0.0139	7.10	3.25	3.41	0.432	0.054	0.015		0.015	0.009
8	0.125	0.0179	6.20	2.84	2.98	0.480	0.068		0.111	0.111	0.043
7	0.143	0.0238	5.20	2.38	2.50	0.480	0.080		0.114	0.114	0.034
6	0.167	0.0333	4.20	1.92	2.02	0.577	0.115		0.141	0.141	0.026
5	0.200	0.0500	3.00	1.37	1.44	0.577	0.144		0.147	0.147	0.003
4	0.250	0.0833	1.80	0.82	0.86	0.480	0.160				
3	0.333	0.3333	0.80	0.37	0.38	0.384	0.256				
(13) Total/Average						64.281	1.660	0.186	0.979	1.165	0.571

Notes:

- (1) Page 50, FHCF 2007 Ratemaking Formula Report
- (2) 1/(1)
- (3) (2) prior - (2)
- (4) Page 50, FHCF 2007 Ratemaking Formula Report
- (5) (4) x (1 - Exhibit 11, Column (3))
- (6) (5) times 1.05 based on actuarial judgment and FHCF 2007 Ratemaking Formula Report, page 49
- (7) [(5) - (5) prior]
- (8) (7) times upward sum of (3)
- (9) .10 x [Exhibit 4, Sheet 2, Column (6) Intercept x (7) +Exhibit 4, Sheet 2, Column (6) Slope x (8)].
- (10) [Exhibit 4, Sheet 2, Column (6) Intercept x (7) +Exhibit 4, Sheet 2, Column (6) Slope x (8)]. Layers below FHCF equal Exhibit 2, Sheet 1, Column (10) x (1 - .15)^3.
- (11) (9) + (10)
- (12) (11) - (8) or (11) - .10 x (8) for FHCF reinsured layer

State of Florida
Office of the Consumer Advocate
Citizens Net Cost of Reinsurance
No Private Reinsurance
Current FHCF Structure
(\$ Billions)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Single Event Return Time	Probability of Exceedance	Probability of Losses in Layer	Private + Citizens Gross Loss	Citizens Gross Loss	Citizens Gross Loss & LAE	Citizens Gross Layer of Loss & LAE	Citizens Gross Average Expected Loss & LAE in Layer	Citizens 10% Corridor Reinsurance Premium	Citizens Additional Reinsurance Premium	Total Citizens Reinsurance Premium	Total Citizens Net Cost of Reinsurance
1000	0.001	0.0001	133.80	72.58	76.21	3.588	0.000	-	-	-	-
900	0.001	0.0001	127.50	69.16	72.62	3.930	0.001	-	-	-	-
800	0.001	0.0002	120.60	65.42	68.69	2.620	0.001	-	-	-	-
700	0.001	0.0002	116.00	62.92	66.07	3.930	0.003	-	-	-	-
600	0.002	0.0003	109.10	59.18	62.14	4.841	0.005	-	-	-	-
500	0.002	0.0005	100.60	54.57	57.30	5.012	0.008	-	-	-	-
400	0.003	0.0008	91.80	49.80	52.29	5.924	0.014	-	-	-	-
300	0.003	0.0007	81.40	44.16	46.36	3.474	0.010	-	-	-	-
250	0.004	0.0010	75.30	40.85	42.89	4.101	0.016	-	-	-	-
200	0.005	0.0017	68.10	36.94	38.79	5.468	0.031	-	-	-	-
150	0.007	0.0033	58.50	31.73	33.32	6.208	0.056	-	-	-	-
100	0.010	0.0011	47.60	25.82	27.11	1.766	0.018	-	-	-	-
90	0.011	0.0014	44.50	24.14	25.35	1.823	0.021	-	-	-	-
80	0.013	0.0018	41.30	22.40	23.52	1.709	0.023	-	-	-	-
70	0.014	0.0011	38.30	20.78	21.81	0.854	0.012	-	-	-	-
65	0.015	0.0013	36.80	19.96	20.96	1.082	0.017	-	-	-	-
60	0.017	0.0015	34.90	18.93	19.88	1.367	0.023	-	-	-	-
55	0.018	0.0018	32.50	17.63	18.51	1.082	0.021	-	-	-	-
50	0.020	0.0022	30.60	16.60	17.43	1.196	0.025	-	-	-	-
45	0.022	0.0028	28.50	15.46	16.23	1.367	0.033	-	-	-	-
40	0.025	0.0036	26.10	14.16	14.87	1.310	0.036	-	-	-	-
35	0.029	0.0048	23.80	12.91	13.56	1.538	0.050	-	-	-	-
30	0.033	0.0067	21.10	11.45	12.02	1.481	0.058	-	-	-	-
25	0.040	0.0100	18.50	10.04	10.54	1.766	0.087	-	-	-	-
20	0.050	0.0026	15.40	8.35	8.77	0.399	0.021	-	-	-	-
19	0.053	0.0029	14.70	7.97	8.37	0.285	0.016	-	-	-	-
18	0.056	0.0033	14.20	7.70	8.09	0.456	0.026	-	-	-	-
17	0.059	0.0037	13.40	7.27	7.63	0.399	0.025	-	-	-	-
16	0.063	0.0042	12.70	6.89	7.23	0.399	0.026	-	-	-	-
15	0.067	0.0048	12.00	6.51	6.83	0.399	0.028	-	-	-	-
14	0.071	0.0055	11.30	6.13	6.44	0.399	0.030	-	-	-	-
13	0.077	0.0064	10.60	5.75	6.04	0.513	0.042	-	-	-	-
12	0.083	0.0076	9.70	5.26	5.52	0.456	0.041	-	-	-	-
11	0.091	0.0091	8.90	4.83	5.07	0.513	0.051	-	-	-	-
10	0.100	0.0111	8.00	4.34	4.56	0.513	0.056	-	-	-	-
9	0.111	0.0139	7.10	3.85	4.04	0.513	0.064	-	-	-	-
8	0.125	0.0179	6.20	3.36	3.53	0.570	0.081	-	-	-	-
7	0.143	0.0238	5.20	2.82	2.96	0.570	0.094	-	-	-	-
6	0.167	0.0333	4.20	2.28	2.39	0.683	0.136	-	-	-	-
5	0.200	0.0500	3.00	1.63	1.71	0.683	0.170	-	-	-	-
4	0.250	0.0833	1.80	0.98	1.03	0.570	0.189	-	-	-	-
3	0.333	0.3333	0.80	0.43	0.46	0.456	0.303	-	-	-	-
(13)	Total/Average					76.209	1.968	-	-	-	-

Notes:

- (1) Page 50, FHCF 2007 Ratemaking Formula Report
- (2) 1/(1)
- (3) (2) prior - (2)
- (4) Page 50, FHCF 2007 Ratemaking Formula Report
- (5) (4) x Exhibit 11, Column (3)
- (6) (5) times 1.05 based on actuarial judgment and FHCF 2007 Ratemaking Formula Report, page 49
- (7) [(5) - (5) prior]
- (8) (7) times upward sum of (3)
- (9) - (12) Citizens did not purchase private reinsurance.

State of Florida
Office of the Consumer Advocate
Private Market Net Cost of Reinsurance
2007 Reinsurance Rates
HB 983 Structure
(\$ Billions)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Single Event Return Time	Probability of Exceedance	Probability of Losses in Layer	Private + Citizens Gross Loss	Private Gross Loss	Private Gross Loss & LAE	Private Gross Layer of Loss & LAE	Private Gross Expected Loss & LAE in Layer	Private 10% Corridor Reinsurance Premium Commercial Residential	Private Additional Reinsurance Premium	Total Private Reinsurance Premium	Total Private Net Cost of Reinsurance
1000	0.001	0.0001	133.80	61.22	64.28	3.027	0.000				
900	0.001	0.0001	127.50	58.34	61.25	3.315	0.001				
800	0.001	0.0002	120.60	55.18	57.94	2.210	0.001				
700	0.001	0.0002	116.00	53.08	55.73	3.315	0.002				
600	0.002	0.0003	109.10	49.92	52.41	4.084	0.004				
500	0.002	0.0005	100.60	46.03	48.33	4.228	0.006				
400	0.003	0.0008	91.80	42.00	44.10	4.996	0.012				
300	0.003	0.0007	81.40	37.24	39.11	2.931	0.009				
250	0.004	0.0010	75.30	34.45	36.18	3.459	0.014				
200	0.005	0.0017	68.10	31.16	32.72	4.612	0.026				
150	0.007	0.0033	58.50	26.77	28.10	5.237	0.047		0.307	0.307	0.260
100	0.010	0.0011	47.60	21.78	22.87	1.489	0.015		0.095	0.095	0.079
90	0.011	0.0014	44.50	20.36	21.38	1.537	0.018		0.107	0.107	0.089
80	0.013	0.0018	41.30	18.90	19.84	1.441	0.019		0.111	0.111	0.092
70	0.014	0.0011	38.30	17.52	18.40	0.721	0.010		0.059	0.059	0.049
65	0.015	0.0013	36.80	16.84	17.68	0.913	0.014		0.080	0.080	0.065
60	0.017	0.0015	34.90	15.97	16.77	1.153	0.020		0.108	0.108	0.088
55	0.018	0.0018	32.50	14.87	15.61	0.913	0.017		0.093	0.093	0.075
50	0.020	0.0022	30.60	14.00	14.70	1.009	0.021		0.112	0.112	0.091
45	0.022	0.0028	28.50	13.04	13.69	1.153	0.028		0.142	0.142	0.114
40	0.025	0.0036	26.10	11.94	12.54	1.105	0.030		0.153	0.153	0.123
35	0.029	0.0048	23.80	10.89	11.43	1.297	0.042		0.206	0.206	0.164
30	0.033	0.0067	21.10	9.65	10.14	1.249	0.049		0.234	0.234	0.186
25	0.040	0.0100	18.50	8.46	8.89	1.489	0.073		0.344	0.344	0.271
20	0.050	0.0026	15.40	7.05	7.40	0.336	0.017		0.081	0.081	0.064
19	0.053	0.0029	14.70	6.73	7.06	0.240	0.013		0.061	0.061	0.048
18	0.056	0.0033	14.20	6.50	6.82	0.384	0.022		0.103	0.103	0.081
17	0.059	0.0037	13.40	6.13	6.44	0.336	0.021		0.096	0.096	0.075
16	0.063	0.0042	12.70	5.81	6.10	0.336	0.022		0.102	0.102	0.080
15	0.067	0.0048	12.00	5.49	5.77	0.336	0.024		0.109	0.109	0.085
14	0.071	0.0055	11.30	5.17	5.43	0.336	0.026		0.117	0.117	0.091
13	0.077	0.0064	10.60	4.85	5.09	0.432	0.036		0.162	0.162	0.126
12	0.083	0.0076	9.70	4.44	4.66	0.384	0.035		0.156	0.156	0.122
11	0.091	0.0091	8.90	4.07	4.28	0.432	0.043		0.193	0.193	0.150
10	0.100	0.0111	8.00	3.66	3.84	0.432	0.048		0.213	0.213	0.166
9	0.111	0.0139	7.10	3.25	3.41	0.432	0.054		0.239	0.239	0.186
8	0.125	0.0179	6.20	2.84	2.98	0.480	0.068		0.181	0.181	0.113
7	0.143	0.0238	5.20	2.38	2.50	0.480	0.080		0.185	0.185	0.106
6	0.167	0.0333	4.20	1.92	2.02	0.577	0.115		0.229	0.229	0.115
5	0.200	0.0500	3.00	1.37	1.44	0.577	0.144		0.239	0.239	0.096
4	0.250	0.0833	1.80	0.82	0.86	0.480	0.160				
3	0.333	0.3333	0.80	0.37	0.38	0.384	0.256				
(13)	Total/Average					64.281	1.660	-	4.618	4.618	3.449

Notes:

- (1) Page 50, FHCF 2007 Ratemaking Formula Report
- (2) 1/(1)
- (3) (2) prior - (2)
- (4) Page 50, FHCF 2007 Ratemaking Formula Report
- (5) (4) x (1 - Exhibit 11, Column (3))
- (6) (5) times 1.05 based on actuarial judgment and FHCF 2007 Ratemaking Formula Report, page 49
- (7) [(5) - (5) prior]
- (8) (7) times upward sum of (3)
- (9) It is assumed all commercial residential currently written in Citizens will be written in the FWIP.
- (10) [Exhibit 4, Sheet 2, Column (5) Intercept x (7) +Exhibit 4, Sheet 2, Column (5) Slope x (8)]. Lowest 4 layers based on Exhibit 2, Sheet 1, Column (10).
- (11) (9) + (10)
- (12) (11) - (8)

State of Florida
Office of the Consumer Advocate
Private Market Net Cost of Reinsurance
Reinsurance Rates Decline 15% per Year for Three Years
HB 983 Structure
(\$ Billions)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Single Event Return Time	Probability of Exceedance	Probability of Losses in Layer	Private + Citizens Gross Loss	Private Gross Loss	Private Gross Loss & LAE	Private Gross Layer of Loss & LAE	Private Gross Expected Loss & LAE in Layer	Private 10% Corridor Reinsurance Premium Commercial Residential	Private Additional Reinsurance Premium	Total Private Reinsurance Premium	Total Private Net Cost of Reinsurance
1000	0.001	0.0001	133.80	61.22	64.28	3.027	0.000				
900	0.001	0.0001	127.50	58.34	61.25	3.315	0.001				
800	0.001	0.0002	120.60	55.18	57.94	2.210	0.001				
700	0.001	0.0002	116.00	53.08	55.73	3.315	0.002				
600	0.002	0.0003	109.10	49.92	52.41	4.084	0.004				
500	0.002	0.0005	100.60	46.03	48.33	4.228	0.006				
400	0.003	0.0008	91.80	42.00	44.10	4.996	0.012				
300	0.003	0.0007	81.40	37.24	39.11	2.931	0.009				
250	0.004	0.0010	75.30	34.45	36.18	3.459	0.014				
200	0.005	0.0017	68.10	31.16	32.72	4.612	0.026				
150	0.007	0.0033	58.50	26.77	28.10	5.237	0.047		0.189	0.189	0.142
100	0.010	0.0011	47.60	21.78	22.87	1.489	0.015		0.058	0.058	0.043
90	0.011	0.0014	44.50	20.36	21.38	1.537	0.018		0.066	0.066	0.048
80	0.013	0.0018	41.30	18.90	19.84	1.441	0.019		0.068	0.068	0.049
70	0.014	0.0011	38.30	17.52	18.40	0.721	0.010		0.036	0.036	0.026
65	0.015	0.0013	36.80	16.84	17.68	0.913	0.014		0.049	0.049	0.035
60	0.017	0.0015	34.90	15.97	16.77	1.153	0.020		0.066	0.066	0.047
55	0.018	0.0018	32.50	14.87	15.61	0.913	0.017		0.057	0.057	0.040
50	0.020	0.0022	30.60	14.00	14.70	1.009	0.021		0.069	0.069	0.048
45	0.022	0.0028	28.50	13.04	13.69	1.153	0.028		0.087	0.087	0.060
40	0.025	0.0036	26.10	11.94	12.54	1.105	0.030		0.094	0.094	0.064
35	0.029	0.0048	23.80	10.89	11.43	1.297	0.042		0.127	0.127	0.085
30	0.033	0.0067	21.10	9.65	10.14	1.249	0.049		0.144	0.144	0.095
25	0.040	0.0100	18.50	8.46	8.89	1.489	0.073		0.211	0.211	0.138
20	0.050	0.0026	15.40	7.05	7.40	0.336	0.017		0.050	0.050	0.033
19	0.053	0.0029	14.70	6.73	7.06	0.240	0.013		0.038	0.038	0.024
18	0.056	0.0033	14.20	6.50	6.82	0.384	0.022		0.063	0.063	0.041
17	0.059	0.0037	13.40	6.13	6.44	0.336	0.021		0.059	0.059	0.038
16	0.063	0.0042	12.70	5.81	6.10	0.336	0.022		0.062	0.062	0.040
15	0.067	0.0048	12.00	5.49	5.77	0.336	0.024		0.067	0.067	0.043
14	0.071	0.0055	11.30	5.17	5.43	0.336	0.026		0.072	0.072	0.046
13	0.077	0.0064	10.60	4.85	5.09	0.432	0.036		0.099	0.099	0.064
12	0.083	0.0076	9.70	4.44	4.66	0.384	0.035		0.096	0.096	0.061
11	0.091	0.0091	8.90	4.07	4.28	0.432	0.043		0.118	0.118	0.076
10	0.100	0.0111	8.00	3.66	3.84	0.432	0.048		0.131	0.131	0.083
9	0.111	0.0139	7.10	3.25	3.41	0.432	0.054		0.147	0.147	0.093
8	0.125	0.0179	6.20	2.84	2.98	0.480	0.068		0.111	0.111	0.043
7	0.143	0.0238	5.20	2.38	2.50	0.480	0.080		0.114	0.114	0.034
6	0.167	0.0333	4.20	1.92	2.02	0.577	0.115		0.141	0.141	0.026
5	0.200	0.0500	3.00	1.37	1.44	0.577	0.144		0.147	0.147	0.003
4	0.250	0.0833	1.80	0.82	0.86	0.480	0.160				
3	0.333	0.3333	0.80	0.37	0.38	0.384	0.256				
(13)	Total/Average					64.281	1.660	-	2.836	2.836	1.667

Notes:

- (1) Page 50, FHCF 2007 Ratemaking Formula Report
- (2) 1/(1)
- (3) (2) prior - (2)
- (4) Page 50, FHCF 2007 Ratemaking Formula Report
- (5) (4) x (1 - Exhibit 11, Column (3))
- (6) (5) times 1.05 based on actuarial judgment and FHCF 2007 Ratemaking Formula Report, page 49
- (7) [(5) - (5) prior]
- (8) (7) times upward sum of (3)
- (9) It is assumed all commercial residential currently written in Citizens will be written in the FWIP.
- (10) [Exhibit 4, Sheet 2, Column (6) Intercept x (7) + Exhibit 4, Sheet 2, Column (6) Slope x (8)]. Lowest 4 layers based on Exhibit 2, Sheet 2, Column (10).
- (11) (9) + (10)
- (12) (11) - (8)

State of Florida
Office of the Consumer Advocate
FWIP Net Cost of Reinsurance
2007 Reinsurance Rates
HB 983 Structure
(\$ Billions)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Single Event Return Time	Probability of Exceedance	Probability of Losses in Layer	Private + FWIP Gross Loss	FWIP Gross Loss	FWIP Gross Loss & LAE	FWIP Gross Loss & LAE	FWIP Gross Expected Loss & LAE in Layer	FWIP 10% Corridor Reinsurance Premium Commercial Residential	FWIP Additional Reinsurance Premium	Total FWIP Reinsurance Premium	Total FWIP Net Cost of Reinsurance
1000	0.001	0.0001	133.80	72.58	76.21	3.588	0.000				
900	0.001	0.0001	127.50	69.16	72.62	3.930	0.001				
800	0.001	0.0002	120.60	65.42	68.69	2.620	0.001				
700	0.001	0.0002	116.00	62.92	66.07	3.930	0.003				
600	0.002	0.0003	109.10	59.18	62.14	4.841	0.005				
500	0.002	0.0005	100.60	54.57	57.30	5.012	0.008				
400	0.003	0.0008	91.80	49.80	52.29	5.924	0.014				
300	0.003	0.0007	81.40	44.16	46.36	3.474	0.010				
250	0.004	0.0010	75.30	40.85	42.89	4.101	0.016		0.076	0.076	0.068
200	0.005	0.0017	68.10	36.94	38.79	5.468	0.031		0.121	0.121	0.106
150	0.007	0.0033	58.50	31.73	33.32	6.208	0.056		0.182	0.182	0.154
100	0.010	0.0011	47.60	25.82	27.11	1.766	0.018		0.056	0.056	0.047
90	0.011	0.0014	44.50	24.14	25.35	1.823	0.021		0.063	0.063	0.053
80	0.013	0.0018	41.30	22.40	23.52	1.709	0.023		0.066	0.066	0.055
70	0.014	0.0011	38.30	20.78	21.81	0.854	0.012		0.035	0.035	0.029
65	0.015	0.0013	36.80	19.96	20.96	1.082	0.017		0.047	0.047	0.039
60	0.017	0.0015	34.90	18.93	19.88	1.367	0.023		0.064	0.064	0.052
55	0.018	0.0018	32.50	17.63	18.51	1.082	0.021		0.055	0.055	0.045
50	0.020	0.0022	30.60	16.60	17.43	1.196	0.025				
45	0.022	0.0028	28.50	15.46	16.23	1.367	0.033				
40	0.025	0.0036	26.10	14.16	14.87	1.310	0.036				
35	0.029	0.0048	23.80	12.91	13.56	1.538	0.050				
30	0.033	0.0067	21.10	11.45	12.02	1.481	0.058				
25	0.040	0.0100	18.50	10.04	10.54	1.766	0.087				
20	0.050	0.0026	15.40	8.35	8.77	0.399	0.021				
19	0.053	0.0029	14.70	7.97	8.37	0.285	0.016				
18	0.056	0.0033	14.20	7.70	8.09	0.456	0.026				
17	0.059	0.0037	13.40	7.27	7.63	0.399	0.025				
16	0.063	0.0042	12.70	6.89	7.23	0.399	0.026				
15	0.067	0.0048	12.00	6.51	6.83	0.399	0.028				
14	0.071	0.0055	11.30	6.13	6.44	0.399	0.030				
13	0.077	0.0064	10.60	5.75	6.04	0.513	0.042				
12	0.083	0.0076	9.70	5.26	5.52	0.456	0.041				
11	0.091	0.0091	8.90	4.83	5.07	0.513	0.051				
10	0.100	0.0111	8.00	4.34	4.56	0.513	0.056				
9	0.111	0.0139	7.10	3.85	4.04	0.513	0.064				
8	0.125	0.0179	6.20	3.36	3.53	0.570	0.081				
7	0.143	0.0238	5.20	2.82	2.96	0.570	0.094				
6	0.167	0.0333	4.20	2.28	2.39	0.683	0.136				
5	0.200	0.0500	3.00	1.63	1.71	0.683	0.170				
4	0.250	0.0833	1.80	0.98	1.03	0.570	0.189				
3	0.333	0.3333	0.80	0.43	0.46	0.456	0.303				
(13) Total/Average						76.209	1.968	-	0.766	0.766	0.647

Notes:

- (1) Page 50, FHCF 2007 Ratemaking Formula Report
- (2) 1/(1)
- (3) (2) prior - (2)
- (4) Page 50, FHCF 2007 Ratemaking Formula Report
- (5) (4) x Exhibit 11, Column (3)
- (6) (5) times 1.05 based on actuarial judgment and FHCF 2007 Ratemaking Formula Report, page 49
- (7) [(5) - (5) prior]
- (8) (7) times upward sum of (3)
- (9) [Exhibit 4, Sheet 2, Column (5) Intercept x (7) +Exhibit 4, Sheet 2, Column (5) Slope x (8)] x 10% x Exhibit 3, Sheet 6, Row (3)
- (10) [Exhibit 4, Sheet 2, Column (5) Intercept x (7) +Exhibit 4, Sheet 2, Column (5) Slope x (8)] x 50%, except FHCF layers reduced by (9).
- (11) (9) + (10)
- (12) (11) - .5 x (8) or (11) - .1 x (8) x Exhibit 3, Sheet 6, Row (3)

State of Florida
Office of the Consumer Advocate
FWIP Net Cost of Reinsurance
Reinsurance Rates Decline 15% per Year for Three Years
HB 983 Structure
(\$ Billions)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Single Event Return Time	Probability of Exceedance	Probability of Losses in Layer	Private + FWIP Gross Loss	FWIP Gross Loss	FWIP Gross Loss & LAE	FWIP Gross Loss & LAE	FWIP Average Expected Loss & LAE in Layer	FWIP 10% Corridor Reinsurance Premium	FWIP Additional Reinsurance Premium	Total FWIP Reinsurance Premium	Total FWIP Net Cost of Reinsurance
1000	0.001	0.0001	133.80	72.58	76.21	3.588	0.000				
900	0.001	0.0001	127.50	69.16	72.62	3.930	0.001				
800	0.001	0.0002	120.60	65.42	68.69	2.620	0.001				
700	0.001	0.0002	116.00	62.92	66.07	3.930	0.003				
600	0.002	0.0003	109.10	59.18	62.14	4.841	0.005				
500	0.002	0.0005	100.60	54.57	57.30	5.012	0.008				
400	0.003	0.0008	91.80	49.80	52.29	5.924	0.014				
300	0.003	0.0007	81.40	44.16	46.36	3.474	0.010				
250	0.004	0.0010	75.30	40.85	42.89	4.101	0.016		0.034	0.034	0.026
200	0.005	0.0017	68.10	36.94	38.79	5.468	0.031		0.058	0.058	0.042
150	0.007	0.0033	58.50	31.73	33.32	6.208	0.056		0.093	0.093	0.064
100	0.010	0.0011	47.60	25.82	27.11	1.766	0.018		0.029	0.029	0.020
90	0.011	0.0014	44.50	24.14	25.35	1.823	0.021		0.033	0.033	0.022
80	0.013	0.0018	41.30	22.40	23.52	1.709	0.023		0.035	0.035	0.024
70	0.014	0.0011	38.30	20.78	21.81	0.854	0.012		0.019	0.019	0.013
65	0.015	0.0013	36.80	19.96	20.96	1.082	0.017		0.026	0.026	0.017
60	0.017	0.0015	34.90	18.93	19.88	1.367	0.023		0.035	0.035	0.023
55	0.018	0.0018	32.50	17.63	18.51	1.082	0.021		0.030	0.030	0.020
50	0.020	0.0022	30.60	16.60	17.43	1.196	0.025				
45	0.022	0.0028	28.50	15.46	16.23	1.367	0.033				
40	0.025	0.0036	26.10	14.16	14.87	1.310	0.036				
35	0.029	0.0048	23.80	12.91	13.56	1.538	0.050				
30	0.033	0.0067	21.10	11.45	12.02	1.481	0.058				
25	0.040	0.0100	18.50	10.04	10.54	1.766	0.087				
20	0.050	0.0026	15.40	8.35	8.77	0.399	0.021				
19	0.053	0.0029	14.70	7.97	8.37	0.285	0.016				
18	0.056	0.0033	14.20	7.70	8.09	0.456	0.026				
17	0.059	0.0037	13.40	7.27	7.63	0.399	0.025				
16	0.063	0.0042	12.70	6.89	7.23	0.399	0.026				
15	0.067	0.0048	12.00	6.51	6.83	0.399	0.028				
14	0.071	0.0055	11.30	6.13	6.44	0.399	0.030				
13	0.077	0.0064	10.60	5.75	6.04	0.513	0.042				
12	0.083	0.0076	9.70	5.26	5.52	0.456	0.041				
11	0.091	0.0091	8.90	4.83	5.07	0.513	0.051				
10	0.100	0.0111	8.00	4.34	4.56	0.513	0.056				
9	0.111	0.0139	7.10	3.85	4.04	0.513	0.064				
8	0.125	0.0179	6.20	3.36	3.53	0.570	0.081				
7	0.143	0.0238	5.20	2.82	2.96	0.570	0.094				
6	0.167	0.0333	4.20	2.28	2.39	0.683	0.136				
5	0.200	0.0500	3.00	1.63	1.71	0.683	0.170				
4	0.250	0.0833	1.80	0.98	1.03	0.570	0.189				
3	0.333	0.3333	0.80	0.43	0.46	0.456	0.303				
(13) Total/Average						76.209	1.968	-	0.393	0.393	0.270

Notes:

- (1) Page 50, FHCFC 2007 Ratemaking Formula Report
- (2) 1/(1)
- (3) (2) prior - (2)
- (4) Page 50, FHCFC 2007 Ratemaking Formula Report
- (5) (4) x Exhibit 11, Column (3)
- (6) (5) times 1.05 based on actuarial judgment and FHCFC 2007 Ratemaking Formula Report, page 49
- (7) [(5) - (5) prior]
- (8) (7) times upward sum of (3)
- (9) [Exhibit 4, Sheet 2, Column (6) Intercept x (7) +Exhibit 4, Sheet 2, Column (6) Slope x (8)] x 10% x Exhibit 3, Sheet 6, Row (3)
- (10) [Exhibit 4, Sheet 2, Column (6) Intercept x (7) +Exhibit 4, Sheet 2, Column (6) Slope x (8)] x 50%
- (11) (9) + (10)
- (12) (11) - .5 x (8) - .1 x (8) x Exhibit 3, Sheet 6, Row (3)

State of Florida
Office of the Consumer Advocate
\$3.33 Billion Excess of \$1 Billion Layer
Commercial Residential
HB 983 Structure
(\$ Billions)

(1) Single Event Return Time	(2) Probability of Exceedance	(3) Probability of Losses in Layer	(4) Private + Citizens Gross Loss	(5) Commercial Residential Gross Loss	(6) Commercial Residential Gross Loss & LAE
1000	0.001	0.0001	133.80	19.22	20.19
900	0.001	0.0001	127.50	18.32	19.24
800	0.001	0.0002	120.60	17.33	18.19
700	0.001	0.0002	116.00	16.67	17.50
600	0.002	0.0003	109.10	15.68	16.46
500	0.002	0.0005	100.60	14.45	15.18
400	0.003	0.0008	91.80	13.19	13.85
300	0.003	0.0007	81.40	11.70	12.28
250	0.004	0.0010	75.30	10.82	11.36
200	0.005	0.0017	68.10	9.78	10.27
150	0.007	0.0033	58.50	8.41	8.83
100	0.010	0.0011	47.60	6.84	7.18
90	0.011	0.0014	44.50	6.39	6.71
80	0.013	0.0018	41.30	5.93	6.23
70	0.014	0.0011	38.30	5.50	5.78
65	0.015	0.0013	36.80	5.29	5.55
60	0.017	0.0015	34.90	5.01	5.27
55	0.018	0.0018	32.50	4.67	4.90
50	0.020	0.0022	30.60	4.40	4.62
45	0.022	0.0028	28.50	4.09	4.30
40	0.025	0.0036	26.10	3.75	3.94
35	0.029	0.0048	23.80	3.42	3.59
30	0.033	0.0067	21.10	3.03	3.18
25	0.040	0.0100	18.50	2.66	2.79
20	0.050	0.0026	15.40	2.21	2.32
19	0.053	0.0029	14.70	2.11	2.22
18	0.056	0.0033	14.20	2.04	2.14
17	0.059	0.0037	13.40	1.93	2.02
16	0.063	0.0042	12.70	1.82	1.92
15	0.067	0.0048	12.00	1.72	1.81
14	0.071	0.0055	11.30	1.62	1.70
13	0.077	0.0064	10.60	1.52	1.60
12	0.083	0.0076	9.70	1.39	1.46
11	0.091	0.0091	8.90	1.28	1.34
10	0.100	0.0111	8.00	1.15	1.21
9	0.111	0.0139	7.10	1.02	1.07
8	0.125	0.0179	6.20	0.89	0.94
7	0.143	0.0238	5.20	0.75	0.78
6	0.167	0.0333	4.20	0.60	0.63
5	0.200	0.0500	3.00	0.43	0.45
4	0.250	0.0833	1.80	0.26	0.27
3	0.333	0.3333	0.80	0.11	0.12

(7) Total/Average

Notes:

- (1) Page 50, FHCF 2007 Ratemaking Formula Report
- (2) 1/(1)
- (3) (2) prior - (2)
- (4) Page 50, FHCF 2007 Ratemaking Formula Report
- (5) (4) x Exhibit 3, Sheet 6, Row (3)
- (6) (5) times 1.05 based on actuarial judgment and FHCF 2007 Ratemaking Formula Report, page 49

State of Florida
Office of the Consumer Advocate
Commercial Residential Share of Premiums
HB 983 Structure
(\$ Billions)

(1)	Commercial Residential 2007 Premiums	140,876,682
(2)	Total Residential 2007 Premiums	980,467,933
(3)	Commercial Residential Share of Premiums	14.37%

Notes:

- (1) & (2) Page 28, FHCF 2007 Ratemaking Formula Report.
(3) (1) / (2)

State of Florida
Office of the Consumer Advocate
Private Market Net Cost of Reinsurance
2007 Reinsurance Rates
FHCF provides 100% of \$11 billion excess of \$1 billion coverage
(\$ Billions)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Single Event Return Time	Probability of Exceedance	Probability of Losses in Layer	Private + Citizens Gross Loss	Private Gross Loss	Private Gross Loss & LAE	Private Gross Layer of Loss & LAE	Private Gross Expected Loss & LAE in Layer	Private 10% Corridor Reinsurance Premium Commercial Residential	Private Additional Reinsurance Premium	Total Private Reinsurance Premium	Total Private Net Cost of Reinsurance
1000	0.001	0.0001	133.80	61.22	64.28	3.027	0.000				
900	0.001	0.0001	127.50	58.34	61.25	3.315	0.001				
800	0.001	0.0002	120.60	55.18	57.94	2.210	0.001				
700	0.001	0.0002	116.00	53.08	55.73	3.315	0.002				
600	0.002	0.0003	109.10	49.92	52.41	4.084	0.004				
500	0.002	0.0005	100.60	46.03	48.33	4.228	0.006				
400	0.003	0.0008	91.80	42.00	44.10	4.996	0.012				
300	0.003	0.0007	81.40	37.24	39.11	2.931	0.009				
250	0.004	0.0010	75.30	34.45	36.18	3.459	0.014				
200	0.005	0.0017	68.10	31.16	32.72	4.612	0.026				
150	0.007	0.0033	58.50	26.77	28.10	5.237	0.047		0.307	0.307	0.260
100	0.010	0.0011	47.60	21.78	22.87	1.489	0.015		0.095	0.095	0.079
90	0.011	0.0014	44.50	20.36	21.38	1.537	0.018		0.107	0.107	0.089
80	0.013	0.0018	41.30	18.90	19.84	1.441	0.019		0.111	0.111	0.092
70	0.014	0.0011	38.30	17.52	18.40	0.721	0.010		0.059	0.059	0.049
65	0.015	0.0013	36.80	16.84	17.68	0.913	0.014		0.080	0.080	0.065
60	0.017	0.0015	34.90	15.97	16.77	1.153	0.020		0.108	0.108	0.088
55	0.018	0.0018	32.50	14.87	15.61	0.913	0.017		0.093	0.093	0.075
50	0.020	0.0022	30.60	14.00	14.70	1.009	0.021		0.112	0.112	0.091
45	0.022	0.0028	28.50	13.04	13.69	1.153	0.028		0.142	0.142	0.114
40	0.025	0.0036	26.10	11.94	12.54	1.105	0.030		0.153	0.153	0.123
35	0.029	0.0048	23.80	10.89	11.434	1.297	0.042				
30	0.033	0.0067	21.10	9.65	10.137	1.249	0.049				
25	0.040	0.0100	18.50	8.46	8.888	1.489	0.073				
20	0.050	0.0026	15.40	7.05	7.399	0.336	0.017				
19	0.053	0.0029	14.70	6.73	7.062	0.240	0.013				
18	0.056	0.0033	14.20	6.50	6.822	0.384	0.022				
17	0.059	0.0037	13.40	6.13	6.438	0.336	0.021				
16	0.063	0.0042	12.70	5.81	6.101	0.336	0.022				
15	0.067	0.0048	12.00	5.49	5.765	0.336	0.024				
14	0.071	0.0055	11.30	5.17	5.429	0.336	0.026				
13	0.077	0.0064	10.60	4.85	5.093	0.432	0.036				
12	0.083	0.0076	9.70	4.44	4.660	0.384	0.035				
11	0.091	0.0091	8.90	4.07	4.276	0.432	0.043				
10	0.100	0.0111	8.00	3.66	3.843	0.432	0.048				
9	0.111	0.0139	7.10	3.25	3.411	0.432	0.054				
8	0.125	0.0179	6.20	2.84	2.979	0.480	0.068				
7	0.143	0.0238	5.20	2.38	2.498	0.480	0.080				
6	0.167	0.0333	4.20	1.92	2.018	0.577	0.115				
5	0.200	0.0500	3.00	1.37	1.441	0.577	0.144				
4	0.250	0.0833	1.80	0.82	0.86	0.480	0.160				
3	0.333	0.3333	0.80	0.37	0.38	0.384	0.256				
(13)	Total/Average					64.281	1.660	-	1.367	1.367	1.127

Notes:

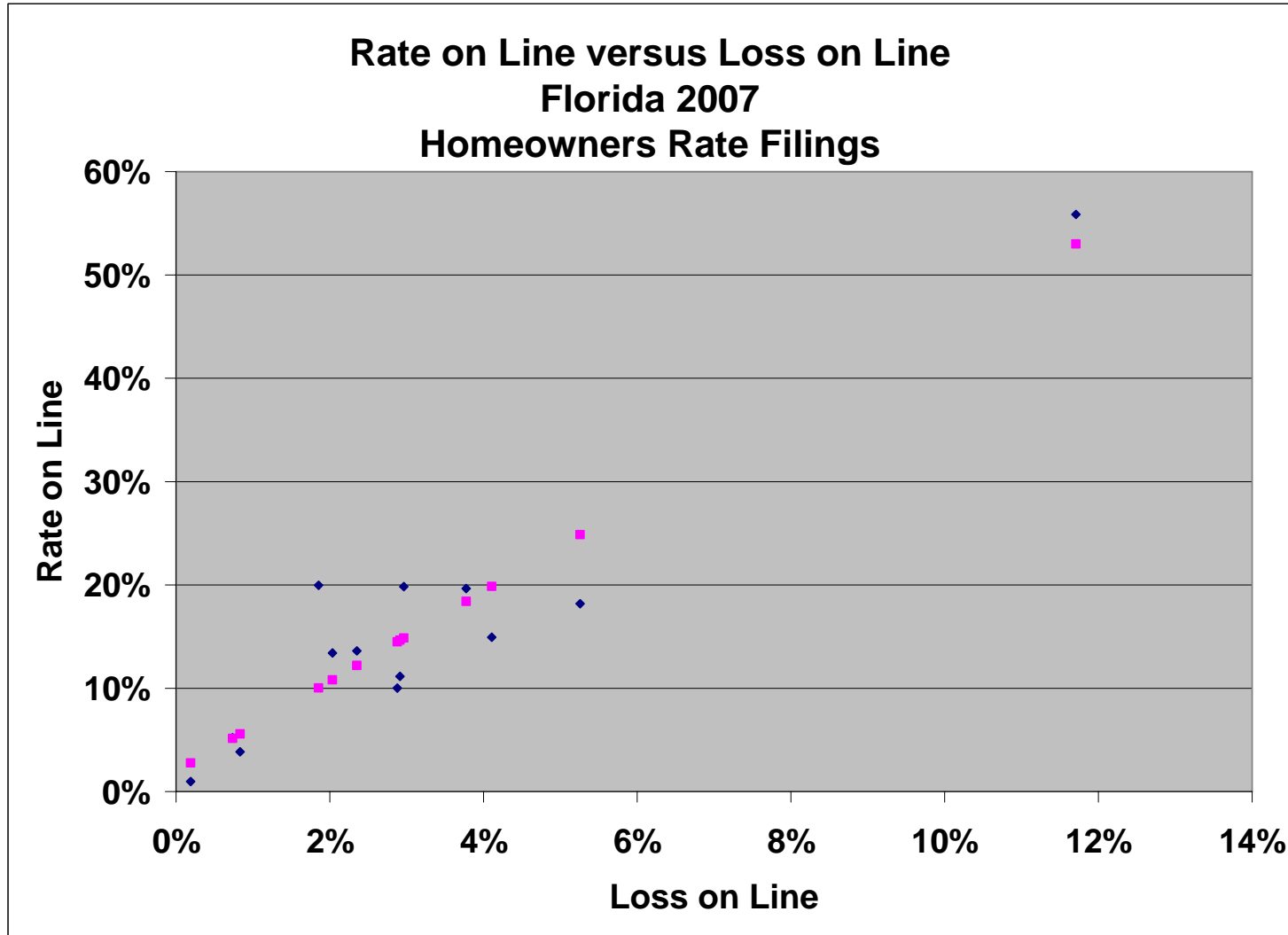
- (1) Page 50, FHCF 2007 Ratemaking Formula Report
- (2) 1/(1)
- (3) (2) prior - (2)
- (4) Page 50, FHCF 2007 Ratemaking Formula Report
- (5) (4) x (1 - Exhibit 11, Column (3))
- (6) (5) times 1.05 based on actuarial judgment and FHCF 2007 Ratemaking Formula Report, page 49
- (7) [(5) - (5) prior]
- (8) (7) times upward sum of (3)
- (9) It is assumed all commercial residential currently written in Citizens will be written in the FWIP.
- (10) [Exhibit 4, Sheet 2, Column (5) Intercept x (7) +Exhibit 4, Sheet 2, Column (5) Slope x (8)].
- (11) (9) + (10)
- (12) (11) - (8)

State of Florida
Office of the Consumer Advocate
Private Market Net Cost of Reinsurance
Reinsurance Rates Decline 15% per Year for Three Years
FHCF provides 100% of \$11 billion excess of \$1 billion coverage
(\$ Billions)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Single Event Return Time	Probability of Exceedance	Probability of Losses in Layer	Private + Citizens Gross Loss	Private Gross Loss	Private Gross Loss & LAE	Private Gross Layer of Loss & LAE	Private Gross Expected Loss & LAE in Layer	Private 10% Corridor Reinsurance Premium Commercial Residential	Private Additional Reinsurance Premium	Total Private Reinsurance Premium	Total Private Net Cost of Reinsurance
1000	0.001	0.0001	133.80	61.22	64.28	3.027	0.000				
900	0.001	0.0001	127.50	58.34	61.25	3.315	0.001				
800	0.001	0.0002	120.60	55.18	57.94	2.210	0.001				
700	0.001	0.0002	116.00	53.08	55.73	3.315	0.002				
600	0.002	0.0003	109.10	49.92	52.41	4.084	0.004				
500	0.002	0.0005	100.60	46.03	48.33	4.228	0.006				
400	0.003	0.0008	91.80	42.00	44.10	4.996	0.012				
300	0.003	0.0007	81.40	37.24	39.11	2.931	0.009				
250	0.004	0.0010	75.30	34.45	36.18	3.459	0.014				
200	0.005	0.0017	68.10	31.16	32.72	4.612	0.026				
150	0.007	0.0033	58.50	26.77	28.10	5.237	0.047		0.189	0.189	0.142
100	0.010	0.0011	47.60	21.78	22.87	1.489	0.015		0.058	0.058	0.043
90	0.011	0.0014	44.50	20.36	21.38	1.537	0.018		0.066	0.066	0.048
80	0.013	0.0018	41.30	18.90	19.84	1.441	0.019		0.068	0.068	0.049
70	0.014	0.0011	38.30	17.52	18.40	0.721	0.010		0.036	0.036	0.026
65	0.015	0.0013	36.80	16.84	17.68	0.913	0.014		0.049	0.049	0.035
60	0.017	0.0015	34.90	15.97	16.77	1.153	0.020		0.066	0.066	0.047
55	0.018	0.0018	32.50	14.87	15.61	0.913	0.017		0.057	0.057	0.040
50	0.020	0.0022	30.60	14.00	14.70	1.009	0.021		0.069	0.069	0.048
45	0.022	0.0028	28.50	13.04	13.69	1.153	0.028		0.087	0.087	0.060
40	0.025	0.0036	26.10	11.94	12.54	1.105	0.030		0.094	0.094	0.064
35	0.029	0.0048	23.80	10.89	11.434	1.297	0.042				
30	0.033	0.0067	21.10	9.65	10.137	1.249	0.049				
25	0.040	0.0100	18.50	8.46	8.888	1.489	0.073				
20	0.050	0.0026	15.40	7.05	7.399	0.336	0.017				
19	0.053	0.0029	14.70	6.73	7.062	0.240	0.013				
18	0.056	0.0033	14.20	6.50	6.822	0.384	0.022				
17	0.059	0.0037	13.40	6.13	6.438	0.336	0.021				
16	0.063	0.0042	12.70	5.81	6.101	0.336	0.022				
15	0.067	0.0048	12.00	5.49	5.765	0.336	0.024				
14	0.071	0.0055	11.30	5.17	5.429	0.336	0.026				
13	0.077	0.0064	10.60	4.85	5.093	0.432	0.036				
12	0.083	0.0076	9.70	4.44	4.660	0.384	0.035				
11	0.091	0.0091	8.90	4.07	4.276	0.432	0.043				
10	0.100	0.0111	8.00	3.66	3.843	0.432	0.048				
9	0.111	0.0139	7.10	3.25	3.411	0.432	0.054				
8	0.125	0.0179	6.20	2.84	2.979	0.480	0.068				
7	0.143	0.0238	5.20	2.38	2.498	0.480	0.080				
6	0.167	0.0333	4.20	1.92	2.018	0.577	0.115				
5	0.200	0.0500	3.00	1.37	1.441	0.577	0.144				
4	0.250	0.0833	1.80	0.82	0.86	0.480	0.160				
3	0.333	0.3333	0.80	0.37	0.38	0.384	0.256				
(13)	Total/Average					64.281	1.660	-	0.840	0.840	0.599

Notes:

- (1) Page 50, FHCF 2007 Ratemaking Formula Report
- (2) 1/(1)
- (3) (2) prior - (2)
- (4) Page 50, FHCF 2007 Ratemaking Formula Report
- (5) (4) x (1 - Exhibit 11, Column (3))
- (6) (5) times 1.05 based on actuarial judgment and FHCF 2007 Ratemaking Formula Report, page 49
- (7) [(5) - (5) prior]
- (8) (7) times upward sum of (3)
- (9) It is assumed all commercial residential currently written in Citizens will be written in the FWIP.
- (10) [Exhibit 4, Sheet 2, Column (5) Intercept x (7) +Exhibit 4, Sheet 2, Column (5) Slope x (8)].
- (11) (9) + (10)
- (12) (11) - (8)



Based on Exhibit 4, Sheet 2

Rate on Line versus Loss on Line
Florida 2007
Homeowners Rate Filings

Company Name	(1) LOL	(2) ROL	(3) Fitted	(4)	(5)	(6) 2010 at 15% Reduction per Year
Universal P&C	3.77%	19.65%	18.40%			
USAA	0.74%	5.21%	5.15%			
Nationwide	2.35%	13.61%	12.20%			
Allstate	0.83%	3.84%	5.57%			
State Farm	2.88%	10.02%	14.49%			
Liberty Mutual	2.04%	13.41%	10.82%			
St Johns	5.26%	18.18%	24.86%			
Federal	0.19%	0.96%	2.77%			
American Strategic	4.11%	14.93%	19.85%			
United	11.71%	55.87%	53.00%			
First Floridian	1.86%	19.97%	10.03%			
Gulfstream	2.91%	11.14%	14.64%			
Tower Hill Prime	2.96%	19.84%	14.86%			
					2007	
Intercept	0.00%		2.00%		2.00%	1.23%
	2.00%		11.00%		11.00%	
	4.00%		19.00%		19.00%	
	6.00%		28.00%		28.00%	
Slope			4.300		2.641	

Source:

Homeowners insurance rate filings for the state of Florida from the Office of Insurance Regulation's EDMS data management system.

Exhibit 5

State of Florida
Office of the Consumer Advocate
Homeowners Insurance
Florida 2007
Premium and Loss Experience

Company Name	Domocile	Direct Premiums Written	Direct Premiums Earned	Direct Loss Incurred	Pure Direct Loss Ratio
State Farm Florida Ins Co	FL	1,560,469	1,569,898	402,649	25.65%
Citizens Prop Ins Corp	FL	1,502,254	1,439,028	463,138	32.18%
Universal Prop & Cas Ins	FL	449,795	430,096	86,127	20.03%
Royal Palm Ins Co	FL	246,083	131,241	26,744	20.38%
Nationwide Ins Co Of FL	OH	243,237	275,445	90,947	33.02%
St Johns Ins Co Inc	FL	234,957	192,514	44,127	22.92%
USAA	TX	234,743	218,720	50,608	23.14%
Allstate Floridian Ins Co	IL	211,097	319,776	101,570	31.76%
Liberty Mut Fire Ins Co	WI	189,399	188,580	42,460	22.52%
Universal Ins Co of NA	FL	173,730	190,215	35,080	18.44%
Federal Ins Co	IN	152,419	149,620	36,962	24.70%
USAA Cas Ins Co	TX	143,395	135,855	30,090	22.15%
United Prop & Cas Ins Co	FL	117,442	130,704	19,960	15.27%
American Strategic Ins Corp	FL	113,843	145,529	30,326	20.84%
American Home Assur Co	NY	111,777	95,515	18,433	19.30%
First Floridian Auto & Home Ins Co	FL	103,991	125,857	48,317	38.39%
First Protective Ins Co	FL	103,320	105,998	20,910	19.73%
ASI Assur Corp	FL	102,099	85,023	35,514	41.77%
Tower Hill Prime Insurance Company	FL	100,574	108,035	24,212	22.41%
Federated Natl Ins Co	FL	100,481	119,902	40,805	34.03%
Tower Hill Preferred Ins Co	FL	93,341	102,465	20,553	20.06%
Southern Fidelity Ins Co Inc	FL	92,543	76,099	25,887	34.02%
Security First Ins Co	FL	90,977	59,863	10,107	16.88%
Hartford Ins Co Of The Midwest	IN	87,250	91,189	25,201	27.64%
Tower Hill Select Ins Co	FL	84,742	88,775	19,463	21.92%
Florida Peninsula Ins Co	FL	84,465	100,024	3,953	3.95%
Florida Family Ins Co	FL	79,598	76,911	20,522	26.68%
Cypress Prop & Cas Ins Co	FL	74,980	86,747	21,198	24.44%
Geovera Specialty Ins Co	CA	71,530	91,071	29,812	32.73%
Florida Farm Bureau Cas Ins Co	FL	71,255	67,510	22,519	33.36%
Sunshine State Ins Co	FL	65,004	80,699	22,634	28.05%
Allstate Floridian Ind Corp	IL	58,882	83,626	15,830	18.93%
Firemans Fund Ins Co	CA	58,014	57,412	15,034	26.19%
All Others		1,394,844	1,367,482	304,280	22.25%
Total		8,602,530	8,587,424	2,205,972	25.69%
All Ex Citizens Prop Ins Corp		7,100,276	7,148,396	1,742,834	24.38%

Source:
NAIC I-Site annual statement database

State of Florida
Office of the Consumer Advocate
Estimated Hurricane Versus Non-Hurricane Premiums

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Voluntary Residential Carriers											
(1) Direct Premiums Earned	2,018,492	2,285,064	2,540,458	2,843,450	2,996,093	3,225,961	3,653,583	4,127,444	5,010,871	5,812,743	7,148,396
(2) Direct Losses Incurred	683,850	757,870	845,980	903,323	1,258,000	1,249,429	1,238,392	12,507,031	7,695,223	1,889,916	1,742,834
(3) Estimated LAE	125,674	139,277	155,470	166,008	231,189	229,614	227,585	791,017	550,427	347,319	320,289
(4) Direct Losses & LAE Incurred	809,524	897,147	1,001,450	1,069,331	1,489,189	1,479,043	1,465,977	13,298,048	8,245,650	2,237,235	2,063,123
(5) Expected Non-Hurricane Losses & LAE	785,142	914,460	1,043,777	1,173,094	1,302,412	1,431,729	1,561,047	1,690,364	1,819,682	1,948,999	2,078,316
(6) Estimated Non-Hurricane Premium	1,115,259	1,298,948	1,482,638	1,666,327	1,850,017	2,033,706	2,217,396	2,401,085	2,584,775	2,768,465	2,952,154
(7) Estimated Hurricane Premium	903,233	986,116	1,057,820	1,177,123	1,146,076	1,192,255	1,436,187	1,726,359	2,426,096	3,044,278	4,196,242
(8) Hurricane Percentage of Premium	44.7%	43.2%	41.6%	41.4%	38.3%	37.0%	39.3%	41.8%	48.4%	52.4%	58.7%
Involuntary Residential Carriers											
(9) Direct Premiums Earned				450,255	516,462	976,105	999,236	1,304,701	1,513,894	2,550,062	3,832,400
(10) Direct Losses Incurred				42,888	52,332	94,932	203,560	2,493,126	3,376,766	324,890	711,238
(11) Estimated LAE				10,353	12,632	22,916	49,138	163,616	207,798	78,426	171,687
(12) Direct Losses & LAE Incurred				53,241	64,964	117,847	252,697	2,656,742	3,584,564	403,316	882,925
(13) Expected Non-Hurricane Losses & LAE				53,241	64,964	117,847	252,697	329,947	382,849	403,316	882,925
(14) Estimated Non-Hurricane Premium				71,656	87,435	158,610	340,104	444,073	515,275	542,821	1,188,324
(15) Estimated Hurricane Premium				378,599	429,027	817,495	659,132	860,627	998,618	2,007,241	2,644,076
(16) Hurricane Percentage of Premium				84.1%	83.1%	83.8%	66.0%	66.0%	66.0%	78.7%	69.0%

Notes:

- (1) & (2) NAIC I-Site annual statement database
- (2) Exhibit 13, homeowners multiple peril.
- (3) (2) x Exhibit (9), Column (5) and actuarial judgment for 2004 and 2005
- (4) (2) + (3)
- (5) Based on linear trend of (4) for years 1997 through 2003.
- (6) (5) / (1 - Exhibit 7, Column (4))
- (7) (1) - (6)
- (8) (7) / (1)
- (10) & (11) Citizens, FWUA and FRPCJUA statutory annual statements.
- (12) (11) x Exhibit (8) LAE Ratio, and actuarial judgment for 2004 and 2005
- (13) (11) + (12)
- (14) (13) or actuarial judgment
- (15) (14) / (1 - Exhibit 8, Underwriting Expense Ratio)
- (16) (10) - (15)
- (17) (16) / (10)

State of Florida
Office of the Consumer Advocate
Estimated Average Expense and Profit Ratios
(\$000s)

	(1) 2007 Direct Earned Premium	(2) Estimated 2007 Underwriting Expenses	(3) U/W Profit Provision	(4) Total
Voluntary Residential Carriers	7,148,396	24.6%	5.0%	29.6%
Citizens	3,832,400	14.6%	11.1%	25.7%

Notes:

- (1) Exhibit 6, Row (1)
- (2) Exhibit 9 and 10 and actuarial judgment
- (3) Based on actuarial judgment
- (4) (2) + (3)

Exhibit 8

State of Florida
Office of the Consumer Advocate
Citizens Property Insurance Corporation
2007 Calendar Year
Underwriting and Loss Adjustment
Expense Ratios

Direct Written Premiums	3,717,970,890	100.0%
Underwriting Expenses	543,338,209	14.6%
Losses Incurred	711,238,213	
Loss Adjustment Expenses	171,686,804	24.1%

Source:

Citizens Property Insurance Corporation,
2007 Annual Statement, Statement of Income,
Pages 5 and 9

State of Florida
Office of the Consumer Advocate
Countrywide Expense Ratios
(\$000s)

	(1)	(2)	(3)	(4)	(5)	(6)
	2006	2005		2006	2005	
	Direct	Underwriting	Underwriting	Incurred	Ratio to	
	Written	Expense	Expenses	Losses	Incurred	
	Premium	Ratio			Losses	LAE
Aircraft (all perils)	167,302	22.6%	37,810	65,553	19.9%	13,032
Allied lines	1,296,911	30.7%	398,152	515,414	8.9%	46,060
Commercial auto physical damage	475,126	28.9%	137,311	225,614	16.2%	36,646
Commercial multiple peril (non-liability portion)	1,439,067	31.9%	459,062	203,643	14.0%	28,433
Credit	67,017	34.3%	22,987	29,720	1.6%	462
Farmowners multiple peril	26,725	30.6%	8,178	22,758	16.1%	3,669
Fire	1,124,469	29.1%	327,220	45,554	11.8%	5,371
Homeowners multiple peril	6,685,301	28.4%	1,898,625	1,889,916	18.4%	347,319
Inland marine	1,086,578	30.6%	332,493	453,714	13.2%	59,859
Multiple peril crop	144,729	7.1%	10,276	41,893	5.3%	2,235
Ocean marine	301,389	32.2%	97,047	72,462	14.5%	10,489
Private passenger auto physical damage	3,758,343	23.4%	879,452	2,254,107	17.6%	396,850
Grand Total	16,572,957	27.8%	4,608,615	5,820,348	16.3%	950,425
Grand Total excluding Homeowners	9,887,656	27.4%	2,709,989	3,930,432	15.3%	603,106

Notes:

- (1) NAIC I-Site annual statement database
- (2) Best's Aggregates and Averages for calendar year 2005
- (3) (1) x (2)
- (4) NAIC I-Site annual statement database
- (5) Best's Aggregates and Averages for calendar year 2005
- (6) (4) x (5)

State of Florida
Office of the Consumer Advocate
State of Florida Expense Ratios
(\$000s)

	(1) 2006 Direct Written Premium	(2) 2005 Underwriting Expense Ratio	(3) Underwriting Expenses
Aircraft (all perils)	167,302	27.7%	46,343
Allied lines	1,296,911	23.7%	307,368
Commercial auto physical damage	475,126	26.8%	127,334
Commercial multiple peril (non-liability portion)	1,439,067	29.5%	424,525
Credit	67,017	27.7%	18,564
Farmowners multiple peril	26,725	34.5%	9,220
Fire	1,124,469	25.8%	290,113
Homeowners multiple peril	6,685,301	28.3%	1,891,940
Inland marine	1,086,578	26.3%	285,770
Multiple peril crop	144,729	23.7%	34,301
Ocean marine	301,389	27.7%	83,485
Private passenger auto physical damage	3,758,343	21.5%	808,044
Grand Total	16,572,957	26.1%	4,327,005
Grand Total excluding Homeowners	9,887,656	24.6%	2,435,065

Notes:

- (1) NAIC I-Site annual statement database
(2) 2005 NAIC Report on Profitability by Line by State
(3) (1) x (2)

Exhibit 11

State of Florida
Office of the Consumer Advocate
Modeled Average Annual Hurricane Losses
(\$000s)

(1)	(2)	(3)
FHCF	Citizens	Citizens Share of Average Annual Hurricane Losses
	163,640	
	608,865	
	1,105,230	
	643	
	1,221	
3,465,005	1,879,599	54.2%

Notes:

- (1) The FHCF 2007 Ratemaking Formula Report, Page 49
- (2) Citizens modeled loss report, RMS RiskLink Version 7.0 as of 9/30/07
- (3) (2) / (1)

State of Florida
Office of the Consumer Advocate
Selected Increase in Rates After Removal of Excessive Provision

(1)	Average Proposed Rate Increase of NOI / Disapproved Filings	12.8%
(2)	NOI / Disapproved Filings Share of Market	32.5%
(3)	Indicated Increase in Rates After Removal of Excessive Provision	4.2%
(4)	Selected Increase in Rates After Removal of Excessive Provision	5.0%

Notes:

- (1) & (2) Office of Insurance Regulation, Update on the Presumed Factor Program, Presentation to the Senate Banking and Insurance Committee, January 8, 2008
- (3) (1) x (2)
- (4) Based on actuarial judgment