

**LEGISLATIVE
BUDGET
COMMISSION**

Ray Sansom, Chair

Rudy Garcia, Vice-Chair

**MEETING PACKET
Monday, March 26, 2007
3:00 P.M.
212 Knott Building**

**(Please bring this packet to the committee meeting.
Duplicate materials will not be available.)**



LEGISLATIVE BUDGET COMMISSION AGENDA



Monday, March 26, 2007
3:00 P.M.
212 Knott Building

Members

Representative Ray Sansom
Representative Aaron Bean
Representative Dean Cannon
Representative Stan Mayfield
Representative Frank Peterman, Jr.
Representative Joe Pickens
Representative Ron Saunders

Senator Rudy Garcia
Senator JD Alexander
Senator Lisa Carlton
Senator Mike Fasano
Senator Gwen Margolis
Senator Nan Rich
Senator Stephen Wise

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- I. Consideration of the following budget amendments:
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Citizens Multi-Peril Business Plan

Justice Administration

EOG Number: B2007-0672

Problem Statement: The state is responsible for payment of attorney's fees and related costs for representation of indigent persons in criminal and certain civil proceedings pursuant to the changes to Article V of the state Constitution that took effect July 1, 2004. In addition, the state is responsible for providing certain due process services such as expert witnesses and court reporters for the state attorneys and public defenders. For FY 2006-07, the Legislature appropriated \$37.4 million for private sector criminal conflict attorneys appointed when the Public Defender has an ethical conflict, \$23.3 million for private sector attorneys appointed to represent parents of children in dependency proceedings, \$12.0 million for State Attorney due process services and \$18.0 million for public defender due process services. The Legislature also appropriated a contingency fund of \$9.2 million in case of a shortfall in these categories and provided that the Legislative Budget Commission could approve use of unallocated General Revenue if the contingency fund proved to be inadequate.

On February 22, 2007, the Legislative Budget Commission approved release of the \$9.2 million contingency fund. However, this was not sufficient to cover the projected deficit. The Justice Administrative Commission (JAC) currently projects a deficit of \$9,996,382 in Criminal Conflict and \$3,103,535 in Civil Conflict through the period ending May 31, 2007. The JAC indicates that funds will be exhausted for criminal conflict cases in mid-March and for dependency cases in mid-April. In addition to the deficits for court-appointed private counsel, the JAC projects a deficit of \$191,191 for public defender due process services through the period ending May 31, 2007 as well.

A variety of factors appear to have contributed to the deficit in the court-appointed private counsel categories. The number of cases for which payment has been made has increased and the rates paid to attorneys have increased over the amounts previously paid by counties. In addition, local cost controls that were in place when the counties were responsible for funding these services are no longer in place. Finally, the JAC indicates that in some cases judges order payment in excess of local rates and statutory limits.

Some of the Indigent Service Committees, who are responsible for setting rates at levels commensurate with appropriations, have recently taken action to reduce rates. The JAC, however, does not anticipate an immediate impact on the current level of spending as bills are still being received with the higher rate structure. The JAC also indicates that recent changes allowing attorneys to bill at more frequent intervals during long-running cases has accelerated payments.

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<p>Agency Request: Increase General Revenue appropriations, pursuant to the authority provided in Chapter 2006-26 Laws of Florida, for due process services by \$13,291,108 to make payments through May 31, 2007 as follows:</p> <ul style="list-style-type: none"> - \$9,996,382 in the Criminal Conflict category - \$3,103,535 in the Child Dependency/Civil Conflict category - \$191,191 in the Public Defender Due Process category <p>The Justice Administrative Commission is expected to return to the Legislative Budget Commission with an additional request to release unallocated General Revenue to provide for the month of June.</p> <p>Governor's Recommendation: Recommend approval to transfer \$13,291,108 in unallocated General Revenue to the Justice Administrative Commission's Child/Dependency/Civil Conflict, Criminal Conflict Case Costs, and Public Defender Due Process Cost appropriation categories to alleviate the projected deficits through May 31, 2007.</p> <p>Commission Staff Comments: Senate professional staff: Recommend approval as recommended by the Governor's Office House staff: None</p>	
<p>Senate Committee: Criminal and Civil Justice Appropriations Senate Analyst: Claude Hendon</p>	<p>House Council: Safety and Security House Analyst: Loretta Darity</p>

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Line Item No.	Budget Entity / Fund / Appropriation Category Title LASPBS Account Number	CF	REQUESTED BY AGENCY	RECOMMENDED BY GOVERNOR	APPROVED BY THE LEGISLATIVE BUDGET COMMISSION
			Appropriation	Appropriation	Appropriation
JUSTICE ADMINISTRATION					
	Program: Justice Administrative Commission / <u>Executive Direction And Support Services</u>				
875	Special Categories Public Defender Due Process Costs From General Revenue Fund		191,191	191,191	
876	Special Categories Child Dependency And Civil Conflict Case From General Revenue Fund		3,103,535	3,103,535	
878	Special Categories Criminal Conflict Case Costs From General Revenue Fund		9,996,382	9,996,382	

DVA
B2007-0644

Department of Veterans' Affairs

EOG Number: B2007-0644

<p>Problem Statement: The Department of Veterans' Affairs has an overall 16.7 percent nursing vacancy rate across the five state veterans' nursing homes. The department paid temporary nursing agency staffing services in excess of \$1.9 million for the first six months (July - December) of Fiscal Year 2006-2007. The temporary staffing agencies are currently paid in the Contracted Services category from the Operations and Maintenance Trust Fund. Effective July 1, 2006, section 216.011(1)(n), Florida Statutes, was amended to exclude payment of contractual services from the Expense appropriation category. Additional clarification was provided in a Department of Financial Services' memorandum dated June 30, 2006. Based on this memorandum, the budget authority for temporary nursing staffing services were transferred from the Expense category to the Contracted Services category in July 2006. The funds transferred were sufficient to pay temporary nursing agency staffing services to cover the current 16.7 percent vacancy rate. There is insufficient budget authority remaining in the Expense category to continue operating the five nursing homes.</p>
<p>In addition, several months of adjusted food service and dietician service invoices from last fiscal year were received from the meals provider for three nursing homes after the certified forward process. These invoices were paid using current year budget authority resulting in a current year budget authority shortfall.</p>
<p>Agency Request: The department requests the transfer of \$690,400 in General Revenue and \$1,035,600 in Operations and Maintenance Trust Fund budget authority from the Salaries and Benefits category to the Expense category in the Veterans' Homes budget entity, and an increase of \$376,300 in Operations and Maintenance Trust Fund budget authority for the Expense category to compensate for the additional cost of using the temporary nursing agency staffing services. The department also requests an additional \$585,506 in Operations and Maintenance Trust Fund budget authority for the Food Products category to offset the payment of prior-year invoices. The department has sufficient cash available to support the additional budget authority.</p>
<p>Governor's Recommendation: Recommend approval to transfer \$690,400 in General Revenue and \$1,035,600 in the Operations and Maintenance Trust Fund from Salaries and Benefits to Expenses and to increase budget authority by \$961,806 in the Operations and Maintenance Trust Fund. In the amounts of \$376,300 in Expenses and \$585,506 in Food Products for the operation of State Veterans' Nursing Homes.</p> <p>Commission Staff Comments: Senate professional staff: Recommend approval as recommended by the Governor's Office. House staff: None.</p>

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Senate Committee: Health and Human Services Appropriations Senate Analyst: Elaine Peters	House Council: Healthcare House Analyst: Anthony DePalma
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			Appropriation	Appropriation	Appropriation
	VETERANS' AFFAIRS				
	Program: Services To Veterans' Program <u>Veterans' Homes</u>				
670	Salaries And Benefits From General Revenue Fund From Operations And Maintenance Trust Fund		(690,400) (1,035,600)	(690,400) (1,035,600)	
672	Expenses From General Revenue Fund From Operations And Maintenance Trust Fund		690,400 1,411,900	690,400 1,411,900	
674	Food Products From Operations And Maintenance Trust Fund		585,506	585,506	

DCF
B2007-0665

Department of Children and Family Services

EOG Number: B2007-0665

<p>Problem Statement: Under section 409.1671(1)(a), Florida Statutes, the Department of Children and Family Services must contract for the provision of foster care and related services. The 2004 Legislature established a new appropriation category (Grants and Aids - Community Based Care funds for Providers of Child Welfare Services) for contracting with community based care lead agencies. The majority of funds for child protection services has been transferred to the new category. Budget authority for the federal grant Promoting Safe and Stable Families, however, remains in the Grants and Aids - Child Protection category. The federal grant is used to provide services at the local level for activities such family support, family preservation, adoption and time-limited reunification. A technical amendment is needed to transfer funds within the department to the Community Based Care providers.</p>	<p>Agency Request: The department requests the transfer of \$1,651,499 in Federal Grants Trust Fund from the Grants and Aids - Child Protection category to the Grants and Aids - Community Based Care Funds For Providers of Child Welfare Services category in the Child Protection and Permanency budget entity. The funds will be distributed to the lead agencies receiving an amount below the statewide average budget per child per year based on the minimum per child rate distribution formula as specified in Specific Appropriation 361.</p>
<p>Governor's Recommendation: Recommend approval to transfer \$1,651,499 in the Federal Grants Trust Fund from the G/A-Child Protection category to the G/A-Community Based Care category to support the transfer of services funded through the Promoting Safe and Stable Families grant to the lead agencies. These services are being transferred pursuant to section 409.1671(1)(a), Florida Statutes, requiring the transfer of foster care and related services to community-based lead agencies.</p>	
<p>Commission Staff Comments: Senate professional staff: Recommend approval as recommended by the Governor's Office. House staff: None.</p>	

<p>Senate Committee: Health and Human Services Appropriations</p>	<p>House Council: Healthcare</p>
<p>Senate Analyst: Marta Hardy</p>	<p>House Analyst: Lynn Ekholm</p>

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CHILDREN AND FAMILY SERVICES					
355	Program: Family Safety Program <u>Child Protection And Permanency</u> Special Categories Grants And Aids - Child Protection From Federal Grants Trust Fund		(1,651,499)	(1,651,499)	
361	Special Categories Grants And Aids - Community Based Care Funds For Providers Of Child Welfare Services From Federal Grants Trust Fund		1,651,499	1,651,499	

Agency for Persons with Disabilities

EOG Number: B2007-0677

<p>Problem Statement: The Department of Elder Affairs currently administers the Consumer Directed Care Plus (CDC+) application for both the Florida elderly and the physically and developmentally disabled populations. The 2006 Legislature appropriated \$955,805 in a Qualified Expenditure Category (QEC) so the Agency for Persons with Disabilities (APD) could assume responsibility for administering the CDC+ program services to the developmentally disabled population. The agency needs funds for project management, software engineering, and the fiscal/employer agent integration to complete the development of the new CDC+ application.</p>
<p>Agency Request: The agency requests a transfer of \$275,664 in Operations and Maintenance Trust Fund budget authority from the Qualified Expenditure category to the Contracted Professional Services category (\$259,720) and to the Expense category (\$15,944) for the CDC+ migration deliverables planned in the fourth quarter of Fiscal Year 2006-2007.</p>
<p>Governor's Recommendation: Recommend approval to transfer \$275,664 of budget authority in the Operations and Maintenance Trust Fund from the Qualified Expenditure category to the Contracted Professional Services category in the amount of \$259,720 and the Expenses category in the amount of \$15,944 for fourth quarter activities related to testing the new system and implementation as necessary for the completion of the CDC+ Mitigation Project, which is scheduled for completion by the end of June 2007.</p>
<p>Commission Staff Comments: Senate professional staff: Recommend approval as recommended by the Governor's Office. House staff: None.</p>

<p>Senate Committee: Health and Human Services Appropriations Senate Analyst: Ross Fabricant</p>	<p>House Council: Healthcare House Analyst: Eric Pridgeon</p>
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		Appropriation	Reserve	Appropriation	Reserve	Appropriation	Reserve
		CF					
	AGENCY FOR PERSONS WITH DISABILITIES						
	Program: Services To Persons With Disabilities <u>Program Management And Compliance</u>						
296P	Expenses From Operations And Maintenance Trust Fund	15,944		15,944			
296aa	Qualified Expenditure Category Consumer Directed Care Plus (cdc+) Application Migration From Operations And Maintenance Trust Fund	(275,664)	(275,664)	(275,664)	275,664		
296u	Special Categories Grants And Aids - Contracted Professional Services From Operations And Maintenance Trust Fund	259,720		259,720			

Department of Military Affairs

EOG Number: B2007-0664

<p>Problem Statement: The Department of Military Affairs has entered into 32 federal cooperative agreements totaling \$32,441,092 for Fiscal Year 2006-2007. Throughout the fiscal year, the department receives increased funding in federal contracts to effectively support the programs they represent. The department has identified a need to increase budget authority by \$2,400,000 in the Cooperative Agreement Trust Fund within the Expenses appropriation category to meet operational requirements for the remainder of this fiscal year. The department has expended 84 percent of the Expenses appropriation and anticipates exhausting the remaining appropriation by early April 2007 in order to meet current obligations. This request supports federal funds only and does not involve state match.</p>	
<p>Agency Request: The department requests additional budget authority of \$2,400,000 for Expenses within the Cooperative Agreement Trust Fund, Federal/State Cooperative Agreements to meet agency requirements.</p>	
<p>Governor's Recommendation: Recommend approval to increase budget authority by \$2,400,000 in the Cooperative Agreement Trust Fund for the operating expenses in support of the 32 federal cooperative agreements and to meet financial obligations through the end of the fiscal year.</p>	
<p>Commission Staff Comments: Senate professional staff: Recommend approval as recommended by the Governor's Office House staff: None</p>	
<p>Senate Committee: Transportation and Economic Development Appropriations</p>	<p>House Council: Government Efficiency & Accountability House Analyst: Susan Rayman</p>
<p>Senate Analyst: Juliette Noble</p>	

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3041	<p>MILITARY AFFAIRS</p> <p>Program: Readiness And Response <u>Federal/state Cooperative Agreements</u></p> <p>Expenses From Cooperative Agreement Trust Fund</p>	<p>CF</p> <p>Appropriation</p> <p>2,400,000</p>	<p>Appropriation</p> <p>2,400,000</p>	<p>Appropriation</p>

Department of Management Services

EOG Number: B2007-0659

Problem Statement: In October 2002, the Department entered into a five year contract with Accenture, LLP, to create a web-based eProcurement System. This system is known as MyFloridaMarketPlace ("MFMP"). Under the existing contract, Accenture is entitled to receive a cumulative sum of \$92,000,000 in base compensation over the entire term of the contract, with allowances for incentives and adjustments. Accenture is to be paid out of amounts collected on a 1 percent fee assessed on all transactions processed by or through MFMP after the Department's Purchasing Oversight/Office of Supplier Diversity operating and non-operating costs and a portion of Motor Pool program costs are paid in full. The General Appropriations Act for the 06-07 FY contains appropriations and proviso language directing DMS to deposit all fees into the Grants and Donation Trust Fund and allows for excess 1 percent fees to be transferred to the vendor after all expenditures for the department's purchasing functions have been satisfied. Based on actual transfers during the months of June 2006 through February 2007, as well as projected transfers for the months of March 2007 through May 2007, it is estimated that there will be a shortfall in the appropriation in the amount of \$2,100,000.

Agency Request: Pursuant to specific appropriation 2892 and proviso language, this amendment requests additional budget authority in the amount of \$2,100,000 which is the estimated shortfall amount for 1 percent fees collected that is projected to be over the existing appropriation for Fiscal Year 2006-2007. (Appropriation \$15,457,000 Less Expenditures (actual and estimated) \$17,551,588.66 = \$2,094,588.66).

The Department requests that this additional budget authority be placed in reserve. A separate budget amendment will be submitted requesting the release, or partial release of the authority from reserve after revenue is earned and expenditures have been satisfied.

Governor's Recommendation: Recommend to increase budget authority by \$2,100,000 in the Grants and Donations Trust Fund and place in unbudgeted reserve within the Web Based E-Procurement System category (MyFloridaMarketPlace) for contractual payments to the vendor.

Commission Staff Comments: Senate professional staff: Recommend approval as recommended by the Governor's Office.
House staff : None

Senate Committee: General Government Appropriations	House Council Government Efficiency & Accountability
Senate Analyst: Dawn Pigott	House Analyst: Marsha Belcher

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		Appropriation	Reserve	Appropriation	Reserve	Appropriation	Reserve
		CF					
	MANAGEMENT SERVICES						
2892	Program: Support Program <u>Purchasing Oversight</u> Special Categories Web-based E-procurement System From Grants And Donations Trust Fund		2,100,000	2,100,000	2,100,000	2,100,000	

DOR
B2007-0680

Department of Revenue

EOG Number: B2007-0680

<p>Problem Statement: The General Appropriations Act for Fiscal Year 2006-2007 appropriates \$20,142,978 from trust funds for the Child Support Automated Management System (CAMS) in the qualified expenditure category (QEC). The QEC is used to fund specific activities or projects that are subject to approval by the Legislative Budget Commission and must be transferred to one or more appropriation categories for expenditure.</p> <p>The Department of Revenue (department) requests \$2,069,478 of budget authority transferred and released to cover anticipated expenditures in the fourth quarter for Phases I and II of the CAMS project through June 2007. This amount includes \$50,000 for CAMS phase II vendor procurement, and \$2,019,478 for enterprise costs associated with the project such as quality assurance testing, CAMS program management and data center development costs.</p> <p>To support this need assessment, the department has provided an Annual Operational Work Plan for Fiscal Year 2006-2007 and the Operational Work Plan for the <u>planning period April through June 2007</u>.</p>	<p>Agency Request: The department is requesting a transfer and release of budget for the fourth quarter of Fiscal Year 2006-2007 in the amount of \$2,069,478. Of this amount \$703,622 is in the Child Support Incentive Trust Fund and \$1,365,856 is in the Grants and Donations Trust Fund. The funds being requested are based on the expected expenditures for CAMS Phases I and II during the fourth quarter of the 2006 - 2007 fiscal year.</p>	<p>Governor's Recommendation: Recommend approval to transfer \$703,622 of budget authority in the Child Support Incentive Trust Fund and \$1,365,856 in the Grants and Donations Trust Fund from the Qualified Expenditure Category to operational categories for the Child Support Enforcement Automated System (CAMS) to cover costs associated with the project for the fourth quarter.</p>	<p>Commission Staff Comments: Senate professional staff: Recommend approval as recommended by the Governor's Office. House staff : None.</p>
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<p>Senate Committee: General Government Appropriations</p>	<p>House Council: Government Efficiency & Accountability</p>
<p>Senate Analyst: Sandra Blizzard</p>	<p>House Analyst: JoAnn Levin</p>

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		Appropriation	Reserve	Appropriation	Reserve	Appropriation	Reserve
REVENUE							
		CF					
3085	Program: Child Support Enforcement Program <u>Case Processing</u> Expenses From Child Support Incentive Trust Fund From Grants And Donations Trust Fund	16,066		16,066			
3087	Special Categories Purchase Of Services - Child Support Enforcement From Child Support Incentive Trust Fund From Grants And Donations Trust Fund	31,187		31,187			
		332,855		332,855			
		646,131		646,131			
3088A	Qualified Expenditure Category Child Support Automated Management System (cams) Project From Child Support Incentive Trust Fund From Grants And Donations Trust Fund	(348,921)	(348,921)	(348,921)	(348,921)	(348,921)	(348,921)
		(677,318)	(677,318)	(677,318)	(677,318)	(677,318)	(677,318)

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			CF	Appropriation	Reserve	Appropriation	Reserve	Appropriation
	<u>Remittance And Distribution</u>							
3092	Expenses From Child Support Incentive Trust Fund From Grants And Donations Trust Fund		16,066 31,187		16,066 31,187			
3094	Special Categories Purchase Of Services - Child Support Enforcement From Child Support Incentive Trust Fund From Grants And Donations Trust Fund		332,855 646,131		332,855 646,131			
3096A	Qualified Expenditure Category Child Support Automated Management System (cams) Project From Child Support Incentive Trust Fund From Grants And Donations Trust Fund		(348,921) (677,318)	(348,921) (677,318)	(348,921) (677,318)	(348,921) (677,318)		
3102	<u>Establishment</u> Special Categories Purchase Of Services - Child Support Enforcement							

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			Appropriation	Reserve	Appropriation	Reserve	Appropriation	Reserve
3104A	L,ASPBS Account Number							
	From Grants And Donations Trust Fund		11,220		11,220			
	From Child Support Incentive Trust Fund		5,780		5,780			
	Qualified Expenditure Category Child Support Automated Management System (cams) Project							
	From Child Support Incentive Trust Fund		(5,780)	(5,780)	(5,780)	(5,780)		
	From Grants And Donations Trust Fund		(11,220)	(11,220)	(11,220)	(11,220)		

Department of Business and Professional Regulation

EOG Number: B2007-0668

<p>Problem Statement: The General Appropriations Act for Fiscal Year 2005-2006 included \$2.5 million to the Department of Business and Professional Regulation (DBPR) for a department-wide document management system with proviso language directing the agency to complete a feasibility study on the system prior to the release of funds. The feasibility study requirements directed the agency to address ways to reduce the amount of paper required to be submitted for licensure and regulation; provide requirements for the management of documents; and identify initial and ongoing costs and business benefits to produce a positive return on investment. The study was finalized in April 2006.</p>	<p>Due to the time needed to complete the feasibility study during the prior year, Specific Appropriation 2337A in the General Appropriations Act for Fiscal Year 2006-2007 reappropriated \$2.4 million to the DBPR for the document management system. The 2006-2007 reappropriation of unexpended funds was placed in the Qualified Expenditures Category that requires a request be submitted to the Legislative Budget Commission (LBC) for the transfer of the appropriation to an appropriate category from which the funds can be expended.</p>
<p>The LBC approved the transfer of \$189,000 for the first quarter release, \$141,000 for the second quarter release, and \$1,277,295 for the third quarter release. The department is now requesting the release of \$626,187 for continued project management oversight, document management product implementer costs, and the conversion of working documents.</p>	
<p>Agency Request: The department requests the transfer of \$626,187 from the Qualified Expenditure Category to the Special Category - Department Wide Document Management System for anticipated fourth quarter costs.</p>	
<p>Governor's Recommendation: Recommend approval to transfer and release \$626,187 of budget authority in the Administrative Trust Fund from the Qualified Expenditure Category - Department Wide Document Management System category to the Document Management System special category for projected fourth quarter expenditures which include a project management oversight vendor, a document management product implementer, and the conversion of working documents.</p>	
<p>Commission Staff Comments: Senate professional staff: Recommend approval as recommended by the Governor's Office. House staff : None.</p>	

<p>Senate Committee: General Government Appropriations</p>	<p>House Council: Jobs and Entrepreneurship</p>
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<i>Senate Analyst:</i> Theresa Frederick	<i>House Analyst:</i> Christy Smith
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		Reserve	Release	Reserve	Release	Reserve	Release
		CF					
	BUSINESS AND PROFESSIONAL REGULATION						
	Program: Office Of The Secretary And Administration <u>Information Technology</u>						
2337A	Qualified Expenditure Category Department Wide Document Management System From Administrative Trust Fund	(626,187)		(626,187)			
N/A	Special Categories Department Wide Document Management System From Administrative Trust Fund		626,187		626,187		

Department of Financial Services

EOG Number: B2007-0676

<p>Problem Statement: The Office of Insurance Regulation (office) is developing and implementing a rate data collection and management system. This system currently allows auto and homeowners' (personal lines) insurers to file electronic rate and product requests for review and approval by the office. This system also facilitates the analysis and comparison of rates charged by insurers for these products.</p>
<p>Specific Appropriation 2618A of the Fiscal Year 2006-2007 General Appropriations Act authorizes \$1,850,000 in non-recurring funds from the Insurance Regulatory Trust Fund in an appropriation category entitled "Qualified Expenditure Category - Property and Casualty Rate Data Collection and Management Project." These funds are provided for the office to enhance the existing system to allow commercial insurers to electronically file requested rates and products. The transfer of these appropriated funds from the qualified expenditure category requires approval by the Legislative Budget Commission.</p>
<p>The office is requesting fourth quarter funds to remit payment to the vendor for deliverables associated with development of the system's design and to continue construction of the system. An operational work plan and a spending plan have been submitted by the office in support of this request.</p>
<p>The Legislative Budget Commission approved the transfer of \$100,000 of the appropriation for first quarter expenditures (EOG B2007-0028), \$182,094 for second quarter expenditures (EOG B2007-0188) and \$379,166 for third quarter expenditures (EOG B2007-0484) from the Qualified Expenditure category.</p>
<p>Agency Request: The office requests transfer of \$1,153,240 from the "Qualified Expenditure Category - Property and Casualty Rate Data Collection and Management Project" to "Special Categories - Contracted Services" (\$1,136,740) and the Expense appropriation category (\$16,500) for payment of fourth quarter project expenditures.</p>
<p>Governor's Recommendation: Recommend approval to transfer \$1,153,240 of budget authority in the Insurance Regulatory Trust Fund from the Qualified Expenditure Category - Property and Casualty Rate Data Collection and Management Project to the Contracted Services category in the amount of \$1,136,740 and the Expenses category in the amount of \$16,500 for the continued development and implementation of the project.</p>

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<p>Commission Staff Comments: Senate professional staff: Recommend approval as recommended by the Governor's Office. House staff: None.</p>
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<p>Senate Committee: General Government Appropriations Senate Analyst: Cindy Kynoch</p>	<p>House Council Jobs and Entrepreneurship House Analyst: Sharon Bradford</p>
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		Appropriation	Reserve	Appropriation	Reserve	Appropriation	Reserve
	FINANCIAL SERVICES						
2614	Office Of Insurance Regulation <u>Compliance And Enforcement - Insurance</u> Expenses From Insurance Regulatory Trust Fund	16,500		16,500			
2616	Special Categories Contracted Services From Insurance Regulatory Trust Fund	1,136,740		1,136,740			
2618A	Qualified Expenditure Category Property & Casualty Rate Data Collection & Management Project From Insurance Regulatory Trust Fund	(1,153,240)		(1,153,240)		(1,153,240)	

CITIZENS PROPERTY INSURANCE CORPORATION
101 NORTH MONROE STREET, SUITE 1000
TALLAHASSEE, FLORIDA 32301



TELEPHONE: (850) 513-3700 FAX: (850) 513-3900

March 13, 2007

The Honorable Rudy Garcia
Senator, District 40
7475 West Fourth Ave.
Hialeah, FL 33014-4327

The Honorable Ray Sansom
State Representative, District 4
Building C, Suite 12
348 SW Miracle Strip Pkwy.
Fort Walton Beach, FL 32548-5257

RE: Transmittal of Multiperil Policy Business Plan to Legislative Budget Commission

Dear Senator Garcia and Representative Sansom:

Pursuant to HB1A Citizens is required to develop a Business Plan outlining how we will implement offering a multiperil policy to our High Risk Account (HRA) policyholders. The Business Plan was routed to you and your staff on March 1st and this letter serves to confirm transmittal of the document.

Citizens is excited about the opportunity to increase its customer offerings in a way that will improve the results both for policyholders (through lower premiums and simplified policies) and for Citizens (through better diversification and greater efficiency). As detailed in the Business Plan, the addition of non-wind risks to the HRA will not increase Citizens' probable maximum loss. Writing the full policy will add additional premium to the HRA which may be used to pay catastrophic losses and lessen the need for future assessments.

Citizens currently has approximately 400,000 wind-only policyholders in the HRA. Since approximately 118,000 of these 400,000 policyholders now have two policies with Citizens, we expect to see greater operational efficiencies and improved claims processing by issuing one policy instead of two. Policyholders, in turn, have the opportunity to consolidate their policies into one policy with one premium.

I look forward to the opportunity to discuss our Business Plan further with you or your staff.

Respectfully,

A handwritten signature in black ink that reads "Scott Wallace". The signature is written in a cursive style with a large, stylized "S" and "W".

Scott Wallace
President and Executive Director

Cc: Members of the Legislative Budget Commission

HRA MULTIPERIL POLICY BUSINESS PLAN



MARCH 1, 2007

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

INTRODUCTION

In an effort to provide insurance rate relief to property owners in Florida, the Florida Legislature met in a Special Session beginning on January 16, 2007. The resulting legislation, CS/HB 1A (the “Bill”), expanded Citizens’ core mission and empowered consumers with more options. Citizens will now have more tools available to help reduce the premiums charged to policyholders. The Bill also provides Citizens with the ability to offer policies providing multiperil coverage in conjunction with wind-only insurance from its High Risk Account (“HRA”) in the areas eligible for coverage. Citizens will retain the authority to write wind-only policies in these areas as well. The ability to write multiperil policies in the HRA is contingent upon Citizens providing a Business Plan which is subject to approval by the Financial Services Commission (“FSC”) and by the Legislative Budget Commission (“LBC”). Citizens is required to submit the Business Plan to the FSC and LBC by March 1, 2007. The FSC and LBC are required to either approve or disapprove the Business Plan within 30 days after receipt, or as modified and resubmitted by Citizens. Upon approval, Citizens will begin an implementation program to offer multiperil policies in the HRA. As outlined in the Bill, Citizens is required to address nine key components in its Business Plan. *Please refer to Appendix A for a copy of the relevant statutory language.*

Citizens has become the largest property insurer in the State of Florida. Citizens was formed in 2002 through the legislatively-mandated combination of Florida’s two residual market property insurers. At the time, Citizens was designed to provide certain types of property insurance coverage to property owners in the State who were unable to obtain such insurance in the voluntary market. When it was formed, Citizens had approximately 600,000 policies, exposure of \$148 billion, and a market share of approximately 10%. Since that time, the unprecedented hurricane activity in the State during the 2004 and 2005 hurricane seasons has dramatically altered the insurance landscape in Florida, and contributed to substantial growth in Citizens’ policies and exposure. As of January 31, 2007 Citizens had approximately 1.3 million policies in force and \$418 billion in exposure, with market share of approximately 22% based on the number of policies.

The largest segment of policies written by Citizens is for multiperil property insurance coverage for qualified Floridians. Currently almost 900,000 of Citizens 1.3 million policyholders have multiperil coverage from Citizens. Expanding this policy offering to the HRA is a natural extension of Citizens’ coverage profile rather than a new product offering. Citizens will therefore execute this plan from a position of knowledge, experience, and strength.

The following discussion offers a summary response to the required nine key components of this business plan.

SUMMARY OF KEY COMPONENTS

1) THE IMPACT OF SUCH MULTIPERIL COVERAGE ON THE CORPORATION'S FINANCIAL RESOURCES:

Issuing full coverage policies in the HRA will have a positive impact on Citizens' financial resources. Citizens already writes the catastrophic wind coverage for these policies, but only collects a portion of the total policy premium. The addition of non-wind risks to the HRA will not increase Citizens' probable maximum loss at all, but will add additional premium to that account which may be used to pay catastrophic losses and lessen the need for future assessments. Any increases in losses from non-wind claims is expected to be more than offset by the additional premium received. In addition, the Corporation's independent financial advisor has issued an opinion that adding multiperil policies to the HRA will not have a detrimental effect on the creditworthiness of or security for any outstanding financial obligations of the Corporation. *Please refer to Appendix E for a copy of this opinion.*

2) THE IMPACT OF SUCH MULTIPERIL COVERAGE ON THE CORPORATION'S TAX-EXEMPT STATUS:

Since its creation in 2002, Citizens has operated under a private letter ruling from the IRS which not only shields its income from taxation, but also enables the Corporation to issue tax exempt debt. Tax counsel for Citizens has issued an opinion that the offering of multiperil policies in the HRA will not affect Citizens' tax-exempt status. In addition, the Corporation's bond counsel has issued an opinion that this initiative will not cause an event of default under the HRA's existing financing documents. *Please refer to Appendix D for a copy of these opinions.*

3) THE MANNER IN WHICH THE CORPORATION PLANS TO IMPLEMENT THE PROCESSING OF APPLICATIONS AND POLICY FORMS FOR NEW AND EXISTING POLICYHOLDERS:

New policyholders will be given the option to purchase either a wind-only policy from Citizens or a full multiperil policy. Existing Citizens' policyholders who now have two policies with Citizens, one for wind-only coverage and one for ex-wind coverage will be offered the opportunity to apply for a Citizens' multiperil policy at the time their policy comes up for renewal. Existing wind-only policyholders who have ex-wind coverage with a voluntary insurer will be notified at renewal that full coverage is available from Citizens. The policy forms and rates utilized for these policies will be those forms and rates already approved for use in the Personal Lines Account ("PLA").

4) THE IMPACT OF SUCH MULTIPERIL COVERAGE ON THE CORPORATION'S ABILITY TO DELIVER CUSTOMER SERVICE AT THE HIGH LEVEL REQUIRED BY THIS SUBSECTION:

Citizens already provides customer service and issues policies to its approximately 400,000 wind-only policyholders in the HRA and its almost 900,000 multiperil and ex-wind policyholders in the PLA. The Corporation has appropriate staff and resources in place to provide high levels of customer service to these policyholders. Additionally, the Corporation already has appropriate internal staff and external contracts in place to provide quality claims service to these policyholders. Since approximately 118,000 of these 400,000 policyholders now have two policies with Citizens (a wind-only policy and an ex-wind policy) Citizens will realize efficiencies in operations, claims and processing by issuing one policy instead of two.

- 5) **THE ABILITY OF THE CORPORATION TO PROCESS CLAIMS:**
Citizens currently provides claims services to its 400,000 wind-only policyholders in the HRA, using internal resources and external adjusting resources. Citizens also currently provides claims services to its almost 900,000 multiperil and ex-wind policyholders in the PLA, using internal resources and external adjusting resources. Providing multiperil coverage in the HRA, instead of wind-only coverage, is estimated to require 10 additional Citizens' internal claims personnel.
- 6) **THE ABILITY OF THE CORPORATION TO QUOTE AND ISSUE POLICIES:**
Wind-only HRA policies are issued on an aging AS400 system inherited from the former Florida Windstorm Underwriting Association. Multiperil policies are issued on a modern, electronic, integrated policy administration system. Citizens' ability to quote and issue multiperil policies in the HRA account would be greatly enhanced by its use of the more sophisticated and stable policy administration platform now in use for the PLA. In addition, Citizens projects that the number of policies it writes will decrease from where it is now since each PLA ex-wind policyholder that accepts an HRA multiperil policy will reduce Citizens' policy count by one, and other companies' ex-wind policyholders who apply for and receive a Citizens' HRA multiperil policy will still have just one policy with Citizens. These changes will reduce existing resources needed to handle HRA business which can be allocated to other functions.
- 7) **THE IMPACT OF SUCH MULTIPERIL COVERAGE ON THE CORPORATION'S AGENTS:**
As proposed, Citizens will offer both multiperil coverage in the HRA as well as wind-only coverage. The majority of Citizens agents handle both HRA and PLA policies and therefore this change should require little additional training and education. Additionally, Citizens' agents will enjoy a reduced workload as existing Citizens' policyholders combine their wind-only and ex-wind policies into one HRA multiperil policy.
- 8) **THE IMPACT OF SUCH MULTIPERIL COVERAGE ON THE CORPORATION'S EXISTING POLICYHOLDERS:**
Citizens currently has approximately 118,000 policyholders who have two policies from Citizens—a wind-only policy and an ex-wind policy. Upon renewal, these policyholders will be given the opportunity to consolidate their policies into one policy with one premium. This will lessen policyholder confusion, reduce premiums and streamline policy processing.
- Current Citizens policyholders who now have just a wind-only policy with Citizens and an ex-wind policy with another insurer will be given the option of purchasing multiperil coverage, not just wind coverage, with Citizens. Again, having one policy issued by Citizens will reduce confusion, replace two polices with one, and generate processing efficiencies. The almost 900,000 current multiperil and ex-wind PLA policyholders insured by Citizens are already receiving policyholder and claims services from Citizens and will see no diminution in their level of service.
- 9) **THE IMPACT OF SUCH MULTIPERIL COVERAGE ON RATES AND PREMIUM:**
Offering multiperil policies in the HRA will result in premium reductions for those taking advantage of this alternative. Citizens currently writes approximately 400,000 wind only policies in the HRA and approximately 118,000 ex-wind policies in the PLA within the HRA territory. The vast majority of these policyholders that now have two policies with Citizens will enjoy premium decreases upon the issuance of a single policy. According to preliminary analysis based on existing HO-3 (homeowner) policies, at least 40% of Citizens' policyholders will realize average savings greater than 10% as a result of purchasing an HRA multiperil policy and

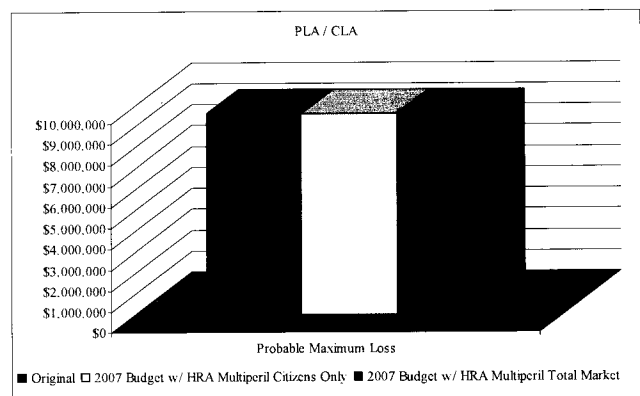
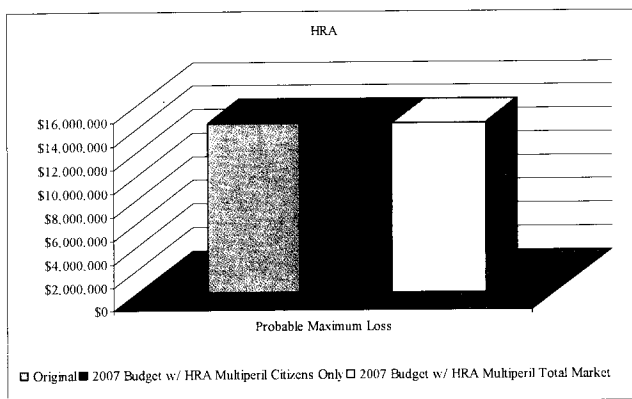
an average of approximately 6.10% savings will be achieved by this policyholder universe as a whole. In addition, the approximately 285,000 other wind-only policyholders covered by Citizens who have an ex-wind policy with a voluntary insurer may also realize substantial savings by purchasing full coverage from Citizens. A review of approved rates for one of the leading insurers of homeowner policyholders in Florida demonstrates potential savings in the range of 0% to 49%. However, other policyholders of this insurer may now see no benefit to purchasing multiperil coverage from Citizens in the HRA. The fact that not every policyholder will realize immediate savings should not prevent implementation of the Plan. Rates and market conditions are constantly changing which will significantly affect premium savings in the future. *Please refer to Appendix H for the detailed policyholder rate savings analysis.*

A limited number of policyholders will not currently benefit from purchasing a Citizens' HRA multiperil policy and therefore would not elect to utilize this policy option; however, the savings detailed above are not stagnant. The ability to procure a multiperil policy from Citizens' HRA provides consumers with options that were not previously available. Whether or not an existing policyholder benefits in the current rate environment does not eliminate the possibility of future savings as rates and market conditions change. In fact, in the intermediate and long term, the option of purchasing an HRA multiperil policy should provide all policyholders structural premium savings as compared to having two separate policies to cover the same risks. In any event, the addition of multiperil HRA policies furthers the competitive environment in the property insurance marketplace and provides policyholders a greater array of options when selecting their property insurer.

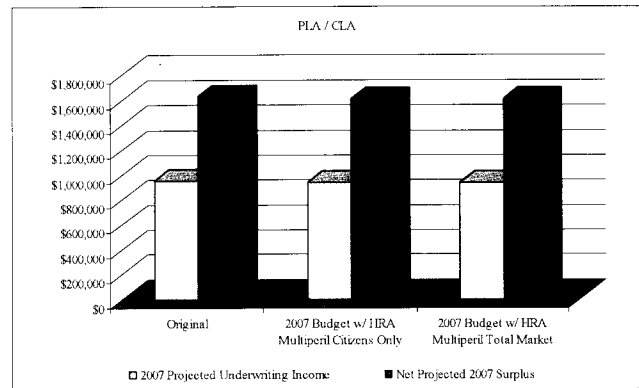
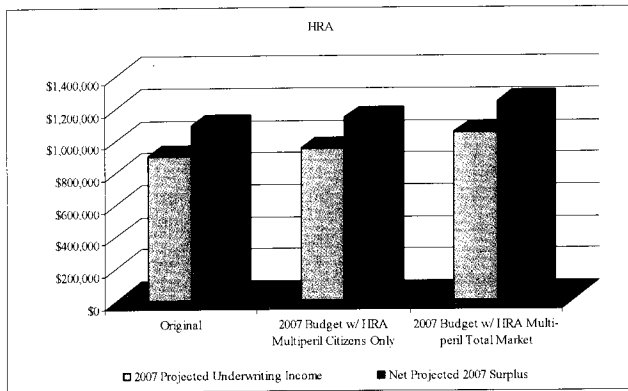
CONCLUSION

Citizens is excited about this opportunity to increase its customer offerings in a way that will improve the result both for policyholders (through lower premiums and simplified policies) and for Citizens (through better diversification and greater efficiency). As detailed in the charts below, the addition of non-wind risks to the HRA will not increase Citizens' probable maximum loss, but will add additional premium to the HRA which may be used to pay catastrophic losses and lessen the need for future assessments.

There is no increase in Citizens probable maximum loss from the implementation of this Plan:



There will be an increase in the projected net income and projected surplus in the HRA from the implementation of this Plan:



This initiative improves the financial footing in the HRA, provides rate relief, encourages policyholder choice, stimulates market participation and effectuates sound public policy. We seek your approval of this Plan and look forward to proceeding with its expeditious implementation.

OVERVIEW & EXISTING STRUCTURE

OVERVIEW & EXISTING STRUCTURE

Citizens is a legislatively-created entity which provides residential and commercial property and casualty insurance coverage for the owners of certain properties in the State of Florida (the "State") as specified in Section 627.351(6), Florida Statutes, as amended (the "Act"). The Act was most recently amended by CS/HB 1A.

Citizens was created in 2002 through a merger of Florida's two residual market insurers, the Florida Windstorm Underwriting Association ("FWUA") and the Florida Residential Property and Casualty Joint Underwriting Association ("JUA"). The technical mechanism used to effect the merger was to transfer the assets of the FWUA to the JUA, which was renamed Citizens Property Insurance Corporation ("Citizens" / the "Corporation"). The merger allowed Citizens to become exempt from federal and state income taxes, resulting in millions of dollars in annual savings.¹ Citizens was also designed to realize administrative and economic efficiencies over its predecessor organizations.

CURRENT ACCOUNT STRUCTURE

At the time of the merger, both the JUA and the FWUA had outstanding long-term debt obligations. Partly in recognition of the legal and financial restrictions surrounding that debt, Citizens was created with three separate accounts:

1) HIGH-RISK ACCOUNT (HRA) – WIND-ONLY POLICIES

Consists of all business formerly written by the FWUA -- personal lines wind-only policies, commercial residential wind-only policies and commercial non-residential wind only policies issued in limited eligible coastal areas.

2) PERSONAL LINES ACCOUNT (PLA) - MULTIPERIL POLICIES

Consists of the personal lines of the JUA -- homeowners, mobile homeowners, dwelling fire, tenants, condominium unit owners and similar policies.

3) COMMERCIAL LINES ACCOUNT (CLA) - MULTIPERIL POLICIES

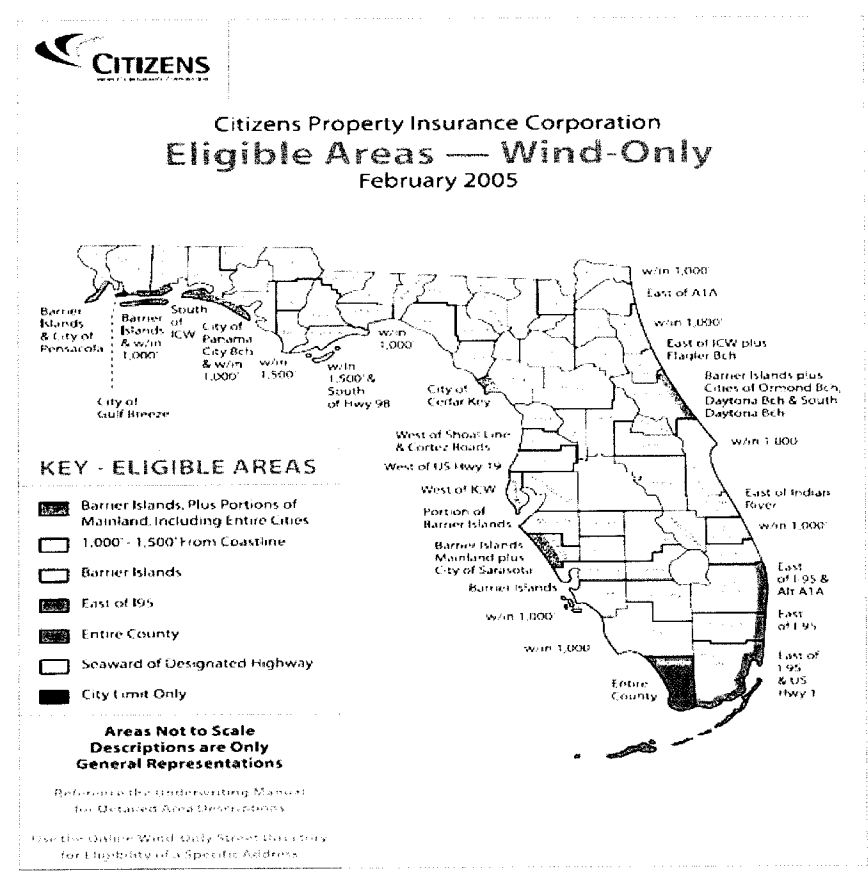
Consists of the commercial lines of the JUA -- condominium association, apartment building and homeowner's association policies.

Each of these accounts is a separate statutory account and therefore has separate calculations of surplus, plan year deficit and assessment base. By statute, assets may not be commingled or used to fund losses in another account. However, for certain purposes -- primarily FHCF coverage and the securing of financial liabilities -- the PLA and CLA are treated as a combined entity.

¹ Subsequent to Citizens' formation, the JUA and FWUA (through Citizens) each successfully litigated a tax refund from the federal government based upon statutory changes that had been made in each entity before Citizens' formation.

THE HRA

The HRA is a geographically defined territory in the State that consists primarily of coastal areas. Parts of twenty-nine of Florida's sixty-seven counties are included in the HRA. A detailed description of the areas included in the HRA territory is shown below:



Currently, Citizens can only write wind-only policies in the HRA; however, the Bill gives Citizens the ability to write multiperil policies in the HRA under certain conditions. As of January 31, 2007, Citizens had just over 400,000 policies in the HRA territory, with a wind exposure of approximately \$181 billion. Policy counts in the HRA have been flat for several years.

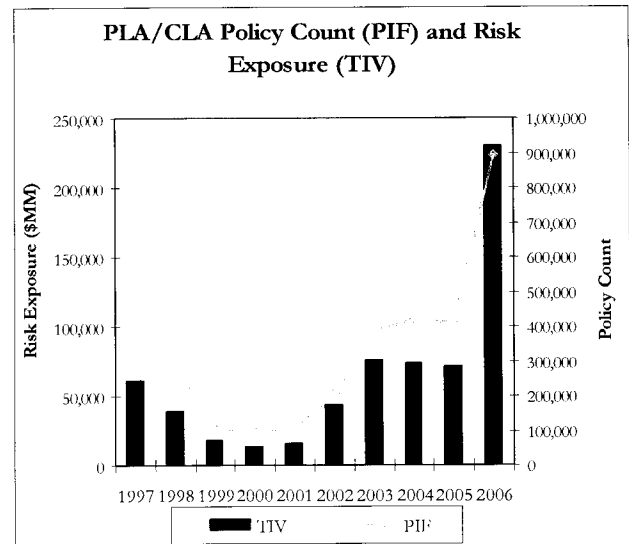
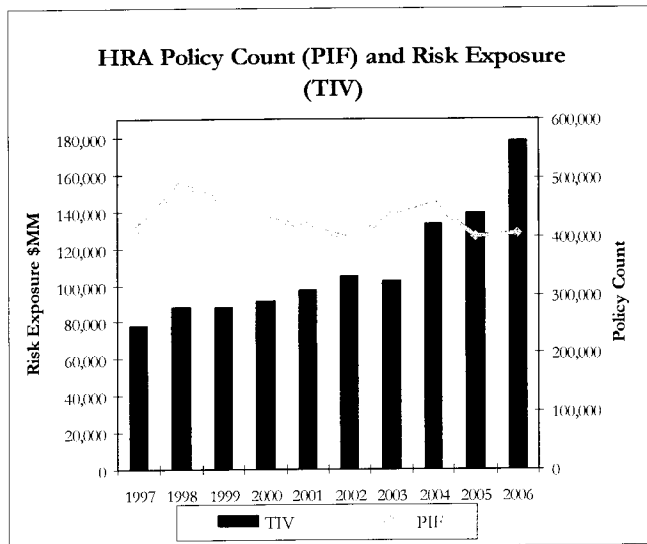
THE PLA/CLA

Personal Lines Account - The JUA began operations on January 21, 1993, after Hurricane Andrew, pursuant to Section 627.351(6), Florida Statutes, to provide certain residential property and casualty insurance coverage to qualified risks in the State to applicants who are in good faith entitled to procure insurance through the voluntary market but are unable to do so. Personal residential property and casualty coverage consists of the types of coverage provided by homeowners, mobile homeowners, tenants, condominium unit owners, and similar policies. The policies provide coverage for all perils covered under a standard personal residential policy, subject to certain underwriting requirements. Such policies exclude windstorm coverage on property within the HRA territory. This portion of the JUA's activities became the Personal Lines Account under Citizens.

Commercial Lines Account – The Florida Property and Casualty Joint Underwriting Association ("FPCJUA") was activated in early 1994 to provide commercial residential coverage, i.e., coverage for condominium associations, apartment buildings and homeowner associations for properties located in the State, to persons unable to obtain such coverage from a voluntary market insurer. During 1995, legislation was enacted to transfer all obligations, rights, assets, and liabilities related to commercial residential coverage from the FPCJUA to the JUA. Such legislation required that the premiums, losses, assets and liabilities be accounted for separately from the JUA's personal residential business. These policies excluded windstorm coverage on properties within the HRA territory. This portion of the JUA's activities became the Commercial Lines Account under Citizens.

While the PLA and CLA are separate accounts for some purposes, they are consolidated for others. For example, certain outstanding bonds and bank lines of credit are secured by revenues of both accounts, and the two accounts are treated as one entity for reimbursement purposes by the Florida Hurricane Catastrophe Fund (the "FHCF"). As of January 31, 2007 the combined PLA/CLA had approximately 900,000 policies and over \$237 billion in exposure. Both of these accounts have experienced tremendous growth in recent years. The biggest single spike in policies and exposure was due to the insolvency of the Poe companies in 2006, which added approximately 260,000 policies to the PLA/CLA. An additional 300,000 policies were added in 2006 due to market conditions and reduced coverage by private insurers.

The chart below details the historical growth for all of Citizens' accounts – the HRA and the combined PLA/CLA.



CORPORATE GOVERNANCE

Citizens is supervised by an eight member Board of Governors. The Governor, the Chief Financial Officer, the Florida Senate President and the Speaker of the Florida House each appoint two members to the Board. At least one of the two members appointed by each appointing officer must have demonstrated expertise in the insurance industry. The Chief Financial Officer designates the chairman of the Board. Citizens is subject to regulatory oversight by the Office of Insurance Regulation (“OIR”). Members of the Board may be removed at any time by the respective appointing officer. The current Board members are shown below. Each of these Board members is serving a three-year term that began in August of 2005.

Member	Appointed By	County	Occupation
Bruce Douglas Chairman	Governor	St. Johns County	Chief Executive Officer Douglas Capital Management
Gloria Fletcher Vice Chair	President of the Senate	Alachua County	Attorney Gloria W. Fletcher, P.A.
Richard DeChene	Governor	Leon County	Retired Insurance Executive - CNA
Carlos Lacasa	Chief Financial Officer	Miami-Dade County	Attorney Ruden McClosky Smith Schuster & Russell, PA
John D. Collins	Chief Financial Officer	Broward County	President Gulf Building Corp
Cheryl Herrin	President of the Senate	Hillsborough County	Operations Vice President State Farm Insurance
Jay Odom	Speaker of the House	Okaloosa County	President Crystal Beach Development Company of Northwest Florida
Earl Horton	Speaker of the House	Pinellas County	Executive Vice President Bouchard Insurance, Inc.

There are several sub-committees of the Board that perform certain functions (e.g., Audit Committee, Finance & Investment Committee, etc.). The Board and its committees operate in accordance with Florida's government-in-the-sunshine laws, and Citizens is subject to Florida's public records laws.

The Executive Director and senior managers of Citizens are engaged by the Board and serve at the pleasure of the Board. The Executive Director is subject to confirmation by the Florida Senate.

Citizens currently has 796 employees. *A complete organization chart and biographies of key executives are included in Appendix B.*

**HRA MULTIPERIL POLICY BUSINESS PLAN
OPERATIONAL IMPLEMENTATION & IMPACT**

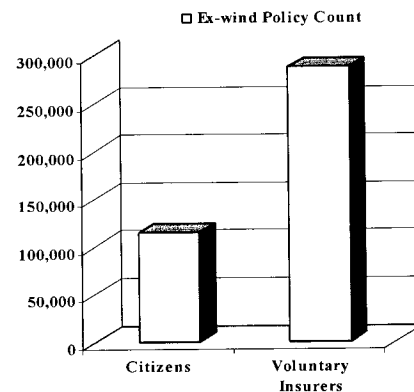
HRA MULTIPERIL POLICY BUSINESS PLAN

OPERATIONAL IMPLEMENTATION & IMPACT

Citizens is dedicated to providing quality customer service and remains focused on these initiatives as it prepares for the implementation of multiperil policies within the HRA. This product offering is not a new business for Citizens, which has provided multiperil policies within the PLA/CLA since the inception of the Corporation. Citizens' dedication to customer service has been demonstrated through its dramatically improved responsiveness during the 2005 storm season as well as the recent response to the Central Florida tornadoes. Utilizing this recent experience as well as its expertise in multiperil underwriting, Citizens has put together a plan for the successful implementation of HRA multiperil policies while continuing its commitment to maintain and improve all aspects of its customer service.

THE IMPLEMENTATION PLAN (THE IMPLEMENTATION)

The principal focus of the implementation of this Plan will be the approximately 400,000 customers who already have an HRA wind-only policy from Citizens. Citizens intends to adopt a two-pronged approach to rolling out its multiperil policy offering to these customers, first reaching out to its own ex-wind customers, and then to voluntary companies' ex-wind policyholders. The chart on the right compares the size of these two groups:



The outreach policy will involve the following principal elements:

- 1) **AGENT OUTREACH AND EDUCATION:** Agents are the face and voice of Citizens; they will be at the forefront of explaining and analyzing the potential benefits of a Citizens' multiperil policy to their customers. The majority of our agents handle both HRA and PLA policies and therefore are already trained and knowledgeable in writing multiperil policies. All agents will be provided with an Agent Technical Bulletin ("ATB") which provides information on the changes that need to be communicated to current and potential policyholders. *An example of a recent ATB is included in Appendix F.* Other education initiatives and resources include agent certification, field training, Citizens' on-line agent portal and agent/agency reviews.
- 2) **NOTICE TO CITIZENS' POLICYHOLDERS:** Provides each existing policyholder with an explanation of the multiperil options and advantages.
- 3) **QUARTERLY POLICYHOLDER MEETINGS:** Face to face meetings held around the State to keep customers abreast of all Citizens' changes, and to receive real-time feedback.

Existing Citizens' customers who have both a Citizens' HRA wind-only policy and a Citizens' PLA ex-wind policy will be offered the opportunity to apply for a Citizens multiperil policy at the time their policy comes up for renewal. This approach will minimize disruption to Citizens and to policyholders and will allow for a gradual transition of such policies over a one-year period. Other companies' policyholders will be offered the same opportunity as their wind policies come up for renewal. Subject to Legislative approval, Citizens estimates that the twelve-month transition cycle for both Citizens' PLA

& other carrier's existing ex-wind customers will be completed by July 1, 2008. However, a Citizens wind-only policyholder will be able to apply for multiperil coverage at any time.

HRA MULTIPERIL PLAN OPERATIONAL IMPACTS

The following discussion describes Citizens' existing operational processes and the required adjustments necessary to begin writing multiperil policies in the HRA.

1) **APPLICATIONS AND POLICY FORMS**

Currently, applications for coverage are submitted to Citizens from insurance agents who are paid commissions. Beginning July 1, 2007, applications for coverage for a new policy are subject to a waiting period of 10 days before coverage is effective, during which time Citizens will make the application available for review by general lines agents and authorized property and casualty insurers. Through its own employees, Citizens issues HRA policies and performs all policy administration.

The following tables detail comparable policy application and processing data for the HRA, PLA and CLA for December 2006 and December 2005.

PLA UNDERWRITING						
	Dec-05	Dec-06	% Change	3 mo end Dec-05	3 mo end Dec-06	% Change
Applications Received	30,278	51,513	70%	98,683	166,175	68%
Applications Processed	25,368	44,333	75%	83,725	163,932	96%
Endorsements Received	12,443	26,687	114%	40,327	84,149	109%
Endorsements Processed	6,445	33,577	421%	25,622	113,045	341%
Cancellation Requests	6,300	7,042	12%	16,719	20,650	24%
Reinstatement Requests	5,475	10,615	94%	16,287	26,098	60%

- **Applications:** A new policy application submitted by an agent. The policies are renewed annually. These policies offer wind coverage as long as the building is not in the wind zone.
- **Endorsements:** A change in an existing policy between the effective date and the expiration date.
- **Average Cycle Time:** 6 calendar days for applications; 8 calendar days for endorsements
- **Positive Aspects of Changes:** Even with the significant increases, Citizens has been able to keep the cycle time consistent through a moderate increase in staffing, outsourcing, and refinement of business processes.

HRA UNDERWRITING						
	Dec-05	Dec-06	% Change	3 mo end Dec-05	3 mo end Dec-06	% Change
Applications Received	5,886	4,585	-22%	22,620	20,977	-7%
Applications Processed	5,908	9,244	56%	25,306	43,122	70%
Endorsements Received	10,116	8,237	-19%	35,686	35,724	0%
Endorsements Processed	8,954	20,592	130%	37,279	69,157	86%

- **Applications:** A new policy application submitted by an agent. The policies are renewed annually. These policies have only wind coverage.

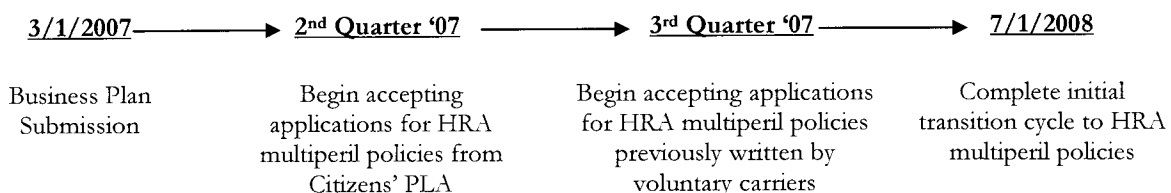
- **Endorsements:** A change in an existing policy between the effective date and the expiration date.
- **Average Cycle Time:** 8 calendar days for applications; 10 calendar days for endorsements
- **Positive Aspects of Changes:** The new application flow shows a decrease but the overall business increased due to renewal business and limited takeout business. The cycle time improved by approximately 50%.

CLA (COMMERCIAL RESIDENTIAL) UNDERWRITING						
	Dec-05	Dec-06	% Change	3 mo end Dec-05	3 mo end Dec-06	% Change
Applications Received	365	1,222	235%	970	3,426	253%
Applications Processed	329	763	132%	957	2,815	194%
Endorsements Processed	104	847	714%	348	4,404	1166%

- **Applications:** A new policy application submitted by an agent. The policies are not renewed annually and require a new application each year. These policies offer wind coverage as long as the building is not in the wind zone. If the building is in the wind zone the wind coverage has to be written through the HRA program.
- **Endorsements:** A change in an existing policy between the effective date and the expiration date.
- **Average Cycle Time:** 21 calendar days for applications; 45 calendar days for endorsements. The complex nature and unique requirements of this business require additional research. As well, there is large variation on this cycle time. The cycle time is influenced by the size of the building and number of units. In addition the current process requires duplicate data entry – once in the policy administration system and once in separate rating system.
- **Positive Aspects of Changes:** All aspects of CLA increased dramatically. Despite the increase, the cycle time improved by approximately 65%.

Under the proposed Plan, new policyholders in the HRA territory will be given the option to purchase either a wind-only policy from Citizens or a multiperil policy. Existing Citizens' policyholders who now have two policies with Citizens, one for wind-only coverage and one for ex-wind coverage will be offered the opportunity to apply for a Citizens' multiperil policy at the time their policy comes up for renewal. Existing wind-only policyholders who have ex-wind coverage with a voluntary insurer will be notified at renewal that full coverage is available from Citizens. The policy forms and rates utilized for these policies will be those forms and rates already approved for use in the PLA. The table below summarizes the projected timeline for transition and implementation of HRA multiperil policies.

Estimated Time Line for Transition of Wind Policies to Multiperil



2) POLICY QUOTES AND UNDERWRITING

Policy underwriting is conducted by Citizens in accordance with the statutory provisions, the Plan of Operation and underwriting guidelines which are subject to change from time to time. Underwriting standards are limited as Citizens is intended to be a residual market mechanism. Nonetheless, Citizens' current underwriting guidelines provide that the following standards must be met: (i) the physical condition of the property, including its construction and maintenance, must be satisfactory; (ii) the risk must not be so hazardous as to be uninsurable (based upon a likelihood of loss for that risk substantially higher than for other risks of the same class and upon a determination that the uncertainty associated with the risk is such that an appropriate premium cannot be determined); (iii) such coverage would not be in violation of any law or public policy; and (iv) coverage limits must be equal to 100% of replacement value, in the case of policies written for the replacement value, and at least 80% of actual cash value in respect of policies written for actual cash value.

Currently, wind-only HRA policies are issued on an aging AS400 system inherited from the former Florida Windstorm Underwriting Association. Multiperil policies are issued on a modern, electronic, integrated policy administration system. Citizens' ability to quote and issue multiperil policies in the HRA account will be greatly enhanced by its use of the more sophisticated and stable policy administration platform now in use for the PLA. This less time intensive process will reduce the resources needed to handle HRA business which can be allocated to other functions. Additional training will not be required as HRA wind staff has already been cross trained on the PLA multiperil underwriting process and have the ability to easily transition to supporting this type of business. In addition, the third party administrator for the PLA would have resources available to assist in the underwriting process, if needed.

Overall, Citizens projects that as a result of the implementation of the Plan its policies in force will decrease. This is simply because each PLA ex-wind policyholder that accepts an HRA multiperil policy will reduce Citizens' policy count by one, and other companies' ex-wind policyholders who apply for and receive a Citizens' HRA multiperil policy will still have just one policy with Citizens.

3) CLAIMS PROCESSING

Citizens' claims processing includes support units along with two claim handling departments. The non-cat claims department receives multiperil claims on a daily basis. The catastrophe operations department (Cat Ops) responds to catastrophic events and handles claims associated with those events.

Non-Cat Claims

Examples of claims handled by the non-cat claims department include liability claims filed against a Citizens policyholder, claim litigation and property losses sustained by an insured due to fire, theft, burglary, lightning, vandalism, sinkhole and a variety of other perils. The non-cat claims department also handles wind claims from non-catastrophic events. Management in the non-cat claims department includes a Director, Litigation Manager, Jacksonville Claims Administration Manager, Claims Support Manager and a Tampa Branch Claims Manager. Citizens' goal is to handle 50% of claims internally with 50% handled by outside Claims Administrators. The use of Citizens staff adjusters to handle non-cat claims allows for improved response times and overall claim results. However, it is impractical to handle all non-cat claims internally due to the ongoing change in policy count at Citizens.

In 2006, Citizens began handling claims, with a loss date after July 1st, from the existing customers insured through the Poe companies that went into receivership. Citizens hired a number of the claim

employees from the Poe claim operation in Tampa and established a Citizens' Tampa claims operation. Currently there are three claim units in the Tampa operation with plans to add a fourth unit to handle commercial claims. The Tampa claims operation will play an important role in our dual office strategy of operations while also having a positive impact on our business continuity plans.

Cat Ops

The cat ops department, as part of the claims department generally handles the claims from a single event where there will be a large number of associated claims. Catastrophes may include hurricanes, tornadoes, and hail events. The cat ops department was originally established utilizing a model where all claims were outsourced. All claims would be received at Citizens, but then would be outsourced to independent adjusting firms to manage and handle. This model worked in 2002 and 2003 when no hurricanes impacted Florida, however, with the increased number of storms in 2004 and 2005 it became apparent that additional employees would be needed to handle large events and improve responsiveness moving forward. Currently there is a Director of Cat Ops along with four managers. In preparing for the 2007 hurricane season there are a total of 75 authorized positions and approximately 55 filled positions in the cat ops department. These positions will enable the cat ops team to effectively manage the large numbers of independent adjusters, vendors and experts that will respond to the claims from our increasing customer base. There will be no significant impact to cat ops as a result of the writing of multiperil policies in the HRA.

Support Departments

There are several newly formed departments within claims that provide support for both the non-cat and cat ops claims departments. These support departments include:

- **Claims Field Operations:** Field adjusters write estimates and complete investigations for daily claims handled internally.
- **Special Investigations Unit:** SIU employees investigate cases of insurance fraud.
- **Quality Assurance/Training:** This department completes audits of claim units and assures compliance with claim handling standards. This department also provides claim specific training for employees, while training independent adjusters arriving for catastrophe duty.
- **Program Management:** The Program Manager works closely with Citizens Purchasing and Procurement department to assure compliance with the Purchasing policy. Also, the Program Manager brings programs to Claims that will provide value for customers while improving efficiencies and/or overall loss costs.

Record of Success

During the aftermath of the 2005 storm season as well as the recent tornadoes in central Florida, Citizens’ claims processing capabilities demonstrated significantly improved responsiveness as evidenced in the data shown below. These successes were achieved in spite of the unprecedented magnitude of claims received.

Non-Cat Claim Statistics			
	2004	2005	2006
Claims Reported	24,160	21,138	27,551
Claims Closed	22,227	23,252	26,828
Closing Ratio	92%	110%	97%
Complaints	531	228	181
Complaint %	2.20%	1.10%	0.70%

Catastrophe Operations Statistics			
	2004	2005	2006
Number of Events	4	4	2
Claims Reported	121,397	181,060	614
Indemnity Paid	\$2,642,790,473	\$2,170,274,942	\$1,997,299
Paid in 90 Days	48.00%	85.00%	92.00%
% DFS Complaints	8.50%	2.60%	0.30%

2007 Central Florida Tornado Response	
Total Claims as of 2/21/07	263
Indemnity Paid	\$5,567,253
Inspected in 10 days	96%
Paid/Closed in 10 days	93%
Complaints	0%
Emergency Operation Centers	4

Current Initiatives and Required Resources

Citizens will implement the offering of multiperil policies in the HRA while continuing to strive for further improvement in its claims paying capabilities. Specific initiatives in this area include:

- Enhanced Claim Website (under construction)
- Value-added claim programs and services to expedite claims response while reducing the loss for our customers
- Continuous customer service improvements including employee training to achieve and maintain high levels of customer satisfaction
- Survey customer satisfaction results at the department, unit and adjuster level. Focused survey questions can pinpoint problems and identify areas for process improvement.
- Addition of a claims field operations unit

It is estimated that implementing the Plan will increase non-cat claims by approximately 9,000 per year. Citizens’ goal is to handle at least 50% of these using internal resources. To accomplish this goal, Citizens estimates the need for the following additional personnel:

ADDITIONAL HEADCOUNT FOR NON-CAT CLAIMS	
TITLE	HEADCOUNT
Supervisor	1
Adjuster	9

4) AGENT RELATIONS

Citizens is currently served by over 8,300 agents around the State. As the face of Citizens to the customer, agents are important stakeholders for Citizens. Citizens has an extensive agent information, training and support program currently in place. This program is being expanded and will be used to help agents implement the provisions of the 2007 Legislation that affect their Citizens’ customers. The majority of our agents handle both HRA and PLA policies and therefore are already trained and knowledgeable in writing multiperil policies. All agents will be provided with an Agent Technical Bulletin (“ATB”) which provides information on the changes that need to be communicated to current and potential policyholders. *An example of a recent ATB is included in Appendix F.* Additional agent education initiatives and resources are described below.

- **Agent Certification:** Citizens will be implementing an agent certification online program by summer, 2007. All agents will be required to pass a test (i.e., certify) demonstrating their knowledge of Citizens underwriting rules and Florida Insurance Code if they wish to retain or obtain an appointment. The program will be optional for customer service representatives. Additionally, continuing education credits will be awarded for those that certify with Citizens.
- **Field Training:** Citizens will be conducting agent and customer service representative field training in 5-7 Florida cities for 2007. Training will cover Citizens policies/procedures, processing systems, compliance, legislative changes, etc.
- **Agent Portal:** Citizens offers agents and customer service representatives online training, advisory bulletins and informational tidbits (FAQs) regarding policies/procedures, processing systems, compliance, legislative changes, etc. via the Citizens' Agent Portal.
- **Agent/Agency Review:** Citizens reviews agent policy submissions for quality purposes and provides agency principals with the audit findings.

5) CUSTOMER SERVICE INITIATIVES

In an effort to provide improved policyholder service, Citizens is undertaking numerous initiatives intended to ensure that Citizens is easily accessible to its customers. These initiatives range from the adoption of a Policyholder Declaration of Rights to the holding of quarterly meetings with Citizens policyholders, *please refer to Appendix G for the full Policyholder Declaration of Rights*. Provided below is a list of the most important customer service initiatives that are currently underway at Citizens:

- Creation of a Policyholder Page on the Citizens website (citizensfla.com) with important information on storm preparedness, mitigation programs, contact information and claims reporting. The page will also provide policyholders with a unique glimpse into all of the elements of their policy coverage.
- Adoption of Policyholder Declaration of Rights that includes:
 - The Right to Courteous, Prompt, and Professional Customer Service.
 - The Right to Fair, Prompt and Professional Claims Service.
 - The Right to Prompt Professional Service from your Citizens Insurance Agent
 - The Right to Know about Citizens, Our Products and Our Services.
- Expansion of Customer Satisfaction Surveys from the claims department to all departments who interact with Citizens policyholders.
- Consolidation of complaint handling, tracking and trending to provide consumers with a single point of entry and more consistent and timely results.
- Development of quarterly policyholder meetings to be held in different geographic locations providing for face to face meetings with Citizens policyholders.

Citizens' efforts to improve its customer service over the last year have proven extremely successful. The charts below detail the mailroom, scanning and call center response data as monthly averages for each quarter in 2006. The data shows significant improvement in all aspects of call center operations.

2006				
Mailroom & Scanning	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Inbound Mail Volume	32,042	39,061	47,931	47,713
Outbound Mail Volume	45,396	53,779	78,725	100,710
Scanning Pages	964,397	1,103,882	1,100,084	1,147,899

2006				
TRC	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Calls Offered	72,813	82,503	96,612	96,580
Calls Answered	61,185	73,454	82,884	92,263
Avg Answer Rate (goal=95%)	84%	89%	87%	96%
Average Queue (goal=30 secs)	4:04	3:00	3:56	1:01
Average Talk Time (goal=4 mins)	3:33	3:42	3:32	3:20

HRA MULTIPERIL POLICY BUSINESS PLAN FINANCIAL IMPACT

HRA MULTIPERIL POLICY BUSINESS PLAN

FINANCIAL IMPACTS

The financial impacts of allowing Citizens to provide full coverage policies in the HRA will be positive both for Citizens and for many of its existing policyholders as well as other carriers' ex-wind policyholders in the HRA territory. This will be accomplished by combining wind and ex-wind policies into the HRA thereby reducing the overall risk profile of the HRA and increasing premium revenues. Positive financial impacts as well as the savings from the consolidation of administrative functions will be passed along to policyholders in the form of meaningful premium reductions.

IMPACT ON CITIZENS' FINANCIAL RESOURCES

The Plan will have positive effects on Citizens' financial resources by adding less risky policies to the HRA. The addition of non-wind risk to the HRA will not change probable maximum loss (the estimated losses due to hurricanes) at all, but will add premium to that account, thereby producing positive effects on the Premium/PML ratio, which is an important measure of a portfolio's risk. The Plan should also increase net underwriting income in the HRA by between 1.5% and 7.0% overall and should increase HRA surplus by as much as \$130 million. The slight reduction in underwriting income for the PLA and CLA should be more than offset by increased underwriting and administrative efficiency.

Citizens currently writes approximately 400,000 wind-only policies in the HRA and approximately 118,000 ex-wind policies in the PLA within the HRA territory. In addition, other carriers currently write approximately 285,000 ex-wind policies for property in the HRA territory that also carries a wind-only policy from Citizens. These approximately 400,000 ex-wind policyholders within the HRA territory will be the primary candidates for conversion to multiperil policies within the HRA. The table below details the estimated financial benefit to Citizens from the conversion of these ex-wind policies into multiperil policies in the HRA. *Please refer to Appendix C for more detailed budget information.*

	PLA	CLA	In Thousands		
			HRA	Total	Total Increase
Citizens 2007 Projected Underwriting Income					
Original 2007	\$533,248	\$423,614	\$899,952	\$1,856,813	
Projected 2007 with HRA Multiperil Only	\$516,226	\$422,154	\$947,719	\$1,886,098	\$29,285
Projected 2007 with HRA Multi-Peril Total Market	\$516,226	\$422,154	\$1,045,258	\$1,983,637	\$126,824
Citizens 2007 Projected Surplus					
Original 2007	\$1,040,161	\$589,470	\$1,088,310	\$2,717,941	
Projected 2007 with HRA Multiperil Only	\$1,021,565	\$587,929	\$1,138,142	\$2,747,636	\$29,695
Projected 2007 with HRA Multi-Peril Total Market	\$1,021,565	\$587,929	\$1,240,235	\$2,849,729	\$131,788

It is estimated that implementing the Plan will increase non-cat claims by approximately 9,000 claims per year. Citizens' goal is to handle at least 50% of these using internal resources. To accomplish this goal, Citizens estimates the need for 10 additional personnel. The cost of these employees is factored into the budget projections detailed above.

In addition, the Corporation's financial advisor has issued an opinion that adding multiperil policies to the HRA will not have a detrimental effect on the creditworthiness of or security for any outstanding financial obligations of the HRA or the PLA/CLA. *Please refer to Appendix E for a copy of this opinion.*

FINANCIAL IMPACT ON CITIZENS' EXISTING AND FUTURE POLICYHOLDERS

The proposed Plan should provide reduced premiums to policyholders who opt to receive multiperil coverage from Citizens' HRA. Ex-wind PLA policyholders will receive the most obvious benefit, since many of their premiums will decrease directly as a result of the purchase of an HRA multiperil policy. Other benefits include reduced duplication (i.e. writing two different policies for one policyholder) in the system and in operations which will free some existing resources to further reduce expenses.

CITIZENS' POLICYHOLDERS:

Citizens currently has approximately 400,000 wind-only and approximately 118,000 ex-wind PLA policies in the HRA territory. According to preliminary analysis based on existing HO-3 (homeowner) policies, at least 40% of Citizens' policyholders will realize average savings greater than 10% as a result of purchasing an HRA multiperil policy and an average of approximately 6.10 savings will be achieved by this policyholder universe as a whole. *Please refer to Appendix H for the detailed rate analysis.*

OTHER CARRIERS' POLICYHOLDERS:

Other carriers currently write approximately 285,000 ex-wind policies for property in the HRA territory that also carry a wind-only policy from Citizens' HRA. A review of approved rates for one of the leading insurers of homeowner policyholders in Florida demonstrates potential savings in the range of 0% to 49%. However, other policyholders of this insurer may now see no benefit to purchasing multiperil coverage from Citizens in the HRA. The fact that not every policyholder will realize immediate savings should not prevent implementation of the Plan. Rates and market conditions are constantly changing which will significantly affect premium savings in the future. *Please refer to Appendix H for the detailed rate analysis.*

A limited number of policyholders will not currently benefit from purchasing a Citizens' HRA multiperil policy and therefore would not elect to utilize this policy option; however, the savings detailed above are not stagnant. The ability to procure a multiperil policy from Citizens' HRA provides consumers with options that were not previously available. Whether or not an existing policyholder benefits in the current rate environment does not eliminate the possibility of future savings as rates and market conditions change. In fact, in the intermediate and long term, the option of purchasing an HRA multiperil policy should provide all policyholders structural premium savings as compared to having two separate policies to cover the same risks. In any event, the addition of multiperil HRA policies furthers the competitive environment in the property insurance marketplace and provides policyholders a greater array of options when selecting their property insurer.

**HRA BUSINESS POLICY BUSINESS PLAN
LEGAL IMPACT**

HRA MULTIPERIL POLICY BUSINESS PLAN

LEGAL IMPACT

IMPACT ON TAX-EXEMPT STATUS

Citizens has received an opinion from its tax counsel that the offering of multiperil policies in the HRA will have no effect on Citizens' tax-exempt status. In addition, the Corporation's bond counsel has issued an opinion that this initiative will not cause an event of default under the HRA's existing financing documents. *Please refer to Appendix D for a copy of these opinions.*

CONCLUSION

CONCLUSION

Nearly 900,000 Floridians rely on Citizens for multiperil policy coverage. Expanding this policy offering to the HRA is a natural extension of Citizens' coverage profile rather than a new product offering. Citizens will therefore execute this Plan from a position of knowledge, experience and strength. As a result, the implementation of this Plan to offer multiperil policies in the HRA will lead to significant benefits to policyholders through sustainable rate relief now and in the future, and to Citizens through improved risk diversification and increased underwriting income with no negative impact on PML. Citizens can implement the Plan while maintaining its commitment to providing quality customer service to all current and future policyholders. We therefore request your support for this policyholder initiative and your approval of the Plan.

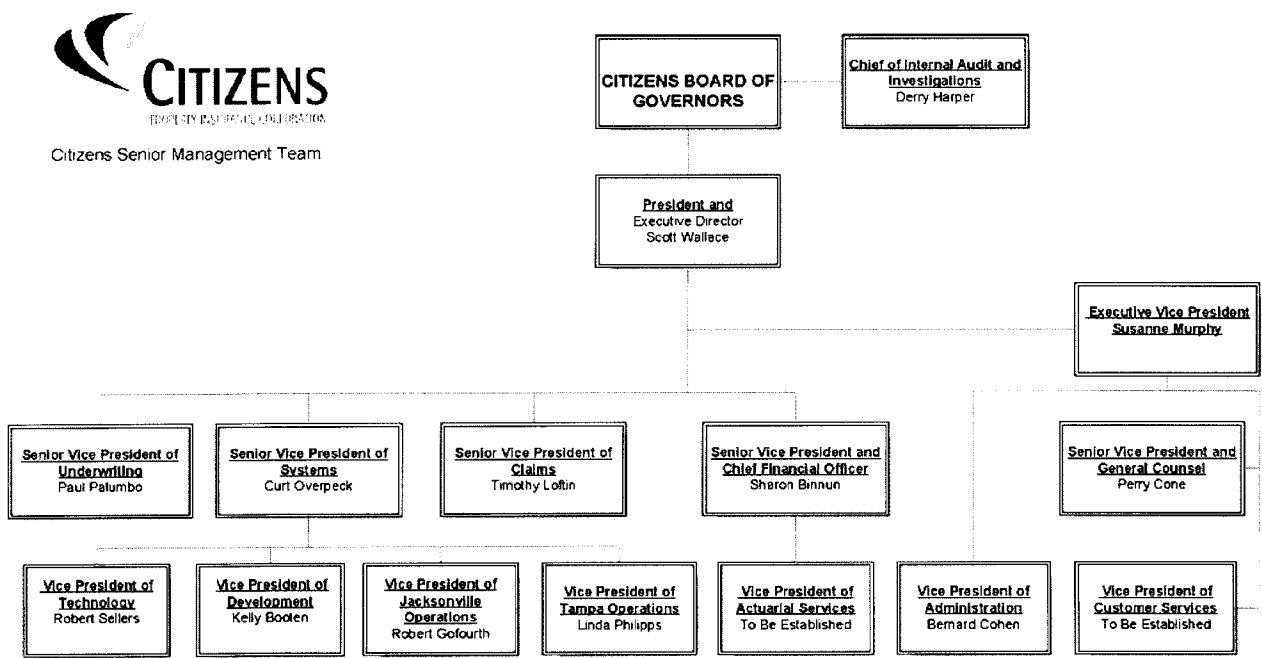
APPENDICES

The Relevant Statute (627.351(6)(b)2.a(III))

Subject to the approval of a business plan by the Financial Services Commission and Legislative Budget Commission as provided in this sub-sub-subparagraph, but no earlier than March 31, 2007, the corporation may offer policies that provide multiperil coverage and the corporation shall continue to offer policies that provide coverage only for the peril of wind for risks located in areas eligible for coverage in the high-risk account. In issuing multiperil coverage, the corporation may use its approved policy forms and rates for the personal lines account. An applicant or insured who is eligible to purchase a multiperil policy from the corporation may purchase a multiperil policy from an authorized insurer without prejudice to the applicant's or insured's eligibility to prospectively purchase a policy that provides coverage only for the peril of wind from the corporation. An applicant or insured who is eligible for a corporation policy that provides coverage only for the peril of wind may elect to purchase or retain such policy and also purchase or retain coverage excluding wind from an authorized insurer without prejudice to the applicant's or insured's eligibility to prospectively purchase a policy that provides multiperil coverage from the corporation. It is the goal of the Legislature that there would be an overall average savings of 10 percent or more for a policyholder who currently has a wind-only policy with the corporation, and an ex-wind policy with a voluntary insurer or the corporation, and who then obtains a multiperil policy from the corporation. It is the intent of the Legislature that the offer of multiperil coverage in the high-risk account be made and implemented in a manner that does not adversely affect the tax-exempt status of the corporation or creditworthiness of or security for currently outstanding financing obligations or credit facilities of the high-risk account, the personal lines account, or the commercial lines account.

By March 1, 2007, the corporation shall prepare and submit for approval by the Financial Services Commission and Legislative Budget Commission a report detailing the corporation's business plan for issuing multiperil coverage in the high-risk account. The business plan shall be approved or disapproved within 30 days after receipt, as submitted or modified and resubmitted by the corporation. The business plan must include: the impact of such multiperil coverage on the corporation's financial resources, the impact of such multiperil coverage on the corporation's tax-exempt status, the manner in which the corporation plans to implement the processing of applications and policy forms for new and existing policyholders, the impact of such multiperil coverage on the corporation's ability to deliver customer service at the high level required by this subsection, the ability of the corporation to process claims, the ability of the corporation to quote and issue policies, the impact of such multiperil coverage on the corporation's agents, the impact of such multiperil coverage on the corporation's existing policyholders, and the impact of such multiperil coverage on rates and premium.

APPENDIX B:



These proposed organizational changes are pending the Board of Governors ratification during the March 1 Board of Governors meeting in Jacksonville, Florida.

Management Team Biographies:

Scott Wallace was appointed as Citizens’ President and Executive Director in January 2007. Under the Act, his appointment is subject to confirmation by the Florida Senate. In this role, he oversees all operations of Citizens. He is located in Citizens Jacksonville office. Mr. Wallace has over 25 years of experience in the Property & Casualty Insurance and Reinsurance industry. Mr. Wallace first joined Citizens as Vice President of Operations in 2005. Prior to joining Citizens he held senior management positions for several member companies of the W. R. Berkley Corporation and most recently served as Executive Vice President of Berkley Underwriting Partners, LLC. Mr. Wallace also held senior management positions at Great American Insurance Company, Carvill America and MGIC Indemnity Corporation. Mr. Wallace earned his B.S. Marketing degree at Arizona State University and his professional affiliations/memberships have included: The American Association of Managing General Agents; National Association of Independent Insurers; National Association of Surplus Lines Offices; Professional Liability Underwriting Society and the Society of Insurance Research.

Susanne K. Murphy is Executive Vice President. In this role, she directs the Administrative functions of the Corporation, oversees Agent and Consumer Services and manages the Legal, Legislative and Regulatory issues for Citizens. Ms. Murphy has served Citizens in various roles since 2002. Prior to her tenure with Citizens, Ms. Murphy served as Assistant Executive Director for the FRPCJUA after serving as Deputy Insurance Commissioner for the State of Florida from 1995 to 2001. From 1983 to 1995, Ms. Murphy served as Deputy Insurance Commissioner, General Counsel, and Staff Counsel, for the South Carolina Department of Insurance. Ms. Murphy was appointed as South Carolina's first female Chief Insurance

Commissioner in 1994. Ms. Murphy received her J.D. from the University of South Carolina School of Law.

Paul Palumbo is Senior Vice President of Underwriting. The Vice President is responsible for reviewing Underwriting profit/loss ratios and developing solutions through product development and rate structure at Citizens Property Insurance Corporation. Mr. Palumbo joined Citizens in October 2004 as the Director of Underwriting. He was promoted to Vice President of Underwriting in September 2005. Prior to joining Citizens, Mr. Palumbo earned ten years of insurance industry experience working at Tower Hill Insurance Group, Inc. His insurance career includes experience in Claims, Underwriting and Marketing. Through the experience he attained in different areas of insurance, Mr. Palumbo was promoted to Assistant Vice President of Underwriting at Tower Hill Insurance Group, Inc. Mr. Palumbo earned his B.S. Degree in Business Administration from the University of Florida. Additionally, he received the designation of Associate in Personal Insurance from the Insurance Institute of America.

Curt Overpeck is Senior Vice President of Systems and is responsible for Systems Development and Operations, Telecommunications, and Technical Infrastructure at Citizens Property Insurance Corporation. Mr. Overpeck joined Citizens in May 2004 after serving two years as Director of Information Technology with the Florida Department of Financial Services, Division of Insurance Rehabilitation and Liquidation. Prior to joining Florida state government, he had over ten years of insurance industry experience working for a company specializing in alternative risk management, insurance brokerage, and MGA operations. With over twenty five years of management experience, he has an extensive information technology background. His experience includes management of application development for a major manufacturing company and serving as a director of information technology for a world-wide telecommunications company. Mr. Overpeck earned his Bachelor of Science degree in Industrial Management from Purdue University and a M.B.A. from Eastern Illinois University. Additionally he holds the professional designation of Associate in Risk Management.

Tim Loftin is the Senior Vice President of Claims. He is responsible for all Claims Department operations. He is located in Jacksonville, Florida. Mr. Loftin joined Citizens in July 2006 after 27 years with Safeco Insurance. His most recent assignment at Safeco was the Property Claims Manager for 11 Southeast and Atlantic Coast States. Mr. Loftin earned his B.B.A. from the University of West Georgia. He was conferred with the Chartered Property Casualty Underwriter (C.P.C.U.) designation in 1992 and earned the Associate in Claims designation in 1989. Mr. Loftin has served as President of the Central Florida C.P.C.U. chapter and as a National Governor for the C.P.C.U. Society. He has been active as both a speaker and instructor on a variety of insurance topics

Sharon A. Binnun, CPA, has been appointed Senior Vice President of Finance and Accounting/Chief Financial Officer commencing on February 19, 2007. Ms. Binnun has over 22 years of financial services experience. She has been a Florida licensed Certified Public Accountant (CPA) for the past 20 years with experience in Florida and Puerto Rico. For the past two years Ms. Binnun has served as the Deputy Commissioner for the Florida Office of Insurance Regulation. Her primary responsibilities there included oversight of the Business Development Unit which promotes opportunities for insurance companies to enter or increase their presence in the Florida marketplace; oversight of the Market Research Unit which serves as the information clearinghouse for the collection and dissemination of public data for the Office; and oversight of the company application process. She has previously served as Deputy Director for the Division of Insurance Services at the former Florida Department of Insurance. Sharon's experience also includes public accounting with "big four" and local CPA firms, insurance regulatory consulting and serving as Chief Financial Officer of a multi-state law firm. Ms. Binnun has a Master of Professional Accounting from the University of Miami and a B.S. in Accounting from Florida State University.

Perry Ian Cone is Senior Vice President and General Counsel. Mr. Cone joined Citizens in April 2006 as its first inside General Counsel. In this role, he serves as counsel to the Board of Governors and Senior Management and is responsible for the corporate legal, litigation, and compliance functions. Mr. Cone has over twenty-one years of legal experience in the private sector. Prior to joining Citizens, he was Senior Vice President and General Counsel of Travelers of Florida, the Florida personal lines operations of St. Paul Travelers. He also served as General Counsel of AIB Insurance Group Inc., Miami. Before going in-house, Mr. Cone was a partner with Jordan Burt, Miami/Washington DC, concentrating on corporate securities, litigation, ERISA, and insurance regulatory matters. His past leadership positions include President of the Florida Bankers Association's Insurance Division; Chair of the Advisory Committee, Center for Ethics, The University of Tampa; Member of the Board of Trustees, The University of Tampa; and various committee chairs with the Florida Insurance Council. Mr. Cone graduated *magna cum laude* from University of Miami School of Law, where he was articles editor on *University of Miami Law Review*. He holds a Masters of Science in Education from University of Miami School of Education, and earned his Bachelors degree from Urbana College, Ohio.

Robert Sellers is Vice President of Technology. In this role, he is responsible for the Citizens' Information Technology Infrastructure and Services. Mr. Sellers has over twenty two years of experience in technology and software development with a focus on enterprise business technology solutions. At Citizens he has provided leadership for implementation of the technical infrastructure that has supported tremendous growth and change. Prior to joining Citizens in 2003, he provided services to the former FRPCJUA and to Citizens in the role of Enterprise Technology consultant. Mr. Sellers has held technology management positions with EDP Systems, Inc, where he was responsible for development and delivery of Enterprise Technology solutions for many U.S. and International commercial and government organizations, including the United States Federal Reserve Banks, United Healthcare, FiServ, Banamex and Barclay's Banks. Other positions he has held include management positions responsible for technical sales engineering and professional services. Mr. Sellers earned his B.S. in Management Information Systems from Florida State University. Professional affiliations/memberships include the Association for Computing Machinery, Institute of Electrical and Electronics Engineers and the IT Service Management Forum.

Kelly Booten is Vice President of Application Development in Information Technology and is responsible for enterprise software management including Claim and Policy Management systems as well as many other custom and packaged software solutions, Data Management and Project Management at Citizens Property Insurance Corporation. Ms. Booten has over twenty years of experience in Information Technology with almost twenty years in management and project management. Prior to joining Citizens in December 2002, Ms. Booten served as Enterprise Project Manager for the Florida Legislature where she managed several enterprise-wide projects that delivered automated process improvement initiatives to both the Florida Senate and House. Other prior experience includes management of customer service, training delivery services and consulting services at a software organization and manager of application development for an education quasi-governmental organization. Ms. Booten earned her Bachelor of Arts degree in Computer Science from Clarke College.

Robert Gofourth is Vice President of Jacksonville Operations. In this role, he oversees operations within policy administration and process management. Mr. Gofourth has over 15 years of operations experience with a focus on process improvement. Prior to joining Citizens he was Director of European Operations for SITEL Corporation. Mr. Gofourth has held management positions within Deutsche Bank, Conesco Financial and Green Tree Financial. Mr. Gofourth earned his M.B.A. from Regis

University and a B.A. in Political Science degree from the University of Florida. As well, Mr. Gofourth is a Certified Black Belt within the Six Sigma Process Improvement methodology. His professional affiliations/memberships include: The International Society of Six Sigma Professionals; The American Society of Quality; Customer Operations Performance Center; and The Operational Research Society.

Linda Philipps is Vice President of Citizens' Tampa operations. In this role, she oversees all business conducted out of Citizens' Tampa facilities. Prior to joining Citizens, Ms. Philipps was most recently involved, as COO of VIP, a Virtual Insurance Processing organization, which she created for Clarendon Insurance Group. Ms. Philipps has also held senior management positions with Jefferson Insurance, Empire Insurance, S&H Motivation and Admiral Manufacturing. Ms. Philipps received her BBA degree from the University of Wisconsin where she majored in both Marketing and English. Since 1998 Ms. Philipps has served on the Board of Advisors for the University of Wisconsin business school providing corporate world insight and strategy and previously served on the Board of Directors at Jefferson Insurance, an Allianz company.

APPENDIX C:

- i) 2006 Unaudited vs. 2005 Year-end Financials
- ii) 2007 Budget (Revised to reflect 2007 Special Session Legislation)
- iii) Projected 2007 Income Statement
- iv) Projected PML Charts (Before and after 2007 Special Session Legislation)

i) 2006 UNAUDITED VS. 2005 YEAR-END FINANCIALS**Balance Sheet**

<i>Balance sheet - statutory basis</i>								
	December 31, 2006 - (In Thousands) - unaudited				December 31, 2005 - (In Thousands)			
	Consolidated	PLA	CLA	HRA	Consolidated	PLA	CLA	HRA
Assets								
Cash and invested assets	\$ 7,256,561	\$ 1,127,267	\$ 560,501	\$ 5,568,793	\$ 2,684,043	\$ 376,197	\$ 116,574	\$ 2,191,272
Premium receivable, net	229,623	195,588	8,640	25,395	9,083	8,377	(248)	954
Due from takeout companies	12,134	6,526	-	5,608	23,848	23,291	321	236
Reinsurance recoverable	129,043	25,723	20,597	82,723	-	-	-	-
Edp equipment, net	3,949	3,949	-	-	-	-	-	-
Accrued investment income	37,350	4,620	1,853	30,877	19,418	2,378	460	16,580
Other assets	1,391	1,054	-	337	747	358	14	375
Due from investment broker	1,685	-	-	1,685	-	-	-	-
Inter-account receivable (payable)	364	343,744	(64,851)	(278,529)	-	165,902	(17,933)	(147,969)
Assessment receivables	971,985	-	-	971,985	96,644	-	-	96,644
Total Assets	<u>\$ 8,644,085</u>	<u>\$ 1,708,471</u>	<u>\$ 526,740</u>	<u>\$ 6,408,874</u>	<u>\$ 2,833,783</u>	<u>\$ 576,503</u>	<u>\$ 99,188</u>	<u>\$ 2,158,092</u>
Liabilities								
Loss reserves	\$ 458,438	\$ 191,522	\$ 13,212	\$ 253,704	\$ 1,267,635	\$ 152,454	\$ 40,849	\$ 1,074,332
Loss expense reserves	81,168	54,696	1,468	25,004	217,381	58,053	17,462	141,866
Unearned premiums, net	1,601,576	777,844	244,790	578,942	705,192	280,166	29,035	395,991
Reinsurance premiums payable	7	7	-	-	-	-	-	-
Funds held under reinsurance treaties	13	-	-	13	36	-	-	36
Provision for reinsurance	5,282	5,282	-	-	10,890	7,838	-	3,052
Advance premiums & suspended cash	175,357	56,505	57,591	61,261	76,193	26,880	10,226	39,087
Notes payable	5,196,574	92,781	8,200	5,095,593	2,148,130	95,062	7,908	2,045,160
Interest payable	43,340	3,503	310	39,527	37,178	3,520	293	33,365
Taxes and fees payable	41,558	9,910	2,335	29,313	30,995	3,546	367	27,082
Federal income tax payable	54,899	-	-	54,899	54,899	-	-	54,899
Other liabilities	47,454	34,933	1,369	11,152	96,369	66,799	545	29,025
Total Liabilities	<u>7,705,666</u>	<u>1,226,983</u>	<u>329,275</u>	<u>6,149,408</u>	<u>4,644,898</u>	<u>694,318</u>	<u>106,685</u>	<u>3,843,895</u>
Surplus (Deficit)								
Beginning surplus (deficit)	(1,811,115)	(117,815)	(7,497)	(1,685,803)	(383,526)	144,470	23,985	(551,981)
Change in non-admitted assets	(3,448)	(986)	(5,008)	2,546	(16,090)	(12,955)	(21)	(3,114)
Net Income	2,752,982	600,289	209,970	1,942,723	(1,411,499)	(249,330)	(31,461)	(1,130,708)
Ending surplus (deficit)	<u>938,419</u>	<u>481,488</u>	<u>197,465</u>	<u>259,466</u>	<u>(1,811,115)</u>	<u>(117,815)</u>	<u>(7,497)</u>	<u>(1,685,803)</u>
Total Liabilities & Surplus(Deficit)	<u>\$ 8,644,085</u>	<u>\$ 1,708,471</u>	<u>\$ 526,740</u>	<u>\$ 6,408,874</u>	<u>\$ 2,833,783</u>	<u>\$ 576,503</u>	<u>\$ 99,188</u>	<u>\$ 2,158,092</u>

Income Statement

Statement of operations - statutory basis								
	As of December 31, 2006 - (In Thousands) - unaudited				December 31, 2005 - (In Thousands)			
	Consolidated	PLA	CLA	HRA	Consolidated	PLA	CLA	HRA
Net earned premiums:								
Direct earned premiums	\$ 2,550,063	\$ 1,139,679	\$ 288,377	\$ 1,122,007	\$ 1,513,895	\$ 654,717	\$ 51,905	\$ 807,273
Ceded earned premiums	(495,777)	(160,559)	(22,566)	(312,652)	(458,149)	(246,619)	(4,460)	(207,070)
Net earned premiums	<u>2,054,286</u>	<u>979,120</u>	<u>265,811</u>	<u>809,355</u>	<u>1,055,746</u>	<u>408,098</u>	<u>47,445</u>	<u>600,203</u>
Underwriting expense:								
Losses incurred	541,745	260,478	10,968	270,299	2,401,939	460,738	57,194	1,884,007
Loss adjustment expense incurred	70,109	73,459	(8,979)	5,629	326,232	103,338	16,907	205,987
Producer commissions	259,710	97,729	51,619	110,362	132,166	45,543	5,856	80,767
Ceded commissions	(7,544)	(3,845)	-	(3,699)	(22,185)	(19,011)	-	(3,174)
Taxes and assessments	57,068	28,784	8,933	19,351	27,303	12,366	1,094	13,843
Administrative	86,468	43,627	11,608	31,233	60,710	38,885	2,238	19,587
Total underwriting expenses	<u>1,007,556</u>	<u>500,232</u>	<u>74,149</u>	<u>433,175</u>	<u>2,926,165</u>	<u>641,859</u>	<u>83,289</u>	<u>2,201,017</u>
Net underwriting income	<u>1,046,730</u>	<u>478,888</u>	<u>191,662</u>	<u>376,180</u>	<u>(1,870,419)</u>	<u>(233,761)</u>	<u>(35,844)</u>	<u>(1,600,814)</u>
Other income (expense)								
Investments income	210,193	33,769	14,357	162,067	118,068	25,157	4,870	88,041
Interest expense	(224,300)	(5,178)	(458)	(218,664)	(124,390)	(5,166)	(430)	(118,794)
Financing costs	(48,075)	(1,759)	(155)	(46,161)	(1,579)	(607)	(49)	(923)
Takeout bonuses	2,853	7,388	-	(4,535)	(48,843)	(35,334)	-	(13,509)
Assesment Income	1,765,581	87,181	4,564	1,673,836	515,514	-	-	515,514
Other income (expenses)	-	-	-	-	150	381	(8)	(223)
Total other income (expense)	<u>1,706,252</u>	<u>121,401</u>	<u>18,308</u>	<u>1,566,543</u>	<u>458,920</u>	<u>(15,569)</u>	<u>4,383</u>	<u>470,106</u>
Net income (loss)	<u>\$ 2,752,982</u>	<u>\$ 600,289</u>	<u>\$ 209,970</u>	<u>\$ 1,942,723</u>	<u>\$ (1,411,499)</u>	<u>\$ (249,330)</u>	<u>\$ (31,461)</u>	<u>\$ (1,130,708)</u>

ii) 2007 BUDGET – PREMIUM AND UNDERWRITING EXPENSES

Original Approved 2007 Budget				
	Consolidated	PLA	CLA	HRA
2007 Budgeted Earned Premium	3,538,147,410	1,611,417,788	757,018,991	1,169,710,631
2007 Budgeted Underwriting Expenses	(1,681,334,238)	(1,078,170,030)	(333,405,139)	(269,759,069)
2007 Budgeted Net Underwriting Income	1,856,813,172	533,247,758	423,613,852	899,951,562

Amended 2007 Budget with HRA Multiperil Citizens Only				
	Consolidated	PLA	CLA	HRA
2007 Budgeted Earned Premium	3,526,978,944	1,552,705,475	754,306,500	1,219,966,969
2007 Budgeted Underwriting Expenses	(1,640,881,037)	(1,036,479,965)	(332,152,899)	(272,248,173)
2007 Budgeted Net Underwriting Income	1,886,097,907	516,225,510	422,153,601	947,718,796

Amended 2007 Budget with HRA Multiperil Total Market				
	Consolidated	PLA	CLA	HRA
2007 Budgeted Earned Premium	3,647,443,160	1,552,705,475	754,306,500	1,340,431,185
2007 Budgeted Underwriting Expenses	(1,663,805,772)	(1,036,479,965)	(332,152,899)	(295,172,908)
2007 Budgeted Net Underwriting Income	1,983,637,388	516,225,510	422,153,601	1,045,258,277

iii) **PROJECTED 2007 INCOME STATEMENT - SURPLUS**

Original Approved 2007 Budget				
	Consolidated	PLA	CLA	HRA
Preliminary 2006 Surplus	855,000,000	517,000,000	194,000,000	144,000,000
2007 Budgeted Net Income	1,862,940,954	523,161,150	395,470,163	944,309,641
2007 Projected Surplus	2,717,940,954	1,040,161,150	589,470,163	1,088,309,641

Amended 2007 Budget with HRA Multiperil Citizens Only				
	Consolidated	PLA	CLA	HRA
Preliminary 2006 Surplus	855,000,000	517,000,000	194,000,000	144,000,000
2007 Budgeted Net Income	1,892,635,853	504,565,448	393,928,806	994,141,599
2007 Projected Surplus	2,747,635,853	1,021,565,448	587,928,806	1,138,141,599

Amended 2007 Budget with HRA Multiperil Total Market				
	Consolidated	PLA	CLA	HRA
Preliminary 2006 Surplus	855,000,000	517,000,000	194,000,000	144,000,000
2007 Budgeted Net Income	1,994,729,412	504,565,448	393,928,806	1,096,235,158
2007 Projected Surplus	2,849,729,412	1,021,565,448	587,928,806	1,240,235,158

iv) **PROJECTED PML CHARTS**

Projected PMLs

Citizens Property Insurance						
High Risk Account (HRA), Personal Lines Account (PLA) & Commercial Lines Account (CLA)						
Including Poe Transition Policies						
Aggregate (Seasonal) PMLs (in Millions)						
RMS, RiskLink v6.0, Historical (Long-Term) and Stochastic (Mid-Term) Event Sets, Weighted						
Including Demand Surge, Excluding Storm Surge						
Data As of 12/31/2006						
Return Period	HRA** (in Millions)	PLA** (in Millions)	CLA** (in Millions)	Before Multiperil Initiative HRA, PLA & CLA** As Separate Accounts	After Multiperil Initiative HRA, PLA & CLA** As Combined Accounts	
10,000	\$60,339	\$31,940	\$12,057	\$104,335	\$100,490	
5,000	\$54,014	\$28,589	\$10,797	\$93,400	\$90,063	
1,000	\$39,027	\$19,864	\$7,383	\$66,274	\$63,938	
500	\$31,718	\$15,801	\$5,824	\$53,344	\$51,636	
250	\$23,740	\$11,806	\$4,243	\$39,789	\$39,120	
100	\$14,370	\$7,183	\$2,403	\$23,956	\$23,767	
85	\$13,029	\$6,534	\$2,154	\$21,718	\$21,531	
70	\$11,571	\$5,842	\$1,885	\$19,298	\$19,104	
50	\$9,337	\$4,822	\$1,478	\$15,638	\$15,455	
25	\$5,802	\$3,205	\$855	\$9,861	\$9,755	
20	\$4,952	\$2,772	\$704	\$8,428	\$8,341	
10	\$2,857	\$1,607	\$343	\$4,807	\$4,797	

** Weighted = 2/3 Stochastic Rates, 1/3 Historical Rates

Notes:

- Hurricane models such as RMS, RiskLink assess risks and estimate loss amounts for the hurricane wind portion of homeowner's insurance coverage. Therefore, the probable maximum loss (PML) amounts specified in the above chart only account for loss amounts caused by wind damage.
- PMLs are not independent and therefore a combined PML result is almost always less than adding the results of separate PMLs.

APPENDIX D:

Greenberg Traurig

Fred F. Harris, Jr.
Tel. 850.222.6891
Fax 850.521.1355
harrisf@gtlaw.com

February 5, 2007

Perry Cone, General Counsel and Senior Vice President
Citizens Property Insurance Corporation
101 North Monroe Street, 10th Floor
Tallahassee, Florida 32301

Re: ***Tax Exempt Status of Citizens Property Insurance Corporation***

Dear Mr. Cone:

In accordance with your request, Greenberg Traurig has reviewed the provisions of 2007 House Bill 1A as they relate to the expansion of Citizens' authorization to issue multi-peril coverage in its High Risk Account.

It is our opinion that the ability to issue multi-peril coverage will not have an adverse impact on Citizens' tax exempt status for federal income tax purposes.

While we understand that you may be providing copies of this opinion to third parties, this opinion is issued to Citizens and may not be relied upon by any third party without our express written consent. Should you have any questions, please do not hesitate to contact me.

Thank you.

Sincerely,



Fred F. Harris, Jr.

TAL 451367919v2 2/5/2007

Greenberg Traurig, P.A. | Attorneys at Law | 101 East College Avenue | Post Office Drawer 1838 | Tallahassee, FL 32302
Tel 850.222.6891 | Fax 850.681.0207 | www.gtlaw.com

February 7, 2007

Perry I. Cone, Esq.
General Counsel and Senior Vice President
Citizens Property Insurance Corporation
101 North Monroe Street, Suite 1000
Tallahassee, FL 32301

Re: Impact of 2007 House Bill 1A on High-Risk Account Trust Indenture

Dear Mr. Cone:

You have asked whether the provisions of Section 21 of House Bill CS/IB1-A (2007) which amend Section 627.351(6)(b)2.a.(III), Florida Statutes (the "New Legislation") to authorize Citizens Property Insurance Corporation ("Citizens") to issue multiperil policies in its High-Risk Account will cause an "Event of Default" under Section 8.01 of that certain Trust Indenture dated as of August 6, 1997, as amended and supplemented (the "Indenture"), between Citizens and U.S. Bank National Association, as Indenture Trustee.

Based on our review of pertinent documents and other matters described below, we believe that Citizens will be able to issue multiperil policies within the High-Risk Account in compliance with the New Legislation without causing an Event of Default under Section 8.01 of the Indenture.

For purposes of rendering this opinion, we have reviewed the New Legislation, Section 627.351(6), Florida Statutes, as amended, the Indenture and such other documents and matters of law as we have deemed appropriate. We have also participated in discussions with representatives of Citizens and Citizens' Financial Advisor regarding the likely financial and credit impact on the High-Risk Account of the issuance by Citizens of multiperil policies within the High-Risk Account.

In rendering the foregoing opinion, with your permission we have assumed that in issuing any multiperil policies within the High-Risk Account, Citizens would comply with the legislative intent expressed in the New Legislation, to wit:

"It is the intent of the Legislature that the offer of multiperil coverage in the high-risk account be made and implemented in a manner that does not adversely affect the tax-exempt status of the corporation or

SQUIRE, SANDERS & DEMPSEY L.L.P.
Including
STEEL HECTOR & DAVIS LLP

creditworthiness of or security for currently outstanding financing obligations or credit facilities of the high-risk account, the personal lines account, or the commercial lines account."

In this regard, we have been provided with a copy of a letter from Raymond James & Associates, Inc., dated February 5, 2007 (a copy of which is attached hereto as Exhibit A) stating that, in their opinion, the ability of Citizens to provide multiperil coverage within the High-Risk Account will not have an adverse effect on the creditworthiness of or security for currently outstanding obligations or credit facilities of the High-Risk Account, the Personal Lines Account, or the Commercial Lines Account. We have assumed, with your consent, that the matters set forth in such letter are true and correct.

While we understand that you may provide copies of this opinion to third parties, this opinion is issued only to Citizens and may not be relied upon by any third party without our express written consent.

Very truly yours,

Squire, Sanders + Dempsey L.L.P.

AAdC/mtm

MIAMI/4188173.2

APPENDIX E:

RAYMOND JAMES*

February 5, 2007

Perry Ian Cone
General Counsel and Senior Vice President
Citizens Property Insurance Corporation
101 North Monroe Street, 10th Floor
Tallahassee, Florida 32301

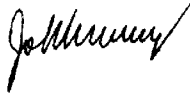
Dear Mr. Cone:

In accordance with your request, Raymond James has reviewed the provisions of 2007 House Bill 1A as they relate to the pending authorization of Citizens to provide multiperil coverage in its High Risk Account.

In our opinion the ability of Citizens to provide such multiperil coverage will not have an adverse effect on the creditworthiness of or security for currently outstanding obligations or credit facilities of the High Risk Account, the Personal Lines Account, or the Commercial Lines Account.

Please let me know if you need any other information from us on this matter.

Sincerely,
RAYMOND JAMES & ASSOCIATES, INC.




John Fomey
Managing Director
Public Finance
727-567-7825

Raymond James & Associates, Inc.

Member New York Stock Exchange (NYSE)

880 Carillon Parkway, St. Petersburg, FL 33716 | 727-567-2868 | raymondjames.com

		<h1>Agent Technical Bulletin</h1>		
Citizens Home	Agent Portal	Past Bulletins	Manuals & Forms	Agent Training
<h2>Update: Legislative Changes for Citizens Eligibility & Rates</h2> <p>ATB#001-07 January 26, 2007</p> <hr/> <p>Citizens is in the process of implementing major underwriting and operational changes as a result of the insurance bill, signed into law by Governor Crist this week. We ask for your cooperation during this time of transition. Please be assured that we will continue to update you as we work through these changes.</p> <hr/>				
<h3>ELIGIBILITY CHANGES (Effective 1/25/07)</h3>				
<ul style="list-style-type: none"> • Non-homestead property is eligible for coverage with Citizens regardless of homestead status. Citizens will no longer require you to complete the Affidavit of Due Diligence (HS-2). However, the insured must still verify the homestead status using the HS-1 form because this is used for assessment purposes. • New applicants are eligible for coverage with Citizens if they meet all underwriting criteria and if their offer of coverage from an authorized insurer, using approved rates, is more than 25% higher than the Citizens' rate for <i>comparable coverage</i>. <ul style="list-style-type: none"> ○ Agents must maintain documentation to certify the 25% rule and will be subject to audit for compliance. ○ Agents must note "+25%" on each application for coverage where indicated: <ul style="list-style-type: none"> ▪ Personal Lines Account (PLA) – in ePAS Remarks section under the "General" tab ▪ High Risk Account (HRA) – by the signature line ▪ Commercial Lines Account (CLA) – on the certification form • Existing Citizens' policyholders remain eligible for coverage with Citizens even if they receive an offer of coverage from an authorized or a surplus lines insurer. 				
<h3>RATE CHANGES</h3>				
<ul style="list-style-type: none"> • The PLA and HRA personal residential rate increases that were effective January 1, 2007 will be rescinded retroactively to January 1. • Citizens will roll back its PLA and HRA rates to December 31, 2006 levels and provide refunds to any policyholder who has paid the higher rate. More information on refunds and anticipated mailing dates will follow. <p style="text-align: center;"><u>Policyholders should continue to pay invoices for premiums.</u></p> <hr/> <p><small>This email is not spam. You are receiving it because you are appointed with Citizens Property Insurance Corporation and Citizens communicates with its agents by email. To discontinue, please contact Citizens Agent Licensing requesting termination of your appointment and removal of your name from the email list. If you are NOT an appointed agent and received this message in error, you may also contact Citizens at Agents@CitizensFLA.com, 1-800-737-5822 or P. O. Box 10740, Tallahassee, FL 32302. Content subject to change. For the latest information, visit www.citizensfla.com.</small></p> <p style="text-align: center;"><small>Citizens Property Insurance Corporation www.CitizensFLA.com</small></p>				

APPENDIX G:

POLICYHOLDER DECLARATION OF RIGHTS

There is created a Declaration of Rights for Citizens Property Insurance Corporation so that policyholders and applicants receive quality customer service and are treated with the utmost respect, courtesy, and professionalism. Policyholders and applicants of Citizens should expect:

(A) The Right to Courteous, Prompt, and Professional Customer Service

Citizens will implement this right by the following:

- (1) Providing quality customer service to policyholders, applicants and agents, and will communicate and emphasize this expectation to our employees, agents, and vendors.
- (2) Providing telephonic, electronic and written means for consumers to contact Citizens directly with inquiries, questions, or complaints.
- (3) Answering telephone calls, emails and letters with knowledgeable and professional responses in a timely manner.
- (4) Developing, implementing and maintaining specific methods for responding to and resolving consumer complaints, including a method for escalation of unresolved complaints to supervisors and other decision makers.
- (5) Maintaining a unit responsible for receiving and responding to consumer complaints, which unit or division is the sole responsibility of a Senior Manager of Citizens.
- (6) Tracking and monitoring consumer complaints and issues, and report any trends or problems to the Senior Manager.
- (7) Continuing to provide customer service education for employees.
- (8) Developing and implementing customer service measures with respect to timeliness, responsiveness, accuracy of information, and customer courtesy, and we will monitor, evaluate and enforce employee performance of such service.
- (9) Refunding return premiums due to policyholders promptly.

(B) The Right to Fair, Prompt and Professional Claims Service

Citizens will implement this right by the following:

- (1) Providing quality claims service to our policyholders and will communicate and emphasize this expectation to adjusters and employees.
- (2) Providing consumers with directions on how to report claims in case of a loss.

- (3) Ensuring our insurance adjusters are licensed under Florida law.
- (4) Providing fast, fair, honest and accurate claims service.
- (5) Providing a method for a consumer to contact us regarding issues with their claim.
- (6) Monitoring the service levels of our adjusters and claims professionals.
- (7) Ensuring there are sufficient personnel to accomplish processing customer claims and achieve other corporate responsibilities.

(C) The Right to Prompt, Professional Service from your Citizens' Insurance Agent

Citizens will implement this right by the following:

- (1) Appointing only agents that are licensed under Florida law.
- (2) Educating our agents so they can provide knowledgeable and professional service about our products.
- (3) Providing a method for consumers to report problems with an agent.
- (4) Investigating and responding to complaints about an agent in a timely manner.
- (5) Allowing consumers the right to choose among Citizens' appointed insurance agents.
- (6) Developing and monitoring customer service standards for agents who provide service to policyholders and applicants.
- (7) Auditing our agents' performance, and if violations are discovered, disciplining such agents as necessary to ensure that agents perform according to Citizens' underwriting guidelines and customer service expectations.
- (8) Instructing our agents to provide a customized quote if requested by a consumer.
- (9) Instructing our agents to explain the coverage offered by our policies.

(D) The Right to Know about Citizens, our Products, and our Services

Citizens will implement this right by the following:

- (1) Working cooperatively with the Department's Division of Consumer Services, the Office of Insurance Regulation, and the Insurance Consumer Advocate to communicate and educate consumers on Citizens' procedures and major issues of concern, such as upcoming rate increases or changes in underwriting rules.

- (2) Developing education and communication tools to inform policyholders and applicants about our products and services and methods to lower their premiums, including information about windstorm mitigation credits and deductibles.
- (3) Including a checklist of coverage with our policies.
- (4) Advising policyholders of renewal premiums in advance.
- (5) Providing policyholders with advance notice in case of cancellation or nonrenewal.

APPENDIX H:

CITIZENS PROPERTY INSURANCE CORPORATION
Comparison of HO-3 Example Premiums for 2007 Multi-Peril and 2006 "Split" Policies

PLA Code	HRA Code	Territory Description	Example Premiums		X-Wind Policies In Force 12/31/06	X-Wind Exposures In Force 12/31/06	Savings	
			2007	2006			\$	%
			Multi-Peril	Wind-Only + Ex-Wind				
601	59	Bay, Coastal	3,073	3,074	131	37,875,722	1	0.0%
57	60	Brevard, Coastal	2,469	2,684	217	72,828,670	215	8.0%
361	45	Broward, Coastal	4,156	4,549	279	115,354,236	393	8.6%
35	46	Broward, Ft. Laud. & Hollywood	3,189	3,352	2,315	641,543,533	163	4.9%
35	47	Broward, Ft. Laud. & Hollywood	3,189	3,346	2,315	641,543,533	157	4.7%
37	48	Broward, Rem. Excl. Ft. Laud. & Hollywood	2,738	3,069	6,872	1,810,911,413	331	10.8%
581	61	Charlotte, Coastal	2,172	2,426	43	13,832,783	254	10.5%
541	62	Collier, Coastal	3,482	3,473	129	55,187,294	(9)	-0.3%
30	22	Dade, Miami Beach	5,242	5,560	651	288,976,214	318	5.7%
31	22	Dade, Coastal	5,167	5,608	439	174,364,294	441	7.9%
32	23	Dade, Miami	3,725	4,069	753	217,433,252	344	8.5%
32	26	Dade, Miami	3,725	4,062	753	217,433,252	337	8.3%
32	27	Dade, Miami	3,725	4,064	753	217,433,252	339	8.3%
34	24	Dade, Rem Excl M.B., H.	3,654	3,774	4,594	1,309,147,262	120	3.2%
34	25	Dade, Rem Excl M.B., H.	3,654	3,769	4,594	1,309,147,262	115	3.1%
34	28	Dade, Rem Excl M.B., H.	3,654	3,771	4,594	1,309,147,262	117	3.1%
34	29	Dade, Rem Excl M.B., H.	3,654	3,766	4,594	1,309,147,262	112	3.0%
41	41	Duval, Coastal	1,101	1,476	66	26,280,645	375	25.4%
602	52	Escambia, Coastal	3,158	3,160	46	24,507,727	2	0.1%
43	53	Escambia, Remainder	2,115	2,120	158	44,796,635	5	0.2%
43	54	Escambia, Remainder	2,115	2,126	158	44,796,635	11	0.5%
531	83	Flagler, Coastal	1,319	1,515	48	17,186,710	196	12.9%
603	65	Franklin	3,267	3,214	44	15,200,031	(53)	-1.6%
604	66	Gulf, Coastal	3,285	3,274	12	3,642,967	(11)	-0.3%
159	56	Hernando, Coastal	1,998	2,309	450	138,548,985	311	13.5%
181	76	Indian River, Coastal	4,736	5,032	30	14,982,716	296	5.9%
542	17	Lee, Coastal	2,064	2,646	338	123,363,523	582	22.0%
554	18	Lee, Remainder	1,925	2,170	147	52,819,988	245	11.3%
554	19	Lee, Remainder	1,925	1,991	147	52,819,988	66	3.3%
554	20	Lee, Remainder	1,925	1,989	147	52,819,988	64	3.2%
594	57	Levy, Coastal	1,465	1,710	30	8,406,981	245	14.3%
582	68	Manatee, Coastal	2,435	2,737	101	41,536,969	302	11.0%
5	90	Monroe, Excl. Key West *	5,470	5,143	245	89,621,081	(327)	-6.4%
7	90	Monroe, Key West *	5,582	5,103	59	21,812,037	(479)	-9.4%
532	69	Nassau, Coastal	1,296	1,571	27	11,766,916	275	17.5%
606	70	Okaloosa, Coastal	3,158	3,168	33	13,964,524	10	0.3%
362	94	Palm Beach, Coastal	3,371	3,853	378	163,014,917	482	12.5%
38	95	Palm Beach, Remainder	3,030	3,159	2,913	790,605,602	129	4.1%
38	96	Palm Beach, Remainder	3,030	3,069	2,913	790,605,602	39	1.3%
38	97	Palm Beach, Remainder	3,030	3,071	2,913	790,605,602	41	1.3%
595	88	Pasco, Coastal	3,039	3,499	4,405	1,053,228,158	460	13.1%
42	42	Pinellas, Coastal	2,122	2,278	1,878	673,685,665	156	6.8%
533	71	Saint Johns, Coastal	1,293	1,555	56	22,109,749	262	16.8%
183	77	Saint Lucie, Coastal	4,568	4,860	31	8,127,682	292	6.0%
607	92	Santa Rosa, Coastal **	3,334	2,610	0	0	(724)	-27.7%
724	92	Santa Rosa, Remainder	2,144	2,340	30	12,961,447	196	8.4%
583	49	Sarasota, Coastal	2,186	2,340	332	113,237,757	154	6.6%
583	50	Sarasota, Coastal	2,186	2,291	332	113,237,757	105	4.6%
583	51	Sarasota, Coastal	2,186	2,395	332	113,237,757	209	8.7%
715	49	Sarasota, Remainder	1,685	2,148	250	72,396,126	463	21.6%
715	50	Sarasota, Remainder	1,685	2,099	250	72,396,126	414	19.7%
715	51	Sarasota, Remainder	1,685	2,203	250	72,396,126	518	23.5%
62	14	Volusia, Coastal	1,798	1,950	587	178,952,694	152	7.8%
63	15	Volusia, Remainder	1,143	1,463	222	58,020,708	320	21.9%
63	16	Volusia, Remainder	1,143	1,467	222	58,020,708	324	22.1%
608	58	Wakulla, Coastal	1,994	2,143	30	8,894,390	149	7.0%
609	75	Walton, Coastal	3,158	3,214	68	27,435,391	56	1.7%
STATEWIDE TOTAL AVERAGE			3,192	3,387	54,699	15,733,351,504	195	6.1%

NOTES:

* Monroe County HRA rates were decreased by order of the Office of Insurance Regulation (refer to OIR filing FCP #06-08439). Because the rates were decreased, (7) is affected.

** Santa Rosa County rates showed an indicated 69.4% increase in OIR filing FCP #05-15417, however, the rate approved was 38.2%. The rates for this territory appear less adequate, therefore, affecting column (7).

High Risk Account Multi-Peril Policies Relative to Personal Lines Account Multi-Peril Policies
HO-3 Premiums Based on Citizens Rollback Filing and Leading Company
\$150,000 Amount of Insurance

Territory Description	PLA Territory Number	HRA Territory Number	Leading Company Territory / Zone	PLA Multi-Peril Example (1)	*HRA Wind-Only Example Premium (2)	**Leading Company Ex-Wind Example Premium (3)	Leading Company Ex-Wind + HRA Wind-Only Example Premium (4)	SAVINGS	
								Premium Difference for Leading Company Ex-Wind + HRA Wind-Only Example (5)	Percent Difference for Leading Company Ex-Wind + HRA Wind-Only Example Premium (6)
Bay, Coastal	601	59	12	3,073	1,950	538	2,488	(585)	-23.5%
Bay, Coastal	601	59	14	3,073	1,950	803	2,753	(320)	-11.6%
Bay, Coastal	601	59	29	3,073	1,950	816	2,766	(307)	-11.1%
Brevard, Coastal	57	60	37	2,469	1,632	834	2,466	(5)	-0.1%
Brevard, Coastal	57	60	86	2,469	1,632	816	2,448	(21)	-0.9%
Brevard, Coastal	57	60	87	2,469	1,632	720	2,352	(117)	-5.0%
Broward, Coastal	361	45	20	4,156	3,057	990	4,047	(109)	-2.7%
Broward, Coastal	361	45	21	4,156	3,057	473	3,530	(626)	-17.7%
Broward, Coastal	361	45	75	4,156	3,057	1,194	4,251	95	2.2%
Broward, Hllwd & Ft. Ldrldie	35	46	20	3,189	2,038	990	3,028	(161)	-5.3%
Broward, Hllwd & Ft. Ldrldie	35	46	21	3,189	2,038	473	2,511	(678)	-27.0%
Broward, Hllwd & Ft. Ldrldie	35	46	75	3,189	2,038	1,194	3,232	43	1.3%
Broward, Hllwd & Ft. Ldrldie	35	47	20	3,189	2,032	990	3,022	(167)	-5.5%
Broward, Hllwd & Ft. Ldrldie	35	47	21	3,189	2,032	473	2,505	(684)	-27.3%
Broward, Hllwd & Ft. Ldrldie	35	47	75	3,189	2,032	1,194	3,226	37	1.1%
Broward, Hllwd & Ft. Ldrldie	35	48	20	3,189	1,956	990	2,946	(243)	-8.2%
Broward, Hllwd & Ft. Ldrldie	35	48	21	3,189	1,956	473	2,429	(760)	-31.3%
Broward, Hllwd & Ft. Ldrldie	35	48	75	3,189	1,956	1,194	3,150	(39)	-1.2%
Broward, Rem. Excl. Ft. L. & Hlywd	37	46	20	2,738	2,038	990	3,028	290	9.6%
Broward, Rem. Excl. Ft. L. & Hlywd	37	46	21	2,738	2,038	473	2,511	(227)	-9.0%
Broward, Rem. Excl. Ft. L. & Hlywd	37	46	75	2,738	2,038	1,194	3,232	494	15.3%
Broward, Rem. Excl. Ft. L. & Hlywd	37	47	20	2,738	2,032	990	3,022	284	9.4%
Broward, Rem. Excl. Ft. L. & Hlywd	37	47	21	2,738	2,032	473	2,505	(233)	-9.3%
Broward, Rem. Excl. Ft. L. & Hlywd	37	47	75	2,738	2,032	1,194	3,226	488	15.1%
Broward, Rem. Excl. Ft. L. & Hlywd	37	48	20	2,738	1,956	990	2,946	208	7.1%
Broward, Rem. Excl. Ft. L. & Hlywd	37	48	21	2,738	1,956	473	2,429	(309)	-12.7%
Broward, Rem. Excl. Ft. L. & Hlywd	37	48	75	2,738	1,956	1,194	3,150	412	13.1%
Charlotte, Coastal	581	61	79	2,172	1,481	865	2,346	174	7.4%
Charlotte, Coastal	581	61	82	2,172	1,481	691	2,172	0	0.0%
Collier, Coastal	541	62	98	3,482	2,339	647	2,986	(496)	-16.6%
Collier, Coastal	541	62	99	3,482	2,339	818	3,157	(325)	-10.3%
Collier, Remainder	551	62	98	2,493	2,339	647	2,986	493	16.5%
Collier, Remainder	551	62	99	2,493	2,339	818	3,157	664	21.0%
Dade, Coastal	31	22	6	5,167	3,845	1,357	5,202	35	0.7%
Dade, Coastal	31	22	9	5,167	3,845	783	4,628	(539)	-11.6%
Dade, Coastal	31	22	78	5,167	3,845	1,191	5,036	(131)	-2.6%
Dade, Miami	32	22	6	3,725	3,845	1,357	5,202	1,477	28.4%
Dade, Miami	32	22	9	3,725	3,845	783	4,628	903	19.5%
Dade, Miami	32	22	78	3,725	3,845	1,191	5,036	1,311	26.0%
Dade, Miami	32	23	6	3,725	2,320	1,357	3,677	(48)	-1.3%
Dade, Miami	32	23	9	3,725	2,320	783	3,103	(622)	-20.0%
Dade, Miami	32	23	78	3,725	2,320	1,191	3,511	(214)	-6.1%
Dade, Miami	32	24	6	3,725	2,317	1,357	3,674	(51)	-1.4%
Dade, Miami	32	24	9	3,725	2,317	783	3,100	(625)	-20.2%
Dade, Miami	32	24	78	3,725	2,317	1,191	3,508	(217)	-6.2%
Dade, Miami	32	26	6	3,725	2,313	1,357	3,670	(55)	-1.5%
Dade, Miami	32	26	9	3,725	2,313	783	3,096	(629)	-20.3%
Dade, Miami	32	26	78	3,725	2,313	1,191	3,504	(221)	-6.3%
Dade, Miami	32	27	6	3,725	2,315	1,357	3,672	(53)	-1.4%
Dade, Miami	32	27	9	3,725	2,315	783	3,098	(627)	-20.2%
Dade, Miami	32	27	78	3,725	2,315	1,191	3,506	(219)	-6.2%
Dade, Miami Beach	30	22	6	5,242	3,845	1,357	5,202	(40)	-0.8%
Dade, Miami Beach	30	22	9	5,242	3,845	783	4,628	(614)	-13.3%
Dade, Miami Beach	30	22	78	5,242	3,845	1,191	5,036	(206)	-4.1%
Dade, Rem Excl H. M. M. B.	34	22	6	3,654	3,845	1,357	5,202	1,548	29.8%
Dade, Rem Excl H. M. M. B.	34	22	9	3,654	3,845	783	4,628	974	21.0%
Dade, Rem Excl H. M. M. B.	34	22	78	3,654	3,845	1,191	5,036	1,382	27.4%
Dade, Rem Excl H. M. M. B.	34	23	6	3,654	2,320	1,357	3,677	23	0.6%
Dade, Rem Excl H. M. M. B.	34	23	9	3,654	2,320	783	3,103	(551)	-17.8%
Dade, Rem Excl H. M. M. B.	34	23	78	3,654	2,320	1,191	3,511	(143)	-4.1%
Dade, Rem Excl H. M. M. B.	34	24	6	3,654	2,317	1,357	3,674	20	0.5%
Dade, Rem Excl H. M. M. B.	34	24	9	3,654	2,317	783	3,100	(554)	-17.9%
Dade, Rem Excl H. M. M. B.	34	24	78	3,654	2,317	1,191	3,508	(146)	-4.2%
Dade, Rem Excl H. M. M. B.	34	25	6	3,654	2,312	1,357	3,669	15	0.4%
Dade, Rem Excl H. M. M. B.	34	25	9	3,654	2,312	783	3,095	(559)	-18.1%
Dade, Rem Excl H. M. M. B.	34	25	78	3,654	2,312	1,191	3,503	(151)	-4.3%
Dade, Rem Excl H. M. M. B.	34	26	6	3,654	2,313	1,357	3,670	16	0.4%
Dade, Rem Excl H. M. M. B.	34	26	9	3,654	2,313	783	3,096	(558)	-18.0%
Dade, Rem Excl H. M. M. B.	34	26	78	3,654	2,313	1,191	3,504	(150)	-4.3%
Dade, Rem Excl H. M. M. B.	34	27	6	3,654	2,315	1,357	3,672	18	0.5%
Dade, Rem Excl H. M. M. B.	34	27	9	3,654	2,315	783	3,098	(556)	-17.9%
Dade, Rem Excl H. M. M. B.	34	27	78	3,654	2,315	1,191	3,506	(148)	-4.2%
Dade, Rem Excl H. M. M. B.	34	28	6	3,654	2,314	1,357	3,671	17	0.5%
Dade, Rem Excl H. M. M. B.	34	28	9	3,654	2,314	783	3,097	(557)	-18.0%
Dade, Rem Excl H. M. M. B.	34	28	78	3,654	2,314	1,191	3,505	(149)	-4.3%
Dade, Rem Excl H. M. M. B.	34	29	6	3,654	2,309	1,357	3,666	12	0.3%
Dade, Rem Excl H. M. M. B.	34	29	9	3,654	2,309	783	3,092	(562)	-18.2%
Dade, Rem Excl H. M. M. B.	34	29	78	3,654	2,309	1,191	3,500	(154)	-4.4%
Duval, Coastal	41	41	62	1,101	649	736	1,385	284	20.5%
Duval, Coastal	41	41	71	1,101	649	657	1,306	205	15.7%
Duval, Coastal	41	41	73	1,101	649	627	1,276	175	13.7%
Escambia, Coastal	602	52	12	3,158	2,013	538	2,551	(607)	-23.8%
Escambia, Coastal	602	52	14	3,158	2,013	803	2,816	(342)	-12.1%
Escambia, Coastal	602	52	29	3,158	2,013	816	2,829	(329)	-11.6%
Escambia, Remainder	43	53	12	2,115	1,175	538	1,713	(402)	-23.5%
Escambia, Remainder	43	53	14	2,115	1,175	803	1,978	(137)	-6.9%
Escambia, Remainder	43	53	29	2,115	1,175	816	1,991	(124)	-6.2%
Escambia, Remainder	43	54	12	2,115	1,181	538	1,719	(396)	-23.0%
Escambia, Remainder	43	54	14	2,115	1,181	803	1,984	(131)	-6.6%
Escambia, Remainder	43	54	29	2,115	1,181	816	1,997	(118)	-5.9%
Flagler, Coastal	531	83	91	1,319	740	679	1,419	100	7.0%
Flagler, Coastal	531	83	92	1,319	740	689	1,429	110	7.7%

SAVINGS

Territory Description	PLA Territory Number	HRA Territory Number	Leading Company Territory / Zone	PLA Multi-Peril Example Premium (1)	HRA Wind-Only Example Premium (2)	**Leading Company Ex-Wind Example Premium (3)	Leading Company Ex-Wind + HRA Wind-Only Example Premium (4)	SAVINGS	
								Premium Difference for Leading Company Ex-Wind + HRA Wind-Only Example Premium (5)	Percent Difference for Leading Company Ex-Wind + HRA Wind-Only Example Premium (6)
Flagler, Remainder	701	83	91	1,101	740	679	1,419	318	22.4%
Flagler, Remainder	701	83	92	1,101	740	689	1,429	328	23.0%
Franklin	603	63	12	3,267	2,030	538	2,568	(699)	-27.2%
Gulf, Coastal	604	66	12	3,285	2,085	538	2,623	(662)	-25.2%
Gulf, Coastal	604	66	14	3,285	2,085	803	2,888	(397)	-13.7%
Gulf, Coastal	604	66	29	3,285	2,085	816	2,901	(384)	-13.2%
Hernando, Coastal	159	56	22	1,998	1,209	2,404	3,613	1,615	44.7%
Hernando, Coastal	159	56	23	1,998	1,209	2,568	3,777	1,779	47.1%
Indian River, Coastal	181	76	34	4,736	3,442	787	4,229	(507)	-12.0%
Indian River, Coastal	181	76	35	4,736	3,442	614	4,056	(680)	-16.8%
Indian River, Coastal	181	76	84	4,736	3,442	580	4,022	(714)	-17.8%
Lee, Coastal	542	17	4	2,064	1,631	714	2,345	281	12.0%
Lee, Coastal	542	17	38	2,064	1,631	454	2,085	21	1.0%
Lee, Coastal	542	17	39	2,064	1,631	920	2,551	487	19.1%
Lee, Coastal	542	18	4	2,064	1,631	714	2,018	(46)	-2.3%
Lee, Coastal	542	18	38	2,064	1,631	454	1,758	(306)	-17.5%
Lee, Coastal	542	18	39	2,064	1,631	920	2,224	160	7.2%
Lee, Remainder	554	18	4	1,925	1,304	714	2,018	93	4.0%
Lee, Remainder	554	18	38	1,925	1,304	454	1,758	(167)	-9.5%
Lee, Remainder	554	18	39	1,925	1,304	920	2,224	299	13.4%
Lee, Remainder	554	19	4	1,925	1,125	714	1,839	(86)	-4.7%
Lee, Remainder	554	19	38	1,925	1,125	454	1,579	(346)	-21.9%
Lee, Remainder	554	19	39	1,925	1,125	920	2,045	120	5.9%
Lee, Remainder	554	20	4	1,925	1,123	714	1,837	(88)	-4.8%
Lee, Remainder	554	20	38	1,925	1,123	454	1,577	(348)	-22.1%
Lee, Remainder	554	20	39	1,925	1,123	920	2,043	118	5.8%
Levy, Coastal	594	57	80	1,465	889	663	1,552	87	5.6%
Levy, Coastal	594	57	81	1,465	889	907	1,796	331	18.4%
Manatee, Coastal	582	68	27	2,435	1,628	565	2,193	(242)	-11.0%
Manatee, Coastal	582	68	28	2,435	1,628	627	2,255	(180)	-8.0%
** Monroe, Key West	7	90	5	5,582	3,002	421	3,423	(2,159)	-63.1%
** Monroe, Key West	7	90	7	5,582	3,002	444	3,446	(2,136)	-62.0%
** Monroe, Excl. Key West	5	90	5	5,470	3,002	421	3,423	(2,047)	-59.8%
** Monroe, Excl. Key West	5	90	7	5,470	3,002	444	3,446	(2,024)	-58.7%
Nassau, Coastal	532	69	30	1,296	742	678	1,420	124	8.7%
Nassau, Coastal	532	69	73	1,296	742	627	1,369	73	5.3%
Okaloosa, Coastal	606	70	12	3,158	2,021	538	2,559	(599)	-23.4%
Okaloosa, Coastal	606	70	14	3,158	2,021	803	2,824	(334)	-11.8%
Okaloosa, Coastal	606	70	29	3,158	2,021	816	2,837	(321)	-11.3%
Palm Beach, Coastal	362	94	11	3,371	2,506	1,113	3,619	248	6.9%
Palm Beach, Coastal	362	94	19	3,371	2,506	655	3,161	(210)	-6.6%
Palm Beach, Coastal	362	94	69	3,371	2,506	1,009	3,515	144	4.1%
Palm Beach, Coastal	362	95	11	3,371	2,161	1,113	3,274	(97)	-3.0%
Palm Beach, Coastal	362	95	19	3,371	2,161	655	2,816	(555)	-19.7%
Palm Beach, Coastal	362	95	69	3,371	2,161	1,009	3,170	(201)	-6.3%
Palm Beach, Remainder	38	95	11	3,030	2,161	1,113	3,274	244	7.5%
Palm Beach, Remainder	38	95	19	3,030	2,161	655	2,816	(214)	-7.6%
Palm Beach, Remainder	38	95	69	3,030	2,161	1,009	3,170	140	4.4%
Palm Beach, Remainder	38	96	11	3,030	2,071	1,113	3,184	154	4.8%
Palm Beach, Remainder	38	96	19	3,030	2,071	655	2,726	(304)	-11.2%
Palm Beach, Remainder	38	96	69	3,030	2,071	1,009	3,080	50	1.6%
Palm Beach, Remainder	38	97	11	3,030	2,073	1,113	3,186	156	4.9%
Palm Beach, Remainder	38	97	19	3,030	2,073	655	2,728	(302)	-11.1%
Palm Beach, Remainder	38	97	69	3,030	2,073	1,009	3,082	52	1.7%
Passo, Coastal	595	88	25	3,039	1,846	4,129	5,975	2,936	49.1%
Passo, Coastal	595	88	26	3,039	1,846	2,371	4,217	1,178	27.9%
Pinellas, Coastal	42	42	8	2,122	1,330	818	2,148	26	1.2%
Pinellas, Coastal	42	42	13	2,122	1,330	517	1,847	(275)	-14.9%
Pinellas, Coastal	42	42	15	2,122	1,330	1,304	2,634	512	19.4%
Saint Johns, Coastal	533	71	24	1,293	747	594	1,341	48	3.6%
Saint Johns, Coastal	533	71	73	1,293	747	627	1,374	81	5.9%
Saint Lucie, Coastal	183	77	31	4,568	3,305	678	3,983	(633)	-14.7%
Saint Lucie, Coastal	183	77	32	4,568	3,305	830	4,135	(433)	-10.5%
Saint Lucie, Coastal	183	77	33	4,568	3,305	725	4,030	(538)	-13.3%
Saint Lucie, Coastal	183	77	84	4,568	3,305	580	3,885	(683)	-17.6%
** Santa Rosa, Coastal	607	92	12	3,334	1,404	538	1,942	(1,392)	-71.7%
** Santa Rosa, Coastal	607	92	14	3,334	1,404	803	2,207	(1,127)	-51.1%
** Santa Rosa, Coastal	607	92	29	3,334	1,404	816	2,220	(1,114)	-50.2%
Santa Rosa, Remainder	724	92	12	2,144	1,404	538	1,942	(202)	-10.4%
Santa Rosa, Remainder	724	92	14	2,144	1,404	803	2,207	63	2.9%
Santa Rosa, Remainder	724	92	29	2,144	1,404	816	2,220	76	3.4%
Sarasota, Coastal	583	49	82	2,186	1,327	691	2,018	(186)	-8.3%
Sarasota, Coastal	583	49	83	2,186	1,327	709	2,036	(150)	-7.4%
Sarasota, Coastal	583	50	82	2,186	1,278	691	1,969	(217)	-11.0%
Sarasota, Coastal	583	50	83	2,186	1,278	709	1,987	(199)	-10.0%
Sarasota, Coastal	583	51	82	2,186	1,382	691	2,073	(113)	-5.5%
Sarasota, Coastal	583	51	83	2,186	1,382	709	2,091	(95)	-4.5%
Sarasota, Remainder	715	49	82	1,685	1,327	691	2,018	333	16.5%
Sarasota, Remainder	715	49	83	1,685	1,327	709	2,036	351	17.2%
Sarasota, Remainder	715	50	82	1,685	1,278	691	1,969	284	14.4%
Sarasota, Remainder	715	50	83	1,685	1,278	709	1,987	302	15.2%
Sarasota, Remainder	715	51	82	1,685	1,382	691	2,073	388	18.7%
Sarasota, Remainder	715	51	83	1,685	1,382	709	2,091	406	19.4%
Volusia, Coastal	62	14	89	1,798	1,077	613	1,690	(108)	-6.4%
Volusia, Coastal	62	14	90	1,798	1,077	802	1,879	81	4.3%
Volusia, Remainder	63	15	89	1,143	598	613	1,211	68	5.6%
Volusia, Remainder	63	15	90	1,143	598	802	1,400	257	18.4%
Volusia, Remainder	63	16	89	1,143	602	613	1,215	72	5.9%
Volusia, Remainder	63	16	90	1,143	602	802	1,404	261	18.6%
Wakulla, Coastal	608	58	14	1,994	1,143	803	1,946	(35)	-1.8%
Wakulla, Coastal	608	58	29	1,994	1,143	816	1,959	255	13.1%
Wakulla, Remainder	725	58	14	1,691	1,143	803	1,946	268	13.7%
Wakulla, Remainder	725	58	29	1,691	1,143	816	1,959	268	13.7%
Walton, Coastal	609	75	12	3,158	2,019	538	2,557	(601)	-23.5%
Walton, Coastal	609	75	14	3,158	2,019	803	2,822	(336)	-11.9%
Walton, Coastal	609	75	29	3,158	2,019	816	2,835	(323)	-11.4%

NOTES:

A Total Average Savings cannot be computed for this exhibit since the weighting would rely solely on the Leading Company's exposure data, not that of Citizens.

- (1) Citizens PLA Multi-Peril example premium effective 1/1/07, including a Market Equalization Surcharge of 2.07% and excluding a Florida Hurricane Emergency Surcharge.
- (2) Citizens HRA Wind-Only example premium effective 1/1/07, including a Market Equalization Surcharge of 6.84% and excluding a Florida Hurricane Emergency Surcharge.
- (3) Leading Company Ex-Wind example premium.
- (4) (2) - (3)
- (5) (4) - (1)
- (6) 1.0 - (1) - (4)

* HRA policies provide coverage for wind only and do not include coverage for liability or medical expenses.

** In order to make the Leading Company's x-wind policies similar to Citizens' x-wind policies, \$10,000 of mold (limited) coverage was added to the Leading Company's x-wind premium. \$10,000 of mold (limited) coverage was added to the policy by taking two-thirds of the Leading Company's additional premium used to provide a coverage limit of \$15,000 for mold (limited) coverage.

*** Monroe County HRA rates were decreased by order of the Office of Insurance Regulation (refer to OIR filing FCP #06-08439). Because the rates were decreased, (7) is affected.

**** Santa Rosa County rates showed an indicated 69.4% increase in OIR filing FCP #05-15417, however, the rate approved was 38.2%. The rates for this territory appear less adequate, therefore, affecting column (7).

Citizens example premiums were calculated based on a home with the following characteristics:

- Masonry structure insured for replacement cost at \$150,000
- 2% Hurricane Deductible and a \$500 deductible for all other Section 1 perils combined
- Other structures insured at 10% of the amount of insurance on the structure
- Contents insured for replacement cost at 50% of the amount of insurance on the structure
- Loss of use insured at 10% of the amount of insurance on the structure
- \$100,000 Liability coverage
- \$2,000 Medical expense
- Ordinance or law coverage provided at 25% of the amount of insurance on the structure
- I.S.O. Protection Class 4 for an HO-3 policy type
- Annual Rates for new business for a 40 year old insured with no claims in the past 3 years
- 5 year old structure

Leading Company x-wind example premiums were calculated based on a home with the following characteristics:

- Masonry structure insured for replacement cost at \$150,000
- \$500 ex-wind deductible
- Other structures insured at 10% of the amount of insurance on the structure
- Contents insured for replacement cost at 50% of the amount of insurance on the structure
- Loss of use insured at 20% of the amount of insurance on the structure
- \$100,000 Liability coverage
- \$1,000 Medical expense
- Ordinance or law coverage provided at 25% of the amount of insurance on the structure
- I.S.O. Protection Class 4 for an HO-3 policy type
- Annual Rates for new business for a 40 year old insured with no claims in the past 3 years
- 5 year old structure
- Subzone 4