



Jobs & Entrepreneurship Council

**Thursday, January 10, 2008
9:00 AM – 12:00 PM
Morris Hall (17 HOB)**

**Marco Rubio
Speaker**

**Ron Reagan
Chair**



The Florida House of Representatives

Jobs & Entrepreneurship Council

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Speaker

Ron Reagan
Chair

AGENDA

January 10, 2008

Morris Hall

9:00 A.M. – 12:00 P.M.

I. Call to Order

II. Roll Call

III. Presentations by:

Department of Financial Services:

CFO's recent analysis of Florida's Treasury Investments

Mr. Bruce Gillander, Director

Division of Treasury

Annual Financial Reporting (AFR) System (Local Government Electronic Reporting of Financial Information)

Mr. Burton Marshall, CPA

Chief Bureau of Local Government

Mr. Justin Young

Financial Administrator

Bureau of Local Government

Citizens Property Insurance Corporation - Overview and Update

Ms. Christine M. Turner

Director of Communications & Legislative Affairs

Citizens Property Insurance Corporation

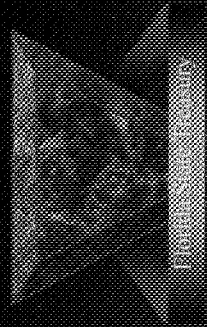
IV. Chair's remarks

V. Adjournment



Florida State Treasury

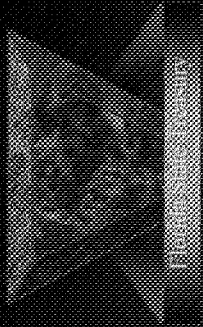
Florida Department of Financial Services



Presentation to Jobs &
Entrepreneurship Council
Florida House of Representatives

January 10, 2008

Bruce Gillander, Director
Division of Treasury

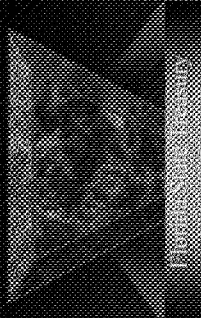


Sources of Investment Funds

General Revenue	---	\$ 7,117,434,412
Trust Funds	---	8,133,722,883
Special Purpose Investment		
Accounts (SPIA)	---	<u>3,266,136,590</u>
		\$18,517,293,885*

(All numbers are as of November 30, 2007)

* Data is Cost Plus Earnings Basis



Allocation of Investment Funds

Certificates of Deposit	---	\$ 1,167,800,000
Internal Liquidity	---	2,433,382,665
Internal Bridge	---	505,373,876
Internal Intermediate	---	2,588,944,031
External Managers	---	<u>11,967,561,217</u>
		\$18,663,061,789*

* Data is Market Value Basis



Securities Lending

Investment of Cash Collateral

\$5,194,998,520

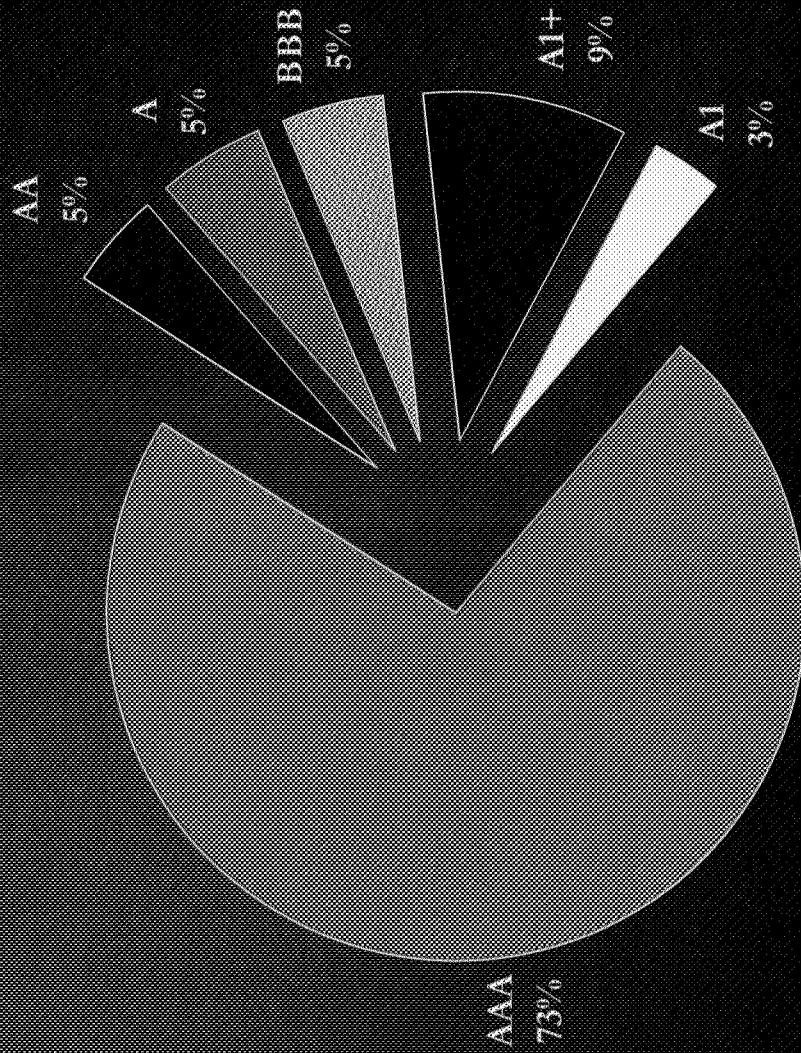


Investment Asset Classes

(Includes Securities Lending Investments)

Corporate Bonds	---	28.4 %
Mortgage Backed Securities	---	27.9 %
Government Securities	---	24.5 %
Certificates of Deposit	---	4.6 %
Asset Backed Securities	---	2.4 %
Bankers Acceptances	---	2.3 %
Commercial Paper	---	1.9 %
Other	---	8.0 %

Investment Ratings





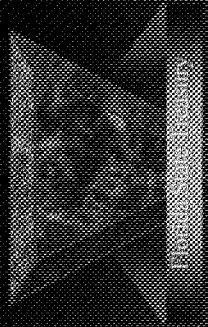
Sub-Prime Mortgages - 0.8 %

All mortgage backed securities are purchased by external investment managers. 98.45% of sub-prime mortgages held in the Treasury portfolio are rated AAA.



SIV's – 2.47 %

Structured Investment Vehicles (SIV's) are held only by the three banks administering our securities lending programs. All SIV's are Senior Notes with AAA ratings.



Returns

<u>FY 02-03</u>	<u>FY 03-04</u>	<u>FY 04-05</u>	<u>FY 05-06</u>	<u>FY 06-07</u>
5.31 %	3.19 %	3.58 %	3.58 %	5.15 %



Earnings Paid

	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07
General Revenue	\$ 268,552,491	\$ 188,559,288	\$ 256,451,883	\$ 315,228,133	\$ 464,716,678
Trust Funds	337,373,801	214,247,736	213,401,162	266,525,352	414,398,046
SPIA	124,737,842	124,745,179	194,839,890	154,099,185	197,621,858
TOTAL	\$ 730,664,134	\$ 527,552,203	\$ 664,692,935	\$ 735,852,670	\$1,076,736,582



Summary

- The Treasury liquidity position is strong
- All investments are within statutory guidelines
- No defaults of any kind
- No downgrades of our mortgage backed securities
- No securities are held under the 3% basket clause authority
- Treasury investments have not been negatively affected by the current credit crunch. Nevertheless, a conservative approach is being taken on new investments and the Treasury liquidity position has been increased in response to market conditions.

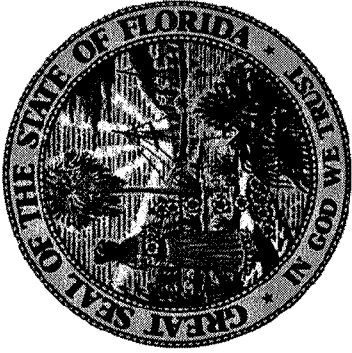


Climate Change Risk

Chief Financial Officer Initiatives

Questions

**Local Government
E-Reporting**



ALEX SINK
Chief Financial Officer
State of Florida

Local Government E-Reporting

Presentation by

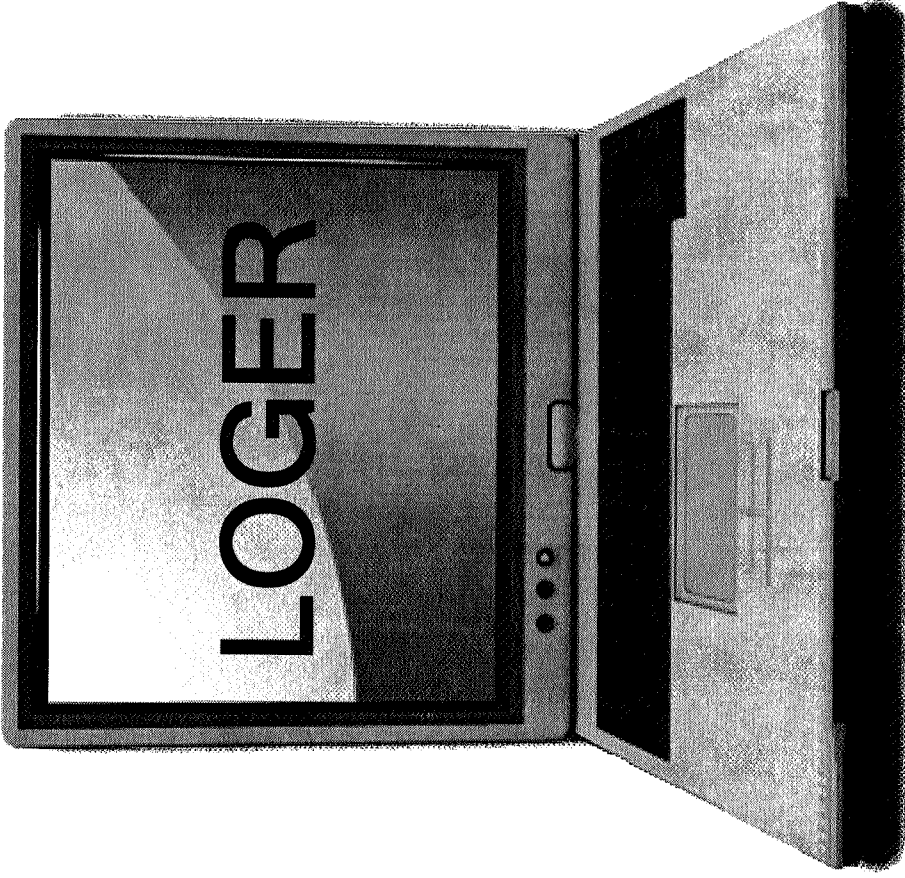
Florida Department of Financial Services

Division of Accounting and Auditing

Bureau of Local Government

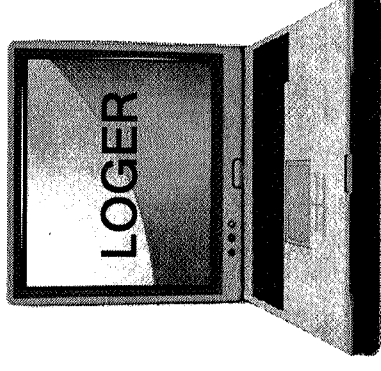
Current Annual Financial Reporting system

- Present submission, database and reporting environment is 13 years old.
- Only 10% of the State's local governments use the electronic submission option when filing their Annual Financial Reports (AFR).
- Most local governments presently have 12 months after the fiscal year end to submit their AFRs.
- All submitted AFRs must be reconciled to an audited financial statement and certified by the Bureau of Local Government.
- Final reports of local governments financial condition aren't produced until 15 months after the fiscal year ends.



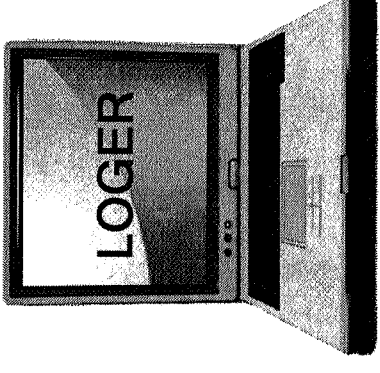
Local Government E-Reporting

About LOGER...



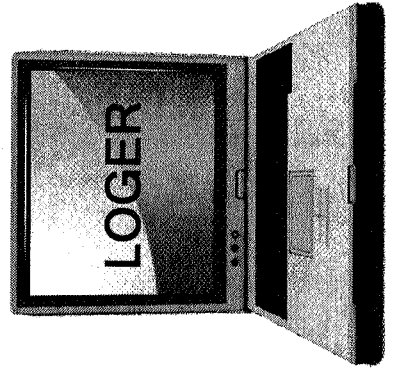
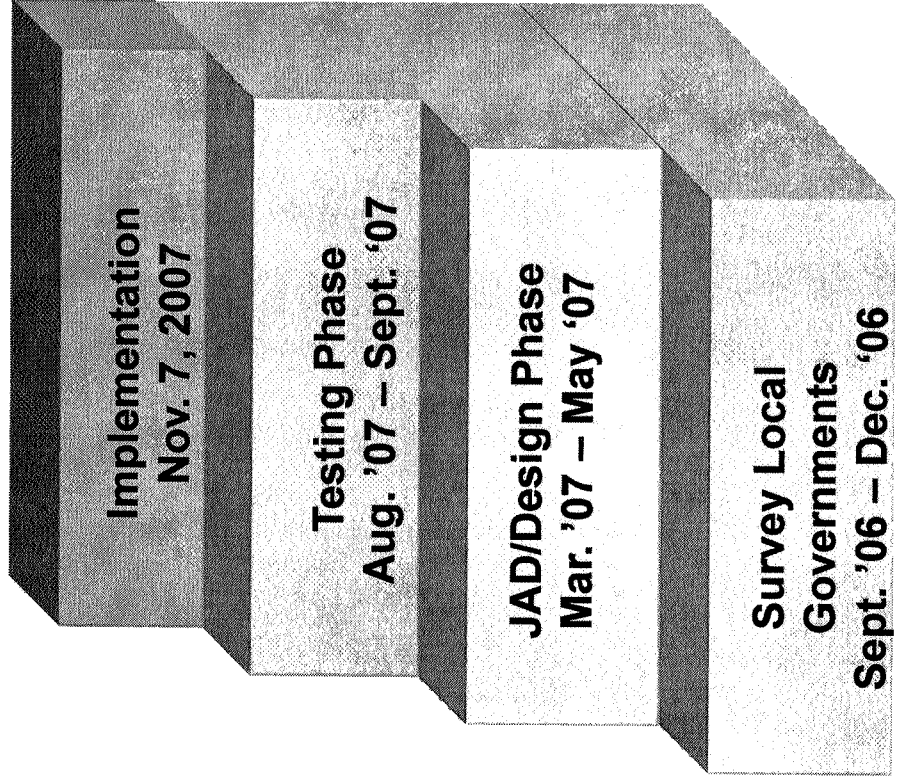
- Web-based reporting platform with Excel import & export capability
- Provides government and the public extensive Ad-Hoc reporting options on financial data and history
- No change to the present reporting requirements
- Captures general contact and location information, expenditures and revenues by account code and fund group, long-term debt balances, component unit financial data and independent audit information

LOGGER Enhancements

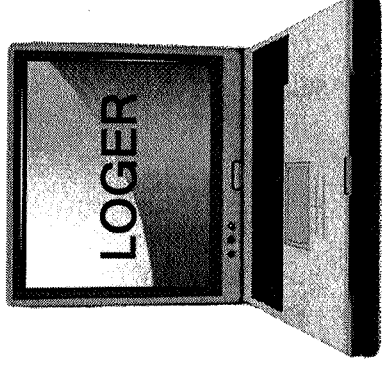


- **Easy access & user-friendly reporting and submission capabilities for governments**
- **Upfront edit checks to ensure data integrity**
- **Instant ad-hoc reporting for governments and the public upon CFO certification**

Electronic AFR Project Timeline



LOGGER Reporting Demo



LOGGER Login Page

➤ <https://apps.fldfs.com/LocalGov/>

**Citizens Property
Insurance Corp.**



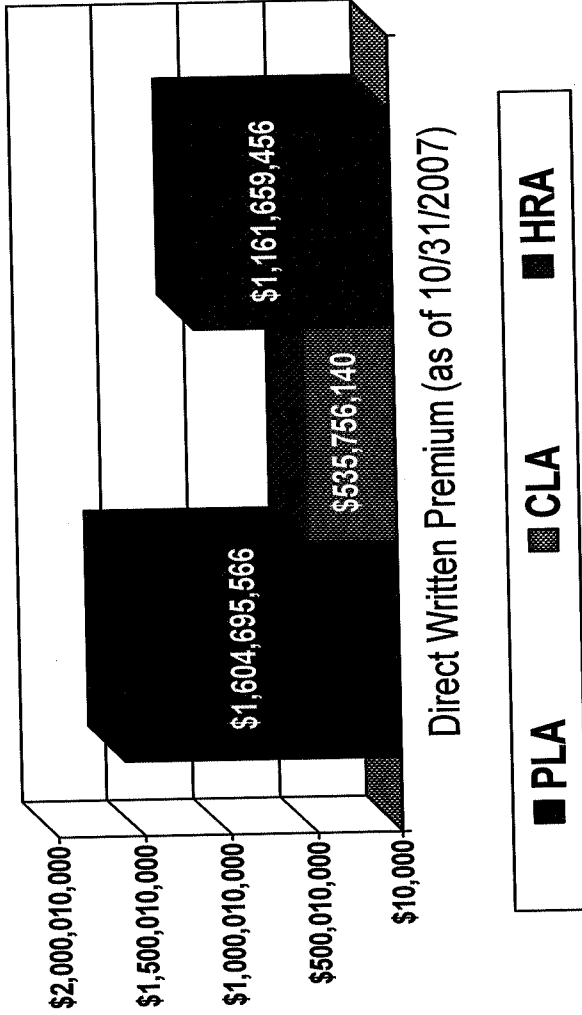
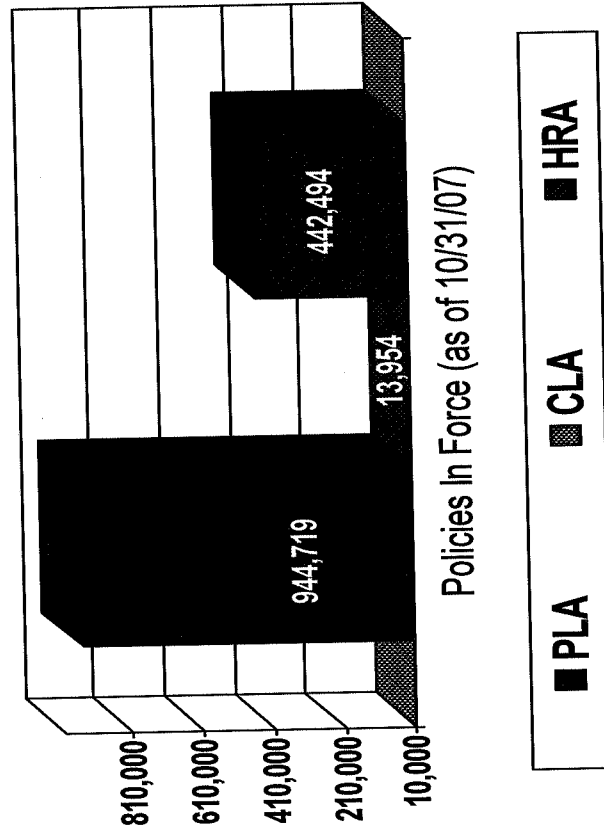
House Jobs & Entrepreneurship Council
January 10, 2008

Citizens At-A-Glance

- Maintains three accounts
 - ~ PLA – (Personal Lines) Homeowners, mobile homeowners, dwelling fire, tenants, condominium unit owners and similar policies. Standard personal lines property policy forms that are comprehensive multi-peril policies providing full coverage or a residential property equivalent to the coverage provided in the private insurance market.
 - ~ 944,719 Policies in Force
 - ~ \$1.6 Billion Direct Written Premium
 - ~ CLA – (Commercial Lines) Commercial residential - condominium association, apartment building and homeowner association policies; and commercial non-residential. Commercial Non-Residential policies are currently wind-only, beginning in 2008 multi-peril non-residential policies will be offered.
 - ~ 13,954 Policies in Force
 - ~ \$535 Million Direct Written Premium
 - ~ HRA – (High Risk Account) Provides windstorm coverage for properties within defined eligible areas. Includes personal residential, commercial residential and commercial non-residential properties. In August of 2007, Citizens began offering a multi-peril policy in the High Risk Account.
 - ~ 424,494 Policies in Force
 - ~ \$1.1 Billion Direct Written Premium

Note: Policies in Force and Direct Written Premiums are as of 10/31/07

Citizens At-A-Glance (cont'd)



Citizens At-A-Glance (cont'd)

• Cash & Invested Assets (~\$10.1 Billion)	
– Bond Proceeds	\$4,657,731,420
– Operating Cash	\$4,961,268,016
– Reserve Funds/Debt Service Accounts	\$ 462,443,185
• Surplus (~\$2.3 Billion)	
– PLA	\$ 986,531,529
– CLA	\$ 522,324,724
– HRA	\$ 808,037,831
• Assessment Base	
– \$34 Billion – Regular Assessment (See Appendix Two)	
– \$37.4 Billion – Emergency Assessment (See Appendix Two)	

Note: Cash & Invested Assets and Surplus at 10/31/07

Citizens At-A-Glance (cont'd)

- Depopulation
 - 2007 270,062 Policies (projected)
 - 2006 67,853 Policies
 - 2005 293,684 Policies

Noteworthy Events Affecting Citizens in 2007

- Expansion of Assessment Base
- Expansion of Florida Hurricane Catastrophe Fund
- Moving from a Market of Last Resort to an Alternative Market
- Rate Rollback and Refunds
- Assumption of PCJUA Commercial Non-Residential Business
- Began Issuing a Single Multi-Peril Policy in HRA Territories
- Offering Payment Plans to Policyholders
- Issuance of Approximately \$1 Billion, Post-Event Financing for HRA
- Issuance of Approximately \$1 Billion, Pre-Event Financing for PLA/CLA
- Implemented Customer Outreach through Statewide Policyholder Forums
- Implementation of Sinkhole Pilot Program
- Expanded Website to Enhance Customer Service

Modeled Loss Report

(as of 9/30/07)

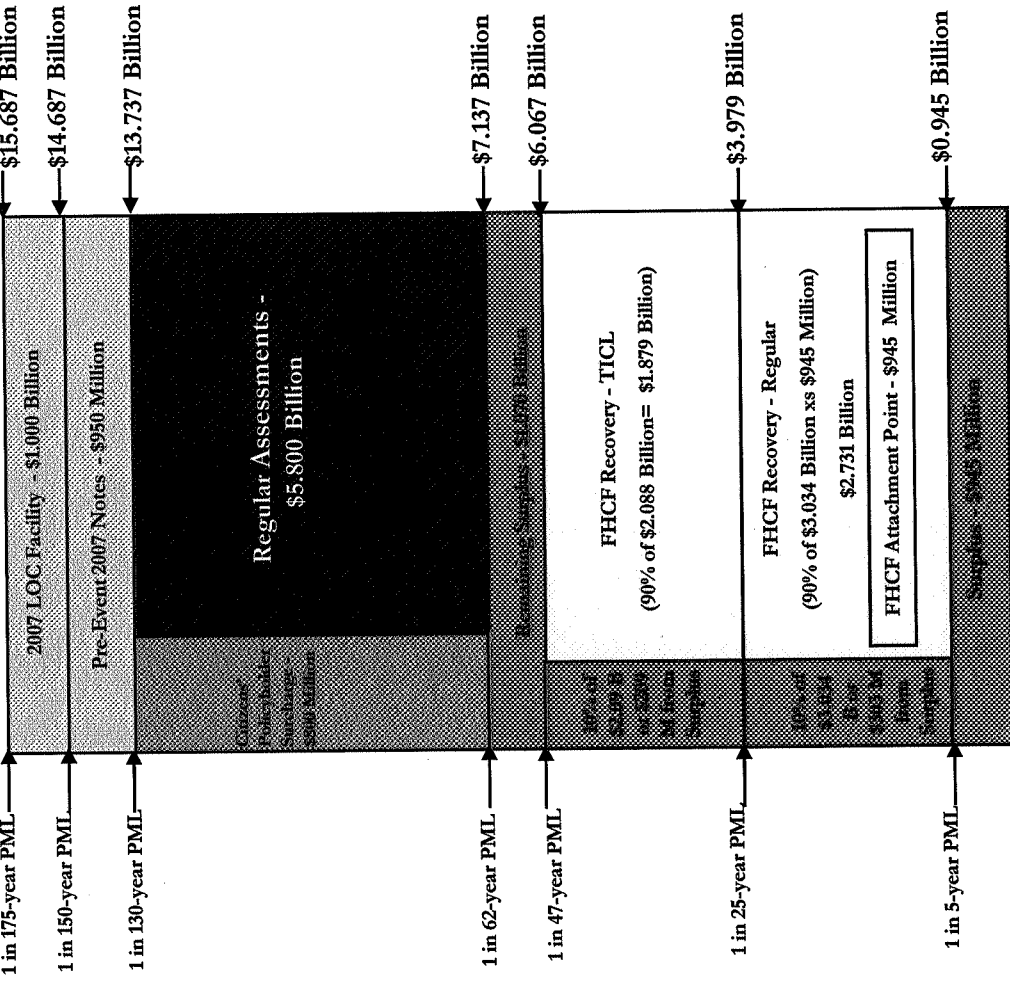
PML Occurrence – Single Event (in thousands)

Return Period	PLA/CLA (Residential)	HRA (High Risk Account)	Commercial Non-Residential Inland Wind Only
10	\$1,774,634	\$2,394,843	\$4,530
20	\$3,311,063	\$4,388,491	\$8,792
30	\$4,507,293	\$6,076,957	\$12,095
50	\$6,483,531	\$9,080,580	\$17,250
100	\$10,315,052	\$14,662,825	\$26,126

Notes:

- 1) PMLs in these tables were calculated using RiskLink version 7.0, Historical (long-term) and Stochastic (mid-term) event sets, weighted, including loss amplification (demand surge) and excluding storm surge. Citizens prepares its PMLs with a weighted rate comprised of 67% Stochastic rate and 33% Historical Rate

PLA/CLA Projected Claims Paying Resources (2008 Hurricane Season) ¹



100 Year PML - \$10.315 Billion
As of 9/30/07

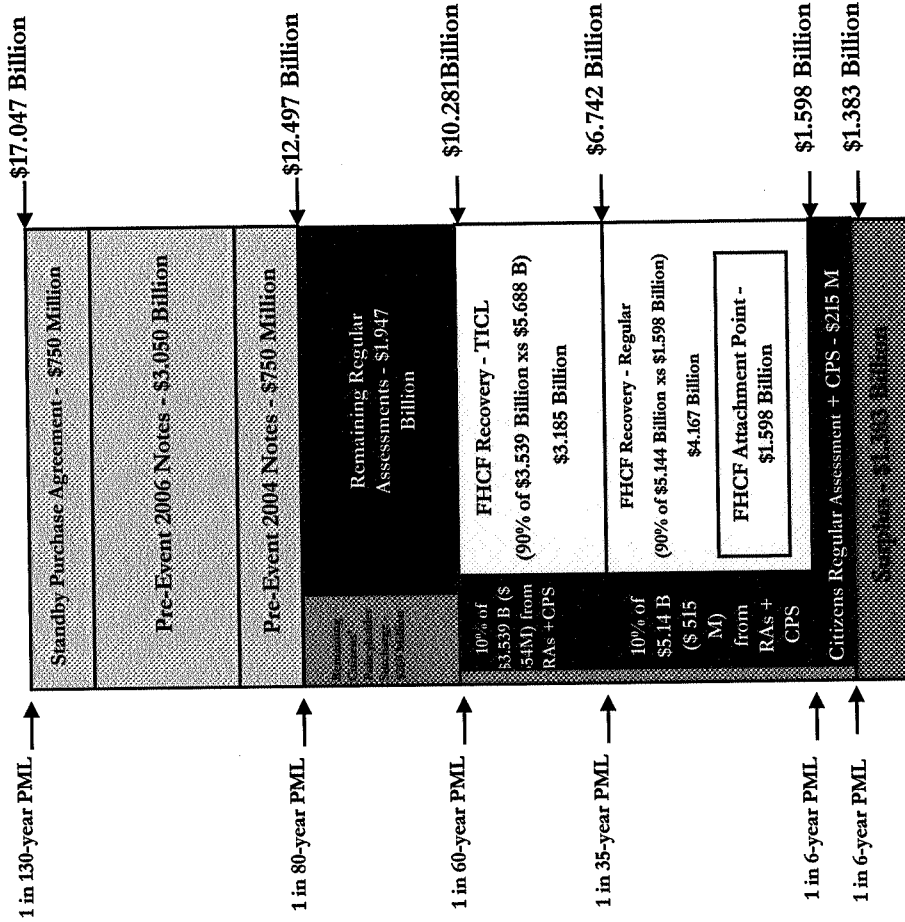
PMLs are weighted 1/3 Historical and 2/3 Stochastic and reflect Single Event Occurrence

¹ Please see Notes & Assumptions attached hereto



HRA Projected Claims Paying Resources (2008 Hurricane Season) ¹

(Not to scale)



100 Year PML \$14,663 Billion
As of 9/30/07

PMLs are weighted 1/3 Historical and 2/3 Stochastic and reflect Single Event Occurrence

¹ Please see Notes & Assumptions attached hereto



Projected Claims Paying Resources - Notes and Assumptions

ASSUMPTIONS

- Citizens' DWP \$4.0 Billion
- Regular Assessment Base
- CS/HB 1A \$33 Billion with \$4.0 Billion base for Citizens' Policyholder Surcharge based on Citizens' DWP
- Emergency Assessment Base
- CS/HB 1A \$37.4 Billion
- Industry FHCF Retention \$6.7 Billion
- Industry FHCF Coverage - Regular \$17.435 Billion
- Industry FHCF Coverage - TICL \$12 Billion, Excludes \$4B TICL Layer which requires SBA approval
- HRA % of FHCF 23.8%
- PLA/CLA % of FHCF 14.1%
- Interim Return Periods are derived by Linear Interpolation.
- Surplus based on 2007 and 2008 projections, 2007 projections are based on surplus as of August 2007
- FHCF projections are based on 2007 numbers

NOTES

- These charts are imperfect! They attempt to show projected PML resources, but they are approximations only, especially for the PLA/CLA. There are three primary reasons for this: (1) the effect of the FHCF in various scenarios (affects both HRA and PLA/CLA). The FHCF is a cumulative resource, but access must be "earned" on an event-by-event basis. This can lead to results significantly different than those shown; (2) the combined/separate status of the PLA/CLA (affects those accounts only). The PLA and CLA are separate accounts for deficit calculation and assessment purposes, but are combined for FHCF purposes and credit purposes. Therefore it is impossible to accurately show the PML resources situation of these accounts on either separate or combined charts, since simplifications/assumptions must be made in either case that could prove materially inaccurate. We have chosen to show the accounts combined, (as has traditionally been done by Citizens), and therefore the separate assessment capabilities of the two accounts are combined for the chart; however there is no guarantee that both accounts will have deficits at the same time, so this depiction could differ significantly from actual results; (3) Business coverage -- which Citizens has in both the HRA and CLA -- is not covered by the FHCF. Depending on the size of this line of coverage, this could result in deficits and assessments more easily than is suggested by the charts.
- In addition, these charts do not show the liquidity situation of the accounts. An account or accounts with ample PML resources may still be short of needed liquidity, primarily because many of the major PML resources (especially the FHCF, but also most of the various assessments) are not immediately available and must have a liquidity bridge. The liquidity situation of the accounts is analyzed separately using a spreadsheet rather than a graphical method.

Citizens Estimated Claims Paying Ability

\$'s in Millions

Description	PLA/CLA	HRA	Pro-Forma Combined
Projected Year-end 2007 Surplus ¹	\$1,700	\$742	\$2,442
Projected 2008 Net Income	\$827	\$641	\$1,468
Total Available for Claims from Surplus	\$2,527	\$1,383	\$3,910
Pre-event Liquidity Available (see next slide for breakdown)	\$1,950	\$4,550	\$6,500
Total Funds Available to Pay Claims	\$4,477	\$5,933	\$10,410
Projected FHCF Coverage (1 st Layer Only) ²	\$2,731	\$4,630	\$7,361
Projected FHCF Coverage (TICL Layer Only) ²	\$1,879	\$3,185	\$5,065
Total Funds Available to Pay Claims (Includes Surplus, Pre-Event, FHCF 1 st and TICL)	\$9,087	\$13,748	\$22,835

NOTES:

- Projected year-end 2007 numbers are based on August actual
- FHCF projections assume that the PLA/CLA and HRA represent approximately the same % of the FHCF as they did in 2007

Appendix One - Claims Paying Resources: Citizens Policyholder Assessments

Policyholder Surcharge

- In 2006, the market equalization surcharge was renamed the Citizens policyholder surcharge.
- This surcharge is levied against Citizens' policyholders only if a regular assessment is levied.
- Levied in a percentage equal to the total amount of the regular assessment divided by the aggregate statewide direction written premium for subject lines of business for the prior calendar year.
- For purposes of calculating the Citizens policyholder surcharge, the total amount of the regular assessment shall be determined without deducting the estimated Citizens policyholder surcharge.
- This surcharge is not considered premium and is not subject to commissions, fees, or premium taxes.
- Failure to pay shall be treated as a failure to pay premium.

Policyholder Assessments

- For plan year deficits incurred year 2008 and beyond, Citizens shall levy the following assessments against its own policyholders:
 - Immediate Nonhomestead Assessment
 - This assessment will be the first assessment levied.
 - Levied against premium of each nonhomestead property policyholder in all accounts as a uniform percentage of the premium of the policy up to 10 percent of such premium.
 - Collected immediately.
 - Additional Citizens Policyholder Assessment
 - This will only be levied if a deficit remains after collection of the immediate nonhomestead assessment.
 - Levied against all Citizens policyholders.
 - Levied against premium of each policyholder in all accounts as a uniform percentage of the premium of the policy up to 10 percent of such premium.
 - Collected at time of issuance or renewal.

Appendix Two - Claims Paying Resources: Regular & Emergency Assessments

Regular Assessments

- Must be levied to fund a deficit in any plan year.
- Levied up to the greater of 10% of the regular assessment base or 10% of the Plan Year Deficit.
- Levied on assessable insurers (admitted insurance companies) and assessable insureds (surplus lines policyholders) collectively in proportion to their share of statewide direct written premium in prior year.
- Aggregate amount of regular assessment is reduced by the estimated amount to be received by Citizens from its own policyholder assessments (future plan years).
- Insurers are obligated to pay within 30 days.
- Insurers may pass regular assessment to their policyholders through rate filing process.
- Citizens has a program in which assessable insurers may reduce their assessment exposure based on their wind writings in the HRA.
- Limited Apportionment Companies may pay their regular assessment over a twelve month period.

Emergency Assessments

- Must be imposed upon determination that regular assessments and Citizens policyholder assessments are insufficient to fully fund a Plan Year Deficit.
- Levied up to the greater of 10% of the emergency assessment base or 10% of the Plan Year Deficit, plus interest, reserves and other financing costs.
- Levied as a uniform percentage of premiums on all policies in the subject lines of business (including Citizens).
- Collected by insurers, Citizens, and the Florida Surplus Lines Service Office upon issuance or renewal of policies.