



Insurance & Banking Subcommittee

**Tuesday, October 8, 2013
3:30 PM
404 HOB**

Committee Meeting Notice

HOUSE OF REPRESENTATIVES

Insurance & Banking Subcommittee

Start Date and Time: Tuesday, October 08, 2013 03:30 pm
End Date and Time: Tuesday, October 08, 2013 05:30 pm
Location: Sumner Hall (404 HOB)
Duration: 2.00 hrs

Presentation by Citizens Property Insurance Corporation relating to non-catastrophic loss experience and coverage issues

Status update on mortgage lending in Florida:

- Health of the industry
- Availability of financing
- Impact on the real estate market

Overview of the Florida Housing Finance Corporation's Hardest Hit Fund and Principal Reduction Program

NOTICE FINALIZED on 10/01/2013 15:28 by Ellinor.Martha



The Florida House of Representatives

Regulatory Affairs Committee

Insurance & Banking Subcommittee

Will Weatherford
Speaker

Bryan Nelson
Chair

AGENDA

Tuesday, October 8, 2013

404 HOB

3:30 pm – 5:30 pm

- I. Call to Order
- II. Roll Call
- III. Presentations and discussion on mortgage lending in Florida
 - a. John Sebree, Senior Vice President of Public Policy
Florida Realtors
 - b. Drew Breakspear, Commissioner
Florida Office of Financial Regulation
 - c. Anthony DiMarco, Executive Vice President of Government Affairs
Florida Bankers Association
- IV. Overview of the Florida Housing Finance Corporation's Hardest Hit Fund –
Principal Reduction Program

David Westcott, Director
Homeownership Programs
- V. Presentation regarding Citizens Property Insurance Corporation's
non-catastrophic loss experience and coverage issues

Barry Gilway, President/CEO and Executive Director
- VI. Adjournment



FloridaRealtors®

The Voice for Real Estate® in Florida

Mortgage Lending in Florida: Impact on the Real Estate Market

Florida House of Representatives
Insurance & Banking Subcommittee
October 8, 2013

John Sebree
Senior Vice President of Public Policy



Monthly Market Summary – August 2013

Single Family Homes in Florida

Summary Statistics	August 2013	August 2012	Percent Change Year-over-Year
Closed Sales	20,933	18,614	12.5%
Paid in Cash	8,700	7,952	9.4%
New Pending Sales	23,639	20,177	17.2%
New Listings	30,957	26,368	17.4%
Median Sale Price	\$175,000	\$147,500	18.6%
Average Sale Price	\$247,175	\$217,667	13.6%
Median Days on Market	47	58	-19.0%
Average Percent of Original List Price Received	94.3%	91.9%	2.6%
Pending Inventory	47,887	(No Data)	N/A
Inventory (Active Listings)	94,511	107,708	-12.3%
Months Supply of Inventory	5.1	6.7	-23.4%



Distressed Market Summary

	August 2013	August 2012	Percent Change Year-over-Year
Traditional	Closed Sales	11,273	30.9%
	Median Sale Price	\$182,900	14.8%
Foreclosure/REO	Closed Sales	3,208	11.6%
	Median Sale Price	\$92,501	13.3%
Short Sale	Closed Sales	4,133	-37.0%
	Median Sale Price	\$114,000	14.0%



Florida Realtors Survey

What issues concern you in your ability to do business?

63.2% = Cost of Property Insurance

42.5% = Appraisals

41.5% = Availability of financing

20% = High percentage of cash buyers



Tight Credit and Slow Lending

- Realtors continue to express concern over unreasonable tight credit conditions.
- Mortgage lenders appear to continue to display very high levels of risk aversion.
- In the 2001-04 time frame, approximately 40% of residential loans went to applicants with credit scores above 740. That number is now around 50%.



Tight Credit and Slow Lending

- The housing and mortgage markets have over-corrected.
- The result has been excessively tight underwriting criteria.
- Many homeowners have been unable to afford their mortgages and unable to refinance or sell.
- Cash is King!



Tight Credit and Slow Lending

- 30% of Americans are unlikely to be approved for a mortgage
- Federal Reserve's survey of loan officers and bank lenders - banks are less likely to originate mortgages with FICO scores in the 620 range, even with a 10% or 20% down payment



Lower credit scores disappear

- Between 2007 and 2012, originations for borrowers with a credit score between 620 and 680 tumbled 90%
- During the same period, originations for borrowers with a score greater than 780 fell by 30%



More Credit = More sales

Our national economist predicts that an additional 500,000 to 700,000 sales could be made if credit conditions returned to normal.



Major Bright Spot for Florida International Buyers

\$6.4 billion
Value of FL residential property sold
to
international buyers & recent
immigrants

(July 2012 – July 2013)



FloridaRealtors®

Top states with Internationals Residential Transactions

- 
1. Florida
 2. California
 3. Texas
 4. Arizona
 5. New York
 6. Virginia
 7. Nevada
 8. Hawaii
 9. Illinois
 10. Michigan



Impact of Global Cash Buyers

\$175,000

Overall median price paid by FL homebuyer

vs.

\$216,477

Median price paid by international buyer purchasing FL property



84% of all international buyers purchased with cash



Homeownership Matters

- Home owners are 28 percent more likely to repair or improve their residence than renters
- Each home purchase generates as much as \$60,000 of economic activity in the local and surrounding area
- Children of home owners are 20 percent less likely to become teenage mothers
- Home owners are 28 percent more likely to vote
- The college graduation rate for children of home owners is 116 percent higher



Questions?



FloridaRealtors®



Florida Office of Financial Regulation

Overview of the Current Status of the
Banking and Mortgage Industries

October 8, 2013
Commissioner Drew J. Breakspear



Mission Statement

To protect the citizens of Florida, promote a safe and sound financial marketplace, and contribute to the growth of Florida's economy with smart, efficient and effective regulation of the financial services industry.



Smart, Efficient and Effective Regulation

Employees: 357

Budget: \$37 million

Registrants: 384,958

**As of June 30, 2013*

Reports to Financial Services Commission

- Governor Rick Scott
- Chief Financial Officer Jeff Atwater
- Attorney General Pam Bondi
- Agriculture Commissioner Adam Putnam



OFR saw a 25% increase in the number of cases resulting in enforcement actions from fiscal year 11-12 to 12-13.



Division of Financial Institutions

Licenses and Regulates State-Chartered Financial Institutions, Including:

- **Banks - 139**
- **Credit Unions - 71**
- **International Bank Offices - 27**
- **Trust Companies – 12**

Total – 249

**As of October 2, 2013*



Division of Securities

Protects the investing public from unlawful securities activities through regulating the sales of securities in, to or from Florida. Regulated entities include:

- **Dealers – 2,862**
- **Investment Advisers – 4,961**
- **Branches – 10,344**
- **Stockbrokers – 286,828**

Total registrants at June 30, 2013 - 304,923

**As of June 30, 2013*



Division of Consumer Finance

Licenses and regulates the non-depository financial service industry, including:

- **Mortgage Loan Brokering, Origination, & Servicing**
1,889 Companies – 1,086 Branches – 16,092 Individuals
- **Collection Agencies** - 1,506 Consumer Collectors - 167 Commercial Collectors
- **Consumer Finance Companies** - 106 Companies at 293 Locations
- **Retail Installment Sales** – 5,654 Companies – 1,727 Branches
- **Money Services Businesses** – 1,429 Companies with an additional 49,681 Authorized Locations and Branches
- **Title Loan Lending** - 0

Over 79,600 licensed companies, branches/locations, & individuals

**As of September 30, 2013*



Bureau of Financial Investigations



A criminal justice agency responsible for conducting investigations into alleged fraudulent and unlicensed activity under the jurisdiction of the Office of Financial Regulation.

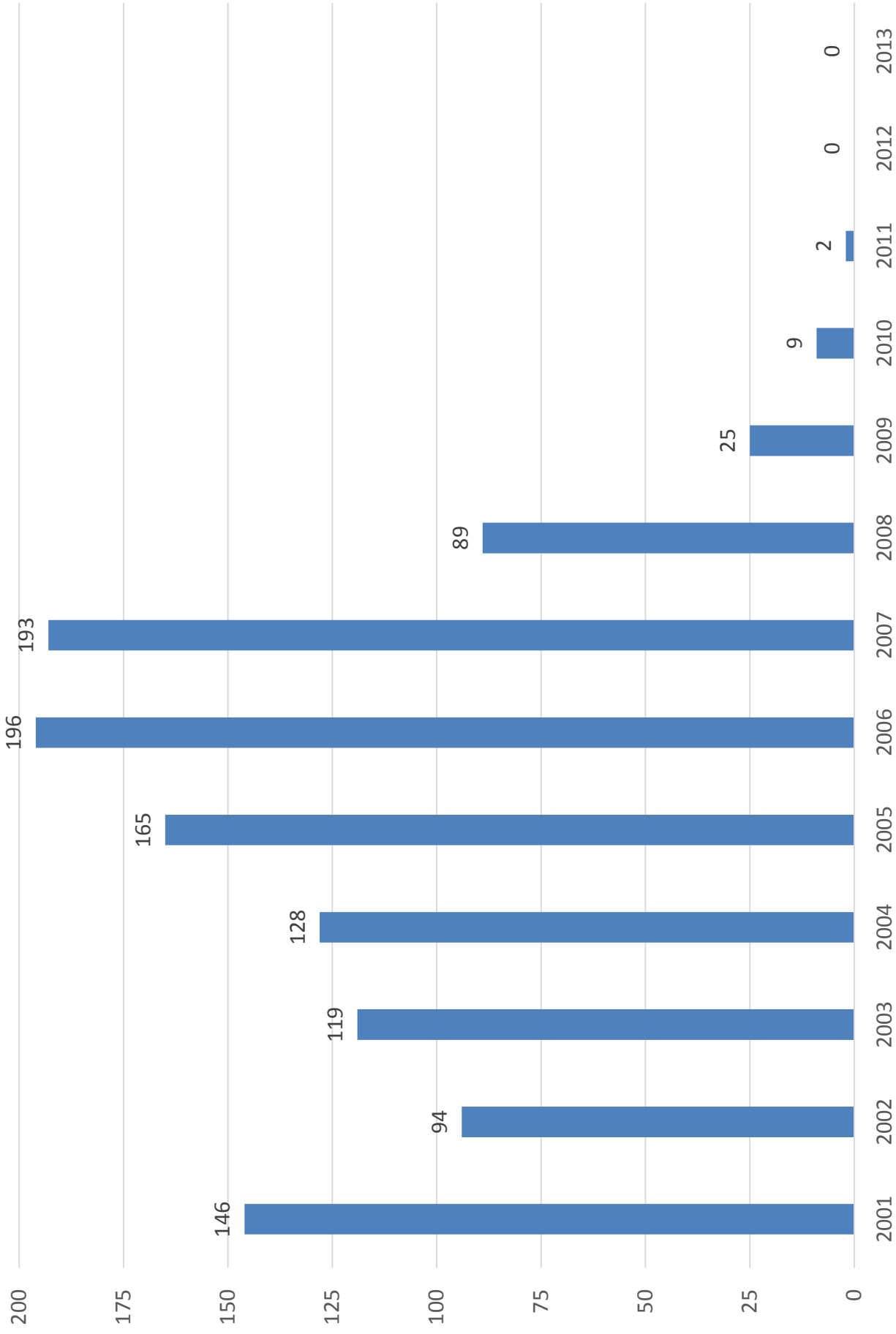
- **Investigations Closed – 170**
- **Investigations Resulting in Criminal Actions – 46**
- **Total Defendants Convicted – 71**
- **Years of Prison Time – 240 Years**

A 31% increase in the number of defendants convicted from fiscal year 11-12 to 12-13.



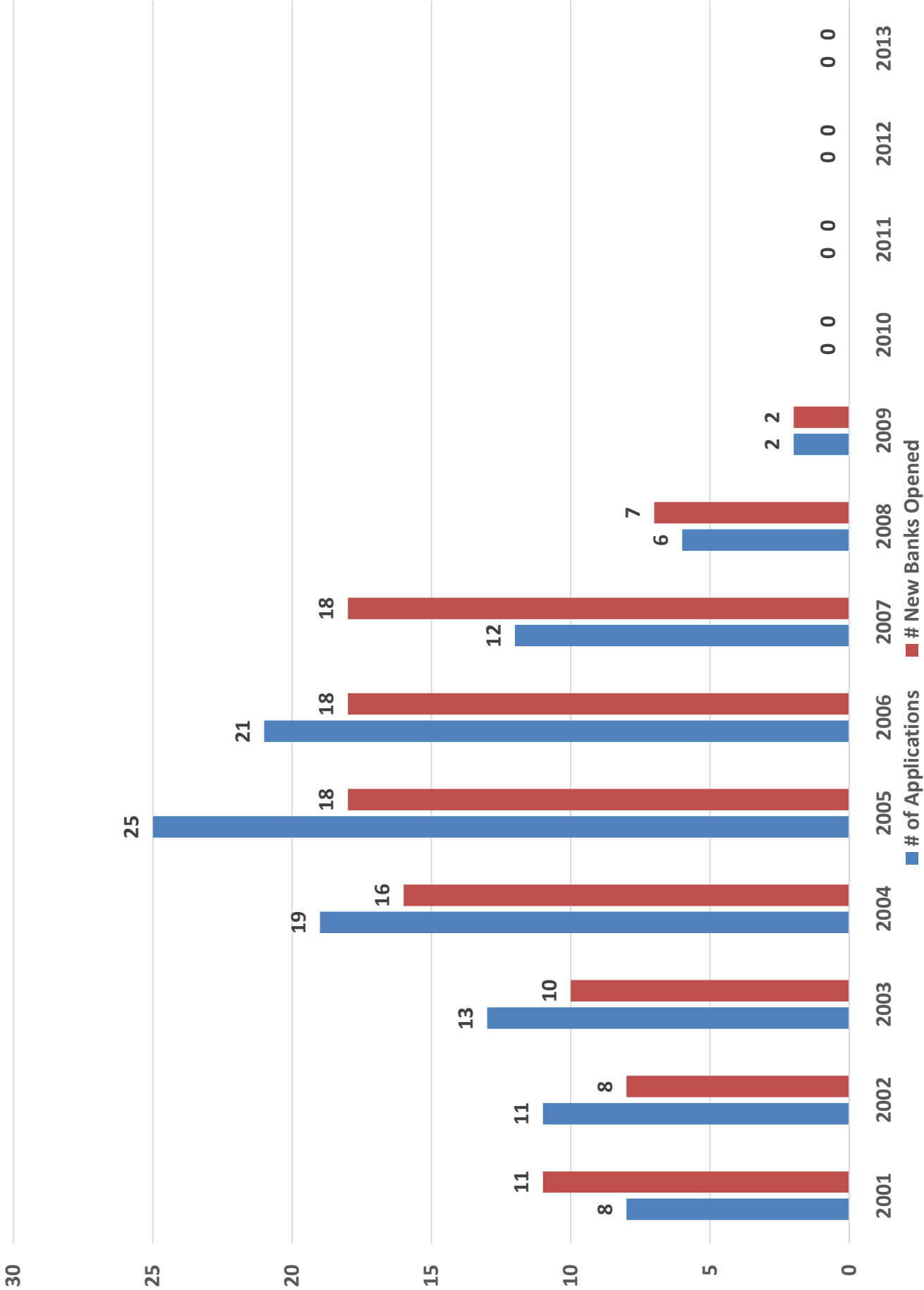
FLORIDA LICENSING AND CHARTERING

Number of New Bank Charters Nationwide

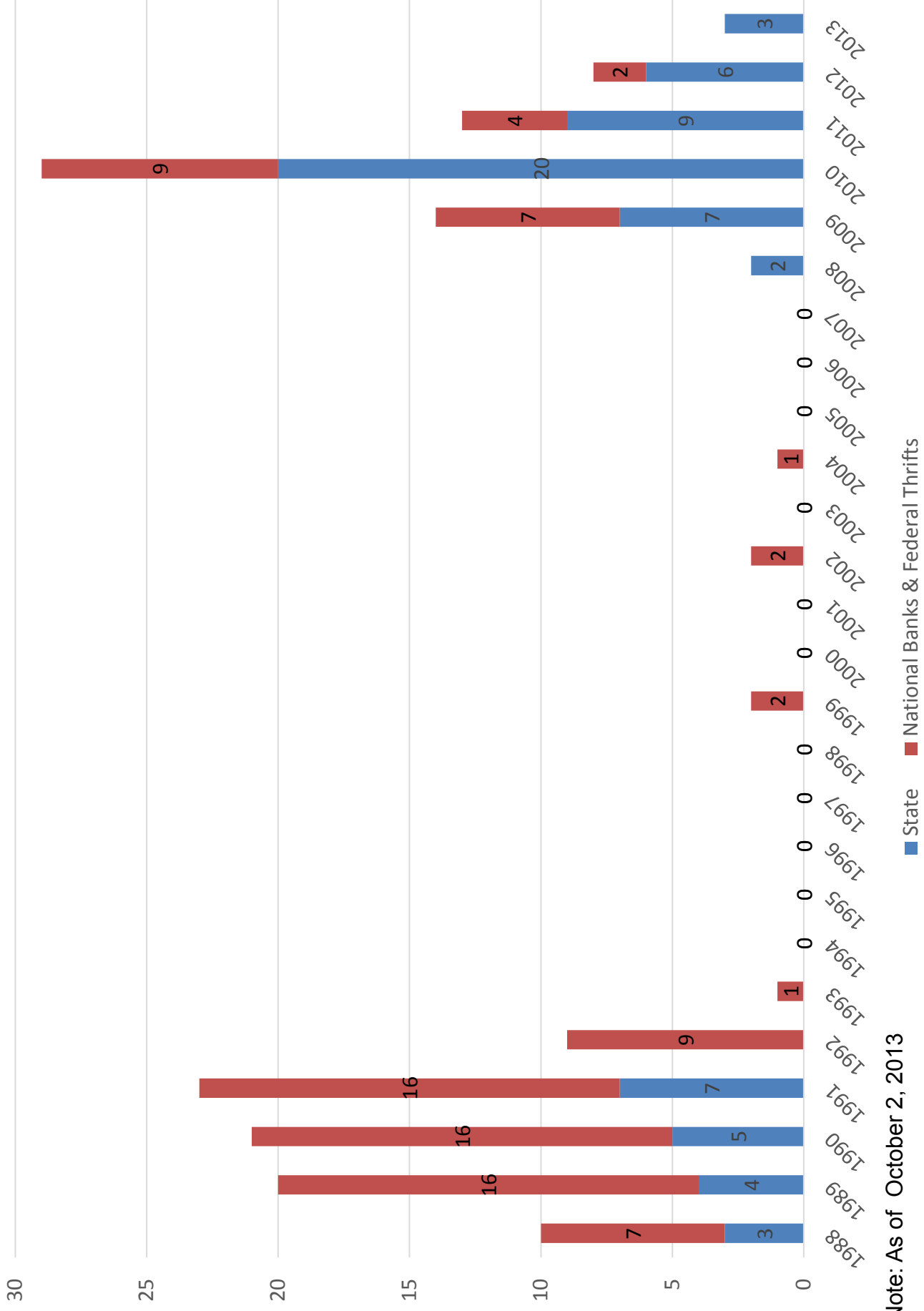


Source: FDIC

De Novo Bank Applications Received/Opened by OFR



Florida Bank Failures

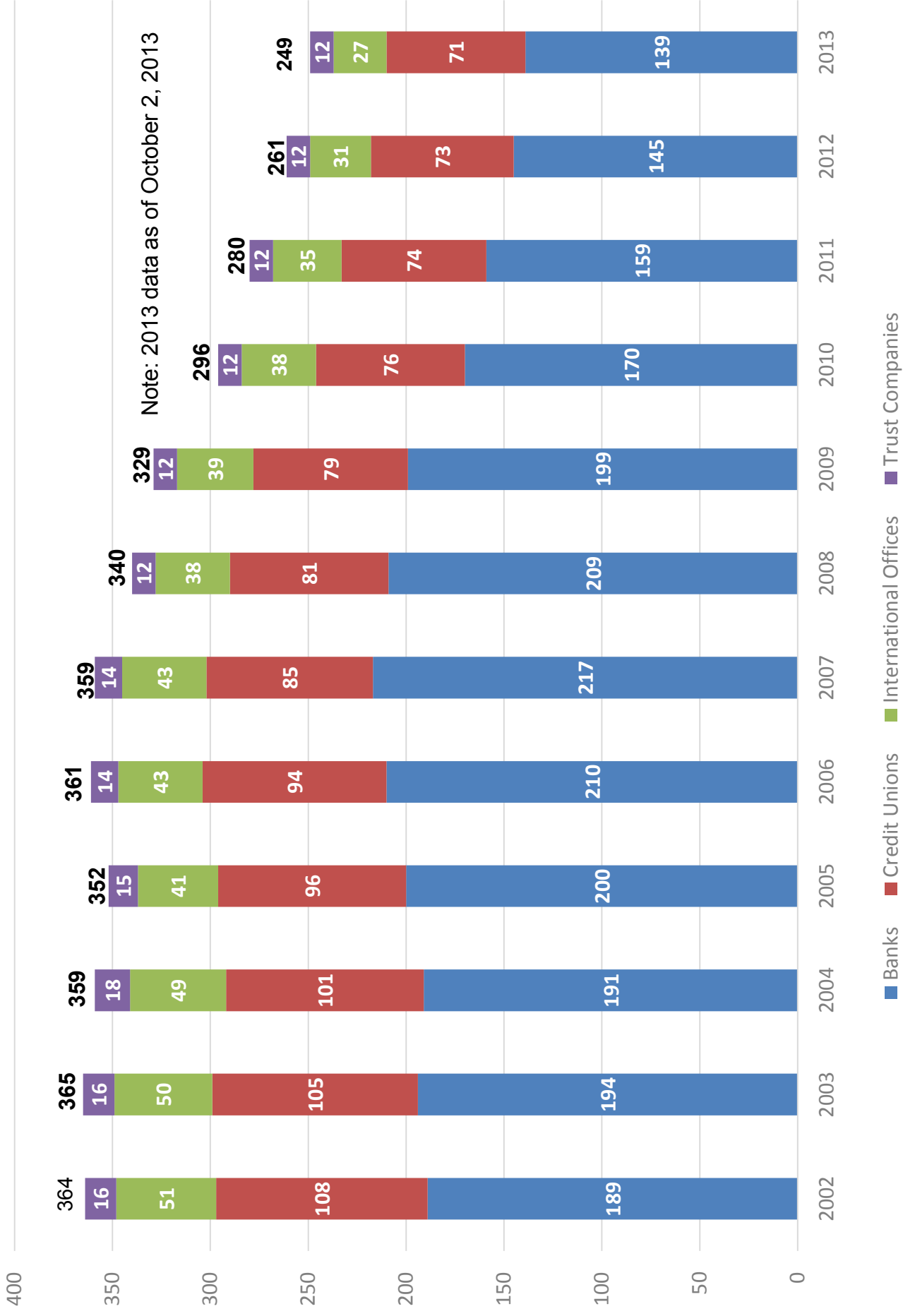


Note: As of October 2, 2013

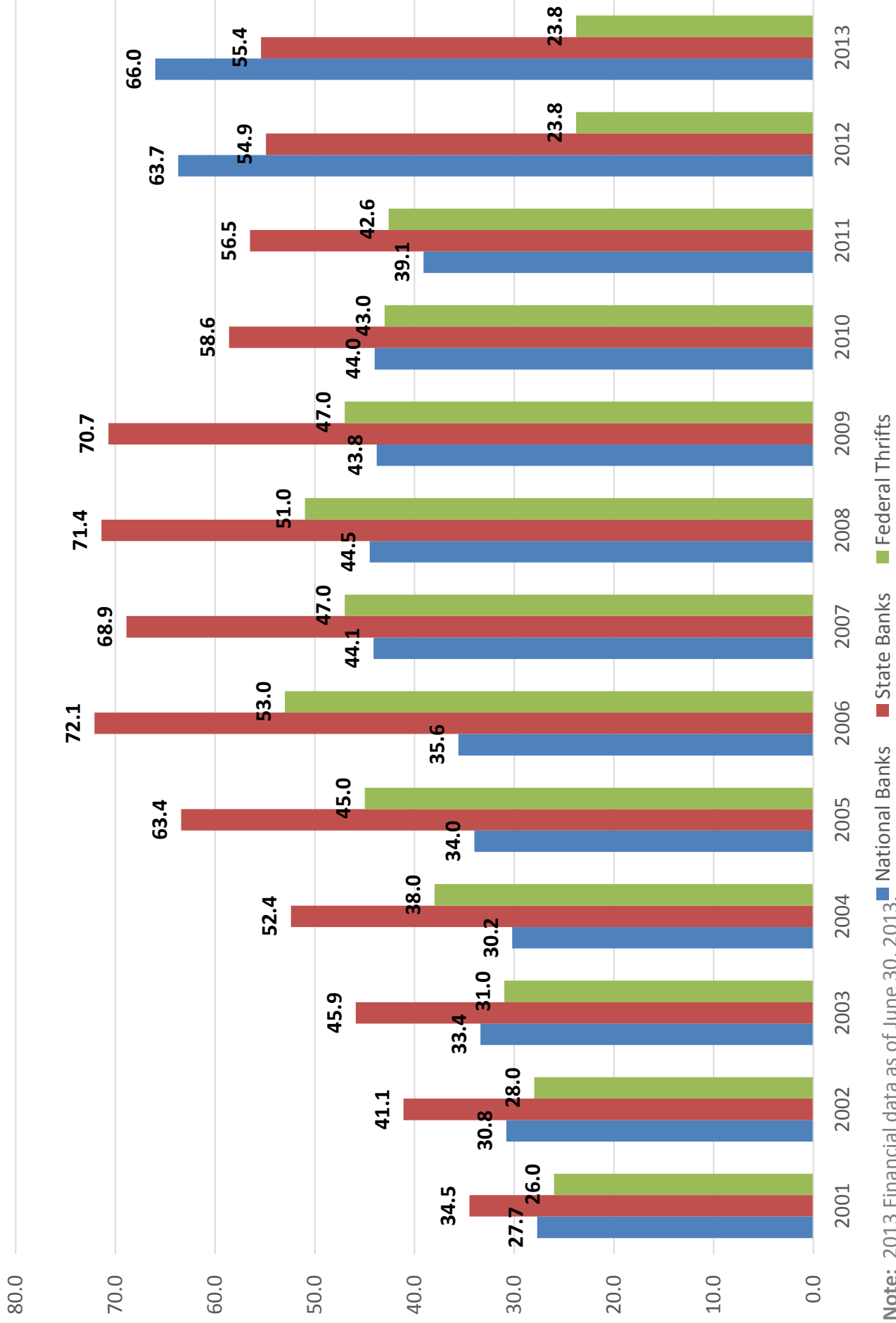


FLORIDA FINANCIAL INSTITUTION INFORMATION

NUMBER OF STATE FINANCIAL INSTITUTIONS



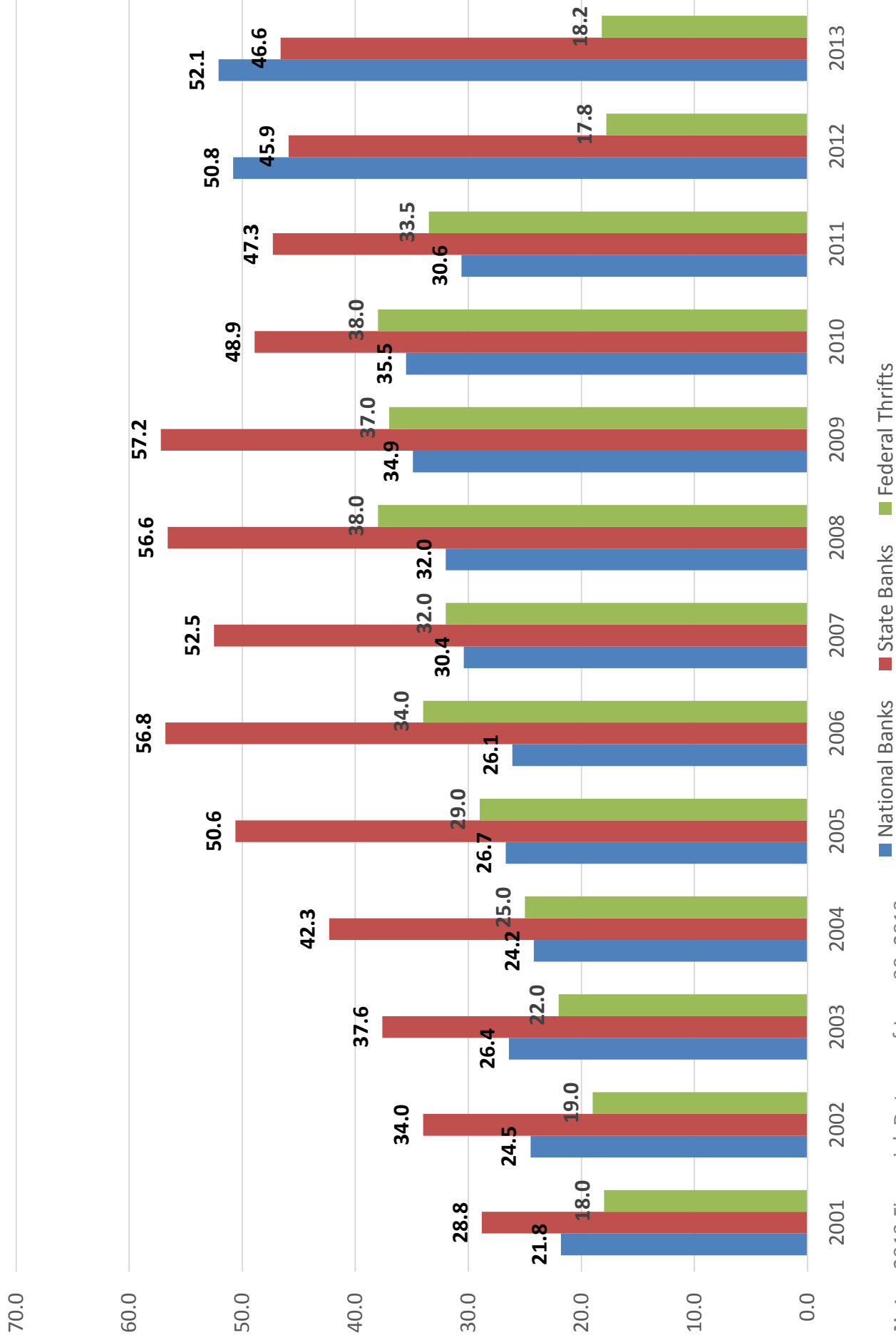
Assets-Florida Financial Institutions



Note: 2013 Financial data as of June 30, 2013.

■ National Banks ■ State Banks ■ Federal Thrifts

Deposits-Florida Financial Institutions



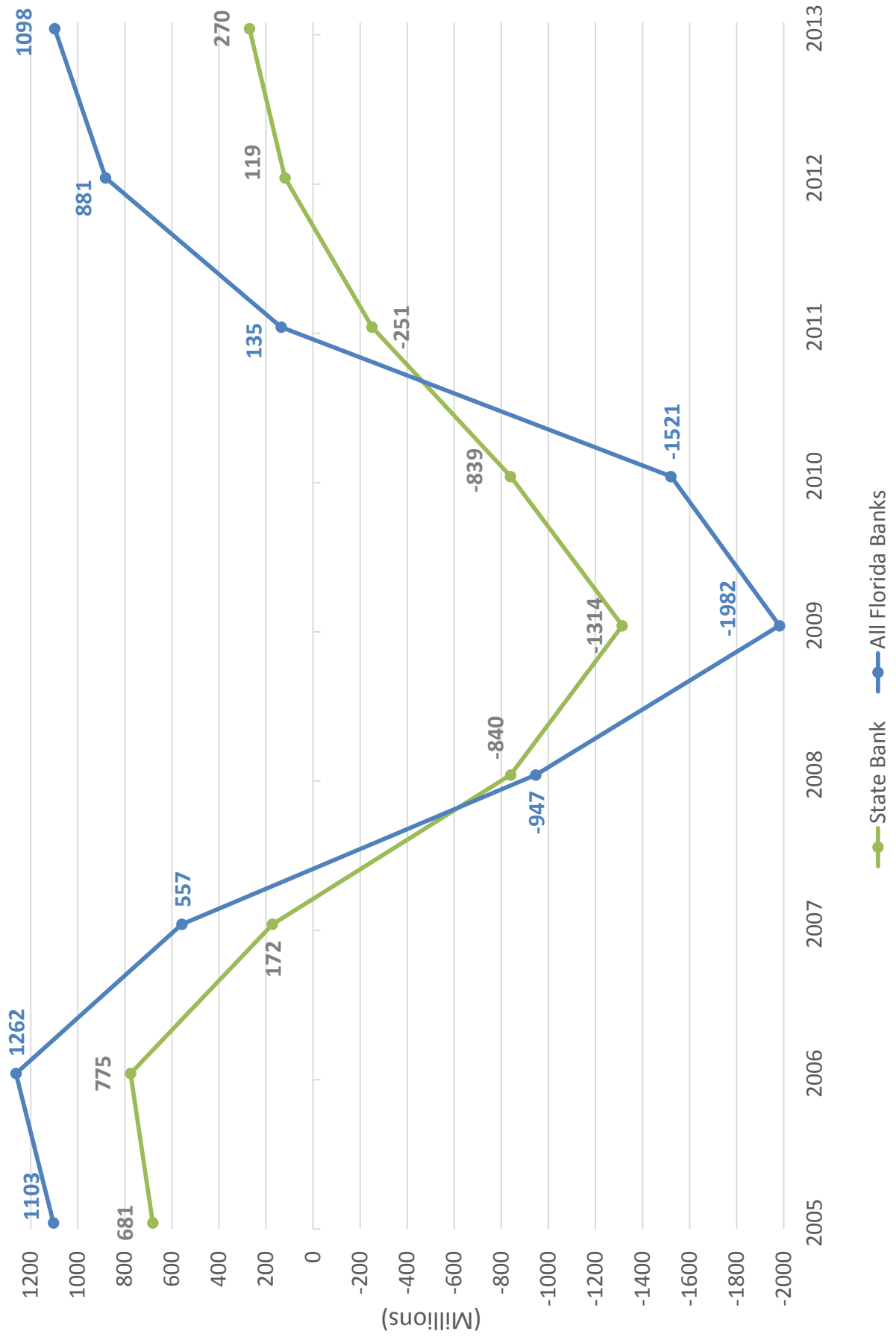
Note: 2013 Financial Data as of June 30, 2013.



FLORIDA BANKING INDUSTRY TRENDS

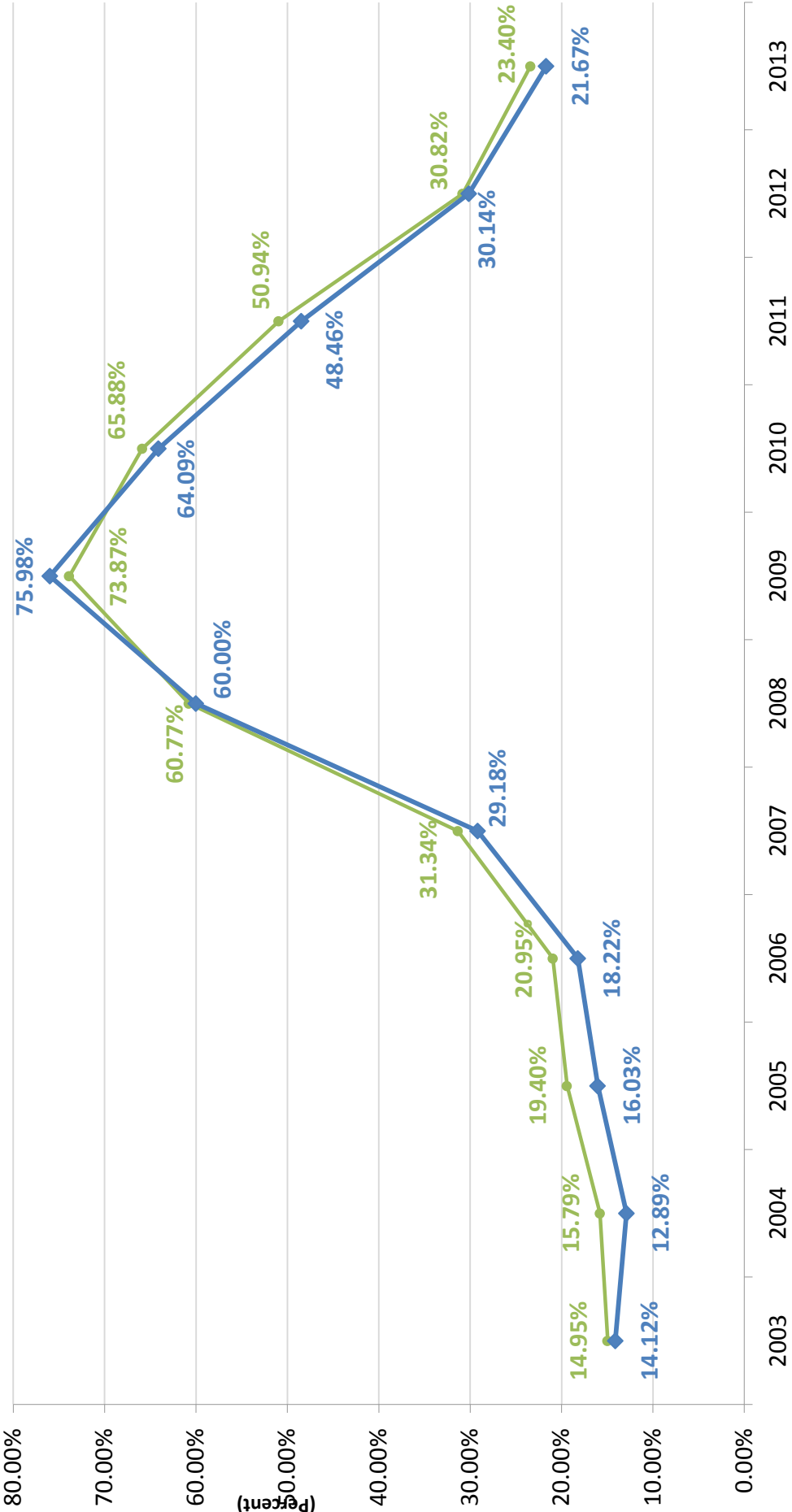
(through June 30, 2013)

Net Income - Florida Banks



* 2013- Annualized as of June 30, 2013 Totals

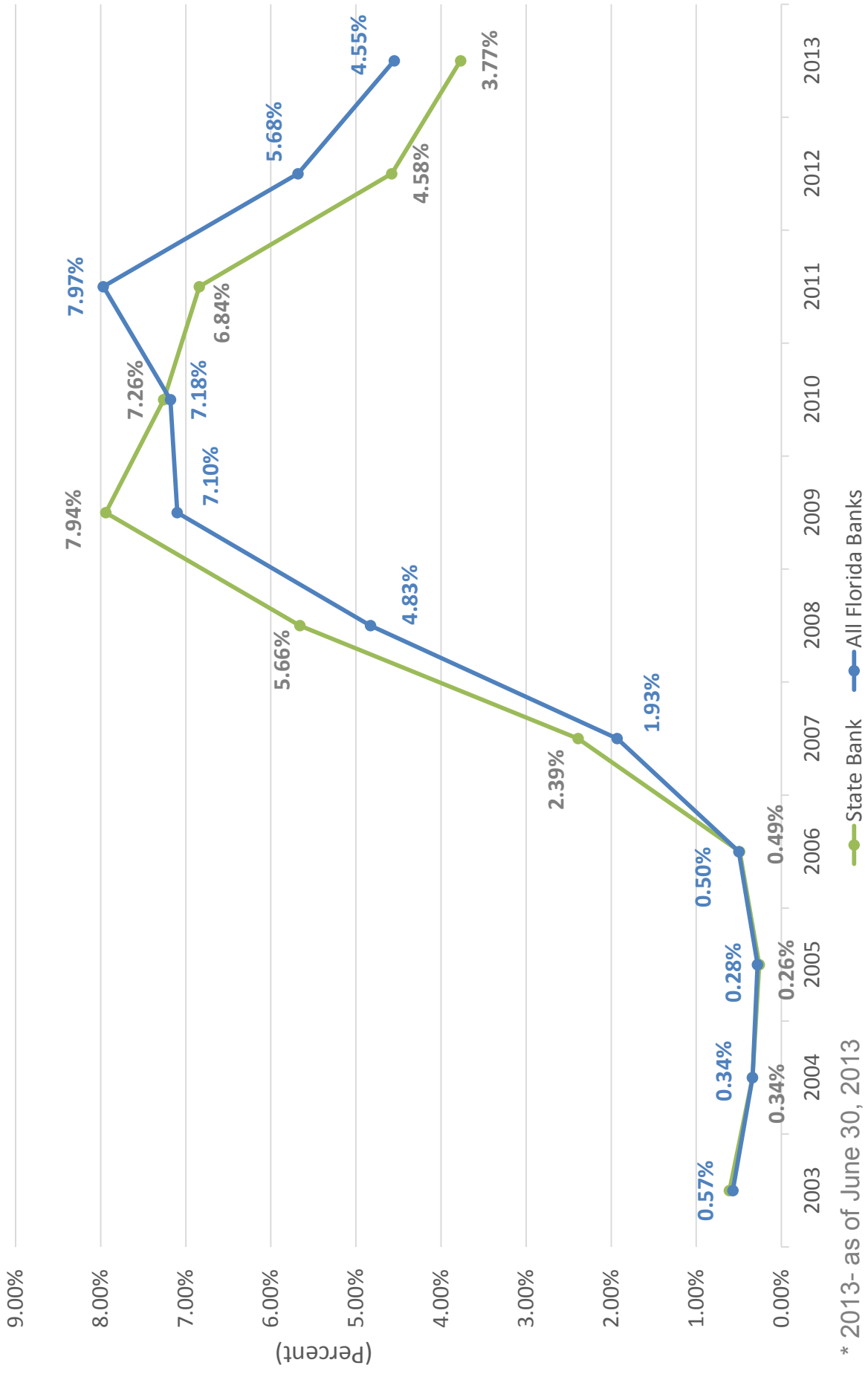
Percent of Unprofitable Banks Headquartered in Florida 2003– 2013



Note: 2013 Financial Data as of June 30, 2013.

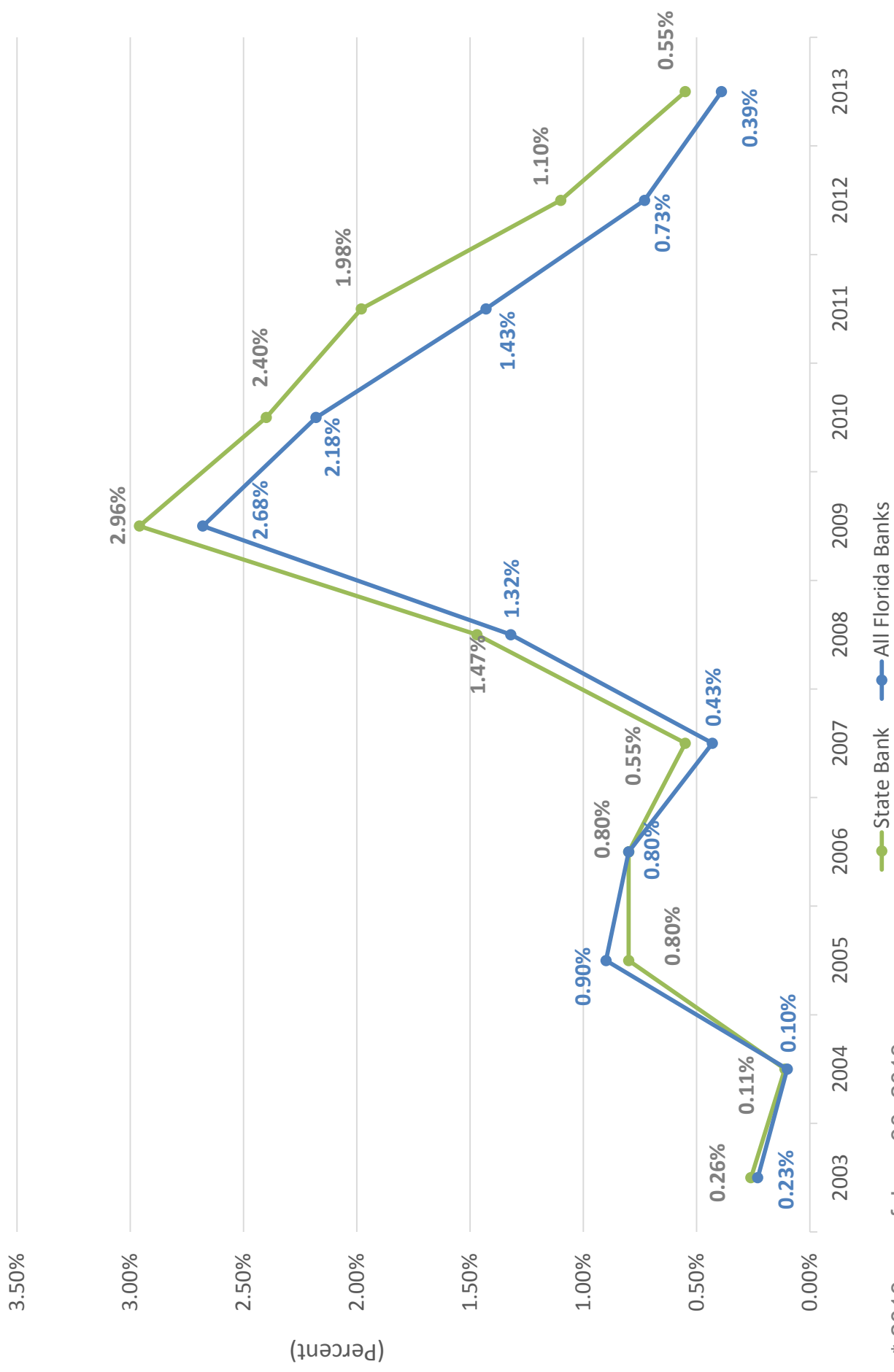
State Bank All Florida Banks

Delinquent Loans/Total Loans - Banks Headquartered in Florida (90+ Days Past Due)



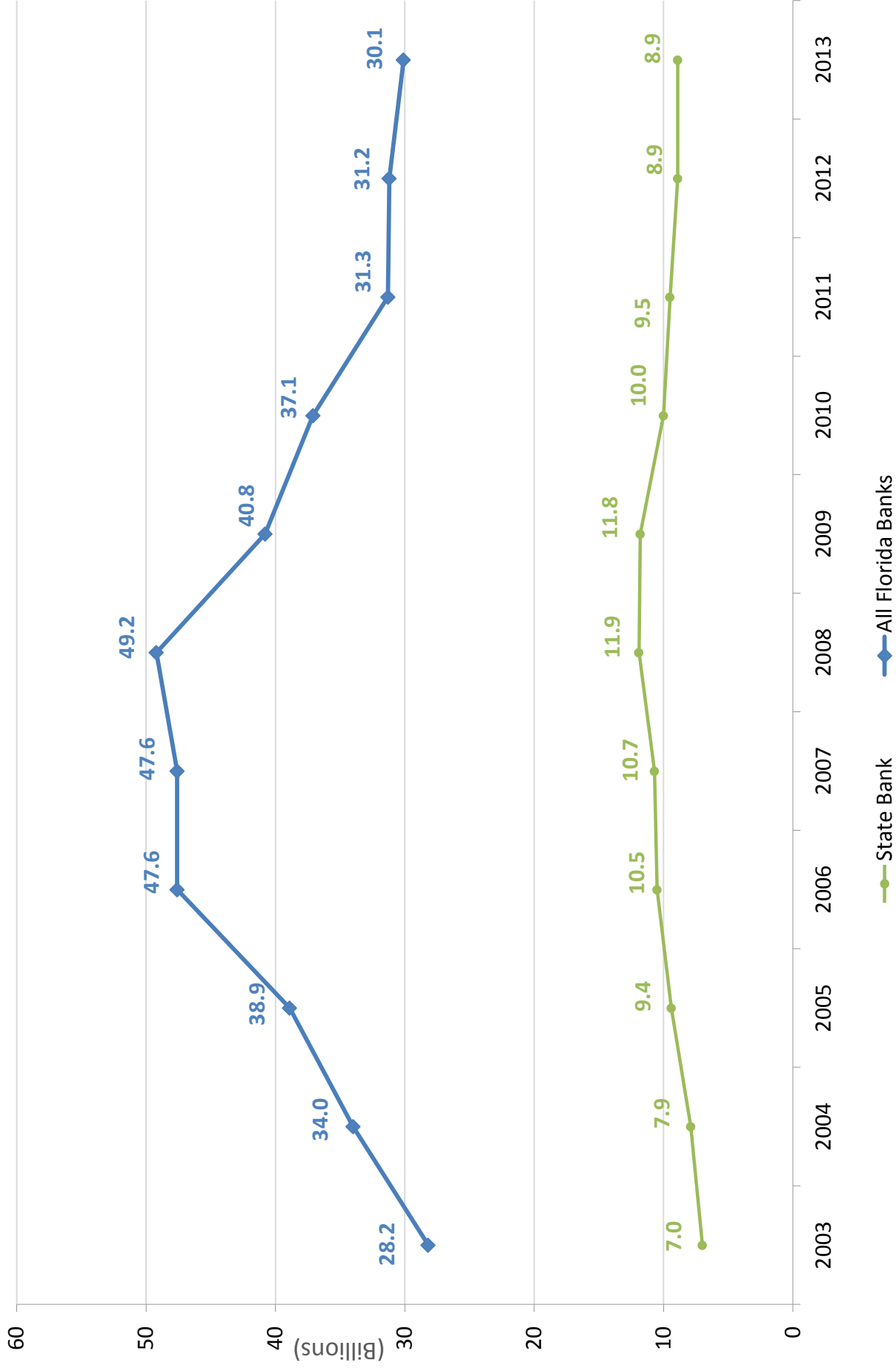
* 2013- as of June 30, 2013

Net Charge-Offs/Average Loans - Florida Banks



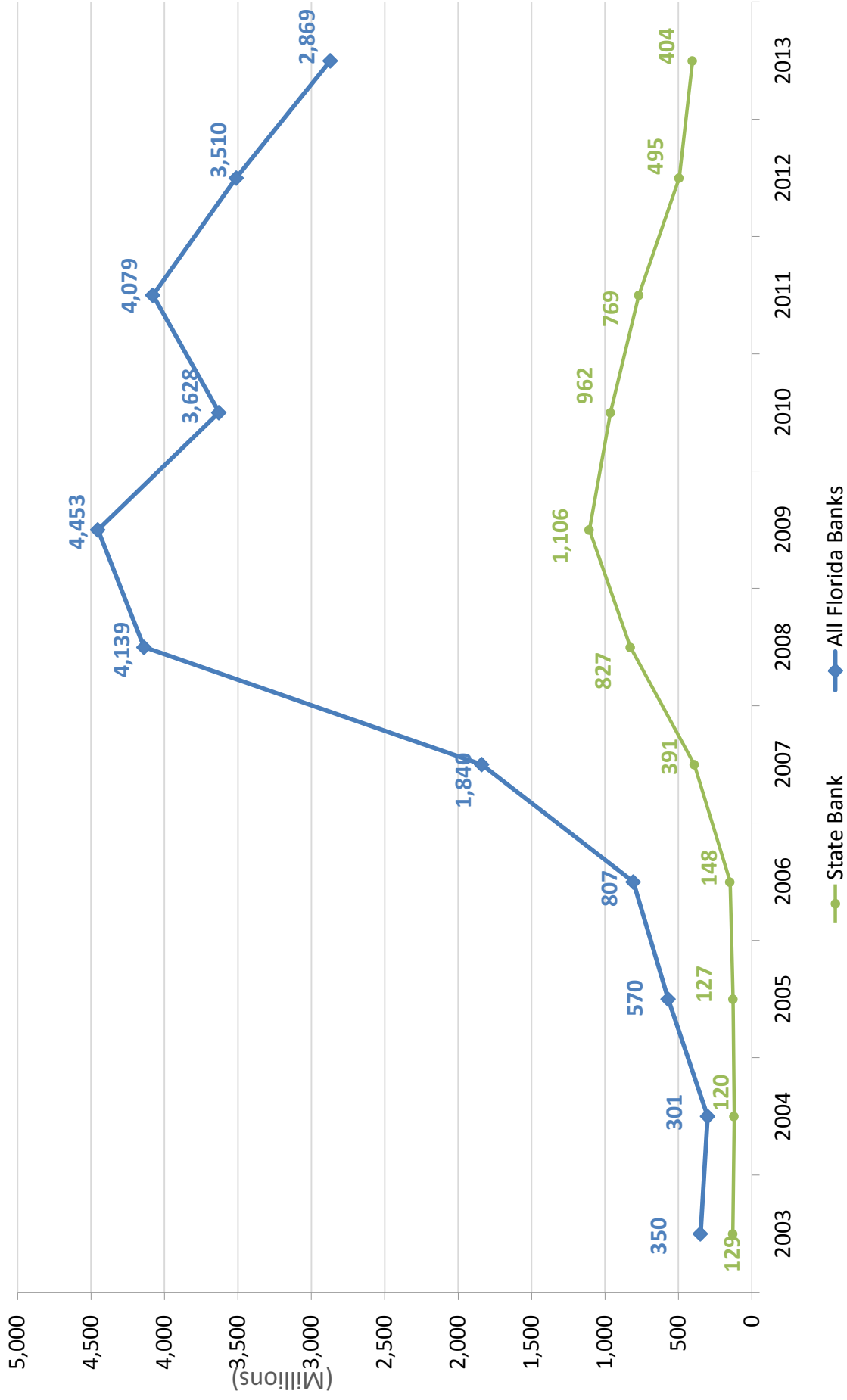
* 2013- as of June 30, 2013

Volume of Family Residential Loans – Florida Banks 2003– 2013



Note: 2013 Financial Data as of June 30, 2013.

Family Residential Loans > 30 Days Past Due or Non-Accrual - Florida Banks 2003– 2013



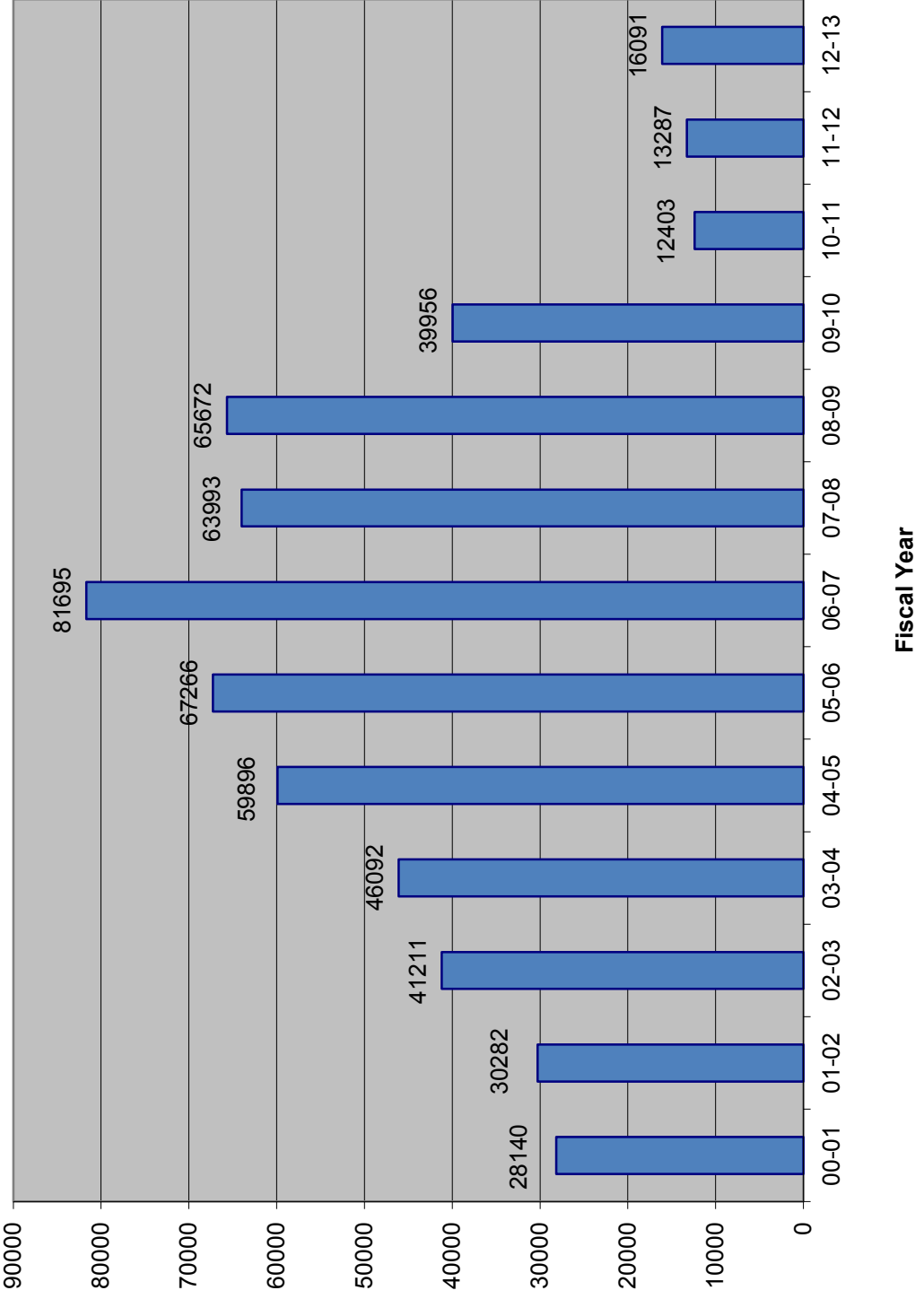
Note: 2013 Financial Data as of June 30, 2013.



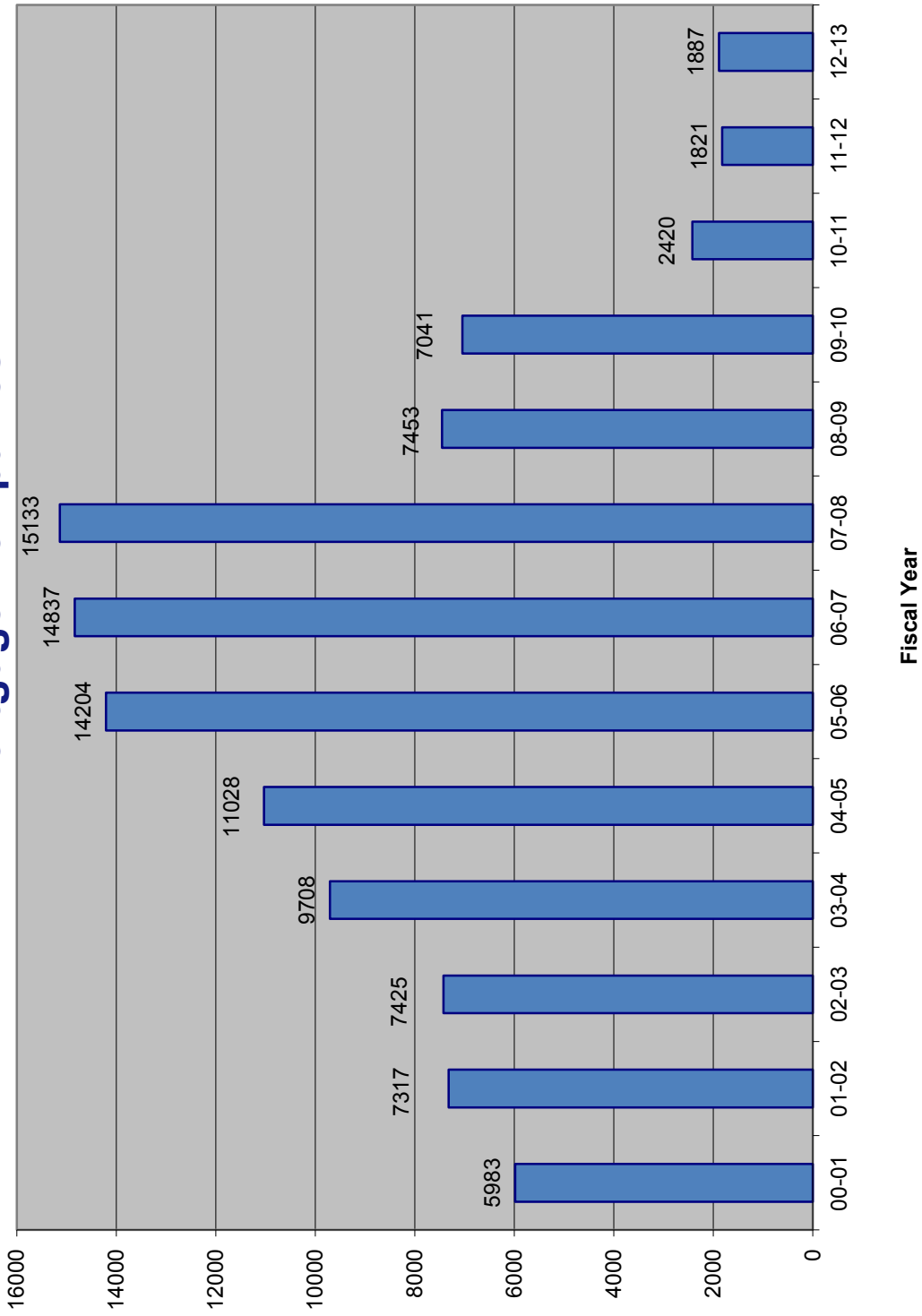
FLORIDA MORTGAGE INDUSTRY TRENDS

(through June 30, 2013)

Consumer Finance Active Licenses Mortgage Loan Originators



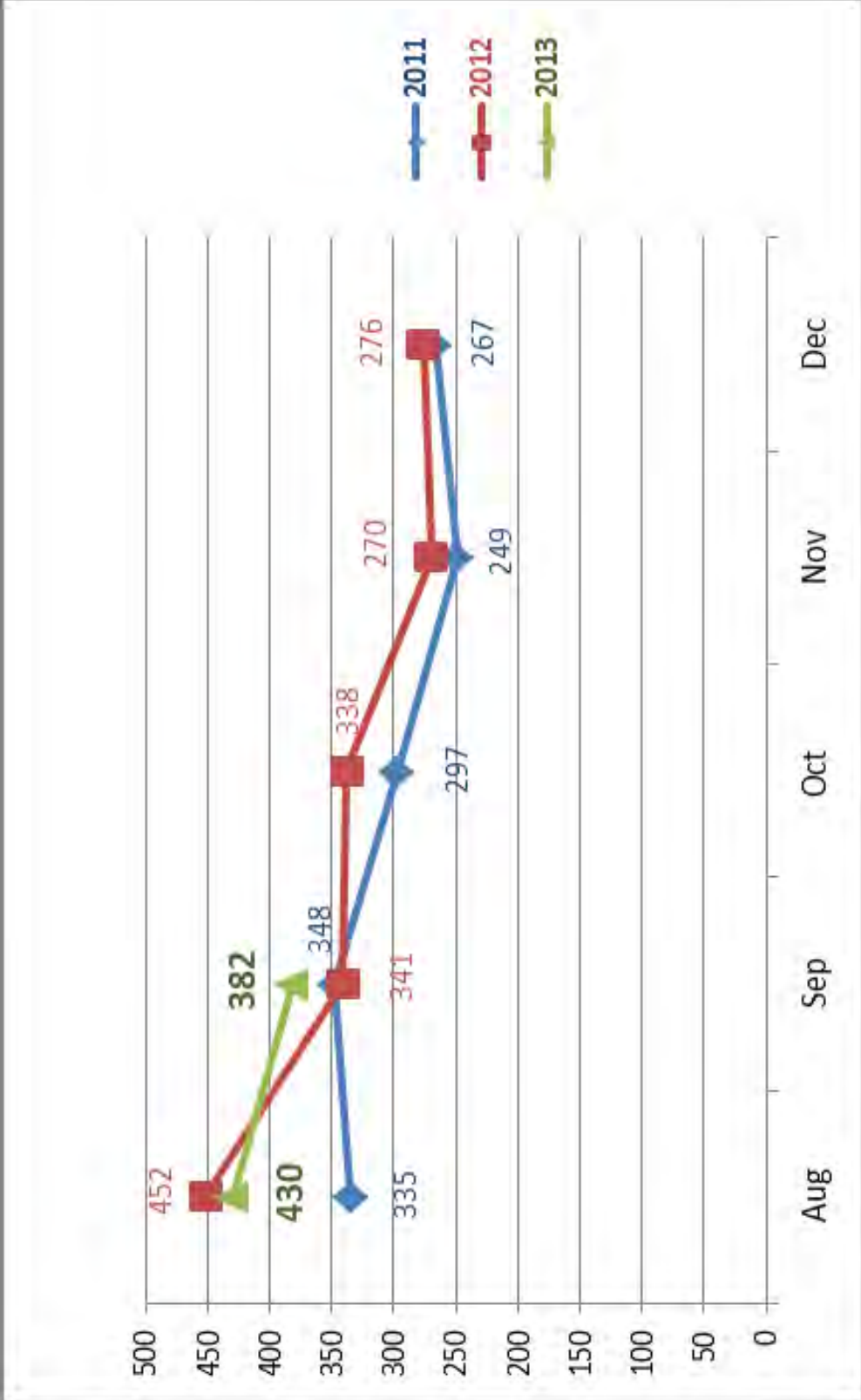
Consumer Finance Active Licenses Mortgage Companies



*As of June 30, 2013

Mortgage Loan Originator Applications Calendar Year End Trends

License Renewals Annually – Renewal Deadline is December 31



Florida Mortgage Activities

Dollars in Billions

*2013 Projected Based on 1st & 2nd Quarter Results





Mortgage Fraud Trends - Risks

- Florida is ranked 4th riskiest state for Mortgage Fraud
- Cape Coral – Ft. Myers is the riskiest MSA for Mortgage Fraud
- Florida has 6 of the top 10 riskiest MSAs for Occupancy Fraud Risk
 - 1 – Cape Coral-Ft. Myers
 - 2 – Port St. Lucie
 - 4 – Deltona-Daytona Beach-Ormond Beach
 - 5 – Miami-Ft. Lauderdale-Pompano Beach
 - 9 – Palm Bay-Melbourne-Titusville
 - 10 – Panama City-Lynn Haven-Panama City Beach

Based on the 2013 Interthinx Mortgage Fraud Report



Mortgage Fraud Trends - Incidents

- Nationwide
 - There was a 25% decrease in Suspicious Activity Reports (SARs) related to mortgage fraud from 2011 to 2012
- Florida
 - 2012 Investigations – Mortgage Fraud Index is 805
 - 2012 Originations – Mortgage Fraud Index is 169
 - 2011 – 238
 - 2010 – 291
 - 2009 – 353
 - 2008 – 504

Based on the LexisNexis 15th Annual Mortgage Fraud Report –
August 2013

Table 1

Mortgage Fraud Index (MFI) By State (2008-2012 All Forensic Investigations)										
State	2012		2011		2010		2009		2008	
	Rank	MFI	Rank	MFI	Rank	MFI	Rank	MFI	Rank	MFI
Florida	1	805	1	772	1	734	1	715	1	427
Nevada	2	280	2	292	3	226	3	219	6	165
Arizona	3	174	3	216	2	232	4	195	9	108
Delaware	4	165	18	63	38	26	15	62	42	14
Illinois	5	150	8	96	7	119	10	115	7	144
New Jersey	6	120	10	86	12	67	13	71	14	73
California	7	116	7	122	6	142	6	129	4	186
Michigan	8	110	4	189	4	179	2	254	2	191
Georgia	9	106	6	146	5	175	5	149	5	167
New York	10	98	11	83	14	63	8	120	12	83

A subset of all investigations conducted in 2012 is that which involves loans also originated in 2012.

The following listing ranks states based solely on these 2012 originations:

Table 2

Mortgage Fraud Index (MFI) By State (2008-2012 All Originations)										
State	2012		2011		2010		2009		2008	
	Rank	MFI	Rank	MFI	Rank	MFI	Rank	MFI	Rank	MFI
Ohio	1	224	14	115	18	87	25	69	30	36
New Jersey	2	213	2	331	9	165	4	197	11	111
California	3	196	11	140	7	209	12	119	6	155
Florida	4	169	4	238	2	291	1	353	1	504
Washington	5	167	10	155	29	47	31	49	14	64
Pennsylvania	6	146	16	107	37	13	34	42	37	29
Arizona	7	131	n/a	n/a	22	68	7	163	10	140
Colorado	8	109	6	205	16	94	30	60	20	51
Texas	9	108	20	70	24	62	17	92	19	52
New York	10	88	7	181	1	317	3	259	5	159

Figure 3

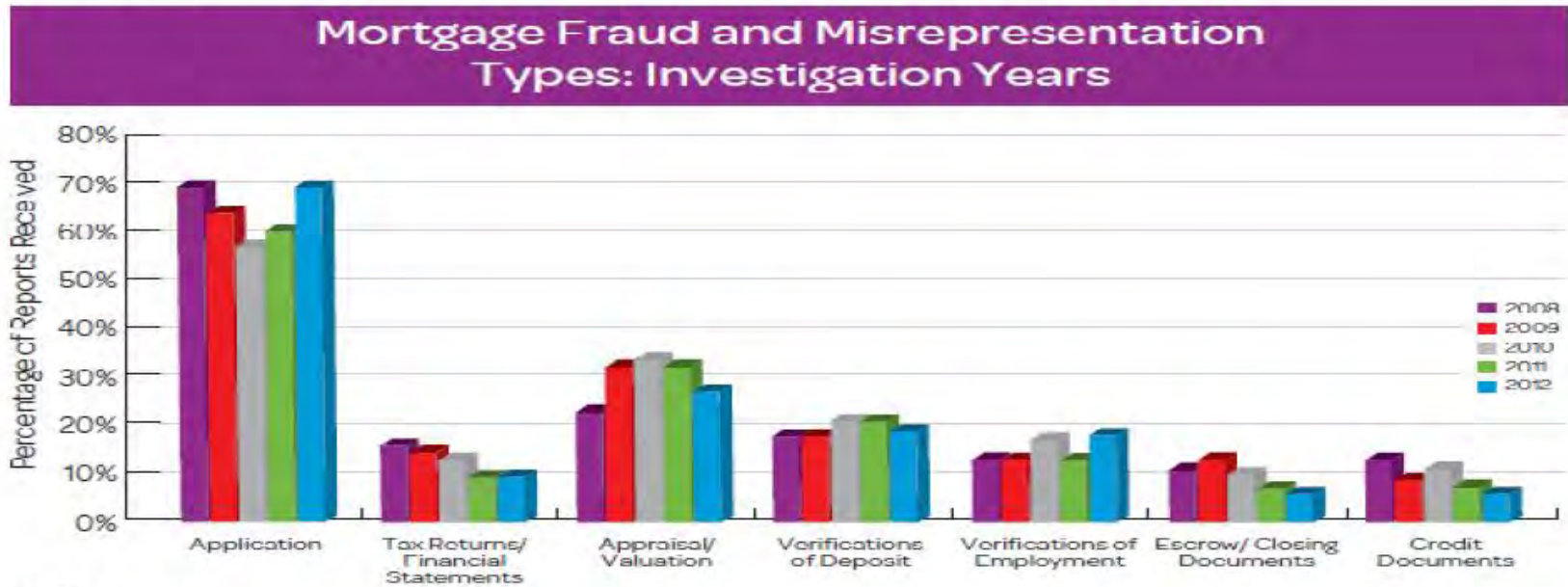


Figure 4

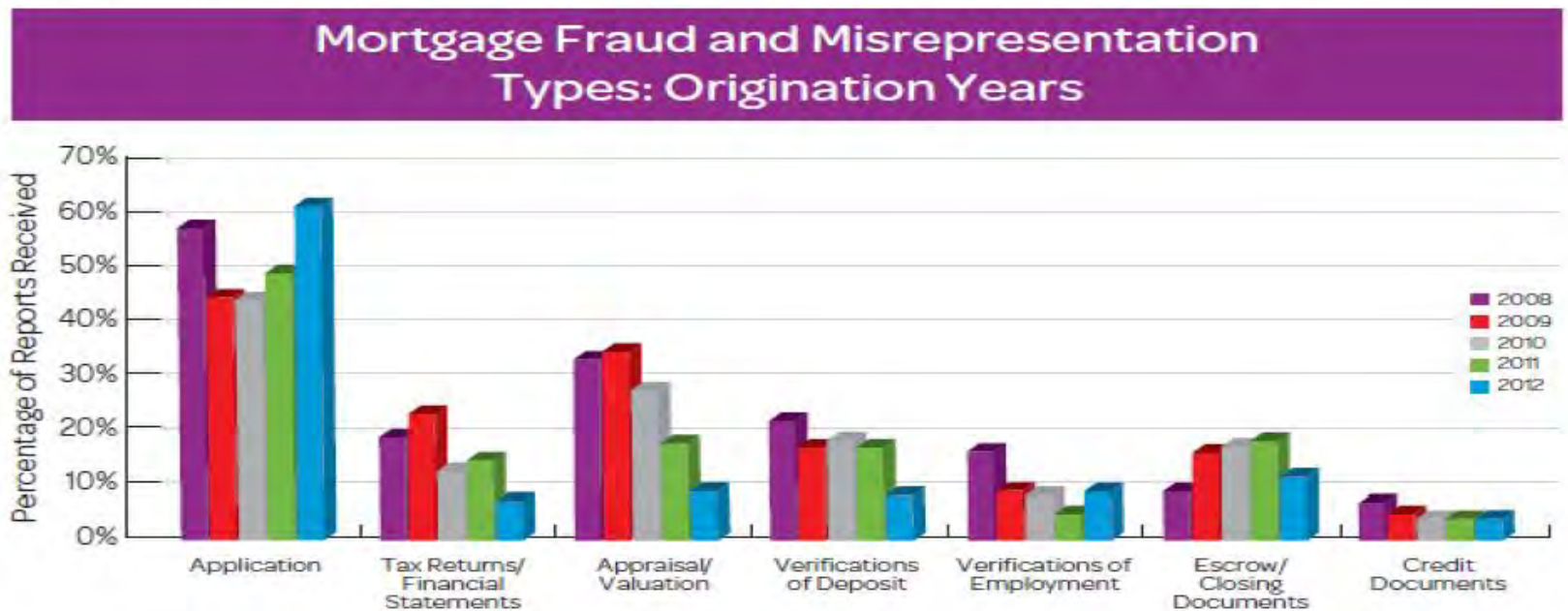


Table 6

States with Largest Percentages of Properties in Default According to LexisNexis Data										
State	2012		2011		2010		2009		2008	
	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%
Florida	1	5.42%	1	7.41%	2	10.22%	2	13.42%	1	11.50%
Illinois	2	4.86%	3	6.33%	3	6.90%	6	6.66%	5	6.46%
Hawaii	3	4.42%	4	4.71%	7	5.94%	10	5.80%	9	5.24%
Nevada	4	4.13%	2	7.01%	1	13.34%	1	14.94%	2	10.75%
Ohio	5	3.41%	9	3.64%	15	3.90%	19	3.91%	17	3.44%
New Jersey	6	3.06%	10	3.57%	11	5.04%	12	5.25%	10	4.71%
Washington, DC	7	3.02%	7	3.86%	10	5.15%	8	6.19%	8	5.64%
Massachusetts	8	2.97%	6	4.21%	4	6.33%	5	6.81%	4	6.98%
Georgia	9	2.94%	5	4.32%	5	6.32%	7	6.36%	11	4.38%
New Mexico	10	2.72%	15	3.14%	18	3.77%	20	3.68%	25	2.69%

The data above indicates that:

- All states in the top ten have decreased percentages of total properties in recorded default in 2012 than in previous years.
- Florida and Nevada experienced the most dramatic decreases: Florida from a high of 13.42 percent of its properties in default in 2009 to 5.42 percent in 2012, and Nevada from a high of 14.94 percent in 2009 to 4.13 percent in 2012.
- Most states in the top ten had the highest percentages of recorded defaults in 2009 and 2010.



www.flofr.com

Florida Banking and Lending

October 8th, 2013

Anthony DiMarco, Executive Vice President of Government Affairs

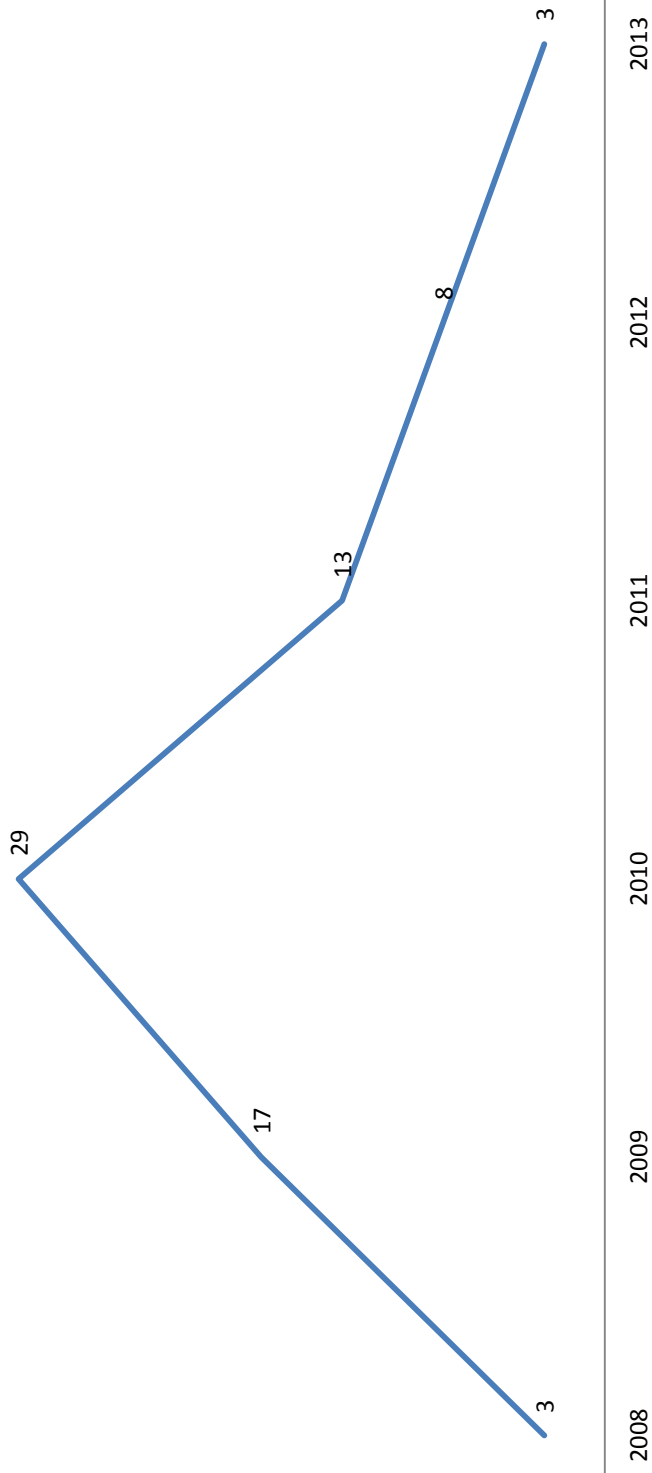


FLORIDA BANKERS ASSOCIATION

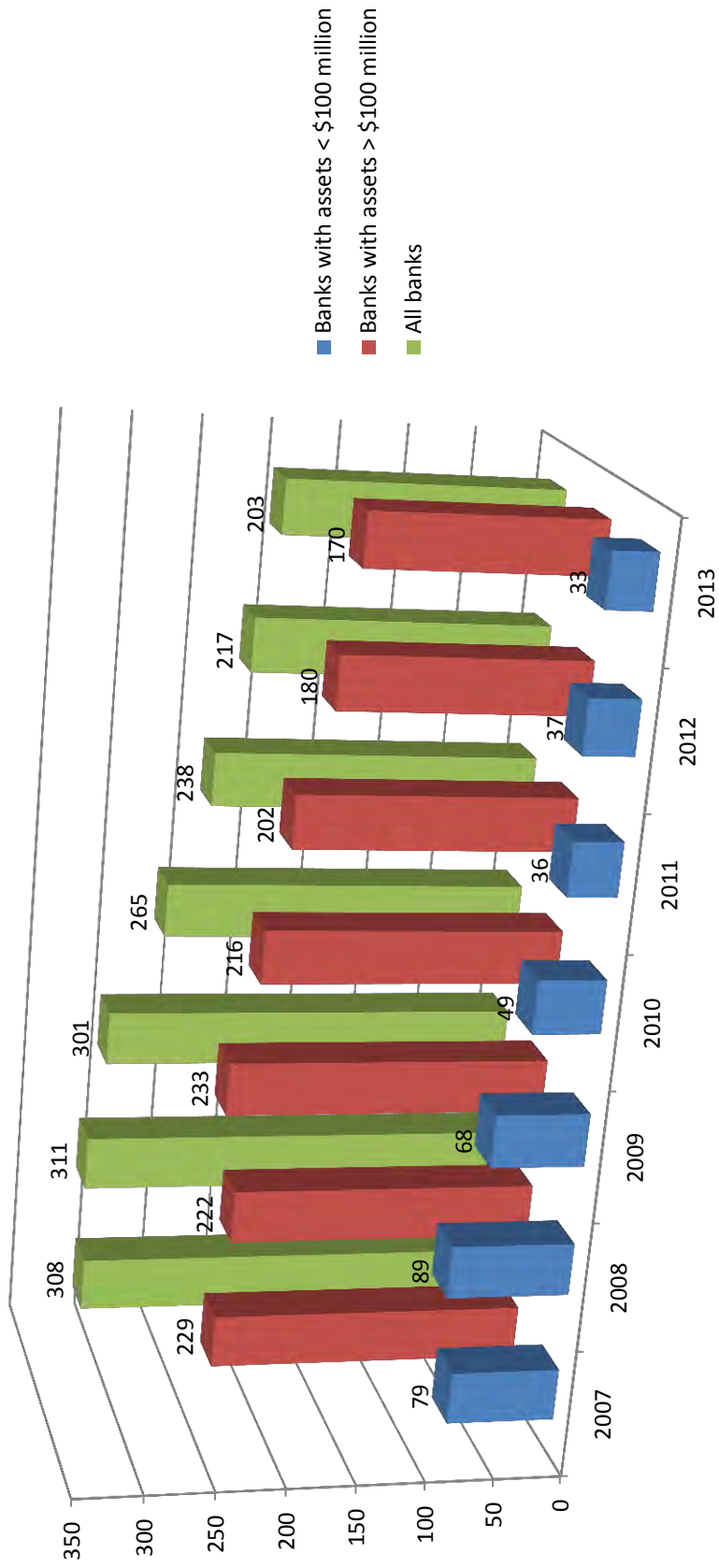
Bank Statistics

Number of Florida bank failures

— Number of bank failures



Florida Banks



Foreclosures

- Florida Number 1 in number of filings.
- Number 1 in in Foreclosure Rate with 1 in every 328 houses.
- Seven of the top 10 states for total non-current loans are judicial foreclosure states.
- However, some servicers report double digit declines in 30, 60, and 90 day delinquencies.
- All of the major servicers hold public workout sessions with borrowers. They also take part in those put on by government officials and the like.
- The major servicers have also established Customer Assistance Centers throughout Florida.
- All servicers work loan modifications on their own or through programs like HAMP, HARP, Hardest Hit Fund, and the like.

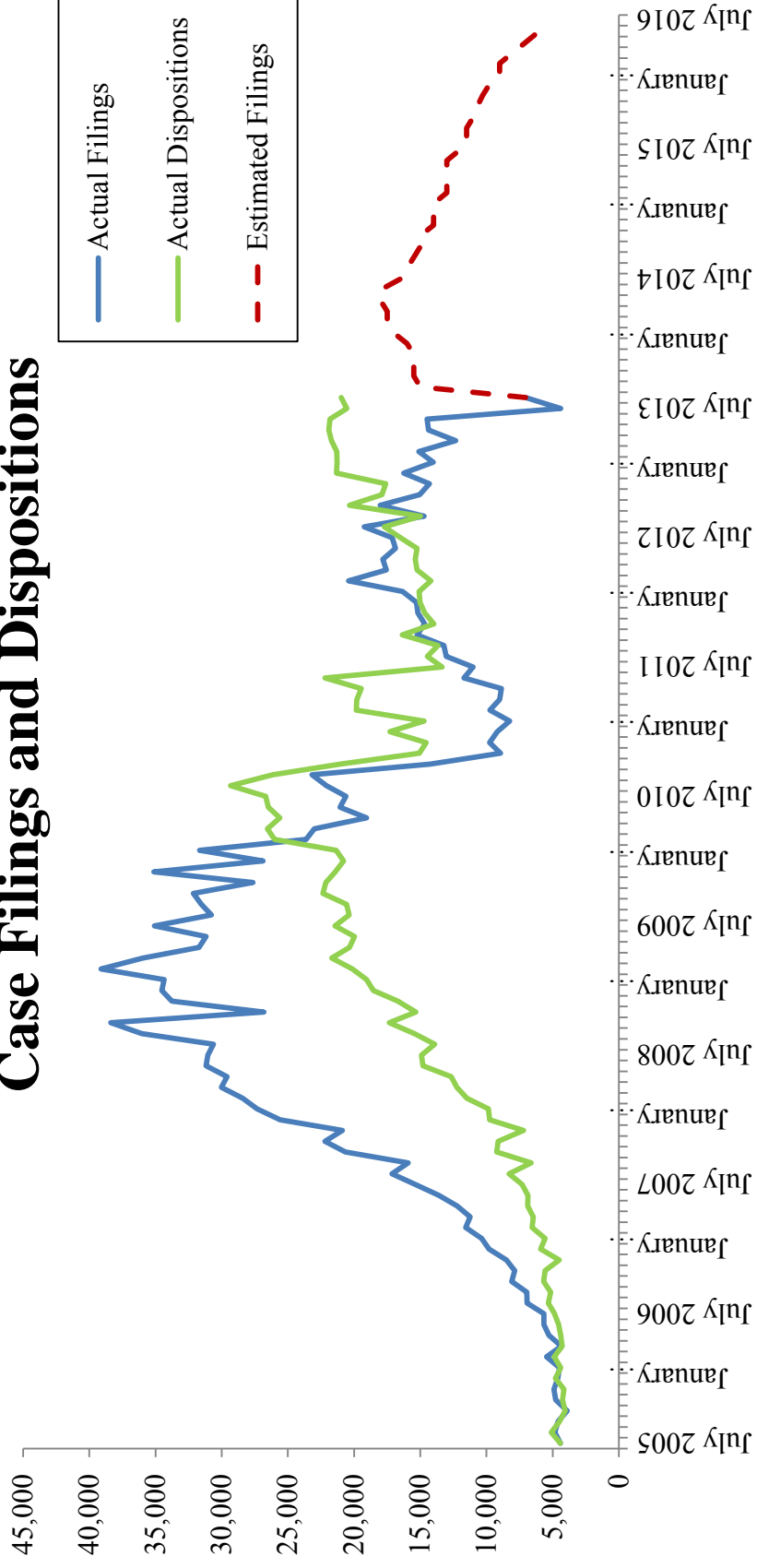
Last Session

- House Bill 87
 - sets forth documentation for mortgage foreclosures, expedited judicial foreclosure proceedings, limited the statute of limitations on delinquency judgments for residential properties from 5 years to 1 year, and other changes.
- Senate Bill 1852
 - appropriated over \$30 million to courts system and the clerks of court for foreclosure cases from the National Mortgage Settlement.

Progress

- The Florida State Court System reports there is progress.
- Pending Cases
 - July 2012 – 377,707
 - August 2013 – 299,055
- Disposed of 276,334 cases
- New filings of 197,682 cases

Real Property/Mortgage Foreclosures Case Filings and Dispositions



Lending Market

- Banks are seeing signs of improvement in lending market.
- Lending pipelines are beginning to improve.
- Out of state residents are starting to move to Florida.
- There has been an increase in the amount of foreign purchasers across the state.
- As economy and employment improves there will be continued home purchasing and lending.
- Property Appraisals are showing rising values.

Lending Market

- However housing market is still fragile.
- Corporate borrowers are still cautious and selective on their spending and borrowing due to the uncertainty in Washington.
- Consumer spending and lending is still low as they are cautious of the future.

Six Federal Government Regulations

- Ability to Repay and Qualified Mortgages
 - On January 10, 2013, the CFPB issued final regulations that require creditors to determine a consumer's ability to repay a mortgage before making a residential loan.
 - The rule requires a lender to make a reasonable and good faith determination at or before closing that a consumer will have a reasonable ability to repay the loan according to its terms.
 - Reasonable and Good faith standard is a decision based upon verified and documented information that the consumer has a reasonable ability to repay the loan according to its terms.
 - Penalties: private cause of action whereby a borrower can recover special damages equal to the sum of all finance charges and fees paid by the borrower.
 - Three year statute of limitations, except in a foreclosure where it can be used as defense with no statute of limitations.

- Qualified Mortgages (QM)
 - Entitled to a presumption of compliance with the ability to repay requirements.
- There are three categories to qualify for QM:
 - Prohibiting certain features, such as negative amortization, balloon payments, and interest-only payments
 - Limits on loan costs
 - Certain Underwriting Criteria, such as taking into consideration the monthly payments for mortgage related obligations, debt to income ratio that is less than or equal to 43%

The Other Federal Regulations

- Loan Servicing
- High Cost Mortgage Provisions
- Higher-Risk Mortgage Appraisal Documentation
- Appraisal Disclosures
- Loan originator Compensation

Negative Head Winds

- Regulations
- Property Insurance: e.g., flood and sinkhole
- Government Shutdown/Debt Ceiling
- Lack of Economic Growth
 - 60-75% of delinquent borrowers from one servicer are unemployed or underemployed
- Interest Rates Increase
- GSE Reform
- Local Governments
- Condo and HOA's



FLORIDA BANKERS ASSOCIATION

Contact Information

Anthony DiMarco

Executive Vice President of Government Affairs

(850) 224-2265

adimarco@floridabankers.com

Florida Hardest Hit Program- Principal Reduction

Florida Hardest-Hit Fund (HHF) Program

First announced on February 19, 2010, by the US Department of the Treasury (Treasury), the Housing Finance Agency (HFA) Hardest-Hit Fund provides federal funding to states hardest hit by the aftermath of the burst of the housing bubble. With funding provided to Florida through this fund, Florida Housing Finance Corporation (Florida Housing) has developed foreclosure prevention programs that address the unique issues of our state, including a Principal Reduction strategy to help homeowners who are "underwater" on their mortgages.

Principal Reduction Overview

Florida Housing's Board of Directors approved \$350 million in federal Hardest-Hit funds for a principal reduction program. The Principal Reduction Program provides up to \$50,000 to eligible homeowners who owe more on their mortgages than the house is worth. The program focuses on homeowners that owe at least 125% of their home's current market value—commonly known as having a home that is "underwater." Funds will be applied to reduce the principal balance of the first mortgage by up to \$50,000 or until the resulting loan-to-value ratio is 100%, whichever occurs first.

Terms of Assistance

Principal reduction program funds will be in the form of a 0% percent, deferred-payment loan that will be subordinate to current mortgages on the home. The loan can be forgiven over a five-year period, at a rate of 20% each year. For conventional mortgages, once principal reduction funds are applied to the principal, the mortgage will be recast (the terms of the loans will remain the same, but the loan will be re-amortized) resulting in a lower monthly payment for the homeowner.

Principal Reduction Program Participation Criteria

The goal of the program is to work with a pool of 25,000 applicants to evaluate eligibility for assistance from the program. Within one week of its launch on September 25, 2013, the 25,000 homeowner application goal had been reached. Homeowners in every Florida county were able to apply for the program by using the official website: www.PrincipalReductionFLHHF.org. The site contained all the information users needed to begin the application process, including a program fact sheet and answers to frequently asked questions (this information is still available on the website).

The minimum qualifications a homeowner must meet to be considered for participation in the Principal Reduction program are:

- Must be a Florida resident and a legal US resident/legal alien, and occupy the property as the primary residence;
- The monthly payment on the first mortgage cannot have been 60 or more days late within the past 24 months;
- The property must have been acquired by the homeowner prior to January 1, 2010;
- The unpaid principal balance for the first mortgage may not exceed \$350,000;
- The loan-to-value for the first mortgage must be greater than 125%—in other words, the homeowner must owe 125% or more of what the home is currently worth; and
- The total household income, including all persons age 18 years and older who live in the home, must be no more than 140% of the area median income.

Principal Reduction Goals

On October 2, 2013, the program reached the initial goal of 25,000 applicants. Each application will now undergo an evaluation to determine eligibility for participation in the program. Homeowners who are deemed eligible and whose mortgage servicer has agreed to accept Principal Reduction program funds may receive up to \$50,000 to reduce the principal balance of their first mortgage. Florida Housing expects to fund approximately 10,000 eligible applicants.

Other HHF Programs

- Unemployment Mortgage Assistance Program
- Mortgage Loan Reinstatement Program
- Modification Enabling Pilot Program
- Elderly Mortgage Assistance Program

Citizens Property Insurance Corporation

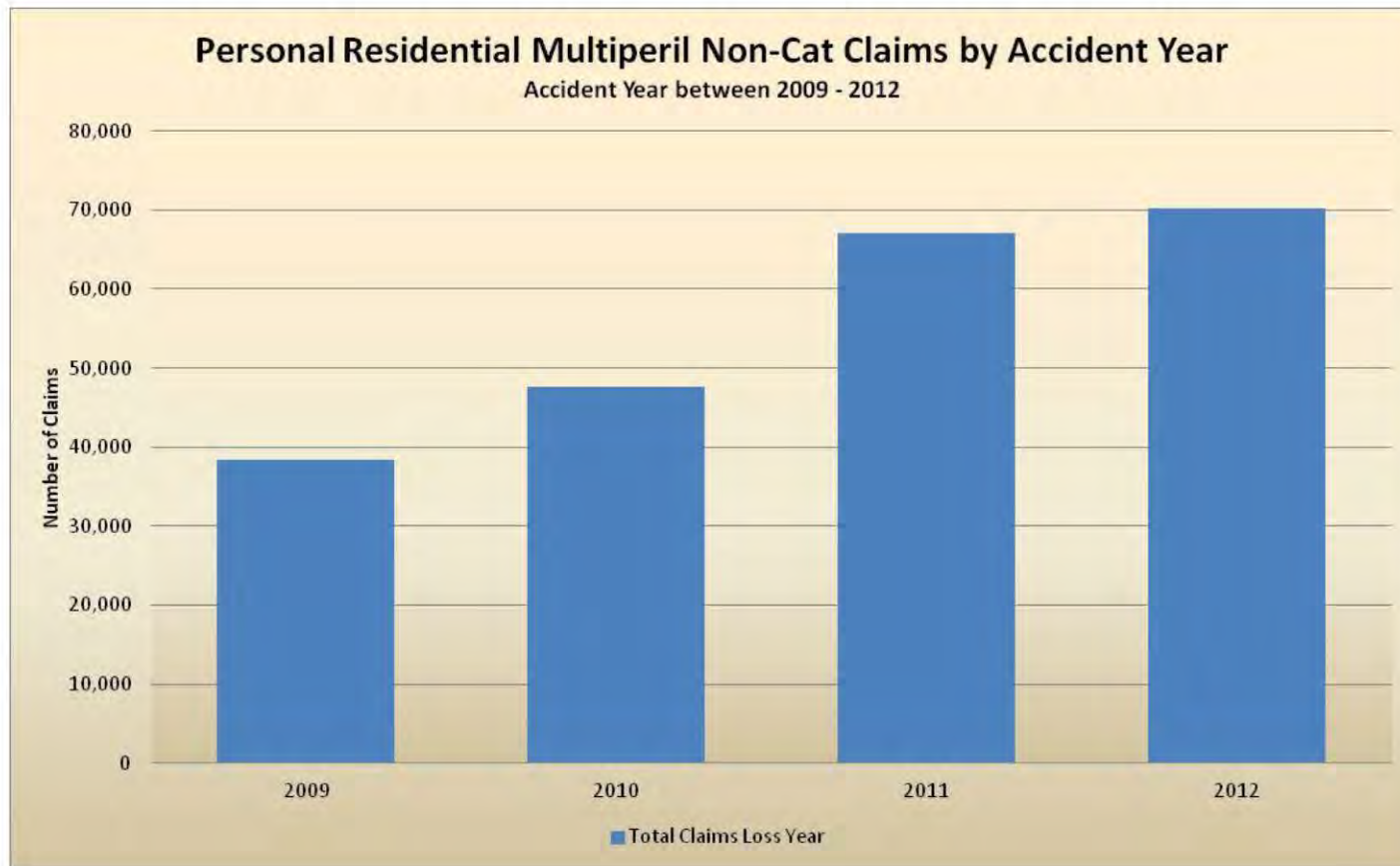
Barry Gilway, President/CEO and Executive Director

October 8, 2013



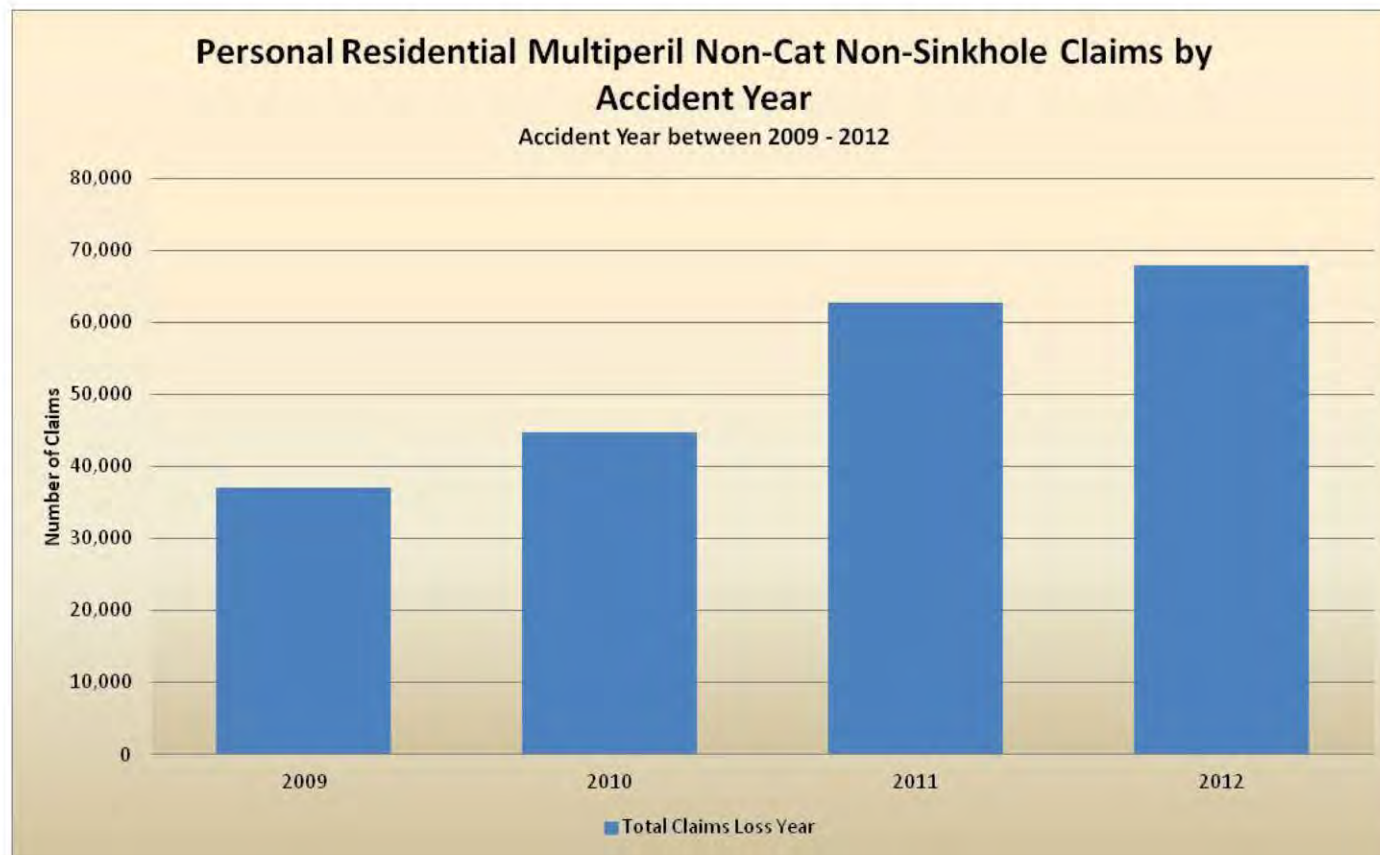
Non Catastrophe Claims Data

Total Claims Over Year



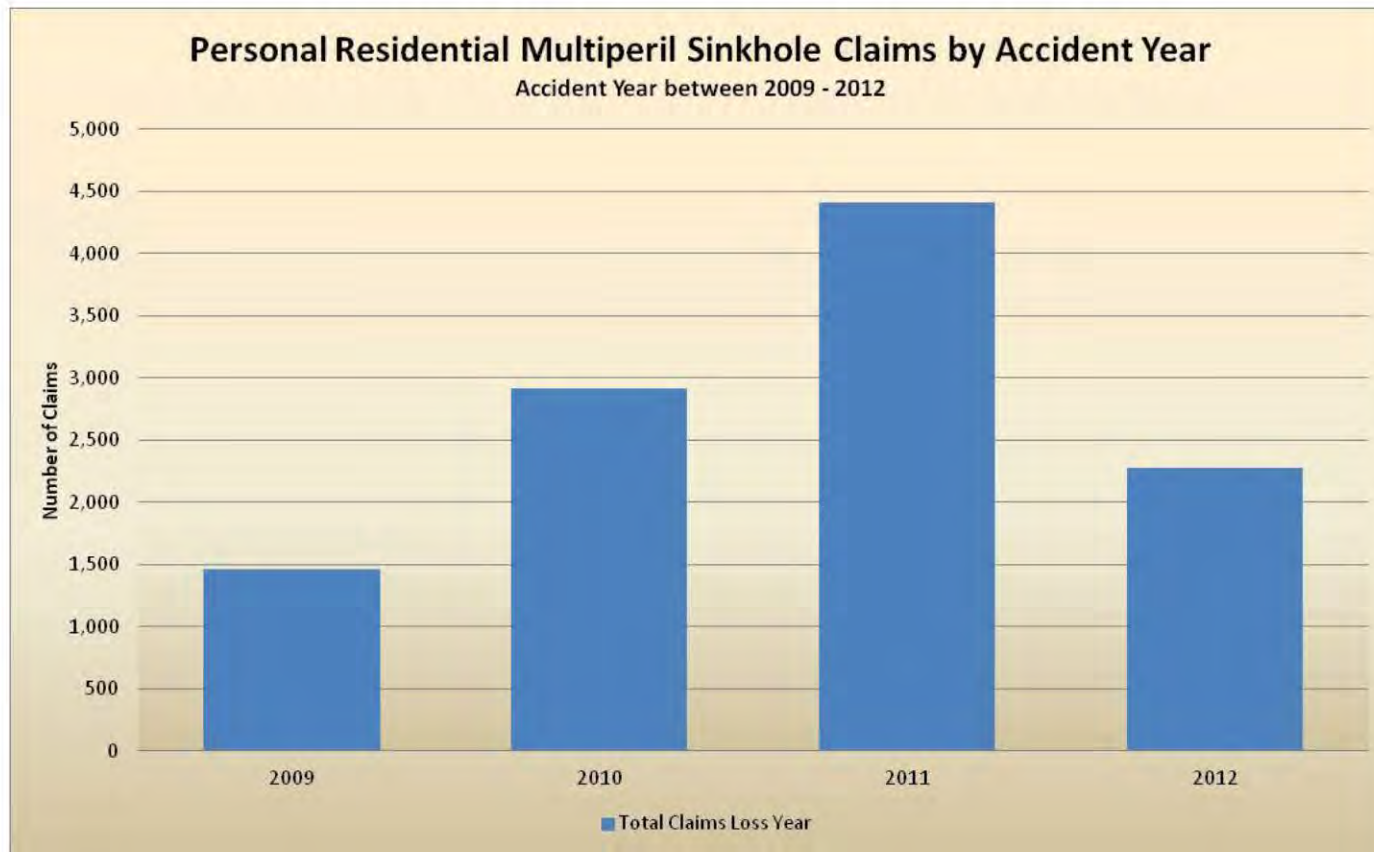
Year	Total Claims Loss Year
2009	38,457
2010	47,592
2011	67,078
2012	70,150

Total Non Sinkhole Claims



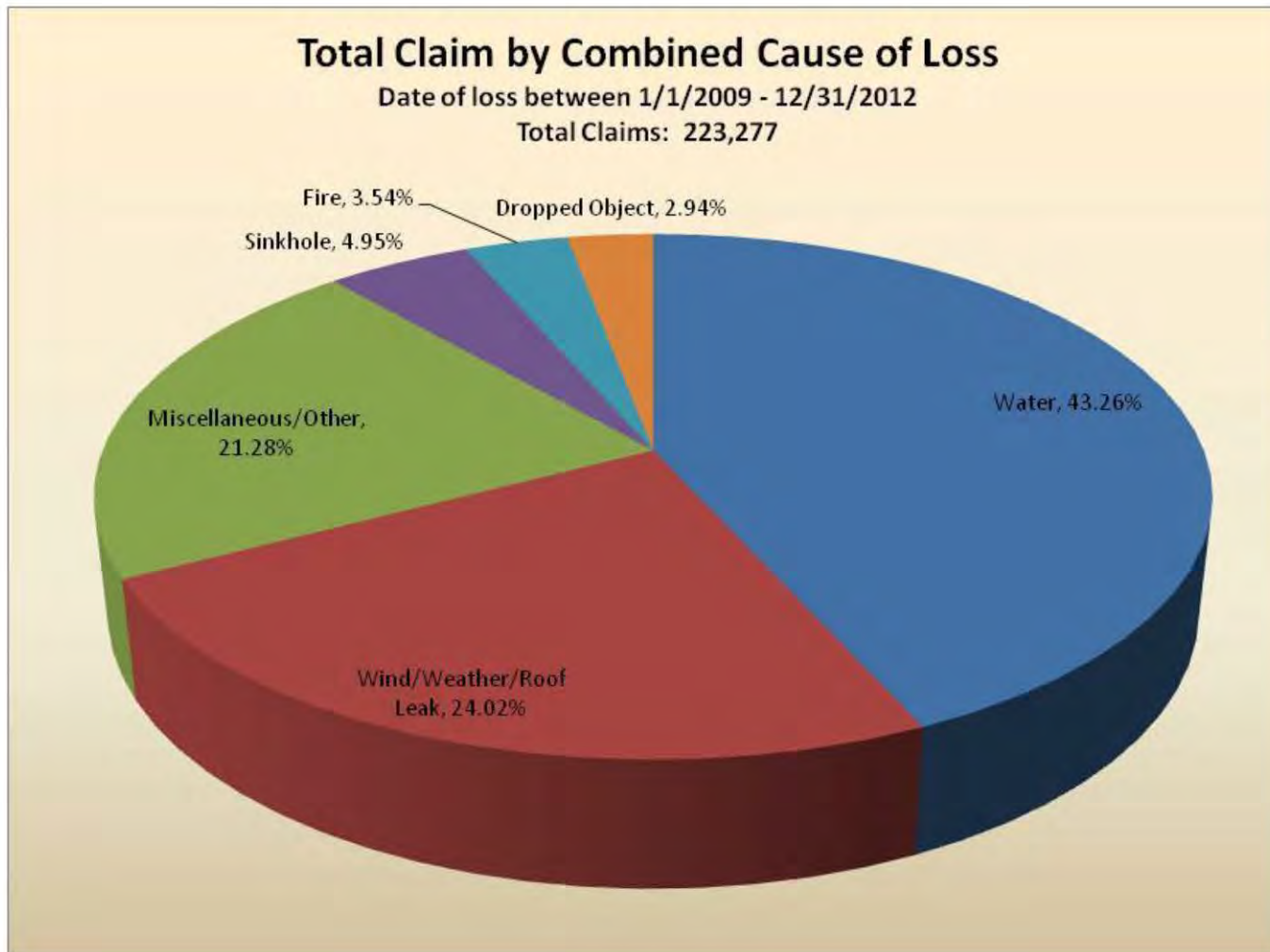
Year	Total Claims Loss Year
2009	36,999
2010	44,675
2011	62,673
2012	67,872

Total Sinkhole Claims



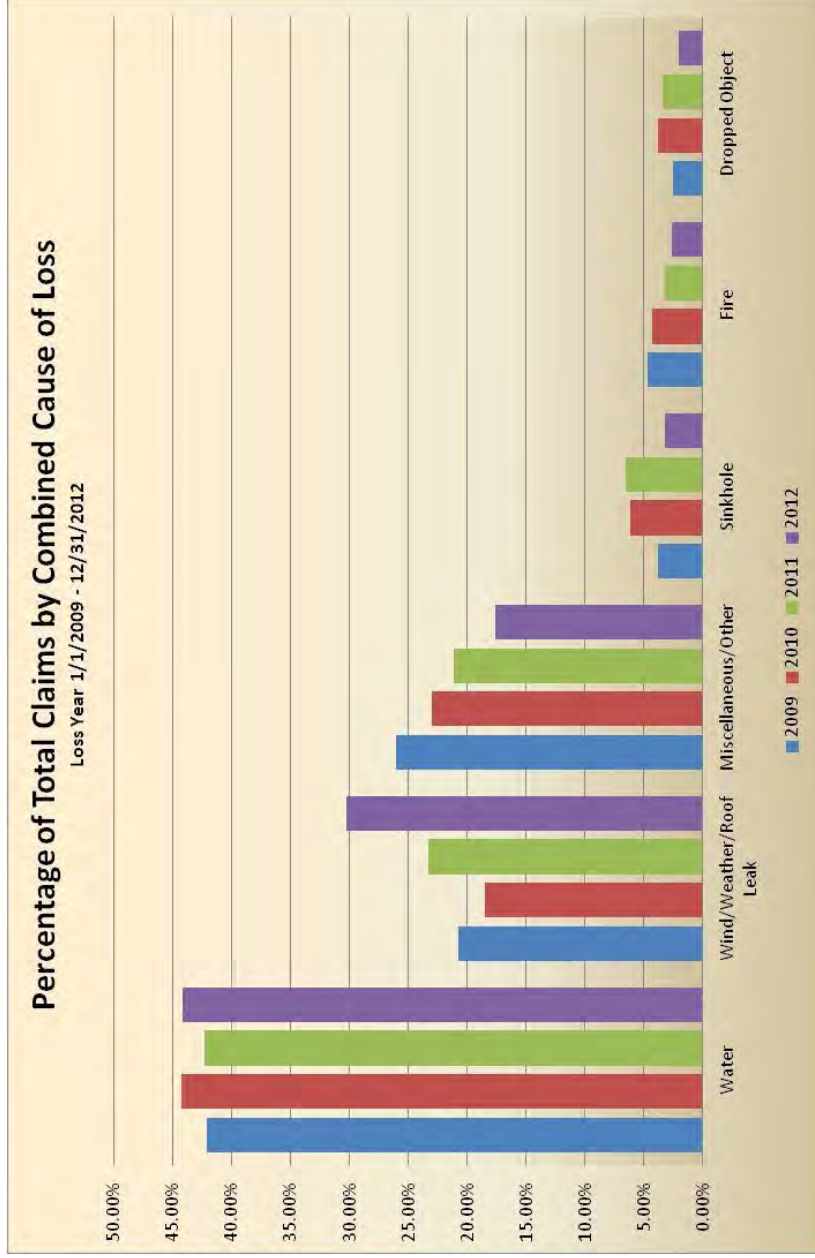
Year	Total Claims Loss Year
2009	1,458
2010	2,917
2011	4,405
2012	2,278

Total Claims By Cause of Loss

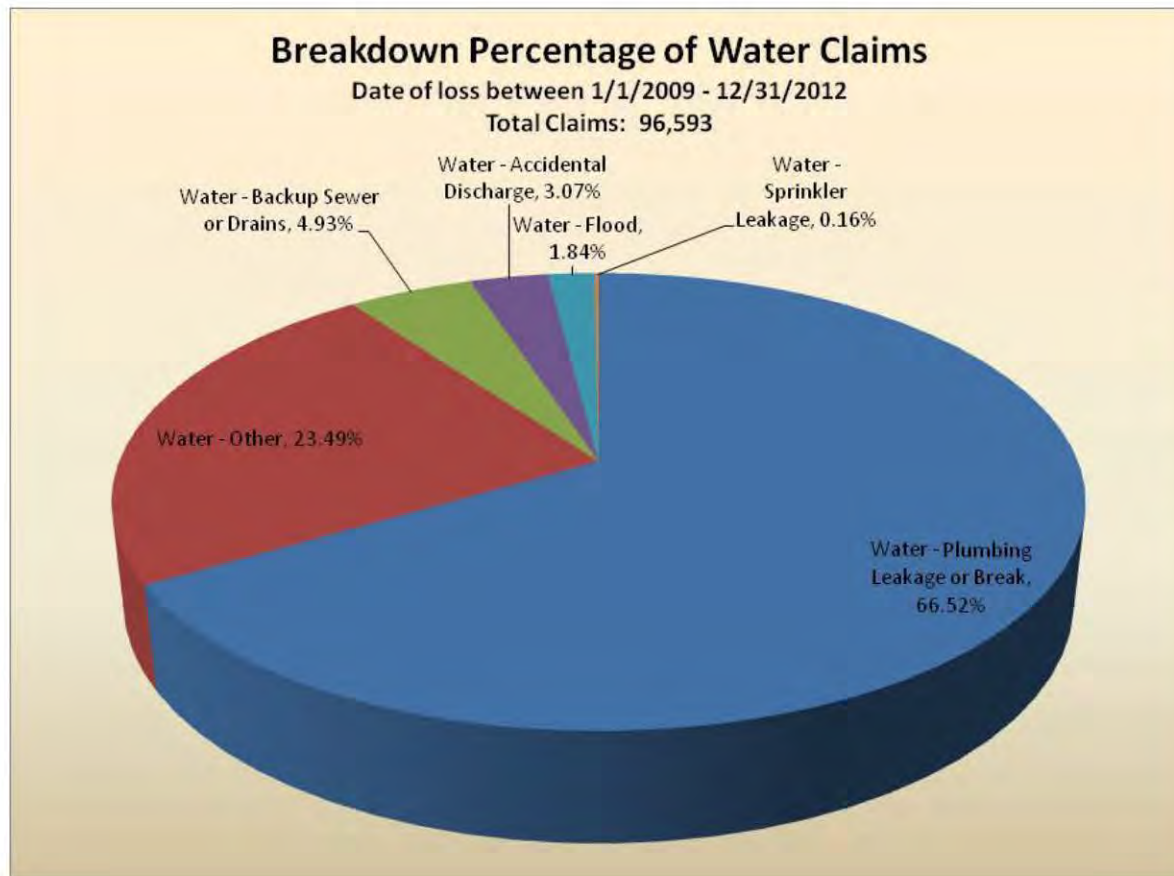


Row Labels	Percentage
Water	43.26%
Wind/Weather/Roof Leak	24.02%
Miscellaneous/Other	21.28%
Sinkhole	4.95%
Fire	3.54%
Dropped Object	2.94%

Percentage of Total Claims

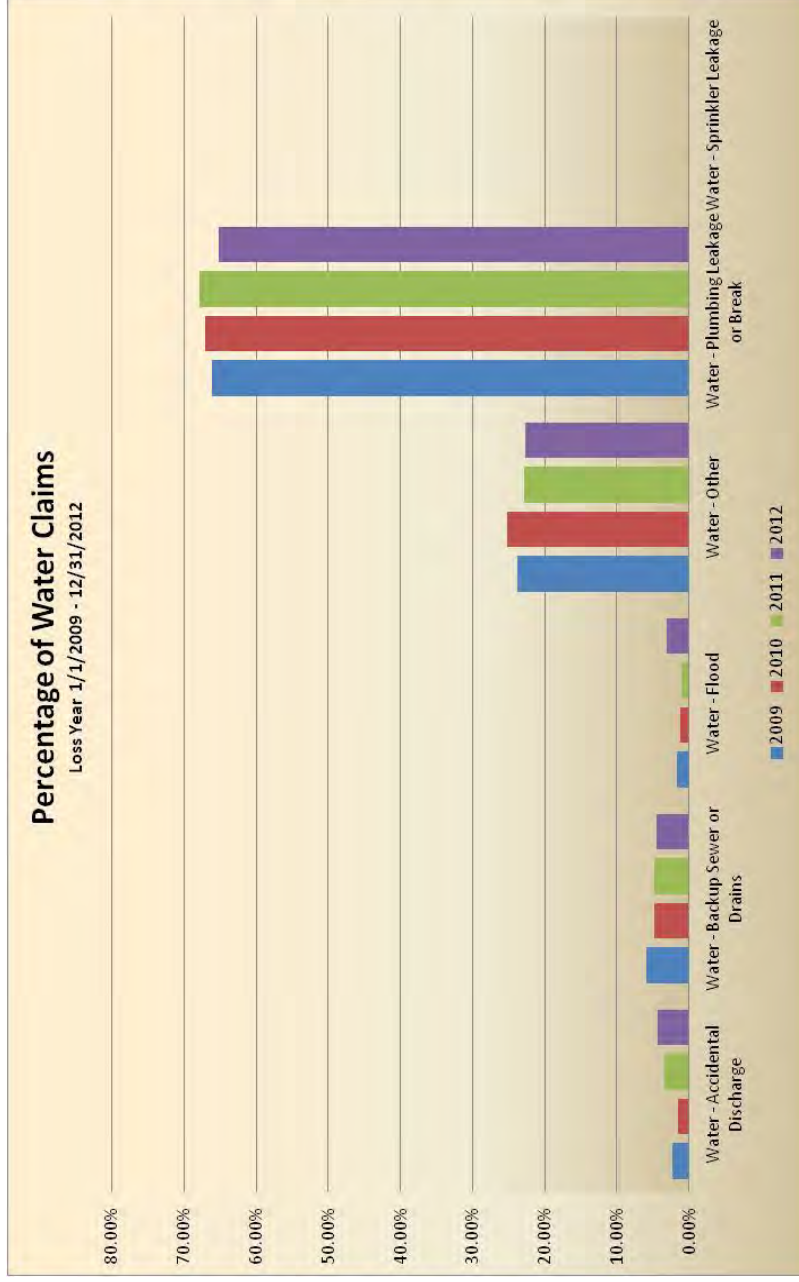


Water Claim Percentage



Row Labels	Percentage
Water - Plumbing Leakage or Break	66.52%
Water - Other	23.49%
Water - Backup Sewer or Drains	4.93%
Water - Accidental Discharge	3.07%
Water - Flood	1.84%
Water - Sprinkler Leakage	0.16%

Percentage of Total Water Claims

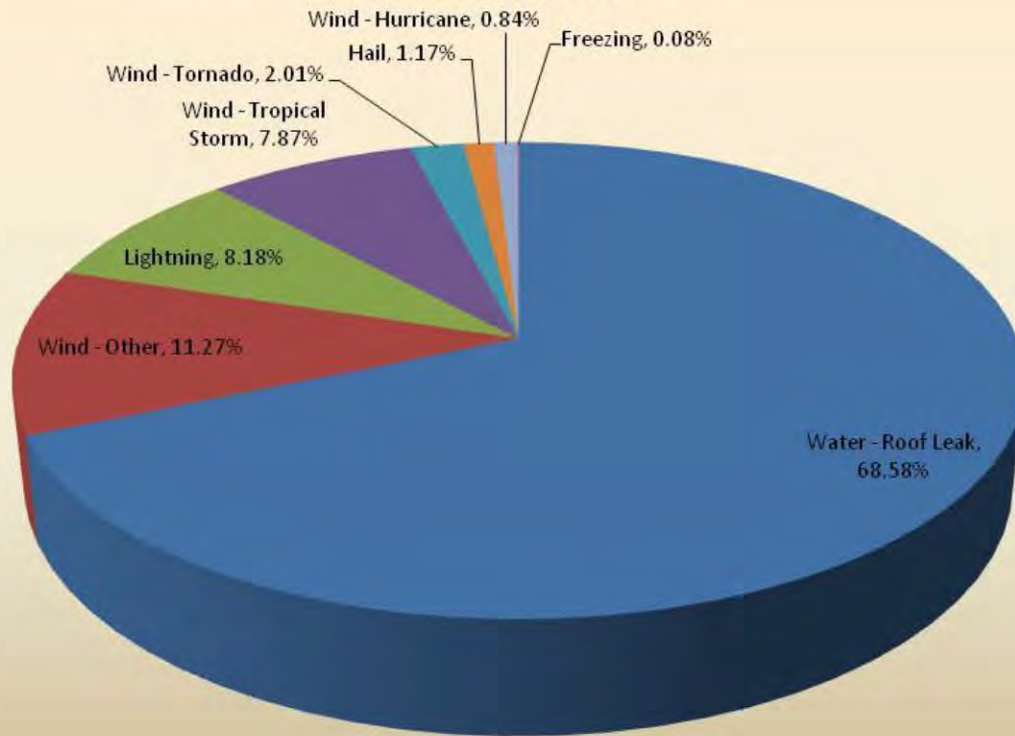


Wind/Weather/Roof Leak Percentage

Breakdown Percentage of Water/Weather/Roof Leak Claims

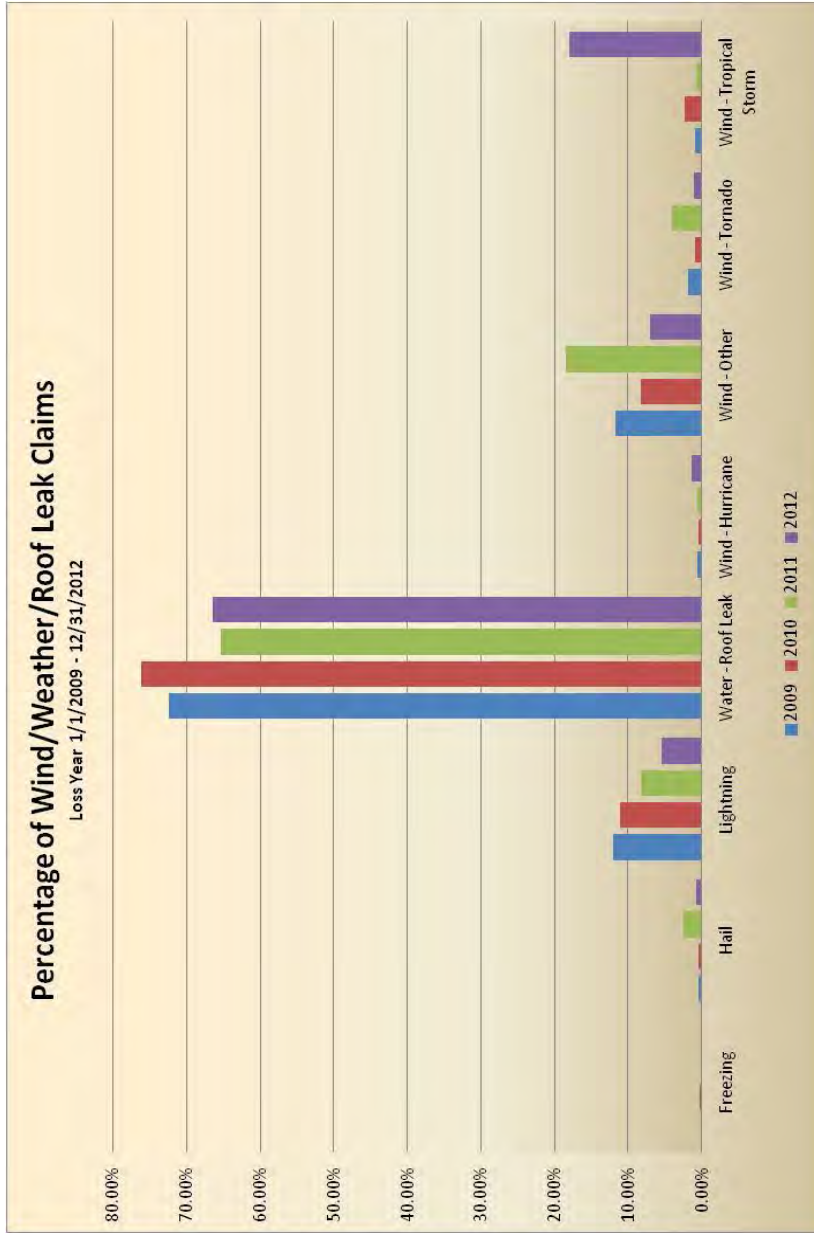
Date of loss between 1/1/2009 - 12/31/2012

Total Claims: 96,593



Row Labels	Percentage
Water - Roof Leak	68.58%
Wind - Other	11.27%
Lightning	8.18%
Wind - Tropical Storm	7.87%
Wind - Tornado	2.01%
Hail	1.17%
Wind - Hurricane	0.84%
Freezing	0.08%

Percentage of Wind/Water/Roof Leak Claims

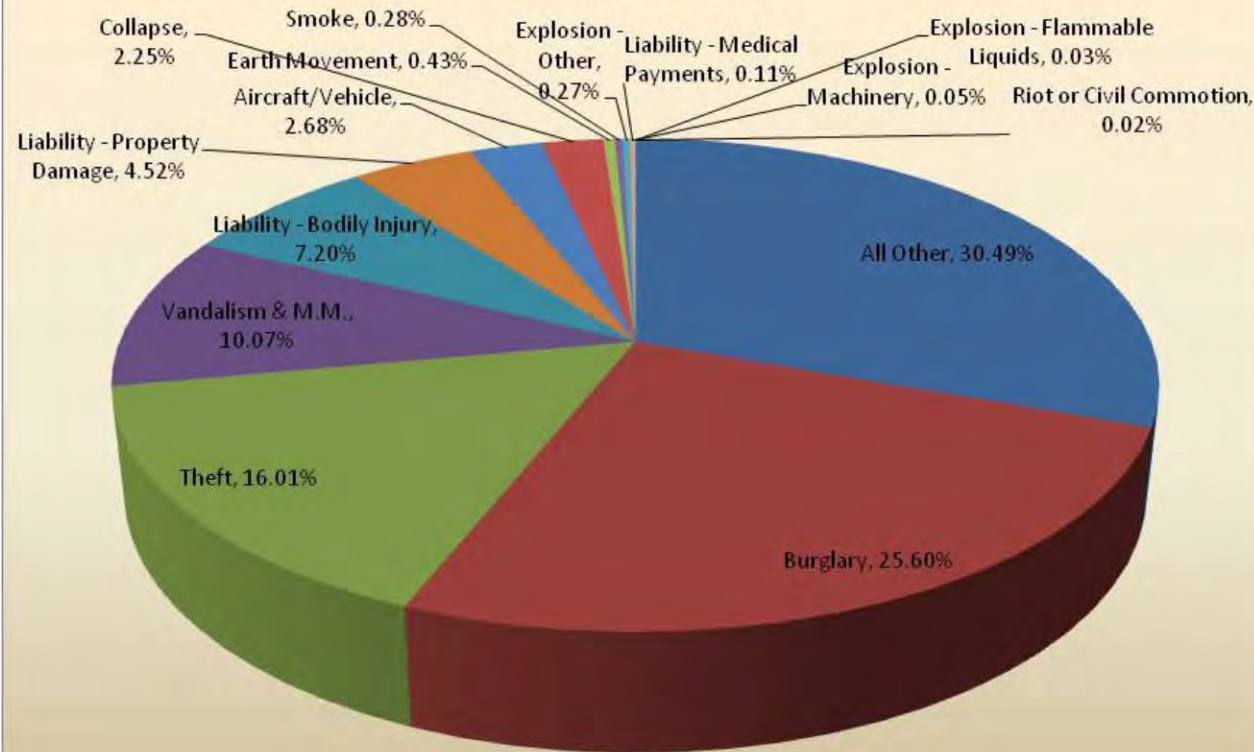


Miscellaneous/Other Percentage

Breakdown Percentage of Miscellaneous/Other Claims

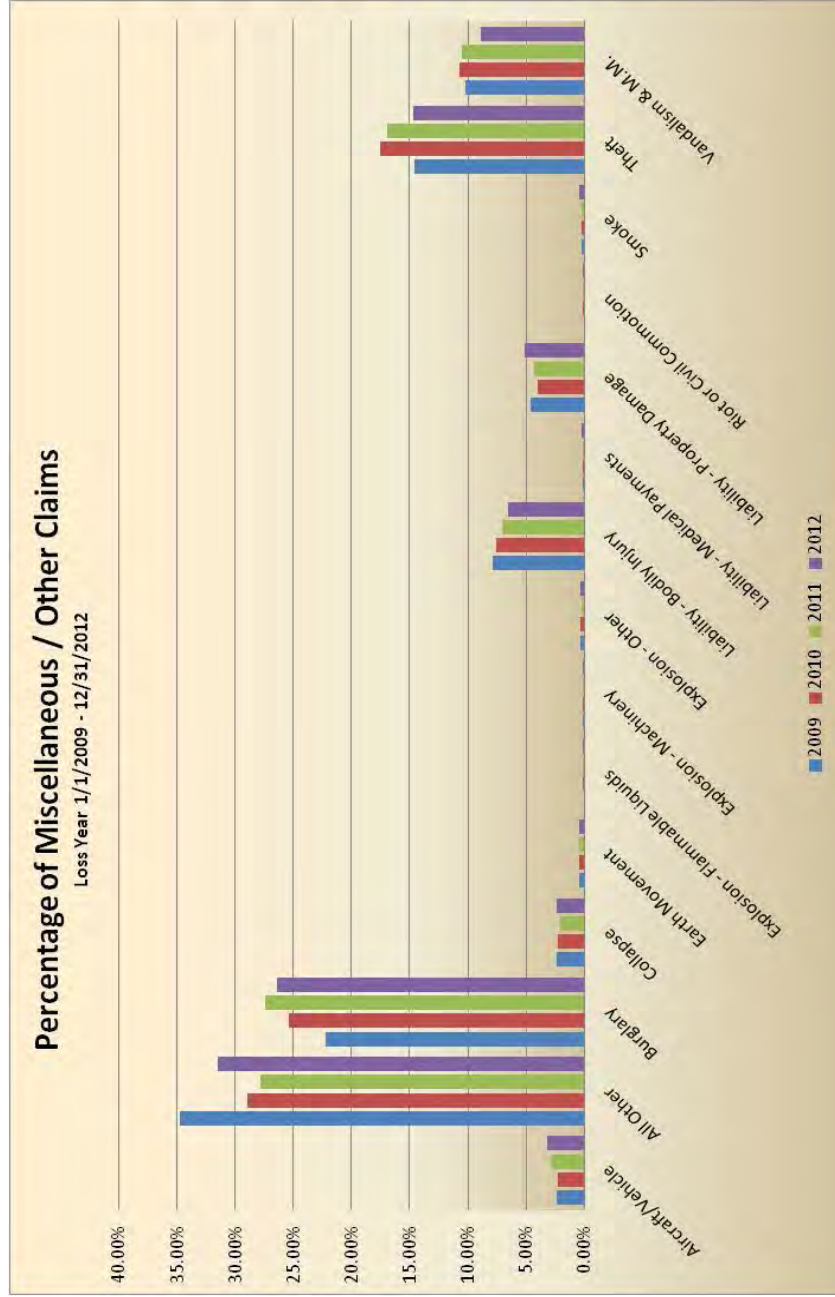
Date of loss between 1/1/2009 - 12/31/2012

Total Claims: 47,517



Cause of Loss	Percentage
All Other	30.49%
Burglary	25.60%
Theft	16.01%
Vandalism & M.M.	10.07%
Liability - Bodily Injury	7.20%
Liability - Property Damage	4.52%
Aircraft/Vehicle	2.68%
Collapse	2.25%
Earth Movement	0.43%
Smoke	0.28%
Explosion - Other	0.27%
Liability - Medical Payments	0.11%
Explosion - Machinery	0.05%
Explosion - Flammable Liquids	0.03%
Riot or Civil Commotion	0.02%

Percentage of Miscellaneous/Other Claims



Cause of Loss	2009	2010	2011	2012
Aircraft/Vehicle	2.36%	2.23%	2.85%	3.16%
All Other	34.73%	28.90%	27.83%	31.53%
Burglary	22.21%	25.43%	27.45%	26.38%
Collapse	2.36%	2.28%	2.05%	2.35%
Earth Movement	0.44%	0.47%	0.42%	0.39%
Explosion - Flammable Liquids	0.00%	0.03%	0.02%	0.05%
Explosion - Machinery	0.07%	0.05%	0.06%	0.01%
Explosion - Other	0.28%	0.36%	0.18%	0.30%
Liability - Bodily Injury	7.90%	7.56%	7.02%	6.52%
Liability - Medical Payments	0.09%	0.07%	0.09%	0.19%
Liability - Property Damage	4.56%	4.01%	4.32%	5.15%
Riot or Civil Commotion	0.00%	0.03%	0.01%	0.03%
Smoke	0.25%	0.27%	0.22%	0.38%
Theft	14.57%	17.57%	16.97%	14.70%
Vandalism & M.M.	10.18%	10.75%	10.51%	8.87%

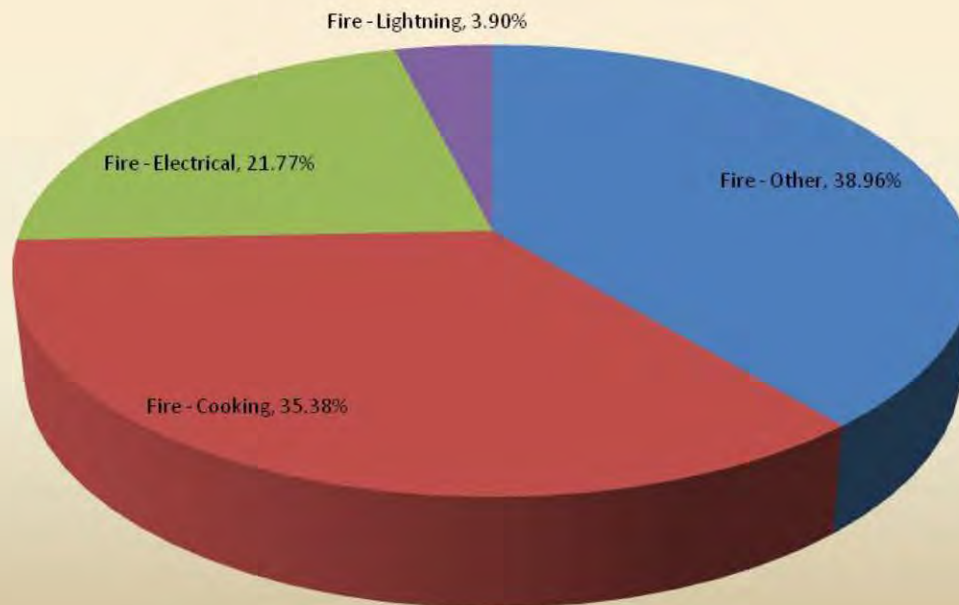


Fire Percentage

Breakdown Percentage of Fire Claims

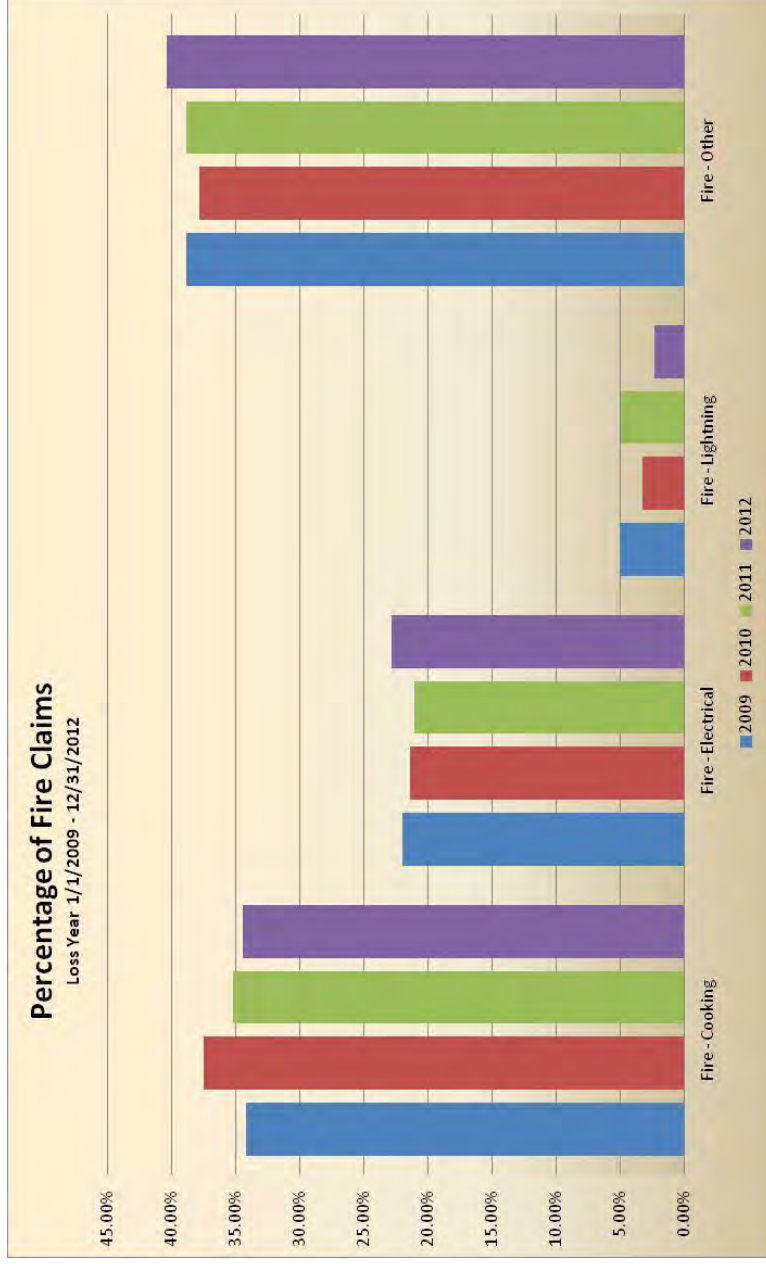
Date of loss between 1/1/2009 - 12/31/2012

Total Claims: 7,898



Cause of Loss	Percentage
Fire - Other	38.96%
Fire - Cooking	35.38%
Fire - Electrical	21.77%
Fire - Lightning	3.90%

Percentage of Fire Claims



Cause of Loss	2009	2010	2011	2012
Cooking	34.16%	37.48%	35.17%	34.47%
Electrical	21.96%	21.41%	21.02%	22.82%
Lightning	5.02%	3.25%	4.97%	2.30%
Other	38.85%	37.86%	38.84%	40.41%



Non Catastrophe Loss and Adjustment Expense Ratios

Loss and Adjustment Expense Ratio

- The loss and loss expense ratio is the ratio of total losses incurred (paid + reserves) in claims plus loss adjustment expenses (LAE) divided by the total premiums earned. For example, if an insurer pays \$65 for loss and loss expense for every \$100 of it collects in premium, the loss and loss expense (loss/LAE) ratio is 65%.
- For the Personal Lines Account, if Citizens loss/LAE ratio is less than roughly 73% , it will accumulate surplus that will be used to pay claims in years with a hurricane(s).
- If the loss ratio is greater than 73%, Citizens surplus is reduced and the ability to pay for future hurricanes is diminished.
- For the Personal Lines Account, Citizens 2013 budgeted loss/LAE ratio is 65%.

Statewide Calendar Year Loss and LAE Ratios

Non-Catastrophe Only

	2012 Loss and LAE
Sinkhole Total*	415.10%
Non-Sinkhole Total	41.10%
Total Loss Ratios	54.20%

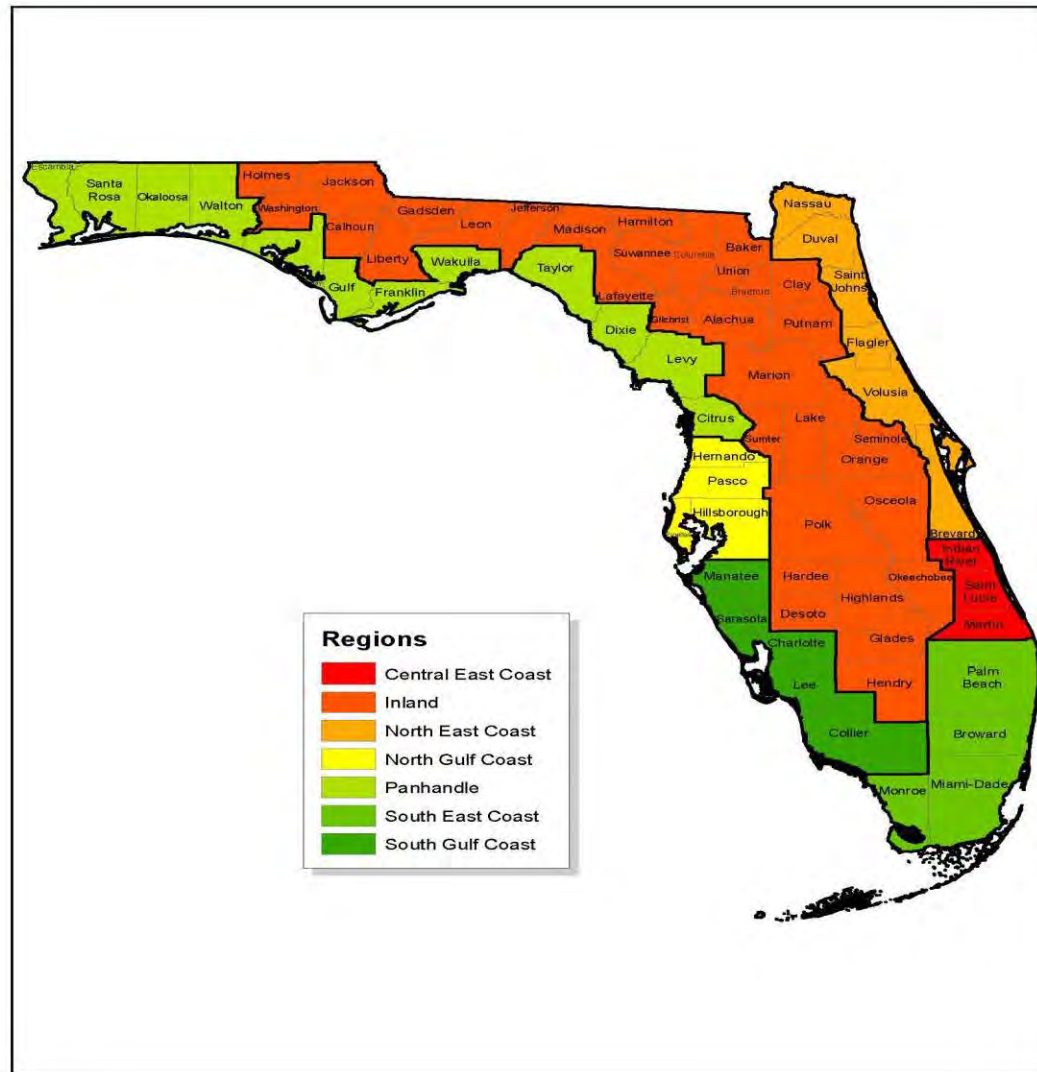
* As a percentage of sinkhole premium only

Non-Catastrophe Only

	2011 Loss and LAE
Sinkhole Total*	1062.00%
Non-Sinkhole Total	42.30%
Total Loss Ratios	77.60%

* As a percentage of sinkhole premium only

Regions



PLA Non Sinkhole Loss Ratio

<u>Non-Sinkhole</u>	2011	2012	Premium*
Loss & LAE Ratio			
Central East Coast	17.1%	19.4%	37,656,463
Inland	40.7%	30.8%	44,368,250
North East Coast	23.4%	23.8%	60,396,315
North Gulf Coast	26.4%	24.5%	389,152,066
Panhandle	22.6%	17.2%	32,520,166
BROWARD	47.6%	49.4%	246,650,352
MIAMI-DADE	74.2%	67.3%	426,266,889
MONROE	4.3%	102.3%	528,853
PALM BEACH	29.2%	36.5%	135,227,565
South Gulf Coast	19.1%	19.0%	138,880,472
Total	42.3%	41.1%	1,511,647,390

*Earned Premium for 2012

PLA Sinkhole Loss Ratio

Sinkhole Only	2011	2012	Premium*
Loss & LAE Ratio			
Central East Coast	663.1%	359.3%	69,922
Inland	3352.6%	1515.3%	206,934
North East Coast	234.6%	56.1%	260,400
North Gulf Coast	1110.3%	432.9%	52,223,917
Panhandle	948.4%	176.3%	129,896
BROWARD	159.4%	143.8%	1,114,664
MIAMI-DADE	326.0%	80.4%	1,588,919
MONROE	0.0%	0.0%	4,790
PALM BEACH	129.3%	264.0%	632,677
South Gulf Coast	323.3%	228.8%	504,573
Total	1062.0%	415.1%	56,736,692

*Earned Sinkhole Premium for 2012



2010 PLA Loss and LAE Ratio

2010

Loss & LAE Ratio*	Fire	Hail	Liability	Lightning	Other	Sinkhole	Theft	Water	Wind	Total
Central East Coast	5.3%	0.1%	0.9%	0.1%	0.5%	0.6%	1.2%	7.5%	0.2%	16.3%
Inland	18.5%	0.0%	2.2%	0.8%	1.0%	1.0%	2.4%	8.4%	2.0%	36.3%
North East Coast	8.6%	0.0%	2.1%	0.2%	1.3%	0.2%	1.9%	6.4%	0.7%	21.3%
North Gulf Coast	6.5%	0.0%	1.1%	0.3%	2.5%	67.1%	0.9%	8.0%	0.5%	87.0%
Panhandle	12.5%	0.1%	4.6%	1.0%	1.0%	0.9%	0.3%	4.3%	0.5%	25.2%
BROWARD	5.4%	0.0%	2.4%	0.0%	4.2%	1.9%	2.3%	30.0%	0.2%	46.4%
MIAMI-DADE	11.2%	0.0%	1.6%	0.2%	11.0%	0.9%	4.5%	43.9%	0.3%	73.6%
MONROE	0.0%	0.0%	12.6%	0.0%	0.1%	0.0%	0.9%	2.4%	0.0%	16.1%
PALM BEACH	7.1%	0.0%	2.4%	0.1%	3.1%	0.0%	1.5%	17.8%	0.2%	32.2%
South Gulf Coast	7.5%	0.0%	0.9%	0.2%	1.3%	0.1%	0.9%	9.9%	0.3%	21.1%
Total	8.4%	0.0%	1.7%	0.2%	4.6%	19.4%	2.2%	21.0%	0.4%	58.0%

* These loss ratios are as a percentage of total premium

2011 PLA Loss and LAE Ratio

2011

Loss & LAE Ratio*	Fire	Hail	Liability	Lightning	Other	Sinkhole	Theft	Water	Wind	Total
Central East Coast	4.3%	0.0%	1.1%	0.1%	0.3%	0.9%	1.2%	8.9%	0.7%	17.4%
Inland	14.2%	0.8%	2.8%	1.0%	3.0%	12.9%	2.2%	8.7%	6.8%	52.3%
North East Coast	4.9%	0.4%	2.6%	0.6%	1.3%	0.9%	1.7%	8.6%	2.7%	23.5%
North Gulf Coast	6.7%	0.2%	1.0%	0.4%	2.8%	130.7%	0.9%	8.1%	2.6%	153.4%
Panhandle	9.7%	0.1%	2.5%	0.6%	1.1%	3.2%	1.2%	4.7%	2.1%	25.1%
BROWARD	3.8%	0.1%	1.2%	0.1%	3.3%	0.6%	2.5%	33.1%	2.1%	46.7%
MIAMI-DADE	7.7%	0.0%	1.5%	0.1%	9.4%	1.1%	4.5%	48.0%	0.6%	73.0%
MONROE	0.0%	0.0%	0.5%	1.2%	0.1%	0.0%	0.0%	2.4%	0.0%	4.2%
PALM BEACH	3.9%	0.0%	1.7%	0.1%	2.3%	0.5%	1.4%	18.4%	0.3%	28.8%
South Gulf Coast	3.7%	0.0%	0.8%	0.1%	1.1%	1.0%	1.1%	11.2%	0.4%	19.4%
Total	6.2%	0.1%	1.3%	0.3%	4.2%	38.1%	2.3%	23.6%	1.7%	77.7%

* These loss ratios are as a percentage of total premium

2012 PLA Loss and LAE Ratio

2012

Loss & LAE Ratio*	Fire	Hail	Liability	Lightning	Other	Sinkhole	Theft	Water	Wind	Total
Central East Coast	5.8%	1.5%	1.9%	0.2%	0.8%	0.6%	0.4%	9.4%	0.3%	20.9%
Inland	12.7%	0.9%	2.4%	0.7%	1.4%	5.9%	2.2%	9.9%	2.1%	38.1%
North East Coast	6.2%	0.3%	2.2%	0.6%	1.8%	0.2%	1.0%	10.5%	2.3%	25.1%
North Gulf Coast	7.2%	0.3%	1.5%	0.2%	1.0%	42.9%	0.8%	10.9%	0.9%	65.6%
Panhandle	9.7%	0.0%	-1.1%	0.7%	1.5%	0.6%	0.7%	5.8%	0.7%	18.6%
BROWARD	4.0%	0.0%	1.2%	0.2%	3.3%	0.5%	2.0%	40.3%	0.8%	52.1%
MIAMI-DADE	6.8%	0.0%	1.2%	0.2%	7.3%	0.3%	3.3%	50.9%	0.7%	70.7%
MONROE	25.7%	0.0%	45.6%	-0.6%	7.7%	0.0%	0.0%	28.1%	0.0%	106.4%
PALM BEACH	3.9%	0.0%	3.0%	0.1%	1.6%	1.0%	1.4%	27.7%	0.3%	39.2%
South Gulf Coast	3.8%	0.0%	1.5%	0.2%	1.6%	0.7%	1.0%	11.5%	0.3%	20.6%
Total	6.1%	0.2%	1.5%	0.2%	3.2%	12.6%	1.8%	27.8%	0.8%	54.2%

* These loss ratios are as a percentage of total premium

2010 PLA Loss and LAE Ratio Water Only

2010

Loss & LAE Ratio	Accidental Discharge	Backup Sewer	Other	Plumbing Leakage/Break	Roof Leak	Sprinkler Leakage	Total
Central East Coast	0.2%	0.3%	2.0%	4.8%	0.5%	0.0%	7.5%
Inland	0.4%	0.2%	0.6%	5.2%	1.3%	0.0%	8.4%
North East Coast	0.3%	0.2%	5.5%	3.7%	1.1%	0.0%	6.4%
North Gulf Coast	0.1%	0.3%	6.1%	5.0%	0.7%	0.0%	8.0%
Panhandle	0.0%	0.1%	3.6%	2.8%	0.8%	0.0%	4.3%
BROWARD	0.3%	1.6%	4.6%	18.5%	4.3%	0.0%	30.0%
MIAMI-DADE	0.3%	3.1%	2.5%	28.3%	6.7%	0.0%	43.9%
MONROE	0.0%	0.0%	3.5%	-0.8%	0.1%	0.0%	2.4%
PALM BEACH	0.2%	1.0%	0.3%	11.3%	1.4%	0.0%	17.8%
South Gulf Coast	0.2%	0.3%	0.2%	6.4%	0.8%	-0.1%	9.9%
Total	0.2%	1.2%	0.2%	13.3%	2.9%	0.0%	21.0%

* These loss ratios are as a percentage of total premium

2011 PLA Loss and LAE Ratio Water Only

2011

Loss & LAE Ratio	Accidental Discharge	Backup Sewer	Other	Plumbing Leakage/Break	Roof Leak	Sprinkler Leakage	Total
Central East Coast	0.5%	0.1%	2.3%	5.6%	1.0%	0.0%	8.9%
Inland	0.4%	0.4%	1.8%	5.2%	1.3%	0.0%	8.7%
North East Coast	0.3%	0.3%	1.2%	4.4%	1.8%	0.0%	8.6%
North Gulf Coast	0.3%	0.3%	5.5%	4.9%	1.0%	0.0%	8.1%
Panhandle	0.4%	0.2%	5.2%	2.7%	0.5%	0.0%	4.7%
BROWARD	0.7%	1.8%	-1.6%	20.5%	5.3%	0.0%	33.1%
MIAMI-DADE	0.8%	3.4%	4.1%	30.8%	8.4%	0.0%	48.0%
MONROE	0.0%	0.0%	1.7%	3.0%	1.0%	0.0%	2.4%
PALM BEACH	0.9%	0.6%	3.6%	10.9%	2.4%	0.1%	18.4%
South Gulf Coast	0.4%	0.5%	0.2%	7.6%	0.9%	0.0%	11.2%
Total	0.6%	1.4%	0.2%	14.9%	3.8%	0.0%	23.6%

* These loss ratios are as a percentage of total premium

2012 PLA Loss and LAE Ratio Water Only

2012		Water Losses Only					Total
Loss & LAE Ratio	Accidental Discharge	Backup Sewer	Other	Plumbing Leakage/Break	Roof Leak	Sprinkler Leakage	
Central East Coast	0.6%	0.1%	1.6%	6.0%	1.0%	0.0%	9.4%
Inland	0.1%	0.4%	2.0%	5.6%	1.9%	0.0%	9.9%
North East Coast	0.4%	0.5%	1.9%	5.9%	1.8%	0.0%	10.5%
North Gulf Coast	0.5%	0.5%	2.0%	6.8%	1.1%	0.0%	10.9%
Panhandle	0.5%	0.0%	1.5%	2.0%	1.8%	0.0%	5.8%
BROWARD	1.5%	1.8%	6.4%	24.3%	6.1%	0.0%	40.3%
MIAMI-DADE	1.2%	2.8%	5.4%	30.4%	11.1%	0.0%	50.9%
MONROE	5.0%	0.0%	6.1%	7.2%	9.8%	0.0%	28.1%
PALM BEACH	1.3%	1.0%	5.1%	16.6%	3.6%	0.1%	27.7%
South Gulf Coast	0.6%	0.5%	1.9%	7.8%	0.7%	0.0%	11.5%
Total	0.9%	1.3%	3.9%	16.8%	4.9%	0.0%	27.8%

* These loss ratios are as a percentage of total premium