FINANCIAL STATEMENTS – STATUTORY BASIS
AND SUPPLEMENTAL SCHEDULES

Citizens Property Insurance Corporation

December 31, 2013 and 2012

Citizens Property Insurance Corporation
Financial Statements – Statutory Basis and Supplemental Schedules
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To the Board of Governors and Management
Citizens Property Insurance Corporation

We have audited the accompanying statutory financial statements of Citizens Property Insurance Corporation ("Citizens") which comprise the statutory statements of admitted assets, liabilities and accumulated surplus as of December 31, 2013 and 2012, and the related statutory statements of income, changes in accumulated surplus, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the Florida Office of Insurance Regulation ("FOIR"); this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these statutory basis financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described more fully in Notes 2 and 14 to the financial statements, Citizens prepared these financial statements using accounting practices prescribed or permitted by the FOIR, which is a basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). The effects on the financial statements of the variances between such practices and accounting principles generally accepted in the United States of America are described in Note 14, and are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the previous paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Citizens as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and accumulated surplus of Citizens as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Supplemental Combining Statement of Admitted Assets, Liabilities and Accumulated Surplus by Account - Statutory Basis, Supplemental Combining Statement of Income by Account - Statutory Basis, Summary Investment Schedule and Supplemental Investment Risks Interrogatories as of December 31, 2013 are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the FOIR. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory basis financial statements. The information has been subjected to the auditing procedures applied in the audits of the statutory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory basis financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such schedules are fairly stated in all material respects in relation to the statutory basis financial statements as a whole.

Johnson Lambert LLP

Jacksonville, Florida
May 28, 2014

Citizens Property Insurance Corporation

Statements of Admitted Assets, Liabilities and Accumulated Surplus - Statutory Basis

	December 31 2013	December 31 2012
	(In Thousands)	
Admitted assets		
Bonds	$ 12,828,989	$ 13,210,556
Cash and short-term investments	1,494,855	1,586,632
Total cash and invested assets	14,323,844	14,797,188
Investment income due and accrued	81,873	88,286
Premiums receivable	147,567	178,231
Reinsurance recoverable on paid losses and LAE	2,351	(4,349)
Other receivables under reinsurance contracts	27,133	18,407
Assessment receivable	176,894	354,287
Other admitted assets	6,945	11,169
Total admitted assets	$ 14,766,607	$ 15,443,219
Liabilities and accumulated surplus		
Liabilities:		
Loss reserves	$ 953,329	$ 1,140,377
Loss adjustment expense reserves	303,444	278,678
Retroactive reinsurance ceded	(1,626)	-
Unearned premiums	1,093,992	1,272,645
Unearned assessment income	43,602	85,051
Taxes and fees payable	3,143	5,989
Provision for reinsurance	1,881	2,047
Bonds payable	4,995,038	5,910,316
Interest payable	25,846	31,772
Advance premiums and suspended cash	70,440	85,824
Other liabilities	269,310	335,363
Total liabilities	7,758,399	9,148,062
Accumulated surplus:		
Restricted	15,339	11,112
Unrestricted	6,992,869	6,284,045
Total accumulated surplus	7,008,208	6,295,157
Total liabilities and accumulated surplus	$ 14,766,607	$ 15,443,219

See accompanying notes to statutory basis financial statements.

Citizens Property Insurance Corporation
Statements of Income – Statutory Basis

	Years Ended December 31 2013	2012
	(In Thousands)	
Premiums earned	$ 1,880,761	$ 2,248,095
Losses incurred	502,375	815,507
Loss adjustment expenses incurred	248,050	258,109
Other underwriting expenses incurred	461,683	562,566
Underwriting income	668,653	611,913
Net interest income	128,440	129,885
Net realized gain on sales	52,828	61,293
Interest expense	(200,711)	(197,691)
Net investment expense	(19,443)	(6,513)
Line of credit fees and note issuance costs	-	(8,333)
Takeout bonus income	-	43
Assessment income	26,166	59,421
Other (expense) income	(10,030)	8,285
Net income	$ 665,346	$ 664,816

See accompanying notes to statutory basis financial statements.

Citizens Property Insurance Corporation
Statements of Changes in Accumulated Surplus – Statutory Basis

	(In Thousands)
Balance at January 1, 2012	$ 5,588,141
Net income	664,816
Change in nonadmitted assets	41,919
Change in provision for reinsurance	618
Other	(337)
Change in accumulated surplus	707,016
Balance at December 31, 2012	6,295,157
Net income	665,346
Change in nonadmitted assets	31,296
Change in provision for reinsurance	166
Prior year assessment income	15,283
Other	960
Change in accumulated surplus	713,051
Balance at December 31, 2013	$ 7,008,208

See accompanying notes to statutory basis financial statements.

Citizens Property Insurance Corporation
Statements of Cash Flows – Statutory Basis

	Years Ended December 31 2013	2012
	(In Thousands)	
Operating activities		
Premiums collected, net of reinsurance	$ 1,674,421	$ 2,231,224
Loss and loss adjustment expenses paid	(912,708)	(1,001,131)
Underwriting expenses paid	(472,124)	(557,214)
Net investment income received	60,536	131,112
Other income received	17,033	50,404
Net cash provided by operating activities	367,158	854,395
Investing activities		
Proceeds from investments sold, matured or repaid	7,604,897	9,016,897
Investments acquired	(7,369,289)	(11,558,037)
Net cash provided by (used in) investing activities	235,608	(2,541,140)
Financing and miscellaneous activities		
Borrowed funds (repaid) received	(871,530)	1,182,515
Other cash received	176,987	128,003
Net cash (used in) provided by financing and activities	(694,543)	1,310,518
Net decrease in cash and short-term investments	(91,777)	(376,227)
Cash and short-term investments:		
Beginning of year	1,586,632	1,962,859
End of year	$ 1,494,855	$ 1,586,632

See accompanying notes to statutory basis financial statements.

NOTE 1 – GENERAL

Citizens Property Insurance Corporation (Citizens) was established on August 1, 2002, pursuant to Section 627.351(6), Florida Statutes (the Act), to provide certain residential and non-residential property insurance coverage to qualified risks in the State of Florida under circumstances specified in the Act. The original intent of the legislation was that property insurance be provided through Citizens to applicants who are in good faith entitled to procure insurance through the voluntary market but are unable to do so. Citizens results from a combination of the Florida Residential Property and Casualty Joint Underwriting Association (the FRPCJUA) and the Florida Windstorm Underwriting Association (the FWUA). The FRPCJUA was renamed Citizens and the FWUA's rights, obligations, assets, liabilities and all insurance policies were transferred to Citizens. Unlike private insurers offering coverage through the admitted market, Citizens is not required to obtain or to hold a certificate of authority issued by the Florida Office of Insurance Regulation (the Office). For purposes of its tax-exempt status, Citizens is considered a political subdivision and an integral part of the State of Florida. As such, Citizens' operations may be affected by the legislative process. In 2007, the Act was amended to recognize Citizens' status as a governmental entity and to add affordability as an element of Citizens' statutory mission.

Citizens operates pursuant to a Plan of Operation (the Plan) approved by the Financial Services Commission (the Commission) of the State of Florida. The Commission is composed of the Governor, the Chief Financial Officer, the Attorney General and the Commissioner of Agriculture of the State.

Citizens is supervised by a Board of Governors (the Board) which consists of nine individuals who reside in the State of Florida. The Governor appoints three members, and the Chief Financial Officer, the President of the Senate and the Speaker of the House of Representatives each appoint two members of the Board. At least one of the two members appointed by each appointing officer must have a demonstrated expertise in the insurance industry. The Chief Financial Officer designates one of the appointees as the Board's chair. All Board members serve at the pleasure of their appointing officers.

Citizens' President and Chief Executive Officer (Executive Director) and senior managers are engaged by and serve at the pleasure of the Board. The Executive Director is subject to confirmation by the Florida Senate.

Pursuant to the Act, all revenues, expenses, assets and liabilities of Citizens shall remain divided into three separate accounts: the Personal Lines Account, the Commercial Lines Account and the Coastal Account. A brief history of each account follows:

NOTE 1 – GENERAL (CONTINUED)

Personal Lines Account History – The Florida Residential Property and Casualty Joint Underwriting Association (FRPCJUA) began operations on January 21, 1993, after Hurricane Andrew, pursuant to Section 627.351(6), Florida Statutes, to provide certain residential property insurance coverage to qualified risks in the State of Florida for applicants who were in good faith entitled to procure insurance through the private market but were unable to do so. Residential property coverage consists of the types of coverage provided to homeowners, mobile homeowners, tenants, condominium unit owners, and similar policies. The policies provide coverage for all perils covered under a standard residential policy, subject to certain underwriting requirements. Such policies may exclude windstorm coverage on property within eligible areas. This portion of the FRPCJUA's activities became the Personal Lines Account under Citizens.

Commercial Lines Account History – 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) to organizations unable to obtain such coverage from a private insurer. During 1995, legislation was enacted to transfer all obligations, rights, assets, and liabilities related to commercial residential coverage from the FPCJUA to the FRPCJUA. The legislation required that the premiums, losses, assets and liabilities be accounted for separately from the FRPCJUA's personal residential business. This portion of the FRPCJUA's activities became the Commercial Lines Account under Citizens. In 2006, the FPCJUA was re-activated to provide commercial non-residential wind-only coverage. In 2007, legislation was enacted which resulted in the transfer and assumption of the FPCJUA’s commercial non-residential policies by Citizens. These policies were added to the Commercial Lines Account.

Coastal Account History – The Florida Windstorm Underwriting Association, which was a residual market mechanism for windstorm and hail coverage in select areas of the State, was created by an act of the Florida Legislature in 1970 pursuant to Section 627.351(2), Florida Statutes. FWUA was a Florida unincorporated association, the members of which were all property insurance companies holding a certificate of authority to provide property insurance coverage in the State. FWUA provided policies of windstorm insurance for property owners within the eligible areas who were unable to obtain such coverage from private insurers. Insured properties include personal residential, commercial residential and commercial non-residential properties. This portion of the FWUA’s activities became the High-Risk Account under Citizens. In 2007, Citizens received authority to issue multi-peril policies in the High-Risk Account. Pursuant to legislative changes during 2011, the High-Risk Account was renamed the Coastal Account.

Legislation enacted during a special session in 2007 significantly changed the standards Citizens uses to set rates. Historically, Citizens' rates were required to be actuarially sound and not competitive with approved rates charged by authorized insurers. The standard that Citizens develop rates that are not competitive with approved rates charged by authorized insurers was removed, although the requirement for actuarially sound rates remains.

NOTE 1 – GENERAL (CONTINUED)

Also, the 2007 Special Legislation rescinded the rates for Citizens premiums which took effect January 1, 2007, except for rates which were lowered. Such legislation required Citizens, as of January 1, 2007, to use the lower rates that were in effect on December 31, 2006 and to provide refunds to policyholders who had paid higher rates as a result of that rate filing. This requirement produced a reduction to the homeowner multi-peril rates and residential fire/dwelling rates of 11.0% and 17.4%, respectively, and decreased residential wind-only rates for the Costal Account 18.2%. Also per the Special Legislation, the rates in effect on December 31, 2006 remained in effect through December 31, 2009.

During the 2009 legislative session, Citizens' statute was amended to require that beginning on July 15, 2009 and each year thereafter, Citizens must make a recommended actuarially sound rate filing for each personal and commercial line of business it writes, to be effective no earlier than January 1, 2010. In addition, the new law requires that Citizens implement such rate increases so that the rate increase per policyholder does not exceed ten percent, excluding coverage changes and surcharges.

During the 2011 legislative session, Citizens statute was amended to allow Citizens to charge an actuarially sound rate for sinkhole coverage, outside of the 10 percent per policy cap. Additionally, a number of changes were made in the law with respect to coverage provided for sinkhole including statutory definitions of sinkhole loss, sinkhole activity and structural damage. Finally the legislation provided for a claims filing deadline on a sinkhole claim of two years and a claims filing deadline of three years for a windstorm or hurricane claim.

During the 2013 legislative session, Citizens was authorized to create a clearinghouse program to confirm eligibility of new applicants to Citizens and to provide new applicants and existing Citizens policyholders enhanced access to offers of coverage from authorized insurers. Under the program, authorized insurers that have voluntarily agreed to participate in the program are able to make offers of coverage to new applicants and existing Citizens policyholders that may render their property ineligible for coverage with Citizens. The clearinghouse program launched on January 27, 2014, with four authorized carriers participating in the program. Currently only new applicants seeking HO-3 policies are subject to the clearinghouse. During the remainder of 2014, Citizens plans to begin submitting existing HO-3 business through the platform, add an additional 16 carriers to the program and develop a process for diverting ineligible applicants and existing policyholders for commercial residential coverage into the private insurance market.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Citizens prepares its statutory basis financial statements in conformity with Florida statutes and accounting rules prescribed by the Office for insurance companies domiciled in the State of Florida. The statutory basis financial statements are prepared in accordance with National Association of Insurance Commissioners' (the NAIC) Accounting Practices and Procedures Manual, subject to any deviations prescribed or permitted by the Office.

Statutory accounting principles (SAP) is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America (GAAP). The significant SAP which differ from GAAP are as follows:

a. Acquisition costs incurred in connection with successfully acquiring new business, such as commissions, certain servicing company fees, and other costs of acquiring, renewing and servicing the business are charged to operations as incurred rather than deferred and amortized over the policy term.

b. Certain assets are defined under SAP as "nonadmitted." These include furniture and equipment, leasehold improvements, certain prepaid assets, certain computer software, investments over prescribed limits and receivables in the course of collection with balances more than 90 days past due. The net change in such nonadmitted assets during the year is charged or credited directly to accumulated surplus. GAAP, on the other hand, includes these as assets unless impaired.

c. Investments in debt securities are generally valued at cost and are amortized under the valuation standards of the NAIC. According to GAAP, investments in debt securities are generally reported at fair value.

d. Certain expenses associated with multiple periods, such as line of credit fees, note issuance costs and takeout bonus expenses, are charged to operations as incurred, rather than deferred and amortized over the periods to which the expenses relate as required under GAAP.

e. Reserves for losses and loss adjustment expenses and unearned premiums ceded to reinsurers are reported as reductions of the related reserves rather than as assets as required under GAAP.

f. Cash and short-term investments in the statement of cash flows represent cash balances and investments with initial maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents includes cash balances and investments with initial maturities of three months or less. Also under GAAP, short-term investments are disclosed separately from cash and include investments with remaining maturities of one year or less.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Differences between Florida prescribed practices and SAP which affect Citizens are prescribed in Florida Statutes 625.305. This statute provides limitations on the admission of invested assets with ratings of 5 and 6 issued by the Securities Valuation Office (SVO) as a percentage of total admitted assets, among other limitations not applicable to Citizens. The effect of the prescribed practice on accumulated surplus is provided below.

		(in thousands)	
Description	**State**	**2013**	**2012**
Policyholders' surplus, state basis	FL	$ 7,008,208	$ 6,295,157
Effect of state prescribed practices			
F.S. 625.305(4)d. Non-Admitted Invested Assets	FL	61,253	89,176
Policyholders' surplus, SAP basis		$ 7,069,461	$ 6,384,333

Bonds

Bonds, which consist solely of debt securities, are recorded at admitted asset values, as prescribed by the NAIC's valuation procedures and are rated in accordance with current NAIC guidelines. Bonds designated highest quality and high quality are reported at amortized cost, with all other bonds reported at the lower of amortized cost or fair value. Debt securities not backed by other loans are stated at amortized cost using the interest method. Loan backed debt securities and structured securities are stated at amortized cost using the interest method and adjusted retrospectively.

Cash and Short-term Investments

Cash consists of highly liquid investments with remaining maturities of three months or less at the date of purchase. Short-term investments are investments with remaining maturities of one year or less at the date of purchase (excluding those investments classified as cash) and are generally recorded at cost. Cash and short-term investments include amounts on deposit in excess of insured limits through the Federal Deposit Insurance Corporation. Management does not consider this to represent a significant credit risk to Citizens.

Short-term investments consist of amounts invested in the Florida State Board of Administration's Florida Prime (SBA Florida Prime), formerly known as the Florida State Board of Administration's Local Government Investment Pool (LGIP), various money market funds, commercial paper, short-term municipal securities, short-term corporate bonds and U.S. government agency short-term notes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Investment Income (Expense)

Net investment income (expense) includes realized gains and losses on sales of investments that are recognized on the specific identification basis and losses for other-than-temporary write-downs on the fair value of certain investments. Net investment income (expense) also includes bond interest, bond expenses and investment expenses.

Furniture, Fixtures and Equipment

Depreciation and amortization expense was $6.4 million and $4.5 million for the years ended December 31, 2013, and 2012, respectively. Furniture, fixtures and equipment are depreciated using the straight-line method over the assets' estimated useful life. The estimated useful lives, by asset class, are as follows:

Electronic data processing (EDP) equipment:	3 years
Capitalized office equipment and automobiles:	5 years
Furniture and equipment:	7 years
Leasehold improvements:	10 years

The cost and accumulated depreciation for EDP equipment and software was $68.4 million and $60.8 million at December 31, 2013 and $67.0 million and $56.2 million at December 31, 2012, respectively.

Loss Reserves and Loss Adjustment Expense Reserves

Liabilities for loss reserves and loss adjustment expense (LAE) reserves are estimated based on claims adjusters' evaluations and on actuarial evaluations, using Citizens' loss experience and industry statistics. While the ultimate amount of losses and loss adjustment expenses incurred is dependent on future development, in management's opinion, the estimated reserves are adequate to cover the expected future payment of losses and LAE. However, the ultimate settlement of losses may vary significantly from the reserves provided. Adjustments to estimates recorded resulting from subsequent actuarial evaluations or ultimate payments will be reflected in operations in the period in which such adjustments are known or estimable. Citizens does not discount liabilities for loss reserves and loss adjustment expense reserves.

Premiums

Premiums written are recorded on the effective date of the policy and earned using the daily pro rata method over the policy period. The portion of premiums not earned at the end of the period are recorded as unearned premiums.

Premiums receivable includes amounts due from policyholders for billed premiums. Billings are calculated using estimated annual premiums for each policy and are paid either through an installment plan offered by Citizens or in their entirety at the inception of the policy.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Guaranty Fund and Other Assessments

Citizens is subject to assessments by the Florida Insurance Guaranty Association (FIGA). For the property lines of insurance, FIGA collects assessments from solvent insurance companies operating in Florida to cover the costs resulting from insolvency or rehabilitation of other insurance companies. Assessments are charged to expense and a liability is accrued when Citizens is notified that an assessment will be levied. After paying the FIGA assessment, Citizens recoups the assessment from its own insureds. Citizens records a receivable and recognizes revenue for the amount of policy surcharges that are expected to be received to recoup any assessment levied by FIGA.

Assessments are also levied by the Florida Hurricane Catastrophe Fund (FHCF), which are in turn payable by Citizens' insureds. Citizens collects the FHCF assessments from its insureds and remits them to the FHCF.

Citizens is also required to assess insurers and insureds in Florida for deficits incurred by Citizens. Assessments made pursuant to the Act and the Plan are recognized as revenue and recorded as receivable in the period approved by the Board of Governors and the Office and levied by Citizens (see Note 15). Assessment receivables are considered to be fully collectible.

Reinsurance

Premiums ceded under reinsurance agreements are recorded as a reduction of earned premiums. Reinsurance recoverables on unpaid losses are recorded as a reduction to loss and LAE reserves. Reinsurance recoverables on paid losses are recorded as receivables. All catastrophe reinsurance payments are recorded as premiums ceded and are amortized over the life of the hurricane season for which the payments apply. Premiums ceded include FHCF, private catastrophe reinsurance purchases and depopulation premiums.

Use of Estimates

The preparation of the financial statements in accordance with SAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments

The carrying value of cash and cash equivalents, premiums receivable, other admitted assets and other liabilities approximates fair value given their short-term nature.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Market Risk

Citizens underwrites residential and commercial property insurance policies in the State of Florida. Therefore, adverse economic changes or certain changes in the insurance laws of the State of Florida could have a significant impact on Citizens' future financial position and results of operations. At December 31, 2013, approximately 55.6% of Citizens' insurance coverage exposure lies in the Southeast Florida counties of Miami-Dade, Broward, Monroe and Palm Beach. At December 31, 2013, approximately 13.8% of Citizens' insurance coverage lies in Pinellas and Hillsborough counties. Severe storm activity in any of these counties, or throughout the State of Florida, could have a significant impact on Citizens' future financial position and results of operations. Unlike private insurers that are subject to liquidation in the event of insolvency, Citizens is able (and statutorily required) to levy surcharges and assessments in the event of a deficit in any or all of its accounts. See Note 15 for further information.

Subsequent Events

Citizens has evaluated subsequent events for disclosure and recognition through May 28, 2014, the date on which these financial statements were available to be issued.

NOTE 3 – FAIR VALUE MEASUREMENTS

Citizens' estimates of fair value for financial assets and financial liabilities are based on the framework established in the Fair Value Measurements and Disclosures accounting guidance. The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect Citizens' significant market assumptions. The three levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement, and includes broker quotes which are non binding.

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)

At the end of each reporting period, Citizens evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred between Levels 1 and 2. This policy also applies to transfers into or out of Level 3. During the current reporting period, no such transfers occurred.

Bonds carried at fair value categorized as Level 2 are valued using the market approach. The estimated fair values of some of these items were determined by independent pricing services and relevant market data observable inputs. Others were based on broker quotes from markets which were not considered actively traded. Some valuations were determined to be Level 2 valuations as quoted market prices for similar instruments in an active market were utilized. This was accomplished by the use of matrix pricing. Matrix pricing takes quoted prices of bonds with similar features and applies analytic methods to determine the fair value of bonds held. Features that are inputs into the analysis include duration, credit quality, tax status and call and sinking fund features.

The exhibit below reflects the fair value and admitted values of all admitted assets that are financial instruments categorized into the three-level fair value hierarchy *(in thousands)*. Citizens has no liability-based financial instruments.

Description	Total	Level 1	Level 2	Level 3
Financial Instruments - Assets				
U.S. Treasury	$ 1,468,263	$ 1,464,795	$ 3,468	-
All Other Government	23,754	-	23,754	-
States, Territories & Possessions	1,076,807	-	1,076,807	-
Political Subdivisions	1,000,975	-	1,000,975	-
Special Revenue	4,894,573	-	4,894,573	-
Industrial & Miscellaneous	4,240,838	-	4,240,838	-
Mortgage-backed Securities	187,008	-	187,008	-
Total	**$ 12,892,218**	**$ 1,464,795**	**$ 11,427,423**	**-**

NOTE 4 – INVESTMENTS

Investment Policy and Impairment

Citizens' invested assets are governed by four investment policies, two for taxable operating funds and two for tax-exempt bond proceeds:

- Liquidity Fund (Taxable): generally this policy will govern the investment of funds and surplus that, in addition to internally managed cash, will be the first monies used to pay claims after an event, and that can be used to pay operating expenses on an ongoing basis.

- Liquidity Fund (Tax-exempt): generally this policy will govern the investment of tax-exempt pre-event bond proceeds and other monies required to be invested in tax-exempt instruments. Citizens will use these monies to pay claims after an event or to pay principal and / or interest payments on an as needed basis.

- Claims-Paying Fund (Taxable): generally this policy will govern the investment of funds that will be used to pay post-event claims after Citizens has expended all monies in the Liquidity Fund. Only monies eligible for investment in taxable instruments will be deposited in this fund.

- Claims-Paying Fund (Tax-exempt): generally this policy will govern the investment of tax-exempt pre-event bond proceeds and other monies required to be invested in tax-exempt instruments. Citizens will use these monies to pay claims after an event, typically after all funds in the Liquidity Fund have been expended.

The Liquidity Fund taxable policy requires a minimum of half of all securities in its portfolio to be U.S. Government or U.S. Government Agency fixed income securities while the remaining half may be corporate fixed income securities rated Baa1/BBB+/BBB+ or better by Moody's, S&P or Fitch, respectively, at the time of purchase. The Claims Paying Fund taxable policy requires a minimum of 40% of all securities in its portfolio to be U.S. Government or U.S. Government Agency fixed income securities while the remaining 60% may be corporate fixed income securities rated Baa1/BBB+/BBB+ or better by Moody's, S&P and/or Fitch at the time of purchase. The Liquidity Fund and Claims Paying Fund tax-exempt policies require all securities be invested in tax exempt fixed income securities not subject to the federal alternative minimum tax rated A3/A-/A- equivalent or better by Moody's, S&P or Fitch, at the time of purchase. The investment policies provide that a significant portion of Citizens' assets should be in relatively short duration instruments and the majority of Citizens' assets should have a weighted duration consistent with the objectives of maximizing return without exposure to interest rate risk. Citizens may invest in fixed or variable rate instruments that have minimum ratings as specified in the investment policy by one of the Rating Agencies. Investments in the Liquidity Fund portfolios (taxable and tax-exempt) may have a maximum maturity of 39 months and the weighted average maturity cannot exceed 365 days. Investments in the Claims Paying Fund portfolios (taxable and tax-exempt) may have a maximum maturity of 61 months and the weighted average maturity cannot exceed 3.5 years. In accordance with Citizens'

NOTE 4 – INVESTMENTS (CONTINUED)

Investment Policy and Impairment (Continued)

applicable taxable and tax-exempt investment policies the majority of Citizens' bond proceeds and operating cash are managed by independent investment management firms engaged by Citizens and in part by Citizens' staff. Permitted investments generally must be rated in one of the two or three highest rating categories of each of the Rating Agencies (Moody's, S&P or Fitch), depending on the type of investment.

Citizens did not recognize any other-than-temporary impairments for the years ended December 31, 2013 or 2012. However, of the $293.7 million other-than-temporary impairment recorded in 2007 and 2008, $149.0 million has been recovered as of December 31, 2013. In addition, Citizens nonadmitted $61.3 million and $89.2 million of invested assets at December 31, 2013 and 2012, respectively, that were rated as 5 or 6 by the SVO, pursuant to Florida statutes (see Note 2).

The investment policy requires any repurchase agreement be collateralized at least 102% with U.S. Government or Agency securities, excluding mortgage-backed securities. Repurchase agreements shall not represent more than 15% of the portfolio's amortized cost and must have a maximum maturity of 30 days or less. Reverse repurchase agreements and securities lending are not permitted investments. Citizens had no investments in agency repurchase agreements as of December 31, 2013 and 2012.

Short-term Investments

Citizens' short-term investments include shares held in the SBA Florida Prime. The entire amount of $9.4 million invested in the SBA Florida Prime at December 31, 2013 is invested in Fund B, which has been frozen from investor withdrawals due to that portfolio's investment in distressed illiquid assets. During 2013 and 2012, Citizens received principal recoveries of $7.6 million and $2.9 million, respectively.

As principal and interest payments are received, Citizens' allocable portion is eligible for withdrawal and such withdrawals have been consistently made. Citizens withdrew $22.7 million and $8.8 million, during 2013 and 2012, respectively. Full realization of the principal value of Fund B assets is not readily determinable.

NOTE 4 – INVESTMENTS

Bonds

The amortized cost, gross unrealized gains and losses and fair value of bonds at December 31, 2013, were as follows *(in thousands)*:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Bonds:				
U.S. Treasury and U.S. Government Securities	$ 1,472,271	$ 1,988	$ (5,996)	$ 1,468,263
All Other Government	23,775	47	(68)	23,754
States, Territories and Possessions	1,067,801	9,733	(727)	1,076,807
Political Subdivisions of States, Territories and Possessions	992,980	8,601	(606)	1,000,975
Special Revenue	4,876,572	26,746	(8,745)	4,894,573
Industrial & Miscellaneous	4,209,409	46,981	(15,552)	4,240,838
Mortgage-backed Securities	186,181	1,247	(420)	187,008
Total	**$ 12,828,989**	**$ 95,343**	**$ (32,114)**	**$ 12,892,218**

The amortized cost, gross unrealized gains and losses and fair value of bonds at December 31, 2012, were as follows *(in thousands)*:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Bonds:				
U.S. Treasury and U.S. Government Securities	$ 1,061,890	$ 3,538	$ (131)	$ 1,065,297
All Other Government	25,510	95	(12)	25,593
States, Territories and Possessions	1,157,256	13,727	(294)	1,170,689
Political Subdivisions of States, Territories and Possessions	1,185,111	12,229	(1,040)	1,196,300
Special Revenue	6,032,518	41,899	(3,002)	6,071,415
Industrial & Miscellaneous	3,642,703	68,354	(417)	3,710,640
Loan-backed and Structured Securities:				
Mortgage-backed Securities	104,768	1,700	(35)	106,433
Other loan-backed Securities	800	-	(10)	790
Total	**$ 13,210,556**	**$ 141,542**	**$ (4,941)**	**$ 13,347,157**

NOTE 4 – INVESTMENTS (CONTINUED)

Bonds (Continued)

The unrealized loss position of bonds at December 31, 2013 was as follows *(in thousands)*:

	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Bonds:						
U.S. Treasury & Agency	$ 568,102	$ (5,203)	$ 49,003	$ (793)	$ 617,105	$ (5,996)
All Other Government	5,922	(68)	1,017	-	6,939	(68)
States, Territories and Possessions	151,760	(681)	29,709	(46)	181,469	(727)
Political Subdivisions	82,921	(373)	57,084	(233)	140,005	(606)
Special Revenue	803,161	(3,444)	465,299	(5,300)	1,268,460	(8,745)
Industrial & Miscellaneous	886,105	(12,203)	382,064	(3,350)	1,268,169	(15,552)
Mortgage-backed Securities	55,687	(342)	29,635	(78)	85,322	(420)
Total	**$ 2,553,658**	**$ (22,314)**	**$ 1,013,811**	**$ (9,800)**	**$ 3,567,469**	**$ (32,114)**

The unrealized loss position of bonds at December 31, 2012 was as follows *(in thousands)*:

	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Bonds:						
U.S. Treasury & Agency	$ 115,229	$ (131)	-	-	$ 115,229	$ (131)
All Other Government	17,541	(12)	-	-	17,541	(12)
States, Territories and Possessions	110,571	(263)	15,401	(31)	125,972	(294)
Political Subdivisions	252,116	(903)	5,187	(137)	257,303	(1,040)
Special Revenue	766,067	(2,157)	43,699	(845)	809,766	(3,002)
Industrial & Miscellaneous	132,357	(334)	49,356	(83)	181,713	(417)
Loan-Backed and Structured Securities:						
Mortgage-backed Securities	21,606	(35)	-	-	21,606	(35)
Other Loan-backed Securities	-	-	790	(10)	790	(10)
Total	**$ 1,415,487**	**$ (3,835)**	**$ 114,433**	**$ (1,106)**	**$ 1,529,920**	**$ (4,941)**

NOTE 4 – INVESTMENTS (CONTINUED)

Bonds (Continued)

The following table presents securities for which an other-than-temporary impairment has been recognized in reporting periods prior to the year ended December 31, 2013, classified on the basis of lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis (*in thousands*).

Amortized Cost *Before* Other-Than-Temporary Impairment	Other-Than-Temporary Impairment Recognized	Amortized Cost *After* Other-Than-Temporary Impairment	Fair Value
$ 425,734	$ 290,668	$ 135,066	$ 196,835

There were 500 and 379 investment holdings in an unrealized loss position at December 31, 2013 and 2012, respectively.

Proceeds from maturities and sales of bonds during 2013 were $7.6 billion with gross realized gains of $36.7 million and gross realized losses of $4.1 million and during 2012 were $9.0 billion with gross realized gains of $40.8 million and gross realized losses of $3.5 million.

The amortized cost and fair value of securities at December 31, 2013, by contractual maturity, are shown below *(in thousands)*. Actual maturities may differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Maturity:		
In 2014	$ 1,282,584	$ 1,286,997
In 2015-2018	11,097,933	11,149,052
In 2019-2023	45,270	45,343
After 2023	217,021	223,818
Mortgage-backed Securities	186,181	187,008
Total	**$ 12,828,989**	**$ 12,892,218**

NOTE 4 – INVESTMENTS (CONTINUED)

Bonds (Continued)

Sources and uses of net investment expense for the years ended December 31, 2013 and 2012, were as follows *(in thousands)*:

	2013	2012
Interest income:		
U.S. Government Bonds	$ 6,125	$ 5,166
Bonds Exempt from U.S. Tax	56,622	54,181
Other Bonds	69,552	71,949
Cash, Cash Equivalents and Short-Term Investments	2,809	4,967
Total investment income	**135,108**	**136,263**
Investment expenses	(6,668)	(6,378)
Net interest income	**$ 128,440**	**$ 129,885**
Capital gains:		
U.S. Government Bonds	677	3,579
Bonds Exempt from U.S. Tax	12,024	7,065
Other Bonds	19,814	26,284
Cash, Cash Equivalents and Short-Term Investments	20,313	24,367
Net realized gain on sales	**52,828**	**61,293**
Interest expense:		
2007A Bond Series	(21,494)	(25,889)
2008A Bond Series	-	-
2009A Bond Series	(49,827)	(51,832)
2010A Bond Series	(59,833)	(67,816)
2011A Bond Series	(30,184)	(30,723)
2012A Bond Series	(39,374)	(21,431)
Total interest expense	**(200,711)**	**(197,691)**
Net investment expense	**$ (19,443)**	**$ (6,513)**

NOTE 4 – INVESTMENTS (CONTINUED)

Restricted Assets

Restricted assets (including pledged assets) are summarized as follows by restricted asset category *(in thousands)*:

	Gross Restricted				Percentage	
Restricted Asset Category	**Total from Current Year**	**Total from Prior Year**	**Increase (Decrease)**	**Total Current Year Admitted**	**Gross Restricted to Total Assets**	**Admitted Restricted to Total Admitted Assets**
Pledged as collateral not captured in other categories	$707,295	$710,534	$ (3,239)	$707,295	4.61%	4.61%
On deposit with state	9,381	24,475	(15,094)	5,127	0.06%	0.06%
Other restricted assets	15,339	11,112	4,227	15,339	0.10%	0.10%
Total restricted assets	$732,015	$746,121	$ (14,106)	$727,761	4.77%	4.77%

NOTE 5 – LIABILITY FOR LOSS RESERVES AND LOSS ADJUSTMENT EXPENSE RESERVES

Activity in the liability for loss reserves and LAE reserves for the years ended December 31, 2013 and 2012, was as follows *(in thousands)*:

	2013	2012
Balance at beginning of year	$ 1,419,055	$ 1,346,570
Incurred related to:		
Current accident year	684,549	1,049,647
Prior accident years	65,876	23,970
	750,425	1,073,617
Paid related to:		
Current accident year	352,354	516,059
Prior accident years	560,353	485,073
	912,707	1,001,132
Balance at end of year	$ 1,256,773	$ 1,419,055

NOTE 5 – LIABILITY FOR LOSS RESERVES AND LOSS ADJUSTMENT EXPENSE RESERVES (CONTINUED)

As a result of changes in estimates of insured events in prior years, primarily due to the re-estimation of costs relating to prior year litigated sinkhole claims, the provision for loss and LAE increased by approximately $65.9 million and $24.0 million, net of reinsurance, in 2013 and 2012, respectively. Increases or decreases of this nature occur as a result of claim settlements during the current year, and as additional information is received regarding individual claims, causing changes from the original estimates of the cost of these claims.

For both catastrophic and non-catastrophic claims, the loss adjusting function is performed by Citizens through its employees and through contracted independent adjusting firms. Citizens compensates independent adjusting firms, depending upon the type or nature of the claims, either on per-day rate or on a graduated fee schedule based on the gross claim amount. Such costs are included as loss adjustment expenses.

NOTE 6 – REINSURANCE AGREEMENTS

Citizens has entered into various contracts with reinsurers for the purpose of reducing its net exposure to qualifying losses should such losses occur. These contracts provide for the recovery of amounts above specified retention levels, subject to contractual limits, under per occurrence catastrophe excess of loss arrangements. Reinsurance coverage is purchased separately for the Coastal Account and combined for the PLA and CLA. As required by statute, Citizens participates in the FHCF. Coverage provided by and premium ceded to the FHCF as respects the Coastal Account is considered as a separate participating insurer with its own exposures, reimbursement premium and loss reimbursement. Likewise, the PLA and CLA are considered together as a single, separate participating insurer with its own exposures, reimbursement premium and loss reimbursement.

The effect of reinsurance on premiums written and earned is as follows *(in thousands)*:

	2013		2012	
	Written	Earned	Written	Earned
Direct premiums	$ 2,761,638	$ 2,954,580	$ 3,180,755	$ 3,129,666
Ceded premiums	(1,059,530)	(1,073,819)	(1,071,246)	(881,571)
Net premiums	$ 1,702,108	$ 1,880,761	$ 2,109,509	$ 2,248,095

NOTE 6 – REINSURANCE AGREEMENTS

Coverage and retention amounts, by layer of coverage, were as follows *(rounded, in thousands)*:

	December 31, 2013			
	Coastal Account		**PLA/CLA**	
	Coverage	**Retention**	**Coverage**	**Retention**
Layer 1 (FHCF)	$ 3,029,000	$ 1,229,000	$ 2,196,000	$ 891,000
Layer 2	604,000	1,351,000	N/A	N/A
Layer 3	250,000	5,139,000	N/A	N/A
Layer 4	1,000,000	5,445,000	N/A	N/A
	$ 4,883,000		$ 2,196,000	

	December 31, 2012			
	Coastal Account		**PLA/CLA**	
	Coverage	**Retention**	**Coverage**	**Retention**
Layer 1 (FHCF)	$ 3,619,000	$ 1,510,000	$ 2,941,000	$ 1,227,000
Layer 2	1,000,000	6,350,000	N/A	N/A
Layer 3	500,000	7,350,000	N/A	N/A
	$ 5,119,000		$ 2,941,000	

Ceded premiums include premiums ceded to companies that assume policies pursuant to a depopulation program (see Note 11), as well as premium ceded under 100% private quota share arrangements.

Ceded losses and LAE incurred were $2.3 million and ($12.3) million during 2013 and 2012, respectively.

Amounts recoverable from reinsurers on unpaid losses and loss adjustment expenses are estimated based on the allocation of estimated unpaid losses and loss adjustment expenses among Citizens' coverage lines. Actual amounts recoverable will depend on the ultimate settlement of losses and loss adjustment expenses. Reinsurance contracts do not relieve Citizens from its obligation to policyholders. Citizens remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under their reinsurance agreements.

NOTE 7 – BONDS PAYABLE

Series 2007A Senior Secured Refunding Bonds **–** On February 26, 2007 Citizens issued $1.06 billion of tax exempt post event High-Risk Account Senior Secured Refunding Bonds, Series 2007A for the purpose of financing the current refunding and redemption of the outstanding 7.125% Series 1999A Senior Secured Insured Notes due 2019 previously issued by the Florida Windstorm Underwriting Association (FWUA), a predecessor of Citizens. In order to refund these notes Citizens paid a make whole call premium at the time of refunding, amounting to $181.1 million that was calculated on the current yield of a twelve year treasury note plus 30 basis points. The 2007A bonds bear interest ranging from 3.75% to 5.00% per annum, payable semi-annually on March 1st and September 1st. The bonds are secured by pledged revenues which consist of monies and investments held in accounts established under the trust indenture, proceeds from any regular assessment and/or reimbursements received from the FHCF. The principal reduction on theses notes was $111.5 million and $106.1 million during 2013 and 2012, respectively. Outstanding maturities net of unamortized premiums were $513.6 million and $629.8 million, respectively, as of December 31, 2013 and 2012. The effective interest rate, calculated as the “All-in True Interest Cost”, was 4.11%.

Series 2009 Senior Secured Bonds **–** On May 7, 2009 Citizens issued $1.02 billion of High-Risk Account tax-exempt Senior Secured Bonds, Series 2009A-1 and $625 million of High-Risk Account tax-exempt Senior Secured Bonds, Series 2009A-2 (short-term notes) for the purpose of funding losses in the event of a future catastrophe. The Series 2009A-1 bonds bear interest ranging from 4.00% to 6.00% per annum, payable semi-annually on June 1st and December 1st. The bonds are secured by pledged revenues which consist of monies and investments held in accounts established under the trust indenture, proceeds from any regular assessment and/or reimbursements received from the FHCF. The principal reduction on theses notes was $0 and $106.4 million during 2013 and 2012, respectively. Outstanding maturities net of unamortized premiums were $917.7 million and $919.4 million, respectively, as of December 31, 2013 and 2012. The effective interest rate, calculated as the “All-in True Interest Cost”, was 5.40%.

Series 2010 Senior Secured Bonds **–** On April 6, 2010 Citizens issued $1.55 billion of High-Risk Account tax-exempt senior secured bonds, Series 2010A-1, $500 million of High-Risk Account tax-exempt senior secured bonds, Series 2010A-2 (short-term notes) and $350 million of High-Risk Account tax-exempt senior secured bonds, Series 2010A-3 (SIFMA floating rate notes) for the purpose of funding losses in the event of a future catastrophe. The Series 2010A-1 bonds bear interest ranging from 3.00% to 5.00% per annum, payable semi-annually on June 1st and December 1st. The Series 2010A-3 bonds have a variable interest rate (SIFMA rate plus 1.75%) per annum, payable monthly in arrears on the first day of each calendar month. The bonds are secured by pledged revenues which consist of monies and investments held in accounts established under the trust indenture, proceeds from any regular assessment and/or reimbursements received from the FHCF. The principal reduction on these notes was $560 million and $0 during 2013 and 2012. Outstanding maturities net of unamortized premiums were $1.36 billion and $1.94 billion as of December 31, 2013 and 2012. The effective interest rate, calculated as the “All-in True Interest Cost”, was 3.75%.

NOTE 7 – BONDS PAYABLE (CONTINUED)

Series 2011 Senior Secured Bonds – On July 14, 2011 Citizens issued $645 million of Coastal Account tax-exempt senior secured bonds, Series 2011A-1, $105 million of High-Risk Account tax-exempt senior secured bonds, Series 2011A-2 (short-term notes) and $150 million of High-Risk Account tax-exempt senior secured bonds, Series 2011A-3 (SIFMA floating rate notes) for the purpose of funding losses in the event of a future catastrophe. The Series 2011A-1 bonds bear interest ranging from 3.00% to 5.00% per annum, payable semi-annually on June 1st and December 1st. The Series 2011A-3 bonds have a variable interest rate (SIFMA rate plus 1.76%) per annum, payable monthly in arrears on the first day of each calendar month. The bonds are secured by pledged revenues which consist of monies and investments held in accounts established under the trust indenture, proceeds from any regular assessment and/or reimbursements received from the FHCF. The principal reduction on these notes was $0 and $105 million during 2013 and 2012. Outstanding maturities net of unamortized premiums were $809.1 million and $813.1 million as of December 31, 2013 and 2012. The effective interest rate, calculated as the “All-in True Interest Cost”, was 4.13%.

Series 2012 Senior Secured Bonds – On June 21, 2012 Citizens issued $1.10 billion of PLA-CLA tax-exempt senior secured bonds, Series 2012A-1, $200 million of PLA-CLA tax-exempt senior secured bonds, Series 2012A-2 (short-term notes) and $200 million of PLA-CLA tax-exempt senior secured bonds, Series 2012A-3 (SIFMA floating rate notes) for the purpose of funding policyholder claims obligations in the event of a future catastrophe. The Series 2012A-1 bonds bear interest ranging from 3.00% to 5.00% per annum, payable on December 1, 2012 and semi-annually on June 1st and December 1st thereafter. The Series 2012A-2 bonds bear interest of 2.50% per annum, payable at their maturity on June 1, 2013. The Series 2012A-3 bonds bear interest based on the SIFMA rate (initially 0.16%) plus 1.25% per annum, payable monthly in arrears on the first day of each calendar month commencing August 1, 2012. The bonds are secured by pledged revenues which consist of monies and investments held in accounts established under the trust indenture, proceeds from any regular assessment and/or reimbursements received from the FHCF. The principal reduction on these notes was $200 million and $0 during 2013 and 2012. Outstanding maturities net of unamortized premiums were $1.39 billion and $1.61 billion as of December 31, 2013 and 2012. The effective interest rate, calculated as the “All-in True Interest Cost”, was 3.10%.

A schedule of bond maturities is as follows *(in thousands)*:

Years ending December 31	Series 2007 Bonds	Series 2009 Bonds	Series 2010 Bonds	Series 2011 Bonds	Series 2012 Bonds	Total
2014	$ 117,220	$ 168,055	$ 100,000	$ 150,000	$ -	$ 535,275
2015	123,225	-	410,000	80,000	275,000	888,225
2016	129,540	403,085	305,000	90,000	125,000	1,052,625
2017	136,165	343,500	525,000	-	130,000	1,134,665
2018	-	-	-	125,000	130,000	255,000
After	-	-	-	350,000	640,000	990,000
	$ 506,150	**$ 914,640**	**$ 1,340,000**	**$ 795,000**	**$ 1,300,000**	**$ 4,855,790**

NOTE 7 – BONDS PAYABLE (CONTINUED)

A schedule of debt service requirements, including principal and interest, is as follows *(in thousands)*:

Years ending December 31	Principal	Interest	Total
2014	$ 535,275	$ 220,436	$ 755,711
2015	888,225	189,633	1,077,858
2016	1,052,625	141,663	1,194,288
2017	1,134,665	84,491	1,219,156
2018	255,000	54,483	309,483
After	990,000	$ 76,902	1,066,902
	$ 4,855,790	**$ 767,607**	**$ 5,623,397**

Unamortized premium at December 31, 2013 and 2012 was $139.2 million and $183.0 million, respectively.

The total interest expense on the bonds payable for the years ended December 31, 2013 and 2012 was $200.7 million and $197.7 million, respectively, including amortized premium of $43.7 million and $38.8 million, respectively. Total interest paid on the bonds payable for the years ended December 31, 2013 and 2012, was $250.4 million and $232.3 million, respectively.

NOTE 8 – AGENT COMMISSIONS AND SERVICING COMPANY FEES

Citizens has contracted with various insurance agents licensed in the State of Florida. These agreements provide for commissions to be paid to the agents at rates established by the Board and calculated as a percentage of direct written premiums, net of certain surcharges and assessments. Agent commissions included in other underwriting expenses incurred were $224.0 million and $255.8 million during 2013 and 2012, respectively.

Additionally, Citizens entered into an agreement with a servicing company to provide underwriting and policy management services. The agreement provides for monthly compensation to the company based on a “Per Transaction Fee” applied to the number of transactions processed in a monthly cycle. These services are for both Citizens’ Commercial Lines and Personal Lines business. The amount per transaction ranges from $3.50 to $50.00, depending on the complexity and volume of each transaction. Servicing company fees included in other underwriting expenses incurred were $8.8 million and $10.1 million, during 2013 and 2012, respectively. There were no premiums written by service providers which individually are more than 5% of policyholders' surplus.

NOTE 9 – INCOME TAXES

Pursuant to a determination letter received from the Internal Revenue Service, Citizens is exempt from federal income tax as a political subdivision and integral part of the State of Florida, and as such, is liable for income taxes only on business income unrelated to the purpose for which it is exempt. No federal or state income tax was incurred during 2013 or 2012.

NOTE 10 – RETIREMENT PLAN

Defined Contribution Plan

Citizens sponsors a 457(b)/401(a) defined contribution employee savings plan for qualified employees (the Savings Plan). The Savings Plan qualifies as a deferred salary arrangement under Section 401(a) of the Internal Revenue Code. Under the Savings Plan, participating eligible employees may defer a portion of their pretax earnings up to the Internal Revenue Service annual contribution limit. Citizens matches 100% of each employee's contributions up to a maximum of 8% of the employee's pretax earnings. Citizens' matching contributions to the Savings Plan were $3.8 million and $3.4 million for the years ended December 31, 2013 and 2012, respectively.

NOTE 11 – DEPOPULATION

Pursuant to the Act, Citizens is authorized to adopt one or more programs, subject to approval by the Office, for the reduction of both new and renewal writings. Policies may be removed from Citizens at policy renewal or as part of a bulk assumption (Assumption Agreement). In an assumption, the assuming insurer (Takeout Company) is responsible for losses occurring from the assumption date through the expiration of the Citizens' policy period (the assumption period). Subsequent to the assumption period, the Takeout Company will write the policy directly. In January 2007, Florida law was amended to state that assumed policies are the direct insurance of the Takeout Company, for the purpose of clarifying that FIGA is liable for assumption period losses occurring during the assumption period if a Takeout Company were liquidated and unable to meet its obligation to policyholders.

During 2013 and 2012, Citizens ceded $387.6 million and $262.1 million in premiums to Takeout Companies pursuant to Assumption Agreements.

Citizens provides policy administration services with respect to the assumed policies. All agreements provide for the Takeout Company to adjust losses. The Takeout Company pays a ceding commission to Citizens to compensate Citizens for policy acquisition costs, which includes servicing company fees, agent commissions, and premium taxes. However, in February 2012, Citizens Board of Governors eliminated the ceding commission for all assumption agreements effective after October 1, 2011. While Citizens is not liable to cover claims after the assumption (unless the assumed insured exercises its option to return to Citizens during the assumption period), Citizens continues to service policies for items such as policyholder

NOTE 11 – DEPOPULATION (CONTINUED)

endorsements or cancellation refunds. Should Citizens process and provide a refund to policyholders, such amount is subsequently collected from the Takeout Company. At December 31, 2013 and 2012, assumed premiums recoverable in the amount of $27.1 million and $18.4 million, respectively were due from certain Takeout Companies.

NOTE 12 – OPERATING LEASES

Citizens leases office space and certain office equipment under various operating leases. Rental expense on operating leases amounted to $8.5 million and $7.0 million for the years ended December 31, 2013 and 2012, respectively. There are no contingent rental payments or unusual renewal options, escalation clauses or restrictions and there have been no early terminations of existing leases. Future minimum payments under operating leases are as follows *(in thousands)*:

2014	$ 5,324
2015	3,452
2016	1,456
2017	913
Total	**$ 11,145**

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Citizens is involved in certain litigation and disputes incidental to its operations. In the opinion of management, after consultation with legal counsel, there are substantial defenses to such litigation and disputes and any ultimate liability, in excess of reserves resulting there from, will not have a material adverse effect on the financial condition or results of operations of Citizens. Citizens is also involved in other potentially significant litigation described below. Due to the preliminary nature of the following litigation, the potential loss, if any, is not determinable at this time.

A summary of potentially significant litigation follows:

Schirmer v. Citizens. This case was presented as a putative class action where the potential class members are Citizens' policyholders who made wind damage claims. At issue is whether Citizens appropriately calculated and paid overhead and profit policy benefits. On February 15, 2012, the trial court declined to certify a class in this matter. While the 30 day timeframe for the Plaintiff to pursue an interlocutory appeal of the court's decision has passed, the underlying claim of the named Plaintiff is pending. Should the Plaintiff choose to litigate his remaining claim, he could seek appellate review at the conclusion of the matter in its entirety.

NOTE 13 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Davis & Hernandez v. Citizens. This is a putative class action. The court has not certified the class. Potential class members are Citizens' policyholders who presented a claim for damage to their residential property from April 2006 to present. At issue is whether Citizens appropriately calculated and paid overhead and profit policy benefits.

Citizens v. Perdido Sun. Citizens is currently involved in a case before the Florida Supreme Court, Citizens v. Perdido Sun Condominium, which raises the issue of whether Citizens has immunity against a cause of action asserting statutory bad faith pursuant to Section 624.155 Florida Statute. An appellate court in Florida recently ruled that a statutory bad faith claim can be brought against Citizens. In 2010, another Florida appellate court had concluded that Citizens has immunity from such claims. The Florida Supreme Court has accepted jurisdiction of the Citizens v. Perdido Sun case to resolve this conflict among the lower Florida appellate courts. A decision which rules that Citizens was subject to bad faith claims could have a material adverse impact on Citizens.

Risk Management Programs

In addition to claims under the insurance policies it issues, Citizens is potentially exposed to various risks of loss, including those related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. As a state government entity, Citizens has immunity from certain claims. As of the end of 2013, Citizens had insurance protection in place from various commercial insurance carriers covering various exposures, including workers' compensation, property loss, employee liability, general liability, and directors and officers' liability. Management continuously reviews the limits of coverage and believes that current coverage is adequate. There were no significant reductions in insurance coverage from the previous year.

NOTE 14 - RECONCILIATION OF SAP TO GAAP

A reconciliation of Citizens' 2013 and 2012 statutory basis net income and accumulated surplus to its GAAP basis (as determined by the Governmental Accounting Standards Board) is as follows *(in thousands)*:

	2013	2012
Net income - statutory basis	$ 665,346	$ 664,816
Adjustments:		
Deferred policy acquisition costs	(30,810)	(766)
Line of credit fees and note issuance costs	(23,295)	(15,852)
Allowance for doubtful accounts	1,814	(1,456)
Unearned assessment income	14,230	17,218
FIGA assessment income	16,046	(27,759)
Net unrealized (loss) gain on investments	(68,937)	87,268
Change in net assets - GAAP basis	$ 574,394	$ 723,469

	2013	2012
Accumulated surplus - statutory basis	$ 7,008,208	$ 6,295,157
Adjustments:		
Deferred policy acquisition costs	113,371	144,181
Nonadmitted assets	74,590	104,071
Provision for reinsurance	1,881	2,047
Deferred note issuance costs	67,432	90,728
Unearned assessment income	(23,712)	(22,658)
FIGA assessment recoverable	(11,714)	(27,759)
Net unrealized gain on investments	103,222	172,158
Change in net assets - GAAP basis	$ 7,333,278	$ 6,757,925

NOTE 15 – ASSESSMENTS

Citizens' enabling legislation and the Plan establish a process by which Citizens is required to levy assessments to recover deficits incurred in a given plan year for any of its three accounts. Deficits are calculated separately, and assessments are accordingly levied separately, for each of the three accounts. The Plan provides for deficits to be determined in accordance with GAAP, adjusted for certain items.

In the event of a Plan Year Deficit in any Account, Citizens must first levy an assessment against the premium of each Citizens policyholder (the "Citizens Policyholder Surcharge") in each of Citizens' Accounts, as a uniform percentage of the premium of the policy of up to 15% of such premium. Citizens Policyholder Surcharges are not subject to commissions, fees, or premium taxes; however, failure to pay a Citizens Policyholder Surcharge will be treated as failure to pay premium. If the Citizens Policyholder Surcharge is insufficient to eliminate the deficit in an Account, Citizens would then levy a Regular Assessment on assessable insurers and assessable

NOTE 15 – ASSESSMENTS (CONTINUED)

insureds, each as defined herein. The Regular Assessment is applied as a uniform percentage of the premium of the policy up to 2% of such premium of the Coastal account only. Effective July 1, 2012, the Regular Assessment was eliminated for the PLA and CLA accounts and was reduced from 6% to 2% for the Coastal Account.

Regular Assessments are levied on assessable insurers, as defined in Section 627.351(6), Florida Statutes, based upon each assessable insurer's share of direct written premium for the subject lines of business in the State of Florida for the calendar year preceding the year in which the deficit occurred. Regular Assessments on assessable insureds, collectively, are based on the ratio of the amount being assessed for the Coastal Account to the aggregate statewide direct written premiums for the subject lines of business for the preceding year.

If the deficit in any year in any account is greater than the amount that may be recovered through Citizens' Policyholder Surcharges and Regular Assessments, Citizens is required to levy any remaining Plan Year Deficit as an Emergency Assessment. An Emergency Assessment is to be collected by all assessable insurers, Surplus Lines Agents and Citizens from policyholders upon the issuance or renewal of policies for Subject Lines of Business for as many years as necessary to cover the Plan Year Deficit in the account. The primary difference between the assessment base for Regular Assessments and Emergency Assessments is the inclusion of Citizens' direct written premium in the assessment base for Emergency Assessments.

For purposes of Regular Assessments and Emergency Assessments, the "Subject Lines of Business" are all lines of property and casualty insurance, including automobile lines, but excluding accident and health, workers' compensation, and medical malpractice insurance, and also excluding insurance under the National Flood and Federal Crop insurance programs. The Regular Assessment base excludes Citizens policies (while the Emergency Assessment base includes Citizens policies). Prior to the enactment of the 2007 Legislation, the Regular Assessment base for each account included only property lines of business.

The Legislature, in Section 44 of 2006 SB 1980, appropriated $715 million to reduce Citizens' 2005 plan year deficit. The appropriation first eliminated the deficits in the Personal and Commercial Lines Accounts of $87.2 million and $4.6 million, respectively. The balance of $623.2 million then partially reduced the High Risk Account deficit and Regular Assessment. The remaining $163.1 million High Risk Account Regular Assessment and the $887.5 million Emergency Assessment were approved in 2006. The Emergency Assessment is being collected over a ten year period, which commenced July 1, 2007 (see Note 2).

In November 2012, Citizens received a notice of assessment from the Florida Insurance Guaranty Association (FIGA) amounting to $27.8 million. In December 2012, Citizens remitted payment for this assessment and submitted an informational filing with the Office for recoupment. Both the assessment income and assessment receivable were recorded in 2012 and are reflected in the accompanying financial statements. Citizens has recouped amounts during 2013 and expects to complete recoupment of the 2012 FIGA assessment during 2014.

Citizens Property Insurance Corporation
Supplemental Combining Statement of Admitted Assets, Liabilities and Accumulated Surplus by Account – Statutory Basis

	December 31, 2013			
	Combined	Personal Lines Account	Commercial Lines Account	Coastal Account
	(In Thousands)			
Admitted assets				
Cash and invested assets:				
Bonds	$ 12,828,989	$ 4,676,011	$ 1,614,561	$ 6,538,417
Cash and short-term investments	1,494,855	315,046	245,281	934,528
Total cash and invested assets	14,323,844	4,991,057	1,859,842	7,472,945
Investment income due and accrued	81,873	24,208	6,314	51,351
Premiums receivable	147,567	65,941	4,989	76,637
Reinsurance recoverable on paid losses and LAE	2,351	2,108	-	243
Other receivables under reinsurance contracts	27,133	21,164	-	5,969
Assessment receivable	176,894	7,457	4,973	164,464
Other admitted assets	6,945	6,945	-	-
Inter-account receivable (payable)	-	55,069	(26,898)	(28,171)
Total admitted assets	$ 14,766,607	$ 5,173,949	$ 1,849,220	$ 7,743,438
Liabilities and accumulated surplus				
Liabilities:				
Loss reserves	$ 953,329	$ 725,318	$ 106,237	$ 121,774
Loss adjustment expense reserves	303,444	225,939	29,650	47,855
Retroactive reinsurance ceded	(1,626)	(1,509)	-	(117)
Unearned premiums	1,093,992	505,110	89,146	499,736
Unearned assessment income	43,602	-	-	43,602
Taxes and fees payable	3,143	2,711	586	(154)
Provision for reinsurance	1,881	1,847	-	34
Bonds payable	4,995,038	1,248,214	143,329	3,603,495
Interest payable	25,846	4,294	493	21,059
Advance premiums and suspended cash	70,440	30,864	6,272	33,304
Other liabilities	269,310	94,848	4,075	170,387
Total liabilities	7,758,399	2,837,636	379,788	4,540,975
Accumulated surplus	7,008,208	2,336,313	1,469,432	3,202,463
Total liabilities and accumulated surplus	$ 14,766,607	$ 5,173,949	$ 1,849,220	$ 7,743,438

See independent auditors report on supplementary information

Citizens Property Insurance Corporation
Supplemental Combining Statement of Income by Account – Statutory Basis

	Year Ended December 31, 2013			
	Combined	Personal Lines Account	Commercial Lines Account	Coastal Account
	(In Thousands)			
Premiums earned	$ 1,880,761	$ 1,142,449	$ 162,457	$ 575,855
Losses incurred	502,375	414,386	14,891	73,098
Loss adjustment expenses incurred	248,050	187,182	8,988	51,880
Other underwriting expenses incurred	461,683	235,127	35,363	191,193
Underwriting income	668,653	305,754	103,215	259,684
Net interest income	128,440	42,291	15,585	70,564
Net realized gain on sales	52,828	15,435	7,720	29,673
Interest expense	(200,711)	(35,318)	(4,055)	(161,338)
Net investment income (expense)	(19,443)	22,408	19,250	(61,101)
Assessment income	26,166	-	-	26,166
Other expense	(10,030)	(8,376)	(21)	(1,633)
Net income	$ 665,346	$ 319,786	$ 122,444	$ 223,116

See independent auditors report on supplementary information

SUMMARY INVESTMENT SCHEDULE

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1	2	3	4	5	6
Investment Categories	Amount	Percentage	Amount	Securities Lending Reinvested Collateral Amount	Total (Col. 3+4) Amount	Percentage
1. Bonds:						
1.1 U.S. treasury securities	1,468,834,688	10.211	1,468,834,688		1,468,834,688	10.254
1.2 U.S. government agency obligations (excluding mortgage-backed securities):						
1.21 Issued by U.S. government agencies	3,436,000	0.024	3,436,000		3,436,000	0.024
1.22 Issued by U.S. government sponsored agencies	2,123,114,192	14.759	2,123,114,192		2,123,114,192	14.822
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)	23,774,790	0.165	23,774,790		23,774,790	0.166
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:						
1.41 States, territories and possessions general obligations	1,067,801,325	7.423	1,067,801,325		1,067,801,325	7.455
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	992,979,739	6.903	992,979,739		992,979,739	6.932
1.43 Revenue and assessment obligations	2,753,458,155	19.141	2,753,458,155		2,753,458,155	19.223
1.44 Industrial development and similar obligations						
1.5 Mortgage-backed securities (includes residential and commercial MBS):						
1.51 Pass-through securities:						
1.511 Issued or guaranteed by GNMA	644,498	0.004	644,498		644,498	0.004
1.512 Issued or guaranteed by FNMA and FHLMC	119,748,555	0.832	119,748,555		119,748,555	0.836
1.513 All other						
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	65,787,834	0.457	65,787,834		65,787,834	0.459
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521						
1.523 All other						
2. Other debt and other fixed income securities (excluding short term):						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	2,968,227,770	20.634	2,964,183,057		2,964,183,057	20.694
2.2 Unaffiliated non-U.S. securities (including Canada)	1,245,226,021	8.656	1,245,226,021		1,245,226,021	8.693
2.3 Affiliated securities						
3. Equity interests:						
3.1 Investments in mutual funds						
3.2 Preferred stocks:						
3.21 Affiliated						
3.22 Unaffiliated						
3.3 Publicly traded equity securities (excluding preferred stocks):						
3.31 Affiliated						
3.32 Unaffiliated						
3.4 Other equity securities:						
3.41 Affiliated						
3.42 Unaffiliated						
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated						
3.52 Unaffiliated						
4. Mortgage loans:						
4.1 Construction and land development						
4.2 Agricultural						
4.3 Single family residential properties						
4.4 Multifamily residential properties						
4.5 Commercial loans						
4.6 Mezzanine real estate loans						
5. Real estate investments:						
5.1 Property occupied by company						
5.2 Property held for production of income (including $ ____ of property acquired in satisfaction of debt)						
5.3 Property held for sale (including $ ____ property acquired in satisfaction of debt)						
6. Contract loans						
7. Derivatives						
8. Receivables for securities						
9. Securities Lending (Line 10, Asset Page reinvested collateral)				XXX	XXX	XXX
10. Cash, cash equivalents and short-term investments	1,552,062,887	10.789	1,494,854,833		1,494,854,833	10.436
11. Other invested assets						
12. Total invested assets	14,385,096,454	100.000	14,323,843,687		14,323,843,687	100.000

SUPPLEMENT FOR THE YEAR 2013 OF THE Citizens Property Insurance Corporation

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2013

(To Be Filed by April 1)

Of The Citizens Property Insurance Corporation

Address (City, State and Zip Code) Tallahassee, FL 32309-3524

NAIC Group Code 00000 NAIC Company Code 10064 Employer's ID Number 59-3164851

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 14,766,606,957
2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	CITY OF NEW YORK NY		$ 347,563,514	2.4 %
2.02	STATE OF CALIFORNIA		$ 276,092,991	1.9 %
2.03	STATE OF NEW YORK		$ 228,395,705	1.5 %
2.04	STATE OF NEW JERSEY		$ 205,615,429	1.4 %
2.05	STATE OF ILLINOIS		$ 182,805,691	1.2 %
2.06	STATE OF WASHINGTON		$ 155,706,399	1.1 %
2.07	COMMONWEALTH OF PENNSYLVANIA		$ 153,395,590	1.0 %
2.08	GENERAL ELECTRIC CAPITAL CORP		$ 137,480,125	0.9 %
2.09	JPMORGAN CHASE & CO		$ 136,236,739	0.9 %
2.10	STATE OF OHIO		$ 133,224,786	0.9 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC 1	$ 14,198,759,704	96.2 %	3.07	P/RP-1	$	%
3.02	NAIC 2	$ 109,857,479	0.7 %	3.08	P/RP-2	$	%
3.03	NAIC 3	$	%	3.09	P/RP-3	$	%
3.04	NAIC 4	$	%	3.10	P/RP-4	$	%
3.05	NAIC 5	$	%	3.11	P/RP-5	$	%
3.06	NAIC 6	$ 73,813,759	0.5 %	3.12	P/RP-6	$	%

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 4.01 above is yes, responses are not required for interrogatories 5 – 10.

4.02	Total admitted assets held in foreign investments	$ 905,514,033	6.1 %
4.03	Foreign-currency-denominated investments	$	%
4.04	Insurance liabilities denominated in that same foreign currency	$	%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

		1	2
5.01	Countries designated NAIC 1	$ 888,964,523	6.0 %
5.02	Countries designated NAIC 2	$ 16,549,510	0.1 %
5.03	Countries designated NAIC 3 or below	$	%

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC 1:		
6.01	Country 1: UNITED KINGDOM	$ 258,587,488	1.8 %
6.02	Country 2: FRANCE	$ 167,097,327	1.1 %
	Countries designated NAIC 2:		
6.03	Country 1: MEXICO	$ 16,549,510	0.1 %
6.04	Country 2:	$	%
	Countries designated NAIC 3 or below:		
6.05	Country 1:	$	%
6.06	Country 2:	$	%

		1	2
7.	Aggregate unhedged foreign currency exposure	$	%

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

		1	2
8.01	Countries designated NAIC 1	$	%
8.02	Countries designated NAIC 2	$	%
8.03	Countries designated NAIC 3 or below	$	%

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC 1:		
9.01	Country 1:	$	%
9.02	Country 2:	$	%
	Countries designated NAIC 2:		
9.03	Country 1:	$	%
9.04	Country 2:	$	%
	Countries designated NAIC 3 or below:		
9.05	Country 1:	$	%
9.06	Country 2:	$	%

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	1 Issuer	2 NAIC Designation	3	4
10.01	BP CAPITAL MARKETS PLC	1	$ 69,254,728	0.5 %
10.02	SVENSKA HANDELSBANKEN AB	1	$ 63,419,711	0.4 %
10.03	GLAXOSMITHKLINE CAPITAL PLC	1	$ 60,355,951	0.4 %
10.04	SHELL INTERNATIONAL FINANCE BV	1	$ 57,095,161	0.4 %
10.05	TOTAL CAPITAL INTERNATIONAL SA	1	$ 56,086,764	0.4 %
10.06	DIAGEO CAPITAL PLC	1	$ 47,505,081	0.3 %
10.07	COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK BA/NETHERLANDS	1	$ 39,461,455	0.3 %
10.08	SANOFI	1	$ 37,556,335	0.3 %
10.09	BNP PARIBAS SA	1	$ 36,774,749	0.2 %
10.10	WESTPAC BANKING CORP	1	$ 35,484,389	0.2 %

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$	%
	Largest three investments held in nonaffiliated, privately placed equities:		
14.03		$	%
14.04		$	%
14.05		$	%

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests	$	%
	Largest three investments in general partnership interests:		
15.03		$	%
15.04		$	%
15.05		$	%

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02		$	%
16.03		$	%
16.04		$	%
16.05		$	%
16.06		$	%
16.07		$	%
16.08		$	%
16.09		$	%
16.10		$	%
16.11		$	%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

16. Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

	Loans	
16.12 Construction loans	$	%
16.13 Mortgage loans over 90 days past due	$	%
16.14 Mortgage loans in the process of foreclosure	$	%
16.15 Mortgage loans foreclosed	$	%
16.16 Restructured mortgage loans	$	%

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Loan-to-Value	Residential		Commercial		Agricultural	
	1	2	3	4	5	6
17.01 above 95%	$	%	$	%	$	%
17.02 91% to 95%	$	%	$	%	$	%
17.03 81% to 90%	$	%	$	%	$	%
17.04 71% to 80%	$	%	$	%	$	%
17.05 below 70%	$	%	$	%	$	%

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate.

	Description 1	2	3
18.02		$	%
18.03		$	%
18.04		$	%
18.05		$	%
18.06		$	%

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

	1	2	3
19.02	Aggregate statement value of investments held in mezzanine real estate loans:	$	%

Largest three investments held in mezzanine real estate loans:

19.03		$	%
19.04		$	%
19.05		$	%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-end 1	At Year-end 2	At End of Each Quarter 1st Qtr 3	At End of Each Quarter 2nd Qtr 4	At End of Each Quarter 3rd Qtr 5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	$	%	$	$	$
20.02 Repurchase agreements	$	%	$	$	$
20.03 Reverse repurchase agreements	$	%	$	$	$
20.04 Dollar repurchase agreements	$	%	$	$	$
20.05 Dollar reverse repurchase agreements	$	%	$	$	$

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned 1	Owned 2	Written 3	Written 4
21.01 Hedging	$	%	$	%
21.02 Income generation	$	%	$	%
21.03 Other	$	%	$	%

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-end 1	At Year-end 2	At End of Each Quarter 1st Qtr 3	At End of Each Quarter 2nd Qtr 4	At End of Each Quarter 3rd Qtr 5
22.01 Hedging	$	%	$	$	$
22.02 Income generation	$	%	$	$	$
22.03 Replications	$	%	$	$	$
22.04 Other	$	%	$	$	$

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-end 1	At Year-end 2	At End of Each Quarter 1st Qtr 3	At End of Each Quarter 2nd Qtr 4	At End of Each Quarter 3rd Qtr 5
23.01 Hedging	$	%	$	$	$
23.02 Income generation	$	%	$	$	$
23.03 Replications	$	%	$	$	$
23.04 Other	$	%	$	$	$