Johnson Lambert & Co. LLP
CPAs and Consultants

Financial Statements - Statutory Basis and Supplemental Schedules

Citizens Property Insurance Corporation

December 31, 2010 and 2009

Citizens Property Insurance Corporation

Financial Statements – Statutory Basis and Supplemental Schedules

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Independent Auditors' Report

The Board of Governors and Management
Citizens Property Insurance Corporation

We have audited the accompanying statement of admitted assets, liabilities and accumulated surplus – statutory basis of Citizens Property Insurance Corporation ("Citizens") as of December 31, 2010 and the related statements of income, changes in accumulated surplus and cash flows - statutory basis for the year then ended. These financial statements are the responsibility of the Citizens' management. Our responsibility is to express an opinion on these financial statements based on our audits. The statutory basis financial statements of Citizens as of December 31, 2009 were audited by other auditors whose report dated April 16, 2010 expressed an unqualified opinion on those statements in accordance with the basis of accounting described in Note 2.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2 to the financial statements, the Company prepared these statutory statements using accounting practices prescribed or permitted by the State of Florida, Office of insurance regulation, ("statutory accounting practices"), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). The variances between such practices and accounting principles generally accepted in the United States of America and the effects on the accompanying financial statements are described in Note 14.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the statutory-basis financial statements referred to above do not present fairly, in conformity with GAAP, the financial position of 2010 Citizens Property Insurance Company as of December 31, 2010, or the results of its operations or its cash flows for the year then ended.

In our opinion, the statutory-basis financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and accumulated surplus of Citizens Property Insurance Corporation as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting practices prescribed or permitted by the State of Florida, Office of Insurance Regulation.

Johnson Lambert & Co. LLP

Jacksonville, Florida
April 28, 2011

Citizens Property Insurance Corporation

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

	December 31 2010	December 31 2009
	(In Thousands)	
Admitted assets		
Cash and invested assets:		
Bonds	**$ 7,565,325**	$ 2,817,415
Cash and short-term investments	**3,703,292**	5,385,275
Total cash and invested assets	**11,268,617**	8,202,690
Investment income due and accrued	**43,539**	9,686
Premiums receivable	**153,584**	120,642
Reinsurance recoverable on paid losses and LAE	**11,610**	23,511
Other receivables under reinsurance contracts	**3,081**	4,201
Assessment receivable	**673,778**	423,167
Other admitted assets	**1,875**	4,979
Total admitted assets	**$ 12,156,084**	$ 8,788,876
Liabilities and accumulated surplus		
Liabilities:		
Loss reserves	**$ 680,701**	$ 605,641
Loss adjustment expense reserves	**175,564**	136,506
Unearned premiums	**1,189,827**	947,043
Unearned assessment income	**152,034**	-
Taxes and fees payable	**4,317**	2,822
Provision for reinsurance	**5,665**	7,456
Bonds payable	**4,597,000**	2,864,493
Interest payable	**34,938**	33,682
Advance premiums and suspended cash	**105,936**	85,536
Other liabilities	**108,568**	112,691
Total liabilities	**7,054,550**	4,795,870
Accumulated surplus:		
Restricted	**13,651**	14,409
Unrestricted	**5,087,883**	3,978,597
Total accumulated surplus	**5,101,534**	3,993,006
Total liabilities and accumulated surplus	**$ 12,156,084**	$ 8,788,876

See accompanying notes to statutory basis financial statements.

Citizens Property Insurance Corporation
Statements of Income – Statutory Basis

	Years Ended December 31	
	2010	**2009**
	(In Thousands)	
Premiums earned	**$ 1,971,649**	$ 1,711,429
Losses incurred	**603,911**	498,999
Loss adjustment expenses incurred	**159,023**	82,130
Other underwriting expenses incurred	**394,920**	340,628
Underwriting income	**813,795**	789,672
Investment income	**70,974**	92,995
Interest expense	**(171,345)**	(115,160)
Net investment income	**(100,371)**	(22,165)
Line of credit fees and note issuance costs	**(17,423)**	(22,018)
Takeout bonus income	**129**	10,232
Assessment income	**43,387**	-
Other income	**5,212**	8,047
Net income	**744,729**	763,768

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, 2009	$ 3,170,774
Net income	763,768
Change in nonadmitted assets	55,068
Change in provision for reinsurance	3,129
Other	267
Change in accumulated surplus	822,232
Balance at December 31, 2009	3,993,006
Net income	**744,729**
Change in nonadmitted assets	**60,615**
Change in provision for reinsurance	**1,792**
Other	**(90)**
Prior period adjustment	**301,482**
Change in accumulated surplus	**1,108,528**
Balance at December 31, 2010	**$ 5,101,534**

See accompanying notes to statutory basis financial statements.

Citizens Property Insurance Corporation
Statements of Cash Flows – Statutory Basis

	Years Ended December 31	
	2010	**2009**
	(In Thousands)	
Operating activities		
Premiums collected, net of reinsurance	**$ 2,171,430**	$ 1,643,252
Loss and loss adjustment expenses paid	**(648,816)**	(700,447)
Underwriting expenses paid	**(391,720)**	(351,147)
Net investment income paid	**(64,976)**	(72,514)
Other income received	**62,837**	14,409
Net cash provided by operating activities	**1,128,755**	533,553
Investing activities		
Proceeds from investments sold, matured or repaid	**3,799,922**	1,863,363
Investments acquired	**(8,553,529)**	(2,782,686)
Net cash used in investing activities	**(4,753,607)**	(919,323)
Financing and miscellaneous activities		
Borrowed funds received	**1,678,840**	54,420
Other cash received	**264,029**	255,303
Net cash provided by financing and miscellaneous activities	**1,942,869**	309,723
Net decrease in cash and short-term investments	**(1,681,983)**	(76,047)
Cash and short-term investments:		
Beginning of year	**5,385,275**	5,461,322
End of year	**$ 3,703,292**	$ 5,385,275

See accompanying notes to statutory basis financial statements.

NOTE 1 - GENERAL

Citizens Property Insurance Corporation (Citizens or the Corporation) 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 the necessity of Citizens to provide insurance that was affordable.

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. Prior to October 1, 2006, the Plan was subject to the approval of the Office.

Citizens is supervised by a Board of Governors (the Board) which consists of eight individuals who reside in the State of Florida. The Governor, 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 (executive director) and senior managers are engaged by and serve at the pleasure of the Board. The president 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 High-Risk 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 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 (on a statewide basis) to 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 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.

High-Risk 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.

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, and 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 multiperil rates and residential fire/dwelling rates of 11.0% and 17.4% respectively, and decreased residential wind-only rates for the High Risk Account 18.2%. Consequently, 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, the corporation 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 10 percent, excluding coverage changes and surcharges.

Under the direction of the new law, Citizens made a series of rate filings beginning in September 2009 for each line of business it writes. The rates for the corporation were approved by the Florida Office of Insurance Regulation in late 2009, and were implemented in January and February of 2010. The rate changes approved for each line of business are as follows: personal residential multiperil: 5.6%; personal residential wind-only: 5.1%; commercial residential multiperil: 10.2%; commercial residential wind-only: 9.4%; commercial non-residential wind-only: 9.3%.

During 2010, Citizens made a series of rate filings beginning in July 2010 for each line of business it writes. The rates for the corporation were approved by the Florida Office of Insurance Regulation in late 2010 and were implemented in January and February of 2011. The rate changes approved for each line of business are as follows: personal residential: 9.5%; commercial residential multiperil: 6.5%; commercial residential wind-only: 11.1%; commercial non-residential wind-only: 10.0%.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Citizens prepares its statutory 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

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 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 as 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 and requires an allowance for doubtful accounts to reserve for uncollectable receivables.

c. Investments in debt securities are 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 ceded to reinsurers and unearned premiums ceded to reinsurers are reported as reductions of the related reserves and unearned premiums rather than as assets as required under GAAP.

f. Ceding commissions are reported as income when received rather than deferred and amortized with deferred policy acquisition costs, as required under GAAP.

g. 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.

Other significant accounting practices are as follows:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior Period Adjustment

Effective January 1, 2010, Citizens recorded a prior period adjustment relating to previously unrecognized additional financing costs on the 1999 HRA bonds that occurred during the 2007 HRA post event bond issuance. The effect of the entry was as follows *(in thousands)*:

	Pre-correction Balance at January 1, 2010	Prior Period Adjustment	Post-correction Balance at January 1, 2010
Assessments receivable	$ 423,167	$ 496,903	$ 920,070
Surplus	3,993,006	301,482	4,294,488
Unearned assessment income	-	195,421	195,421

As reflected in the Statement of Changes in Capital and Surplus – Statutory Basis, the net impact of these corrections on unassigned surplus at January 1, 2010 was an increase to statutory surplus in the amount of $301,482.

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. This means that bonds designated highest quality and high quality are reported at amortized cost; with all other bonds reported at 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 original maturities of three months or less. Short-term investments are investments with original maturities of one year or less (excluding those investments classified as cash) and are generally recorded at admitted asset values, as prescribed by the NAIC's valuation procedures.

Short-term investments consist of amounts invested in the 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.

Net Investment Income (Expense)

Net investment income 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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Investment Income (Expense) (continued)

on the fair value of certain investments. Net investment income also includes bond interest, bond expenses and investment expenses.

Electronic Data Processing Equipment

Depreciation of electronic data processing (EDP) equipment is computed using the straight-line method over the equipment's estimated useful life of three years. Depreciation expense for EDP equipment amounted to $1.8 million and $4.9 million for the years ended December 31, 2010 and 2009. The cost and accumulated depreciation for EDP equipment was $23.2 million and $21.4 million at December 31, 2010 and $22.4 million and $17.5 million at December 31, 2009, respectively. Net electronic data processing equipment is included in other admitted assets on the Statements of Admitted Assets, Liabilities and Accumulated Surplus – Statutory Basis.

Loss Reserves and Loss Adjustment Expense Reserves

Liabilities for loss reserves and loss adjustment expense 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. However, no assurance can be given that the ultimate settlement of losses may not vary significantly from the reserves provided. Adjustments, if any, 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 basis 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.

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 and Citizens to cover the costs resulting from insolvency or rehabilitation of other insurance companies. Assessments are charged to expense and a liability is accrued when

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Guaranty Fund and Other Assessments (continued)

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 FHCF and are 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 of losses incurred and loss adjustment expenses incurred. 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 both catastrophe reinsurance purchases and depopulation premiums.

Takeout Bonuses

Takeout bonuses are expensed when paid into escrow. Recoveries are recorded as a contra expense once it is determined that the assumed policy is no longer bonus eligible (See Note 11).

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. Approximately 53% of Citizens' insurance coverage exposure lies in the Southeast Florida counties of Miami-Dade, Broward, Monroe and Palm Beach at December 31, 2010. Approximately 12% of Citizens' insurance coverage lies in Pinellas and Hillsborough counties at December 31, 2010. 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).

Subsequent Events

Citizens has evaluated subsequent events for disclosure and recognition through April 28, 2011, the date on which these financial statements were available to be issued.

NOTE 3 - INVESTMENTS

Investment Policy and Impairment

Citizens' invested assets are governed by two investment policies, one for taxable operating funds and one for tax-exempt bond proceeds. The 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 A2/A or better by Moody's and S&P at the time of purchase. The tax-exempt policy requires all securities be invested in tax exempt fixed income securities not subject to the federal alternative minimum tax rated A2/A equivalent or better by Moody's and S&P 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 portfolio may have a maximum maturity of three years and the weighted average maturity cannot exceed 365 days. 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, in accordance with Citizens' applicable taxable and tax-exempt investment policies.

Citizens did not recognize any other-than-temporary impairments for the years ended December 31, 2010 or 2009. It is possible that Citizens could recognize other-than-temporary impairments in the future on some of the securities held at December 31, 2010 if future events, information

NOTE 3 – INVESTMENTS (CONTINUED)

Investment Policy and Impairment (continued)

and the passage of time cause it to conclude that declines in value are other-than-temporary. In addition, Citizens nonadmitted $169.2 million and $225.3 million of invested assets at December 31, 2010 and 2009, respectively, that were rated as 5 or 6 by the SVO, pursuant to Florida statutes.

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. As of December 31, 2010, Citizens had no investments in agency repurchase agreements. As of December 31, 2009, Citizens had $37.9 million invested in agency repurchase agreements.

Short-term Investments

Citizens' short-term investments include shares held 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. The entire $42.1 million invested in the SBA Florida Prime at December 31, 2010 is invested in Fund B, which has been frozen from investor withdrawals due to that portfolio's investment in distressed illiquid assets.

As principal and interest payments are received, Citizens' allocable portion is eligible for withdrawal and such withdrawals have been consistently made. Citizens recognized a permanent decline in value of $30.1 million resulting in realized capital losses on its holdings in 2008 (this amount is included in the $293.7 million of impairments discussed above). Full realization of the principal value of Pool B assets is not readily determinable.

Bonds

The amortized cost, gross unrealized gains and losses and aggregate fair value of bonds at December 31, 2010 were as follows *(in thousands)*:

NOTE 3 – INVESTMENTS (CONTINUED)

Bonds (continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Total Fair Value
Bonds:				
U.S. Treasury & Government Securities	$ 2,372,724	$ 3,081	$ (1,339)	$ 2,374,466
All Other Government	18,083	80	(14)	18149
States, Territories & Possessions	670,302	1,022	(1,612)	669,712
Political Subdivisions	574,434	748	(628)	574,554
Special Revenue	1,936,678	883	(921)	1,936,640
Industrial & Miscellaneous	1,991,702	9,444	(1,221)	1,999,925
Loan-backed and Structured Securities:				
Special Revenue	1,402	-	(18)	1,384
Total	**$ 7,565,325**	**$ 15,258**	**$ (5,753)**	**$ 7,574,830**

The amortized cost, gross unrealized gains and losses and aggregate fair value of bonds at December 31, 2009 were as follows *(in thousands)*:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Total Fair Value
Bonds:				
U.S. Treasury & Government Securities	$ 637,563	$ 523	$ (330)	$ 637,756
States, Territories & Possessions	52,184	36	(24)	52,196
Political Subdivisions	113,730	63	(7)	113,786
Special Revenue	852,254	76	(77)	852,253
Industrial & Miscellaneous	1,159,641	3,166	(3,403)	1,159,404
Loan-backed and Structured Securities:				
Special Revenue	2,043	-	(85)	1,958
Total	**$ 2,817,415**	**$ 3,864**	**$ (3,926)**	**$ 2,817,353**

Citizens held certain securities in an unrealized loss position at December 31, 2010, as summarized in the table below. After an evaluation of each security, management concluded that these securities have not suffered an other-than-temporary impairment in value. Each fixed maturity security has paid all scheduled contractual payments. Management believes that each issuer has the capacity to meet the remaining contractual obligations of the security and Citizens has the capacity and intent to hold the security until the scheduled maturity date unless liquidation of securities is warranted to pay catastrophic claims.

NOTE 3 – INVESTMENTS (CONTINUED)

Bonds (continued)

The unrealized loss position of bonds at December 31, 2010 were as follows *(in thousands)*:

	Total		Less than 12 months		More than 12 months	
	Fair Value	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Bonds:						
U.S. Treasury & Government Securities	$ 756,044	$ (1,339)	$ 724,846	$ (1,333)	$ 31,198	$ (5)
All Other Government	7,941	(14)	7,941	(14)	-	-
States, Territories & Possessions	307,937	(1,612)	307,937	(1,612)	-	-
Political Subdivisions	180,958	(628)	180,958	(628)	-	-
Special Revenue	220,130	(921)	220,130	(921)	-	-
Industrial & Miscellaneous	409,697	(1,221)	402,270	(1,164)	7,427	(58)
Loan-backed and Structured Securities:						
Special Revenue	1,384	(18)	-	-	1,384	(18)
Total	**$ 1,884,091**	**$ (5,753)**	**$ 1,844,082**	**$ (5,672)**	**$ 40,009**	**$ (18)**

The unrealized loss position of bonds at December 31, 2009 were as follows *(in thousands)*:

	Total		Less than 12 months		More than 12 months	
	Fair Value	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Bonds:						
U.S. Treasury & Government Securities	$ 294,661	$ (330)	$ 97,939	$ (92)	$ 196,722	$ (238)
States, Territories & Possessions	3,001	(23)	3,001	(23)	-	-
Political Subdivisions	3,590	(7)	-	-	3,590	(7)
Special Revenue	35,800	(77)	-	-	35,800	(77)
Industrial & Miscellaneous	660,202	(3,404)	406,306	(1,654)	253,896	(1,750)
Loan-backed and Structured Securities:						
Special Revenue	1,958	(85)	-	-	1,958	(85)
Total	**$ 999,212**	**$ (3,926)**	**$ 507,246**	**$ (1,769)**	**$ 491,966**	**$ (2,157)**

There were 271 and 66 investment holdings in an unrealized loss position at December 31, 2010 and 2009, respectively.

Fair value was determined based on market prices published by the NAIC Securities Valuation Office. When prices are not available from the SVO, fair value is based on the market prices provided by the custodian, which are generally based on quoted market prices. Fair value for

NOTE 3 – INVESTMENTS (CONTINUED)

Bonds (continued)

investments that are not currently trading is based on the fair value of the underlying collateral as determined by third party advisors. In reaching the conclusion that certain bonds in an unrealized loss position were not other than temporarily impaired, Citizens considered whether the bond was currently trading and whether currently available information gave any indication that Citizens would be unable to collect all amounts due according to the contractual terms of the debt security in effect at the date of acquisition. Citizens assigns and grants to the collateral trustee a lien on and security interest in the HRA bonds invested with HRA premiums and bond proceeds for the benefit of the holders of the senior secured obligations, ratably, as provided in the pledge and security agreement dated August 6, 1997.

Proceeds from maturities and sales of bonds during 2010 were $3.8 billion with gross realized gains of $4.0 million and gross realized losses of $0.2 million and during 2009 were $1.9 billion with gross realized gains of $3.6 million and gross realized losses of $5.8 million,.

The amortized cost and fair value of securities at December 31, 2010, by contractual maturity, are shown below. 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
	(in thousands)	
Due in one year or less	$ 1,849,139	$ 1,854,373
Due after one year through five years	4,103,198	4,107,568
Due after five years through ten years	85,528	85,540
Due after 10 years	1,526,058	1,525,966
Loan-backed securities	1,402	1,384
Total	$ 7,565,325	$ 7,574,830

NOTE 3 – INVESTMENTS (CONTINUED)

Bonds (continued)

Sources and uses of investment income and expense for the years ended December 31, 2010 and 2009 were as follows *(in thousands)*:

	2010	2009
Income Earned:		
U.S. Government Bonds	$ 7,502	$ (2,573)
Bonds Exempt from U.S. Tax	10,718	935
Other Bonds (Unaffiliated)	11,638	16,723
Cash, Cash Equivalents and Short-term Investments	14,322	50,320
Total Gross Investment Income Earned	**$ 44,180**	**$ 65,405**
Capital Gains (Losses):		
U.S. Government Bonds	$ 552	$ 41
Bonds Exempt from U.S. Tax	97	(1)
Other Bonds (Unaffiliated)	3,150	(2,321)
Cash, Cash Equivalents and Short-term Investments	27,088	31,718
Aggregate Write-ins for Capital Gains (Losses)	(3)	(13)
Total Realized Gain (Loss) on Sales or Maturity	**$ 30,884**	**$ 29,424**
Investment Expenses	(4,090)	(1,834)
Net Investment Income	**$ 70,974**	**$ 92,995**
Interest Expense:		
2007A Bond Series	$ (33,927)	$ (37,597)
2008A Bond Series	(11,006)	(32,057)
2009A Bond Series	(69,517)	(45,315)
2010A Bond Series	(56,895	-
Other PY Interest Expense	-	(191)
Total Interest Expense	**$ (171,345)**	**$ (115,160)**

NOTE 4 - LIABILITY FOR LOSS RESERVES AND LOSS ADJUSTMENT EXPENSE RESERVES

Activity in the liability for loss reserves and loss adjustment expense reserves for the years ended December 31, 2010 and 2009 were as follows:

	2010	2009
	(in thousands)	
Loss and loss adjustment expense reserves, beginning of year	**$ 742,147**	**$ 861,465**
Incurred related to:		
Current year	**786,224**	**674,431**
Prior years	**(23,290)**	**(93,302)**
Total incurred	**762,934**	**581,129**
Paid related to:		
Current year	**330,603**	**307,072**
Prior years	**318,213**	**393,375**
Total paid	**648,816**	**700,447**
Loss and loss adjustment expense reserves, end of year	**$ 856,265**	**$ 742,147**

As a result of changes in estimates of insured events in prior years, primarily due to the estimation of costs relating to prior year hurricane claims, the provision for loss and loss adjustment expenses decreased by approximately $23.3 million and $93.3 million, net of reinsurance, in 2010 and 2009, 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, consistent with industry standard methods of compensation. Such costs are included as loss adjustment expenses.

NOTE 5 - 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 at a premium of $60.1 million 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 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

NOTE 5 - BONDS PAYABLE (CONTINUED)

that was calculated on the current yield of a 12 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 bond maturity dates range from March 1, 2008 to March 1, 2017. The principal reduction on these notes was $96.2 million and $91.6 million during 2010 and 2009, respectively. Outstanding maturities, including unamortized premiums and discounts were $849.6 million and $953.7 million, respectively, as of December 31, 2010 and 2009.

Series 2008 Senior Secured Bonds **–** On June 30, 2008 Citizens issued $250 million of High-Risk Account tax-exempt senior secured bonds, Series 2008A-1 and $1.5 billion of High-Risk Account tax-exempt senior secured bonds, Series 2008A-2 (short-term notes) for the purpose of funding losses in the event of a future catastrophe. The bonds bear interest ranging from 4.50% to 5.00% 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 bond maturity dates range from June 1, 2009 to June 1, 2011. The principal reduction on these notes was $0 and $1.5 billion during 2010 and 2009, respectively. Outstanding maturities, including unamortized premiums were $250.6 million and $252.1 million, respectively, as of December 31, 2010 and 2009.

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 Series 2009A-2 bonds bear interest of 4.50% per annum, payable on May 1, 2010 and on June 1, 2010. 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 bond maturity dates range from June 1, 2009 to June 1, 2017. The principal reduction on these notes was $625.0 million and $0 during 2010 and 2009, respectively. Outstanding maturities, including unamortized premiums and discounts were $1.03 billion and $1.66 billion, respectively, as of December 31, 2010 and 2009.

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 (Securities Industry and Financial Markets Association (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-2 bonds bear interest of 2.00% per annum, payable at their maturity on April 21, 2011. The Series

NOTE 5 - BONDS PAYABLE (CONTINUED)

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 $0 during 2010. Outstanding maturities, including unamortized premiums and discounts were $2.47 billion, as of December 31, 2010.

A schedule of bond maturities is as follows:

Year Ending December 31	Series 2007A Refunding Bonds	Series 2008A-1 through 2008A-2 Bonds	Series 2009A-1 through 2009A-2 Bonds	Series 2010A-1 through 2010A-3 Bonds	Total
			(in thousands)		
2011	$ 100,995	$ 250,000	$ -	$ 500,000	$ 850,995
2012	106,125	-	106,360	-	212,485
2013	111,530	-	-	560,000	671,530
2014	117,220	-	168,055	100,000	385,275
2015	123,225	-	-	410,000	533,225
After	265,705	-	746,585	830,000	1,842,290
	$ 824,800	$ 250,000	$ 1,021,000	$ 2,400,000	$ 4,495,800

A schedule of debt service requirements, including principal and interest, is as follows:

Year Ending December 31	Principal	Interest	Total
		(in thousands)	
2011	$ 850,995	$ 179,157	$ 1,030,152
2012	212,485	163,050	375,535
2013	671,530	148,972	820,502
2014	385,275	130,811	516,086
2015	533,225	106,938	640,163
2016-2020	1,842,290	89,655	1,931,945
Total	$ 4,495,800	$ 818,583	$ 5,314,383

Unamortized premium at December 31, 2010 and 2009 was $101.2 million and $47.5 million, respectively.

NOTE 5 - BONDS PAYABLE (CONTINUED)

The total interest expense on the bonds payable for the years ended December 31, 2010 and 2009 was $171.3 million and $115.2 million, respectively, including amortized premium of $26.9 million and $21.8 million, respectively, and is included in “Interest expense” in the accompanying Statements of Operations – Statutory Basis.

Interest Rate Swap Agreements – Citizens had no interest rate exchange agreements outstanding at December 31, 2010 and 2009.

NOTE 6 - 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 $220.1 million and $187.6 million during 2010 and 2009, 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. During 2009, the servicing agreement was extended through September 30, 2010 on the same (or similar) terms. During 2010, Citizens and the servicing company entered a new contract effective October 1, 2010, that continues through September 30, 2013, for services similar to those being performed previously. These services are for both Citizens’ Commercial Lines and Personal Lines accounts. 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 $8.7 million and $8.4 million, during 2010 and 2009, respectively. In addition, no agents or servicing companies have been paid more than 5% of surplus in 2010.

NOTE 7 - 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 2010 or 2009.

NOTE 8 - LINE OF CREDIT AGREEMENTS

Effective May 7, 2009, Citizens entered into a $400 million credit agreement (the 2009 PLA/CLA Line of Credit) with a syndication of banks to pay claims and liabilities and expenses related to claims under the Personal and Commercial Lines Accounts. The 2009 Line of Credit is

NOTE 8 - LINE OF CREDIT AGREEMENTS (CONTINUED)

secured by a security interest in anticipation of revenues consisting of FHCF reimbursements and/or regular assessments, including additional surcharges or assessments. Citizens is required to pay an annual facility fee of 1.4% on the unused portion of the facility. This rate is based on ratings by Moody's Investor Service, Inc. (Moody's) and Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. (S&P) of A-/A3 or better, on Personal and Commercial Lines Accounts long-term debt. The current PLA/CLA ratings are A2/A+ from Moody's and S&P, respectively. Unused facility fee expenses associated with this credit agreement were $1.96 million and $3.7 million for the years ended December 31, 2010 and 2009, respectively. Closing fees associated with this credit agreement were $0.53 million for the year ended December 31, 2009. The agreement expired on May 6, 2010.

NOTE 9 - REINSURANCE AGREEMENTS

Citizens participates in the Florida Hurricane Catastrophe Fund. The FHCF will reimburse Citizens a specified percentage of losses incurred relating to a hurricane in Florida if a prescribed retention is reached subject to a maximum limit. Premiums ceded to the FHCF, net of refunds received, totaled $368.1 million and $509.2 million, during 2010 and 2009 respectively. The High-Risk Account is treated for all FHCF purposes as if it were a separate participating insurer with its own exposures, reimbursement premium and loss reimbursement. Likewise, the Personal and Commercial Lines Accounts are viewed together for FHCF purposes, as if the two accounts were one and represent a single, separate participating insurer with its own exposures, reimbursement premium and loss reimbursement. The FHCF coverages and retention amounts by account are as follows:

	2010		**2009**	
	Coverage Amounts	**Retention Amounts**	**Coverage Amounts**	**Retention Amounts**
Personal and Commercial Lines Accounts	**$ 2,143 million**	**$ 867 million**	$ 2,926 million	$ 769 million
High-Risk Account	**3,750 million**	**1,517 million**	5,952 million	1,564 million

Citizens did not purchase private reinsurance in 2010 or in 2009.

The effect of reinsurance on premiums written and earned is as follows:

	2010		**2009**	
	Premiums		**Premiums**	
	Written	**Earned**	**Written**	**Earned**
		(in thousands)		
Direct	**$ 2,604,265**	**$ 2,393,150**	$ 2,181,283	$ 2,410,298
Ceded	**(389,833)**	**(421,501)**	(610,000)	(698,869)
Net premiums	**$ 2,214,432**	**$ 1,971,649**	$ 1,571,283	$ 1,711,429

NOTE 9 - REINSURANCE AGREEMENTS (CONTINUED)

Premium ceded above also includes premium ceded to companies that assume policies pursuant to a depopulation program (See Note 11).

Citizens is entitled to $1.0 billion in FHCF reimbursements and to $45.8 million in private reinsurance reimbursements in the High Risk Account related to losses incurred and paid as a result of hurricane Wilma in 2005. Citizens is also entitled to $88.1 million in private reinsurance reimbursement in the Personal Lines Account related to losses incurred and paid as a result of all four hurricanes (Dennis, Katrina, Rita and Wilma) in 2005. The losses and loss adjustment expenses incurred are presented net of these anticipated recoveries in the accompanying Statements of Operations - Statutory Basis. FHCF recoveries of $992.1 million and private reinsurance recoveries of $133.5 million were received as of December 31, 2010.

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 10 - RETIREMENT PLAN

Deferred Compensation 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 $2.9 million and $2.7 million for the years ended December 31, 2010 and 2009, and are included in "Other underwriting expenses incurred" in the accompanying Statements of Operations - Statutory Basis.

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. Both of the pre-merger entities, the FRPCJUA and the FWUA, were also authorized to adopt and did enact such programs. However, the FRPCJUA was the only entity authorized to pay bonuses related to such programs. Agreements were entered into with various insurance companies (the Takeout Company or

NOTE 11 – DEPOPULATION (CONTINUED)

Companies) licensed in the State of Florida to remove policies from the FRPCJUA or the FWUA.

Policies may be removed from Citizens at policy renewal or as part of a bulk assumption (Assumption Agreement). In an assumption, the 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 and to state that assumed policies are the direct insurance of the Takeout Company, 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 2010 and 2009, Citizens ceded $21.8 million and $100.8 million in premiums to Takeout Companies pursuant to Assumption Agreements, which is included in "Premiums earned" in the accompanying Statements of Operations – Statutory Basis.

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. While Citizens is not liable to cover claims after the assumption (unless it allows the insured to return to Citizens for coverage), Citizens continues to service policies for items such as policyholder 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, 2010 and 2009, assumed premiums in the amount of $3.1 million and $4.2 million were due from certain Takeout Companies.

Certain agreements provide for a policy takeout bonus of up to 25% of annual policy premium to be paid to the Takeout Companies. Such takeout bonuses have been placed into escrow bank accounts pursuant to an escrow agreement. After a specific time period, funds placed in escrow will be released to the Takeout Companies in accordance with the policy takeout agreement.

During 2010 and 2009, Citizens paid $0 and $19.1 million, respectively, out of escrow (net of certain recoveries). During 2010 and 2009, Citizens paid $0 into escrow in accordance with the policy takeout agreements for policies removed. Citizens did not have a takeout bonus policy in effect for 2010, 2009 or 2008 depopulation programs. In 2010 and 2009 respectively, 59,792 and 149,645 policies were removed from Citizens pursuant to its depopulation program.

At the end of the applicable time period, Citizens requires the Takeout Companies to have an independent audit of the policies for which they are claiming a bonus to determine if the policy is properly classified and is eligible for payment of the bonus, if any. Based upon results of that audit, Citizens evaluates the original amounts placed into escrow to determine if the escrow account is over or underfunded. During 2010 and 2009, Citizens paid into escrow $0 for underfunded accounts and recovered $0.129 million and $10.2 million, respectively, for

NOTE 11 – DEPOPULATION (CONTINUED)

overfunded accounts. These amounts are included in "Takeout bonus income" in the accompanying Statements of Operations – Statutory Basis.

NOTE 12 - OPERATING LEASES

Citizens leases office space and certain office equipment under various operating leases. Rental expense on operating leases amounted to $7.1 million and $7.2 million for the years ended December 31, 2010 and 2009. At December 31, 2010, future minimum payments under operating leases are as follows (in thousands):

2011	$ 4,305
2012	2,618
2013	2,682
2014	1,961
2015	1,312
After	1,154
Total	$ 14,032

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Citizens has been informed that the Securities and Exchange Commission, the Florida Office of Financial Regulation, the State of New York Office of the Attorney General Bureau of Investor Protection and the Texas State Securities Board (collectively, the "Agencies") have opened inquiries or investigations of Citizens' purchase of its own auction rate securities in early 2008. Citizens is voluntarily cooperating with the Agencies and is of the belief that any action, if any, by one or more of the Agencies will not materially affect the financial condition of Citizens.

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 therefrom, 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:

Poe & Associates, L.L.C. ("Associates") v. Citizens. This lawsuit relates to Citizens' June 2006 termination of its agent appointment agreement with Associates, thereby preventing Associates from being able to receive future commissions on policies that Citizens issued to former policyholders of insolvent insurance companies affiliated with Associates and owned by Poe Financial Group, Inc. Associates seeks significant damages. Its many claims include breach of

NOTE 13 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

contract, tortuous interference, and regulatory taking. Citizens believes it will ultimately prevail on all claims presented.

Schirmer v. Citizens. This is a putative class action although the court has not certified the class. 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.

Everhart, individually and on behalf of all others similarly situated v. Citizens. This is a putative class action. The court has not certified the class. Potential class members are Citizens' policyholders who made wind damage claims. At issue is whether Citizens appropriately calculated and paid ordinance and law policy benefits.

Hernandez v. Citizens, et al. This is a putative multi-district class action filed in federal court involving over 90 property insurance carriers. The court has not certified the class. Potential class members are Citizens' policyholders who made claims for property damage resulting from tainted dry wall. At issue is whether Citizens improperly denied coverage and/or improperly cancelled policies due to alleged damages resulting from tainted drywall.

Burk v. Citizens. This is a putative class action. The court has not certified the class. Alleged class members include Citizens' current policyholders. At issue is Citizens' compliance with statutorily mandated competitive bid procurement requirements.

Citizens v San Perdido. Citizens appealed the trial court's ruling that Citizens does not have sovereign immunity for a cause of action of statutory bad faith pursuant to Section 624.155, Florida Statutes, to the 1st DCA. The 1st DCA issued an opinion in conflict with the prior favorable ruling from the 5th DCA in *Garfinkel v Citizens, 2009 WL 4874789 (Fla.App. 5 Dist., finding Citizens immune from a statutory bad faith action)*. This matter is currently on appeal to the Florida Supreme Court due to a conflict between the districts courts of appeal.

NOTE 14 - RECONCILIATION OF SAP TO GAAP

Reconciliation of Citizens' 2010 and 2009 statutory basis net income and accumulated surplus to its GAAP basis (as determined by the Governmental Accounting Standards Board) net assets is as follows *(in thousands)*:

NOTE 14 - RECONCILIATION OF SAP TO GAAP (CONTINUED)

	2010	2009
Net income - Statutory basis	$ 744,729	$ 763,768
Adjustments:		
Policy acquisition costs	33,270	(14,804)
Line of credit fees and note issuance costs	(10,126)	(12,712)
Takeout bonuses	(1,722)	(3,143)
Allowance for doubtful accounts	415	(2,544)
Unearned assessment income	21,183	-
Unrealized gain on investments	45,670	17,803
Change in net assets - GAAP basis	$ 833,419	$ 748,368

	2010	2009
Accumulated surplus - Statutory basis	$ 5,101,534	$ 3,993,006
Adjustments:		
Policy acquisition costs	130,647	97,378
Nonadmitted assets	181,779	241,979
Provision for reinsurance	5,665	7,456
Line of credit fee and deferred note issuance costs	124,208	134,334
Takeout bonuses	-	1,722
Unearned assessment income	(61,496)	-
Cumulative unrealized loss on bonds	17,333	(28,337)
Total net assets – GAAP basis	$ 5,499,670	$ 4,447,538

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

NOTE 15 – ASSESSMENTS (CONTINUED)

Account, Citizens would then levy a Regular Assessment on Assessable Insurers and Assessable Insureds, each as defined herein. The Regular Assessment is applied as a uniform percentage of the premium of the policy up to 6% of such premium per 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 an 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 was only the 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.

NOTE 16 - POE FINANCIAL GROUP POLICYHOLDERS

In 2006, the Florida Legislature amended Citizens' enabling statute to provide that, if ordered by a court of competent jurisdiction, Citizens could assume policies or otherwise provide coverage for policyholders of an insurer placed in liquidation under Chapter 631 under such forms, rates, terms, and conditions as the corporation deems appropriate, subject to approval by the Office and ordered by the liquidation court.

NOTE 16 - POE FINANCIAL GROUP POLICYHOLDERS (CONTINUED)

Three insurers affiliated with Poe Financial Group Inc. - Southern Family Insurance Company, Atlantic Preferred Insurance Company, and Florida Preferred Property Insurance Company (the "Poe Insurers") - were placed into liquidation by court order. The Florida Department of Financial Services, Division of Rehabilitation and Liquidation, was named the Receiver of the Poe Insurers. Under the court order and Florida law, coverage with the Poe Insurers ended on July 1, 2006.

A liquidation plan was approved by the Office and ordered by the court whereby, effective July 1, 2006, Citizens was to provide transition insurance coverage ("Transition Policies") to eligible policyholders of the Poe Insurers who could not obtain private coverage. Policy claims on losses occurring during the transition period (i.e., from July 1, 2006 until the expiration of the original Poe Insurer policy period), were processed and paid by Citizens. Any losses incurred on policies of the Poe Insurers prior to July 1, 2006 were processed and paid by FIGA.

Under a 2006 amendment to the statute governing the FHCF, Citizens was able to purchase FHCF coverage for the Transition Policies at a cost of approximately $75.0 million for $1.0 billion of coverage.

Citizens received approximately 308,000 homeowner and 1,700 commercial residential Transition Policies. To assist with the increased business to Citizens, Citizens hired an additional 160 employees who were formerly employees of affiliates of the Poe Insurers in Tampa.

As the Transition Policies expired, policyholders were required to reapply to Citizens for coverage under Citizens policy forms and eligibility requirements.

The unearned premium due to Citizens for providing the transition coverage was calculated by the Receiver (i.e., the Department of Financial Services) and will be paid by FIGA. Under the Plan of Liquidation, FIGA must pay the unearned premium due to Citizens in six installments over three years. Citizens received all amounts due from FIGA as of December 31, 2009.

NOTE 17 - RESTRICTED CASH

This restriction of cash surplus represents assessments that were, in accordance with the Act, over-collected by the Florida Surplus Lines Servicing Office (FSLSO) from surplus lines insureds with respect to the 2004 Plan Year Deficit. Pursuant to a consent order, the Office, FSLSO and Citizens agreed that this cash would be included in Citizens restricted surplus until such time future regular and emergency assessments would otherwise be payable by surplus lines insureds. As amounts have been approved by FSLSO with respect to regular and emergency assessments for Citizens' 2005 Plan Year deficit, Citizens has transferred these funds to unrestricted surplus.

Independent Auditors' Report on Supplementary Information

The Board of Governors and Management
Citizens Property Insurance Corporation

The report on our audit of the statutory basis financial statements of the Citizens Property Insurance Corporation (the Company) as of December 31, 2010 and for the year then ended is presented on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Supplemental Investment Risk Interrogatories and Summary Investment Schedule of the Company as of December 31, 2010 and for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the statutory basis financial statements and, in our opinion, is fairly stated in all material respects in relation to the statutory basis financial statements taken as a whole.

Johnson Lambert & Co. LLP

Jacksonville, Florida
April 28, 2011

Citizens Property Insurance Corporation

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

	December 31, 2010			
	Combined	**Personal Lines Account**	**Commercial Lines Account**	**High Risk Account**
	(In Thousands)			
Admitted assets				
Cash and invested assets:				
Bonds	**$ 7,565,325**	$ 1,966,864	$ 1,079,407	$ 4,519,054
Cash and short-term investments	**3,703,292**	897,277	250,953	2,555,062
Total cash and invested assets	**11,268,617**	2,864,141	1,330,360	7,074,116
Investment income due and accrued	**43,539**	7,917	3,861	31,761
Premiums receivable	**153,584**	81,954	5,994	65,636
Reinsurance recoverable on paid losses and LAE	**11,610**	2,230	588	8,792
Other receivables under reinsurance contracts	**3,081**	2,845	-	236
Assessment receivable	**673,778**	(811)	5,376	669,213
Other admitted assets	**1,875**	1,853	-	22
Inter-account receivable (payable)	**-**	31,638	(14,809)	(16,829)
Total admitted assets	**$ 12,156,084**	**$ 2,991,767**	**$ 1,331,370**	**$ 7,832,947**
Liabilities and accumulated surplus				
Liabilities:				
Loss reserves	**$ 680,701**	$ 424,655	$ 136,413	$ 119,633
Loss adjustment expense reserves	**175,564**	123,438	26,822	25,304
Unearned premiums	**1,189,827**	611,996	94,301	483,530
Unearned assessment income	**152,034**	-	-	152,034
Taxes and fees payable	**4,317**	3,693	598	26
Provision for reinsurance	**5,665**	5,533	-	132
Bonds payable	**4,597,000**	-	-	4,597,000
Interest payable	**34,938**	-	-	34,938
Advance premiums and suspended cash	**105,936**	51,175	8,485	46,276
Other liabilities	**108,568**	62,150	4,259	42,159
Total liabilities	**7,054,550**	1,282,640	270,878	5,501,032
Accumulated surplus	**5,101,534**	1,709,127	1,060,492	2,331,915
Total liabilities and accumulated surplus	**$ 12,156,084**	**$ 2,991,767**	**$ 1,331,370**	**$ 7,832,947**

See independent auditors report on supplementary information.

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

	Year Ended December 31, 2010			
	Combined	**Personal Lines Account**	**Commercial Lines Account**	**High Risk Account**
	(In Thousands)			
Premiums earned	**$ 1,971,649**	$ 930,646	$ 190,179	$ 850,824
Losses incurred	**603,911**	494,912	32,974	76,025
Loss adjustment expenses incurred	**159,023**	107,533	11,314	40,176
Other underwriting expenses incurred	**394,920**	179,353	40,798	174,769
Underwriting income	**813,795**	148,848	105,093	559,854
Investment income	**70,974**	19,602	8,467	42,905
Interest expense	**(171,345)**	-	-	(171,345)
Net investment income	**(100,371)**	19,602	8,467	(128,440)
Line of credit fees and note issuance costs	**(17,423)**	(1,564)	(396)	(15,463)
Takeout bonus income	**129**	127	-	2
Assessment income	**43,387**	-	-	43,387
Other income (loss)	**5,212**	3,656	(274)	1,830
Net income	**744,729**	$ 170,669	$ 112,890	$ 461,170

See independent auditors report on supplementary information.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	166,558,104	1.456	166,558,104	1.478
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
1.22 Issued by U.S. government sponsored agencies	2,206,165,860	19.288	2,206,165,860	19.578
1.3 Non-U.S.government (including Canada, excluding mortgage-backed securities)	18,082,505	0.158	18,082,505	0.160
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	670,302,339	5.860	670,302,339	5.948
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	574,434,293	5.022	574,434,293	5.098
1.43 Revenue and assessment obligations	1,936,678,680	16.932	1,936,678,680	17.186
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				
1.512 Issued or guaranteed by FNMA and FHLMC				
1.513 All other	1,401,556	0.012	1,401,556	0.012
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
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)	1,746,424,520	15.269	1,736,371,087	15.409
2.2 Unaffiliated non-U.S. securities (including Canada)	255,330,909	2.232	255,330,909	2.266
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. Receivables for securities				
8. Cash, cash equivalents and short-term investments	3,862,467,864	33.769	3,703,291,505	32.864
9. Other invested assets				
10. Total invested assets	11,437,846,629	100.000	11,268,616,838	100.000

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SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2010

(To Be Filed by April 1)

Of The Citizens Property Insurance Corporation

Address (City, State and Zip Code) Tallahassee, FL 32301

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. $ 12,156,083,905

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	FEDERATED INVESTORS INC	BONDS, MONEY MARKET MUTUAL FUNDS	$ 645,379,037	5.3 %
2.02	FIDELITY MANAGEMENT & RESEARCH LLC	MONEY MARKET MUTUAL FUNDS	$ 402,085,628	3.3 %
2.03	WELLS FARGO & CO	BONDS, MONEY MARKET MUTUAL FUNDS	$ 308,205,983	2.5 %
2.04	GENERAL ELECTRIC CAPITAL CORP.	BONDS	$ 190,064,358	1.6 %
2.05	BANK OF NEW YORK MELLON CORP.	BONDS, MONEY MARKET MUTUAL FUNDS	$ 189,803,385	1.6 %
2.06	STATE OF CALIFORNIA	BONDS	$ 149,583,229	1.2 %
2.07	MORGAN STANLEY	BONDS, MONEY MARKET MUTUAL FUNDS	$ 149,387,444	1.2 %
2.08	CITIGROUP	BONDS	$ 145,385,977	1.2 %
2.09	STATE OF NEW YORK	BONDS	$ 137,703,725	1.1 %
2.10	STATE OF NEW JERSEY	BONDS	$ 131,884,108	1.1 %

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

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC-1	$ 11,010,870,230	90.6 %	3.07	P/RP-1	$	%
3.02	NAIC-2	$ 6,853,679	0.1 %	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	$ 60,737,095	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 [X] No [ ]

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	$ 227,005,710	1.9 %
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 rating:

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

		1	2
7.	Aggregate unhedged foreign currency exposure	$	%

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

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

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

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

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

    If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

    12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? .... Yes [X] No [ ]

    If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

    13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets? .... Yes [X] No [ ]

    If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

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.

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 is yes, responses are not required for the remainder of Interrogatory 15.

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.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

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.

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 above is yes, responses are not required for the remainder of Interrogatory 19.

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