Financial Statements - Statutory Basis and Supplemental Schedules

Citizens Property Insurance Corporation

December 31, 2008 and 2007

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Financial Statements – Statutory Basis and Supplemental Schedules
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December 31, 2008 and 2007

CRI CARR RIGGS & INGRAM

Carr, Riggs & Ingram, LLC
1713 Mahan Drive
Tallahassee, Florida 32308

(850) 878-8777
(850) 878-2344 (fax)
www.cricpa.com

Independent Auditors' Report

The Board of Governors and Management
Citizens Property Insurance Corporation
Tallahassee, FL

We have audited the accompanying statutory statements of admitted assets, liabilities and accumulated surplus of Citizens Property Insurance Corporation (Citizens) as of December 31, 2008 and 2007, and the related statutory statements of operations, changes in accumulated surplus and cash flows for the years then ended. These financial statements are the responsibility of Citizens' management. Our responsibility is to express an opinion on these 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 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 Citizen's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 2 to the financial statements, Citizens prepared these statutory financial statements using accounting practices prescribed or permitted by the State of Florida, Office of Insurance Regulation, which practices differ from generally accepted accounting principles in the United States of America. 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 financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Citizens Property Insurance Corporation as of December 31, 2008 and 2007, and the results of its operations or its cash flows for the years then ended.

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and accumulated surplus of Citizens Property Insurance Corporation as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting practices prescribed or permitted by the State of Florida, Office of Insurance Regulation.

Carr, Riggs & Ingram, LLC

Carr, Riggs & Ingram, LLC
April 15, 2009

Financial Statements

Citizens Property Insurance Corporation
Statements of Admitted Assets, Liabilities and Accumulated Surplus
Statutory Basis

	December 31 2008	December 31 2007
	(In Thousands)	
Admitted assets		
Cash and invested assets:		
Bonds	**$ 1,865,288**	$ 2,510,723
Cash and short-term investments	**5,461,322**	7,377,583
Total cash and invested assets	**7,326,610**	9,888,306
Investment income due and accrued	**9,796**	29,400
Premiums receivable, net	**184,314**	126,630
Other receivables under reinsurance contracts	**22,770**	6,951
Reinsurance recoverable	**37,602**	122,405
Assessment receivable	**619,109**	836,637
Other admitted assets	**9,440**	11,979
Total admitted assets	**$ 8,209,641**	$ 11,022,308
Liabilities and accumulated surplus		
Liabilities:		
Loss reserves	**$ 698,023**	$ 569,747
Loss adjustment expense reserves	**163,442**	155,653
Unearned premiums, net of unearned ceded premiums of $137,154 and $144,732	**1,087,189**	1,487,146
Taxes and fees payable	**4,651**	11,856
Provision for reinsurance	**10,585**	17,085
Bonds payable	**2,814,793**	5,864,674
Interest payable	**51,627**	27,200
Advance premiums and suspended cash	**87,753**	130,535
Other liabilities	**120,804**	115,204
Total liabilities	**5,038,867**	8,379,100
Accumulated surplus:		
Restricted	**24,044**	70,585
Unrestricted	**3,146,730**	2,572,623
Total accumulated surplus	**3,170,774**	2,643,208
Total liabilities and accumulated surplus	**$ 8,209,641**	$ 11,022,308

See accompanying notes to financial statements.

Citizens Property Insurance Corporation
Statements of Operations – Statutory Basis

	Years Ended December 31	
	2008	**2007**
	(In Thousands)	
Premiums earned	**$ 2,256,628**	$ 3,074,754
Losses incurred	**815,938**	711,238
Loss adjustment expenses incurred	**115,698**	171,687
Other underwriting expenses incurred	**399,390**	543,338
Underwriting income	**925,602**	1,648,491
Net investment income	**43,959**	165,683
Interest expense, net	**(162,903)**	(309,826)
Line of credit fees and note issuance costs	**(17,768)**	(25,630)
Takeout bonus income (expense), net	**85**	(4,531)
Assessment income	**-**	68,008
Other income (loss)	**3,817**	(658)
Income before federal income tax benefit	**792,792**	1,541,537
Federal income tax benefit	**-**	2,744
Net income	**$ 792,792**	$ 1,544,281

See accompanying notes to financial statements.

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

	(In Thousands)
Balance at January 1, 2007	$ 1,122,456
Net income	1,544,281
Change in nonadmitted assets	(10,478)
Change in provision for reinsurance	(11,802)
Change in net unrealized capital	(1,927)
Other	678
Balance at December 31, 2007	2,643,208
Net income	**792,792**
Change in nonadmitted assets	**(272,792)**
Change in provision for reinsurance	**6,499**
Change in net unrealized capital	**1,927**
Other	**(860)**
Balance at December 31, 2008	**$ 3,170,774**

See accompanying notes to financial statements.

Citizens Property Insurance Corporation
Statements of Cash Flows – Statutory Basis

	Years Ended December 31 2008	2007
	(In Thousands)	
Operating activities		
Premiums collected, net of reinsurance	**$ 1,741,800**	$ 3,067,608
Loss and loss adjustment expenses paid	**(795,571)**	(745,131)
Underwriting expenses paid	**(406,688)**	(544,805)
Net investment income received (paid)	**(69,581)**	470,426
Other income received	**76,949**	221,076
Net cash provided by operating activities	**546,909**	2,469,174
Investing activities		
Proceeds from investments sold, matured or repaid	**4,142,875**	4,045,998
Investments acquired	**(3,562,652)**	(2,954,279)
Net cash provided by investing activities	**580,223**	1,091,719
Financing and miscellaneous activities		
Borrowed funds received	**(3,050,000)**	62,540
Other cash received (paid)	**6,607**	117,461
Net cash (used in) provided by financing and miscellaneous activities	**(3,043,393)**	180,001
Net (decrease) increase in cash and short-term investments	**(1,916,261)**	3,740,894
Cash and short-term investments:		
Beginning of year	**7,377,583**	3,636,689
End of year	**$ 5,461,322**	$ 7,377,583

See accompanying notes to 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 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 (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 High-Risk Account. A brief history of each account follows:

NOTE 1 - GENERAL (CONTINUED)

Personal Lines Account history - The 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 (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. These policies excluded windstorm coverage on properties within eligible areas. 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 FWUA, which was a residual market mechanism for windstorm and hail coverage in selected 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.

Although not yet implemented, Legislation 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)

The 2007 Special Legislation also increased the level of reinsurance coverage available to Citizens and other insurers in the State from the Florida Hurricane Catastrophe Fund (FHCF) and mandated that insurers and Citizens make rate filings to reflect the savings associated with purchasing such additional coverage from the FHCF. As a result of this legislation, Citizens implemented rate decreases and refunds for its personal lines residential policyholders. During 2007, Citizens' reduced homeowner multiperil rates and residential fire/dwelling rates 6.7% and 4.2% respectively, decreased residential wind-only rates for the High-Risk Account 18.2% and decreased Commercial Lines Account residential rates 12.0% as a result of the increased level of FHCF coverage.

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 will remain in effect through at least the 2009 calendar year except for any rate change that results in a lower rate.

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 certain companies domiciled in the State of Florida, although not strictly applicable to Citizens. These domestic insurers prepare their statutory basis financial statements 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 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Certain assets are defined by the NAIC and Florida law as "nonadmitted". These include furniture and equipment, leasehold improvements, certain prepaid assets, certain computer software 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 past due 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 reported at fair value with unrealized holding gains and losses reported in operations.

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. Commissions paid by reinsurers on business ceded 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:

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recorded at admitted asset values, as prescribed by the NAIC's valuation procedures.

Short-term investments consist of amounts invested in the Local Government Investment Pool administered by the Florida State Board of Administration, various money market funds, commercial paper, and U.S. government agency short-term bonds.

Net Investment Income

Net investment income includes realized gains and losses on sales of investments which are recognized on the specific identification basis and losses for permanent write-downs on the fair value of certain investments. Net investment income also includes the gains or losses from terminations of interest rate swap agreements used in prior years for hedging. Such gains or losses are recognized over the life of the terminated agreements.

Electronic Data Processing Equipment, Net

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 $4.7 million and $2.9 million for the years ended December 31, 2008 and 2007. The cost and accumulated depreciation for EDP equipment was $21.8 million and $12.7 million at December 31, 2008 and $17.5 million and $8.0 million at December 31, 2007, respectively. Net electronic data processing equipment is included in other admitted assets on the Statements of Admitted Assets, Liabilities and Accumulated Surplus.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premiums

Premiums are recorded as earned on a 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 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 (See Note 11).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, net, other admitted assets and other liabilities approximates fair value given their short-term nature.

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 52.35% of Citizens' insurance coverage exposure lies in the Southeast Florida counties of Miami-Dade, Broward, Monroe and Palm Beach as of December 31, 2008. Approximately 10.83% of Citizens' insurance coverage lies in Pinellas and Hillsborough counties as of December 31, 2008. 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).

NOTE 3 - INVESTMENTS

Investment Policy and Impairment

Citizens has a conservative investment policy that requires all securities in its portfolio to be rated A3/A- or better by Moody's and S&P at the time of purchase. Citizens' bond proceeds and operating cash pursuant are managed in part by Citizens staff and in part by independent investment management firms engaged by Citizens, in accordance with Citizens' applicable investment policy. In 2008, Citizens owned certain investments that were downgraded as a result of the credit and liquidity crises that began in 2007. The investments continued to experience a lack of liquidity and pricing distress through all of 2008, and as a result, Citizens recognized realized capital losses of $205.2 million for the year ended December 31, 2008. The write down included $156.2 million in short-term investments and $49.0 million in bonds. The amortized cost of these assets was reflected at the permanently marked down value in the accompanying financial statements. Most of the assets that were impaired are the remnants of Structured Investment Vehicles (SIV) and Citizens is receiving principal and interest for these

NOTE 3 - INVESTMENTS (CONTINUED)

Investment Policy and Impairment (Continued)

securities, though ultimate realization of par is uncertain. In addition, Citizens nonadmitted $275.2 million of invested assets in 2008 that were rated as 5 or 6 by the Securities Valuation Office (SVO), pursuant to Florida statutes. Citizens modified its investment policies most recently in May of 2008 (tax-exempt bond funds) and January of 2009 (operating funds) to ensure a conservative investment policy which is focused on principal preservation and in response to the volatility of the global financial markets.

Short-Term Investments

Citizens' short-term investments include shares held in the Local Government Investment Pool ("LGIP") administered by the Florida State Board of Administration. The entire $58.2 million invested in the LGIP at December 31, 2008 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 $205.2 million of impairments discussed above). Full realization of the principal value of Pool B assets is not readily determinable. Citizens withdrew all monies in Fund A by December 31, 2008.

Bonds

The amortized cost and aggregate fair value of bonds at December 31, 2008 were as follows:

	Amortized Cost	Unrealized Gain (Loss)	Fair Value
		(in thousands)	
U.S. Treasury and U.S. Government Securities	$ 117,328	$ (1,936)	**$ 115,392**
Special Revenue	0	0	**0**
Industrial & Miscellaneous	1,744,618	(52,089)	**1,692,529**
Loan Backed and Structured Securities:			
U.S. Government	13	1	**14**
Special Revenue	3,329	(196)	**3,133**
Industrial & Miscellaneous	0	0	**0**
Total	$ 1,865,288	$ (54,220)	**$ 1,811,068**
U.S. Treasury and U.S. Government Securities	$ 117,341	$ (1,935)	**$ 115,406**
Special Revenue	3,329	(196)	**3,133**
Industrial & Miscellaneous	1,744,618	(52,089)	**1,692,529**
Total	$ 1,865,288	$ (54,220)	**$ 1,811,068**

NOTE 3 - INVESTMENTS (CONTINUED)

Bonds (Continued)

The amortized cost and aggregate fair value of bonds at December 31, 2007 were as follows:

	Amortized Cost	Unrealized Gain (Loss)	Fair Value
		(in thousands)	
U.S. Treasury and U.S. Government Securities	$ 45,139	$ 42	**$ 45,181**
Special Revenue	3,327	(7)	**3,320**
Industrial & Miscellaneous	2,461,059	(10,493)	**2,450,566**
Loan Backed and Structured Securities:			
U.S. Government	19	1	**20**
Special Revenue	1,106	(8)	**1,098**
Industrial & Miscellaneous	73	0	**73**
Total	$ 2,510,723	$ (10,465)	**$ 2,500,258**
U.S. Treasury and U.S. Government Securities	$ 45,159	$ 42	**$ 45,201**
Special Revenue	4,432	(14)	**4,418**
Industrial & Miscellaneous	2,461,132	(10,493)	**2,450,639**
Total	$ 2,510,723	$ (10,465)	**$ 2,500,258**

Citizens held certain securities in an unrealized loss position at December 31, 2008, 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; including payment at maturity, and that 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. However, fair values may be adversely affected by economic conditions.

NOTE 3 - INVESTMENTS (CONTINUED)

Bonds (Continued)

The unrealized loss position of bonds at December 31, 2008 were as follows:

	Total		Less than 12 months		More than 12 months	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
			(in thousands)			
Bonds:						
U.S. Treasury and U.S.						
Government Securities	$ 57,407	$ (2,035)	$ -	$ -	$ 57,407	$ (2,035)
Special Revenue	-	-	-	-	-	-
Industrial & Miscellaneous	1,620,633	(52,169)	978,027	(37,382)	642,606	(14,787)
Loan Backed and Structured Securities:						
Special Revenue	2,512	(198)	-	-	2,512	(198)
Total	$ 1,680,552	$ (54,402)	$ 978,027	$ (37,382)	$ 702,525	$ (17,020)
U.S. Treasury and U.S. Government Securities	$ 57,407	$ (2,035)	$ -	$ -	$ 57,407	$ (2,035)
Special Revenue	2,512	(198)	-	-	2,512	(198)
Industrial & Miscellaneous	1,620,633	(52,169)	978,027	(37,382)	642,606	(14,787)
Total	$ 1,680,552	$ (54,402)	$ 978,027	$ (37,382)	$ 702,525	$ (17,020)

The unrealized loss position of bonds at December 31, 2007 were as follows:

	Total		Less than 12 months		More than 12 months	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
			(in thousands)			
Bonds:						
U.S. Treasury and U.S.						
Government Securities	$ 39,992	$ (8)	$ 39,992	$ (8)	$ -	$ -
Special Revenue	3,320	(7)	3,320	(7)	-	-
Industrial & Miscellaneous	1,545,257	(14,255)	1,476,004	(11,785)	69,253	(2,470)
Loan Backed and Structured Securities:						
Special Revenue	986	(10)	780	(9)	206	(1)
Total	$ 1,589,555	$ (14,280)	$ 1,520,096	$ (11,809)	$ 69,459	$ (2,471)
U.S. Treasury and U.S. Government Securities	$ 39,992	$ (8)	$ 39,992	$ (8)	$ -	$ -
Special Revenue	4,306	(17)	4,100	(16)	206	(1)
Industrial & Miscellaneous	1,545,257	(14,255)	1,476,004	(11,785)	69,253	(2,470)
Total	$ 1,589,555	$ (14,280)	$ 1,520,096	$ (11,809)	$ 69,459	$ (2,471)

NOTE 3 - INVESTMENTS (CONTINUED)

Bonds (Continued)

There were 133 and 140 investment holdings in an unrealized loss position at December 31, 2008 and 2007, respectively.

Fair value was determined based on market prices published by the NAIC Securities Valuation Office (SVO), if the securities are priced by the NAIC. When prices are not available from the NAIC, fair market value is based on the market prices provided by the custodian which are generally based on quoted market prices. Fair value for 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 permanently 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 determined that the majority of the unrealized losses on the investments noted above were caused by the widened credit spreads for all corporate issuers, but especially financial issuers. Because the Corporation has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, we do not consider these investments to be other than temporarily impaired as of December 31, 2008 and 2007.

Proceeds from maturities and sales of bonds during 2008 and 2007 were $4.0 billion with gross realized gains of $1.0 million and gross realized losses of $15.4 million and $4.0 billion, with gross realized gains of $1.6 million and gross realized losses of $24.9 million, respectively.

The amortized cost and fair value of securities at December 31, 2008, 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	$ 1,118,933	$ 1,103,205
Due after one year through five years	741,361	703,065
Due after five years through ten years	-	-
Due after 10 years	-	-
Loan-backed securities	4,994	4,798
Total	$ 1,865,288	$ 1,811,068

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, 2008 and 2007 were as follows:

	2008	2007
	(in thousands)	
Loss reserves and loss adjustment expense reserves, beginning of year	$ 725,400	$ 587,606
Incurred related to:		
Current year	839,708	692,583
Prior years	91,928	190,342
Total incurred	931,636	882,925
Paid related to:		
Current year	413,175	353,312
Prior years	382,396	391,819
Total paid	795,571	745,131
Loss reserves and loss adjustment expense reserves, end of year	$ 861,465	$ 725,400

As a result of changes in estimates of insured events in prior years, primarily due to the underestimation of costs relating to prior year hurricane claims, the provision for loss and loss adjustment expenses increased by $91.9 million and $190.0 million in 2008 and 2007, respectively.

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 tends to rely more heavily on independent adjusting firms for catastrophic events than for non-catastrophic claims. Citizens compensates these 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.

NOTE 5 - BONDS PAYABLE

Series 2004A through 2004I Bonds – During May 2004, Citizens issued $750 million of senior secured bonds for the purpose of funding losses in the High-Risk account in the event of a future catastrophe. The bonds were issued in multiple series and bear interest at variable, auctioned rates, based on the 30-day LIBOR, for generally successive 28-day auction periods. These 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. No principal payments were made during 2007. The bonds were redeemed in May 2008 after the Auction Rate Securities market collapsed.

NOTE 5 - BONDS PAYABLE (CONTINUED)

Series 2006A1 through 2006A22 Bonds – During July 2006, Citizens issued \$3.05 billion of senior secured bonds for the purpose of funding losses in the High-Risk account in the event of a future catastrophe. The bonds were issued in multiple series and bear interest at variable, auctioned rates for generally successive 7-day and 28-day auction periods. The bonds are secured by pledged revenues which consist of moneys and investments held in accounts established under the trust indenture, proceeds from any regular assessment and/or reimbursements received from the FHCF. No principal payments were made during 2007. The bonds were redeemed in May 2008 after the Auction Rate Securities market collapsed.

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 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 bond maturity dates range from March 1, 2008 to March 1, 2017. The principal reduction on these notes was \$50 million during 2008. No principal payments were made during 2007. Outstanding maturities net of unamortized premiums were \$1.05 billion and \$1.11 billion, respectively, as of December 31, 2008 and 2007.

Series 2007-1 through 2007-10 Bonds – During July 2007, Citizens issued \$950 million of senior secured bonds for the purpose of funding losses in the Personal Lines Account and the Commercial Lines Account in the event of a future catastrophe. The bonds were issued in multiple series and bear interest at variable, auctioned rates for generally successive 7-day auction periods. 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. No principal payments were made during 2007. The bonds were redeemed in April 2008 after the Auction Rate Securities market collapsed.

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 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. No principal

NOTE 5 - BONDS PAYABLE (CONTINUED)

payments were made during 2008. Outstanding maturities net of unamortized premiums were $1.76 billion as of December 31, 2008.

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

Year Ending December 31	Principal	Interest	Total
		(in thousands)	
2009	$ 1,591,580	$ 122,531	$ 1,714,111
2010	96,160	55,887	152,047
2011	350,995	44,803	395,798
2012	106,125	33,422	139,547
2013	111,530	28,019	139,549
2014-2018	506,150	52,041	558,191
Total	$ 2,762,540	$ 336,703	$ 3,099,243

Unamortized premium at December 31, 2008 was $52.3 million.

The total interest expense on the Bonds for the years ended December 31, 2008 and 2007 was $162.9 million and $310.8 million including amortized premium of $19.8 million and amortized premium of $3.5 million, respectively, and is included in "Interest expense, net" in the accompanying statements of operations.

Interest Rate Swap Agreements – Citizens had no interest rate exchange agreements outstanding at December 31, 2008 and 2007. However, in connection with the issuance of the Series 1997A Notes issued May 13, 1997, Citizens entered into interest rate exchange agreements with various counterparties for notional amounts of $500 million. The interest rate exchange agreements were terminated during 1998, 2001 and 2002, for which Citizens received termination payments of $7.3 million, $7.6 million, and $10.3 million, respectively. The gain on the terminated interest rate swap agreements was deferred and amortized over the remaining term of the terminated agreements using the effective interest method. The total amount of deferred gain and accrued interest amortized and recognized as a reduction of interest expense for the years ended December 31, 2008 and 2007 was $0 and $1.0 million, respectively. The remaining term of the terminated agreements expired in May 2007.

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 $246.8 million and $324.7 million during 2008 and 2007, respectively.

Additionally, Citizens has entered into agreements with two servicing companies to provide certain services. The first servicing company provides underwriting and policy management services. The agreements related to these services provide for monthly compensation to the companies based on a "Per Transaction Fee" applied to the number of transactions processed in a monthly cycle. The second servicing company provides underwriting, policy management, premium collection, claims administration and claims payment services; claim services were eliminated from this agreement beginning February 19, 2008 and this agreement expired on November 15, 2008 (with policy servicing in a run-off stage through the end of the policy periods). These agreements provide for monthly compensation to the company based on a portion decreasing from 15% to 6% of the related policies' net written premium as total net written premium increases. In addition, the agreement provides for the servicing company to receive policy issuance fees, as well as inspection fees. Servicing company fees included in other underwriting expenses incurred were $7.5 million and $13.0 million, during 2008 and 2007, respectively. In addition, no agents or servicing companies have been paid more than 5% of surplus in 2008.

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.

During 2002, the FWUA transferred its assets and liabilities to Citizens in accordance with Florida Statute 627.351(6). At that time, Citizens filed a federal income tax refund claim in excess of $182.0 million related to the transfer. Citizens initially received a refund of approximately $54.9 million from the Internal Revenue Service (the IRS). However, the Internal Revenue Service filed a counterclaim against Citizens seeking payment of past due taxes and interest in the amount of approximately $93.0 million. Given the uncertainty surrounding its tax position, Citizens recorded the $54.9 million refund as a liability. In 2005, Citizens on behalf of the FWUA, filed suit against the IRS asserting that for tax years 1999-2002, the FWUA was a non-taxable entity. In September 2006, Citizens and the IRS mediated a settlement of the suit. Under the settlement, the IRS would relinquish any claim against the FWUA for back taxes and also agreed to pay the FWUA a refund of approximately $120.0 million of previous taxes paid plus accrued interest. Citizens adopted the provisions of FASB Interpretation No. 48, Accounting for Income Taxes, on January 1, 2006. As a result of the implementation of Interpretation 48, Citizens recorded a tax benefit of $220.5 million which included interest of $45.0 million. In

NOTE 7 - INCOME TAXES (CONTINUED)

addition, a gain of $28.0 million was recognized in 2006 for the expected refund of state income taxes resulting from the federal settlement, which was ultimately collected in full during 2007. In 2007, Citizens recorded a tax benefit of $2.7 million , which was interest earned in 2007 on the income tax recoverable which was received in April 2007 and is included in Income tax benefit (expense) in the accompanying financial statements.

NOTE 8 - LINE OF CREDIT AGREEMENTS

Effective May 15, 2008, Citizens entered into a $1.67 billion credit agreement (the 2008 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 2008 Line of Credit is secured by a security interest in anticipation of revenues consisting of FHCF reimbursements and/or regular assessments, including additional surcharges or assessments. The expiration of the agreement is May 14, 2009. Citizens is required to pay an annual Facility Fee of .70% 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 expense and closing fees associated with this credit agreement were $4.68 million and $1.85 million for the year ended December 31, 2008, respectively. As of December 31, 2008, there were no amounts outstanding under this agreement.

Effective July 3, 2007, Citizens entered into a $1.0 billion credit agreement (the 2007 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 2007 Line of Credit is secured by a security interest in anticipation of revenues consisting of FHCF reimbursements and/or regular assessments, including additional surcharges or assessments. The expiration of the agreement was July 1, 2008. Citizens is required to pay an annual Facility Fee of .20% on the unused portion of the facility. This rate is based on Moody's and S&P ratings 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 $.8 million and $1.0 million for the years ended December 31, 2008 and 2007, respectively. Closing fees paid for this credit agreement were $.5 million for the year ended December 31, 2007.

NOTE 9 - REINSURANCE AGREEMENTS

Citizens participates in the Florida Hurricane Catastrophe Fund (the FHCF). The FHCF will reimburse Citizens a specified percentage of losses incurred relating to a hurricane in Florida if a prescribed retention is reached. Premiums ceded to the FHCF, net of refunds received, totaled $440.4 million and $488.3 million, respectively, during 2008 and 2007 and are included in "Premiums earned" in the accompanying statements of operations - statutory basis. The High-

NOTE 9 - REINSURANCE AGREEMENTS (CONTINUED)

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:

	2008		2007	
	Coverage Amounts	**Retention Amounts**	**Coverage Amounts**	**Retention Amounts**
Personal and Commercial Lines Accounts	**$ 2,015 million**	**$ 779 million**	$ 2,628 million	$ 983 million
High-Risk Account	**3,871 million**	**1,497 million**	4,212 million	1,576 million

Citizens purchased private reinsurance for the High Risk Account in 2008. The private reinsurance will reimburse Citizens a specified percentage of losses incurred relating to hurricanes in Florida if a prescribed retention is reached. Reinsurance is on a per occurrence basis. Premiums ceded to private reinsurers, net of refunds received, totaled $105.1 million during 2008 and are included in "Net written premiums" in the accompanying statement of operations - statutory basis. Citizens did not purchase private reinsurance in 2007. The private reinsurance coverages and retention amounts by account were as follows:

	2008	
	Coverage Amounts	**Retention Amounts**
High-Risk Account	**$ 446 million**	**$ 1,671 million**

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

	2008		2007	
	Premiums		**Premiums**	
	Written	**Earned**	**Written**	**Earned**
		(in thousands)		
Direct	**$ 2,771,846**	**$ 3,179,382**	$ 3,717,971	$ 3,699,006
Ceded	**(915,176)**	**(922,754)**	(757,646)	(624,252)
Net premiums	**$ 1,856,670**	**$ 2,256,628**	$ 2,960,325	$ 3,074,754

NOTE 9 - REINSURANCE AGREEMENTS (CONTINUED)

Citizens is entitled to $1.1 billion in FHCF reimbursements and to $49.3 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 $93.5 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 incurred and the loss adjustment expenses incurred are presented net of these anticipated recoveries in the accompanying statements of operations - statutory basis. FHCF recoveries of $868.0 million and private reinsurance recoveries of $116.1 million were received as of December 31, 2008.

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 the Company's 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.

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

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 $2.5 million and $2.0 million for the years ended December 31, 2008 and 2007, and are included in "Other underwriting expenses incurred" in the accompanying statements of operations.

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").

During 2008 and 2007, Citizens ceded \$369.7 million and \$269.3 million in premiums to Takeout Companies pursuant to Assumption Agreements which is included in "Premiums earned" in the accompanying statements of operations.

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, 2008 and 2007, assumed premiums in the amount of \$22.8 million and \$7.0 million were due from certain Takeout Companies.

Certain agreements provide for a policy takeout bonus of up to 25% of 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 2008 and 2007, Citizens paid \$8.3 million and \$15.6 million, respectively, out of escrow (net of certain recoveries). During 2008 and 2007, Citizens paid \$1.0 million and \$6.5 million into escrow in accordance with the policy takeout agreements for policies removed in 2007. Citizens did not have a takeout bonus policy in effect for 2008 depopulation programs. The 2008 funding of escrow was an adjustment for bonus policies removed in 2007. 385,084 policies were removed from Citizens in 2008 pursuant 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. 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 2008 and 2007, Citizens paid into escrow \$0 for underfunded accounts and received \$1.1 million and \$1.9 million, respectively, for overfunded accounts. These amounts are included in "takeout bonus income (expense), net" in the accompanying statements of operations.

NOTE 12 - OPERATING LEASES

Citizens leases office space and certain office equipment under various operating leases. Rental expense on operating leases amounted to $6.9 million and $6.0 million for the years ended December 31, 2008 and 2007. At December 31, 2008, future minimum payments under operating leases are as follows (in thousands):

2009	$	4,465
2010		4,187
2011		3,394
2012		2,088
2013		2,141
2014 to 2015		1,901
Total	$	18,176

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Citizens has been informed that the Securities and Exchange Commission, the Florida Office of Financial Regulation, 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.

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 this litigation, Citizens has not determined the affect, if any, on the financial condition or results of operations.

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. (See Note 16). Associates seeks significant damages. Its many claims include breach of contract, tortuous interference, equal protection violations, and regulatory taking. Citizens believes it will ultimately prevail on all claims presented.

Overhead and Profit. Two related putative class actions seek damages based on Citizens' alleged failure to pay general contractors' overhead and profit ("O&P") under actual cash value ("ACV") provisions of Citizens' policies. Limited class discovery is underway. A similar putative class claim has been filed in an unrelated case. Citizens believes that these cases are not

NOTE 13 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

suitable for class action treatment. Citizens has not determined the potential financial exposure, if any, of these lawsuits.

NOTE 14 - RECONCILIATION OF SAP TO GAAP

Reconciliation of Citizens' 2008 and 2007 statutory basis net income and accumulated surplus to its GAAP basis (as determined by the Governmental Accounting Standards Board) change in net assets and total net assets, respectively, is as follows (in thousands):

	2008	2007
Net income - Statutory basis	$ 792,792	$ 1,544,281
Adjustments:		
Policy acquisition costs	(37,739)	(2,908)
Line of credit fees & note issuance costs	(75,746)	(25,801)
Takeout bonuses	(9,910)	(18,099)
Allowance for doubtful accounts	566	(127)
Unrealized (loss) gain on investments	(32,219)	176,840
Change in net assets - GAAP basis	$ 637,744	$ 1,674,186

	2008	2007
Accumulated surplus - Statutory basis	$ 3,170,774	$ 2,643,208
Adjustments:		
Policy acquisition costs	112,182	149,921
Nonadmitted assets, net	299,592	26,234
Provision for Reinsurance – Sch F Penalty	10,585	17,085
Line of credit fee and note issuance costs	147,046	222,792
Takeout bonuses	4,865	14,775
Cumulative unrealized loss on investments	(46,140)	(13,921)
Total net assets – GAAP Basis	$ 3,698,904	$ 3,060,094

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 accounting principles generally accepted in the United States adjusted for certain items.

NOTE 15 – ASSESSMENTS (CONTINUED)

In the event of a Plan Year Deficit in an 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 premiums. 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 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 $623.3 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.

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 of Insurance Regulation (OIR) 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 Florida Hurricane Catastrophe Fund (FHCF), Citizens was able to purchase FHCF coverage for the Transition Policies at a cost of about $75.0 million for $1.0 billion of coverage.

Citizens received approximately 308,000 homeowner and 1,700 commercial residential policies as a result of the 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. All transition policies had expired by June 30, 2007.

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 has received payments of $158.6 million from FIGA through December 2008.

Citizens recorded an estimate of the unearned premium as of July 1, 2006 and recognized an estimate of the earned premium each month thereafter. Additionally, Citizens has recorded an amount receivable due from FIGA. As of December 31, 2007, the receivable due from FIGA was $74.3 million. As of December 31, 2008, the receivable due from FIGA was $61.7 million and is included in Premiums receivable, net in the accompanying financial statements. This

NOTE 16 - POE FINANCIAL GROUP POLICYHOLDERS (CONTINUED)

receivable is net of a guaranty fund assessment FIGA levied on Citizens in October 2007 of $68.0 million. Citizens has also recorded a receivable for the recoupment of this assessment from its policyholders. Citizens has twelve months to recoup the assessment beginning from the time Citizens first begins to bill its policyholders.

NOTE 17 - SUBSEQUENT EVENTS

2009 HRA Senior Secured Bonds

At the March 10, 2009 Citizens Board of Governors meeting, the Board approved the Bond Resolution authorizing the proposed issuance of up to $2.5 billion of HRA Series 2009 bonds. The HRA 2009 Bonds will be issued as part of a previously approved liquidity financing program in preparation for the 2009 hurricane season to provide liquidity for the payment of claims should a catastrophic event occur. This financing is to provide a liquidity bridge to pay claims until Citizens is reimbursed by the Florida Hurricane Catastrophe Fund. HRA Series 2009 is expected to be issued in the following structure:

- Fixed rate, tax-exempt bonds with maturities ranging from 1 to 5 years;
- Issuance may be in more than one series, with some separation between issuances to allow for market absorption;
- First issuance taking place in April, 2009, after the expiration of the appeal period for the required OIR order approving the financing;
- Subsequent issuances (if needed) taking place as soon as practicable thereafter but preferably prior to the start of hurricane season on June 1st; and
- The Bond Resolution and OIR Order are structured to allow for multiple issuances as part of the 2009 financing plan.

There is no assurance that Citizens will close this financing in whole or in part as planned.

2009 PLA/CLA Line of Credit (2009 LOC)

At its April 3, 2009 meeting Citizens Board of Governors approved a $400 million 364-day revolving bank line of credit. Although commitments from lenders are over-subscribed, there is no assurance that Citizens will close the credit agreement in whole or in part as planned. The 2009 PLA/CLA LOC is being entered into as part of a previously approved liquidity financing program in preparation for the 2009 hurricane season, which will provide liquidity for Citizens PLA/CLA in the payment of claims should a catastrophic event occur. This funding is a liquidity bridge to pay claims until Citizens is reimbursed by the Florida Hurricane Catastrophe Fund. The 2009 LOC will replace the existing $1.665 billion 2008 PLA/CLA LOC, which was

NOTE 17 - SUBSEQUENT EVENTS

2009 PLA/CLA Line of Credit (2009 LOC) (Continued)

put in place for the 2008 hurricane season. Citizens external liquidity needs have reduced significantly because of the growth in PLA/CLA surplus and decline in the number of policies and exposure as a result of continued depopulation activity.

NOTE 18 - RESTRICTED CASH

This restriction of cash 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 Florida Office of Insurance Regulation, 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.

Supplementary Information

CARR RIGGS & INGRAM

Carr, Riggs & Ingram, LLC
1713 Mahan Drive
Tallahassee, Florida 32308

(850) 878-8777
(850) 878-2344 (fax)
www.cricpa.com

Supplementary Information

Independent Auditors' Report on
Supplementary Information

The Board of Governors and Management
Citizens Property Insurance Corporation
Tallahassee, FL

Our audits were conducted for the purpose of forming opinions on the basic statutory financial statements taken as a whole. The accompanying supplemental combining statements, amended investment risk interrogatories and amended summary investment schedule are presented to comply with the National Association of Insurance Commissioners' Annual Statement Instructions and the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and are not a required part of the basic statutory financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic statutory financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic statutory financial statements taken as a whole.

This report is intended solely for the information and use of the Company and the State of Florida, Office of Insurance Regulation to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, LLC

Carr, Riggs & Ingram, LLC
April 15, 2009

Citizens Property Insurance Corporation

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

December 31, 2008

	Combined	Personal Lines Account	Commercial Lines Account	High Risk Account
		(In Thousands)		
Admitted assets				
Cash and invested assets:				
Bonds	$ 1,865,288	$ 838,132	$ -	$ 1,027,156
Cash and short-term investments	5,461,322	1,767,615	721,730	2,971,977
Total cash and invested assets	7,326,610	2,605,747	721,730	3,999,133
Investment income due and accrued	9,796	4,273	132	5,391
Premiums receivable, net	184,314	115,972	8,213	60,129
Other receivables under reinsurance contracts	22,770	20,716	608	1,446
Reinsurance recoverable	37,602	11,389	8,018	18,195
Assessment receivable	619,109	25,548	8,155	585,406
Other admitted assets	9,440	9,228	90	122
Inter-account receivable (payable)	-	(433,828)	370,402	63,426
Total admitted assets	$ 8,209,641	$ 2,359,045	$ 1,117,348	$ 4,733,248
Liabilities and accumulated surplus				
Liabilities:				
Loss reserves	$ 698,023	$ 356,802	$ 121,602	$ 219,619
Loss adjustment expense reserves	163,442	108,191	20,231	35,020
Unearned premiums, net of unearned ceded	1,087,189	432,662	140,862	513,665
Taxes and fees payable	4,651	3,559	645	447
Provision for reinsurance	10,585	10,480	-	105
Bonds payable	2,814,793	-	-	2,814,793
Interest payable	51,627	-	-	51,627
Advance premiums and suspended cash	87,753	36,765	12,890	38,098
Other liabilities	120,804	63,961	2,764	54,079
Total liabilities	5,038,867	1,012,420	298,994	3,727,453
Accumulated surplus	3,170,774	1,346,625	818,354	1,005,795
Total liabilities and accumulated surplus	$ 8,209,641	$ 2,359,045	$ 1,117,348	$ 4,733,248

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

Year Ended December 31, 2008

	Combined	Personal Lines Account	Commercial Lines Account	High Risk Account
	(In Thousands)			
Premiums earned	**$ 2,256,628**	$ 1,055,669	$ 376,277	$ 824,682
Losses incurred	**815,938**	576,356	80,448	159,134
Loss adjustment expenses incurred	**115,698**	77,891	13,964	23,843
Other underwriting expenses incurred	**399,390**	160,554	66,848	171,988
Underwriting income	**925,602**	240,868	215,017	469,717
Net investment income	**43,959**	10,275	26,175	7,509
Interest expense, net	**(162,903)**	(12,295)	(3,785)	(146,823)
Line of credit fees and note issuance costs	**(17,768)**	(7,453)	(2,295)	(8,020)
Takeout bonus expense, net	**85**	85	-	-
Assessment income	**-**	-	-	-
Other income (loss)	**3,817**	4,052	315	(550)
Income before federal income tax benefit	**792,792**	235,532	235,427	321,833
Federal income tax benefit	**-**	-	-	-
Net income	**$ 792,792**	$ 235,532	$ 235,427	$ 321,833

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	Gross Investment Holdings 2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	Admitted Assets as Reported in the Annual Statement 4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	7,939,332	0.104	7,939,332	0.108
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	109,388,876	1.439	109,388,876	1.493
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations				
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	12,989	0.000	12,989	0.000
1.512 Issued or guaranteed by FNMA and FHLMC	644,058	0.008	644,058	0.009
1.513 All other	2,685,033	0.035	2,685,033	0.037
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 rated by the SVO)	1,368,598,939	18.003	1,355,010,923	18.494
2.2 Unaffiliated foreign securities	389,606,955	5.125	389,606,955	5.318
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 the company				
5.2 Property held for the 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	5,723,168,860	75.285	5,461,322,032	74.541
9. Other invested assets				
10. Total invested assets	7,602,045,042	100.000	7,326,610,198	100.000

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2008

(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. $ 8,209,641,325
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	MUTUAL FUNDS	$ 435,681,389	5.3 %
2.02	PNC FINANCIAL SERVICES GROUP I	MUTUAL FUNDS	$ 413,335,514	5.0 %
2.03	BANK OF NEW YORK MELLON CORP/THE	MUTUAL FUNDS	$ 412,415,951	5.0 %
2.04	GOLDMAN SACHS GROUP INC/THE	MUTUAL FUNDS	$ 384,048,203	4.7 %
2.05	BANK OF AMERICA CORP	BONDS, MUTUAL FUNDS	$ 365,921,835	4.5 %
2.06	WELLS FARGO & CO	BONDS, MUTUAL FUNDS	$ 360,405,450	4.4 %
2.07	FMR LLC	MUTUAL FUNDS	$ 275,973,250	3.4 %
2.08	CITIGROUP INC	MUTUAL FUNDS	$ 259,206,094	3.2 %
2.09	JPMORGAN CHASE & CO	BONDS, MUTUAL FUNDS	$ 195,158,140	2.4 %
2.10	INVESCO LTD	MUTUAL FUNDS	$ 176,514,900	2.2 %

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	$ 7,314,841,418	89.1 %	3.07	P/RP-1	$	0.0 %
3.02	NAIC-2	$ 29,678,784	0.4 %	3.08	P/RP-2	$	0.0 %
3.03	NAIC-3	$ 0	0.0 %	3.09	P/RP-3	$	0.0 %
3.04	NAIC-4	$ 0	0.0 %	3.10	P/RP-4	$	0.0 %
3.05	NAIC-5	$ 0	0.0 %	3.11	P/RP-5	$	0.0 %
3.06	NAIC-6	$ 42,424,417	0.5 %	3.12	P/RP-6	$	0.0 %

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	$ 409,662,007	5.0 %
4.03	Foreign-currency-denominated investments	$ 0	0.0 %
4.04	Insurance liabilities denominated in that same foreign currency	$ 0	0.0 %

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

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

		1	2
5.01	Countries rated NAIC-1	$ 395,724,602	4.8 %
5.02	Countries rated NAIC-2	$	0.0 %
5.03	Countries rated NAIC-3 or below	$ 13,937,405	0.2 %

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

		1	2
	Countries rated NAIC-1:		
6.01	Country 1: Switzerland	$ 136,229,672	1.7 %
6.02	Country 2: United Kingdom	$ 130,000,000	1.6 %
	Countries rated NAIC-2:		
6.03	Country 1:	$	0.0 %
6.04	Country 2:	$	0.0 %
	Countries rated NAIC-3 or below:		
6.05	Country 1: Cayman Islands	$ 13,857,274	0.2 %
6.06	Country 2: Cayman Islands	$ 80,130	0.0 %

		1	2
7.	Aggregate unhedged foreign currency exposure	$	0.0 %

8. Aggregate unhedged foreign currency exposure categorized by the country's NAIC sovereign rating:

		1	2
8.01	Countries rated NAIC - 1	$	0.0 %
8.02	Countries rated NAIC - 2	$	0.0 %
8.03	Countries rated NAIC - 3 or below	$	0.0 %

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

		1	2
	Countries rated NAIC - 1:		
9.01	Country:	$	0.0 %
9.02	Country:	$	0.0 %
	Countries rated NAIC - 2:		
9.03	Country:	$	0.0 %
9.04	Country:	$	0.0 %
	Countries rated NAIC - 3 or below:		
9.05	Country:	$	0.0 %
9.06	Country:	$	0.0 %

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

	1 Issuer	2 NAIC Rating	3	4
10.01	UBS AG/STAMFORD BRANCH	1 FE	$ 136,229,672	1.7 %
10.02	ASTRAZENECA	1 FE	$ 108,000,000	1.3 %
10.03	DEUTSCHE BANK AG	1 FE	$ 95,000,000	1.2 %
10.04	BANK OF SCOTLAND	1 FE	$ 15,000,000	0.2 %
10.05	AXON FUNDING LTD	6 FE	$ 13,857,274	0.2 %
10.06	SIEMENS FINANCIERINGS	1 FE	$ 8,994,550	0.1 %
10.07	NATIONAL AUSTRALIA BANK	1 FE	$ 7,500,000	0.1 %
10.08	ANZ NATIONAL	1 FE	$ 7,000,000	0.1 %
10.09	BHP BILLITON	1 FE	$ 6,413,432	0.1 %
10.10	DEUTSCHEBANK FINANCE	1 FE	$ 4,999,871	0.1 %

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.)

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	$	0.0 %
16.13	Mortgage loans over 90 days past due	$	0.0 %
16.14	Mortgage loans in the process of foreclosure	$	0.0 %
16.15	Mortgage loans foreclosed	$	0.0 %
16.16	Restructured mortgage loans	$	0.0 %

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 1	2	Commercial 3	4	Agricultural 5	6
17.01 above 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.02 91% to 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.03 81% to 90%	$	0.0 %	$	0.0 %	$	0.0 %
17.04 71% to 80%	$	0.0 %	$	0.0 %	$	0.0 %
17.05 below 70%	$	0.0 %	$	0.0 %	$	0.0 %

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 in 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		$	0.0 %
18.03		$	0.0 %
18.04		$	0.0 %
18.05		$	0.0 %
18.06		$	0.0 %

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.

	1	2	3
19.02	Aggregate statement value of investments held in mezzanine real estate loans:	$	0.0 %

Largest three investments held in mezzanine real estate loans:

19.03		$	0.0 %
19.04		$	0.0 %
19.05		$	0.0 %

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)	$	0.0 %	$	$	$
20.02 Repurchase agreements	$	0.0 %	$	$	$
20.03 Reverse repurchase agreements	$	0.0 %	$	$	$
20.04 Dollar repurchase agreements	$	0.0 %	$	$	$
20.05 Dollar reverse repurchase agreements	$	0.0 %	$	$	$

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	$	0.0 %	$	0.0 %
21.02 Income generation	$	0.0 %	$	0.0 %
21.03 Other	$	0.0 %	$	0.0 %

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	$	0.0 %	$	$	$
22.02 Income generation	$	0.0 %	$	$	$
22.03 Replications	$	0.0 %	$	$	$
22.04 Other	$	0.0 %	$	$	$

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	$	0.0 %	$	$	$
23.02 Income generation	$	0.0 %	$	$	$
23.03 Replications	$	0.0 %	$	$	$
23.04 Other	$	0.0 %	$	$	$

The accompanying amended summary investment schedule and supplemental investment risk interrogatories present selected statutory-basis financial data as of December 31, 2008 and for the year then ended for purposes of complying with the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual. This information will agree to the amounts reported in the Company's Amended 2008 Statutory Annual Statement that will be filed with the State of Florida, Office of Insurance Regulation.