Financial Statements - Statutory Basis and Supplemental Schedules

Citizens Property Insurance Corporation

December 31, 2007 and 2006

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Financial Statements – Statutory Basis and Supplemental Schedules
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December 31, 2007 and 2006

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Independent Auditors' Report

The Board of Governors
Citizens Property Insurance Corporation

We have audited the accompanying statutory statements of admitted assets, liabilities and accumulated surplus of Citizens Property Insurance Corporation (Citizens) as of December 31, 2007 and 2006, 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, 2007 and 2006, 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, 2007 and 2006, 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 24, 2008

Financial Statements

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

	December 31 2007	December 31 2006
	(In Thousands)	
Admitted assets		
Cash and invested assets:		
Bonds	$ 2,510,723	$ 3,619,873
Cash and short-term investments	7,377,583	3,636,689
Total cash and invested assets	9,888,306	7,256,562
Investment income due and accrued	29,400	37,349
Premiums receivable, net	126,630	229,622
Other receivables under reinsurance contracts	6,951	12,134
Reinsurance recoverable	122,405	129,044
Income tax recoverable	-	168,060
Assessment receivable	836,637	971,985
Other admitted assets	11,979	7,388
Total admitted assets	$ 11,022,308	$ 8,812,144
Liabilities and accumulated surplus		
Liabilities:		
Loss reserves	$ 569,747	$ 506,438
Loss adjustment expense reserves	155,653	81,168
Unearned premiums, net of unearned ceded premiums of $144,732 and $11,338	1,487,146	1,601,576
Taxes and fees payable	11,856	15,767
Provision for reinsurance	17,085	5,282
Bonds payable	5,864,674	5,196,573
Interest payable	27,200	43,340
Advance premiums and suspended cash	130,535	175,357
Other liabilities	115,204	64,187
Total liabilities	8,379,100	7,689,688
Accumulated surplus:		
Restricted	70,585	-
Unrestricted	2,572,623	1,122,456
Total accumulated surplus	2,643,208	1,122,456
Total liabilities and accumulated surplus	$ 11,022,308	$ 8,812,144

See accompanying notes to financial statements.

Citizens Property Insurance Corporation
Statements of Operations – Statutory Basis

	Years Ended December 31	
	2007	2006
	(In Thousands)	
Premiums earned	$ 3,074,754	$ 2,054,285
Losses incurred	711,238	589,744
Loss adjustment expenses incurred	171,687	70,109
Other underwriting expenses incurred	543,338	386,239
Underwriting income	1,648,491	1,008,193
Net investment income	165,683	210,193
Interest expense, net	(309,826)	(224,299)
Line of credit fees and note issuance costs	(25,630)	(48,076)
Takeout bonus income (expense), net	(4,531)	2,853
Assessment income	68,008	1,765,581
Other income (loss)	(658)	2,115
Income before federal income tax benefit	1,541,537	2,716,560
Federal income tax benefit	2,744	220,459
Net income	$ 1,544,281	$ 2,937,019

See accompanying notes to financial statements.

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

	(In Thousands)
Balance at January 1, 2006	$ (1,811,115)
Net income	2,937,019
Change in nonadmitted assets	(9,131)
Change in provision for reinsurance	5,608
Other	75
Balance at December 31, 2006	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**

See accompanying notes to financial statements.

Citizens Property Insurance Corporation
Statements of Cash Flows – Statutory Basis

	Years Ended December 31 2007	2006
	(In Thousands)	
Operating activities		
Premiums collected, net of reinsurance	$ 3,067,608	$ 2,788,952
Loss and loss adjustment expenses paid	(745,131)	(1,557,263)
Underwriting expenses paid	(544,805)	(407,325)
Net investment income received (paid)	470,426	(6,862)
Other income received	221,076	1,611,027
Net cash provided by operating activities	2,469,174	2,428,529
Investing activities		
Proceeds from investments sold, matured or repaid	4,045,998	2,359,288
Investments acquired	(2,954,279)	(3,804,379)
Net cash provided by (used in) investing activities	1,091,719	(1,445,091)
Financing and miscellaneous activities		
Borrowed funds received	62,540	3,050,000
Other cash received (paid)	117,461	(883,754)
Net cash provided by financing and miscellaneous activities	180,001	2,166,246
Net increase in cash and short-term investments	3,740,894	3,149,684
Cash and short-term investments:		
Beginning of year	3,636,689	487,005
End of year	$ 7,377,583	$ 3,636,689

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.

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 the 2008 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 accounting practices prescribed or permitted by the Office. The Office requires that insurance companies domiciled in the State of Florida 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 the Office 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 (See Note 17), the State of Florida Chief Financial Officer's Special Purpose Investment Trust Account (the Special Purpose Account), 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 $2.9 million and $1.9 million for the years ended December 31, 2007 and 2006. The cost and accumulated depreciation for EDP equipment was $17.5 million and $8.0 million at December 31, 2007 and $9.2 million and $5.2 million at December 31, 2006, respectively.

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 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. Premium 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 54.13% of Citizens' insurance coverage exposure lies in the Southeast Florida counties of Miami-Dade, Broward, Monroe and Palm Beach as of December 31, 2007. Approximately 11.12% of Citizens' insurance coverage lies in Pinellas and Hillsborough counties as of December 31, 2007. 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.

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 engages independent investment managers to invest bond proceeds and certain operating cash pursuant to the investment policy. During the industry-wide sub-prime mortgage and liquidity crises of the fall and winter of 2007, some of Citizens' investments experienced distress and were subsequently downgraded. On December 31, 2007, Citizens investment portfolio included approximately $584 million in assets at par value that were downgraded below Citizens guideline requirements. In addition, a substantial portion of these downgraded assets were composed of Structured Investment Vehicles (SIV). Some of the SIV issuers, specifically Axon, KKR Atlantic, KKR Pacific, and Ottimo Funding defaulted on their obligations and the debt has either been restructured or is in the process of being restructured. While Citizens is monitoring the status of these securities. the outlook with respect to ultimate realization of par is uncertain. Citizens recently updated its investment policy to include additional safeguards such as a prohibition of partially and non-supported Asset-Backed commercial paper and SIVs.

NOTE 3 - INVESTMENTS (CONTINUED)

Given that certain of Citizens investments have defaulted and have been restructured, management determined that these assets were impaired on an other than temporary basis at December 31, 2007 and Citizens recorded realized capital losses in the amount of $88.5 million for such assets. The write-down included $83.4 million in short-term investments and $5.1 million in bonds. The amortized cost of these assets was reflected at the permanently marked down value in the accompanying financial statements. Subsequent to year end, the permanently marked down investments have experienced an additional unrealized loss in market value of $16.4 million through March 31, 2008.

Short-Term Investments

Citizens' short-term investments include shares held in the Local Government Investment Pool administered by the Florida State Board of Administration. Certain investments in this external investment pool were deemed to be impaired at December 31, 2007 as discussed above. See Note 17.

Bonds

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**
Public Utilities	0	0	**0**
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**
Public Utilities	0	0	**0**
Industrial & Miscellaneous	2,461,132	(10.493)	**2,450,639**
Total	$ 2,510.723	$ (10,465)	**$ 2,500,258**

NOTE 3 - INVESTMENTS (CONTINUED)

Bonds (Continued)

The amortized cost and aggregate fair value of bonds at December 31, 2006 were as follows:

	Amortized Cost	Unrealized Gain (Loss)	Fair Value
		(in thousands)	
U.S. Treasury and U.S. Government Securities	$ 1.128.360	$ (4.224)	$ 1,124,136
Special Revenue	17.217	2	17.219
Public Utilities	1.073	1	1,074
Industrial & Miscellaneous	1.151,887	(7,427)	1.144,460
Loan Backed and Structured Securities:			
U.S. Government	18.004	19	18,023
Special Revenue	513.356	(3.773)	509,583
Industrial & Miscellaneous	789.976	(1,820)	788,156
Total	$ 3,619.873	$ (17,222)	$ 3,602,651
U.S. Treasury and U.S. Government Securities	$ 1.146,363	$ (4,205)	$ 1,142,158
Special Revenue	530.573	(3,771)	526,802
Public Utilities	1.073	1	1,074
Industrial & Miscellaneous	1.941.864	(9.247)	1,932,617
Total	$ 3.619,873	$ (17.222)	$ 3,602,651

Citizens held certain securities in an unrealized loss position at December 31, 2007, 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. However, fair values may be adversely affected by economic conditions.

NOTE 3 - INVESTMENTS (CONTINUED)

Bonds (Continued)

	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)

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.

Proceeds from maturities and sales of bonds during 2007 and 2006 were $4.0 billion with gross realized gains of $1.6 million and gross realized losses of $24.9 million and $2.4 billion, with gross realized gains of $.8 million and gross realized losses of $23.8 million. respectively.

NOTE 3 - INVESTMENTS (CONTINUED)

Bonds (Continued)

The amortized cost and fair value of securities at December 31, 2007, 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	$ 404,012	$ 401,639
Due after one year through five years	1,837,557	1,829,479
Due after five years through ten years	136,002	135,995
Due after 10 years	131,954	131,954
Loan-backed securities	1,198	1,191
Total	$ 2,510,723	$ 2,500,258

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, 2007 and 2006 were as follows:

	2007	2006
	(in thousands)	
Loss reserves and loss adjustment expense reserves, beginning of year	$ 587,606	$ 1,485,016
Incurred related to:		
Current year	692,583	339,770
Prior years	190,342	320,083
Total incurred	882,925	659,853
Paid related to:		
Current year	353,312	157,640
Prior years	391,819	1,399,623
Total paid	745,131	1,557,263
Loss reserves and loss adjustment expense reserves, end of year	$ 725,400	$ 587,606

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 $190.0 million and $320.0 million in 2007 and 2006, respectively.

NOTE 4 - LIABILITY FOR LOSS RESERVES AND LOSS ADJUSTMENT EXPENSE RESERVES (CONTINUED)

Citizens has entered into agreements with several outside companies that provide claims adjustment services in its non-catastrophic operations. These agreements provide for compensation to the companies based on a graduated fee schedule. The fee schedule is based on the gross claim amount and type of loss handled by the companies. Compensation for claims services performed during a catastrophe is paid pursuant to a catastrophe specific fee schedule, which may be graduated based upon demand surge following large catastrophic events. The agreements are effective for one year, with provisions for automatic renewal for successive one-year periods. Any additional liability that may ultimately result from unusual loss or loss adjustment expenses is not expected to have a material adverse effect on the financial position or results of operations of Citizens.

NOTE 5 - BONDS PAYABLE

Series 1997A issued August 25, 1997 and Series 1999A issued March 31, 1999 – In August 1997 and March 1999, the pre-merger FWUA issued $750 million and $1.0 billion of secured notes, respectively. The bonds were issued for the purpose of funding losses in the event of a future catastrophe. Repayment and annual debt service of the High-Risk Account bonds was facilitated through premium and surcharge revenues, unused proceeds of the bonds, amounts available under the High-Risk Account Line of Credit (See Note 8), Regular Assessments and Emergency Assessments (See Note 15), as necessary.

The bonds stated interest rates ranged from 6.70% to 7.125% per annum. The interest on the bonds was payable semi-annually on February 25th and August 25th. No principal payments were made during 2006. Outstanding maturities on these notes were $1.3 billion at December 31, 2006. The Series 1997A bonds matured on August 25, 2007 and the Series 1999A bonds were refinanced on February 26, 2007.

Series 1997A, issued May 13, 1997 – In May 1997, the pre-merger FRPCJUA issued $500 million of Series 1997A Notes for the Personal Lines Account and Commercial Lines Account. The bonds were issued for the purpose of funding losses in the event of a future catastrophe. The bonds were secured by a security interest in emergency assessments (See Note 15). Under certain circumstances the bonds were also secured by and payable by regular assessments or reimbursements received by or on behalf of Citizens from the Florida Hurricane Catastrophe Fund (FHCF - see Note 9). The Trust Indenture contained covenants that imposed restrictions on Citizens' ability to sell, lease, pledge, assign or otherwise encumber or dispose of its security interest. The bonds were a direct and general obligation of Citizens and were secured ratably and without preference with Citizen's Personal Lines Account and Commercial Lines Account line of credit agreement (see Note 8).

NOTE 5 - BONDS PAYABLE (CONTINUED)

The bonds stated interest rate ranged from 7.45% to 7.625% per annum. The interest on the bonds was payable semi-annually on January 1st and July 1st. No principal payments were made during 2006. Outstanding maturities on these notes were $100 million at December 31, 2006. The bonds matured on July 1, 2007.

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 (auctioned at 6.15% at December 31, 2007), for generally successive 28-day auction periods. These 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. The bond maturity dates range from July 1, 2016 and July 1, 2024. No principal payments were made during 2007 and 2006. The fair market value of the bonds approximates $750 million.

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 (ranging from 5.40% to 6.60% at December 31, 2007) 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. The bond maturity dates range from July1, 2017 to July 1, 2026. No principal payments were made during 2007 and 2006. The fair market value of these bonds approximates $3.05 billion.

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 $60.1million 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 moneys 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. No principal payments were made during 2007.

NOTE 5 - BONDS PAYABLE (CONTINUED)

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 (ranging from 4.85% to 6.25% at December 31, 2007) for generally successive 7-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. The bond maturity dates range from July 1, 2018 to July 1, 2022. No principal payments were made during 2007. The fair market value of these bonds approximates $950 million.

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

Year Ending December 31	Principal	Interest	Total
		(in thousands)	
2008	$ 50,000	$ 269,926	$ 319,926
2009	91,580	266,469	358,049
2010	96,160	261,887	358,047
2011	100,995	257,053	358,048
2012	106,125	251,922	358,047
2013-2017	1,042,680	1,159,334	2,202,014
2018-2022	2,750,000	673,670	3,423,670
2023-2027	1,575,000	151,225	1,726,225
Total	$ 5,812,540	$ 3,291,486	$ 9,104,026

Unamortized premium at December 31, 2007 was $52.1 million.

The total interest expense on the Bonds for the years ended December 31, 2007 and 2006 was $310.8 million and $226.3 million including amortized premium of $3.5 million and discount amortization of $.4 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, 2007 and 2006. 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 has been deferred and is being 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, 2007 and 2006 was $1.0 million and $2.0 million, respectively.

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. Agent commissions included in other underwriting expenses incurred were $324.7 million and $259.7 million during 2007 and 2006, 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 in early 2008 and this agreement is set to expire no later than December 31, 2008. 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 carrier fees included in other underwriting expenses incurred were $13.0 million and $10.4 million, during 2007 and 2006, respectively. In addition, no agents or servicing carriers have been paid more than 5% of surplus in 2007.

NOTE 7 - INCOME TAXES

Pursuant to a determination letter received from the Internal Revenue Service, Citizens is exempt from federal income tax under Section 501(a) of the Internal Revenue Code 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. 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 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 is 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 expense and closing fees associated with this credit agreement were $1.0 million and $.5 million for the year ended December 31, 2007, respectively. As of December 31, 2007, there were no amounts outstanding under this agreement.

Effective August 30, 2006 Citizens entered into a $708.0 million credit agreement (the 2006 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 2006 Line of Credit expired on August 30, 2007. Citizens was required to pay an annual Facility Fee of .25% on the unused portion of the facility. This rate was based on Moody's and S&P ratings of A+ and A2, respectively, on Personal and Commercial Lines Accounts long-term debt. Unused facility fee expense associated with this credit agreement were $.9 million and $.6 million for the years ended December 31, 2007 and 2006, respectively. Closing fees paid for this credit agreement were $.6 million for the year ended December 31, 2006.

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 $488.3 million and $390.1 million, respectively, during 2007 and 2006 and are included in "Premiums earned" in the accompanying statements of operations - statutory basis. 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

NOTE 9 - REINSURANCE AGREEMENTS (CONTINUED)

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:

	2007		2006	
	Coverage Amounts	Retention Amounts	Coverage Amounts	Retention Amounts
Personal and Commercial Lines Accounts	$ 2,628 million	$ 983 million	$ 2,022 million	$ 756 million
High-Risk Account	4,212 million	1,576 million	3,475 million	1,300 million

Citizens did not purchase private reinsurance in 2007 or in 2006. However, Citizens did purchase private reinsurance for the Personal Lines Account and the High Risk Account in 2005. 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 the aggregate level for the Personal Lines Account and on a per occurrence basis in the High Risk Account. Premiums ceded to private reinsurers, net of refunds received, totaled $0 during 2007 and $6.7 million, during 2006 and are included in "Net written premiums" in the accompanying statements of operations - statutory basis. The private reinsurance coverages and retention amounts by account were as follows:

	2005	
	Coverage Amounts	Retention Amounts
Personal Lines Accounts	$ 175 million	$ 225 million
High-Risk Account	282 million	775 million

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

	2007		2006	
	Premiums		Premiums	
	Written	Earned	Written	Earned
	(in thousands)			
Direct	$ 3,717,971	$ 3,699,006	$ 3,400,400	$ 2,550,063
Ceded	(757,646)	(624,252)	(449,731)	(495,778)
Net premiums	$ 2,960,325	$ 3,074,754	$ 2,950,669	$ 2,054,285

NOTE 9 - REINSURANCE AGREEMENTS (CONTINUED)

Citizens is entitled to $1.1 billion in FHCF reimbursements and to $50.1 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 $90.8 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 $705.6 million and private reinsurance recoveries of $99.4 million were received as of December 31, 2007.

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) deferred 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 $2.0 million and $1.3 million for the years ended December 31, 2007 and 2006, 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 Companies) licensed in the State of Florida to remove policies from the FRPCJUA or the FWUA.

NOTE 11 - DEPOPULATION (CONTINUED)

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"). Although the law had been unsettled, Citizens believes that the Florida Insurance Guaranty Association (FIGA), rather than Citizens, is liable for such losses occurring during the assumption period if a Takeout Company were liquidated and unable to meet its obligations to policyholders. In January 2007, Florida law was amended to state that assumed policies are the direct insurance of the Takeout Company, clarifying that FIGA is liable for assumption period losses.

During 2007 and 2006, Citizens ceded $269.3 million and $52.9 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. At December 31, 2007 and 2006, assumed premiums in the amount of $7.0 million and $12.1 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 2007 and 2006, Citizens paid $15.6 million and $19.4 million, respectively, out of escrow (net of certain recoveries). During 2007 and 2006, Citizens paid $6.5 million and $8.2 million into escrow in accordance with the policy takeout agreements for policies removed in 2007 and 2006. With certain exceptions, Citizens did not have a takeout bonus policy in effect for 2007 depopulation programs. 247,923 policies were removed from Citizens in 2007 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 2007 and 2006, Citizens paid into escrow $0 for underfunded accounts and received $1.9 million and $11.0 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 S6.0 million and S3.3 million for the years ended December 31, 2007 and 2006. At December 31, 2007, future minimum payments under operating leases are as follows (in thousands):

2008	$	4.493
2009		4.270
2010		3,661
2011		3.266
2012		1,957
2013 to 2015		3.906
Total	$	21,553

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Citizens is involved in certain litigation and disputes incidental to its operations. In the opinion of management, after consultation with legal counsel, there are substantial defenses to such litigation and disputes and any ultimate liability, in excess of reserves resulting 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:

Scylla Properties, LLC v. Citizens Property Ins. Corp. This certified class action lawsuit is brought by insureds claiming that Florida's "valued policy law" required Citizens to pay policy limits for 2004 hurricane claimed "total losses" caused by a combination of wind and flood damage, even though flood damage is excluded by Citizens' policies, and the wind damage alone would not have caused the claimed total losses. In September 2007, the Florida Supreme Court ruled favorably to Citizens position in *Florida Farm Bureau Cas. Ins. Co. v. Cox*. As a result, Citizens believes that the *Sylla* class will be decertified.

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.

NOTE 13 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Schirmer v. Citizens. Two related putative class actions seek 2004 and 2005 hurricane damages based on Citizens' alleged failure to pay general contractors' overhead and profit ("O&P") under actual cash value ("ACV") provisions of Citizens' policies. Citizens believes that these cases are not suitable for class treatment. Limited class discovery is underway. Citizens has not determined the potential financial exposure, if any, of this lawsuit.

Jimenez v. Citizens. This putative class action lawsuit filed in February 2007 seeks damages based on Citizens' alleged failure to pay 2005 Hurricane Wilma claims for replacement windows that would meet the high-impact standards of the Florida Building Code and High Velocity Hurricane Zone Standards. Limited class discovery is underway. Citizens has not determined the potential financial exposure, if any, of this lawsuit.

Schlegel v. Citizens. This putative class action lawsuit served in March 2007, seeks damages principally for 2005 Hurricane Wilma claims based on Citizens' alleged failure to pay non-incurred construction permitting fees. Citizens is seeking to compel appraisal under the provisions of the insurance policy. Citizens has not determined the potential financial impact, if any, of this lawsuit.

NOTE 14 - RECONCILIATION OF SAP TO GAAP

Reconciliation of Citizens' 2007 and 2006 statutory basis net income and accumulated surplus (deficit) to its GAAP basis (as determined by the Governmental Accounting Standards Board) change in net assets and total net assets (deficit), respectively, is as follows (in thousands):

	2007	2006
Net income - Statutory basis	$ 1,544,281	$ 2,937,019
Adjustments:		
Policy acquisition costs	(2,908)	87,498
Line of credit fees & note issuance costs	(25,801)	40,632
Takeout bonuses	(18,099)	(22,090)
Allowance for doubtful accounts	(127)	(5,659)
Unrealized gain on investments	176,840	25,282
Change in net assets - GAAP basis	$ 1,674,186	$ 3,062,682

NOTE 14 - RECONCILIATION OF SAP TO GAAP (CONTINUED)

	2007	2006
Accumulated surplus - Statutory basis	$ 2,643,208	$ 1,122,456
Adjustments:		
Policy acquisition costs	149,921	152,829
Nonadmitted assets, net	26,234	15,883
Provision for Reinsurance – Sch F Penalty	17,085	5,282
Line of credit fee and note issuance costs	222,792	67,514
Takeout bonuses	14,775	32,875
Cumulative unrealized loss on investments	(13,921)	(9,682)
Total net assets – GAAP Basis	$ 3,060,094	$ 1,387,157

NOTE 15 - ASSESSMENTS

Citizens' enabling legislation and the Plan establish a process by which Citizens may 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.

In the event of a Plan Year Deficit in an Account, Citizens must first levy an immediate assessment against the premium of each Citizens nonhomestead policyholder (the "Citizens Nonhomestead Policyholder Assessment") in each of Citizens' Accounts, as a uniform percentage of the premium of the policy of up to 10% of such premium. If the Citizens Nonhomestead Policyholder Assessment is insufficient to eliminate the deficit, Citizens must levy an additional assessment against all of its policyholders (the "Additional Citizens Policyholder Assessment"), which will be collected at the time of issuance or renewal of a policy, as a uniform percentage of the premium for the policy of up to 10% of such premium, which funds must be used to further offset the deficit. If the Citizens Nonhomestead Policyholder Assessment and Additional Citizens Policyholder Assessment are insufficient to eliminate the deficit in an Account, Citizens would then levy a Regular Assessment on Assessable Insurers and Assessable Insureds and a Citizens Policyholder Surcharge, each as defined herein.

NOTE 15 - ASSESSMENTS (CONTINUED)

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. For deficits incurred in Plan Year 2008 and thereafter the aggregate amount of a Regular Assessment for a deficit incurred in a particular calendar year will be reduced by the estimated amount to be received by Citizens from the Citizens Policyholder Surcharge.

Such Citizens Policyholder Surcharges will be imposed in conjunction with the levy of Regular Assessments. Citizens Policyholder Surcharges are not subject to commissions, fees, premium or taxes; however, failure to pay a Citizens Policyholder Surcharge will be treated as failure to pay premiums. Citizens Policyholder Surcharges replaced Market Equalization Surcharges which were available prior to the 2006 Plan Year.

If the deficit in any year in any Account is greater than the amount that may be recovered through 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 assessments will be collected over a ten year period.

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 December 31, 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 $148.6 million from FIGA through December 2007.

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 estimated receivable due from FIGA. As of December 31, 2006, the estimated receivable due from FIGA was $205.8 million. During 2007, a reconciliation of the FIGA receivable was

NOTE 16 - POE FINANCIAL GROUP POLICYHOLDERS (CONTINUED)

prepared. As of December 31, 2007, the receivable due from FIGA was $74.3 million and is included in Premiums receivable, net in the accompanying financial statements. This 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

State Board of Administration Local Government Investment Pool

At December 31, 2007, Citizens had $1.8 billion invested in the Florida State Board of Administration's Local Government Surplus Funds Trust Investment Pool (the "LGIP"). On November 29, 2007, the State Board of Administration implemented a freeze on the assets held in the LGIP due to an unprecedented amount of withdrawals from the LGIP coupled with the absence of market liquidity for certain securities within the LGIP. On December 4, 2007 the State Board of Administration restructured the LGIP into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately $12 billion or 86% of LGIP assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately $2 billion or 14% of Pool assets.

Currently, Pool A participants have limits upon the amounts that may be withdrawn without a redemption fee of 2%. These withdrawal limitations are expected to increase based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

Currently, Pool B participants are prohibited from withdrawing any amount from Pool B. Full realization of the principal value of Pool B assets is not readily determinable. As securities in Pool B mature and are paid, they are transferred to Pool A and are immediately available without a redemption fee. On February 11, 2008, approximately $518 million was transferred from Pool B to Pool A which represented about 25% of the Fund B balance. Each participant received a proportionate share of that amount.

As of March 31, 2008, Citizens has $1.1 billion and $183.2 million invested in Pool A and B, respectively.

NOTE 17 - SUBSEQUENT EVENTS (CONTINUED)

Auction Rate Securities

At December 31, 2007, Citizens had approximately $4.75 billion of auction rate securities (ARS) outstanding which were issued on a pre-event basis to provide liquidity in the event of a catastrophic event. Given the volatility of the financial markets, Citizens' interest costs have increased and this mode of pre-event liquidity financing is currently being restructured. Citizens has been and intends to continue submitting Bids to purchase in Auctions with respect to the Citizens ARS as well as submit Hold Orders in subsequent Auctions with respect to Citizens ARS purchased by it. Citizens Board of Governors has voted to allow Citizens management to pursue a refinancing of Citizens ARS. Citizens' plan to restructure the ARS includes Letter of Credit Lines, Variable Rate Demand Obligations, Fixed-Rate notes, and other sources.

On March 3, 2008 and March 24, 2008, Citizens issued conditional notices of redemptions for the $950.0 million PLA/CLA 2007 ARS issue and the $750.0 million and $3.05 billion HRA 2004 and 2006 ARS issues. The redemptions began on April 3, 2008 and are scheduled to be completed by May 21, 2008. As of April 24, 2008, the Board approved a fixed rate short-term HRA bond issuance not to exceed $2 billion.

Bond Insurer Downgrade

Several of Citizens bond insurers have experienced downgrades in 2008. AMBAC, insurer of some of Citizens HRA ARS was downgraded to AA from AAA by Fitch and is on negative watch for downgrade by Moody's and S&P. CIFG, insurer of some of Citizens HRA ARS was downgraded to A1 from AAA by Moody's, downgraded to A+ from AAA by S&P, and downgraded to A- from AAA. CIFG is also on negative watch by S&P and Fitch. FGIC, insurer of some of Citizens PLA/CLA and HRA ARS, was downgraded to BAA3 from AAA by Moody's, BB from AAA by S&P, and BBB from AAA by Fitch. MBIA, insurer of some of Citizens HRA ARS and tax-exempt bonds, was downgraded to AA from AAA by Fitch. MBIA remains on negative outlook by Moody's and S&P.

NOTE 18 - RECONCILIATION TO REGULATORY FILINGS

Citizens is required to prepare and file annual financial statements (Annual Statement) with insurance regulatory authorities. The 2007 audited results included herein contain a reclassification of approximately $71 million from assessments receivable to cash and short-term investments that was not included in the 2007 Annual Statement. This reclassification represents cash that was prematurely collected by the Florida Surplus Lines Servicing Office (FSLSO) on behalf of Citizens. This cash will be used to offset FSLSO's required future regular and emergency assessments of its insureds. The Florida Office of Insurance Regulation (the Office), FSLSO and Citizens agreed that this cash would be included in Citizens restricted surplus until such time as FSLSO would normally bill and collect the assessments due from its insureds. As amounts are approved by FSLSO, Citizens will transfer these funds to unrestricted surplus.

NOTE 18 - RECONCILIATION TO REGULATORY FILINGS (CONTINUED)

The 2007 audited statements also include the Amended Summary Investment Schedule and Amended Supplemental Investment Risk Interrogatories that will be filed with the Office subsequent to the date of the audited financial statements. The Amended Summary Investment Schedule includes the $71 million received from FSLSO as well as other reclassifications made between investment categories. The Supplemental Investment Risk Interrogatories as originally filed did not include various mutual funds as equity securities. This has been corrected in the Amended Interrogatives included herein.

Supplementary Information

CARR, RIGGS & INGRAM, LLC

1713 Mahan Drive
Tallahassee, FL 32308

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CRI
CARR
RIGGS &
INGRAM

Independent Auditors' Report on Supplementary Information

The Board of Governors
Citizens Property Insurance Corporation

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 24, 2008

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

December 31, 2007

	Combined	Personal Lines Account	Commercial Lines Account	High Risk Account
		(In Thousands)		
Admitted assets				
Cash and invested assets:				
Bonds	$ 2,510,723	$ 727,853	$ 226,333	$ 1,556,537
Cash and short-term investments	7,377,583	2,068,011	1,029,059	4,280,513
Total cash and invested assets	9,888,306	2,795,864	1,255,392	5,837,050
Investment income due and accrued	29,400	12,581	802	16,017
Premiums receivable, net	126,630	99,178	3,469	23,983
Other receivables under reinsurance contracts	6,951	6,951	-	-
Reinsurance recoverable	122,405	21,837	23,257	77,311
Assessment receivable	836,637	38,687	11,420	786,530
Other admitted assets	11,979	11,904	60	15
Inter-account receivable (payable)	-	173,888	(127,917)	(45,971)
Total admitted assets	$ 11,022,308	$ 3,160,890	$ 1,166,483	$ 6,694,935
Liabilities and accumulated surplus				
Liabilities:				
Loss reserves	$ 569,747	$ 305,532	$ 69,229	$ 194,986
Loss adjustment expense reserves	155,653	104,464	13,583	37,606
Unearned premiums, net of unearned ceded	1,487,146	699,482	204,841	582,823
Taxes and fees payable	11,856	7,863	2,122	1,871
Provision for reinsurance	17,085	13,980	-	3,105
Bonds payable	5,864,674	724,660	225,340	4,914,674
Interest payable	27,200	401	124	26,675
Advance premiums and suspended cash	130,535	42,702	46,479	41,354
Other liabilities	115,204	104,984	2,800	7,420
Total liabilities	8,379,100	2,004,068	564,518	5,810,514
Accumulated surplus	2,643,208	1,156,822	601,965	884,421
Total liabilities and accumulated surplus	$ 11,022,308	$ 3,160,890	$ 1,166,483	$ 6,694,935

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

December 31, 2007

	Combined	Personal Lines Account	Commercial Lines Account	High Risk Account
		(In Thousands)		
Premiums earned	$ 3,074,754	$ 1,492,286	$ 577,100	$ 1,005,368
Losses incurred	711,238	543,638	94,299	73,301
Loss adjustment expenses incurred	171,687	115,850	16,606	39,231
Other underwriting expenses incurred	543,338	246,664	101,322	195,352
Underwriting income	1,648,491	586,134	364,873	697,484
Net investment income	165,683	110,930	38,388	16,365
Interest expense, net	(309,826)	(22,220)	(6,909)	(280,697)
Line of credit fees and note issuance costs	(25,630)	(9,050)	(2,814)	(13,766)
Takeout bonus expense, net	(4,531)	(4,531)	-	-
Assessment income	68,008	38,687	11,420	17,901
Other income (loss)	(658)	(666)	159	(151)
Income before federal income tax benefit	1,541,537	699,284	405,117	437,136
Federal income tax benefit	2,744	-	-	2,744
Net income	$ 1,544,281	$ 699,284	$ 405,117	$ 439,880

AMENDED
SUMMARY INVESTMENT SCHEDULE

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
Investment Categories	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	4,564,422.00	0.046	4,564,422.00	0.046
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	575,111.00	0.006	575,111.00	0.006
1.22 Issued by U.S. government sponsored agencies	40,000,000.00	0.404	40,000,000.00	0.404
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)	0.00	0.000	0.00	0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	0.00	0.000	0.00	0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	0.00	0.000	0.00	0.000
1.43 Revenue and assessment obligations	3,326,645.00	0.034	3,326,645.00	0.034
1.44 Industrial development and similar obligations	0.00	0.000	0.00	0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	19,233.00	0.001	19,233.00	0.001
1.512 Issued or guaranteed by FNMA and FHLMC	898,914.00	0.009	898,914.00	0.009
1.513 All other	0.00	0.000	0.00	0.000
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	206,719.00	0.002	206,719.00	0.002
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	73,474.00	0.001	73,474.00	0.001
1.523 All other	0.00	0.000	0.00	0.000
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	2,461,058,852.00	24.888	2,461,058,852.00	24.888
2.2 Unaffiliated foreign securities	0.00	0.000	0.00	0.000
2.3 Affiliated securities	0.00	0.000	0.00	0.000
3. Equity interests:				
3.1 Investments in mutual funds	2,350,978,505.19	23.775	2,350,978,505.19	23.775
3.2 Preferred stocks:				
3.21 Affiliated	0.00	0.000	0.00	0.000
3.22 Unaffiliated	0.00	0.000	0.00	0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated	0.00	0.000	0.00	0.000
3.32 Unaffiliated	0.00	0.000	0.00	0.000
3.4 Other equity securities:				
3.41 Affiliated	0.00	0.000	0.00	0.000
3.42 Unaffiliated	0.00	0.000	0.00	0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated	0.00	0.000	0.00	0.000
3.52 Unaffiliated	0.00	0.000	0.00	0.000
4. Mortgage loans:				
4.1 Construction and land development	0.00	0.000	0.00	0.000
4.2 Agricultural	0.00	0.000	0.00	0.000
4.3 Single family residential properties	0.00	0.000	0.00	0.000
4.4 Multifamily residential properties	0.00	0.000	0.00	0.000
4.5 Commercial loans	0.00	0.000	0.00	0.000
4.6 Mezzanine real estate loans	0.00	0.000	0.00	0.000
5. Real estate investments:				
5.1 Property occupied by the company	0.00	0.000	0.00	0.000
5.2 Property held for the production of income (including $ 0.00 of property acquired in satisfaction of debt)	0.00	0.000	0.00	0.000
5.3 Property held for sale (including $ 0.00 property acquired in satisfaction of debt)	0.00	0.000	0.00	0.000
6. Contract loans	0.00	0.000	0.00	0.000
7. Receivables for securities	0.00	0.000	0.00	0.000
8. Cash, cash equivalents and short-term investments	5,026,604,846.57	50.834	5,026,604,846.57	50.834
9. Other invested assets	0.00	0.000	0.00	0.000
10. Total invested assets	9,888,306,721.76	100.000	9,888,306,721.76	100.000

AMENDED

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2007 OF THE CITIZENS PROPERTY INSURANCE CORPORATION

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2007

(To Be Filed by April 1)

OF The CITIZENS PROPERTY INSURANCE CORPORATION

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

NAIC Group Code 0000 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 $ 11,022,307,770.13

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	Florida Local Government Investment Pool (A and B)	2a7-like fund	$	1,812,380,713.07	16.5	%
2.02	Dreyfus Institutional Cash	2a-7 money market fund	$	946,976,379.59	8.6	%
2.03	Evergreen Prime Fund	2a-7 money market fund	$	272,199,000.00	2.5	%
2.04	Credit Suisse Prime Fund	2a-7 money market fund	$	250,726,073.15	2.3	%
2.05	American Beacon Prime Fund	2a-7 money market fund	$	226,258,297.52	2.1	%
2.06	Putnam Prime Fund	2a-7 money market fund	$	225,554,423.10	2.0	%
2.07	Federated Prime Fund	2a-7 money market fund	$	216,781,879.89	2.0	%
2.08	Wells Fargo Prime Fund	2a-7 money market fund	$	212,473,952.05	1.9	%
2.09	Rabobank	Discount Note	$	165,774,793.34	1.5	%
2.10	Royal Bank of Scotland	Discount Note	$	143,733,668.24	1.3	%

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	$	6,806,675,382.00	61.8	%	3.07	P/RP-1	$		0.0	%
3.02	NAIC-2	$	148,063,529.00	1.3	%	3.08	P/RP-2	$		0.0	%
3.03	NAIC-3	$	0.00	0.0	%	3.09	P/RP-3	$		0.0	%
3.04	NAIC-4	$	0.00	0.0	%	3.10	P/RP-4	$		0.0	%
3.05	NAIC-5	$	73,474.00	0.0	%	3.11	P/RP-5	$		0.0	%
3.06	NAIC-6	$	183,068,681.00	1.7	%	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 [X] No [ ]

4.02	Total admitted assets held in foreign investments	$	0.00	0.0	%
4.03	Foreign-currency-denominated investments	$	0.00	0.0	%
4.04	Insurance liabilities denominated in that same foreign currency	$	0.00	0.0	%

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

AMENDED

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2007 OF THE CITIZENS PROPERTY INSURANCE CORPORATION

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

5 Aggregate foreign investment exposure categorized by NAIC sovereign rating

6 Two largest foreign investment exposures in a single country, categorized by NAIC sovereign rating:

	1	2
7 Aggregate unhedged foreign currency exposure	$	0.0 %

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

9 Two largest unhedged foreign currency exposures to a single country, categorized by the country's NAIC sovereign rating:

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

AMENDED

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2007 OF THE CITIZENS PROPERTY INSURANCE CORPORATION

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 [ ] No [X]

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

	1 Name of Issuer		2	3	
13.02	Dreyfus Prime Money Market Fund	$	946,978,379.59	8.6	%
13.03	Evergreen Prime Cash Money Market Fund	$	272,199,000.00	2.5	%
13.04	Credit Suisse Prime Money Market Fund	$	250,726,073.15	2.3	%
13.05	American Beacon Prime Money Market Fund	$	226,256,297.52	2.1	%
13.06	Putnam Prime Money Market Fund	$	225,554,426.10	2.0	%
13.07	Federated Prime Money Market Fund	$	216,781,879.89	2.0	%
13.08	Wells Fargo Prime Money Market Fund	$	212,473,952.05	1.9	%
13.09	FAF Prime Money Market Fund	$	6,496.92	0.0	%
13.10		$	0.00	0.0	%
13.11		$		0.0	%

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

AMENDED

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2007 OF THE CITIZENS PROPERTY INSURANCE CORPORATION

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

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

	At Year-end 1	At Year-end 2		At End of Each Quarter 1st Quarter 3	2nd Quarter 4	3rd Quarter 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 1	2		Written 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 1	At Year-end 2		At End of Each Quarter 1st Quarter 3	2nd Quarter 4	3rd Quarter 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 1	At Year-end 2		At End of Each Quarter 1st Qtr 3	2nd Qtr 4	3rd Qtr 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 schedule and interrogatories present selected statutory-basis financial data as of December 31, 2007 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 2007 Statutory Annual Statement that will be filed with the State of Florida, Office of Insurance Regulation.