FINANCIAL STATEMENTS – STATUTORY BASIS AND SUPPLEMENTAL SCHEDULES

Citizens Property Insurance Corporation

Years ended December 31, 2003 and 2002
with Report of Independent Auditors

Citizens Property Insurance Corporation

Financial Statements – Statutory Basis and Supplemental Schedules

Years ended December 31, 2003 and 2002

Contents

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Report of Independent Auditors

To the Board of Governors and Management of the
Citizens Property Insurance Corporation:

We have audited the accompanying statement of admitted assets, liabilities and accumulated surplus of Citizens Property Insurance Corporation ("Citizens") as of December 31, 2003 and 2002, and the related 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. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2 to the financial statements, Citizens presents its financial statements in conformity with accounting practices prescribed or permitted by the Insurance Department of the State of Florida, whose practices differ from accounting principles generally accepted in the United States. The variances between such practices and accounting principles generally accepted in the United States and the effects on the accompanying financial statements are described in Note 16.

In our opinion, because of the effects of the matter described in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States, the financial position of the Citizens Property Insurance Corporation at December 31, 2003 and 2002, or the results of its operations or its cash flows for the years then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Citizens Property Insurance Corporation at December 31, 2003 and 2002, 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 Insurance Department of the State of Florida.

Our audit was conducted for the purpose of forming an opinion on the statutory-basis financial statements taken as a whole. The accompanying supplemental investment disclosures are presented to comply with the National Association of Insurance Commissioners' (the "NAIC") *Accounting Practices and Procedures Manual* and are not a required part of the statutory-basis financial statements. The accompanying supplemental financial statements by account are presented to comply with requirements of the Insurance Department of the State of Florida and are not a required part of the statutory-basis financial statements. Such information has been subjected to auditing procedures applied in our audit of the statutory-basis financial statements and, in our opinion, is fairly stated in all material respects in relation to the statutory-basis financial statements taken as a whole.

Ernst + Young LLP

February 27, 2004

Citizens Property Insurance Corporation

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

(In Thousands)

	December 31	
	2003	**2002**
Admitted assets		
Cash and invested assets:		
Bonds	**$2,515,345**	$2,265,246
Cash and short-term investments	**1,623,253**	1,158,081
Receivable for securities	**45,339**	266
Total cash and invested assets	**4,183,937**	3,423,593
Investment income due and accrued	**24,130**	24,450
Premiums receivable, net	**2,704**	842
Electronic data processing equipment, net	**802**	1,574
Other admitted assets	**78**	1,278
Total admitted assets	**$4,211,651**	$3,451,737
Liabilities and surplus		
Liabilities:		
Loss reserves	**$ 112,645**	$ 60,453
Loss adjustment expense reserves	**26,060**	22,691
Unearned premiums, net of unearned ceded premiums of $5,381 and $689	**565,619**	397,551
Taxes and fees payable	**22,774**	5,561
Federal income taxes payable	**54,899**	2,349
Notes payable	**1,669,202**	1,793,650
Interest payable	**44,117**	48,818
Advance premiums and suspended cash	**63,833**	36,028
Payable for securities	**116,839**	–
Other liabilities	**28,307**	32,918
Total liabilities	**2,704,295**	2,400,019
Surplus:		
Unappropriated	**1,507,356**	1,045,648
Appropriated	**–**	6,070
Total surplus	**1,507,356**	1,051,718
Total liabilities and accumulated surplus	**$4,211,651**	$3,451,737

See accompanying notes.

Citizens Property Insurance Corporation

Statements of Operations – Statutory Basis
(In Thousands)

	Year ended December 31 2003	2002
Premiums earned	**$ 823,902**	$ 522,625
Losses incurred	**203,560**	82,787
Loss adjustment expenses incurred	**20,768**	18,793
Other underwriting expenses incurred	**163,959**	137,539
Underwriting gain	**435,615**	283,506
Net investment income	**153,312**	231,956
Interest expense, net	**(119,530)**	(140,411)
Line of credit fees and note issuance costs	**(4,094)**	(5,711)
Takeout bonus expense, net	**(7,021)**	(5,315)
Other income	**93**	144
Income before federal income tax benefit	**458,375**	364,169
Federal income tax benefit	**2**	106,229
Net income	**$ 458,377**	$ 470,398

See accompanying notes.

Citizens Property Insurance Corporation

Statements of Changes in Accumulated Surplus – Statutory Basis
(In Thousands)

	Unappropriated	Appropriated	Total
Balance at January 1, 2002	$ 587,429	$ 20,109	$ 607,538
Net income	470,398	–	470,398
Change in nonadmitted assets	6,416	–	6,416
Change in deferred taxes	(32,550)	–	(32,550)
Other	(84)	–	(84)
Unappropriation of surplus for Contingent Catastrophe Reserve	14,039	(14,039)	–
Balance at December 31, 2002	1,045,648	6,070	1,051,718
Net income	**458,377**	–	**458,377**
Change in nonadmitted assets	**(2,823)**	–	**(2,823)**
Other	**84**	–	**84**
Unappropriation of surplus for Contingent Catastrophe Reserve	**6,070**	**(6,070)**	–
Balance at December 31, 2003	**$1,507,356**	**$** –	**$1,507,356**

See accompanying notes.

Citizens Property Insurance Corporation

Statements of Cash Flows – Statutory Basis
(In Thousands)

	Year ended December 31	
	2003	**2002**
Operating activities		
Premiums collected, net of reinsurance	**$ 1,009,735**	$ 649,868
Loss and loss adjustment expenses paid	**(168,767)**	(70,528)
Underwriting expenses paid	**(144,439)**	(141,647)
Net investment income received	**11,106**	51,924
Other expenses paid	**(6,378)**	(12,725)
Federal income taxes recovered	**52,552**	88,559
Net cash provided by operations	**753,809**	565,451
Investing activities		
Proceeds from investments sold, matured or repaid	**3,862,148**	3,117,773
Investments acquired	**(4,097,752)**	(2,731,022)
Miscellaneous proceeds	**71,791**	–
Net cash (used in)/provided by operations	**(163,813)**	386,751
Financing and miscellaneous activities		
Borrowed funds repaid	**(125,000)**	(450,000)
Other miscellaneous cash applications	**176**	(452)
Net cash used in financing and miscellaneous activities	**(124,824)**	(450,452)
Net increase in cash and short-term investments	**465,172**	501,750
Cash and short-term investments:		
Beginning of year	**1,158,081**	656,331
End of year	**$1,623,253**	$1,158,081

See accompanying notes.

1. General

Citizens Property Insurance Corporation ("Citizens") was established on August 1, 2002, pursuant to Section 627.351(6), Florida Statutes, as amended in 2002 by Senate Bill 1418 and House Bill 385 (the "Act"), to provide certain residential property and casualty insurance coverage to qualified risks in the State of Florida under circumstances specified in the Act. The intent of the legislation is 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 rights, obligations, assets, liabilities and all insurance policies were transferred to Citizens (see Note 3, Business Combinations). Citizens is not required to obtain or to hold a certificate of authority issued by the Department of Insurance of the State of Florida (the "Department").

Citizens operates pursuant to a Plan of Operation (the "Plan") approved by the Department and under the supervision of a seven member Board of Governors appointed by the Chief Financial Officer of the State of Florida (the "Chief Financial Officer"). The executive director and senior managers of Citizens are engaged by and serve at the pleasure of the Chief Financial Officer.

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:

> ***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 and casualty insurance coverage to qualified risks in the State of Florida (on a statewide basis) to applicants who are in good faith entitled to procure insurance through the private market but are unable to do so. Residential property and casualty coverage consists of the types of coverage provided to homeowners, mobile homeowners, tenants, condominium unit owners, and similar policies. The policies provide

1. General (continued)

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 persons 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.

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 that enacted 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.

Citizens' enabling legislation and Citizens' Plan establish a process by which Citizens may levy assessments to recover deficits incurred in a given plan year by account. The Plan provides for deficits to be determined in accordance with accounting principles generally accepted in the United States ("GAAP") adjusted for certain items. Deficits are calculated separately and assessments are levied separately for each of Citizens' three accounts.

1. General (continued)

All insurers authorized to write one or more subject lines of business in Florida are subject to regular assessments by Citizens and are collectively referred to as "assessable insurers". Surplus lines insureds, who procure one or more of the subject lines of business in the state of Florida from an insurer writing such coverage pursuant to the Surplus Lines Law, are also subject to regular and emergency assessments by Citizens and are collectively referred to as "assessable insureds". Subject lines of business means insurance written on real or personal property as defined in Section 624.604, Florida Statutes, including insurance for fire, industrial fire, allied lines, farmowners multiperil, homeowners multiperil, commercial multiperil, and mobile homes, and including liability coverage on all such insurance but excluding inland marine and certain vehicle insurance other than insurance on mobile homes used as permanent dwellings.

When a deficit is incurred in any account in a given plan year, regular assessments are levied on assessable insurers 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, as reduced by any credits for voluntary writings for that year. 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.

When the deficit incurred in any account in a particular year is less than or equal to 10% of the aggregate statewide direct premium written for the subject lines of business for the prior calendar year, Citizens must levy a regular assessment in the amount required to recover that deficit. When the deficit incurred in any account in a particular calendar year is greater than 10% of the aggregate statewide direct written premium for subject lines of business for the prior calendar year, Citizens must levy a regular assessment limited to the greater of (i) 10% of the deficit or (ii) 10% of the aggregate statewide direct written premium for subject lines of business for the prior calendar year. Citizens' determination of the amount of regular assessments to be levied is subject to verification and approval by the Department.

If the deficit in any year in any account is greater than the amount that may be recovered through a regular assessment, Citizens must levy an emergency assessment in the year following the year in which the deficit occurred and annually thereafter until the deficit

1. General (continued)

has been recovered. An emergency assessment is imposed directly on policyholders of Citizens, policyholders of each assessable insurer and assessable insureds, collectively. Citizens, assessable insurers and the Florida Surplus Lines Office are responsible for collecting the emergency assessments upon the issuance of a new policy or at the time of policy renewal. The amount of emergency assessments that may be imposed in any one year with respect to a deficit is subject to certain statutory limitations. Citizens' determination of the amount of an emergency assessment is subject to verification by the Department. To date, Citizens has not incurred a deficit in the Personal Lines Account, the Commercial Lines Account or the High-risk Account in excess of the maximum amount of regular assessments that may be assessed.

Citizens is exempt, by statute, from State of Florida corporate income taxes and intangible taxes.

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 Department ("SAP"). The Department 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 Department.

SAP is a comprehensive basis of accounting other than accounting principles generally accepted in the United States ("GAAP"). The significant practices 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.

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

b. Certain assets are defined by the NAIC and the Department as "nonadmitted", principally furniture and equipment, leasehold improvements, certain prepaids, computer software and amounts in the course of collection with balances more than 90 days past due. For GAAP, an allowance for doubtful receivables is recorded to reserve for past due balances. The net change in such nonadmitted assets during the year is charged or credited directly to accumulated surplus.

c. Debt securities are valued at cost and are amortized under the valuation standards of the NAIC. For GAAP, debt securities are designated at purchase as held-to-maturity, trading, or available-for-sale. Held-to-maturity investments would be reported at amortized cost, and the remaining debt investments would be reported at fair value with unrealized holding gains and losses reported in operations for those designated as trading and as a component of equity for those designated as available-for-sale.

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

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

   Commissions paid by reinsurers on business ceded are reported as income when received rather than being deferred and amortized with deferred policy acquisition costs, as required under GAAP.

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

2. Summary of Significant Accounting Policies (continued)

Other significant accounting practices are as follows:

Cash and Short-term Investments

Cash consists of highly liquid investments with maturities of three months or less from time of acquisition. Short-term investments are investments with remaining maturities of one year or less at the time of acquisition (excluding those investments classified as cash equivalents) and are recorded at admitted asset values, as prescribed by the NAIC's valuation procedures.

Short-term investments consist of amounts invested in the State of Florida Chief Financial Officer's Special Purpose Investment Trust Account (the "Special Purpose Account"), various money market funds, commercial paper, and US government agency short-term bonds. The Special Purpose Account consists of pooled funds invested by the Chief Financial Officer of the State of Florida under the guidelines provided by Section 18.10, Florida Statutes.

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. 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 including prepayments.

Realized Gains and Losses

Realized gains and losses on sales of investments are recognized on the specific identification basis.

Interest Rate Swap Terminations

The gains or losses from terminations of interest rate swap agreements used in prior years for hedging are recognized over the life of the terminated agreements.

2. Summary of Significant Accounting Policies (continued)

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 $42 and $808 for the years ended December 31, 2003 and 2002 and accumulated depreciation for EDP equipment at December 31, 2003 and 2002 was $1,860 and $3,614.

Loss Reserves and Loss Adjustment Expense Reserves

Liabilities for loss reserves and loss adjustment expense reserves are based on claims adjusters' evaluations and on independent outside actuarial evaluations, using Citizens' loss experience and industry statistics. While the ultimate amount of losses incurred and loss adjustment expenses incurred is dependent on future developments, in management's opinion, these reserves are adequate to cover the future payment of losses. However, no assurance can be given that the ultimate settlement of losses may not vary significantly from the reserves provided. Adjustments, if any, to estimates recorded resulting from subsequent actuarial evaluations or ultimate payments will be reflected in operations in the period in which such adjustments are known or estimable. Citizens does not discount liabilities for loss reserves and loss adjustment expense reserves.

Premiums

Premiums are recorded as earned on a daily pro rata basis over the contract period that the related policies are expected to be in force. The portion of premiums not earned at the end of the period is 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.

2. Summary of Significant Accounting Policies (continued)

Assessments

Assessments made pursuant to the Act and the Plan are recognized as revenue in the period levied by Citizens and approved by the Board of Governors and the Department.

Reinsurance

Premiums ceded under reinsurance agreements are recorded as a reduction of earned premiums over the hurricane season covered by the agreement. Reinsurance recoverables on unpaid losses would be recorded as a reduction of losses incurred and loss adjustment expenses incurred. Reinsurance recoverables on paid losses would be 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. Assumed premiums would be recorded at their respective assumed amounts.

Takeout Bonuses

Takeout bonuses are expensed when paid into escrow.

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, due from affiliates, producer commissions payable, reinsurance premiums payable and accounts payable and accrued expenses approximates fair value given their short-term nature.

2. Summary of Significant Accounting Policies (continued)

Market Risk

Citizens underwrites residential property and casualty 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 28%, 15%, 4% and 15% of Citizens' insurance coverage exposure lies in Miami-Dade, Broward, Monroe and Palm Beach counties, respectively, as of December 31, 2003. Severe storm activity in any of these counties could have a significant impact on Citizens' future financial position and results of operations.

Reclassifications

Certain 2002 amounts in the statutory-basis financial statements have been reclassified to conform to the 2003 financial statement presentation.

3. Business Combinations

Citizens results from the combination of the FRPCJUA and the FWUA. Effective August 1, 2002, the FRPCJUA was renamed Citizens and the FWUA rights, obligations, assets, liabilities and all insurance policies were transferred to Citizens. The surplus of FWUA became part of the surplus of Citizens. However, all revenues, expenses, assets and liabilities of Citizens remain divided into three separate accounts that are equivalent to the FRPCJUA's personal lines and commercial lines and the FWUA's account. No consideration was paid or received by any of the above named entities in this merger transaction.

The merger met the definition of a statutory merger under Statutory Accounting Principles No. 68, *Business Combinations and Goodwill.* As such, the income of Citizens included the income of both entities for the entire fiscal period and the financial statements for the year ended December 31, 2002 as if the merger took place on the 1st day of the earliest fiscal year presented as required by SSAP No. 3, *Accounting for Changes and Corrections of Errors.* As such, the accompanying statutory financial statements have been prepared as if the merger took place on January 1, 2002.

3. Business Combinations (continued)

Proforma results of operations for the two entities at July 31, 2002, prior to the merger were as follows:

	FRPCJUA	FWUA
Total Revenues	$149,620	$227,631
Net Income	$236,616	$112,070

4. Bonds

The amortized cost and aggregate fair value of bonds at December 31, 2003 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and U.S. Government Securities	$1,159,348	$14,747	$(1,581)	$1,172,514
Corporate Bonds	592,103	15,222	(510)	606,815
Loan Backed and Structured Securities	763,894	6,803	(2,926)	767,771
Total	$2,515,345	$36,772	$(5,017)	$2,547,100

4. Bonds (continued)

The amortized cost and aggregate fair value of bonds at December 31, 2002 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and U.S. Government Securities	$ 795,099	$ 32,328	$ (27)	$ 827,400
Corporate Bonds	629,154	29,811	(214)	658,751
Loan Backed and Structured Securities	840,993	18,436	(1,037)	858,392
Total	$ 2,265,246	$ 80,575	$ (1,278)	$ 2,344,543

Proceeds from maturities and sales of bonds during 2003 were $3,862,148 with realized gains of $38,878 and gross realized losses of ($13,348).

4. Bonds (continued)

The amortized cost and fair value of securities at December 31, 2003, 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
Due in one year or less	$ 249,829	$ 252,319
Due after one year through five years	1,500,073	1,525,443
Due after five years through ten years	1,549	1,567
Loan-backed securities	763,894	767,771
Total	$ 2,515,345	$ 2,547,100

5. 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, 2003 and 2002 are as follows:

	2003	**2002**
Loss reserves and loss adjustment expense reserves, beginning of year	**$ 83,144**	$ 52,092
Incurred related to:		
Current year	**243,767**	97,372
Prior years	**(19,439)**	4,208
Total incurred	**224,328**	101,580
Paid related to:		
Current year	**124,414**	44,862
Prior years	**44,353**	25,666
Total paid	**168,767**	70,528
Loss reserves and loss adjustment expense reserves, end of year	**$138,705**	$ 83,144

As a result in changes in estimates of insured events in prior years, the provision for loss and loss adjustment expenses decreased by $19,439 in 2003 and increased by $4,208 in 2002.

Citizens has entered into agreements with several companies that provide claim adjustment services. The agreements provide for compensation to the companies based on a graduated fee schedule, based on the cost and type of losses handled by the companies. Compensation for Property Claim Service designated catastrophes are paid based upon a fee schedule plus an additional amount based on a percentage of paid losses. The agreements are effective for one year, with provisions for automatic renewal for successive one-year periods. In the opinion of management, any additional liability that may ultimately result from unusual loss adjustment expenses will not have a material adverse effect on the financial position or results of operations of Citizens.

6. Notes 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 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 will be facilitated through premium and surcharge revenues, unused proceeds of the bonds, amounts available under the High-risk Account Line of Credit, Regular Assessments and Emergency Assessments, as necessary.

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 are secured by a security interest in emergency assessments (see Note 1). Under certain circumstances the bonds will also be 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 11). The Trust Indenture contains covenants that impose restrictions on Citizens' ability to sell, lease, pledge, assign or otherwise encumber or dispose of its security interest. The bonds are a direct and general obligation of Citizens and are secured ratably and without preference with Citizen's Personal Lines Account and Commercial Lines Account line of credit agreement (see Note 10).

Interest rates and maturities of Citizens' bonds outstanding at December 31, 2003 are as follows:

	2003
Series 1997A, interest at 7.45%, due July 1, 2004	**$ 125,000**
Series 1997A, interest at 7.625%, due July 1, 2007	**100,000**
Series 1997A, interest at 6.70%, due August 25, 2004	**150,000**
Series 1997A, interest at 6.85%, due August 25, 2007	**300,000**
Series 1999A, interest at 7.125%, due February 25, 2019	**1,000,000**
	1,675,000
Less - unamortized discount	**(5,798)**
Total	**$ 1,669,202**

6. Notes Payable (continued)

The total interest expense on the Notes for the years ended December 31, 2003 and 2002 was $123,857 and $147,411 including discount amortization of $459 and $968 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, 2003 and 2002. 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 $7,304, $7,632, and $10,250, respectively. In accordance with the provisions of SAP, the gain on terminated interest rate swap agreements has been deferred and is being amortized over the remaining term of the terminated agreements under the effective interest method. The total amount of deferred gain and accrued interest amortized and recognized as a reduction of interest expense for the year ended December 31, 2003 and 2002 was $4,327 and $7,000, respectively.

7. Producer Commissions and Servicing Company Fees

Citizens has contracted with various licensed producers in the State of Florida. These agreements provide for commissions to the producers at rates established by the Board and are calculated as a percentage of net direct written premiums, net of certain surcharges.

Additionally, Citizens has entered into agreements with servicing companies to provide underwriting and policy management services. These agreements provide for monthly compensation to the companies based on either a percentage of direct written premiums or a flat fee per policy based on the number of policies processed in a given month. Service carrier fees expensed during 2003 and 2002 were $11,644 and $9,550, respectively.

8. Appropriated Surplus

The appropriated surplus for the Personal Lines Account relates to the May 31, 1999 and January 31, 2000 removal of policies from Citizens by Clarendon National Insurance Company and Qualsure Insurance Company, respectively. Appropriated surplus was set aside in escrow for a Contingent Catastrophe Reserve. As of December 31, 2003 all of the policies associated with this program were no longer in force, therefore, the amount of appropriated surplus at December 31, 2002 was reclassed to unassigned surplus.

9. Income Taxes

Pursuant to a determination letter received from the Internal Revenue Service during 2002, 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.

All deferred tax assets were eliminated during 2002 since Citizens is a tax-exempt entity and will no longer be subject to tax. As a result, Citizens recorded a change in net deferred income taxes directly to surplus in the amount of $32,550.

During 2002, FWUA transferred its assets and liabilities to Citizens in accordance with Florida Statute 627.351(6)(l)(2). Citizens intends to file federal income tax refund claims in excess of $182 million related to the transfer. During 2003, Citizens received federal and state refunds for approximately $69 million related to the 2002 taxable year. The amount has been recorded as a liability in the accompanying statement of admitted assets, liabilities and accumulated surplus. Citizens has not recorded any other anticipated refund since it expects that the claim for refund will be contested by the IRS due to the size of the refund and the refund's relationship to Citizens as the former FRPCJUA.

Current income taxes incurred for the years ended December 31, 2003 and 2002 consist of the following major components:

	2003	2002
Current income tax expense	$ –	$ (54,921)
Tax recovery due to change in tax status	2	149,059
Reverse liability due to change in tax status	–	12,091
Current income tax benefit	$ 2	$106,229

10. Line of Credit Agreements

Line of Credit, High-Risk Account - Effective August 6, 1997 (as amended and restated June 1, 1999 and further amended and restated June 16, 2000 and August 1, 2001 and July 26, 2002), the pre-merger FWUA entered into a Credit Agreement with various lending institutions under which it may currently borrow up to $480 million. The Credit Agreement is secured by and repaid through the collection of High-risk Account assessments. The expiration date of the amended credit agreement is July 15, 2004. Citizens is required to pay an annual commitment fee of .30% of the daily amount by which the aggregate amount of the commitment exceeds the outstanding principal amount of the loan. The commitment fee percentage is based on Moody's Investors Service, Inc. ("Moodys") and Standard & Poor's Ratings Services ("S&P") ratings of A- and A3, respectively, on the High-risk Account Series 1997A Notes. Annual commitment fees associated with this credit agreement were $900 and $1,926 for the year ended December 31, 2003 and 2002. No amounts were borrowed under this Amended Credit Agreement through December 31, 2003.

Line of Credit, Personal & Commercial Lines Accounts – Effective May 13, 1997, the pre-merger FRPCJUA entered into a $1.5 billion credit agreement (the "Line of Credit") with a syndication of banks. The Line of Credit is secured by a security interest in emergency assessments (see Note 1). Under certain circumstances, the Line of Credit will also be secured by and payable by regular assessments or reimbursements received by or on behalf of Citizens from the FHCF. Pursuant to the amendment dated March 25, 2003, the available borrowing amount was reduced to $675 million. The expiration date of the amended credit agreement is March 24, 2004. Citizens is required to pay an annual commitment fee of .37% of the daily amount by which the aggregate amount of the commitment exceeds the outstanding principal amount of the loan. The commitment fee percentage is based on Moody's and S&P ratings of A and A2, respectively; on the Personal & Commercial Lines account long-term debt. Annual commitment fees associated with this credit agreement were $2,884 and $2,108 for the years ended December 31, 2003 and 2002. No amounts were borrowed under this Amended Credit Agreement through December 31, 2003. This agreement was not renewed after March 24, 2004.

11. 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. Premiums ceded to the FHCF, net of refunds received, totaled $156,214 and $136,568, respectively, during 2003 and 2002 and are included in "Net written premiums" 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 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:

	2003		**2002**	
	Coverage Amounts	**Retention Amounts**	**Coverage Amounts**	**Retention Amounts**
Personal and Commercial Lines Accounts	**$ 967 million**	**$ 386 million**	$ 544 million	$198 million
High-Risk Account	**$2,540 million**	**$1,012 million**	$2,700 million	$922 million

11. Reinsurance Agreements (continued)

Effective July 1, 2002, Citizens entered into a private reinsurance contract through June 1, 2003. Through this contract, Citizens obtained $90 million of coverage for the Personal Lines Account and the Commercial Lines Account, which complements the FHCF coverage. The contract had an attachment of $136 million and covers losses not covered by the FHCF.

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

	2003		**2002**	
	Premiums		**Premiums**	
	Written	**Earned**	**Written**	**Earned**
Direct	**$1,171,996**	**$ 999,235**	$ 803,832	$ 685,727
Ceded	**(180,026)**	**(175,333)**	(162,870)	(163,102)
Net premiums	**$991,970**	**$ 823,902**	$ 640,962	$ 522,625

Reinsurance contracts do not relieve the Company from its obligation to policyholders. The Company 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.

12. 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 $396 and $390 for the years ended December 31, 2003 and 2002, and are included in "Administrative expenses" in the accompanying statements of operations.

13. Depopulation

Pursuant to the Act, Citizens is authorized to adopt one or more programs, subject to approval by the Department, 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.

Policies may be removed from Citizens at policy renewal or as part of a bulk assumption ("Assumption Agreement"). If the policies are removed at policy renewal, the Takeout Company offers the policyholder a new policy. In a bulk assumption, the Takeout Company agrees to assume, for the policies under the agreement, all insured losses and loss adjustment expenses that occur on or after the date on which the policies are assumed until the expiration of the policy term, at which time a policy is offered to the policyholder by the Takeout Company. If the Takeout Companies are unable to meet their obligations to policyholders, Citizens may be liable for losses incurred prior to the policy expiration date. In the opinion of management, any losses relating to these transactions will not have a material adverse effect on Citizens' financial position and results of operations.

During 2003 and 2002, Citizens ceded $24,265 and $12,100 in premiums to Takeout Companies pursuant to Assumption Agreements which is included in "Net written premiums" in the accompanying statements of operations. At December 31, 2003 and 2002, assumed premiums in the amount of $709 and $218 were due from certain Takeout Companies.

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, producer commissions, and premium taxes. Section 627.3511, Florida Statutes, provides that producer commissions need not be refunded by the producers on certain policies.

13. Depopulation (continued)

Certain agreements provide for a policy takeout bonus of up to $300 per policy to be paid to the Takeout Company. Such takeout bonuses have been placed into escrow bank accounts pursuant to an escrow agreement. After three years, funds placed in escrow will be released to the Takeout Companies in accordance with the policy takeout agreement. During 2003, Citizens paid out of escrow $34,962 in accordance with the policy takeout agreements for policies removed in 1999 and 2000. In addition, Citizens paid out $3,099 in accumulated interest. As of December 31, 2003, $8,466 is in escrow.

At the end of the three-year period, Citizens requires the Takeout Company 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 2003, Citizens paid into escrow $0 for underfunded accounts and received $2,635 for overfunded accounts. These amounts are included in "takeout bonus income (expense), net" in the accompanying statements of operations.

14. Operating Leases

Citizens leases office space and certain office equipment under various operating leases. Rental expense on operating leases amounted to $1,639 and $1,197 for the years ended December 31, 2003 and 2002. At December 31, 2003, future minimum payments under operating leases are as follows:

2004	**$1,410**
2005	**817**
2006	**680**
2007	**617**
2008	**626**
After 2008	**470**
Total	**$4,620**

15. Commitments and Contingencies

Citizens is involved in legal proceedings incidental to the conduct of its business. Management of Citizens does not believe that the outcome of any of these legal proceedings will have a material adverse effect on the financial condition or results of operations of Citizens.

Zimmerman, et al. v. Florida Windstorm Underwriting Association ("FWUA"), et al., is a class action suit challenging the constitutionality of the statute under which the former FWUA (now merged into Citizens) sought approval of homeowners' rates and requesting premium refunds. On April 20, 2004, the 1st District Court of Appeal declined to decide the constitutionality issue and ruled that refunds, if any, can only be ordered by the Office of Insurance Regulation. Management of Citizens does not believe that the outcome of any of this lawsuit will have a material adverse effect on the financial condition of Citizens.

Due to the nature of Citizens, as a property insurance residual market mechanism with a high concentration of policies in coastal counties (see Note 2), severe storm activity in such areas could result in significant catastrophic losses. In addition to the resources on hand, Citizens has various funding mechanisms in place to address possible catastrophic losses which includes regular assessments (see Note 1), a line of credit (see Note 10), and reinsurance (see Note 11). Citizens has the ability to levy emergency assessments (see Note 1) in order to repay debt incurred to fund losses. Although Citizens has imposed and collected regular assessments, it has never imposed an emergency assessment and therefore has no experience as to the timing, actual percentage collection or other matters relating to the collection of emergency assessments.

16. Reconciliation of SAP to GAAP

Reconciliation of Citizens' 2003 statutory basis net income and accumulated surplus to its GAAP basis (as determined by the Financial Accounting Standards Board) net income and retained surplus is as follows:

	2003	2002
Net income - Statutory basis	**$ 458,377**	$ 470,398
Adjustments:		
Realized gain on swap termination	–	751
Policy acquisition costs	**16,739**	16,385
Line of credit fees & note issuance costs	**(1,658)**	(459)
Takeout bonuses	**4,434**	(3,197)
Deferred income taxes	–	(9,372)
Allowance for doubtful accounts	**(949)**	(657)
Unrealized loss on trading securities	**(4,047)**	(815)
Net income - GAAP basis	**$ 472,896**	$ 473,034
Accumulated surplus - Statutory basis	**$1,507,356**	$1,051,718
Adjustments:		
Policy acquisition costs	**66,397**	49,658
Nonadmitted assets, net	**4,972**	3,097
Line of credit fee and note issuance costs	**17,039**	18,698
Takeout bonuses	**10,147**	5,712
Cumulative, net unrealized gain on trading securities	**782**	4,830
Unrealized gain on available-for-sale securities	**31,000**	74,474
Retained surplus - GAAP basis	**$1,637,693**	$1,208,187

17. Subsequent Event

During 2004, the Board of Directors for Citizens approved the issuance of $750 million in senior secured bonds for the High-risk Account. The bonds will be issued in multiple series beginning in May of 2004, and will bear interest at variable, auctioned rates, subsequent to their issuance. Proceeds from the bonds will be used for the purpose of funding losses of the High-Risk Account in the event of a future catastrophe.

Supplemental Schedules

Citizens Property Insurance Corporation

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

(In Thousands)

December 31, 2003

	Consolidated	Personal Lines Account	Commercial Lines Account	High Risk Account
Admitted assets				
Cash and invested assets:				
Bonds	**$2,515,345**	$ 145,725	$ 25,475	$2,344,145
Cash and short-term investments	**1,623,253**	978,856	163,512	480,885
Receivable for securities	**45,339**	13,125	2,294	29,920
Total cash and invested assets	**4,183,937**	1,137,706	191,281	2,854,950
Investment income due and accrued	**24,130**	3,482	584	20,064
Premiums receivable, net	**2,704**	1,872	134	698
Electronic data processing equipment, net	**802**	442	–	360
Other admitted assets	**78**	74	–	4
Inter-account receivable (payable)	–	22,326	(12,300)	(10,026)
Total admitted assets	**$4,211,651**	$1,165,902	$179,699	$2,866,050
Liabilities and surplus				
Liabilities:				
Loss reserves	**$ 112,645**	$ 94,821	$ 13,975	$ 3,849
Loss adjustment expense reserves	**26,060**	21,208	2,023	2,829
Unearned premiums, net of unearned ceded premiums of $5,381	**565,619**	246,968	27,479	291,172
Taxes and fees payable	**22,774**	3,588	358	18,828
Federal income taxes payable	**54,899**	–	–	54,899
Notes payable	**1,669,202**	191,496	33,476	1,444,230
Interest payable	**44,117**	7,209	1,260	35,648
Advance premiums and suspended cash	**63,833**	31,439	3,364	29,030
Payable for securities	**116,839**	13,063	2,283	101,493
Other liabilities	**28,307**	20,567	1,605	6,135
Total liabilities	**2,704,295**	630,359	85,823	1,988,113
Surplus:				
Unappropriated	**1,507,356**	535,543	93,876	877,937
Total surplus	**1,507,356**	535,543	93,876	877,937
Total liabilities and accumulated surplus	**$4,211,651**	$1,165,902	$179,699	$2,866,050

Citizens Property Insurance Corporation

Supplemental Statement of Operations by Account – Statutory Basis

(In Thousands)

December 31, 2003

	Consolidated	Personal Lines Account	Commercial Lines Account	High Risk Account
Premiums earned	**$ 823,902**	$332,441	$59,913	$431,548
Losses incurred	**203,560**	182,084	13,568	7,908
Loss adjustment expenses incurred	**20,768**	17,336	1,181	2,251
Other underwriting expenses incurred	**163,959**	71,936	12,351	79,672
Underwriting gain	**435,615**	61,085	32,813	341,717
Net investment income	**153,312**	42,370	7,330	103,612
Interest expense, net	**(119,530)**	(14,710)	(2,572)	(102,248)
Line of credit fees and note issuance costs	**(4,094)**	(2,510)	(439)	(1,145)
Takeout bonus expense, net	**(7,021)**	(7,021)	–	–
Other income (expenses)	**93**	105	2	(14)
Income before federal income tax benefits	**458,375**	79,319	37,134	341,922
Federal income tax benefits	**2**	2	–	–
Net income	**$ 458,377**	$79,321	$37,134	$341,922

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2003 OF THE Citizens Property Insurance Corporation

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

Due April 1

FOR THE YEAR ENDED DECEMBER 31, 2003

OF The (Name) 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 stating the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments as shown on the Summary Investment Schedule. All reporting entities must answer interrogatories 1 through 4, 11, 13 through 17, 19 and if applicable, 20 through 24. Answer each of interrogatories 5 through 10 only if the reporting entity's aggregate holding in the gross investment category addressed in interrogatory 4 equals or exceeds 2.5% of the reporting entity's total admitted assets. Answer interrogatory 12 only if the reporting entity's aggregate holding in the gross investment category addressed in Interrogatory 11 equals or exceeds 2.5% of the reporting entity's total admitted assets. Answer interrogatory 18 only if the reporting entity's aggregate holding in the gross investment category addressed in Interrogatory 17 equals or exceeds 2.5% of the reporting entity's total admitted assets. For Life, Health and Fraternal blanks, responses are to exclude Separate Accounts. For Property Casualty blank, responses are to exclude Protected Cell Accounts.

1. State the reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 4,211,651,384

2. State by investment category the 10 largest exposures to a single issuer/borrower/investment, excluding U.S. government, U.S. government agency securities and those U.S. Government money market funds listed in the Appendix to the SVO Purposes and Procedures Manual as exempt, property occupied by the company and policy loans.

	1 Investment Category	2 Amount	3 Percentage of Total Admitted Assets
2.01	Unaffiliated Domestic Securities	$ 41,938,986	1.0 %
2.02	Unaffiliated Domestic Securities	$ 18,484,375	0.4 %
2.03	Unaffiliated Domestic Securities	$ 15,569,727	0.4 %
2.04	Unaffiliated Domestic Securities	$ 14,967,144	0.4 %
2.05	Unaffiliated Domestic Securities	$ 13,789,470	0.3 %
2.06	Unaffiliated Domestic Securities	$ 13,316,423	0.3 %
2.07	Unaffiliated Domestic Securities	$ 12,308,206	0.3 %
2.08	Unaffiliated Domestic Securities	$ 12,126,183	0.3 %
2.09	Unaffiliated Domestic Securities	$ 11,964,819	0.3 %
2.10	Unaffiliated Domestic Securities	$ 11,921,136	0.3 %

3. State the 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	$ 2,809,134,372	66.7 %	3.07	P/RP-1	$	%
3.02	NAIC-2	$ 1,378,339	0.0 %	3.08	P/RP-2	$	%
3.03	NAIC-3	$	%	3.09	P/RP-3	$	%
3.04	NAIC-4	$	%	3.10	P/RP-4	$	%
3.05	NAIC-5	$	%	3.11	P/RP-5	$	%
3.06	NAIC-6	$	%	3.12	P/RP-6	$	%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

4. State the amounts and percentages of the reporting entity's total admitted assets held in foreign investments (regardless of whether there is any foreign currency exposure) and unhedged foreign currency exposure (defined as the statement value of investments denominated in foreign currencies which are not hedged by financial instruments qualifying for hedge accounting as specified in SSAP No. 31 - Derivative Instruments and SSAP No. 86 - Derivative Instruments), including (4.01) foreign-currency-denominated investments of $ .... ; .... % (4.02) supporting insurance liabilities denominated in that same foreign currency of $ .... ; .... % and excluding (4.03) Canadian investments and currency exposure of $ .... ; .... %

   Assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatories 5 - 10. (4.04) .... Yes [X] No [ ]

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

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

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

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:

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

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

11. State the amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure, including Canadian-currency-denominated investments of (11.01) $ .... ; .... % supporting Canadian-denominated insurance

    insurance liabilities of (11.02) $ .... ; .... %

    Assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatory 12. (11.03) .... Yes [X] No [ ]

12. Aggregate Canadian investment exposure.

13. State the aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions (defined as investments having restrictions that prevent investments from being sold within 90 days).

    Assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatory 13. .... Yes [X] No [ ]

14. State the aggregate amounts and percentages of admitted assets held in the largest 10 equity interests (including investments in the shares of mutual funds, preferred stocks, publicly traded equity securities, and other equity securities, and excluding money market and bond mutual funds listed in the Appendix to the SVO Purposes and Procedures Manual as exempt or Class 1).

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

Assets held in equity interests less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatory 14. .... Yes [ ] No [ ]

	1 Investment Category	2	3
14.01		$	%
14.02		$	%
14.03		$	%
14.04		$	%
14.05		$	%
14.06		$	%
14.07		$	%
14.08		$	%
14.09		$	%
14.10		$	%

15. State the amounts and percentages of the entity's total admitted assets held in nonaffiliated, privately placed equities (included in other equity securities) and excluding securities eligible for sale under Securities Exchange Commission (SEC) Rule 144a or SEC Rule 144 without volume restrictions.

Assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatory 15. ..... Yes [ ] No [ ]

	1	2	3
15.01	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$	%
	Largest 3 investments held in nonaffiliated, privately placed equities:		
15.02		$	%
15.03		$	%
15.04		$	%

16. State the amounts and percentages of the reporting entity's total admitted assets held in general partnership interests (included in other equity securities).

Assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatory 16. ..... Yes [ ] No [ ]

	1	2	3
16.01	Aggregate statement value of investments held in general partnership interests	$	%
	Largest 3 investments with contractual sales restrictions:		
16.02		$	%
16.03		$	%
16.04		$	%

17. With respect to mortgage loans reported in Schedule B, state the amounts and percentages of the reporting entity's total admitted assets held.

Mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatories 17 and 18. ..... Yes [X] No [ ]

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

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

19. State the amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in one parcel or group of contiguous parcels of real estate reported in Schedule A, excluding property occupied by the company.

    Assets held in each of the five largest investment in one parcel or group of contiguous parcels of real estate reported in Schedule A less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatory 19. .... Yes [X] No [ ]

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

20. State the 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 (do not include assets held as collateral for such transactions)	$	%	$	$	$
20.02 Repurchase agreements	$	%	$	$	$
20.03 Reverse repurchase agreements	$	%	$	$	$
20.04 Dollar repurchase agreements	$	%	$	$	$
20.05 Dollar reverse repurchase agreements	$	%	$	$	$

21. State the amounts and percentages indicated below for warrants not attached to other financial instruments, options, caps, and floors:

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

22. State the amounts and percentages indicated below of potential exposure (defined as the amount determined in accordance with the NAIC Annual Statement Instructions) 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	$	%	$	$	$
22.02 Income generation	$	%	$	$	$
22.03 Replications	$	%	$	$	$
22.04 Other	$	%	$	$	$

23. State the amounts and percentages indicated below of potential exposure (defined as the amount determined in accordance with the NAIC Annual Statement Instructions) 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	$	%	$	$	$
23.02 Income generation	$	%	$	$	$
23.03 Replications	$	%	$	$	$
23.04 Other	$	%	$	$	$

24. State the amounts and percentages of the 10 largest investments included in the Write-ins for Invested Assets category included on the Summary Investment Schedule.

	1	2	3
24.01		$	%
24.02		$	%
24.03		$	%
24.04		$	%
24.05		$	%
24.06		$	%
24.07		$	%
24.08		$	%
24.09		$	%
24.10		$	%

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. Treasury securities	796,838,583	19.045	796,838,583	19.045
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	425,765,392	10.176	425,765,392	10.176
1.22 Issued by U.S. government sponsored agencies	8,411,183	0.201	8,411,183	0.201
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 Guaranteed by GNMA	50,233,880	1.201	50,233,880	1.201
1.512 Issued by FNMA and FHLMC	206,174,262	4.928	206,174,262	4.928
1.513 Privately issued				
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC				
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC	434,818,602	10.393	434,818,602	10.393
1.523 All other privately issued				
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	577,264,287	13.797	577,264,287	13.797
2.2 Unaffiliated foreign securities	15,838,314	0.379	15,838,314	0.379
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 (includes $ .... of property acquired in satisfaction of debt)				
5.3 Property held for sale ($ .... including property acquired in satisfaction of debt)				
6. Policy loans				
7. Receivables for securities	45,339,893	1.084	45,339,893	1.084
8. Cash and short-term investments	1,623,253,916	38.797	1,623,253,916	38.797
9. Other invested assets				
10. Total invested assets	4,183,938,312	100.000	4,183,938,312	100.000

Citizens Property Insurance Corporation

Supplemental Investment Note

December 31, 2003

The accompanying schedules and interrogatories present selected statutory-basis financial data as of December 31, 2003 and for the year then ended for purposes of complying with the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and agrees to or is included in the amounts reported in the Company's 2003 Statutory Annual Statement as filed with the Department of Insurance of the State of Florida.