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**Citizens Board Approves Innovative Exposure Reduction Program**  
*Program Could Result in Removal of as many as 300,000 Policies*

TALLAHASSEE, FL – The Citizens Property Insurance Corporation Board of Governors today approved in concept a Surplus Note Depopulation Program designed to encourage the removal and extended retention of significant numbers of policies from Citizens by private-market insurers.

The goal of the program, which will begin in December, is to reduce both Citizens' claims liability and the potential for assessments on all types of insurance policies to cover losses from a storm or a series of storms.

Under the new program, Citizens will provide the up-front capital, in the form of 20-year loans, to support the assumption of large blocks of Citizens' personal residential policies by qualifying insurers. Citizens estimates that as many as 300,000 policies could be removed under the new program.

"This proposal could not only remove 300,000 policies from Citizens but also reduce the potential of an Emergency Assessment tax by 38% if a 1-in-100 hurricane were to hit," said State Representative Bryan Nelson. "That's what I call a win-win."

Citizens developed the program after soliciting depopulation and risk-sharing ideas from private insurance companies that do business in Florida in an effort to significantly reduce Citizens policy count, which currently stands at close to 1.5 million.

Barry Gilway, Citizens President/CEO and Executive Director said, "Under the direction of Chairman Chris Gardner, Citizens embarked on a three month long vetting process which began with our well attended summit in June. The addition of the program approved today has the potential of removing more than \$1.2 billion in assessment risk shouldered by all Florida policyholders."

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Carlos A. Lacasa, Chairman, Miami-Dade County  
Nancy Baily, Vice Chair, Hillsborough County • Carol Everhart, Pinellas County • Chris Gardner, Orange County  
Don Glisson, Jr., Duval County • Tom Lynch, Palm Beach County • John Rollins, Alachua County  
John Wortman, St. Johns County • Barry Gilway, President/CEO and Executive Director

Under the program:

- Citizens will dedicate a maximum of \$350 million to support the program. The maximum amount an assuming insurer can receive is \$50 million. Trying to achieve a similar reduction of catastrophic risk through purchasing reinsurance coverage alone would cost Citizens approximately \$240 million per year.
- Companies must complete a detailed application to Citizens addressing financial eligibility, including reinsurance, business plan information, and must receive written approval of its proposal from the Florida Office of Insurance Regulation.
- Participating insurers may not use the surplus note funds in calculating shareholder dividends; purchasing non-permitted investments or physical assets; paying advances or distributing funds to parent, subsidiaries or affiliates; or making any payment, including bonuses, to the Managing General Agent (MGA) in excess of the contracted MGA fee.

An assumption company that fails to make note payments on time or to meet other program requirements may incur an interest rate increase, acceleration of the payment schedule for the note principal or interest, a reduction in the term of the note, and/or a demand for immediate full repayment of the surplus note.

The program also includes important safeguards and assurances for Citizens policyholders whose policies are assumed under the program:

- Policyholders will continue to be allowed to opt-out of the assumption and remain with Citizens as with the current depopulation program.
- In addition, the assuming insurer must agree to:
  - Renew the assumed policies for at least 10 years after the expiration of the current policy term.
  - Limit rate increases, for renewal offers from January 1, 2013, through January 1, 2016, to no more than 10 % per policy per year (consistent with Citizens' current 10% glidepath).
  - Provide substantially the same coverage for the first three years as that provided by Citizens.

As with other depopulation programs, the Office of Insurance Regulation must review and approve this plan prior to implementation.

In 2002, the Florida Legislature created Citizens Property Insurance Corporation (Citizens), a not-for-profit alternative insurer, whose public purpose is to provide insurance to, and serve the needs of, property owners who cannot find coverage in the private insurance market.