Financial Statements – Statutory Basis and Supplemental Schedules

Citizens Property Insurance Corporation
Years Ended December 31, 2004 and 2003

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and Supplemental Schedules

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Contents

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Report of Independent Certified Public Accountants

The Board of Governors and Management
Citizens Property Insurance Corporation

We have audited the accompanying statement of admitted assets, liabilities and accumulated surplus (deficit) of Citizens Property Insurance Corporation (Citizens) as of December 31, 2004 and 2003, and the related statements of operations, changes in accumulated surplus (deficit) 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express so 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, and 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 15.

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 Citizens Property Insurance Corporation at December 31, 2004 and 2003, 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, 2004 and 2003, 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.

Ernst & Young LLP

March 31, 2005

Citizens Property Insurance Corporation

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

	December 31 2004	December 31 2003
	(In Thousands)	
Admitted assets		
Cash and invested assets:		
Bonds	**$ 2,629,460**	$ 2,515,345
Cash and short-term investments	**1,562,152**	1,623,253
Receivable for securities	**–**	45,339
Total cash and invested assets	**4,191,612**	4,183,937
Investment income due and accrued	**23,848**	24,130
Premiums receivable, net	**2,699**	1,995
Other receivables under reinsurance contracts	**3,327**	709
Electronic data processing equipment, net	**–**	802
Other admitted assets	**176**	78
Total admitted assets	**4,221,662**	$ 4,211,651
Liabilities and surplus		
Liabilities:		
Loss reserves	**$ 1,458,495**	$ 112,645
Loss adjustment expense reserves	**148,555**	26,060
Unearned premiums, net of unearned ceded premiums of $36,300 and $5,381	**631,085**	565,619
Taxes and fees payable	**30,972**	22,774
Federal income taxes payable	**54,899**	54,899
Notes payable	**2,149,754**	1,669,202
Interest payable	**36,550**	44,117
Advance premiums and suspended cash	**67,653**	63,833
Payable for securities	**–**	116,839
Other liabilities	**27,225**	28,307
Total liabilities	**4,605,188**	2,704,295
Surplus (Deficit):		
Unappropriated	**(383,526)**	1,507,356
Total liabilities and accumulated surplus (deficit)	**$ 4,221,662**	$ 4,211,651

See accompanying notes.

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Citizens Property Insurance Corporation

Statements of Operations – Statutory Basis

	Years Ended December 31	
	2004	**2003**
	(In Thousands)	
Premiums earned	**$ 1,022,503**	$ 823,902
Losses incurred	**2,493,127**	203,560
Loss adjustment expenses incurred	**212,887**	20,768
Other underwriting expenses incurred	**180,501**	163,959
Underwriting (loss) gain	**(1,864,012)**	435,615
Net investment income	**143,493**	153,312
Interest expense, net	**(117,574)**	(119,530)
Line of credit fees and note issuance costs	**(14,986)**	(4,094)
Takeout bonus expense, net	**(34,633)**	(7,021)
Other (expense) income	**(165)**	93
(Loss) income before federal income tax benefit	**(1,887,877)**	458,375
Federal income tax benefit	**–**	2
Net (loss) income	**$ (1,887,877)**	$ 458,377

See accompanying notes.

Citizens Property Insurance Corporation

Statements of Changes in Accumulated Surplus (Deficit) – Statutory Basis

	Unappropriated	Appropriated	Total
		(In Thousands)	
Balance at January 1, 2003	$ 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
Net loss	**(1,887,877)**	**–**	**(1,887,877)**
Change in nonadmitted assets	**(3,005)**	**–**	**(3,005)**
Balance at December 31, 2004	**$ (383,526)**	**$ –**	**$ (383,526)**

See accompanying notes.

Citizens Property Insurance Corporation

Statements of Cash Flows – Statutory Basis

	Years Ended December 31	
	2004	2003
	(In Thousands)	
Operating activities		
Premiums collected, net of reinsurance	**$ 1,088,254**	$ 1,009,735
Loss and loss adjustment expenses paid	**(1,237,669)**	(168,767)
Underwriting expenses paid	**(173,385)**	(144,439)
Net investment income received	**27,080**	11,106
Other expenses paid	**(34,798)**	(6,378)
Federal income taxes recovered	**–**	52,552
Net cash (used in) provided by operations	**(330,518)**	753,809
Investing activities		
Proceeds from investments sold, matured or repaid	**2,802,157**	3,862,148
Investments acquired	**(2,990,666)**	(4,097,752)
Miscellaneous proceeds	**–**	71,791
Net cash used in investing	**(188,509)**	(163,813)
Financing and miscellaneous activities		
Borrowed funds received	**750,000**	–
Borrowed funds repaid	**(275,000)**	(125,000)
Other miscellaneous cash applications	**(17,074)**	176
Net cash provided by (used in) financing and miscellaneous	**457,926**	(124,824)
Net (decrease) increase in cash and short-term investments	**(61,101)**	465,172
Cash and short-term investments:		
Beginning of year	**1,623,253**	1,158,081
End of year	**$ 1,562,152**	$ 1,623,253

See accompanying notes.

1. General

Citizens Property Insurance Corporation (Citizens) was established on August 1, 2002, 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 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. Citizens is not required to obtain or to hold a certificate of authority issued by the Department of Financial Services (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 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.

1. General (continued)

***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.

***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.

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:

2. Summary of Significant Accounting Policies (continued)

a. Acquisition costs incurred in connection with acquiring new business, such as commissions, certain servicing company fees, and other costs of acquiring, renewing and servicing the business are charged to operations as incurred rather than deferred and amortized over the policy term.

b. Certain assets are defined 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 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 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.

f. 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.

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.

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 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 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 $628 and $549 for the years ended December 31, 2004 and 2003 and accumulated depreciation for EDP equipment at December 31, 2004 and 2003 was $2,391 and $1,860.

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 policy period. 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.

Assessments

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

2. Summary of Significant Accounting Policies (continued)

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.

(In Thousands)

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 27%, 13%, 4% and 13% of Citizens' insurance coverage exposure lies in Miami-Dade, Broward, Monroe and Palm Beach counties, respectively, as of December 31, 2004. Severe storm activity in any of these counties could have a significant impact on Citizens' future financial position and results of operations.

3. Bonds

The amortized cost and aggregate fair value of bonds at December 31, 2004 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and U.S. Government Securities	$ 997,230	$ 4,814	$ (6,777)	$ 995,267
Corporate Bonds	604,430	4,006	(3,218)	605,218
Loan Backed and Structured Securities	1,027,800	2,961	(6,789)	1,023,972
Total	$ 2,629,460	$ 11,781	$ (16,784)	$ 2,624,457

(In Thousands)

3. Bonds (continued)

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

Proceeds from maturities and sales of bonds during 2004 were $2,802,157 with realized gains of $15,380 and gross realized losses of $10,583.

The amortized cost and fair value of securities at December 31, 2004, 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	$ 65,307	$ 65,707
Due after one year through five years	1,516,928	1,515,430
Due after five years through ten years	11,925	11,846
Due after ten years	7,500	7,502
Loan-backed securities	1,027,800	1,023,972
Total	$ 2,629,460	$ 2,624,457

3. Bonds (continued)

The Company held certain securities in an unrealized loss position at December 31, 2004, as summarized in the following table. 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 the Company has the capacity to hold the security until the scheduled maturity date.

	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	$ 995,267	$ 6,777	$ 26,606	$ (81)	$ 968,661	$ (6,696)
Corporate Bonds	605,218	3,218	39,101	482	566,117	(3,700)
Loan Backed and Structured Securities	1,023,972	6,789	–	–	1,023,972	(6,789)
Total	$2,624,457	$ 16,784	$ 65,707	$ 401	$2,558,750	$ (17,185)

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, 2004 and 2003 are as follows:

	2004	2003
Loss reserves and loss adjustment expense reserves, beginning of year	**$ 138,705**	$ 83,144
Incurred related to:		
Current year	**2,721,512**	243,767
Prior years	**(15,498)**	(19,439)
Total incurred	**2,706,014**	224,328
Paid related to:		
Current year	**1,145,602**	124,414
Prior years	**92,067**	44,353
Total paid	**1,237,669**	168,767
Loss reserves and loss adjustment expense reserves, end of year	**$ 1,607,050**	$ 138,705

4. Liability for Loss Reserves and Loss Adjustment Expense Reserves (continued)

As a result in changes in estimates of insured events in prior years, the provision for loss and loss adjustment expenses decreased by $15,498 in 2004 and decreased by $19,439 in 2003.

The increase in loss and loss adjustment expenses incurred and paid is directly related to catastrophic losses sustained from hurricanes Charley, Frances, Ivan and Jeanne during the current year. Total incurred and paid losses and loss adjustment expenses related to the four storms were $2,407,562 and $987,550 for the year ended December 31, 2004.

Citizens entered into agreements with several companies that provide claim adjustment services. These 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 claim services performed during a catastrophe 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.

5. 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. The fair market value of these bonds approximate $1.511 billion.

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. 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 10). The Trust Indenture contains covenants that impose restrictions on Citizens' ability to sell, lease, pledge, assign or otherwise encumber or dispose of its security

(In Thousands)

5. Notes Payable (continued)

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 9). The fair market value of these bonds approximate their carrying value.

Series 2004A through 2004I Bonds – During May 2004, Citizens issued $750 million of senior secured bonds for the purpose of funding losses in the High-Risk account in the event of a future catastrophe. The bonds were issued in multiple series and bear interest at variable, auctioned rates, based on the 30-day LIBOR, for generally successive 28-day auction periods. These bonds are secured by pledged revenues which consist of moneys and investments held in accounts established under the trust indenture, proceeds from any regular assessment and/or reimbursements received from the FHCF. The fair market value of these bonds approximate their carrying value.

Interest rates and maturities of Citizens' bonds outstanding at December 31, 2004 are as follows:

	2004
Series 1997A, interest at 7.625%, due July 1, 2007	$ 100,000
Series 1997A, interest at 6.85%, due August 25, 2007	300,000
Series 1999A, interest at 7.125%, due March 31, 2019	1,000,000
Series 2004A, variable interest rate, due July 1, 2016	75,000
Series 2004B, variable interest rate, due July 1, 2017	75,000
Series 2004C, variable interest rate, due July 1, 2018	100,000
Series 2004D, variable interest rate, due July 1, 2019	75,000
Series 2004E, variable interest rate, due July 1, 2020	75,000
Series 2004F, variable interest rate, due July 1, 2021	100,000
Series 2004G, variable interest rate, due July 1, 2022	75,000
Series 2004H, variable interest rate, due July 1, 2023	75,000
Series 2004I, variable interest rate, due July 1, 2024	100,000
	2,150,000
Less - unamortized discount	(246)
Total	$ 2,149,754

5. Notes Payable (continued)

The total interest expense on the Notes for the years ended December 31, 2004 and 2003 was $120,372 and $123,857 including discount amortization of $552 and $459 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, 2004 and 2003. 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 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 year ended December 31, 2004 and 2003 was $2,798 and $4,327, respectively.

6. Producer Commissions and Servicing Company Fees

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

Additionally, Citizens entered into agreements with servicing companies to provide underwriting and policy management services. These agreements provide for monthly compensation to the companies based on a flat fee per policy based on the number of policies processed during an assigned task. Service carrier fees expensed during 2004 and 2003 were $11,731 and $11,644, respectively.

7. 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.

8. 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, FWUA transferred its assets and liabilities to Citizens in accordance with Florida Statute 627.351(6). Citizens filed a federal income tax refund claim in excess of $182 million related to the transfer. During 2004 and 2003, Citizens received federal and state refunds for approximately $8 million and $69 million, respectively, 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.

9. 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 was secured by and repaid through the collection of High-Risk Account assessments. The expiration date of the amended credit agreement was July 25, 2003. Citizens was 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 was 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 for the year ended December 31, 2003. This agreement was not renewed after July 25, 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 was secured by a security interest in emergency assessments. Under certain circumstances, the Line of Credit was also 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 was March

(In Thousands)

9. Line of Credit Agreements (continued)

24, 2004. Citizens was 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 was based on Moody's and S&P ratings of A and A2, respectively; on the Personal & Commercial Lines Accounts long-term debt. Annual commitment fees associated with this credit agreement were $591 and $2,884 for the years ended December 31, 2004 and 2003. This agreement was not renewed after March 24, 2004.

10. 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 $177,075 and $156,214, respectively, during 2004 and 2003 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:

	2004		**2003**	
	Coverage Amounts	**Retention Amounts**	**Coverage Amounts**	**Retention Amounts**
Personal and Commercial Lines Accounts	**$ 958 million**	**$ 283 million**	$ 967 million	$ 386 million
High-Risk Account	**$3,404 million**	**$1,007 million**	$2,540 million	$1,012 million

(In Thousands)

10. Reinsurance Agreements (continued)

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

	2004		2003	
	Premiums		Premiums	
	Written	Earned	Written	Earned
Direct	**$ 1,401,086**	**$ 1,304,700**	$ 1,171,996	$ 999,235
Ceded	**(313,118)**	**(282,197)**	(180,026)	(175,333)
Net premiums	**$ 1,087,968**	**$ 1,022,503**	$ 991,970	$ 823,902

Citizens is not entitled to any reimbursements related to losses incurred and paid as a result of any of the four hurricanes in 2004 as losses incurred per storm did not exceed the FHCF retention.

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.

11. 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 $470 and $396 for the years ended December 31, 2004 and 2003, and are included in "Administrative expenses" in the accompanying statements of operations.

12. 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 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 2004 and 2003, Citizens ceded $136,042 and $24,265 in premiums to Takeout Companies pursuant to Assumption Agreements which is included in "Net written premiums" 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, producer commissions, and premium taxes. At December 31, 2004 and 2003, assumed premiums in the amount of $3,327 and $709 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 three years, funds placed in escrow will be released to the Takeout Companies in accordance with the policy takeout agreement. As of December 31, 2004, $34,633 is held in escrow.

(In Thousands)

12. Depopulation (continued)

At the end of the three-year 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 2004, no adjustments were made to escrow accounts because there were no independent audits performed that would determine whether the accounts were underfunded or overfunded.

13. Operating Leases

Citizens leases office space and certain office equipment under various operating leases. Rental expense on operating leases amounted to $1,943 and $1,639 for the years ended December 31, 2004 and 2003. At December 31, 2004, future minimum payments under operating leases are as follows:

2005	$ 1,194
2006	1,306
2007	1,309
2008	1,321
2009	1,176
After 2009	4,250
Total	$ 10,556

14. 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.

Pending in the Circuit Court of the Seventeenth Judicial Circuit (Broward County, Florida) is Zimmermanm et. al. v Citizens Property Insurance Corporation (Citizens). The plaintiffs seek class certification for certain policyholders in Dade, Broward, Palm Beach and Monroe Counties and refunds of increases in their homeowners insurance premiums for the years 2000 through 2002 as a result of a Florida Windstorm Underwriting Association (FWUA) 1999 rate filing. Citizens is the defendant as the successor in interest to the FWUA.

14. Commitments and Contingencies (continued)

The plaintiffs are the same individuals who litigated Zimmerman et al v. FWUA which litigation was reported in Citizens 2003 Annual Statement. The First District Court of Appeals on April 20, 2004 affirmed a decision of the Circuit Court for Leon County refusing "to order refunds or injunctive relief" but reversed the judgment that "the arbitration resulted in Department approval as a matter of law" as to the rate filing at issue.

The First District Court stated in its decision that "As for relief, if any, in the form of an order "that premium charged each policyholder constituting the portion of the rate above that which was actuarially justified be returned to such policyholder in the form of a credit or refund," the Department of Insurance, not the circuit court, has responsibility for reviewing insurance rates and rate increases and determining whether "a rate or rate change is excessive....or unfairly discriminatory."

The plaintiffs in the current litigation have in essence refiled the matter in a different judicial circuit.

Citizens' management does not believe that an unfavorable outcome is likely.

<u>Scylia Properties, LLC and William D. Clark v. Citizens Property Insurance Corporation.</u> Plaintiffs in this certified class action are seeking damages equal to the limits of their Citizens' policies pursuant to Florida's Valued Policy Law, Section 627.702, Florida Statutes, which states that in the event of a total loss of any building insured by an insurer to a covered peril, the insurer's liability, if any, under the policy for such total loss shall be the amount of money for which the property was insured. This action is based on a recent opinion issued by the Fourth District Court of Appeal in the matter styled *Mierzwa v. Florida Windstorm Underwriting Association*, 877 So.2d 774 (Fla. 4th DCA 2004). In *Mierzwa*, the Fourth District held that the Valued Policy Law required an insurer to tender full policy limits in the event of a total loss, even if perils not covered under the insurance policy (i.e., flood) contributed to the total loss.

In this case, plaintiff's properties were damaged by a combination of wind, a peril covered under the policy, and flood, an excluded peril. Citizens believes that the *Mierzwa* ruling is erroneous and impermissibly permits homeowners to obtain a double recovery from both their flood and wind policies well in excess of the value of their homes. It is Citizens' position that it is entitled to a setoff of any amounts paid by the flood carrier for damage to the insured property.

(In Thousands)

14. Commitments and Contingencies (continued)

While Citizens intends to vigorously defend Plaintiffs claims in this matter, Citizens has agreed with counsel for Plaintiffs that class certification is appropriate in this case so that the liability of Citizens, if any, under the Valued Policy Law with respect to all affected insureds can be determined in a single forum.

This case remains in its infancy and no discovery has taken place. As such, we are unable to determine the likelihood of a favorable or unfavorable outcome or provide a fair and reasonable estimate of the amount of any loss which Citizens may eventually sustain.

15. Reconciliation of SAP to GAAP

Reconciliation of Citizens' 2004 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) is as follows:

	2004	**2003**
Net (loss) income - Statutory basis	**$ (1,887,877)**	$ 458,377
Adjustments:		
Policy acquisition costs	**(2,416)**	16,739
Line of credit fees & note issuance costs	**12,090**	(1,658)
Takeout bonuses	**26,596**	4,434
Allowance for doubtful accounts	**(214)**	(949)
Unrealized loss on investments	**(36,905)**	(47,437)
Change in net assets - GAAP basis	**$ (1,888,726)**	$ 429,506

(In Thousands)

15. Reconciliation of SAP to GAAP (continued)

	2004	2003
Accumulated surplus (deficit) - Statutory basis	**$ (383,526)**	$ 1,507,356
Adjustments:		
Policy acquisition costs	**63,981**	66,397
Nonadmitted assets, net	**7,763**	4,972
Line of credit fee and note issuance costs	**29,130**	17,039
Takeout bonuses	**36,742**	10,147
Cumulative unrealized (loss) gain on investments	**(5,123)**	31,782
Total (deficit) net assets – GAAP Basis	**$ (251,033)**	$ 1,637,693

16. Assessments

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 adjusted for certain items. Deficits are calculated separately and assessments are levied separately for each of Citizens' three accounts.

When a deficit is incurred in any account in a given plan year, regular assessments are levied on assessable insurers, as defined in Section 627.351(6), Florida Statutes, based upon their 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.

The adjusted GAAP deficit was $515,490 for the High-Risk Account as of the year ended December 31, 2004 which will be fully funded with a regular assessment. Citizens' determination of the amount of regular assessments to be levied is subject to verification and approval by the Citizens' Board of Governors and the Department of Financial Services, which has not occurred as of the audit report date.

Supplemental Schedules

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Report of Independent Certified Public Accountants on Other Financial Information

The Board of Directors
Citizens Property Insurance Corporation

Our audits were conducted for the purpose of forming an opinion on the statutory-basis financial statements taken as a whole. The accompanying supplemental schedule of selected statutory-basis financial data is 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 is not a required part of the statutory-basis financial statements. Such information has been subjected to the 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.

This report is intended solely for the information and use of the Company and state insurance departments 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.

Ernst & Young LLP

March 31, 2005

Citizens Property Insurance Corporation

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

December 31, 2004

	Consolidated	Personal Lines Account	Commercial Lines Account	High Risk Account
	(In Thousands)			
Admitted assets				
Cash and invested assets:				
Bonds	$ 2,629,460	$ 98,261	$ 13,437	$ 2,517,762
Cash and short-term investments	1,562,152	752,899	170,922	638,331
Total cash and invested assets	4,191,612	851,160	184,359	3,156,093
Investment income due and accrued	23,848	3,536	626	19,686
Premiums receivable, net	2,699	2,059	(134)	774
Other Receivables under reinsurance contracts	3,327	2,509	–	818
Other admitted assets	176	173	–	3
Inter-account receivable (payable)	–	32,201	(7,960)	(24,241)
Total admitted assets	4,221,662	891,638	176,891	3,153,133
Liabilities and surplus				
Liabilities:				
Loss reserves	1,458,495	298,971	106,864	1,052,660
Loss adjustment expense reserves	148,555	40,992	7,669	99,894
Unearned premiums, net of unearned ceded	631,085	257,097	21,834	352,154
Taxes and fees payable	30,972	3,440	263	27,269
Federal income taxes payable	54,899	–	–	54,899
Notes payable	2,149,754	92,368	12,631	2,044,755
Interest payable	36,550	3,354	459	32,737
Advance premiums and suspended cash	67,653	31,502	2,838	33,313
Other liabilities	27,225	19,443	349	7,433
Total liabilities	4,605,188	747,167	152,907	3,705,114
Surplus (Deficit):				
Unappropriated	(383,526)	144,470	23,985	(551,981)
Total surplus (deficit)	(383,526)	144,470	23,985	(551,981)
Total liabilities and accumulated surplus	$ 4,221,662	$ 891,637	$ 176,892	$ 3,153,133

Citizens Property Insurance Corporation

Supplemental Statement of Operations by Account – Statutory Basis

December 31, 2004

	Consolidated	Personal Lines Account	Commercial Lines Account	High Risk Account
		(In Thousands)		
Premiums earned	$ 1,022,503	$ 456,175	$ 54,109	$ 512,219
Losses incurred	2,493,127	698,565	113,271	1,681,291
Loss adjustment expenses incurred	212,887	65,587	6,245	141,055
Other underwriting expenses incurred	180,501	71,600	9,681	99,220
Underwriting gain	(1,864,012)	(379,577)	(75,088)	(1,409,347)
Net investment income	143,493	36,318	5,746	101,429
Interest expense, net	(117,574)	(8,366)	(1,144)	(108,064)
Line of credit fees and note issuance	(14,986)	(537)	(73)	(14,376)
Takeout bonus expense, net	(34,633)	(34,633)	–	–
Other income (expenses)	(165)	(8)	(25)	(132)
Income before federal income tax	(1,887,877)	(386,803)	(70,584)	(1,430,490)
Federal income tax benefits	–	–	–	–
Net loss	$ (1,887,877)	$ (386,803)	$ (70,584)	$ (1,430,490)

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2004 OF THE CITIZENS PROPERTY INSURANCE CORPORATION

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

Due April 1

FOR THE YEAR ENDED DECEMBER 31, 2004

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. $ 4,221,662,199
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	The State of Florida	Special Purpose Fund	$ 381,242,335	9.0 %
2.02	KFW Finance	Commercial Paper	$ 24,893,729	0.6 %
2.03	Amstel Funding	Commerical Paper	$ 19,975,682	0.5 %
2.04	GE Capital Corporation	Forward Guaranty Investment Contract	$ 18,484,375	0.4 %
2.05	Morgan Stanley	Notes	$ 16,106,409	0.4 %
2.06	General Electric	Bond	$ 15,366,426	0.4 %
2.07	Wells Fargo Financial	Notes	$ 12,335,581	0.3 %
2.08	Countrywide Home Loans	Bond	$ 11,999,930	0.3 %
2.09	Citibank Credit	Bond	$ 10,909,388	0.3 %
2.10	UBS Financial	Bond	$ 10,497,560	0.2 %

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

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC-1	$ 2,996,987,653	71.0 %	3.07	P/RP-1	$	%
3.02	NAIC-2	$	%	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	$	%

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 $ %

4.03 Foreign-currency-denominated investments $ %

4.04 Insurance liabilities denominated in that same foreign currency $ %

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

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2004 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	$	.... %

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:

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2004 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 largest 10 equity interests:

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

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

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2004 OF THE CITIZENS PROPERTY INSURANCE CORPORATION

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 EXHIBIT FOR THE YEAR 2004 OF THE CITIZENS PROPERTY INSURANCE CORPORATION

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 in less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

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

	At Year-end		At End of Each Quarter		
			1st Quarter	2nd Quarter	3rd Quarter
	1	2	3	4	5
19.01 Securities lending agreements (do not include assets held as collateral for such transactions)	$	%	$	$	$
19.02 Repurchase agreements	$	%	$	$	$
19.03 Reverse repurchase agreements	$	%	$	$	$
19.04 Dollar repurchase agreements	$	%	$	$	$
19.05 Dollar reverse repurchase agreements	$	%	$	$	$

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2004 OF THE CITIZENS PROPERTY INSURANCE CORPORATION

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

20. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned		Written	
	1	2	3	4
20.01 Hedging	$	%	$	%
20.02 Income generation	$	%	$	%
20.03 Other	$	%	$	%

21. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-end		At End of Each Quarter		
			1st Quarter	2nd Quarter	3rd Quarter
	1	2	3	4	5
21.01 Hedging	$	%	$	$	$
21.02 Income generation	$	%	$	$	$
21.03 Replications	$	%	$	$	$
21.04 Other	$	%	$	$	$

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-end		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
22.01 Hedging	$	%	$	$	$
22.02 Income generation	$	%	$	$	$
22.03 Replications	$	%	$	$	$
22.04 Other	$	%	$	$	$

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	500,284,980	11.935	500,284,980	11.935
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	494,297,670	11.793	494,297,670	11.793
1.22 Issued by U.S. government sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	11,372,190	0.271	11,372,190	0.271
1.512 Issued or guaranteed by FNMA and FHLMC	323,161,967	7.710	323,161,967	7.710
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521	695,914,015	16.603	695,914,015	16.603
1.523 All other				
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	596,210,911	14.224	596,210,911	14.224
2.2 Unaffiliated foreign securities	8,218,308	0.196	8,218,308	0.196
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				
8. Cash, cash equivalents and short-term investments	1,562,150,942	37.269	1,562,150,942	37.269
9. Other invested assets				
10. Total invested assets	4,191,610,983	100.000	4,191,610,983	100.000

Citizens Property Insurance Corporation

Note to Supplemental Schedules
(In Thousands)

December 31, 2004

The accompanying schedules and interrogatories present selected statutory-basis financial data as of December 31, 2004 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 2004 Statutory Annual Statement as filed with the Department of Insurance of the State of Florida.