

**Louisiana Citizens
Property Insurance Corporation**

**Financial Statements and
Supplementary Information
(Statutory Basis)**

December 31, 2012 and 2011

Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date SEP 25 2013

Louisiana Citizens Property Insurance Corporation

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Louisiana Citizens Property Insurance Corporation
Metairie, Louisiana

We have audited the accompanying financial statements of Louisiana Citizens Property Insurance Corporation (the "Company"), which comprise the statutory statement of admitted assets, liabilities, surplus and other funds as of December 31, 2012 and 2011, and the related statutory statements of income, changes in accumulated surplus and other funds, and cash flows for the year then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Louisiana Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and surplus of the Company as of December 31, 2012 and 2011, and the results of its operations for the year then ended, in accordance with the financial reporting provisions of the Louisiana Department of Insurance as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of the financial reporting provisions of the Louisiana Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Louisiana Department of Insurance. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic 2012 and 2011 statutory financial statements taken as a whole. The supplementary information included in Schedules I and II as of and for the year ended December 31, 2012 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 basic 2012 statutory statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory-basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic statutory-basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory-basis financial statements or to the statutory-basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory-based financial statements as a whole.

Restriction on Use

This report is intended solely for the information and use of the board of directors and management of the Company and the Louisiana Department of Insurance and is not intended to be and should not be used by anyone other than these specified parties.

Cam Riggs & Ingram, L.L.C.

Metairie, Louisiana
May 31, 2013

Louisiana Citizens Property Insurance Corporation

Statutory Statements of Admitted Assets, Liabilities, Surplus and Other Funds

<i>December 31,</i>	2012	2011
Admitted Assets		
Cash and invested assets		
Bonds	\$ 12,498,332	\$ 42,492,865
Stocks	165,418,425	242,087,976
Cash and short-term investments	63,494,784	93,553,675
<hr/>		
Total cash and invested assets	241,411,541	378,134,516
Premium receivables and agents' balances, net	16,013,495	21,932,011
Reinsurance receivable	14,695,694	5,334,599
Admitted electronic data processing equipment and software, at cost less accumulated depreciation of approximately \$16,421,284 and \$15,229,295 at December 31, 2012 and 2011, respectively	400,867	1,590,857
Emergency assessments receivable - 2005	867,259,781	856,200,000
Emergency assessments receivable - companies	18,343,139	17,872,268
Other receivables	126,494	223,460
<hr/>		
Total admitted assets	\$ 1,158,251,011	\$ 1,281,287,711

See notes to statutory basis financial statements

Louisiana Citizens Property Insurance Corporation

Statutory Statements of Admitted Assets, Liabilities, Surplus and Other Funds (Continued)

<i>December 31,</i>	2012	2011
Liabilities and Accumulated Surplus		
Liabilities		
Loss reserves	\$ 84,069,629	\$ 149,173,734
Loss adjustment reserves	7,414,323	9,361,232
Commissions payable to agents	3,752,606	3,997,126
Unearned premiums	96,565,900	97,867,554
Taxes, licenses, and fees due or accrued	3,580,405	3,425,386
Provision for reinsurance	87,909	176,020
Accounts payable and other accrued expenses	14,637,490	37,555,527
Amounts retained or withheld from others	(835)	14,658
Ceded reinsurance premiums payable, net of ceding commissions	762,428	490,979
Unearned tax exempt surcharge	2,968,810	3,096,928
Interest payable	3,597,566	3,831,747
Bonds payable	834,835,219	871,452,816
Liability for funds restricted for debt service (Note 7)	142,828,076	85,277,266
Total liabilities	1,195,099,526	1,265,720,973
Commitments and contingencies (Note 14)		
Surplus		
Unassigned surplus	(36,848,515)	15,566,738
Total accumulated surplus	(36,848,515)	15,566,738
Total liabilities and accumulated surplus	\$ 1,158,251,011	\$ 1,281,287,711

See notes to statutory basis financial statements

Louisiana Citizens Property Insurance Corporation

Statutory Statements of Income

<i>Years ended December 31,</i>	2012	2011
Revenues		
Premiums earned	\$ 119,325,693	\$ 139,572,947
Losses and underwriting expenses		
Losses incurred	126,588,837	88,378,727
Loss adjustment expenses incurred	27,729,673	18,128,394
Other underwriting expenses	31,286,764	32,468,599
Total losses and underwriting expenses	185,605,274	138,975,720
Net underwriting gain	(66,279,581)	597,227
Net investment income	722,674	1,860,564
Realized gains on marketable securities	2,949	19,822
Interest expense	(46,127,640)	(43,921,340)
Emergency assessment income	45,751,607	42,448,158
Application and other miscellaneous fee expenses	(1,985,697)	2,487,006
Finances and service charges not included in premiums	674,980	825,542
Non-claim related litigation recovery (expense)	17,500,000	(22,500,000)
Net loss from agents or premium balances charged off	(387,390)	(774,798)
Net loss	\$ (50,128,098)	\$ (18,957,819)

See notes to statutory basis financial statements

Louisiana Citizens Property Insurance Corporation

Statutory Statements of Changes in Accumulated Surplus and Other Funds

<i>Years ended December 31,</i>	2012	2011
UNASSIGNED SURPLUS , beginning of year	\$ 15,566,738	\$ 26,553,904
Net loss	(50,128,098)	(18,957,819)
Change in nonadmitted assets	(8,440,009)	1,139,573
Change in provision for reinsurance	88,111	315,210
Change in tax exempt surcharge	5,936,625	6,250,542
<i>Other gains and losses in surplus</i>	128,118	265,328
UNASSIGNED (DEFICIT) SURPLUS , end of year	\$ (36,848,515)	\$ 15,566,738

See notes to statutory basis financial statements

Louisiana Citizens Property Insurance Corporation

Statutory Statements of Cash Flows

<i>Years ended December 31,</i>	2012	2011
Operating Activities		
Premiums, policy proceeds, and other considerations received, net of reinsurance	\$ 116,595,810	\$ 136,569,060
Underwriting expenses paid	(61,052,847)	(56,409,169)
Investment income received	(45,386,172)	(42,030,417)
Other revenues received	61,553,500	22,485,908
Losses and loss adjustment expenses paid	(202,102,598)	(69,919,927)
Net cash used in operating activities	(130,392,307)	(9,304,545)
Investing Activities		
Proceeds from investments sold or matured	390,866,311	253,621,213
Cost of investments acquired	(284,196,770)	(314,812,497)
Net cash provided by (used in) investing activities	106,669,541	(61,191,284)
Financing Activities and Miscellaneous		
Payments on borrowed funds	(36,851,778)	(40,734,167)
Other cash provided	30,515,653	77,009,267
Net cash (used in) provided by financing activities and miscellaneous	(6,336,125)	36,275,100
Net decrease in cash and short-term investments	(30,058,891)	(34,220,729)
Cash and short-term investments, beginning of year	93,553,675	127,774,404
Cash and short-term investments, end of year	\$ 63,494,784	\$ 93,553,675

See notes to statutory basis financial statements

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 1 – ORGANIZATION AND FINANCIAL STATEMENT PRESENTATION

Louisiana Citizens Property Insurance Corporation (the "Company") is a component unit of the State of Louisiana. The Company's principal business activity is to operate insurance plans which provide property insurance for residential and commercial property, solely for applicants who in good faith are entitled, but are unable to procure insurance through the voluntary market. Louisiana Citizens Property Insurance Corporation was created in accordance with provisions of Louisiana Revised Statute (LRS) 22:2293 and began operations on January 1, 2004. The Company operates solely in Louisiana. The Company operates residual market insurance programs designated as the Coastal Plan and the Fair Access to Insurance Requirements Plan (FAIR Plan). The Coastal Plan is for property insurance written on locations between the Gulf of Mexico and the Intracoastal Waterway and the FAIR Plan is for property insurance above the Intracoastal Waterway.

The Company is governed by a board of directors consisting of fifteen members, who serve without compensation. The Board consists of the Commissioner of the Department of Insurance, the State Treasurer, the chairman of the House Committee on Insurance, the chairman of the Senate Committee on Insurance or their designees, six representatives appointed by the Governor, two members appointed by the Commissioner of the Louisiana Department of Insurance, and three members appointed by the Governor.

The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Louisiana Department of Insurance. The State of Louisiana generally requires that insurance companies domiciled in the State of Louisiana prepare their statutory basis financial statements in accordance with the National Association of Insurance Commissioners (NAIC) Accounting Practices and Procedures Manual. Such practices vary from accounting principles generally accepted in the United States of America (GAAP). The more significant variances from GAAP are as follows:

- Commissions and other costs of acquiring insurance are expensed when incurred rather than capitalized and amortized over the terms of the related policies as required by GAAP.
- Certain assets designated as "nonadmitted" are excluded from the balance sheet and are charged directly to unassigned surplus.
- Reserves for losses and loss adjustment expenses are reported net, rather than gross, of certain reinsurance recoverables.
- The statement of cash flows is presented in the required statutory format. This format differs from the format specified by GAAP which requires a reconciliation of net income to net cash flow from operating activities and supplemental schedules of noncash financing and investing activities.
- Comprehensive income and its components are not presented in the financial statements as is required by Accounting Standards Codification (ASC) 220, *Comprehensive Income*.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 1 – ORGANIZATION AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

- 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.

The aggregate effect on the accompanying statutory financial statements of the variations from GAAP is outlined in Note 12 to the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in conformity with accounting practices prescribed or permitted by the Louisiana Department of Insurance which require 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 reported period. Actual results could differ from those estimates.

In connection with the preparation of the financial statements, management of the Company evaluated subsequent events through May 31, 2013, which was the date the financial statements were available to be issued.

Cash and Short-Term Investments

For the purpose of reporting cash flows, cash and short-term investments include all liquid investments with a maturity of one year or less when purchased. Short-term investments are stated at market, which approximates fair value. The Company holds cash of approximately \$35 million and short-term investments of approximately \$28 million.

Bonds

Bonds, which consist solely of debt securities, are recorded at admitted asset values as prescribed by NAIC valuation procedures, and are rated in accordance with current NAIC guidelines. Debt securities are stated at amortized cost using the interest method.

Equity Investments

Equity investments held by the Company represent money market mutual funds. Shares of mutual funds, regardless of the underlying security, are considered to be shares of common stock and are reported as such as designated by NAIC reporting requirements. These funds, for fair value purposes are stated at market, which approximated fair value.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EDP Equipment and Operating System Software

Electronic Data Processing (EDP) equipment and software purchased or developed for internal use with an original cost of over \$1,000,000 is capitalized and depreciated. EDP equipment and software with an original cost of \$16,822,151 and \$16,820,151 at December 31, 2012 and 2011, respectively, is being depreciated using the straight-line method over the software's useful life of three years, in accordance with NAIC statutory requirement. Depreciation expense for admitted EDP equipment and operating system software approximated \$1,200,000 and \$1,200,000 for the years ended December 31, 2012 and 2011, respectively.

Depopulation

The Company is required to undertake a depopulation effort annually per Louisiana state statute R S 22 2314. The Company accounts for premiums of depopulated policies as a reduction of direct premiums written. Losses and other costs associated with depopulated policies are assumed by the acquiring entity and thus are removed from the Company's financial statements.

Loss Reserves and Loss Adjustment Expense Reserves

The liabilities for losses and loss adjustment expenses include an amount determined from loss reports and individual cases and an amount, based on historical data, for losses incurred but not reported. Such liabilities are necessarily based on estimates and, while management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed, and any adjustments are reflected in current earnings.

Premiums

Premiums are recorded as earned on a daily pro rata basis over the policy period. The portion of premiums not earned as of the end of the period are recorded as unearned premiums.

Premiums receivable includes amounts due from policyholders for billed premiums. Billings are calculated using the annual premiums for each policy and are paid either through an installment plan offered by the Company or in their entirety at the inception of the policy.

Market Risk

The Company underwrites residential and commercial property insurance policies in the State of Louisiana through the Coastal Plan and the FAIR Plan. Therefore, adverse economic changes or certain changes in the insurance laws of the State of Louisiana could have a significant impact on the Company's future financial position and results of operations.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Market Risk (continued)

The Coastal Plan is for property insurance written on locations between the Gulf of Mexico and the Intracoastal Waterway. The FAIR Plan is for property insurance above the Intracoastal Waterway. Therefore, severe storm activity in any of these areas or throughout the State of Louisiana could have a significant impact on the Company's future financial position and results of operations.

Assessments

In the event that the Governing Board of the Company determines that a deficit exists in either the Coastal Plan or the FAIR Plan, the Company may levy a regular assessment for each affected Plan in order to remedy any deficit. All insurers who become authorized and then engage in writing property insurance within Louisiana shall participate in regular assessment of the Coastal and FAIR Plans in the proportion that the net direct premium of such participant written in the State during the preceding calendar years bears to the aggregate net direct premiums written in the State by all insurers during the preceding calendar year as certified to the Governing Board by the Louisiana Insurance Rating Commission.

When the deficit incurred in a particular calendar year is not greater than ten percent of the aggregate state wide direct written premium for the subject lines of business for the prior calendar year, the entire deficit will be recovered through regular assessments. When the deficit incurred exceeds ten percent, the regular assessment may not exceed the greater of ten percent of the calendar year deficit, or ten percent of the aggregate statewide direct written premium for the subject lines of business for the prior calendar year. Any remaining deficit shall be recovered through an emergency assessment.

All persons who procure a policy of insurance of one or more subject lines of business from an insurer who becomes authorized and then engages in writing property insurance within Louisiana from the FAIR or Coastal Plans are subject to emergency assessment by the Company.

Upon determination by the Governing Board of the Company that a deficit exceeds the amount allowed to be recovered through regular assessment, the governing Board shall levy an emergency assessment for as many years as necessary to cover all deficits. The amount of emergency assessment levied in a particular year shall be a uniform percentage of that year's direct written premium for the subject lines of business. The total amount of emergency assessment levied in any calendar year will not exceed the greater of (a) ten percent of the amount needed to cover the original deficit plus interest, fees, commissions, required reserves, and other costs associated with the financing of the original deficit, or (b) ten percent of the aggregate state wide direct written premiums for subject lines of business and for all plan accounts of the Company for the prior year, plus interest, fees, commissions, required reserves, and other costs associated with financing the original deficit. To the extent the aggregate amount of the emergency assessment will not exceed the greater of (a) or (b) above, the governing Board shall impose an emergency assessment in the amount required by any applicable loan agreement, trust indenture or other financing agreement.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liability for Funds Restricted For Debt Service and Related Accounting Changes

The Commissioner of Insurance has the right to permit other specific practices that deviate from prescribed practices. During the second quarter of 2009, with agreement from the Louisiana Department of Insurance (“the Department”), the Company received permission from the Department to reclassify, as a liability, the excess emergency assessments collected that were greater than the debt service costs since the inception of the bond debt in 2006 with the cumulative excess amount being \$142,828,076 and \$85,277,266 at December 31, 2012 and 2011, respectively. The Company will record emergency assessment collections and costs through net income only in amounts sufficient to offset interest costs and amortization of bond issuance costs.

Reinsurance

Premiums ceded under reinsurance agreements are recorded as a reduction of earned premiums. Reinsurance recoverables on unpaid losses are recorded as a reduction of losses incurred and loss adjustment expenses incurred. Reinsurance recoverable on paid losses are recorded as an asset in the accompanying statutory statements of admitted assets, liabilities, surplus and other funds. All catastrophe reinsurance payments are recorded as premiums ceded and are amortized over the life of the hurricane season for which the payments apply. Premiums ceded include catastrophe reinsurance purchased.

Income Taxes

The Company constitutes an integral part of the State of Louisiana and its income is exempt from federal income tax pursuant to Private Letter Ruling 160165-03 from the Internal Revenue Service. Obligations issued by the Company constitute obligations of the State of Louisiana within the meaning of section 103(c)(1) of the Internal Revenue Code.

Financial Instruments

The carrying value of cash and cash equivalents, premiums receivable, other admitted assets and other liabilities approximates fair value given their short-term nature.

Unlike private insurers that are subject to liquidation in the event of insolvency, the Company is able (and statutorily required) to levy assessments in the event of a deficit in any or all of its accounts.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 3 – REPURCHASE AGREEMENTS

In 2006, the Company entered into a Repurchase Agreement with Societe Generale, New York Branch to invest a portion of the Debt Service Reserve Fund. The agreement requires Societe Generale to maintain margins on collateral of 104% to 105% of market value depending on the type of collateral. Acceptable securities are GNMA, Government Agencies, mortgage backed securities of FHLMC or FHLB and U S Treasury securities. The custodian for the collateral is Wells Fargo Bank, N A.

The collateral percentage, fair value and book value of collateral accepted from Societe Generale as of December 31, was

	Collateral Percentage	Book Value	Fair Value
December 31, 2012	106.53%	\$30,146,609	\$ 28,298,272
December 31, 2011	106.98%	\$ 30,273,760	\$ 28,298,272

NOTE 4 – BONDS

The amortized cost and aggregate fair value of bonds were as follows

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2012				
U S Treasury Securities	\$ 12,498,332	\$ 52,897	-	\$ 12,551,229

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2011				
U S Treasury Securities	\$ 42,492,865	\$ 95,883	-	\$ 42,588,748

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 4 – BONDS (CONTINUED)

Fair value was determined based on market prices published by the NAIC Securities Valuation Office (SVO), if the securities are priced by the NAIC. When prices are not available from the NAIC, fair market value is based on the market prices provided by Interactive Data, a pricing service.

The amortized cost and fair value of securities at December 31, 2012, 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	\$ 12,498,332	\$ 12,551,229
Due after one year through five years	-	-
Due after five years through ten years	-	-
Due after 10 years	-	-
Total	\$ 12,498,332	\$ 12,551,229

Net investment income consists of

Years ended December 31,	2012	2011
Interest earned on U S Treasury Securities	\$ 217,597	\$ 373,480
Interest earned on money market mutual funds	145,936	395,994
Interest earned on cash, cash equivalents and short-term investments	1,468,685	1,105,590
Investment expenses	(1,109,544)	(14,500)
Total	\$ 722,674	\$ 1,860,564

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 5 – LIABILITIES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

Activity in the liabilities for loss and loss adjustment expenses is summarized as follows (in thousands of dollars)

<i>Years ended December 31,</i>	2012	2011
Balance at January 1	\$ 158,535	\$ 147,338
Incurred related to		
Current year	111,677	78,851
Prior years		
Policyholder obligations	42,641	27,656
Total incurred	154,318	106,507
Paid related to		
Current year	101,892	64,331
Prior years		
Policyholder obligations	119,477	30,979
Total paid	221,369	95,310
Balance at December 31	\$ 91,484	\$ 158,535

For both catastrophic and non-catastrophic claims, the loss adjusting function is performed by the Company through its employees and through contracted independent adjusting firms. The Company compensates the independent adjusting firms, depending upon the type or nature of the claims, either on per-day rate or on a graduated fee scheduled based on the gross claim amount, consistent with industry standard methods of compensation.

The Company is involved in a number of class action lawsuits and other legal proceedings arising out of various aspects of its business which have been reserved for above. See Note 14 for a description of these class action claims.

NOTE 6 – AGENT COMMISSIONS AND SERVICING COMPANY FEES

The Company policies are written by various insurance agents licensed in the State of Louisiana. These agents are compensated at commission rates established by the Board and calculated as a percentage of direct written premiums, net of certain surcharges and assessments. Agent commissions included in other underwriting expenses incurred were approximately \$18.3 and \$19 million during 2012 and 2011, respectively.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 6 – AGENT COMMISSIONS AND SERVICING COMPANY FEES (CONTINUED)

Additionally, the Company has entered into agreements with two servicing companies to provide underwriting and policy management services. The agreements provide for monthly compensation to the servicing companies based on a "Per Transaction Fee" applied to the number of transactions processed in a monthly cycle. During 2012, the servicing agreements were extended under the same (or similar) terms and expire on March 31, 2013. Servicing company fees incurred and included in other underwriting expenses incurred were approximately \$3.5 and \$4.1 million during 2012 and 2011, respectively.

NOTE 7 – CAPITAL AND ACCUMULATED SURPLUS

Changes in balances of surplus from the prior year are, in part, due to collections made by the Company during the normal course of collecting policy component charges. The policy component charge affecting surplus funds is the tax exempt surcharge.

In 2005, the Company suffered losses of \$1.3 billion as a result of hurricanes Katrina and Rita. In 2006, the Company issued \$978.2 million of bonds to pay for these losses. Under LRS 22:2291, the Company may assess, in any one year, up to 10% of the total property premiums assessable state-wide to pay the debt service on the bonds. The total statewide assessable premiums are approximately \$2.3 billion.

Emergency assessments were as follows:

<i>Years ended December 31,</i>		2012	2011
2007	3.6% assessment rate	\$ 78,012,088	\$ 78,012,088
2008	5.0% assessment rate	99,751,686	99,751,686
2009	5.0% assessment rate	116,753,866	116,753,866
2010	4.3% assessment rate	103,046,094	103,046,094
2011	4.0% assessment rate	101,027,353	101,027,353
2012	3.9% assessment rate	92,242,635	-
		590,833,722	498,591,087
Plus cumulative bond earnings		46,715,961	45,230,384
Less cumulative debt service		(494,721,607)	(458,544,205)
Liability for funds restricted for debt service		\$ 142,828,076	\$ 85,277,266

The unassigned (deficit)/surplus approximated (\$36.8) and \$15.6 million at December 31, 2012 and 2011, respectively. Approximately \$406.3 million of future emergency assessments are attributed to the 2005 operating loss.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 8 – REINSURANCE AGREEMENTS

The Company purchases private reinsurance through Aon Benfield, Inc., as a licensed reinsurance intermediary. The participating reinsurance companies will reimburse the Company, through the intermediary, a specified percentage of losses incurred if a prescribed retention is reached.

The Company purchases reinsurance based on levels of loss. The Company is liable for the first amount of ultimate net loss, shown in the table below as “Company Retention”, arising out of each loss occurrence. The reinsurer is then liable, as respects each excess layer, for the amount by which such ultimate net loss exceeds the Company’s applicable retention for that layer. However, the liability of the reinsurer under any excess layer of reinsurance coverage provided does not exceed either of the following: (1) the amount shown below as “Reinsurer Per Occurrence Limit” for that excess layer as respects loss or losses arising out of any one loss occurrence, or (2) the amount shown as “Reinsurer’s Term Limit” for that excess layer. Each excess layer of reinsurance coverage provided is as follows:

For the year ended December 31, 2012

	January 1, 2012 to May 31, 2012		June 1, 2012 to December 31, 2012	
	First Excess	Second Excess	First Excess	Second Excess
Company’s Retention	\$ 75,000,000	\$ 200,000,000	\$ 75,000,000	\$ 200,000,000
Reinsurer’s Per Occurrence Limit	\$ 125,000,000	\$ 300,000,000	\$ 125,000,000	\$ 125,000,000
Reinsurer’s Term Limit	\$ 250,000,000	\$ 600,000,000	\$ 250,000,000	\$ 250,000,000
Annual Minimum Premium	\$ 24,000,000	\$ 36,000,000	\$ 21,000,000	\$ 14,750,000
Adjustment Rate	0.125520%	0.182800%	0.120690%	0.084770%

For the year ended December 31, 2011

	January 1, 2011 to May 31, 2011		June 1, 2011 to December 31, 2011	
	First Excess	Second Excess	First Excess	Second Excess
Company’s Retention	\$ 100,000,000	\$ 200,000,000	\$ 75,000,000	\$ 200,000,000
Reinsurer’s Per Occurrence Limit	\$ 100,000,000	\$ 300,000,000	\$ 125,000,000	\$ 300,000,000
Reinsurer’s Term Limit	\$ 200,000,000	\$ 600,000,000	\$ 250,000,000	\$ 600,000,000
Annual Minimum Premium	\$ 16,800,000	\$ 33,000,000	\$ 24,000,000	\$ 36,000,000
Adjustment Rate	0.078723%	0.154634%	0.125520%	0.188280%

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 8 – REINSURANCE AGREEMENTS (CONTINUED)

In the event that all or any portion of the reinsurance under the excess layer above is exhausted by loss, the amount exhausted will be reinstated immediately upon payment of a reinsurance premium. The Company has entered into a Reinsurance Premium Protection (RPP) contract which guarantees payment of the reinstatement premium.

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

Years ended December 31,	2012 Premiums		2011 Premiums	
	Written	Earned	Written	Earned
Direct	\$ 189,105,672	\$ 189,742,786	\$ 197,175,053	\$ 204,232,519
Ceded	(70,417,093)	(70,417,093)	(64,659,572)	(64,659,572)
Net premiums	\$ 118,688,579	\$ 119,325,693	\$ 132,515,481	\$ 139,572,947

Amounts recoverable from reinsurers on unpaid losses and loss adjustment expenses are estimated based on the allocation of estimated unpaid losses and loss adjustment expenses among coverage lines. Actual amount recoverable will depend on the ultimate settlement of losses and loss adjustment expenses. 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.

The reserve for uncollectable reinsurance recoverables at December 31, 2012 and 2011 were as follows:

<i>December 31,</i>	2012	2011
Alterra Bermuda LTD	\$ 8,475	\$ -
Anel Reinsurance Co Ltd	12,514	-
AXA Re	22,525	-
Colisee Re	17,398	172,162
Mapfre Re Compania De Reasegueros Sa	714	3,858
Montpelier Reinsurance LTD	20,026	-
Validus Reinsurance LTD	6,257	-
	\$ 87,909	\$ 176,020

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 9 – LINE OF CREDIT

The Company maintains a line of credit providing for a maximum borrowing of \$75,000,000. Interest on this note is payable monthly at a variable rate based on the 30 day London Interbank Offered Rate (LIBOR) plus 2.4% for the first 90 days following the date drawn and 30 day LIBOR plus 2.75% commencing on the 91st day. LIBOR at December 31, 2012 was 0.21%. The line of credit is secured by all premiums and accounts receivable and revenue from all sources, exclusive of emergency assessments resulting from the 2005 catastrophes, and expires in June 2015. There was no balance outstanding on the line of credit at December 31, 2012 or 2011.

NOTE 10 – BONDS PAYABLE

Series 2006B – During April 2006, the Company issued \$678,205,000 of assessment revenue bonds for the purpose of redeeming bond anticipation notes issued to finance, on an interim basis, a portion of the Plan Year Deficit for 2005 in the FAIR Plan resulting from Hurricanes Katrina and Rita, to finance the balance of the Plan Year Deficit for 2005, to make deposits to the Capitalized Interest Fund and the Debt Service Reserve Fund and to pay costs of issuance. The bonds were issued in denominations of \$5,000 or any integral multiple thereof. The 2006B bonds bear interest ranging from 4.00% to 5.25% per annum, payable semiannually on June 1 and December 1 of each year, commencing December 1, 2006. The bonds are secured, together with additional bonds, if any, by pledged revenues, which include primarily the 2005 Emergency Assessments. The bonds are not secured by the full faith and credit of the State of Louisiana. Payment of the principal of and interest on the bonds when due is insured by a bond insurance policy. The bond maturity dates range from June 1, 2009 to June 1, 2023. Bond principal payments of \$37,735,000 and \$35,080,000 were made in 2012 and 2011, respectively.

Series 2006C1 through 2006C4 – During April 2006, the Company issued \$300,000,000 of assessment revenue bonds at auction rate for the purpose of redeeming bond anticipation notes issued to finance, on an interim basis, a portion of the Plan Year Deficit for 2005 in the FAIR Plan resulting from Hurricanes Katrina and Rita, to finance the balance of the Plan Year Deficit for 2005, to make deposits to the Capitalized Interest Fund and the Debt Service Reserve Fund and to pay cost of issuance. The bonds were issued in denominations of \$25,000 or any integral multiple thereof. Prior to their remarketing explained below, interest on the bonds adjusted based upon 35-day Auction Periods. Generally, the interest payment date for an auction period was the business day immediately following each auction period. The length of the auction period with respect to the bonds could be changed at the option of the Company in accordance with the auction agreement. The bonds are secured, together with additional bonds, if any, by pledged revenues, which include primarily the 2005 Emergency Assessments. The bonds are not secured by the full faith and credit of the State of Louisiana. Payment of the principal and interest on the bonds when due is insured by a bond insurance policy. The bonds were reoffered in March 2009 after the Auction Rate Securities market collapsed.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 10 – BONDS PAYABLE (CONTINUED)

During March 2009, the 2006C1 through 2006C4 series were reoffered in connection with the conversion of the interest rate from the auction mode rate to the long term interest rate and the remarketing of the 2006C bonds. In connection with the conversion and remarketing of the Series 2006C bonds, the original seventh supplement indenture was amended and restated by the amended and restated seventh supplemental indenture of trust dated as of April 1, 2009. The Series 2006B bonds were originally issued for the purpose of providing funds to redeem bond anticipation notes issued to finance, on an interim basis, a portion of the Plan Year Deficit for 2005 in the FAIR Plan resulting from hurricanes Katrina and Rita, to finance the balance of the Plan Year Deficit for 2005, to make deposits to the capitalized interest fund and the debt service reserve fund for the Series 2006C bonds and to pay costs of issuance. The Series 2006C bonds were remarketed in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. On and after the respective conversion dated of each subseries of the series 2006C bonds, interest on the bonds is payable on each June 1 and December 1 commencing June 1, 2009, until maturity or prior redemption and the bonds were converted to the long-term interest rate on May 6, 2009. The 2006C bonds bear interest ranging from 2.75% to 6.75% per annum. On and after the respective conversion dates of each subseries of the series 2006C bonds, the scheduled payment of principal and interest on such subseries of the bonds, when due, is guaranteed under a financial guaranty insurance policy issued concurrently with the delivery of such subseries of the 2006C bonds by Assured Guaranty Corp. The Series 2006C bonds are subject to optional redemption prior to maturity. In April 1, 2012 the 2006C4 bonds were paid with the issuance of the 2012R bonds proceeds. The bond maturity dates range from June 1, 2009 to June 1, 2026. Principal payments, including the refinanced amount, were \$56,035,000 and \$2,745,000 in 2012 and 2011, respectively.

Series 2012R –During April 2012, The Company issued \$53,620,000 of assessment revenue refunding bonds in order to advance refund \$54,235,000 principal amount of the Assessment Revenue Bonds Series 2006C4, issued in the original aggregate principal amount of \$75,000,000, and to pay the cost of issuance of the Series 2012R bonds. The bonds were issued in denominations of \$5,000 or any integral multiple thereof. The 2012R bonds bear interest ranging from 2.00% to 5.00% per annum, payable semiannually on June 1 and December 1 of each year, commencing June 1, 2012. The bond maturity dates range from June 1, 2012 to June 1, 2024. Bond principal payments of \$185,000 were made in 2012.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 10 – BONDS PAYABLE (CONTINUED)

A schedule of debt service requirements, including bond premiums and discounts, is as follows

<u>Maturity</u>	
2013	45,140,954
2014	47,042,808
2015	49,111,149
2016	51,208,799
2017-2021	291,461,637
2022-2026	350,869,872
	\$ 834,835,219

Net unamortized premium at December 31, 2012 and 2011 was approximately \$18.9 and \$15.2 million, respectively

The total interest expense on the fixed rate bonds for the years ended December 31, 2012 and 2011 was approximately \$46 and \$44 million, respectively, including annual amortized premium of \$2.9 and \$3.0 million, respectively, and is included in "Interest expense, net" in the accompanying Statutory Statement of Operations

NOTE 11 – RETIREMENT PLAN

Prior to September 1, 2008, the Company sponsored a non-contributory defined benefit pension plan covering all employees that were hired prior to April 1, 2008, through a services agreement with Property Insurance Association of Louisiana (PIAL) in which retirement expenses were previously reimbursed to PIAL. As of September 1, 2008, the Company froze its defined benefit pension plan and converted it to a defined contribution plan. The Company contributes 11% of each employee's wages to the defined contribution plan. Contributions are expensed each month and the Company carried no assets or liabilities for the defined contribution plan on its statement of admitted assets, liabilities and surplus. The Company's contribution to the plan was approximately \$639,624 and \$733,625 in 2012 and 2011, respectively.

In addition, the Company sponsors a contributory 401k plan covering eligible employees for which the Company matches 75% of employee contributions up to a maximum of 6% of eligible compensation. Contributions by the Company to the 401k plan during 2012 and 2011 totaled \$189,473 and \$191,280, respectively.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 12 – LEASES

The Company is obligated under certain non-cancelable operating leases for office space that will expire in July 2014. The future minimum payments as of December 31, 2012 follow:

<i>Years ending December 31,</i>	
2013	451,964
2014	264,666
	\$ 716,630

Rental expense for 2012 and 2011 was approximately \$454,000 and \$455,000, respectively.

NOTE 13 – RECONCILIATION OF GAAP AND STAT BASES OF ACCOUNTING

Accounting principles generally accepted in the United States of America (GAAP basis) differ in certain respects from the accounting practices prescribed or permitted by insurance regulatory authorities (statutory basis). A reconciliation between the change in net assets and the deficiency in net assets as reported under GAAP basis and statutory basis follows:

<i>Years ended December 31,</i>	2012	2011
Change in net assets - GAAP basis	\$ 1,881,351	\$ 36,887,388
Adjustments to		
Policy acquisition costs	63,713	705,747
Pension and employee benefit plan expense	(202,232)	(569,547)
Bond issuance costs	780,876	1,242,800
Excess emergency assessments	(46,491,028)	(50,268,596)
Allowance for doubtful accounts	(165,710)	(1,443,136)
Other	69,675	940,012
Tax exempt surcharge	(6,064,743)	(6,452,437)
Net loss - Statutory Basis	\$ (50,128,098)	\$ (18,957,819)

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 13 – RECONCILIATION OF GAAP AND STAT BASES OF ACCOUNTING (CONTINUED)

<i>December 31,</i>	2012	2011
Total deficiency in net assets - GAAP basis	\$(728,993,174)	\$(730,874,526)
Adjustments to		
Non-admitted assets	(13,394,440)	(4,919,524)
Policy acquisition costs	(9,279,305)	(9,343,018)
Other accrued liabilities	915,757	1,013,413
Bond issuance costs	(14,107,579)	(14,888,461)
Excess emergency assessments	(142,828,076)	(85,277,266)
Allowance for doubtful accounts	3,666,430	3,832,140
Assessments receivable	867,259,781	856,200,000
Provision for reinsurance	(87,909)	(176,020)
Accumulated (deficit) surplus - Statutory basis	\$ (36,848,515)	\$ 15,566,738

NOTE 14 – COMMITMENTS AND CONTINGENCIES

The Company is involved in certain litigation and disputes incidental to its operations. In the opinion of management, after consultation with legal counsel, there are substantial defenses to such litigation and disputes and any ultimate liability, in excess of reserves resulting there from, will not have a material adverse effect on the Company's financial condition or results of operations.

The Company is also involved in other potentially significant litigation described below, any of which could have a material adverse effect on the financial condition or results of operations. These matters raise difficult and complicated factual and legal issues and are subject to many uncertainties and complexities, including the underlying facts of each matter, novel legal issues, variations between jurisdictions in which matters are being litigated, heard, or investigated, differences in applicable laws and judicial interpretations, the length of time before many of these matters might be resolved by settlement, through litigation or otherwise, and the current legal environment faced by large corporations and insurance companies.

The outcome of these matters may be affected by decisions, verdicts, settlements and the timing of such in other individual and class action lawsuits that involve the Company, other insurers, or other entities and by other legal, governmental, and regulatory actions that involve the Company, other insurers, or other entities. The outcome may also be affected by future state legislation, the timing or substance of which cannot be predicted.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 14 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

In lawsuits, plaintiffs seek a variety of remedies. In some cases, the monetary damages sought include punitive or treble damages. Often specific information about the relief sought, such as the amount of damages is not available. When specific monetary demands are made, they are often set just below a state court jurisdictional limit in order to seek the maximum amount available regardless of the specifics of the case.

For the reasons previously specified, it is often not possible to make meaningful estimates of the amount or range of loss that could result from the known and unknown matters described. The Company reviews these matters on an ongoing basis and follows appropriate accounting guidance when making accrual and disclosure decisions. When assessing “reasonably possible” and “probable” outcomes, the Company bases its decisions on its assessment of the ultimate outcome following all appeals. Additionally, in instances where a judgment, assessment or fine has been rendered against the Company, there is a presumption that criteria in reaching a “reasonably possible” and “probable” outcome has been met. In such instances, the amount of liability recorded by the Company will include the anticipated settlement amount, legal costs, insurance recoveries and other related amounts and take into account factors such as the nature of the litigation, progress of the case, opinions of legal counsel, and management’s intended response to the litigation, claim, or assessment.

Due to the complexity and scope of the matters disclosed below and the many uncertainties that exist, the ultimate outcome of these matters cannot be reasonably predicted. In the event of an unfavorable outcome in any one or more of these matters, the ultimate liability may be in excess of amounts currently reserved.

A summary of potentially significant litigation follows.

Orrill v. Louisiana Citizens Property Insurance Corporation The plaintiffs in this suit allege the Company failed to make timely payments after satisfactory Proof of Loss was furnished by the insured. This class contains approximately 10,000 members, but not all of them have been determined to be eligible to participate in the class. The Company entered into a settlement agreement with the class. The Company has a reserve of \$19.3 million for this case which covers the cost of the settlement agreement. In February 2013, The Company paid \$18.8 million towards the settlement with the remainder held for settlement costs.

Oubre v. Louisiana Citizens Property Insurance Corporation The plaintiffs in this suit allege that the Company failed to timely initiate loss adjustment as required by Louisiana statutory law exposing the Company to mandatory penalties in the amount of \$5,000.00. On July 23, 2012 the Company settled the majority of this class action suit with a payment of \$104 million to the plaintiff counsel for distribution to the current class members. The Company entered into a settlement with the class for the remaining Oubre claims. The Company has a reserve of \$42 million for this case for resolution of the remaining claims which the Company believes is adequate.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 14 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Thibodeaux v. Louisiana Citizens Property Insurance Corporation The plaintiffs in this suit allege that the Company failed to include the \$65 00 application fee on its declaration page for all new policies. Plaintiffs seek return of the \$65 00 application fee for all affected policyholders. This matter was certified as a class action by the court on February 17, 2009 and the Company filed its appeal with the 1st Circuit Court of Appeals. During 2010, the Company established a reserve associated with this action of \$22.5 million which was included in other accrued expenses. In July 2012, the Court of Appeal decertified the class. Since this case was decertified the Company has reduced its liability for this matter to zero.

The Company is involved in a lawsuit with Louisiana Road Home Corporation where the plaintiff alleges that the Company failed to include Road Home as a payee on some claims payments resulting from Hurricane Katrina. Although it is not yet able to determine its exposure or predict an outcome in the lawsuit, the Company established a reserve of \$5 million for this matter. Management intends to vigorously defend the claim and believes that losses resulting from this matter, if any, would not have a material effect on the financial position of the Company.

Various other lawsuits against the Company have arisen in the course of the Company's business, including approximately 1,000 pending suits as of December 31, 2012 associated with hurricanes Rita and Katrina which occurred in 2005. Approximately 65% of these matters are first-party suits related to Hurricanes Katrina and Rita. The Company believes it has established appropriate reserves for all lawsuits, in addition to class action claims described above. The Company has no assets that it considers to be impaired.

In addition to claims under the insurance policies it issues, the Company is potentially exposed to various risks of loss, including those related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. As of the end of 2012, the Company had insurance protection in place from various commercial insurance carriers covering various exposures, including workers' compensation, property loss, employee liability, general liability, and directors and officers' liability. Management continuously revisits the limits of coverage and believes that current coverage is adequate. There were no significant reductions in insurance coverage from the previous year.

NOTE 15 – DEPOPULATION

The Louisiana State Legislature created the Company to operate insurance plans as a residual market for residential and commercial property. The legislature further intended that the Company work toward the ultimate depopulation of these residual market plans also known as the Coastal Plan and the FAIR plan. To encourage the ultimate depopulation of these residual market plans, the Louisiana Citizens Property Insurance Corporation Policy Take-Out Program was created.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 15 – DEPOPULATION (CONTINUED)

Under the take-out plan guidelines, not less than once per calendar year, the Company will offer its in-force policies for removal to the voluntary market. The Company will include offers for depopulation policies with all available geographic and risk characteristics that serve to reduce the exposure of the corporation. Each insurer admitted to write homeowners insurance or insurance insuring one- or two-family owner occupied premises for fire and allied lines or insurance which covers commercial structures in the state of Louisiana may apply to the Company to become a take-out company. Insurers will be approved to participate in the depopulation of the Company based on statutory guidelines set forth in accordance with LRS 22:2314 (C).

Policies may be removed from the Company at policy renewal or as part of a bulk assumption. In an assumption, the take-out company is responsible for losses occurring from the assumption date through the expiration of the Company's policy period.

Unearned premiums remitted to take-out companies pursuant to assumption agreements is reflected as a reduction in "Premiums earned" in the Statutory Statement of Operations and totaled \$8,645,118 and \$12,864,678 for the years ended December 31, 2012 and 2011, respectively.

The Company provides administration services with respect to the assumed policies. All agreements provide for the take-out company to adjust losses. The take-out company pays a ceding commission to the Company to compensate the Company for policy acquisition costs, which includes servicing company fees and agent commissions. While the Company is not liable to cover claims after the assumption, the Company continues to service policies for items such as policy holder endorsements or cancellation refunds. Should the Company process and provide a refund to policyholders, such amount is subsequently collected from the take-out company. At December 31, 2012 and 2011, assumed premiums in the amount of \$7,154 and \$-0-, respectively, were due from certain take-out companies.

NOTE 16 – SUBSEQUENT EVENTS

The Company evaluated all events or transactions that occurred after December 31, 2012 through May 31, 2013, the date the Company issued these financial statements. During this period, except as disclosed in Note 14, the Company did not have any material recognizable subsequent events that required recognition in the disclosures to the December 31, 2012 financial statements.

Louisiana Citizens Property Insurance Corporation

Schedule I – Summary Investment Information December 31, 2012

	<u>Gross investment holdings</u>		<u>Admitted assets as reported in the annual statement</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Bonds				
Issue by U S government sponsored agencies	\$ 12,498,332	5.177%	\$ 12,498,332	5.177%
Equity interests				
Investments in mutual funds	165,418,425	68.521%	165,418,425	68.521%
Cash, cash equivalents, short-term investments	63,494,784	26.301%	63,494,784	26.301%
Total invested assets	\$ 241,411,541	100.000%	\$ 241,411,541	100.000%

Louisiana Citizens Property Insurance Corporation

Schedule II – Supplemental Investment Risk Interrogatories December 31, 2012

The following is a summary of certain statutory financial data included in the supplemental investment risk interrogatories

- 1 Total admitted assets as reported on the statutory statement of admitted assets, liabilities and accumulated deficit \$1,158,251,011

- 2 By investment category, the ten largest exposures to a single issuer/borrower/investment, excluding (i) 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, (ii) property occupied by the Company, and (iii) policy loans

Issuer	Description of Exposure	Amount	Percentage of total admitted assets
Federated Treas Oblig Fund 398	CS - Money Market Mutual	\$ 117,307,676	10.1%
Regions Trust Cash Sweep	CS-Money Market Mutual	\$ 48,110,749	4.2%
Repurchase Agreement w/ Societe	Short-Term Investments	\$ 28,298,272	2.4%

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

Bonds	At Year-end	
	1	2
3 01 NAIC-1	\$ 40,796,604	3.5%

Interrogatories 4 through 19 are not applicable to the Company

Louisiana Citizens Property Insurance Corporation

Schedule II – Supplemental Investment Risk Interrogatories (Continued) December 31, 2012

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

	At Year-end		At End of Each Quarter		
	1	2	3	4	5
20 02 Repurchase agreements	\$ 28,298,272	2.4%	\$ 28,298,272	\$ 28,298,272	\$ 28,298,272

Interrogatories 21 through 23 are not applicable to the Company