Louisiana Citizens Property Insurance Corporation

Financial Statements and Supplementary Information

December 31, 2013 and 2012

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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), a component unit of the State of Louisiana, which comprise the statements of net position as of December 31, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the years 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 accounting principles generally accepted in the United States of America; this includes 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 fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 net position of Louisiana Citizens Property Insurance Corporation as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana
June 30, 2014

Company Background

This discussion provides an assessment by management of the financial position, results of operations, cash flow and liquidity for Louisiana Citizens Property Insurance Corporation (LCPIC). LCPIC was established in 2003 by the Louisiana legislature as a nonprofit corporation to operate residual market insurance plans effective January 1, 2004. The objective of LCPIC is to provide essential property insurance for residential and commercial property applicants who are unable to procure insurance through the voluntary market. LCPIC is the successor to the program established by Act 424 of the 1992 Regular Legislative Session designated as the "Fair Access to Insurance Requirements Plan" or otherwise known as the Louisiana Joint Reinsurance Plan (FAIR Plan) and the Louisiana Insurance Underwriting Plan (Coastal Plan). Information presented in this discussion supplements LCPIC's 2013 Annual Financial Statements.

Major events occurring in 2013 for LCPIC were:

- LCPIC moved all claims management and underwriting services in house. Prior to 2013, LCPIC employed two service providers for underwriting and claims services. The cost savings from this change are estimated to exceed $5 million.
- LCPIC's bond rating upgrade with Moody's, Fitch, and Standard & Poor's was affirmed in 2013.
- In April 2013, LCPIC increased its line of credit with Regions Bank from $75 million to $125 million. The intent is to provide additional liquidity to pay claims resulting from future catastrophes.
- In May 2013, LCPIC purchased a $140 million four-year catastrophe bond. In 2012, a $125 million three-year catastrophe bond was purchased. For the 2013 storm season LCPIC had storm coverage of $650 million with a $50 million retention that includes a traditional reinsurance program and the cat bonds.
- LCPIC completed a seventh round of depopulation effective December 1, 2013 transferring 12,768 policies and approximately $2.8 billion of exposure to the private insurance market.

Financial Position

LCPIC's financial position at December 31 was as follows:

Balance Sheet (in thousands of dollars - 000)	2013	2012 (Restated)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$123,196	$80,453
Receivables (net, allowance for doubtful accts.)	50,367	63,533
Prepayments	13,661	9,385
Other current assets	2,221	2,881
Total current assets	189,445	156,252
NONCURRENT ASSETS:		
Restricted assets – cash	$7,669	$2,854
Restricted assets with bond trustee	154,264	145,606
Investments	0	12,498
Capital assets, net of accumulated depreciation	819	739
Other noncurrent assets	124	84
Total noncurrent assets	162,876	161,780
Total assets	$352,321	$318,032
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accruals	$83,958	$119,790
Unearned revenues	96,322	99,535
Other current liabilities	13,572	6,699
Current portion of long-term liabilities:		
Compensated absences payable	95	113
Bonds payable (including unamortized costs)	47,043	45,141
Total current liabilities	240,990	271,278
NONCURRENT LIABILITIES:		
Claims and litigation payable	18,000	5,000
Bonds payable (including unamortized costs)	742,651	789,694
Other noncurrent liabilities	9,267	4,440
Total noncurrent liabilities	769,918	799,134
Total liabilities	1,010,908	1,070,412

Financial Position (continued)

NET POSITION		
Net investment in capital assets	819	739
Restricted for debt service	313,653	269,939
Unrestricted	(973,059)	(1,023,058)
Total net position	(658,587)	(752,380)
Total liabilities and net position	$352,321	$318,032

Assets

Total assets increased by $34.2 million in 2013 compared to 2012 due to the reasons described below and on the following page.

Ending cash in 2013 was $123.2 million compared to ending cash in 2012 of $80.5 million. The primary reason for the $42.7 million increase in ending cash resulted from a decrease in payments for catastrophe and litigated related losses and expenses.

The $13.2 million decrease in receivables is primarily due to a $21.0 million reduction in reinsurance receivables that were collected during 2013 and reinsurance claim liabilities that decreased due to claim settlement activities. Partially offsetting the decrease was an increase of $6.3 million in premium receivables that occurred due to a timing difference of when LCPIC recorded the return premium impact of Senate Bill No. 204 of the 2012 Regular Session and when LCPIC paid the return premiums. Senate Bill No. 204 reinstated an expired 10 percent decrease on rates for policies written in twelve coastal parishes. The adjustment for the 10 percent rate reduction was recorded by LCPIC in December 2012 and return premiums were remitted to policyholders during the first quarter of 2013. Below is an illustration of the effects of Senate Bill No. 204 on LCPIC's premium receivable if the adjustment had been recorded and paid in the same fiscal period:

(In thousands of dollars – 000)	As of 12/31/2013	As of 12/31/2012	Change
Premiums receivable	$22,275	$16,013	$6,262
Senate Bill No. 204 timing adjustment	0	4,148	(4,148)
Premiums receivable as adjusted	$22,275	$20,161	$2,114

If the timing difference had not taken place as displayed in the above chart, then the increase in premiums receivable of $2.1 million would be due to LCPIC's increase in written policies prior to the depopulation effort that occurred during 2013.

Assets (continued)

Prepayments increased $4.2 million in 2013 compared to 2012 primarily due to the reinsurance deposit premium paid to purchase a $140.0 million four-year catastrophe bond. The $140.0 million catastrophe bond is in addition to the $125.0 million three-year catastrophe bond purchased in 2012.

The increase in restricted assets – cash of $4.8 million in 2013 compared to 2012 is due to LCPIC electing to include all checks outstanding that are more than 6 months after the issue date. The checks contained in this asset will be either paid to the check owners or escheated as required by law.

The restricted assets with bond trustee are entirely related to the assessment revenue bond obligations issued in 2006 to pay Hurricane Katrina losses. These assets are money market securities and repurchase agreement securities, both held by the bond custodian, Regions Bank. In 2013, the restricted assets with bond trustee increased by $8.7 million primarily due to investments of emergency assessment revenue that exceeded bond debt service costs.

Investments decreased $12.5 million in 2013 as a result of bonds redeemed. The proceeds were placed into an operating investment account at Regions Bank.

Prior to 2013, other noncurrent assets primarily consisted of prepaid bond issuance cost. In 2013, as a result of GASB 65 pronouncement, LCPIC recorded a prior period adjustment to expense the remaining prepaid bond issuance cost effective December 31, 2011.

Liabilities

Total liabilities decreased by $59.5 million in 2013 compared to 2012 primarily due to the reasons described below and on the following page.

Accounts payable and accruals decreased $35.8 million in 2013 compared to 2012. The majority of this liability is comprised from LCPIC's unpaid losses and loss adjustment expenses (LAE). Unpaid losses and LAE decreased $35.4 million in 2013 as compared to 2012 primarily due to the settlement payment for the Orrill class action suit and settlement of non-catastrophe related losses occurring in 2012.

Liabilities (continued)

Unpaid losses and LAE are stated as LCPIC's estimate of the ultimate cost, excluding reinsurance, of settling all incurred but unpaid claims. Unpaid losses and loss adjustment expenses are not discounted and no estimate for salvage and subrogation is applied as a reduction to the unpaid losses. The estimate for unpaid losses and loss adjustment expenses is closely monitored and adjusted for changes in loss patterns and historical trends. LCPIC uses various development modeling techniques to assist in the evaluation of its reserves. Management believes that the loss reserves are adequate, but establishing reserves is a judgmental and inherently uncertain process. It is therefore possible that as conditions and experience develops, reserve adjustments may be required in the future.

Other current liabilities increased $6.9 million in 2013 compared to 2012. The majority of this liability is comprised from the premium payable to depopulation companies. In 2013, the premium payable to depopulation companies increased $5.4 million compared to 2012 due to an increase in the number of policies and annualized premium that were transferred to assuming insurers. A total of 12,768 policies and $24.0 million in annualized premium were transferred in 2013 as compared to 6,619 policies and $12.4 million in annualized premium in 2012.

The combined current and noncurrent bonds payable decreased by $45.1 million in 2013 compared to 2012 primarily because of a $42.3 million assessment revenue bond principal payment made in 2013.

The claims and litigation payable increased $13.0 million primarily due to a ruling made by the Louisiana Department of Insurance instructing LCPIC to refund a $65.00 application fee to all policyholders that paid the fee prior to a change LCPIC made to disclose the $65.00 fee on the insurance policy. LCPIC reserved $16.0 million for this matter which is the maximum exposure for the potential payments. Partially offsetting the increase is the $3 million decrease in the liability established for a lawsuit with Louisiana Road Home Corporation. The plaintiff alleges that LCPIC failed to include Road Home as a payee on some claim payments resulting from Hurricane Katrina. LCPIC settled the lawsuit in 2013 for $2.0 million with a payment to take place at a later date. LCPIC has a reserve of $2.0 million for this lawsuit.

The $4.8 million increase in other noncurrent liabilities in 2013 compared to 2012, is primarily due to a payable for pending escheatment of company disbursements. In 2013, LCPIC elected to include all checks outstanding that are more than 6 months after the issue date. The checks contained in this liability will be either paid to the check owners or escheated as required by law.

Net Position

The increase in operating income of $79.9 million and decrease in interest expense of $8.1 million are the principle drivers of the increase in total net position of $93.4 million in 2013 compared to 2012.

During 2013, the Company recorded a prior period adjustment to write off previously capitalized bond issuance costs and deferred policy acquisition in accordance with GASB 65. The effect of this adjustment was a reduction in previously reported Net Position as of December 31, 2011 of $24.2 million, a reduction in previously reported interest expense of $0.8 million and a decrease in previously reported commissions and brokerage expense of approximately $64 thousand for the year ended December 31, 2012.

Results of Operations

LCPIC's operating results are presented in the following table.

Statement of Revenues, Expenses, and Changes in Fund Net Position (000)	2013	2012 (Restated)
OPERATING REVENUE:		
Sales of commodities and services	$115,731	$119,141
Use of money and property	0	0
Other operating revenues	2,884	2,810
Total operating revenues	118,615	121,951
OPERATING EXPENSES:		
Cost of sales and services	75,179	188,339
Administrative	13,000	(17,500)
Depreciation	419	1,291
Total operating expenses	88,598	172,130
Operating income(loss)	30,017	(50,179)
NON-OPERATING REVENUES(EXPENSES):		
Interest expense	(39,164)	(47,237)
Other revenue	102,940	100,142
Total non-operating revenues(expenses)	63,776	52,905
Change in Net Position	93,793	2,726
Net Position at Beginning of Year	(752,380)	(755,106)
Net Position at End of Year	($658,587)	($752,380)

Results of Operations (continued)

Change in net assets increased $93.8 million in 2013 compared to 2012 due to the reasons described below and on the following page.

Sales of services (premiums earned) decreased $3.4 million. Premiums earned decreased due to the transfer of policies to the private insurance market as a result of the company's depopulation program. There were 95,314 inforce policies at December 31, 2013 compared to 104,010 at December 31, 2012.

The cost of sales and services decreased $113.1 million in 2013 compared to 2012. 2012 incurred losses decreased for Hurricane Isaac by $74.9 million, for class action settlements by $44.3 million, and for non-catastrophe related claims occurring in 2012 by $38.9 million. In addition to the decrease in 2012 incurred losses, a decrease of $8.4 million resulting from the timing of recording and payment for Senate Bill No. 204 reinstating a 10% rate decrease in twelve coastal parishes. Offsetting the decreases was incurred losses in 2013 from a $27.4 million wind and hail occurrence and $26.6 million in non-catastrophe related claims.

The increase in administrative operating expense of $30.5 million was due to the following:

Description (in millions)	Increase (Decrease)
Decertification of the Thibodeaux class action suit	$22.5
Change in income earned related to Road Home suit	($8.0)
Louisiana Department of Insurance ruling to refund $65.00 application fee	$16.0
Net change	$30.5

Interest expense decreased $8.1 million in 2013 compared to 2012. The decrease consisted of $6.1 million associated with the Series 2012 Refunding Bonds that were issued to advance refund the Series 2006 C-4 Revenue Bonds in 2012 and the decrease in interest costs of $2.0 million associated with the payment of bond principle.

Cash Flow and Liquidity

Cash Flow

Sources of cash include proceeds from customers, principally, premiums collected, emergency assessments and amounts received from unrestricted investments. Primary uses of cash include cash payments for services provided, cash payments to employees, principal and interest paid on debt, and amounts paid for restricted investments.

The other cash flow from non-capital financing activities is primarily assessment collections less debt service costs on long-term debt obligations.

The purchases of investment securities under cash flows from investing activities relate to the interest received and cost of securities purchased of restricted investments held by the Trustee for the repayment of the Katrina bonds. Interest and dividends earned on investment securities relate to interest received and proceeds from the sale of unrestricted investments.

Liquidity

All liquid funds held by LCPIC are kept in commercial bank accounts that are FDIC insured or 100% collateralized.

In addition to policyholder premiums, LCPIC has much broader range of resources available to pay losses and repay debt obligations than does a typical insurer. LCPIC can institute a regular assessment on the state insurance industry of up to 10% for deficits each year, and an emergency assessment of up to 10% on property policyholders of the State of Louisiana for each calendar year of a storm to pay debt incurred in previous years.

In 2013, LCPIC secured a $125.0 million line of credit with Regions Bank that matures in June 2015. The line of credit provides additional liquidity to the corporation.

In 2010, LCPIC instituted lockbox processing to reduce cash flow interruption in the event of a temporary closure of its office for a catastrophic event.

In 2005, LCPIC did not have sufficient funds to pay 80,000 claims resulting from Hurricanes Katrina and Rita. In 2006, LCPIC issued $978.0 million of fixed rate assessment revenue bonds. On December 31, 2013, LCPIC had approximately $773.5 million of fixed rate assessment revenue bonds outstanding. The debt service of these bonds is paid through emergency assessments on property insurance policies written in the State of Louisiana. The emergency assessments are remitted quarterly to the bond trustee.

Pending Litigation

As of December 31, 2013 there were approximately 1,146 open litigation matters against LCPIC. The majority of these lawsuits are first-party suits related to Hurricanes Katrina and Rita. Unpaid loss and loss adjustment expenses related to these claims are included on the balance sheet in the amount of approximately $6.7 million, excluding the Oubre class action suit described below. The balance of the litigated matters are related to first party losses, third-party bodily injury claims, subrogation or claims where the issue of coverage is in dispute.

Oubre v. Louisiana Citizens Property Insurance Corporation. The plaintiffs in this suit allege that LCPIC failed to timely initiate loss adjustment as required by Louisiana statutory law exposing LCPIC to mandatory penalties in the amount of $5,000.00. On July 23, 2012 LCPIC settled the majority of this class action suit with a payment of $104.0 million to the plaintiff counsel for distribution to the class members. LCPIC entered into a settlement with the class for the remaining Oubre claims. LCPIC has a reserve of $46.0 million for this case (included in accounts payable and accruals on the statement of net position) which LCPIC believes is adequate.

Future Plans

LCPIC had $650 million in total reinsurance and cat bonds in place for the 2013 storm season. The cat bonds include a $125.0 million three year catastrophe bond and a $140.0 million four year catastrophe bond. In addition to the reinsurance program and cat bonds, LCPIC has reinstatement premium protection and second event catastrophe coverage. The amount of reinsurance purchased by LCPIC is determined by many factors that include, losses projected by catastrophe models, insured values of the company, reinsurance market prices, and availability of cash. The reinsurance coverage, excluding cat bonds, described above expires on May 31, 2014. LCPIC is in the process of negotiating a new reinsurance program for the 2014 storm season.

Contacting Louisiana Citizens Property Insurance Corporations' Management

This financial report is designed to provide the citizens and taxpayers of Louisiana, LCPIC's customers and creditors with a general overview of LCPIC's finances. If you have questions about this report or need additional financial information, contact Larry L. Hayward at (504) 832-3230 or lhayward@lacitizens.com.

Louisiana Citizens Property Insurance Corporation

Statements of Net Position

December 31,		2013		2012 (Restated)
Assets				
Current assets:				
Cash and short-term investments	**$**	**123,196,486**	$	80,453,313
Premium receivables and agent's balances, net		**22,275,223**		16,013,496
Reinsurance recoverable on paid and unpaid loss and LAE		**8,110,258**		32,246,677
Emergency assessments receivables		**19,981,102**		15,224,355
Prepaid reinsurance premiums		**13,079,132**		8,832,465
Other current assets		**2,803,036**		3,481,751
Total current assets		**189,445,237**		156,252,057
Noncurrent assets:				
Restricted investment with bond trustee		**154,263,765**		145,605,947
Securities held-to-maturity		**-**		12,498,332
Restricted cash for escheatment		**7,669,616**		2,853,948
Capital assets		**819,224**		738,647
Other noncurrent assets		**123,826**		83,405
Total noncurrent assets		**162,876,431**		161,780,279
Total assets	**$**	**352,321,668**	$	318,032,336
Liabilities and net position				
Current liabilities:				
Loss reserves	**$**	**65,926,877**	$	99,201,598
Loss adjustment expense reserves		**7,449,718**		9,595,450
Unearned premiums		**93,358,849**		96,565,900
Special assessment revenue bonds - current portion		**47,042,808**		45,140,954
Unearned tax exempt surcharge		**2,963,357**		2,968,810
Commissions payable to agents		**4,166,018**		3,752,606
Taxes, licenses, and fees due or accrued		**2,932,570**		3,317,855
Accrued bond interest		**3,422,780**		3,597,566
Other liabilities		**13,727,759**		7,137,463
Total current liabilities		**240,990,736**		271,278,202
Noncurrent liabilities:				
Special assessment revenue bonds		**742,651,457**		789,694,265
Contingent liability		**18,000,000**		5,000,000
Escheatment payable		**7,669,616**		2,853,948
Postretirement benefits		**1,597,037**		1,585,980
Total noncurrent liabilities		**769,918,110**		799,134,193
Total liabilities		**1,010,908,846**		1,070,412,395
Commitments and contingencies (Note 16)				
Net position				
Net Investment in capital assets		**819,224**		738,647
Funds restricted for debt service		**313,652,962**		269,939,436
Unrestricted		**(973,059,364)**		(1,023,058,142)
Total net position		**(658,587,178)**		(752,380,059)
Total liabilities and net position	**$**	**352,321,668**	$	318,032,336

See accompanying notes to the financial statements.

Louisiana Citizens Property Insurance Corporation

Statements of Revenues, Expenses, and Changes in Net Position

Years ended December 31,	2013	2012 (Resated)
Operating revenues		
Premiums earned	**$ 182,384,420**	$ 189,557,678
Premiums ceded	**(66,796,389)**	(70,417,094)
Net premium revenue	**115,588,031**	119,140,584
Finance and service charges	**2,875,524**	2,810,161
Other operating income	**4,177,757**	-
Total operating revenues	**122,641,312**	121,950,745
Operating expenses		
Losses incurred and LAE	**49,284,804**	154,264,325
Contingent (recovery) expense - non claims lawsuits	**13,000,000**	(17,500,000)
Commissions and brokerage	**17,014,114**	18,379,908
Other operating expenses	**-**	4,120,878
Service provider fees	**2,253,303**	3,515,051
Salary and related items	**2,929,913**	2,191,743
Boards, bureaus and associations	**2,011,299**	2,122,622
Taxes, licenses and fees	**1,291,458**	1,261,620
Equipment, depreciation and repairs & maintenance	**1,351,995**	1,118,215
General office	**981,970**	1,001,652
Employee benefits	**1,120,048**	781,827
Other underwriting expenses	**1,385,001**	872,322
Total losses and underwriting expenses	**92,623,905**	172,130,163
Operating income (loss)	**30,017,407**	(50,179,418)
Nonoperating revenue (expense)		
Interest expense	**(39,163,785)**	(47,237,183)
Investment income	**1,636,674**	1,835,167
Emergency assessment income	**95,503,384**	92,242,635
Tax exempt surcharge	**5,799,201**	6,064,743
Total nonoperating revenues	**63,775,474**	52,905,362
Change in net position	**93,792,881**	2,725,944

(Continued)

See accompanying notes to the financial statements.

Louisiana Citizens Property Insurance Corporation

Statements of Revenues, Expenses, and Changes in Net Position

Years ended December 31,	**2013**	2012 (Restated)
Change in net position	**93,792,881**	2,725,944
Net position, beginning (as originally stated)	**(752,380,059)**	(730,874,524)
Restatement of net position due to the implementation of GASB 62 and 65	-	(24,231,479)
Net position, ending (as restated)	**(752,380,059)**	(755,106,003)
Net position, end of year	**$ (658,587,178)**	$ (752,380,059)

See accompanying notes to the financial statements.

Louisiana Citizens Property Insurance Corporation

Statements of Cash Flows

Years ended December 31,	**2013**	2012 (Restated)
Operating activities		
Premiums collected	**$ 103,019,365**	**$ 123,799,101**
Finance and service charges	**2,875,524**	**2,810,161**
Other (disbursements) receipts	**4,177,757**	**(4,120,878)**
Losses paid	**(45,231,848)**	**(202,144,255)**
Loss adjustments paid	**(15,095,045)**	**(29,676,584)**
Underwriting expense paid	**(27,174,042)**	**(40,971,473)**
Net cash (used in) provided by operating activities	**22,571,711**	**(150,303,928)**
Noncapital financing activities		
Emergency assessments received	**93,846,524**	**91,771,763**
Regular assessments received	**-**	**-**
Tax exempt surcharge received	**5,793,748**	**5,936,625**
Amounts received from (remittted to) bond trustee, net	**(51,002,818)**	**26,517,475**
Interest paid on capital debt	**(42,134,525)**	**(43,753,962)**
Net cash provided by noncapital financing activities	**6,502,929**	**80,471,901**
Capital and related financing activities		
Purchase of capital assets	**(499,349)**	**(2,000)**
Net cash used in capital and related financing activities	**(499,349)**	**(2,000)**
Investing activities		
Proceeds from sale of investments	**12,686,376**	**30,015,845**
Investment income received	**1,481,506**	**1,835,167**
Net cash provided by investing activities	**14,167,882**	**31,851,012**
Net increase (decrease) in cash and short-term investments	**42,743,173**	**(37,983,015)**
Cash and short-term investments, beginning of year	**80,453,313**	**118,436,328**
Cash and short-term investments, end of year	**$ 123,196,486**	**$ 80,453,313**

(Continued)

See accompanying notes to the financial statements.

Louisiana Citizens Property Insurance Corporation

Statements of Cash Flows

Years ended December 31,	**2013**	2012 (Restated)
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	**$ 30,017,407**	$ (50,179,418)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	**418,772**	1,291,344
Changes in net assets and liabilities		
Decrease (increase) in:		
Premiums receivable and agents' balances	**(9,361,615)**	5,960,172
Reinsurance recoverables	**13,899,558**	(10,409,656)
Prepaid reinsurance premiums	**(4,246,666)**	(8,832,465)
Other current assets	**605,418**	1,187,243
Increase (decrease) in:		
Upaid losses and loss adjustment expenses	**(25,183,592)**	(67,051,013)
Advance premiums	**320,019**	(664,541)
Unearned premiums	**(3,527,069)**	(637,115)
Servicing fees payable	**(282,949)**	(100,618)
Accrued taxes, licenses, fees & other expenses	**(374,228)**	566,876
Commissions payable to agents	**413,412**	(244,409)
Takeout program liabilities	**5,370,130**	(3,885,254)
Reinsurance premiums payable	**1,497,825**	271,450
Contingent liability - non claims liability	**13,000,000**	(17,500,000)
Other current liabilities	**5,289**	(76,524)
Net cash (used in) provided by operating activities	**$ 22,571,711**	$ (150,303,928)

See accompanying notes to the 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 are in good faith 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 Statutes (LRS) 22:2291 - 22:2370 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.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. Application of these criteria determines potential component units for which the primary government is financially accountable and the organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. Based on the application of these criteria, the Company is a component unit of the State of Louisiana and its financial activity is reported in the state's Comprehensive Annual Financial Report by discrete presentation.

The financial statements presented herein relate solely to the financial position and results of operations of the Company and are not intended to present the financial position of the State of Louisiana or the results of its operations or its cash flow.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and practices of the Company conform to accounting principles generally accepted in the United States applicable to a proprietary fund of a government. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Company applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Company has also elected to apply all FASB statements and interpretations issued after November 30, 1989 except for those that conflict with or contradict GASB pronouncements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 34 established standards for financial reporting for all state and local governmental entities, which includes a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. It requires net position to be classified and reported in three components: investment in capital assets, net of related debt and deferred inflows and outflows; restricted; and unrestricted. These classifications are defined as follows:

> ***Net investment in capital assets*** – this component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets as adjusted for deferred inflows and outflows associated with the acquisition, construction or improvement of those assets.. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather that portion of the debt is included in the same net assets component as the unspent proceeds. As of December 31, 2013 and 2012, the Company did not have any outstanding debt that was attributable to capital assets.
>
> ***Restricted net assets*** – this component of net assets includes assets subject to external constraints imposed by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
>
> ***Unrestricted net assets*** – this component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In connection with the preparation of the financial statements, management of the Company evaluated subsequent events through June 30, 2014, which was the date the financial statements were available to be issued.

Measurement Focus

The financial statements of proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operations of the Company are included in the statement of net position. The statement of cash flows provides information about how the Company finances and meets the cash flow needs of its activities.

Cash and Short-Term Investments

For the purpose of reporting cash flows, cash and short-term investments include all unrestricted, liquid investments with a maturity of one year or less when purchased. Short-term investments are stated at market, which approximates fair value.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Securities

Securities that are held principally for resale in the near term are recorded in the trading assets account at fair value with changes in fair value recorded in earnings. Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Management considers, in determining whether other-than-temporary impairment exists, (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

For equity securities, when the Company has decided to sell an impaired available-for-sale security and the Company does not expect the fair value of the security to fully recover before the expected time of sale, the security is deemed other-than-temporarily impaired in the period in which the decision to sell is made. The Company recognizes an impairment loss when the impairment is deemed other-than-temporary even if the decision to sell has not been made.

Policy Acquisition Costs

Costs which associated with the production of new renewing policies and servicing existing insurance policies, such as net agent commissions, servicing company fees and other taxes and fees are expensed as incurred.

Depopulation

The Company is required to undertake a depopulation effort annually per Louisiana state statute LARS 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 removed from the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The Company's capital assets include items such as furniture, office equipment and electronic data processing equipment (EDP). The Company has a capitalization policy whereby thresholds are applied to determine if the asset should be capitalized or expensed. All movable property, not including computer software, over $5,000 is capitalized based upon a variable useful life depending on the descriptive category for which that property meets. Office furniture and fixtures are capitalized and depreciated over a 10 year life. Computers and peripheral equipment such as hard drives, printer, monitor, keyboards and such are capitalized and depreciated over a five year life. Office machinery and equipment other than computers are capitalized and depreciated over a six year life. All computer software purchased or developed for internal use over $1,000,000 is capitalized and amortized over three years. The straight-line depreciation method is used for the depreciation of capital assets and the assets are assumed to have no salvage value and a full year of depreciation will be taken in the year the asset is placed into service. Depreciation expense for capital assets in 2013 and 2012 approximated $419,000 and $1,291,000, respectively, of which $223,000 and $801,000 is allocated to and included in Loss Adjustment Expenses.

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 past experience, 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Company does not currently have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Company does not currently have any items that qualify for reporting in this category.

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 the estimated 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 year 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.

Reinsurance

Premiums ceded under reinsurance agreements are recorded as a reduction of earned premiums. Reinsurance recoverables on paid or unpaid losses are recorded as receivables. All catastrophe reinsurance payments are recorded as premiums ceded and are amortized over the life of the hurricane season for which the payments apply. Premiums ceded include catastrophe reinsurances purchases. At December 31, 2013 and 2012, the Company had reinsurance recoverables on unpaid losses of $7,076,238 and $17,313,095 and reinsurance recoverables on paid losses of $1,034,020 and $14,933,582, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bond Issue Cost

Bond issue costs are incurred in connection with acquiring bonds payable (see Note 9) and are expensed as incurred.

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.

Use of Estimates

The preparation of the financial statements in accordance with generally accepted accounting principles 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.

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.

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.

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.

Stewardship, Compliance and Accountability

In accordance with state law, all uninsured deposits of the Company with financial institutions must be secured with acceptable collateral valued at the lower of cost or market or par. As of December 31, 2013, the Company's cash and cash equivalents were entirely insured or collateralized with securities held by its agent in the Company's name.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deficiency in Net Position

The Company reported a deficiency in net position of $(649,660,579) and $(743,100,752) at December 31, 2013 and 2012, respectively, resulting primarily from losses on insured property caused by hurricanes Katrina and Rita during 2005. The Company plans to eliminate the deficit through emergency assessments on affected insurance companies and policy holders.

Recently Issued Accounting Pronouncements

The GASB has issued the following statements:

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement improves financial reporting by codifying all sources of GAAP for state and local governments so that they derive from a single source. The Company has elected to include all pre-November 30, 1989 FASB pronouncements which are now codified in GASB Statement No. 62, as mentioned in the *Basis of Accounting* section above. As such, disclosures of FASB or AICPA pronouncements applied to these and future financial statements are no longer required.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides guidance for certain items formerly classified as assets and liabilities. GASB Concepts Statement 4 redefines these as “deferred outflows of resources” (formerly assets) and “deferred inflows of resources” (formerly liabilities). Each new category must have its own section on the statement of net position. This statement also requires that the last line of the statements formerly titled “net assets” now be titled “net position” to reflect the new classifications. In addition, “capital assets, net of related debt” should now be titled “net investment in capital assets” in order to properly present the total of the items.

Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This statement provides more guidance for the items in GASB Statement No. 63. It requires the avoidance of the word “deferred” throughout financial statements, except as it relates to items that are designated as deferred outflows or deferred inflows. It addresses the calculation of a deferred outflow or inflow for refunding of debt. For nonexchange transactions such as grants, amounts received before the time period of eligibility are treated as deferred inflows. This statement also addresses taxes received prior to the period to which they relate. It requires issuance costs related to debt to be expensed in the period that the debt was issued versus amortizing over the life of the debt, as previously allowed. In addition, GASB Statement No. 65 requires policy acquisition costs, which were previously required to be deferred and amortized over the life of the underlying policies, to be expensed as incurred. The Company implemented GASB Statement No. 65 for the year ended December 31, 2013. The effects of implementation of this statement are disclosed further in Note 20.

NOTE 3 – CASH & INVESTMENTS

Cash and Cash Equivalents

State statute authorizes the Company to invest in U.S. bonds, treasury notes, or certificates. The Company may also invest in direct repurchase agreements of any federal bank. The collateral for the agreement can only include securities as described above.

The Company's cash and cash equivalents, including cash restricted for escheatment, consisted of the following:

December 31, 2013	Carrying Amount	Bank Balance
Demand deposits	$ 130,866,102	$ 134,748,921

December 31, 2012	Carrying Amount	Bank Balance
Demand deposits	$ 83,307,261	$ 103,243,634

Included in Cash and Cash Equivalents at December 31, 2013 and 2012 is unclaimed property, consisting of outstanding checks totaling $7,669,616 and $2,853.948, respectively, which is restricted for escheatment to the appropriate states.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Company will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Company does not have a formal policy for custodial credit risk. Under state law, deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. As of December 31, 2013, none of the Company's cash was exposed to custodial credit risk. These deposits were either secured by the pledge of securities owned by the fiscal agent bank or covered by the FDIC Transaction Account Guarantee Program.

Investments

The Company's investment objectives and guidelines are created to enable the Company to invest funds prudently for the benefit of the Company to provide reasonable risk characteristics while emphasizing safety of principal first, liquidity second and yield third. The consideration of sufficient short term funds in order to continue operations is paramount and during certain times sufficient liquidity should be maintained in order to meet peak demands which may be adjusted due to reinsurance coverage and other circumstances.

The Company is authorized to invest retained funds pursuant to the limitations set forth in Title 22 for insurers. As of December 31, 2013 and 2012, the Company had investments with a fair value totaling $155,711,090 and $158,157,176, respectively.

NOTE 3 – CASH & INVESTMENTS (CONTINUED)

Custodial Credit Risk - Investments

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Company does not presently have a formal policy for custodial credit risk. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered with securities held by a financial institution or agent, and in the Company's name. Investments in repurchase agreements were exposed to custodial risk as of December 31, 2013.

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 fair value of collateral accepted from Societe Generale as of December 31, 2013 and 2012 was $29,745,596 and $30,146,609, with a corresponding book value of $28,298,272 for each respective year. The collateral percentage was 105.11% and 106.53%, respectively.

Interest Rate Risk

Interest rate risk is defined as the risk a government may face should interest rate variances adversely affect the fair value of investments. The fair value of fixed-maturity investments fluctuates in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. The fair value of interest sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments and other general market conditions. The Company does not presently have a formal policy that addresses interest rate risk. As of December 31, 2012, investments in U.S. Government Obligations with an amortized cost of $12,498,332 and fair value of $12,551,229 were exposed to interest rate risk due to the liquidity of the investments.

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

The fair value of securities at December 31, 2013, 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.

(in 000's)		Investment Maturities			
	Fair Value	Less than 1 year	1-5 years	5-10 years	Greater than 10 years
Restricted Investments:					
Repurchase Agreement	29,746	-	-	-	29,746
Money Market Funds	125,965	125,965	-	-	-
Total holdings	155,711	125,965	-		29,746

Restricted Investments are held by a bond trustee for the repayment of the Company's emergency assessment revenue bonds issued in 2006 to cover the 2005 Plan Year Deficit resulting from Hurricanes Rita and Katrina.

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Company may be invested in direct United States Treasury Obligations, United States Government Agency Obligations, direct security repurchase and reverse repurchase agreements, time certificates of deposit, investment grade commercial paper, investment grade corporate notes and bonds, investment grade municipal bonds and money market funds consisting solely of securities otherwise eligible for investment. Where applicable, investments shall have a rating of 1 or 2 as determined by the Securities Valuation Office of the National Association of Insurance Commissioners. As of December 31, 2013, the Company had the following exposure to investment credit risk:

	Rating	Percentage
Treasury Obligations Mutual Fund	AAAm-G	81%
Repurchase Agreement	A	19%

The credit risk ratings listed above are issued upon standards set by Standards and Poor's or Moody's Ratings Services.

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Company, shall not, except in the case of investments in or loans upon the security of general obligations of the government of the United States or of any state or territory of the United States, or the District of Columbia, have a single security that compromises more than 5 percent of the fair value of the Company's portfolio. The Company had the following investments that represent more than 5 percent of net investments as of December 31, 2013:

Issuer	Fair Value	Percentage
Treasury Obligations Mutual Funds	125,965,494	81%
Repurchase Agreement-Societe Generale	29,745,596	19%
	$ 155,711,090	

Foreign Currency Risk

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment. The Company does not presently have a formal policy that addresses foreign currency risk. The Company's exposure to foreign currency risk is limited to investments in global or pooled non-U.S. equity mutual funds. The Company had no investments in global or pooled non-U.S. equity mutual funds at December 31, 2013.

NOTE 4 – SECURITIES HELD TO MATURITY

The amortized cost and aggregate fair value of held-to-maturity securities were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2012				
U.S. Government Obligations	$ 12,498,332	$ 52,897	$ -	$ 12,551,229

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.

NOTE 5 – ASSESSMENTS RECEIVABLE

Louisiana Revised Statute 22:2299-2300 provides that any insurer who engages in writing property insurance within the State shall become an assessable insurer in the Coastal Plan and FAIR Plan. 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 regular assessments against assessable insurers for each affected plan to help offset such deficit. Furthermore, assessable insurers are permitted to recoup all regular assessments from their policyholders by applying a surcharge to all policies. Any amounts recouped by the insurers in excess of amounts assessed are required to be forwarded to the Company. The Company did not execute a regular assessment in 2013.

Upon a determination by the governing board that a deficit in a plan exceeds the amount that will be recovered through regular assessments, the governing board is authorized to levy, after verification by the Department of Insurance, emergency assessments for as many years as necessary to cover the deficit. The board determined that the 2005 plan year deficit exceeded the amounts levied under the 2005 regular assessment and has levied an emergency assessment beginning in 2007. Assessment rates for the years ended December 31, 2013 and 2012 were 3.74% and 3.9% of written premium, respectively. The assessments are collected by the insurers and remitted to the Company's bond trustee quarterly. The total of emergency assessments levied for years ended December 31, 2013 and 2012 amounted to approximately $95,504,000 and $92,242,635, of which approximately $19,981,000 and $15,224,000 remained outstanding as of December 31, 2013 and 2012, respectively.

NOTE 6 – CAPITAL ASSETS

A summary of changes in capital assets and depreciation follows:

	Beginning Balance	Additions	Deletions	Ending Balance
December 31, 2013				
Depreciable capital assets				
Electronic data processing equipment	$ 16,822,151	$ 424,817	$ -	$ 17,246,968
Office equipment	907,120	74,532	-	981,652
Total depreciable assets	17,729,271	499,349	-	18,228,620
Less accumulated depreciation				
Electronic data processing equipment	(16,421,284)	(339,743)	-	(16,761,027)
Office equipment	(569,340)	(79,029)	-	(648,369)
Total accumulated depreciation	(16,990,624)	(418,772)	-	(17,409,396)
Capital assets, net	$ 738,647	$ 80,577	$ -	$ 819,224

NOTE 6 – CAPITAL ASSETS (CONTINUED)

December 31, 2012								
Depreciable capital assets								
Electronic data processing equipment	$	16,820,151	$	2,000	$	-	$	16,822,151
Office equipment		907,120		-		-		907,120
Total depreciable assets		17,727,271		2,000		-		17,729,271
Less accumulated depreciation								
Electronic data processing equipment		(15,229,295)		(1,191,989)		-		(16,421,284)
Office equipment		(469,985)		(99,355)		-		(569,340)
Total accumulated depreciation		(15,699,280)		(1,291,344)		-		(16,990,624)
Capital assets, net	$	2,027,991	$	(1,289,344)	$	-	$	738,647

NOTE 7 – LINE OF CREDIT

The Company maintains a line of credit providing for a maximum borrowing of $125,000,000 and $75,000,000 at December 2013 and 2012, respectively. Interest on this note is payable monthly at a variable rate based on the 30 day London Interbank Offered Rate (LIBOR) plus 2.0% for the first 90 days following the date drawn and 30 day LIBOR plus 2.35% 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 August 2015. There was no balance outstanding on the line of credit at December 31, 2013 or 2012.

NOTE 8 – LIABILITIES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

Activity in the liabilities for loss and loss adjustment expenses is summarized as follows:

Years ended December 31	**2013**	2012
Balance at January 1,	**$ 108,797,048**	$ 161,783,225
Less reinsurance recoverables	**17,313,095**	3,248,258
Net balance at January 1,	**91,483,953**	158,534,967
Incurred related to:		
Current year	**52,963,192**	146,056,417
Prior years	**(3,678,388)**	8,207,908
Total incurred	**49,284,804**	154,264,325
Paid related to:		
Current year	**44,631,595**	120,393,105
Prior years	**29,836,805**	100,922,234
Total paid	**74,468,400**	221,315,339
Net balance at December 31	**66,300,357**	91,483,953
Plus reinsurance recoverables	**7,076,238**	17,313,095
Balance at December 31,	**$ 73,376,595**	$ 108,797,048

Unpaid losses and loss adjustment expenses are stated as the Company's estimate of the ultimate cost, excluding reinsurance, of settling all incurred but unpaid claims. Unpaid losses and loss adjustment expenses are not discounted and no estimate for salvage and subrogation is applied as a reduction to the unpaid losses. The estimate for unpaid losses and loss adjustment expenses is closely monitored and adjusted for changes in economic, social, judicial and legislative conditions, as well as historical trends. The Company uses various development modeling techniques to assist in the evaluation of its reserves under the direction of its chief actuary.

Management believes that the loss reserves are adequate, but establishing reserves is a judgmental and inherently uncertain process. It is, therefore, possible that as conditions and experience develops, reserve adjustments may be required in the future.

For both catastrophic and non-catastrophic claims, the loss adjusting function is performed by Company employees and 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 schedule 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 16 for a description of these class action claims.

NOTE 9 – 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 and 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 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 $39,600,000 and $37,735,000 were made in 2013 and 2012, 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 of 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.

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.

NOTE 9 – BONDS PAYABLE (CONTINUED)

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 $1,860,000 and $56,035,000 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 $885,000 and $185,000 were made in 2013 and 2012, respectively.

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

Maturity	Principal	Interest
2014	44,440,000	39,939,844
2015	46,710,000	37,654,166
2016	49,015,000	35,291,997
2017	51,435,000	32,807,288
2018-2021	232,555,000	103,680,900
2022-2026	349,365,000	55,162,981
	$ 773,520,000	$ 304,537,176

Net unamortized premium at December 31, 2013 and 2012 was approximately $16.2 and $18.9 million, respectively.

The total interest expense on the fixed rate bonds for the years ended December 31, 2013 and 2012 was approximately $39 and $47 million, respectively, including annual amortized premium of $3 million, and is included in “Interest expense” in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

NOTE 9 – BONDS PAYABLE (CONTINUED)

	Beginning Balance	Additions	Deletions	Ending Balance
December 31, 2013:				
Bonds payable - face	$ 815,865,000	$ -	$ (42,345,000)	**$ 773,520,000**
Bond premium/discount	18,970,219	-	(2,795,954)	**16,174,265**
Bonds payable	$ 834,835,219	$ -	$ (45,140,954)	**$ 789,694,265**
December 31, 2012:				
Bonds payable - face	$ 856,200,000	$ 53,620,000	$ (93,955,000)	**$ 815,865,000**
Bond premium/discount	15,252,817	6,570,584	(2,853,182)	**18,970,219**
Bonds payable	$ 871,452,817	$ 60,190,584	$ (96,808,182)	**$ 834,835,219**

NOTE 10 – AGENT COMMISSIONS AND SERVICING COMPANY FEES

The Company policies are written by various insurance agents licensed in the State of Louisiana. These agreements provide for commissions to be paid to the agents at rates established by the Board and calculated as a percentage of direct written premiums, net of certain surcharges and assessments. Agent commissions included in other underwriting expenses incurred were approximately $17 and $18 million during 2013 and 2012, respectively.

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, 2014. Servicing company fees incurred and included in other underwriting expenses incurred were approximately $2.3 and $3.5 million during 2013 and 2012.

NOTE 11 – 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's reinsurance program is based on levels of loss. The Company is liable for the first amount of ultimate net loss, shown in the table below as "Company's 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's 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:

NOTE 11 – REINSURANCE AGREEMENTS (CONTINUED)

For the year ended December 31, 2013:

	January 1, 2013 to May 31, 2013		June 1, 2013 to December 31, 2013	
	First Excess	Second Excess	First Excess	Second Excess
Company's retention	$ 75,000,000	$ 200,000,000	$ 75,000,000	$ 193,000,000
Reinsurer's per occurrence limit	$ 125,000,000	$ 125,000,000	$ 118,000,000	$ 71,000,000
Reinsurer's term limit	$ 250,000,000	$ 250,000,000	$ 236,000,000	$ 142,000,000
Annual minimum premium	$ 21,000,000	$ 14,750,000	$ 15,104,000	$ 6,390,400
Adjustment rate	0.120690%	0.084770%	0.009440%	0.039940%

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%

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.

In addition, the Company purchases additional reinsurance coverage through two catastrophe bonds. In 2012, the Company purchased a $125 million, three-year catastrophe bond that provides coverage for 63.8% of up to $389 million in losses in excess of $193 million covered by retention and traditional reinsurance. In 2013, the Company purchased additional coverage through a $140 million, four year catastrophe bond providing coverage for 93.3% of up to $539 million in losses in excess of $389 million covered by retention, traditional reinsurance and the 2012 catastrophe bond.

NOTE 11 – REINSURANCE AGREEMENTS (CONTINUED)

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

Year-ended December 31, 2013

	Premiums	
	Written	**Earned**
Direct	**$ 179,000,104**	**$ 182,384,420**
Ceded	**(66,796,390)**	**(66,796,389)**
Net premiums	**$ 112,203,714**	**$ 115,588,031**

Year-ended December 31, 2012

	Premiums	
	Written	Earned
Direct	$ 189,105,672	$ 189,557,678
Ceded	(70,417,093)	(70,417,094)
Net premiums	$ 118,688,579	$ 119,140,584

Direct premiums above also includes premium transferred to companies that assume policies pursuant to a depopulation program.

NOTE 12 – 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). 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 net assets. The Company's contribution to the plan was approximately $666,000 and $640,000 in 2013 and 2012, respectively.

In addition, the Company sponsors a contributory 401k savings plan covering eligible employees for which the Company matches 75% of employee contributions up to a maximum of 6% of eligible compensation. The Company's matching contributions to the plan totaled approximately $183,000 and $189,000 for the years ended December 31, 2013 and 2012, respectively.

NOTE 13 – COMPENSATED ABSENCES

Employees earn and accrue vacation and sick leave at various rates, depending on their years of service. The maximum amount of sick leave that may be accrued by each employee at any given time is 20 days. The maximum vacation carry-over at the end of the year is five days. Upon termination, employees are compensated for any unused vacation leave at the employee's hourly rate of pay at the time of termination. The liability for unused vacation leave at December 31, 2013 and 2012, was approximately $95,480 and $113,000, respectively.

NOTE 14 – LEASES

The Company is obligated under certain non-cancelable operating leases for office space which will expire in July 2014. The future minimum payments as of December 31, 2013 follow:

Years ending December 31,	
2014	**495,130**
2015	**468,204**
2016	**473,452**
2017	**478,698**
2018	**483,943**
2019-2023	**2,369,881**
	$ 4,769,308

Rental expense for 2013 and 2012 was approximately $617,000 and $454,000, respectively.

NOTE 15 – RECONCILIATION WITH GAAP, STAT AND WITH AMOUNTS FILED WITH THE STATE INSURANCE DEPARTMENT

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:

Years ended December 31,	**2013**	2012 (Restated)
Change in net assets - GAAP basis	**$ 93,792,881**	$ 2,725,944
Adjustments to:		
Pension plan expense	**(198,607)**	(202,232)
Allowance for doubtful accounts	**(3,089,090)**	(165,710)
Other	**3**	69,671
Excess emergency assessments	**(57,821,105)**	(46,491,028)
Tax exempt surcharge	**(5,799,207)**	(6,064,743)
Net income (loss) - statutory basis	**$ 26,884,875**	$ (50,128,098)

NOTE 15 – RECONCILIATION WITH GAAP, STAT AND WITH AMOUNTS FILED WITH THE STATE INSURANCE DEPARTMENT (CONTINUED)

December 31,		**2013**		2012 (Restated)
Total deficiency in net position - GAAP basis	**$**	**(658,587,178)**	$	(752,380,059)
Adjustments to:				
Non-admitted assets		**(14,544,921)**		(13,394,440)
Other accrued liabilities		**163,016**		915,759
Excess emergency assessments		**(158,304,181)**		(142,828,077)
Allowance for doubtful accounts		**1,096,570**		3,666,430
Emergency assessments receivable		**824,914,781**		867,259,781
Provision for reinsurance receivable		**(19,830)**		(87,909)
Accumulated (defecit) surplus - statutory basis	**$**	**(5,281,743)**	$	(36,848,515)

NOTE 16 – 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.

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.

NOTE 16 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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:

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. At December 31, 2013, the Company has a reserve of $46 million for this case for resolution of the remaining claims which the Company believes is adequate. The reserve is included in loss and loss adjustment reserves on the accompanying statement of statement of admitted assets, liabilities, surplus and other funds.

Thibodeaux v. Louisiana Citizens Property Insurance Corporation. On December 12, 2013 the Louisiana Department of Insurance instructed the Company to refund a $65.00 application fee to all policy holders that paid the fee prior to a change the Company made to disclose the $65.00 fee on the insurance policy. The Louisiana Department of Insurance ruled that the Company violated La. RS. 22:855 by failing to disclose the application fee on the declarations page or elsewhere in the policy. The Company was ordered to refund the $65.00 application fee to individuals that paid the $65.00 application fee prior to the time the Company changed their process to show the application fee on the insurance policy. At December 31, 2013, the Company has a reserve of $16 million for this matter, which the Company believes is adequate. This reserve is included in accounts payable and other accrued expenses on the accompanying statement of admitted assets, liabilities, surplus and other funds.

NOTE 16 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 in which it agreed to pay approximately $20 million in settlement of all claims. The Company had a reserve of $19.3 million for this case at December 2012 and paid $18.8 million towards the settlement with the remainder held for settlement costs. As a result of the settlement process, management believes that this payment was sufficient to satisfy all claims and, therefore, no additional reserve was considered necessary at December 31, 2013.

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. During 2013, the Company settled this lawsuit for $2.0 million and has established reserve in this amount, which is included in reserves for losses and loss adjustment expenses.

Various other lawsuits against the Company have arisen in the course of the Company's business, including approximately 1,100 pending suits as of December 31, 2013, the majority of which are associated with hurricanes Rita and Katrina which occurred in 2005. 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 2013, 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 17 – 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.

NOTE 17 – 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 Statements of Revenues, Expenses, and Changes in Net Position and totaled $14,040,491 and $8,645,118 for the years ended December 31, 2013 and 2012, 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, 2013 and 2012, assumed premiums in the amount of $-0- and $7,154, respectively, were due from certain take-out companies.

NOTE 18 – RESTRICTED NET POSITION

The Statement of Net Position includes $313,652,962 and $269,939,436 of funds restricted by enabling legislation for the repayment of the Special Assessment Revenue Bonds. The amounts equal the excess of unspent emergency assessments collected to satisfy the debt service requirements for the year.

NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB 45) became effective for periods beginning after December 15, 2006 for Phase I governments, which the Company is considered. This guideline is required for all governmental employers who provide other postemployment benefits for which the employer pays all or a part of the cost of the benefits, such as the postretirement health care benefits discussed below. Statement No. 45 improves financial reporting and disclosure by matching the cost of postemployment benefits with the periods when the related services are received by the employer, by providing information about accrued liabilities for promised benefits related to past services and the extent those liabilities have been funded and by providing valuable information about demands on future employer cash flows. Pursuant to Statement No. 45, the Company is required to measure and recognize the annual cost of the future benefits and calculate the annual employer funding requirement and, to the extent funding is not made by the Company, recognize an OPEB liability on the balance sheet. This liability totaled $1,597,037 and $1,585,980 at December 31, 2013 and 2012, respectively.

Plan Description. The Company provides postretirement medical and life insurance for qualified employees hired prior to January 1, 2010. Employees may qualify for participation in the plan by a) attaining age 55 and completing 14 years and one hour of service or b) attaining age 60; completing at least 5 years of service, two of which occur after October 28, 2010, be employed with the Company at the time of retirement and retire in good status.

At December 31, 2013, the Company had four retirees participating in the postretirement medical plan.

Contribution Rates. Plan members contribute 25% of medical premiums, including Medicare supplement, dental and vision coverage, and 100% of supplemental life insurance. Plan members are not required to contribute for basic life insurance.

Funding Policy. The Company's plan is administered by the Company.

Annual Required Contribution. The Company's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB 45) has been used for the post-employment benefits. The total ARC for the fiscal year ending December 31, 2012 and 2011 is $65,220 and $52,422, respectively, as set forth below:

Medical	2013	2012
Employer's Normal Cost	$ 66,109	$ 33,138
Amortization of Unfunded actuarial accrued liability (UAAL)	(3,955)	16,788
Interest on Normal Cost and UAAL	3,106	2,496
Annual required contribution (ARC)	$ 65,220	$ 52,422

NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Net Post-employment Benefit Obligation (Asset). The table below shows the Board's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending December 31:

Medical	2013	2012
Beginning net OPEB obligation, January 1,	$ 1,585,980	$ 1,573,601
Annual required contribution	65,220	52,422
Interest on net OPEB obligation	79,299	78,680
ARC adjustment	(103,170)	(102,365)
OPEB cost	41,349	28,737
Contribution	(30,292)	(16,358)
Change in net OPEB obligation	11,057	12,379
Ending net OPEB obligation, December 31,	$ 1,597,037	$ 1,585.980

The following table shows the Company's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability:

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
Medical	December 31, 2013	$ 41,349	73.26%	$ 1,597,037
Medical	December 31, 2012	$ 28,737	56.92%	$ 1,585,980

Funded Status and Funding Progress. In the year ended December 31, 2013, the Company made no contributions to its postemployment benefits plan. The plan has no assets, and hence has a funded ratio of zero. As of December 31, 2013, the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was $1,393,202, which is defined as that portion, as determined by a particular actuarial cost method (the Company uses the Projected Unit Credit Method), of the actuarial present value of postemployment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded in fiscal year 2013 and 2012, the entire actuarial accrued liability of $1,393,202 and $507,456, respectively, was unfunded.

NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Medical	2013	2012
Actuarial Accrued Liability (AAL)	$ 1,393,202	$ 507,456
Actuarial Value of Plan Assets	-	-
Unfunded Act. Accrued Liability (UAAL)	$ 1,393,202	507,456
Funded Ratio (Act. Val. Assets/AAL)	0%	0%
Covered Payroll (active plan members)	$ 3,689,669	$ 4,166,218
UAAL as a percentage of covered payroll	37.76%	12.18%

Actuarial Methods and Assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for postemployment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the Company and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the Company and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between Board and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

In the December 31, 2013 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5% investment rate of return and a current health care cost trend rate of 7.5% gradually decreasing to an ultimate trend rate of 5%. The Unfunded Actuarial Accrued Liability (UAAL) is being amortized over 30 years assuming 30 annual level payments. The remaining amortization period at December 31, 2013 was 30 years.

Actuarial Value of Plan Assets. There are currently no plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45 will be used.

NOTE 20 – PRIOR PERIOD ADJUSTMENT

As discussed in Note 2, during 2013 the Company implemented GASB Statement 65, which resulted in the retroactive restatement of amounts reported in its 2012 financial statements. Previously, the Company capitalized Policy Acquisition Costs and Bond Issuance costs and amortized them over the life of the underlying policies and bond terms, respectively. Among other things, GASB 65 requires that these costs be expensed as incurred and that the change in accounting policy be applied retroactively to all periods presented. The effect of the restatement on individual line presented in the table that follows:

	As Originally Reported	Effect of Change	As Restated
Statement of Net Position			
Deferred acquisition cost	$ 9,279,307	$ (9,279,307)	$ -
Bond issuance cost	$ 14,107,579	$ (14,107,579)	$ -
Net position -unrestricted	$ (999,671,256)	$ (24,231,479)	$ (1,023,902,735)
Statement of Revenues, Expenses and Changes in Net Position			
Commissions and brokerage	$ 18,443,619	$ (63,711)	$ 18,379,908
Interest expense	$ 48,018,065	$ (780,882)	$ 47,237,183
Statement of Cash Flows			
Decrease in deferred policy acquisition costs	$ 63,711	$ (63,711)	$ -

CRI CARR RIGGS & INGRAM
CPAs and Advisors

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of the business-type activities of Louisiana Citizens Property Insurance Corporation as of and for the years ended December 31, 2013 and 2012 and our report thereon dated June 30, 2014, which expressed an unmodified opinion on the financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Annual Fiscal Report ("the AFR"), which is included at Appendix A and is prepared in accordance with requirements of the State of Louisiana Division of Administration's Office of Statewide Reporting and Accounting Policy, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The AFR, with the exception of the Management's Discussion and Analysis contained therein, has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the financial statements included in the AFR are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

We have applied certain limited procedures to Management's Discussion and Analysis included in the AFR, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and, accordingly, express no opinion on it.

This report is intended solely for the information and use of the Company's management, the Board of Directors and members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

New Orleans, Louisiana
June 30, 2014

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
STATE OF LOUISIANA
Annual Financial Statements
December 31, 2013

CONTENTS

Schedule Number

STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ending December 31, 2013

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
P.O. Box 60730
NEW ORLEANS, LA 70160

Division of Administration
Office of Statewide Reporting
and Accounting Policy
P.O. Box 94095
Baton Rouge, Louisiana 70804-9095

Physical Address:
1201 N. Third Street
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Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

LLAFileroom@lla.la.gov

Physical Address:
1600 N. Third Street
Baton Rouge, Louisiana 70802

AFFIDAVIT

Personally came and appeared before the undersigned authority, Stephen M. Cottrell, Chief Financial Officer of Louisiana Citizens Property Insurance Corporation who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of Louisiana Citizens Property Insurance Corpora at December 31, 2013 and the results of operations for the year then ended in accordance with policies and practices established by the Division of Administration or in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board. Sworn and subscribed before me, this 16th day of July, 2014.

Signature of Agency Official

NOTARY PUBLIC

Prepared by: Larry L. Hayward
Title: Manager of Statutory Reporting
Telephone No.: (504) 832-3230
Date: July 16, 2014
Email Address: lhayward@lacitizens.com

Company Background

This discussion provides an assessment by management of the financial position, results of operations, cash flow and liquidity for Louisiana Citizens Property Insurance Corporation (LCPIC). LCPIC was established in 2003 by the Louisiana legislature as a nonprofit corporation to operate residual market insurance plans effective January 1, 2004. The objective of LCPIC is to provide essential property insurance for residential and commercial property applicants who are unable to procure insurance through the voluntary market. LCPIC is the successor to the program established by Act 424 of the 1992 Regular Legislative Session designated as the "Fair Access to Insurance Requirements Plan" or otherwise known as the Louisiana Joint Reinsurance Plan (FAIR Plan) and the Louisiana Insurance Underwriting Plan (Coastal Plan). Information presented in this discussion supplements LCPIC's 2013 Annual Financial Statements.

Major events occurring in 2013 for LCPIC were:

- LCPIC moved all claims management and underwriting services in house. Prior to 2013, LCPIC employed two service providers for underwriting and claims services. The cost savings from this change are estimated to exceed $5 million.
- LCPIC's bond rating upgrade with Moody's, Fitch, and Standard & Poor's was affirmed in 2013.
- In April 2013, LCPIC increased its line of credit with Regions Bank from $75 million to $125 million. The intent is to provide additional liquidity to pay claims resulting from future catastrophes.
- In May 2013, LCPIC purchased a $140 million four-year catastrophe bond. In 2012, a $125 million three-year catastrophe bond was purchased. For the 2013 storm season LCPIC had storm coverage of $650 million with a $50 million retention that includes a traditional reinsurance program and the cat bonds.
- LCPIC completed a seventh round of depopulation effective December 1, 2013 transferring 12,768 policies and approximately $2.8 billion of exposure to the private insurance market.

Financial Position

LCPIC's financial position at December 31 was as follows:

Balance Sheet (in thousands of dollars - 000)	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$123,196	$80,453
Receivables (net, allowance for doubtful accts.)	50,367	63,533
Prepayments	13,661	9,385
Other current assets	2,221	2,881
Total current assets	189,445	156,252
NONCURRENT ASSETS:		
Restricted assets – cash	$7,669	$2,854
Restricted assets with bond trustee	154,264	145,606
Investments	0	12,498
Capital assets, net of accumulated depreciation	819	739
Other noncurrent assets	124	84
Total noncurrent assets	162,876	161,780
Total assets	$352,321	$318,032
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accruals	$83,958	$119,790
Deferred revenues	96,322	99,535
Other current liabilities	13,572	6,699
Current portion of long-term liabilities:		
Compensated absences payable	95	113
Bonds payable (including unamortized costs)	47,043	45,141
Total current liabilities	240,990	271,278
NONCURRENT LIABILITIES:		
Claims and litigation payable	18,000	5,000
Bonds payable (including unamortized costs)	742,651	789,694
Other noncurrent liabilities	9,267	4,440
Total noncurrent liabilities	769,918	799,134
Total liabilities	1,010,908	1,070,412

Financial Position (continued)

NET ASSETS		
Invested in capital assets, net of related debt	819	739
Restricted for debt service	313,653	269,939
Unrestricted	(973,059)	(1,023,058)
Total net assets	(658,587)	(752,380)
Total liabilities and net assets	$352,321	$318,032

Assets

Total assets increased by $34.2 million in 2013 compared to 2012 due the reasons described below and on the following page.

Ending cash in 2013 was $123.2 million compared to ending cash in 2012 of $80.5 million. The primary reason for the $42.7 million increase in ending cash resulted from a decrease in payments for catastrophe and litigated related losses and expenses.

The $13.2 million decrease in receivables is primarily due to a $21.0 million reduction in reinsurance receivables that were collected during 2013 and reinsurance claim liabilities that decreased due to claim settlement activities. Partially offsetting the decrease was an increase of $6.3 million in premium receivables that occurred due to a timing difference of when LCPIC recorded the return premium impact of Senate Bill No. 204 of the 2012 Regular Session and when LCPIC paid the return premiums. Senate Bill No. 204 reinstated an expired 10 percent decrease on rates for policies written in twelve coastal parishes. The adjustment for the 10 percent rate reduction was recorded by LCPIC in December 2012 and return premiums were remitted to policyholders during the first quarter of 2013. Below is an illustration of the effects of Senate Bill No. 204 on LCPIC's premium receivable if the adjustment had been recorded and paid in the same fiscal period:

(In thousands of dollars – 000)	**As of 12/31/2013**	**As of 12/31/2012**	**Change**
Premiums receivable	$22,275	$16,013	$6,262
Senate Bill No. 204 timing adjustment	0	4,148	(4,148)
Premiums receivable as adjusted	$18,127	$20,161	$2,114

If the timing difference had not taken place as displayed in the above chart, then the increase in premiums receivable of $2.1 million would be due to LCPIC's increase in written policies prior to the depopulation effort that occurred during 2013.

Assets (continued)

Prepayments increased $4.2 million in 2013 compared to 2012 primarily due to the reinsurance deposit premium paid to purchase a $140.0 million four-year catastrophe bond. The $140.0 million catastrophe bond is in addition to the $125.0 million three-year catastrophe bond purchased in 2012.

The increase in restricted assets – cash of $4.8 million in 2013 compared to 2012 is due to LCPIC electing to include all checks outstanding that are more than 6 months after the issue date. The checks contained in this asset will be either paid to the check owners or escheated as required by law.

The restricted assets with bond trustee are entirely related to the assessment revenue bond obligations issued in 2006 to pay Hurricane Katrina losses. These assets are money market securities and repurchase agreement securities, both held by the bond custodian, Regions Bank. In 2013, the restricted assets with bond trustee increased by $8.7 million primarily due to investments of emergency assessment revenue that exceeded bond debt service costs.

Investments decreased $12.5 million in 2013 as a result of bonds redeemed. The proceeds were placed into an operating investment account at Regions Bank.

Prior to 2013, other noncurrent assets primarily consisted of prepaid bond issuance cost. In 2013, as a result of GASB 65 pronouncement, LCPIC recorded a prior period adjustment to expense the remaining prepaid bond issuance cost effective December 31, 2011.

Liabilities

Total liabilities decreased by $59.5 million in 2013 compared to 2012 primarily due to the reasons described below and on the following page.

Accounts payable and accruals decreased $35.8 million in 2013 compared to 2012. The majority of this liability is comprised from LCPIC's unpaid losses and loss adjustment expenses (LAE). Unpaid losses and LAE decreased $35.4 million in 2013 as compared to 2012 primarily due to the settlement payment for the Orrill class action suit and settlement of non-catastrophe related losses occurring in 2012.

Liabilities (continued)

Unpaid losses and LAE are stated as LCPIC's estimate of the ultimate cost, excluding reinsurance, of settling all incurred but unpaid claims. Unpaid losses and loss adjustment expenses are not discounted and no estimate for salvage and subrogation is applied as a reduction to the unpaid losses. The estimate for unpaid losses and loss adjustment expenses is closely monitored and adjusted for changes in loss patterns and historical trends. LCPIC uses various development modeling techniques to assist in the evaluation of its reserves. Management believes that the loss reserves are adequate, but establishing reserves is a judgmental and inherently uncertain process. It is therefore possible that as conditions and experience develops, reserve adjustments may be required in the future.

Other current liabilities increased $6.9 million in 2013 compared to 2012. The majority of this liability is comprised from the premium payable to depopulation companies. In 2013, the premium payable to depopulation companies increased $5.4 million compared to 2012 due to an increase in the number of policies and annualized premium that were transferred to assuming insurers. A total of 12,768 policies and $24.0 million in annualized premium were transferred in 2013 as compared to 6,619 policies and $12.4 million in annualized premium in 2012.

The combined current and noncurrent bonds payable decreased by $45.1 million in 2013 compared to 2012 primarily because of a $42.3 million assessment revenue bond principal payment made in 2013.

The claims and litigation payable increased $13.0 million primarily due to a ruling made by the Louisiana Department of Insurance instructing LCPIC to refund a $65.00 application fee to all policyholders that paid the fee prior to a change LCPIC made to disclose the $65.00 fee on the insurance policy. LCPIC reserved $16.0 million for this matter which is the maximum exposure for the potential payments. Partially offsetting the increase is the $3 million decrease in the liability established for a lawsuit with Louisiana Road Home Corporation. The plaintiff alleges that LCPIC failed to include Road Home as a payee on some claim payments resulting from Hurricane Katrina. LCPIC settled the lawsuit in 2013 for $2.0 million with a payment to take place at a later date. LCPIC has a reserve of $2.0 million for this lawsuit.

The $4.8 million increase in other noncurrent liabilities in 2013 compared to 2012, is primarily due to a payable for pending escheatment of company disbursements. In 2013, LCPIC elected to include all checks outstanding that are more than 6 months after the issue date. The checks contained in this liability will be either paid to the check owners or escheated as required by law.

Net Position

The increase in operating income of $79.9 million and decrease in interest expense of $8.1 million are the principle driver of the increase in total net position of $93.4 million in 2013 compared to 2012.

During 2013, the Company recorded a prior period adjustment to write off previously capitalized bond issuance costs and deferred policy acquisition in accordance with GASB 65. The effect of this adjustment was a reduction in previously reported Net Position as of December 31, 2011 by $24.2 million, a reduction in previously reported interest expense of $0.8 million and a decrease in previously reported commissions and brokerage expense of approximately $64 thousand for the year ended December 31, 2012.

Results of Operations

LCPIC's operating results are presented in the following table.

Statement of Revenues, Expenses, and Changes in Fund Net Assets (000)	**2013**	**2012**
OPERATING REVENUE:		
Sales of commodities and services	$115,731	$119,141
Use of money and property	0	0
Other operating revenues	2,884	2,810
Total operating revenues	118,615	121,951
OPERATING EXPENSES:		
Cost of sales and services	75,179	188,339
Administrative	13,000	(17,500)
Depreciation	419	1,291
Total operating expenses	88,598	172,130
Operating income(loss)	30,017	(50,179)
NON-OPERATING REVENUES(EXPENSES):		
Interest expense	(39,164)	(47,237)
Other revenue	102,939	100,142
Total non-operating revenues(expenses)	63,776	52,905
Change in Net Assets	93,793	2,726
Net Assets at Beginning of Year	(752,380)	(755,106)
Net Assets at End of Year	($658,587)	($752,380)

Results of Operations (continued)

Change in net assets increased $93.8 million in 2013 compared to 2012 due to the reasons described below and on the following page.

Sales of services (premiums earned) decreased $3.4 million. Premiums earned decreased due to the transfer of policies to the private insurance market as a result of the company's depopulation program. There were 95,314 inforce policies at December 31, 2013 compared to 104,010 at December 31, 2012.

The cost of sales and services decreased $113.1 million in 2013 compared to 2012. 2012 incurred losses decreased for Hurricane Isaac by $74.9 million, for class action settlements by $44.3 million, and for non-catastrophe related claims occurring in 2012 by $38.9 million. In addition to the decrease in 2012 incurred losses, a decrease of $8.4 million resulting from the timing of recording and payment for Senate Bill No. 204 reinstating a 10% rate decrease in twelve coastal parishes. Offsetting the decreases was incurred losses in 2013 from a $27.4 million wind and hail occurrence and $26.6 million in non-catastrophe related claims.

The increase in administrative operating expense of $30.5 million was due to the following:

Description (in millions)	Increase (Decrease)
Decertification of the Thibodeaux class action suit	$22.5
Change in income earned related to Road Home suit	($8.0)
Louisiana Department of Insurance ruling to refund $65.00 application fee	$16.0
Net change	$30.5

Interest expense increased $5.3 million in 2013 compared to 2012. In 2013, as a result of GASB 65 pronouncement, LCPIC expensed the remaining prepaid bond issuance cost of $14.1 million. Partially offsetting the increase was the decrease of $6.1 million associated with the Series 2012 Refunding Bonds that were issued to advance refund the Series 2006 C-4 Revenue Bonds in 2012 and the decrease in interest costs of $2.0 million associated with the payment of bond principle.

Cash Flow and Liquidity

Cash Flow

Sources of cash include proceeds from customers, principally, premiums collected, emergency assessments and amounts received from unrestricted investments. Primary uses of cash include cash payments for services provided, cash payments to employees, principal and interest paid on debt, and amounts paid for restricted investments.

The other cash flow from non-capital financing activities is primarily assessment collections less debt service costs on long-term debt obligations.

The purchases of investment securities under cash flows from investing activities relate to the interest received and cost of securities purchased of restricted investments held by the Trustee for the repayment of the Katrina bonds. Interest and dividends earned on investment securities relate to interest received and proceeds from the sale of unrestricted investments.

Liquidity

All liquid funds held by LCPIC are kept in commercial bank accounts that are FDIC insured or 100% collateralized.

In addition to policyholder premiums, LCPIC has much broader range of resources available to pay losses and repay debt obligations than does a typical insurer. LCPIC can institute a regular assessment on the state insurance industry of up to 10% for deficits each year, and an emergency assessment of up to 10% on property policyholders of the State of Louisiana for each calendar year of a storm to pay debt incurred in previous years.

In 2013, LCPIC secured a $125.0 million line of credit with Regions Bank that matures in June 2015. The line of credit provides additional liquidity to the corporation.

In 2010, LCPIC instituted lockbox processing to reduce cash flow interruption in the event of a temporary closure of its office for a catastrophic event.

In 2005, LCPIC did not have sufficient funds to pay 80,000 claims resulting from Hurricanes Katrina and Rita. In 2006, LCPIC issued $978.0 million of fixed rate assessment revenue bonds. On December 31, 2013, LCPIC had approximately $773.5 million of fixed rate assessment revenue bonds outstanding. The debt service of these bonds is paid through emergency assessments on property insurance policies written in the State of Louisiana. The emergency assessments are remitted quarterly to the bond trustee.

Pending Litigation

As of December 31, 2013 there were approximately 1,146 open litigation matters against LCPIC. The majority of these lawsuits are first-party suits related to Hurricanes Katrina and Rita. Unpaid loss and loss adjustment expenses related to these claims are included on the balance sheet of approximately $6.7 million, excluding the Oubre class action suit described below. The balance of the litigated matters are related to first party losses, third-party bodily injury claims, subrogation or claims where the issue of coverage is in dispute.

Oubre v. Louisiana Citizens Property Insurance Corporation. The plaintiffs in this suit allege that LCPIC failed to timely initiate loss adjustment as required by Louisiana statutory law exposing LCPIC to mandatory penalties in the amount of $5,000.00. On July 23, 2012 LCPIC settled the majority of this class action suit with a payment of $104.0 million to the plaintiff counsel for distribution to the class members. LCPIC entered into a settlement with the class for the remaining Oubre claims. LCPIC has a reserve of $46.0 million for this case (included in accounts payable and accruals on the statement of net position) which LCPIC believes is adequate.

Future Plans

LCPIC had $650 million in total reinsurance and cat bonds in place for the 2013 storm season. The cat bonds include a $125.0 million three year catastrophe bond and a $140.0 million four year catastrophe bond. In addition to the reinsurance program and cat bonds, LCPIC has reinstatement premium protection and second event catastrophe coverage. The amount of reinsurance purchased by LCPIC is determined by many factors that include, losses projected by catastrophe models, insured values of the company, reinsurance market prices, and availability of cash. The reinsurance coverage, excluding cat bonds, described above expires on May 31, 2014. LCPIC is in the process of negotiating a new reinsurance program for the 2014 storm season.

Contacting Louisiana Citizens Property Insurance Corporations' Management

This financial report is designed to provide the citizens and taxpayers of Louisiana, LCPIC's customers and creditors with a general overview of LCPIC's finances. If you have questions about this report or need additional financial information, contact Larry L. Hayward at (504) 832-3230 or lhayward@lacitizens.com.

STATE OF LOUISIANA **STATEMENT A**
LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2013

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 123,196,486
Restricted cash and cash equivalents	0
Investments	0
Derivative instruments	0
Receivables (net of allowance for doubtful accounts)(Note U))	50,366,594
Due from other funds (Note Y)	0
Due from federal government	0
Inventories	0
Prepayments	13,661,500
Notes receivable	0
Other current assets	2,220,657
Total current assets	$ 189,445,237
NONCURRENT ASSETS	
Restricted assets (Note F):	
Cash	7,669,616
Investments	154,263,766
Receivables	0
Investments	0
Notes receivable	0
Capital assets, net of depreciation (Note D)	
Land and non-depreciable easements	0
Buildings and improvements	0
Machinery and equipment	819,223
Infrastructure	0
Intangible assets	0
Construction/Development-in-progress	0
Other noncurrent assets	123,826
Total noncurrent assets	162,876,431
Total assets	$ 352,321,668
DEFERRED OUTFLOWS OF RESOURCES	
Accumulated decrease in fair value of hedging derivatives	0
Deferred amounts on debt refunding	0
Adjustments of capital lease obligations	0
Grants paid prior to meeting time requirements	0
Intra-entity transfer of future revenues (transferee)	0
Losses from sale-leaseback transactions	0
Direct loan origination costs for moirtgage loans held for sale	0
Fees paid to permanent investors prior to sale of mortgage loans	0
Total deferred outflow of resources	0
Total assets and deferred outflow of resources	$ 352,321,668
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accruals (Note V)	$ 83,958,058
Derivative instrument	0
Due to other funds (Note Y)	0
Due to federal government	0
Unearned revenues	96,322,207
Amounts held in custody for others	0
Other current liabilities	13,572,183

STATE OF LOUISIANA **STATEMENT A**
LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2013

LIABILITIES Continued	
Current portion of long-term liabilities: (Note K)	
Contracts payable	0
Compensated absences payable	95,480
Capital lease obligations	0
Claims and litigation payable	0
Notes payable	0
Pollution remediation obligation	0
Bonds payable (include unamortized costs)	47,042,807
Other long-term liabilities	0
Total current liabilities	240,990,735
NONCURRENT LIABILITIES	
Contracts payable	0
Compensated absences payable	0
Capital lease obligations	0
Claims and litigation payable	18,000,000
Notes payable	0
Pollution remediation obligation	0
Bonds payable (include unamortized costs)	742,651,458
OPEB payable	
Other long-term liabilities	9,266,653
Total noncurrent liabilities	769,918,111
Total liabilities	$ 1,010,908,846
DEFERRED INFLOWS OF RESOURCES	
Accumulated increase in fair value of hedging derivatives	0
Deferred amounts related to service concession arrangement	0
Deferred amounts of debt refunding	0
Adjustments of capital lease obligations	0
Grants received prior to meeting time requirements	0
Property taxes received before the period of which taxes were levied	0
Fines and penalties received in advance of meeting time requirements	0
Sales/intra-entity transfers of future revenues (transferor)	0
Gains from sale-leaseback transactions	0
Points received on loan origination	0
Loan origination fees received for mortgage loans held for sale	0
Total deferred inflows of resources	$ -
NET POSITION	
Net investment in capital assets	819,223
Restricted for:	
Capital projects	0
Debt service	313,652,962
Unemployment compensation	0
Other specific purposes	0
Unrestricted	(973,059,363)
Total net position	(658,587,178)
Total liabilities, deferred inflows of resources, and net position	$ 352,321,668

The accompanying notes are an integral part of this financial statement.

STATE OF LOUISIANA **STATEMENT B**

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2013

OPERATING REVENUE	
Sales of commodities and services	$ 115,588,031
Assessments	0
Use of money and property	0
Licenses, permits, and fees	0
Federal grants and contracts	
State, local and nongovernmental grants and contracts	
Other	2,884,232
Total operating revenues	118,472,263
OPERATING EXPENSES	
Cost of sales and services	75,036,084
Administrative	13,000,000
Depreciation	418,772
Amortization	0
Total operating expenses	88,454,856
Operating income(loss)	$ 30,017,407
NON-OPERATING REVENUES(EXPENSES)	
State appropriations	$ -
Intergovernmental revenues(expenses)	0
Taxes	0
Use of money and property	0
Gain on disposal of fixed assets	0
Loss on disposal of fixed assets	0
Federal grants	0
Interest expense	(39,163,784)
Other revenue	102,939,258
Other expense	
Total non-operating revenues(expenses)	63,775,474
Income(loss) before contributions, extraordinary items, & transfers	93,792,881
Capital contributions	0
Extraordinary item	0
Transfers in	0
Transfers out	0
Change in net position	93,792,881
Total net assets - beginning	(752,380,059)
Total net assets - ending	$ (658,587,178)

The accompanying notes are an integral part of this financial statement.

STATE OF LOUISIANA **Statement C**
LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Entity	$ -	$ -	$ -	$ -	0

General revenues:	
Taxes	
State appropriations	
Grants and contributions not restricted to specific programs	
Interest	
Miscellaneous	
Special items	
Extraordinary item - Loss on impairment of capital assets	
Transfers	
Total general revenues, special items, and transfers	0
Change in net assets	0
Net position - beginning as restated	
Net position - ending	0

**********Not Applicable**********

The accompanying notes are an integral part of this financial statement.

STATE OF LOUISIANA — STATEMENT D (continued)

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENED DECEMBER 31, 2013

Cash flows from operating activities		
Cash receipts from customers	$ 103,019,367	
Cash receipts from grants and contracts	0	
Cash receipts from interfund services provided	0	
Other operating cash receipts, if any	2,884,232	
Cash payments to suppliers for goods or services	(77,536,157)	
Cash payments to employees for services	(5,795,731)	
Cash payments for interfund services used, including payments "In Lieu of Taxes"	0	
Other operating cash payments, if any (*provide explanation)	0	
Net cash provided(used) by operating activities		22,571,711
Cash flows from non-capital financing activities		
State appropriations	0	
Federal receipts	0	
Federal disbursements	0	
Proceeds from sale of bonds	0	
Principal paid on bonds	(42,345,000)	
Interest paid on bond maturities	0	
Proceeds from issuance of notes payable	0	
Principal paid on notes payable	0	
Interest paid on notes payable	0	
Operating grants received	0	
Transfers in	0	
Transfers out	0	
Other (**provide explanation)	57,505,746	
Net cash provided(used) by non-capital financing activities		15,160,746
Cash flows from capital and related financing activities		
Proceeds from sale of bonds	0	
Principal paid on bonds	0	
Interest paid on bond maturities	0	
Proceeds from issuance of notes payable	0	
Principal paid on notes payable	0	
Interest paid on notes payable	0	
Acquisition/construction of capital assets	(499,348)	
Proceeds from sale of capital assets	0	
Capital contributions	0	
Deposits with trustees	0	
Deferred proceeds from capital leases	0	
Net cash provided(used) by capital and related financing activities		(499,348)
Cash flows from investing activities		
Purchases of investment securities	(7,176,313)	
Proceeds from sale of investment securities	0	
Interest and dividends earned on investment securities	12,686,377	
Net cash provided(used) by investing activities		5,510,064
Net increase (decrease) in cash and cash equivalents		42,743,173
Cash and cash equivalents at beginning of year		80,453,313
Cash and cash equivalents at end of year		$ 123,196,486

STATE OF LOUISIANA **STATEMENT D**
LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION (concluded)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENED DECEMBER 31, 2013

Reconciliation of operating income(loss) to net cash provided(used) by operating activities:

Operating income(loss)		$ 30,017,407
Adjustments to reconcile operating income(loss) to net cash provided(used) by operating activities:		
Depreciation/amortization	418,772	
Provision for uncollectible accounts	(2,569,860)	
Other	0	
Changes in assets and liabilities:		
(Increase)decrease in accounts receivables, net	17,360,665	
(Increase)decrease in due from other funds	0	
(Increase)decrease in prepayments	(4,277,067)	
(Increase)decrease in inventories	0	
(Increase)decrease in other assets	619,817	
Increase(decrease) in accounts payable and accruals	(35,664,219)	
Increase(decrease) in compensated absences payable		
Increase(decrease) in due to other funds	0	
Increase(decrease) in deferred revenues	(3,207,050)	
Increase(decrease) in OPEB payable	0	
Increase(decrease) in claims and litigation payable	13,000,000	
Increase(decrease) in other liabilities	6,873,246	
Net cash provided(used) by operating activities		$ 22,571,711

Schedule of noncash investing, capital, and financing activities:

Borrowing under capital lease(s)	$ -
Contributions of fixed assets	0
Purchases of equipment on account	0
Asset trade-ins	0
Other (specify)	0
Total noncash investing, capital, and financing activities:	$ -

The accompanying notes are an integral part of this financial statement.

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENED DECEMBER 31, 2013

Please provide an explanation of what is included in "other." If there are multiple reasons, please list each out separately along with the amount.

*Other (operating cash payments)

**Other (cash flows from non capital financing activities)

Emergency assessment received	93,846,523
Tax exempt surcharge received	5,793,748
Interest paid, cost of issuance, debt service expense, amortization of bond issuance, and amortization of bond premioum and discount	(42,134,525)

***Other (cash flows from capital and related financing activities)

STATE OF LOUISIANA
LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
Notes to the Financial Statement
As of and for the year ended December 31, 2013

INTRODUCTION

Louisiana Citizens Property Insurance Corporation (LCPIC) was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statutes 22:2291 through 22:2370. The following is a brief description of the operations of LCPIC and includes the parish/parishes in which LCPIC is located:

LCPIC operates insurance plans which provide property insurance for residential and commercial property, solely for applicants who are in good faith entitled, but are unable, to procure insurance through the voluntary market. LCPIC operates residual market insurance programs, throughout the State of Louisiana (the State), designated as the Coastal Plan (succeeded the Louisiana Insurance Underwriting Plan) and the Fair Access to Insurance Requirements Plan (FAIR Plan) (succeeded the Louisiana Joint Reinsurance 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. LCPIC began operations on January 1, 2004, with its headquarters and corporate offices located in Metairie, Louisiana. It is governed by a board of directors consisting of 15 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 Department of Insurance, and three members appointed by the governor.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local government entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of LCPIC present information only as to the transactions of LCPIC as authorized by Louisiana statutes and administrative regulations.

Basis of Accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of LCPIC are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration – Office of Statewide Reporting and Accounting Policy as follows:

Revenue Recognition
Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measureable.

Expense Recognition
Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measureable.

B. BUDGETARY ACCOUNTING

Not applicable

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include demand deposits. Further, LCPIC may invest in time certificates of deposit in any bank domiciled or having a branch office in the State of Louisiana; in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federally or state chartered credit unions.

For the purpose of the statement of cash flows and statement of net position presentation, all highly liquid investments (including negotiable CDs and restricted cash and cash equivalents) and deposits (including nonnegotiable CDs and restricted cash and cash equivalents) with a maturity of three months or less when purchased are considered to be cash equivalents.

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are required to be held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts.

The deposits at December 31, 2013, consisted of the following:

	Cash	Nonnegotiable Certificates of Deposit	Other	Total
Deposits per statement of net position (Reconciled bank balance)	$80,073,949	$0	$0	$80,073,949
Deposits in bank accounts per bank	$83,956,768	$0	$0	$83,956,768
Bank balances exposed to custodial credit risk:				
a. Uninsured and uncollateralized	$0	$0	$0	$0
b. Uninsured and collateralized with securities held by the pledging institution	$0	$0	$0	$0
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name.	$0	$0	$0	$0

NOTE: The "Deposits in bank accounts per bank" will not necessarily equal the "Deposits per statement of net position" due to outstanding items.

The following is a breakdown by banking institution, program, and amount of the "Deposits in bank accounts per bank" balances shown above:

Banking Institution	Program	Amount
Regions Bank	Fair / Coastal Plans	$83,956,768
Total		$83,956,768

2. INVESTMENTS

LCPIC does maintain investment accounts at 12/31/13 and at 6/30/14 as authorized by Louisiana Revised Statute 22:2297(D.)(2).

Custodial Credit Risk

Investments can be exposed to custodial credit risk if the securities underlying the investment are uninsured, not registered in the name of the entity, and are either held by the counterparty or counterparty's trust department or agent, but not in the entity's name. Repurchase agreements are not subject to credit risk if the securities underlying the repurchase agreement are exempt from credit risk disclosure.

The following table lists each type of investment disclosing the total carrying amounts and market values, and any amounts exposed to custodial credit risk.

	Investments Exposed to Custodial Credit Risk		All Investments Regardless of Custodial Credit Risk Exposure	
Type of Investment	Uninsured, *Unregistered, and Held by Counterparty	Uninsured, *Unregistered, And Held by Counterparty's Trust Dept. or Agent Not in Entity's Name	Reported Amount Per Statement of Net Position	Fair Value
Negotiable CDs	$ 0	$ 0	$ 0	$ 0
Repurchase agreements			28,298,272	28,298,272
U.S. Government Obligations**				
U.S. Agency Obligations***				
Common & preferred stock				
Mortgages (including CMOs & MBSs)				
Corporate bonds				
Mutual funds			176,757,647	176,757,647
Real estate				
External Investment Pool (LAMP)****				
External Investment Pool (Other)				
Other:				
Total investments	$ 0	$ 0	$205,055,919	$205,055,919

* Unregistered – not registered in the name of the government or entity
** These obligations generally are not exposed to custodial credit risk because they are backed by the full faith and credit of the U.S. government.
*** These obligations may not be exposed to custodial credit risk
**** LAMP investments should not be included in deposits AND should be identified separately in this table to ensure LAMP investments are not double-counted on the State level.

In 2006 LCPIC 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% - 105% of market value depending on the type of collateral. Acceptable securities are Ginnie Maes, 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 fair market value of collateral accepted from Societe Generale as of December 31, 2013 was $28,298,272. The investment balance was $29,745,596 and the collateral percentage was 105.11%.

3. CREDIT RISK, INTEREST RATE RISK, CONCENTRATION OF CREDIT RISK, AND FOREIGN CURRENCY RISK DISCLOSURES

A. Credit Risk of Debt Investments

Rating Agency	Rating	Fair Value
Standard & Poor's	A	$28,298,272
Standard & Poor's	AAAm	125,965,494
Standard & Poor's	BBB	50,792,153
	Total	$205,055,919

B. Interest Rate Risk of Debt Investments

1. The following table provides a listing by investment type, total fair value, and breakdown of maturity in years for each debt investment type.

	Investment Maturities (in Years)				
Type of Debt Investment	Fair Value	Less Than 1	1 - 5	6 - 10	Greater Than 10
U.S. Government obligations	$0	$0	$0	$0	$0
U.S. Agency obligations					
Mortgage backed securities					
Collateralized mortgage obligations					
Corporate bonds					
Other bonds					
Mutual bond funds					
Other	$28,298,272				$28,298,272
Total debt investments	$28,298,272	$0	$0	$0	$28,298,272

2. LCPIC has no debt investments that are highly sensitive to changes in interest rates due to the terms (e.g. coupon multipliers, reset dates, etc.) of the investment.

C. Concentration of Credit Risk

The external investment pool consists of a U.S. Treasury obligation fund backed money market, and by definition is not considered a concentration of credit risk. However, LCPIC has invested 14% of total investments in a repurchase agreement with a federal bank.

Issuer	Amount	% of Total Investments
Societe Generale	$28,298,272	14%
Total	$28,298,272	

D. Foreign Currency Risk

Not applicable

4. DERIVATIVES (GASB 53)

None

5. POLICIES

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, LCPIC's deposits may not be returned to it. As of December 31, 2013, a total of $83,706,768 of LCPIC's bank balance was exposed to custodial credit risk. However, these deposits were secured by the pledge of securities owned by the fiscal agent bank.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, LCPIC will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. LCPIC follows the investment criteria as defined by state statute. The statute and LCPIC's investment policy require investment grade securities. LCPIC's investment policy also requires investments to be in the top two Securities Valuation Office ratings of the National Association of Insurance Commissioners. Of LCPIC's $28,298,272 investment in a repurchase agreement, the entire amount was exposed to custodial credit risk. However, the investment is secured by the pledge of government-backed securities owned by the counterparty and held by a mutually acceptable custodian bank.

Concentration of Credit Risk

LCPIC follows the investment criteria regarding concentration of credit risk as defined by state statute and LCPIC's investment policy. A 5% limitation is stated by both statute and investment policy, with exception to U.S. government securities.

Interest Rate Risk

LCPIC's deposits and investments interest rate risk is minimal in consideration of the short maturity of those deposits and investments.

Foreign Currency Risk

LCPIC does not invest in any foreign currency denominated investments.

6. OTHER DISCLOSURES REQUIRED FOR INVESTMENTS

a. Investments in pools managed by other governments or mutual funds

   Not applicable

b. Securities underlying reverse repurchase agreements

   Not applicable

c. Unrealized investment losses

   Not applicable

d. Commitments as of December 31, 2013, to resell securities under yield maintenance repurchase agreements

   Not applicable

e. Losses during the year due to default by counterparties to deposit or investment transactions

   Not applicable

f. Amounts recovered from prior period losses which are not shown separately on the statement of net position

Not applicable

Legal or Contractual Provisions for Reverse Repurchase Agreements

g. Source of legal or contractual authorization for use of reverse repurchase agreements

Not applicable

h. Significant violations of legal or contractual provisions for reverse repurchase agreements that occurred during the year

Not applicable

Reverse Repurchase Agreements as of Year-End

i. Credit risk related to the reverse repurchase agreements (other than yield maintenance agreements) outstanding at year end, that is, the aggregate amount of reverse repurchase agreement obligations including accrued interest compared to aggregate market value of the securities underlying those agreements including interest

Not applicable

j. Commitments on December 31, 2013 to repurchase securities under yield maintenance agreements

Not applicable

k. Market value on December 31, 2013 of the securities to be repurchased

Not applicable

l. Description of the terms of the agreements to repurchase

Not applicable

m. Losses recognized during the year due to default by counterparties to reverse repurchase agreements

   Not applicable

n. Amounts recovered from prior-period losses which are not separately shown on the operating statement

   Not applicable

Fair Value Disclosures (GASB 31)

o. Methods and significant assumptions used to estimate fair value of investments, if fair value is not based on quoted market prices

   Not applicable

p. Basis for determining which investments, if any, are reported at amortized cost

   Bonds not backed by other loans are stated at amortized cost using the interest method.

q. For investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool

   Not applicable

r. Whether the fair value of your investment in the external investment pool is the same as the pool shares

   Yes

s. Any involuntary participation in an external investment pool

   No

t. If you are unable to obtain information from a pool sponsor to determine the fair value of your investment in the pool, methods used and significant assumptions made in determining fair value and the reasons for having had to make such an estimate

   Not applicable

u. Any income from investments associated with one fund that is assigned to another fund

   No

Land and Other Real Estate Held as Investments by Endowments (GASB 52)

v. LCPIC owns no land or other real estate held as investments by endowments.

D. CAPITAL ASSETS – INCLUDING CAPITAL LEASE ASSETS

The fixed assets used in the Special Purpose Government Engaged only Business-Type Activities are included on the statement of net position of the entity and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity is charged as an expense against operations. Depreciation for financial reporting purposes is computed by the straight line method over the useful lives of the assets.

	Schedule of Capital Assets (includes capital leases)						
Agency	Balance 12/31/12	Prior Period Adjustments	Restated Balance 12/31/12	Additions	Reclassification of CIP*	Retirements**	Balance 12/31/13
Capital assets not depreciated:							
Land	$0	$0	$0	$0	$0	$0	$0
Non-depreciable land improvements							
Non-depreciable easements							
Capitalized collections							
Software Development in Progress							
Construction in progress							
Total capital assets not depreciated	$0	$0	$0	$0	$0	$0	$0
Other capital assets:							
Depreciable land improvements	$0	$0	$0	$0	$0	$0	$0
Accumulated Depreciation**							
Total land improvements							
Buildings							
Accumulated Depreciation**							
Total buildings							
Machinery and equipment	$907,120	$0	$907,120	$74,531	$0	$0	$981,651

	Schedule of Capital Assets (includes capital leases)						
Agency	Balance 12/31/12	Prior Period Adjustments	Restated Balance 12/31/12	Additions	Reclassification of CIP*	Retirements**	Balance 12/31/13
Accumulated depreciation**	($569,340)	$0	($569,340)	($79,029)	$0	$0	($648,369)
Total machinery and equipment	$337,780	$0	$337,780	($4,498)	$0	$0	$333,282
Infrastructure							
Accumulated depreciation**							
Total infrastructure							
Software (internally generated and purchased)	$16,822,151	$0	$16,822,151	$424,817	$0	$0	$17,246,968
Other Intangibles	$0	$0	$0	$0	$0	$0	$0
Accumulated amortization – software**	($16,421,284)	$0	($16,421,284)	($339,743)	$0	$0	($16,761,027)
Accumulated amortization – other intangibles**	$0	$0	$0	$0	$0	$0	$0
Total intangibles	$400,867	$0	$400,867	$85,074	$0	$0	$485,941
Total other capital assets	$738,647	$0	$738,647	$80,576	$0	$0	$819,223
Capital Asset Summary:							
Capital assets not being depreciated	$0	$0	$0	$0	$0	$0	$0
Other capital assets, book value	$17,729,271	$0	$17,729,271	$499,348	$0	$0	$18,228,619
Total cost of capital assets	$17,729,271	$0	$17,729,271	$499,348	$0	$0	$18,228,619
Accumulated depreciation / amortization	($16,990,624)	$0	($16,990,624)	($418,772)	$0	$0	($17,409,396)
Capital assets, net	$738,647	$0	$738,647	$80,576	$0	$0	$819,223

*Should only be used for those completed projects coming out of construction-in-progress to capital assets.
**Enter a negative number except for accumulated depreciation in the retirement column.

E. INVENTORIES

Not applicable

F. RESTRICTED ASSETS

Restricted assets in LCPIC at December 31, 2013, reflected at $161,933,382 in the non-current assets section on Statement A, consist of $7,669,616 in cash that is unclaimed property, or outstanding checks remaining on bank accounts, to be escheated to the appropriate states; $28,298,272 in repurchase agreements and $125,965,494 in money market mutual funds. The cash is held by LCPIC until escheated, the repurchase agreements and money market mutual funds are held by a bond trustee for the repayment of LCPIC's emergency assessment revenue bonds issued in 2006 to cover the 2005 Plan Year Deficit resulting from Hurricanes Katrina and Rita.

G. LEAVE

1. COMPENSATED ABSENCES

LCPIC provides sick time benefits of up to eight (8) days a year. Sick leave availability and use is conditioned upon legitimate illness or injury. In 2013, employees may be eligible for up to eight (8) days which will be allocated or designated in full on January 1. In this regard, there is no accrual of sick days. Thereafter, the eight (8) days will be given to each employee on December 1 each year. Every year on December 1, LCPIC will determine the amount of unused sick leave available to each active employee as of that date and LCPIC will pay employees for up to a maximum of five (5) of those unused sick days. Unused sick time does not carry forward from year to year. If no such sick time is available for eligible absences, the employee must use any other available paid time for such absence. If no paid time of any type is available, the absence shall be unpaid. LCPIC requires medical documentation for consecutive absences that exceed three (3) work days.

Active full-time employees are eligible for sick time from their date of hire on a pro rata basis and are eligible to use their time immediately. Sick time can be taken by non-exempt employees in hours, half day, or whole day increments. Sick time can be taken, by exempt employees in whole day increments. Unused sick time will not be paid out as compensation upon separation of employment since availability, use and eligibility for sick time is conditioned upon sickness or injury. In order to be eligible for sick leave, an employee must have a legitimate illness, injury or medical condition that necessitates time off. Alternatively, an employee may be eligible to take sick leave if it is necessary for him/her to provide care or assistance to an immediate family member who has a legitimate illness, injury or medical condition. Immediate family members include children, a spouse, siblings, parents and domestic partners.

2. COMPENSATORY LEAVE

LCPIC provides vacation time benefits which are calculated based on length of service using the accrual system (“earn as you go”). Once an employee meets the threshold for a new earning rate, they will begin earning the new rate on their anniversary.

Calculations are based upon completed years of service as outlined in the following table:

Time Employed	Hours Accrued Per Pay Period	Per Year Equivalent
0-4 years	2.70 hours	70 hours (10 days)
5-14 years	4.04 hours	105 hours (15 days)
15 + years	5.39 hours	140 hours (20 days)

Employees may use un-earned vacation time provided that personal days must be exhausted before taking unearned vacation, and no more than one week of unearned vacation in a calendar year can be taken, and unearned vacation is capped at anticipated earnings in a calendar year, and use of unearned vacation must be approved by Management and the Human Resources Manager. Active full-time employees are eligible to earn vacation time from their date of hire and are eligible to use their time once it is earned. Hours are computed based upon on a 35 hour week. Vacation time can be taken, by non-exempt employees, in half day, or whole day increments. Vacation time can be taken by exempt employees in whole day increments only. Maximum vacation carry over at the end of the year is 35 hours. The liability for unused vacation leave at December 31, 2013, computed in accordance with the Codification of Government Accounting and Financial Reporting Standards, Section C60.105 is estimated to be $95,480. The leave payable is recorded in the accompanying financial statements.

In addition to the vacation detailed above, each full-time employee will receive 5 personal days. Based on calendar timing, up to two days may be designated by LCPIC as a holiday for everyone. Unused personal days will not be carried over to the next year and will not be paid out at termination of employment. Personal time can be taken, by non-exempt employees, in hours, half day, or whole day increments. Personal time can be taken, by exempt employees, in whole day increments.

H. RETIREMENT SYSTEM

LCPIC has a defined contribution pension plan for all employees. LCPIC's contribution to the pension plan was $849,317 for 2013. LCPIC expensed the contribution each month and carries no asset or liability for the defined contribution plan on the Balance Sheet.

I. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

LCPIC provides postretirement medical insurance for qualified employees. Employees have two ways to qualify for the plan. The first method requires an employee to be at least 55 years of age and have 14 years of service. The second method requires an employee to be at least 60 years of age and have completed at least 5 years of service. Under the second method, an employee must have at least 2 years of service occurring after October 28, 2010, be employed with LCPIC at the time of retirement, and retire in good status.

1. Calculation of Net OPEB Obligation

The following table reflects LCPIC's annual OPEB expense and net OPEB obligation:

Fiscal year ending	12/31/2013	12/31/2012
1. Annual Required Contribution (ARC)	65,220	52,422
2. Interest on net OPEB obligation (NOO)	79,299	78,680
3. ARC adjustment	103,170	102,365
4. Annual OPEB expense (1. + 2. - 3.)	41,349	28,737
5. Contributions	30,292	16,358
6. Increase in NOO (4. – 5.)	11,057	12,379
7. NOO, beginning of the year	1,585,980	1,573,601
8. NOO, end of year (6. + 7.)	1,597,037	1,585,980

2. Note Disclosures

I. Plan Description

a) The name of the plan is LCPIC Health and Welfare Plan.
b) Louisiana Citizens Property Insurance Corporation administers the plan.
c) The type of plan is a Single Employer Plan.
d) There are special rules and procedures that apply to retiree benefits. These rules and procedures vary by type of benefit.

The following are rules and procedures for each benefit type:

Medical Coverage
Retirees who are under age 65 and not eligible for Medicare will have medical insurance through the Plan's Policy for retirees. Retirees who are eligible for Medicare (upon reaching age 65 or becoming disabled), will be provided a Medicare supplement policy by the plan. Retirees who are eligible for Medicare must enroll in Medicare; the plan will only provide coverage that supplements Medicare.

Dental and Vision Coverage
Retirees under age 65 may obtain coverage under the Plan's Policies for Dental and Vision insurance. Dental and Vision coverage will cease upon attaining age 65 (and are not available to retirees who retire after attaining age 65).

Basic Life Insurance
LCPIC provides a basic life insurance benefit of two times the employee's annual salary at no cost to the employee. A pre-65 Retiree will retain his/her active Basic Life benefit at retirement until he/she attains the age of 65. At age 65, Basic Life insurance coverage is reduced to a flat dollar amount of $10,000. For a participant who retires after attaining age 65, Basic Life coverage at retirement is a flat dollar amount of $10,000.

Supplemental Life Insurance
If a retiree had Supplemental Life insurance coverage as an active employee and retires before age 65, there will be no reduction to this coverage at retirement until that retiree reaches age 65. At age 65, existing Supplemental Life coverage will be reduced to 25% of the amount the retiree was eligible for on the day prior to retirement. If a retiree had Supplemental Life coverage as an active employee and retires after reaching age 65, his/her existing Supplemental Life coverage will be reduced to 25% of the amount he/she was eligible for on the day prior to retirement.

e) LCPIC administers the LCPIC Health and Welfare Plan. The Plan Administrator has the authority to change insurers and change the benefit programs offered under the plan.

f) LCPIC has less than 100 participants under the plan, therefore Schedule A information and 5500 data is not required.

II. Funding Policy

a) LCPIC administers the LCPIC Health and Welfare Plan. The Plan Administrator has the authority to establish or change the obligations of the plan members and employers to contribute to the plan. All current LCPIC policies are fully insured.
b) Contribution rates for plan members vary upon the benefit type. For medical, including Medicare supplement, dental and vision, plan members contribute 25% of the total premium cost for individual retiree coverage. Plan members do not contribute to the basic life insurance. Plan members contribute 100% of the total premium cost for supplemental life insurance.
c) LCPIC's contribution to the plan premium cost varies upon the benefit type. For medical, including Medicare supplement, dental and vision LCPIC contributes 75% of the total premium cost for individual retiree coverage. For basic life, LCPIC contributes 100% of the total premium costs. LCPIC does not contribute to the supplemental life insurance.

III. Additional disclosures for sole and agent employers for each plan:

a) The current year OPEB cost including the components of annual OPEB cost are listed in the following table:

Fiscal year ending	12/31/2013
1. Annual Required Contribution (ARC)	65,220
2. Interest on net OPEB obligation (NOO)	79,299
3. ARC adjustment	103,170
4. Annual OPEB expense (1. + 2. - 3.)	41,349
5. Age-adjusted contributions made during the year	30,292
6. Increase (decrease) in net OPEB obligation (4. – 5.)	11,057
7. Net OPEB obligation end of year	1,597,037

b) The current year and 2 preceding years, annual OPEB cost, percent of annual OPEB cost contributed, and the OPEB obligation at year-end are contained in the table below:

Fiscal year ending	12/31/2013	12/31/2012	12/31/2011
1. Annual OPEB Cost	41,349	28,737	476,151
2. Percentage of Annual OPEB Cost Contributed	73.26%	56.92%	2.49%
3. Net OPEB obligation	1,597,037	1,585,980	1,573,601

c) The GASB 45 funded status is contained in the table below:

Fiscal year ending	12/31/2013
A. GASB 45 Funded Status	
1. Actuarial Accrued Liability (AAL)	
a. Fully eligible actives	534,328
b. Other actives	452,846
c. Retirees, dependents and surviving spouses	406,028
d. Total actuarial accrued liability	1,393,202
2. Market value of assets	0
3. Unfunded actuarial accrued liability (1.)(d.)-(2.)	1,393,202
B. Schedule of funding progress	
1. Actuarial value of assets	0
2. Actuarial accrued liability	1,393,202
3. Unfunded AAL (UAAL)	1,393,202
4. Funded ratio	0.0%
5. Covered payroll	3,689,669
6. UAAL as % of valuation earnings	37.76%
C. Key Economic Assumptions	
1. Discount Rate	5.00%
2. Salary Increase Rate	N/A
3. Current health care cost trend rate	7.50%
4. Ultimate health care cost trend rate	5.00%
5. Year of ultimate trend rate	2018
6. Census Date	1/1/2013

d) The actuarial methods and assumptions used to determine annual OPEB cost is contained in the table below:

Fiscal year ending	12/31/2013
1. Valuation Date	1/1/2013
2. Actuarial cost method	Projected Unit Credit
3. Amortization method	Level Dollar
4. Remaining amortization period (years)	30
5. Asset valuation method	N/A
6. Actuarial assumptions:	
a. Investment rate of return	5.00%
b. Salary Increase Rate	N/A
c. Current health care cost trend rate	7.50%
d. Ultimate health care cost trend rate	5.00%
e. Year of ultimate trend rate	2018

IV. Required Supplementary Information

a. See the GASB funded status in c) above.
b. See the actuarial methods and assumptions in d) above.

J. LEASES

1. OPERATING LEASES

Total payments for operating leases during fiscal year 2013 were approximately $617,060. In 2013, LCPIC had leased office space at three separate locations, two office locations in Metairie, Louisiana and one in Baton Rouge, Louisiana under separate lease agreements. The lease for office space in Baton Rouge ended on 12/31/2013 and the lease for one of the office locations in Metairie was terminated in February 2014. A schedule of payments for operating leases follows:

Nature of lease	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020-2023
Office Space	$516,892	$492,891	$495,952	$501,198	$506,443	$511,690	$1,965,066
Equipment	0	0	0	0	0	0	0
Land	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Total	$516,892	$492,891	$495,952	$501,198	$506,443	$511,690	$1,965,066

2. CAPITAL LEASES

Not applicable

3. LESSOR DIRECT FINANCING LEASES

   Not applicable

4. LESSOR – OPERATING LEASE

   Not applicable

K. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the entity for the year ended December 31, 2013:

	Year ended December 31, 2013				
	Balance December 31, 2012	Additions	Reductions	Balance December 31, 2013	Amounts due within one year
Notes and bonds payable:					
Notes payable	$0	$0	$0	$0	$ 0
Bonds payable	789,694,264	0	47,042,806	742,651,458	47,042,807
Total notes and bonds	789,694,264	0	47,042,806	742,651,458	47,042,807
Other liabilities:					
Contracts payable	0	0	0	0	0
Compensated absences payable	0	0	0	0	0
Capital lease obligations	0	0	0	0	0
Claims and litigation	5,000,000	16,000,000	3,000,000	18,000,000	0
Pollution remediation obligation	0	0	0	0	0
OPEB payable	0	0	0	0	0
Other long-term liabilities	4,439,928	4,826,725	0	9,266,653	0
Total other liabilities	9,439,928	20,826,725	3,000,000	27,266,653	0
Total long-term liabilities	$799,134,192	$20,826,725	$50,042,806	$769,918,111	$47,042,807

L. CONTINGENT LIABILITIES

PENDING LITIGATION

As of December 31, 2013 there were 1,146 open litigation matters against LCPIC. The majority of these lawsuits are first-party suits related to Hurricanes Katrina and Rita. Unpaid loss and loss adjustment expenses are included in accounts payable and accruals on the statement of net position of approximately $6.7 million, excluding the Oubre class action suit described below. The balance of the litigated matters are related to first party losses, third-party bodily injury claims, subrogation or claims where the issue of coverage is in dispute.

LCPIC is also a defendant in a class action suit resulting from Hurricanes Katrina and Rita:

- *Oubre v. Louisiana Citizens Property Insurance Corporation*. The plaintiffs in this suit allege that LCPIC failed to timely initiate loss adjustment as required by Louisiana statutory law exposing LCPIC to mandatory penalties in the amount of $5,000.00. On July 23, 2012 LCPIC settled the majority of this class action suit with a payment of $104.0 million to the plaintiff counsel for distribution to the class members. LCPIC entered into a settlement with the class for the remaining Oubre claims. LCPIC has a reserve of $46.0 million for this case (included in accounts payable and accruals on the statement of net position) which LCPIC believes is adequate.

ALL OTHER CONTINGENCIES

LCPIC is involved in a lawsuit with Louisiana Road Home Corporation where the plaintiff alleges that LCPIC failed to include Road Home as a payee on some claims payments resulting from Hurricane Katrina. LCPIC settled the lawsuit for $2.0 million with a payment to take place at a later date. LCPIC has a reserve of $2.0 million for this lawsuit (included in claims and litigation payable on the statement of net position).

On December 12, 2013 the Louisiana Department of Insurance instructed LCPIC to refund a $65.00 application fee to all policy holders that paid the fee prior to a change LCPIC made to disclose the $65.00 fee on the insurance policy. The Louisiana Department of Insurance ruled that LCPIC violated La. RS. 22:855 by failing to disclose the application fee on the declarations page or elsewhere in the policy. LCPIC was ordered to refund the $65.00 application fee to individuals that paid the $65.00 application fee prior to the time LCPIC changed their process to show the application fee on the insurance policy. LCPIC has a reserve of $16.0 million for this matter, which is the maximum exposure for the potential payments.

Other various lawsuits against LCPIC have arisen in the course of LCPIC's business. LCPIC has established appropriate reserves for all law suits. LCPIC has no asset that it considers to be impaired.

M. RELATED PARTY TRANSACTIONS

Not applicable

N. ACCOUNTING CHANGES

None

O. IN-KIND CONTRIBUTIONS

Not applicable

P. DEFEASED ISSUES

Not applicable

Q. REVENUES – PLEDGED OR SOLD (GASB 48)

1. PLEDGED REVENUES

On April 11, 2006, LCPIC offered for public sale $678,205,000 in Series 2006B and $300,000,000 in Series 2006C Special Assessment Revenue Bonds. The bonds were issued to eliminate the 2005 plan year deficit resulting from hurricanes Katrina and Rita. The bonds and interest will be payable from emergency assessment revenues during 2007 and subsequent years. The Series 2006B bonds bear variable interest rates from 4% - 5.25% per annum and the Series 2006C bonds will bear interest at an Auction Mode Rate resulting from auction procedures.

The Series 2006B bonds were sold at a premium of $33,828,701, which is being amortized using the interest rate method and reported as a component of interest expense in the financial statements. On March 31, 2009, the Series 2006C Variable Auction Rate Bonds were refinanced into fixed rate bonds. Interest rates on the bond periodically adjust over time from 2.75% to 6.75%. The debt service requirements listed below reflect the new fixed rate bonds.

In April 2012, LCPIC issued Series 2012 Refunding Bonds for the principal amount of $53,620,000 to advance refund $54,235,000 in principal amount of LCPIC's Assessment Revenue Bonds, Series 2006C-4, issued in the original aggregate principal amount of $75 million.

Bond activity for the year ended December 31, 2013, was as follows:

	Balance December 31, 2012	Increases	Decreases	Balance December 31, 2013
Special Assessment Revenue Bonds:				
Series 2006B	$539,230,000	$0	$39,600,000	$499,630,000
Series 2006C	276,635,000	0	2,745,000	273,890,000
Total Outstanding Principal on Bonds	815,865,000	0	42,345,000	773,520,000
Bond Premium on Series 2006B	14,181,462	0	2,377,523	11,803,939
Bond Premium (Discount) on Series 2006C	4,788,757	0	418,431	4,370,326
Total Special Assessment Revenue Bonds	$834,835,219	$0	$45,140,954	$789,694,265

Debt service requirements at December 31, 2013, were as follows:

Year Ending	Series 2006B Revenue Bonds		Series 2006C Revenue Bonds		Total Debt Service	
December 31,	Principal	Interest	Principal	Interest	Principal	Interest
2014	40,595,000	23,913,144	3,845,000	16,026,700	44,440,000	39,939,844
2015 to 2018	186,410,000	73,267,600	14,735,000	62,676,731	201,145,000	135,944,331
2019 to 2023	272,625,000	33,083,112	40,380,000	73,607,013	313,005,000	106,690,125
2024 to 2027			214,930,000	21,962,875	214,930,000	21,962,875
Total	$499,630,000	$130,263,856	$273,890,000	$174,273,319	$773,520,000	$304,537,175

2. FUTURE REVENUES REPORTED AS A SALE

Not applicable

R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS)

Not applicable

S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS

Not applicable

T. SHORT-TERM DEBT

In 2013, LCPIC secured a $125.0 million line of credit with Regions Bank that matures in June 2015. The line of credit provides additional liquidity to the corporation.

Short-term debt activity for the year ended December 31, 2013, was as follows:

	Balance	Draws	Redeemed	Balance
Line of Credit	$0	$0	$0	$0

U. DISAGGREGATION OF RECEIVABLE BALANCES

Not applicable

V. DISAGGREGATION OF PAYABLE BALANCES

Accounts payable and accruals at December 31, 2013, were as follows:

Description		Amount
Loss & loss adjustment expenses		$11,115,593
Contingencies:		
Incurred but not reported (IBNR)	$16,261,001	
Class action suits	$46,000,000	
Total Contingencies		$62,261,001
Commission payable to agents		$4,166,018
Accrued expenses		$2,992,666
Accrued bond interest payable		$3,422,780
Total accounts payable and accruals		$83,958,058

W. SUBSEQUENT EVENTS

None

X. SEGMENT INFORMATION & REPORTING FUNDS OF A BLENDED COMPONENT UNIT

Not applicable

Y. DUE TO/DUE FROM AND TRANSFERS

Not applicable

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Liabilities payable from restricted assets in LCPIC at December 31, 2013, reflected at $789,694,265 in the liabilities section on Statement A, consist of $47,042,807 in bonds payable (current liabilities), and $742,651,458 in bonds payable (noncurrent liabilities).

AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS

Not applicable

BB. NET ASSETS RESTRICTED BY ENABLING LEGISLATION (GASB STATEMENT 46)

Not applicable

CC. IMPAIRMENT OF CAPITAL ASSETS & INSURANCE RECOVERIES

Not applicable

DD. EMPLOYEE TERMINATION BENEFITS

Not applicable

EE. POLUTION REMEDIATION OBLIGATIONS

Not applicable

FF. AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

Not applicable

GG. RESTRICTED ASSETS – OTHER SPECIFIC PURPOSES

Not applicable

HH. SERVICE CONCESSION ARRANGEMENTS

Not Applicable

STATE OF LOUISIANA
LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
DECEMBER 31, 2013
(Fiscal close)

Name	Amount
**********NOT APPLICABLE - PER LOUISIANA RS:2294(D)**********	

Note: The per diem payments are authorized by Louisiana Revised Statute, and are presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Legislature

SCHEDULE 1

STATE OF LOUISIANA
LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
SCHEDULE OF NOTES PAYABLE
DECEMBER 31, 2013
(Fiscal close)

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/PY	Redeemed (Issued)	Principal Outstanding 6/30/CY	Interest Rates	Interest Outstanding 6/30/CY
**********NOT APPLICABLE**********							
Total		$0	$0	$0	$0		$0

*Send copies of new amortization schedules

SCHEDULE 3-A

STATE OF LOUISIANA
LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
SCHEDULE OF BONDS PAYABLE
DECEMBER 31, 2013
(Fiscal close)

Issue	Date of Issue	Original Issue	Principal Outstanding 12/31/PY	Redeemed (Issued)	Principal Outstanding 12/31/CY	Interest Rates	Interest Outstanding 12/31/CY
Series:							
Series 2006B	4/11/2006	678,205,000	539,230,000	39,600,000	499,630,000	Various[1]	0
Series 2006C	4/11/2006	300,000,000	276,635,000	2,745,000	273,890,000	Various[1]	0
Unamortized Discounts and Premiums Series:							
Series 2006B			14,181,462	2,377,523	11,803,939		
Series 2006C			4,788,757	418,431	4,370,326		
Total		978,205,000	834,835,219	45,140,954	789,694,265		0

[1]Interest rate varies upon bond maturity date.

***Note: Principal outstanding (bond series/minus unamortized costs) at 12/31/13 should agree to bonds payable on the Statement of Net Assets.**

Send copies of new amortization schedules for bonds and unamortized costs.

SCHEDULE 3-B

STATE OF LOUISIANA
LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
SCHEDULE OF CAPITAL LEASE AMORTIZATION
FOR THE YEAR ENDED DECEMBER 31, 2013

Ending:	Payment	Interest	Principal	Balance

**********NOT APPLICABLE**********

STATE OF LOUISIANA
LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
SCHEDULE OF NOTES PAYABLE AMORTIZATION
For the Year Ended December 31, 2013

Fiscal Year Ending:	Principal	Interest

**********NOT APPLICABLE**********

STATE OF LOUISIANA
LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
SCHEDULE OF BONDS PAYABLE AMORTIZATION
For the Period Ending December 31, 2013

Fiscal Year Ending:		Principal		Interest
2014	$	47,042,807.52	$	39,939,843.77
2015	$	49,111,149.30	$	37,654,165.64
2016	$	51,208,798.87	$	35,291,996.88
2017	$	53,410,341.31	$	32,807,287.50
2018	$	55,732,235.05	$	30,190,881.25
2019	$	58,142,093.51	$	27,440,087.50
2020	$	60,737,695.45	$	24,547,775.00
2021	$	63,439,271.80	$	21,502,156.25
2022	$	66,286,743.88	$	18,299,487.50
2023	$	69,351,331.82	$	14,900,618.75
2024	$	59,468,474.17	$	11,575,225.00
2025	$	75,581,680.07	$	7,695,931.25
2026	$	80,181,642.29	$	2,691,718.75
Total	$	789,694,265.03	$	304,537,175.04

*Note: Principal outstanding (bond series plus/minus unamortized costs) at 6/30/14 should agree to bonds payable on the Statement of Net Assets.

SCHEDULE 4-C

STATE OF LOUISIANA
LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
COMPARISON FIGURES

To assist OSRAP in determining the reason for the change in financial position for the State, please complete the schedule below. If change is greater than $3 million, explain the reason for the change.

	12/31/2013	12/31/2012	Difference	Percentage Change
1) Revenues	$ 225,723,323	$ 218,157,521	$ 7,565,802	3.47%
Expenses	$ 146,390,725	$ 216,276,166	$ (69,885,441)	-32.31%
2) Capital assets	$ 819,223	$ 738,647	$ 80,576	10.91%
Long-term debt	$ 742,651,458	$ 789,694,264	$ (47,042,806)	-5.96%
Net assets	$ (649,660,576)	$ (728,993,171)	$ 79,332,595	-10.88%

Explanation for change: Increase in revenues is due to a timing difference of when LCPIC recorded the return premium impact of Senate Bill No. 204 of the 2012 Regular Session and when LCPIC paid the return premiums. Expenses decreased due to a reductior in weather related claim activity and class action settlements. The decrease in long-term debt is due to the principal paid in 2013. Net assets increased due to improved net operating income from the reduction in operating expenses.

SCHEDULE 15

Agency Number
Agency Name: Louisiana Citizens Property Insurance Corporation

Contract Financial Management System #	Parties to the Coop	Brief Description of the Coop	Multi-year, One-time, or Other Appropriation	Original Amount of Coop, Plus Amendments, if any	Date of Original Coop was Effective	End Date of Coop, as Amended, if Applicable	Funding Source per Coop Agreement based on Net Liability as of December 31, 2012 — 100% State	100% SGR	100% Stat. Ded.	100% G.O. Bonds	100% Federal	100% IAT	100% Combination	Paid - Inception to Date for the year ended 12/31/2012	Net Liability for the year ended 12/31/2012
															0.00
															0.00
															0.00
															0.00
															0.00
															0.00
															0.00
															0.00
					**********NONE**********										0.00
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		TOTAL		0.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

SCHEDULE 16

Report on Internal Control and Compliance

CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Governors of
Louisiana Citizens Property Insurance Corporation
State of Louisiana
Metairie, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of Louisiana Citizens Property Insurance Corporation (the "Company"), a component unit of the State of Louisiana, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated June 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Company in a separate letter dated June 30, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

New Orleans, Louisiana
June 30, 2014

Auditee's Summary Schedule of Prior Audit Findings

Auditee's Summary or Prior Audit Findings
For the Year Ended December 31, 2013

Finding 2012-01
Lack of Policy and Procedures Related to Capital Asset Impairment

During our audit procedures, we noted that the Company did not have a formal process in place to evaluate capital asset impairment.

To strengthen internal controls, we recommend that management implement policies and procedures to ensure that fixed assets reflect the existing business circumstances and economic conditions in accordance with the accounting policies being used. Furthermore, management should periodically review the valuations and/or realizability of fixed assets to identify permanent impairments and to properly record such

Status of Finding 2012-01 – Resolved

CRI CARR RIGGS & INGRAM
CPAs and Advisors

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June 30, 2014

Members of Management
Louisiana Citizens Property Insurance Corporation
1 Galleria Blvd, Suite 720
Metairie, LA 70001

In planning and performing our audit of the financial statements of the State of Louisiana Citizens Property Insurance Corporation (the "Company") as of and for the years ended December 31, 2013 and 2012 (on which we have issued our report dated June 30, 2014), in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014, on our consideration of the Company's internal control over financial reporting and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

During the course of our audit, we noted certain immaterial matters of control over financial reporting and compliance or other matters that we would like to present for consideration by those charged with governance.

Disaster Recovery Plan

During our audit procedures, we noted that, while the Company has disaster recovery procedures in place, its Disaster Recovery Plan and the results of related testing is not formally documented.

To strengthen internal controls, we recommend that management complete formalized documentation of its disaster recovery plan and the testing of the underlying procedures.

Company Response:

As of June 30, 2014, our disaster recovery plan has been tested and we believe it to be proven. Formal documentation for the plan will be completed during 2014.

System Development Life-Cycle

We noted one instance in which user acceptance testing was not formally documented, as required by Company policy.

We recommend that management implement procedures to ensure consistent compliance with established procedures.

Company Response:

To ensure that the SDLC is consistently adhered to, the closing process has been amended. The Business Solutions unit will review projects to ensure that all steps in the process have been appropriately addressed and that the signoff documentation is maintained on all projects.

This communication is intended solely for the information and use of the Company, Board of Governors, and members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Carr, Riggs & Ingram, L.L.C

Carr, Riggs & Ingram, LLC