

Citizens Update

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Vice President – Controller

FINREP Florida 2023

October 24, 2023



- 1. Recent growth and current book of business**
- 2. Exposure reduction**
- 3. 2023 rate indication**
- 4. Funding storm risk**

Citizens operates its business through three separate accounts which are statutorily separate for surplus / deficit and assessment calculation purposes:

Coastal Account

- personal residential, commercial residential and commercial non-residential policies in designated areas along Florida's coast
- all policies include wind coverage

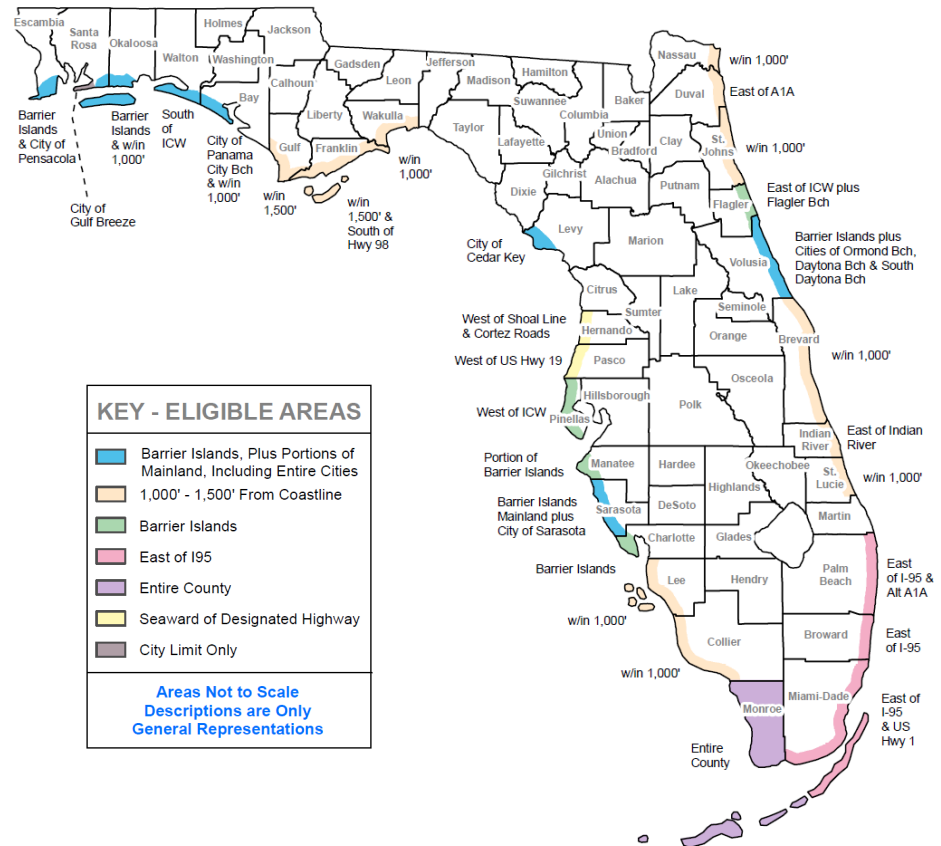
Personal Lines Account (PLA)

- personal residential policies outside of the Coastal Account

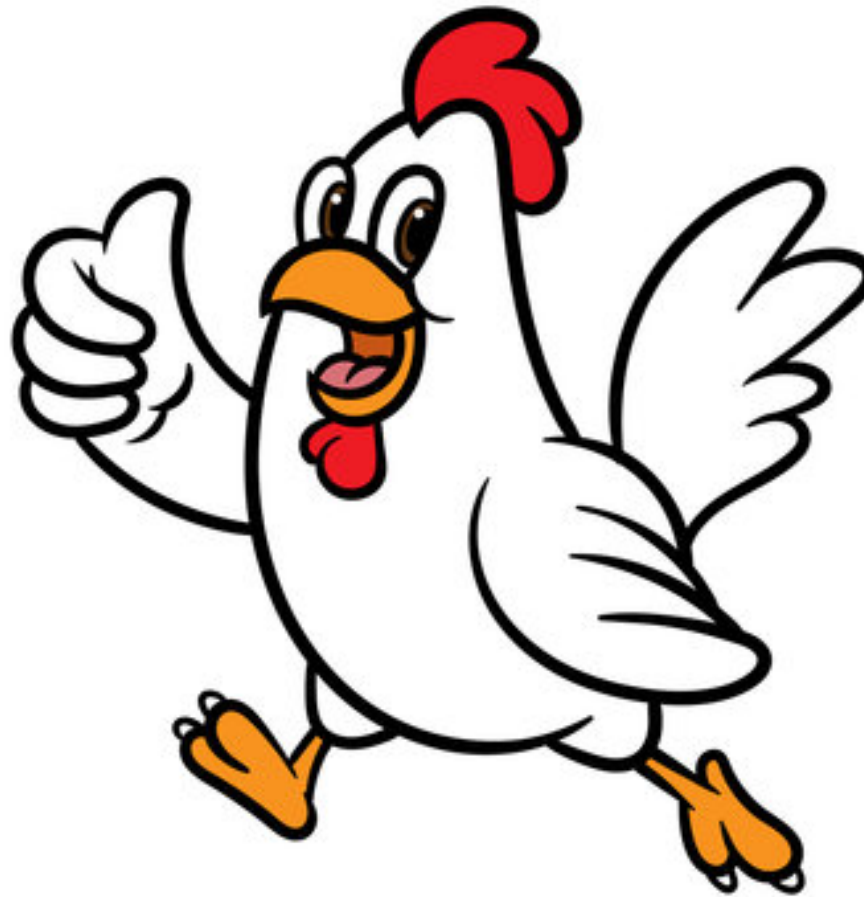
Commercial Lines Account (CLA)

- commercial residential and commercial non-residential policies outside of the Coastal Account

Coastal Account Eligible Areas

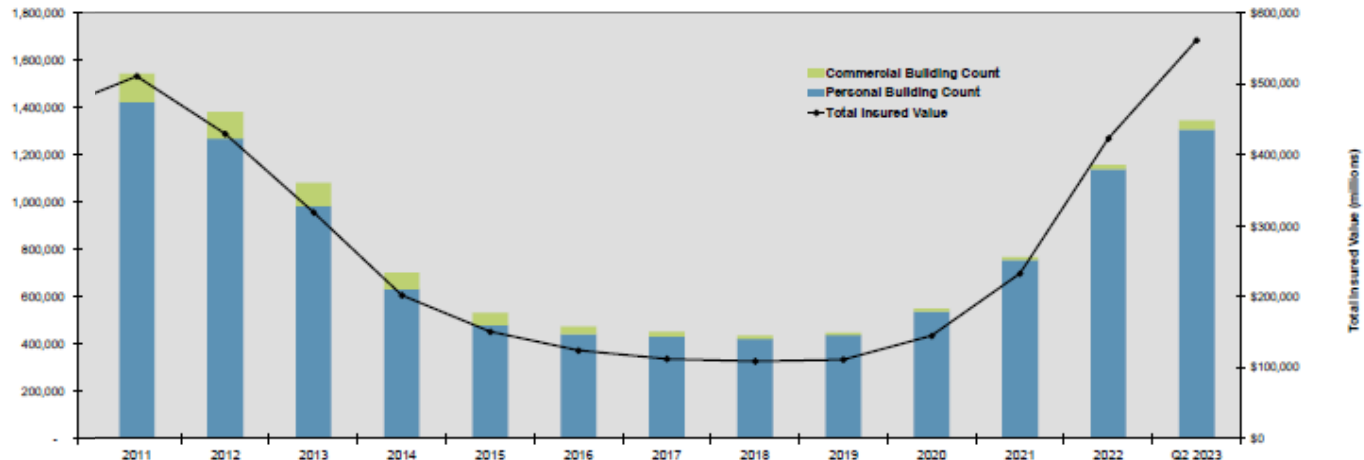


Probability # 1



Policy Count and Exposure

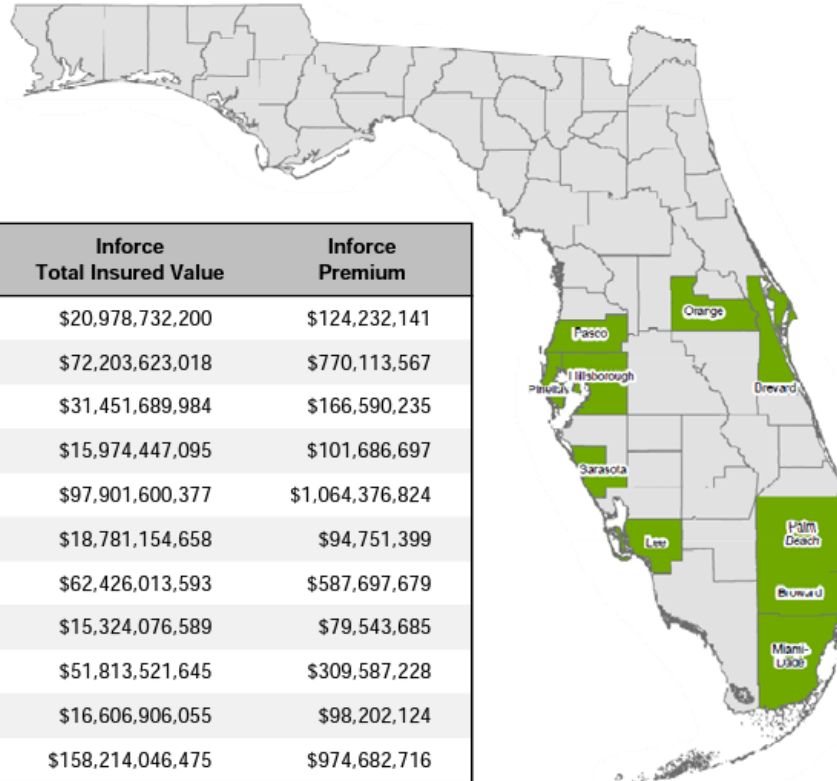
**Total - Personal and Commercial
Building Count and Total Insured Value (TIV) Trends**
Data as of June 30, 2023



	Personal				Commercial				Total			
	Policy Count	Building Count	Premium (millions)	TIV (millions)	Policy Count	Building Count	Premium (millions)	TIV (millions)	Policy Count	Building Count	Premium (millions)	TIV (millions)
2011	1,423,160	1,423,160	\$2,469	\$385,937	49,231	119,338	\$603	\$124,738	1,472,391	1,542,498	\$3,072	\$510,675
2012	1,268,071	1,268,071	\$2,208	\$308,334	46,740	113,740	\$615	\$121,091	1,314,811	1,381,811	\$2,821	\$429,424
2013	983,629	983,629	\$1,735	\$215,406	38,065	97,031	\$557	\$103,482	1,021,694	1,080,660	\$2,292	\$318,887
2014	631,378	631,378	\$1,105	\$136,124	29,783	69,748	\$350	\$65,833	661,161	701,126	\$1,455	\$201,957
2015	480,161	480,161	\$818	\$106,413	23,704	50,849	\$231	\$44,082	503,865	531,010	\$1,050	\$150,496
2016	440,577	440,577	\$747	\$96,585	15,266	32,157	\$150	\$27,478	455,843	472,734	\$897	\$124,063
2017	430,653	430,653	\$765	\$95,561	9,753	20,127	\$96	\$16,749	440,406	450,780	\$861	\$112,310
2018	420,612	420,612	\$782	\$96,539	6,785	14,107	\$72	\$12,357	427,397	434,719	\$854	\$108,896
2019	436,715	436,715	\$813	\$101,093	5,488	11,348	\$61	\$10,155	442,203	448,063	\$874	\$111,249
2020	537,487	537,487	\$1,128	\$134,191	5,252	11,229	\$66	\$10,608	542,739	548,716	\$1,195	\$144,798
2021	754,475	754,475	\$1,738	\$219,917	4,830	11,414	\$78	\$12,586	759,305	765,889	\$1,816	\$232,502
2022	1,139,374	1,139,374	\$3,001	\$393,462	6,437	17,479	\$218	\$29,491	1,145,811	1,156,853	\$3,219	\$422,953
Q2 2023	1,307,098	1,307,098	\$3,649	\$476,556	10,076	38,302	\$723	\$85,120	1,317,174	1,345,400	\$4,371	\$561,676
% Change from 2022 to Q2 2023	14.7%	14.7%	21.6%	21.1%	56.5%	119.1%	231.4%	188.6%	15.0%	16.3%	35.8%	32.8%

Policy Count and Exposure

Combined Accounts High Volume Counties Based on Total Insured Value Data as of June 30, 2023



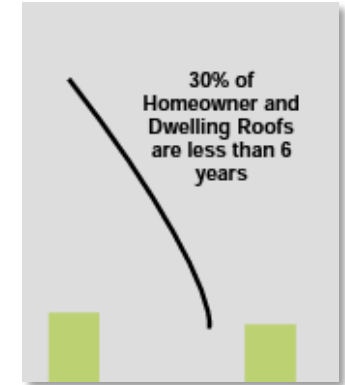
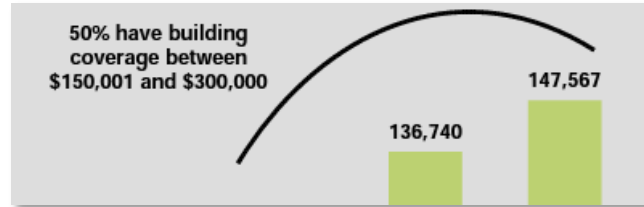
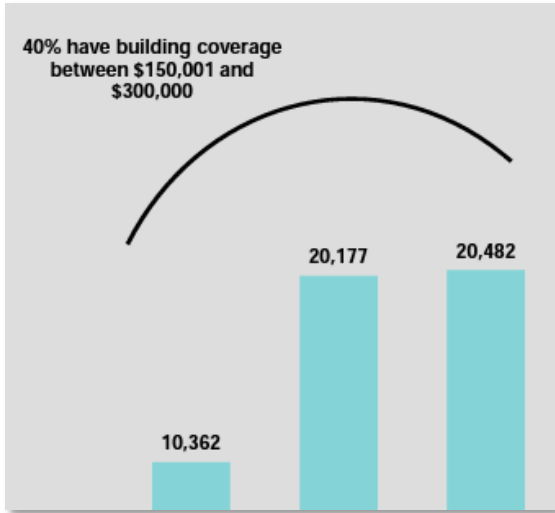
County	Policy Count	% of Total Policy Count	Inforce Total Insured Value	Inforce Premium
Brevard	48,331	4%	\$20,978,732,200	\$124,232,141
Broward	182,660	14%	\$72,203,623,018	\$770,113,567
Hillsborough	72,142	5%	\$31,451,689,984	\$166,590,235
Lee	38,716	3%	\$15,974,447,095	\$101,686,697
Miami-Dade	234,133	18%	\$97,901,600,377	\$1,064,376,824
Orange	45,670	3%	\$18,781,154,658	\$94,751,399
Palm Beach	132,811	10%	\$62,426,013,593	\$587,697,679
Pasco	41,050	3%	\$15,324,076,589	\$79,543,685
Pinellas	122,184	9%	\$51,813,521,645	\$309,587,228
Sarasota	33,399	3%	\$16,606,906,055	\$98,202,124
All Other	366,078	28%	\$158,214,046,475	\$974,682,716
Total	1,317,174	100%	\$561,675,811,689	\$4,371,464,295

Notes:

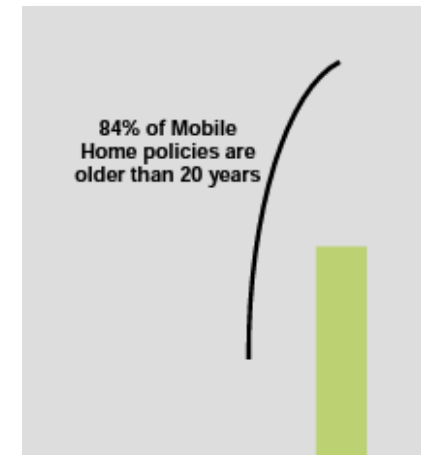
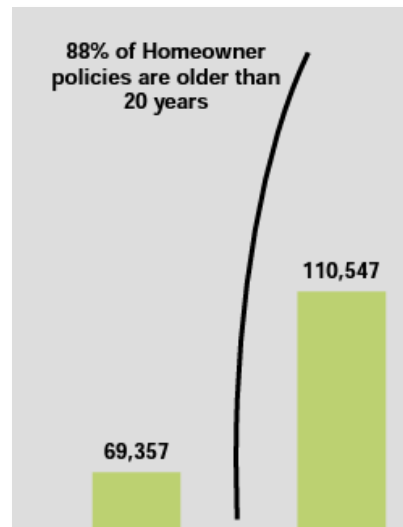
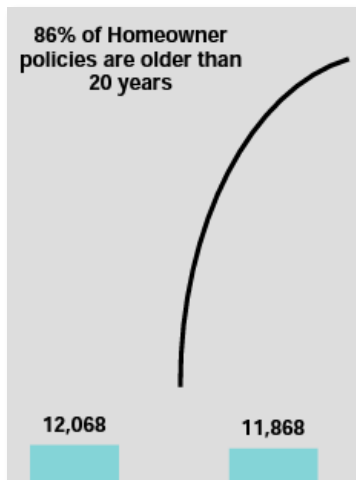
- 1) Total Insured Value for personal residential policies includes Coverages A, B, C and D, except for DP-1/MDP-1/MD-1 policies, which include Coverages A and C only. All commercial policy forms include building coverage, other structure coverage and business personal property.
- 2) Excludes takeout policies
- 3) For commercial policies with buildings in multiple counties, policy count and premium are assigned based on the location of the first risk listed on the policy. Total Insured Value is reported at the risk level.

Policy Count and Exposure

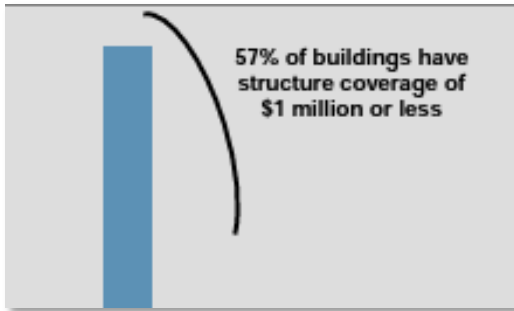
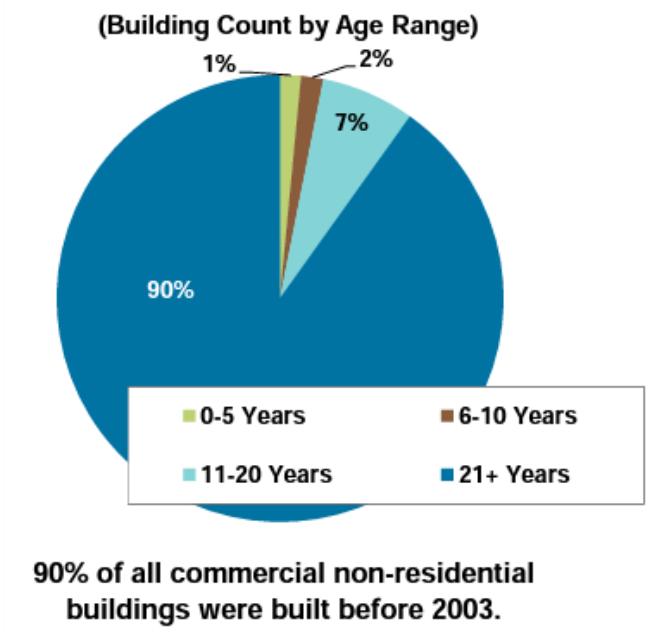
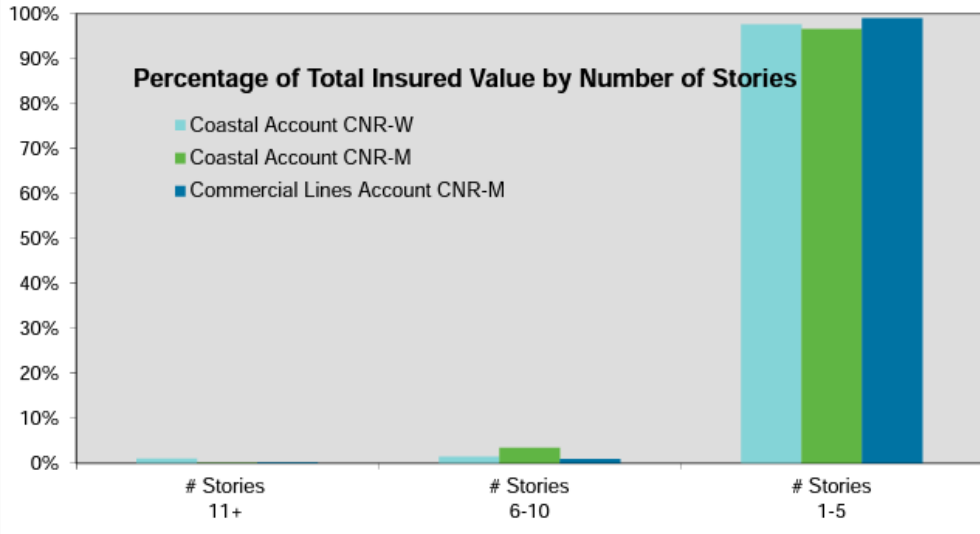
PLA Coastal



Personal Residential Policy Characteristics



Policy Count and Exposure



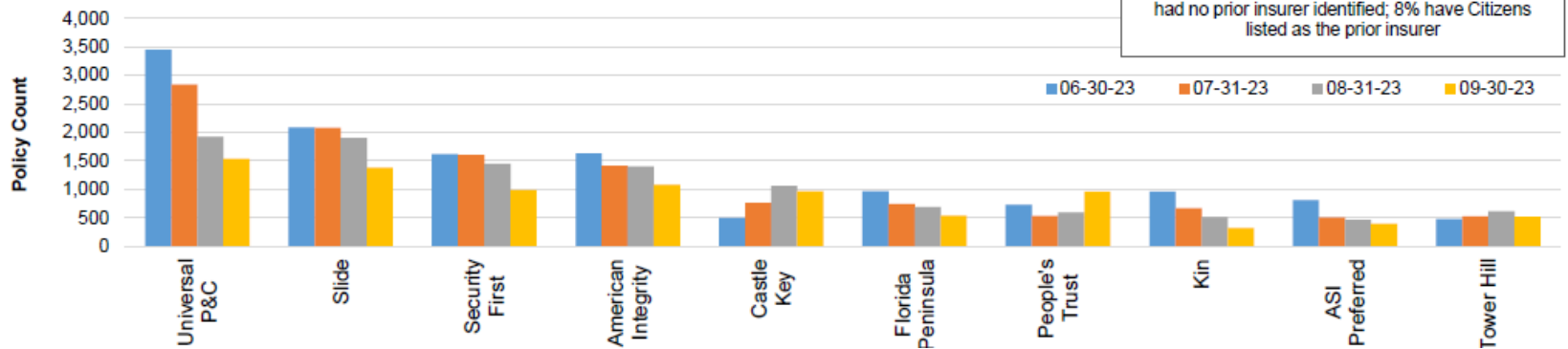
Commercial Policy Characteristics

Policy Count and Exposure

Where are the new policies coming from

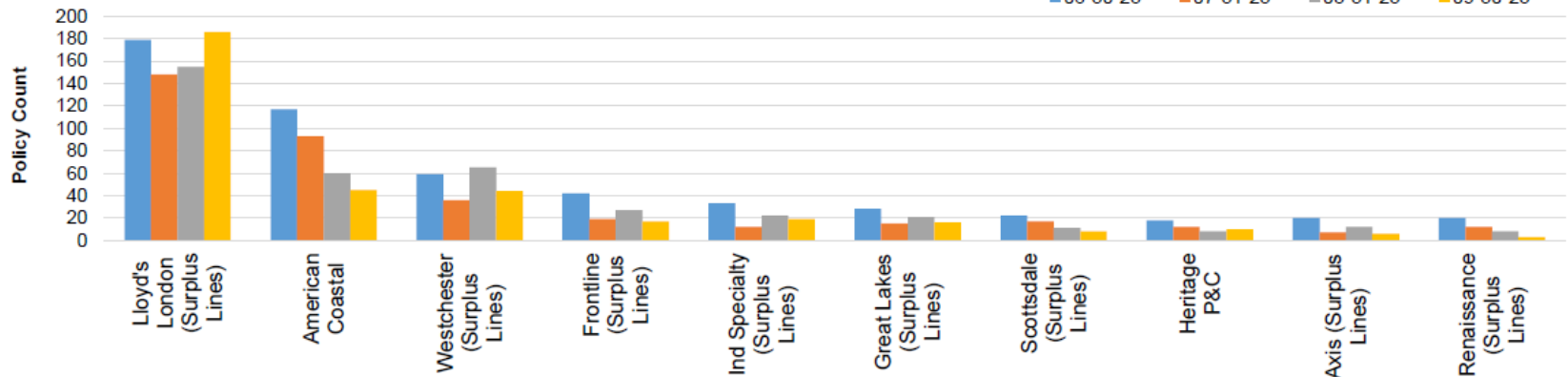
Personal Lines

Multi-Peril New Business Policy Count by Prior Insurer (top 10 in period)



Commercial Lines

New Business Policy Count by Prior Insurer (top 10 in period)



“I'd give my right arm to be ambidextrous.”

— **Yogi Berra**

Policies leave Citizens through several programs:

- Depopulation
- Clearinghouse
- FMAP

Some things to remember about depopulation....

- X-File vs. the IDF
- Policyholder choice window
- Remaining policy term on assumed policies
- 20% rule

Exposure Reduction

Personal Lines Depopulation Results						
Month	OIR Approved ¹	Requested by Insurers ²	Policyholder Choice Letters Mailed ³	Assumed ⁴	Assumption Rate ⁵	Exposure moved ⁶
February	0	0	0	0	0%	\$0
April	20,000	26,335	26,335	4,573	17%	\$2,189,517,038
May	0	0	0	0	0%	\$0
June	46,218	18,760	18,760	17,239	92%	\$7,399,907,777
August	26,000	28,826	26,689	8,836	32%	\$4,265,547,864
October	184,000	363,118	311,310			
November	202,399					
December						
YTD Totals	478,617	437,039	383,094	30,648	42%	\$13,854,972,679

¹OIR approval is maximum number of policies permitted to be assumed by insurers.

²Sum of all policies requested by insurers, including duplicate offers from multiple carriers.

³Total letters mailed, one (1) per policy. Multiple offers may be contained in a single mailing.

⁴Policies assumed by insurers on Assumption Date.

⁵Quotient of 'Assumed' divided by 'Policyholder Choice Letters Mailed'.

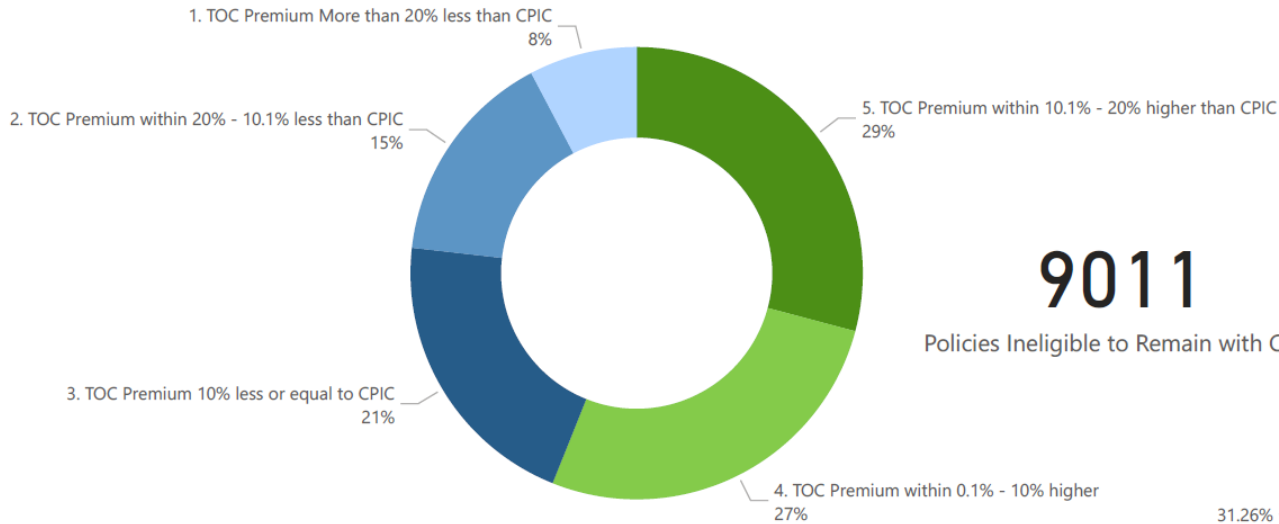
⁶Exposure Removed as of Assumption Date.

Commercial Lines Depopulation Results

There were no OIR approvals for participation in 2023 Commercial Lines assumptions.

Exposure Reduction

Estimated Premium Difference - Selections



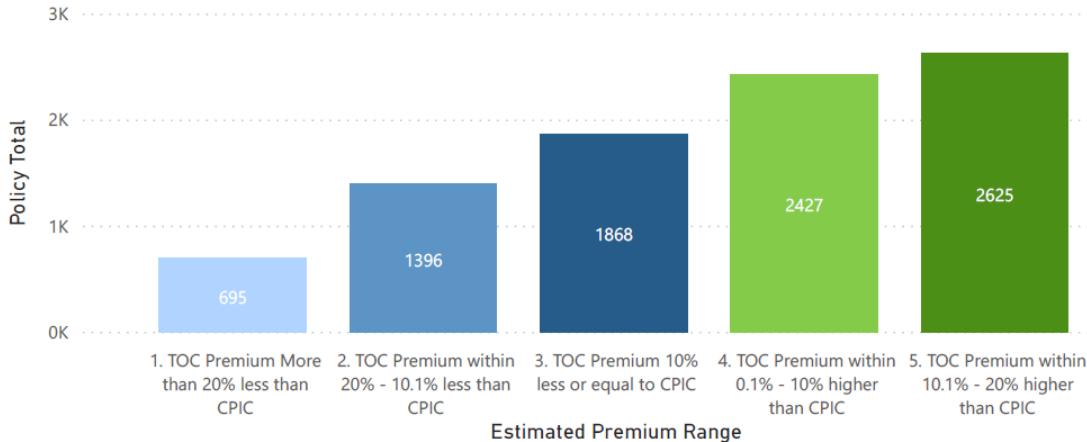
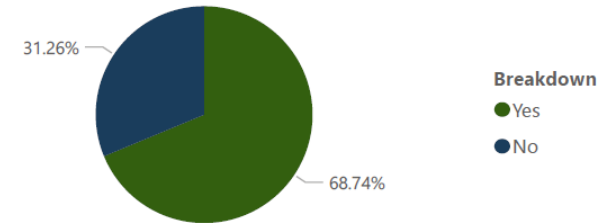
% Difference Range

- 5. TOC Premium within 10.1% - 20% higher than CPIC
- 4. TOC Premium within 0.1% - 10% higher than CPIC
- 3. TOC Premium 10% less or equal to CPIC
- 2. TOC Premium within 20% - 10.1% less than CPIC
- 1. TOC Premium More than 20% less than CPIC

9011

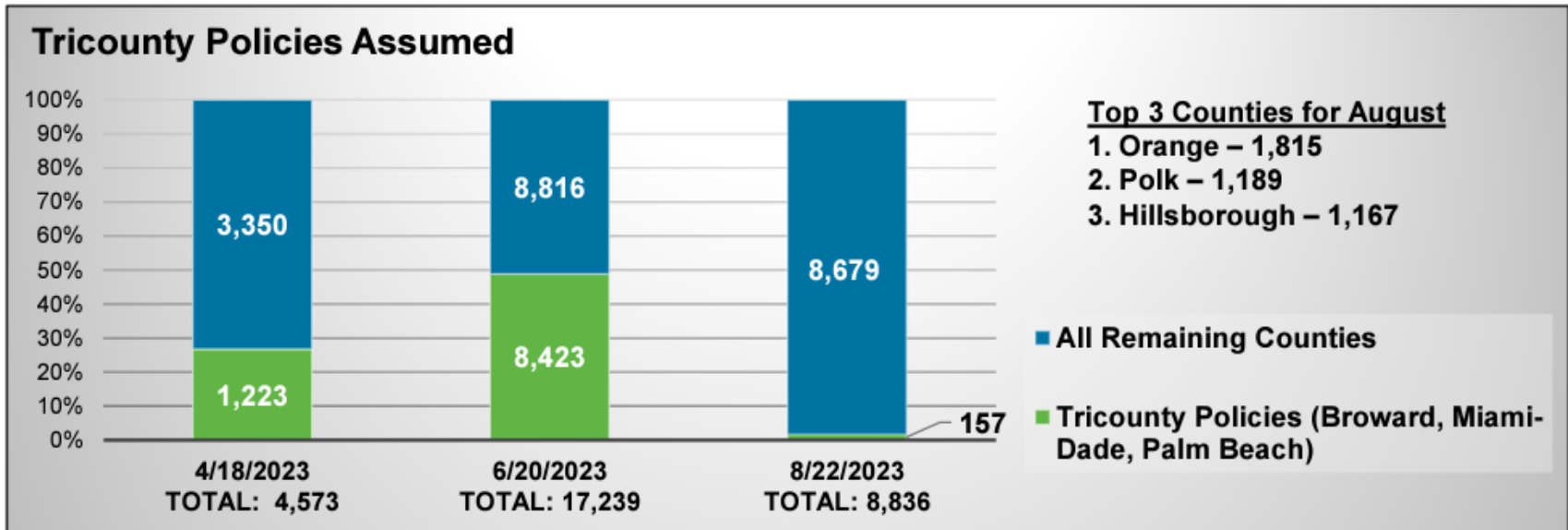
Policies Ineligible to Remain with CPIC

Eligibility Breakdown



Estimated Premium Range	Policy Total
1. TOC Premium More than 20% less than CPIC	695
2. TOC Premium within 20% - 10.1% less than CPIC	1396
3. TOC Premium 10% less or equal to CPIC	1868
4. TOC Premium within 0.1% - 10% higher than CPIC	2427
5. TOC Premium within 10.1% - 20% higher than CPIC	2625
6. TOC Premium Greater than 20% higher than CPIC	19815
Total	28826

Exposure Reduction



Clearinghouse update:

- Applied Systems Inc.
- Historically has had a lower take-up rate than depopulation
- 20% rule
- Comparable coverages

Coverages that Citizens does not offer:

- Animal liability
- Claims-free discount
- Equipment breakdown coverage
- Service Line coverage
- Golf cart coverage
- Increased maximum Coverage A limits
- Greater Coverage C limits
- Higher liability limits under Coverage E
- Identity theft coverage
- Mold/Fungi coverage options
- Multipolicy discount
- Off-premises theft coverage
- Screened enclosure coverage
- Secured community discount
- Smart home device coverage
- Water backup

Probability # 3

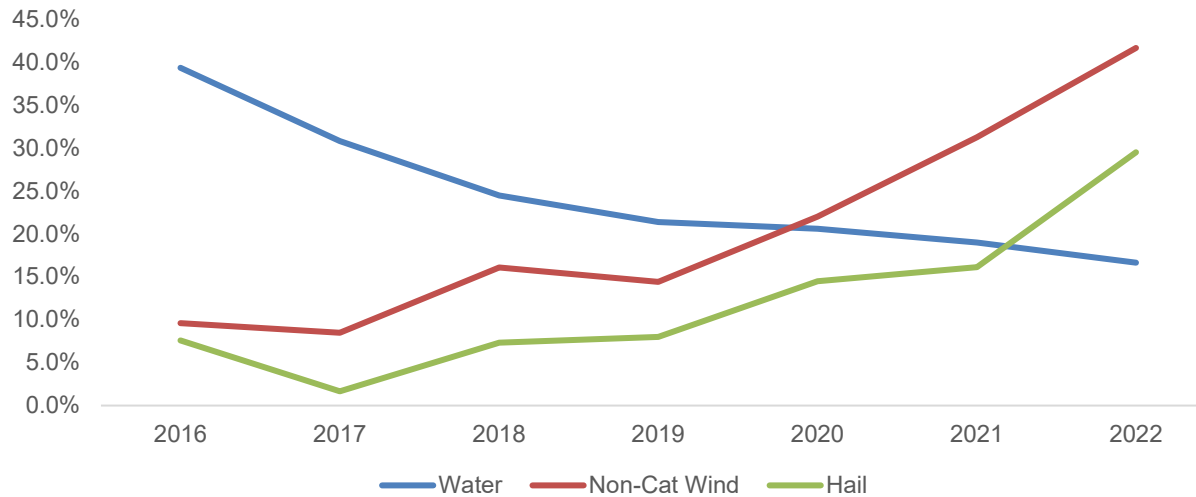


Since 2020.....

- Citizens' surplus **decreased 33%**
- Citizens' exposure **increased 192%**
- Private market HO-3 rates **increased 39%**
- Citizens HO-3 rates **increased 15%**
- Even after reflecting anticipated savings from SB 2-A and the proposed rate increases, an **additional \$1.3 billion** in premium is needed to be actuarially sound

2023 Rate Indication

Litigation Rate by Peril (top 3)



Frequency

AY	Water	Non-Cat Wind	Hail
2016	2.89%	0.48%	0.02%
2017	3.06%	0.33%	0.01%
2018	2.84%	0.34%	0.04%
2019	3.12%	0.35%	0.17%
2020	3.43%	0.78%	0.05%
2021	3.10%	0.86%	0.04%
<u>2022</u>	2.83%	1.17%	0.22%

Citizens rate indication is similar to private carriers.....

- Anticipated loss costs for water, sinkhole and AOP
- Projected hurricane costs, net of reinsurance
- Underwriting and other expenses
- Profit and contingency load

.....but also differs because of statutory requirements

- SB 76 reinsurance premium provision
- **Glidepath**

Citizens' glidepath (rate capping) provision is unique:

- Stair-stepped approach:

10%	< 2022
11%	2022
12%	2023
13%	2024
14%	2025
15%	2026

- Sinkhole coverage not subject to capping
- FHCF rapid cash build-up (and other surcharges that may apply) not subject to capping
- Non-primary homes
- Non-competitive considerations

2023 Rate Indication

HO3/HW2 Peril Indications	Premium (\$000)	Unadjusted Overall Indication	Final Uncapped Rate Indication
Wind	\$1,249,608	160%	108%
Water	\$703,329	(18%)	(23%)
All Other	\$134,225	(4%)	(4%)
Non-Sinkhole	\$2,087,163	90%	57%
Sinkhole	\$7,803	0%	0%
Total	\$2,094,966	89%	57%



\$900 million

Probability # 4



Funding Storm Risk

Conventional Financial Resources

Collectively,
“surplus”

- Surplus from Prior Years
- Net Investment Income
- Net Underwriting Income

- Florida Hurricane Catastrophe Fund Reimbursements
- Traditional Reinsurance
- Capital Markets

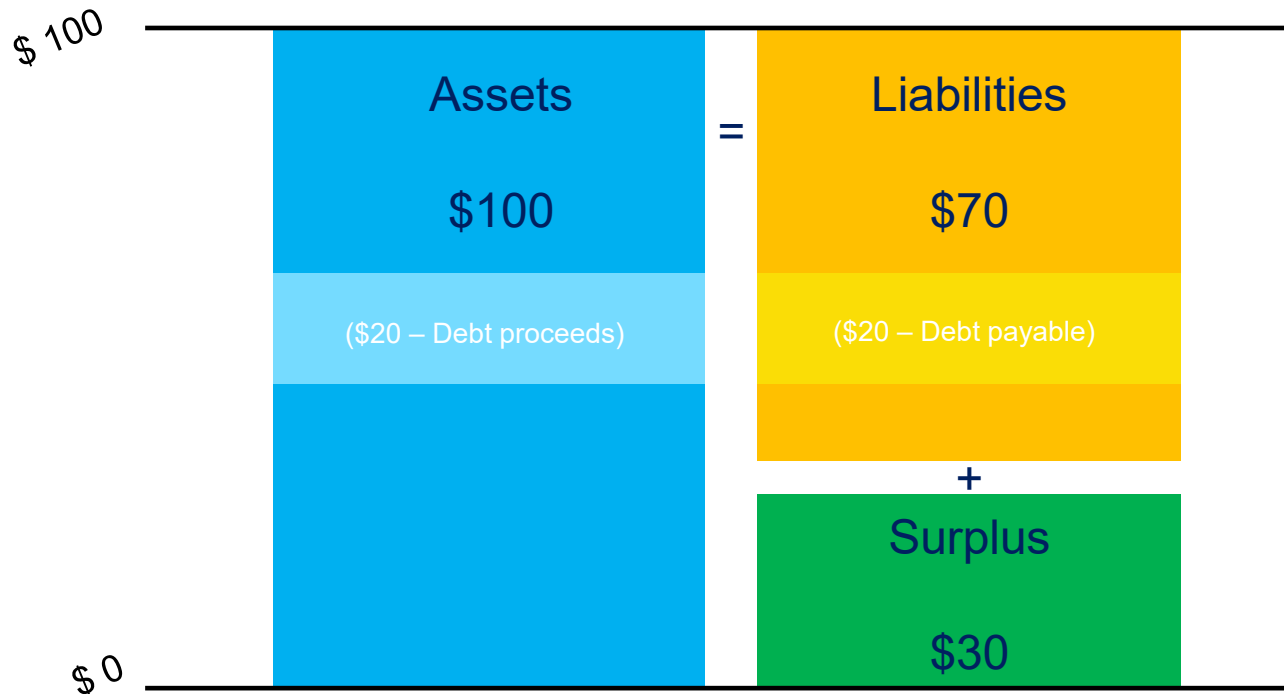
Collectively,
“reinsurance” or
“risk transfer”

Unique Financial Resources

- Citizens Policyholder Surcharges (15% per account, total 45%)
- Regular Assessments (**Coastal Account only**, 2%)
- Emergency Assessments (up to 10% per account total)

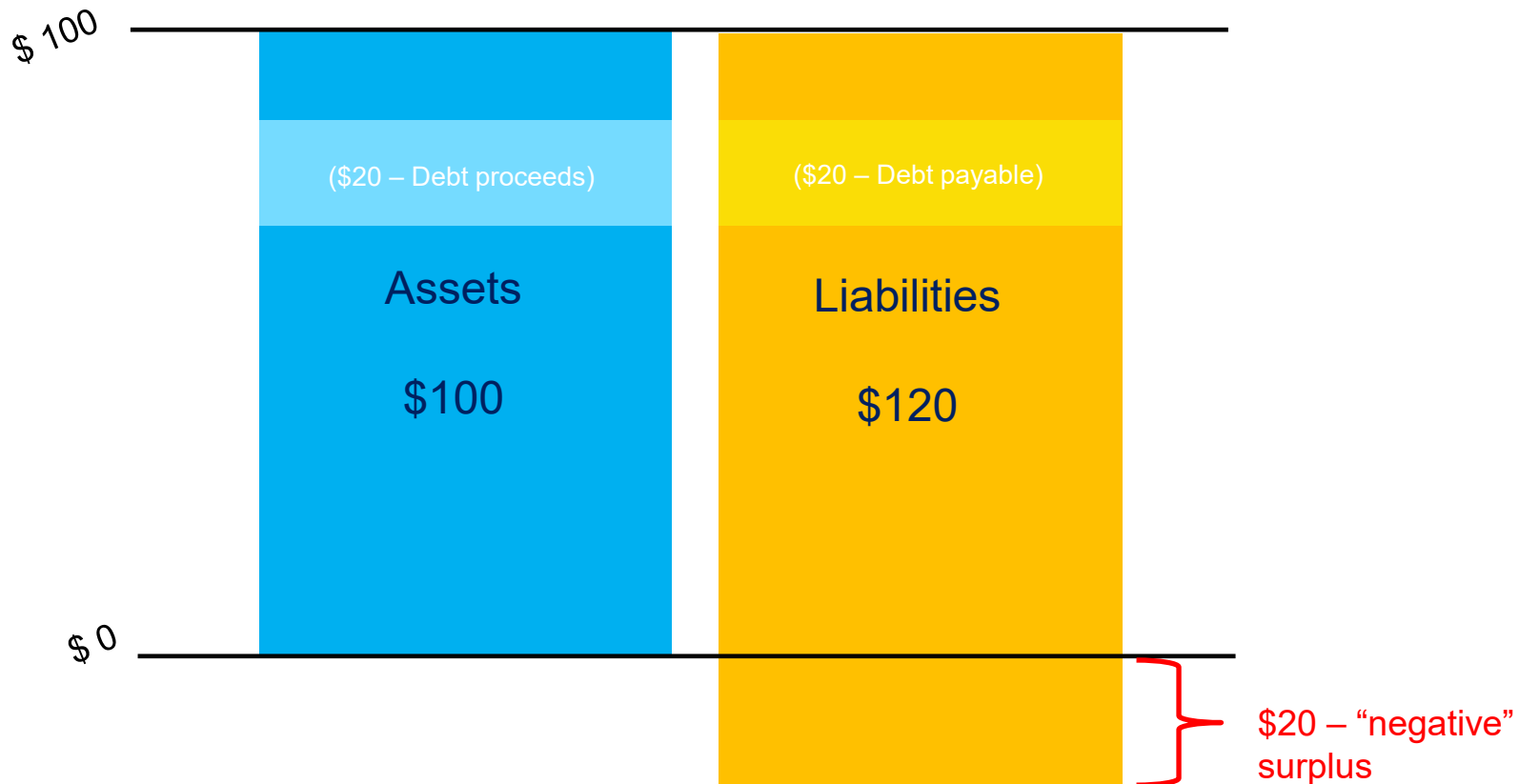
Funding Storm Risk

ILLUSTRATIVE Balance sheet – pre-storm



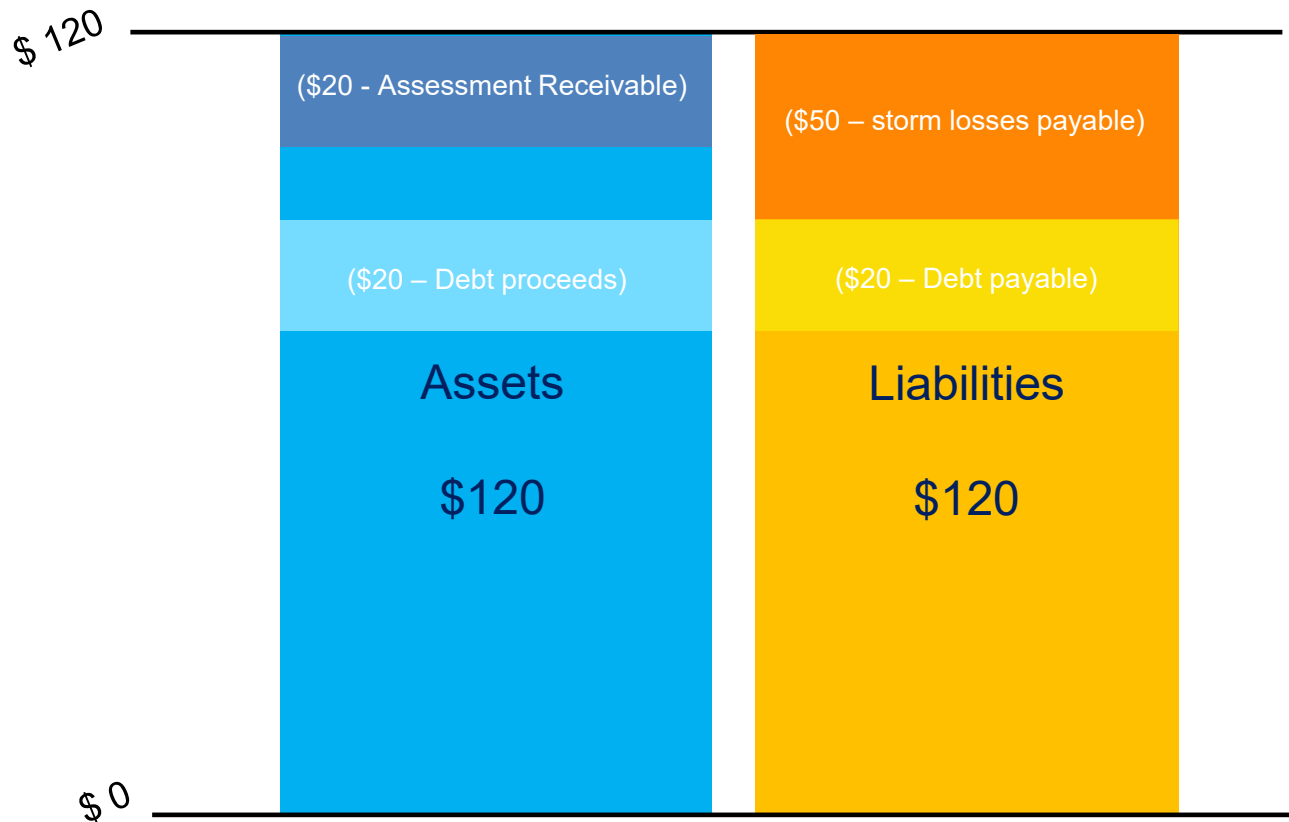
Funding Storm Risk

ILLUSTRATIVE Balance sheet – storm hits



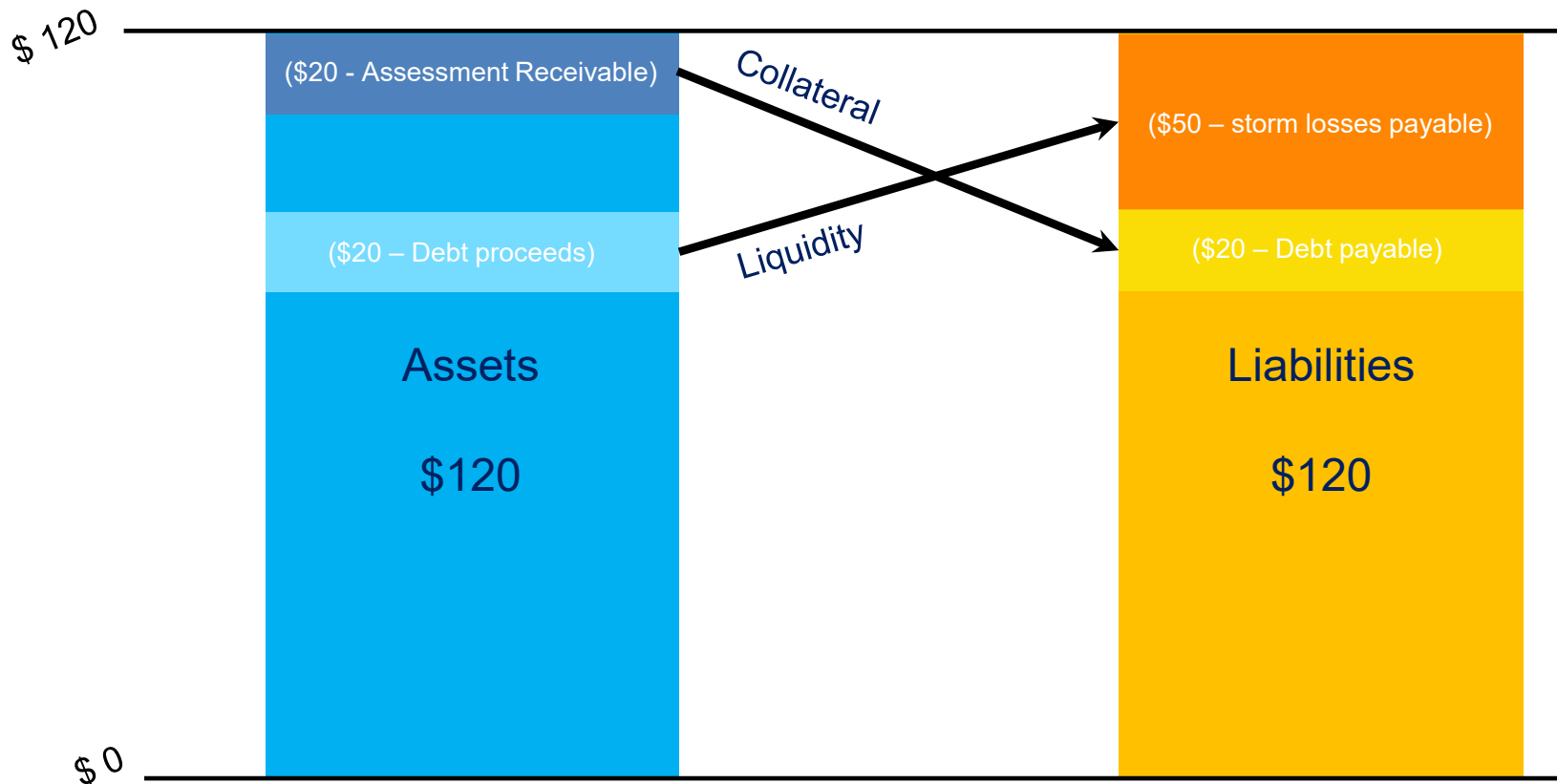
Funding Storm Risk

ILLUSTRATIVE Balance sheet – assessment levied / balance sheet restored



Funding Storm Risk

ILLUSTRATIVE Balance sheet – assessment levied / balance sheet restored



Financial Highlights:

- Assets **\$10 billion**
- Surplus **\$ 5 billion**
- Reinsurance **\$11 billion**
- Consolidation of accounts

Thank you!

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