

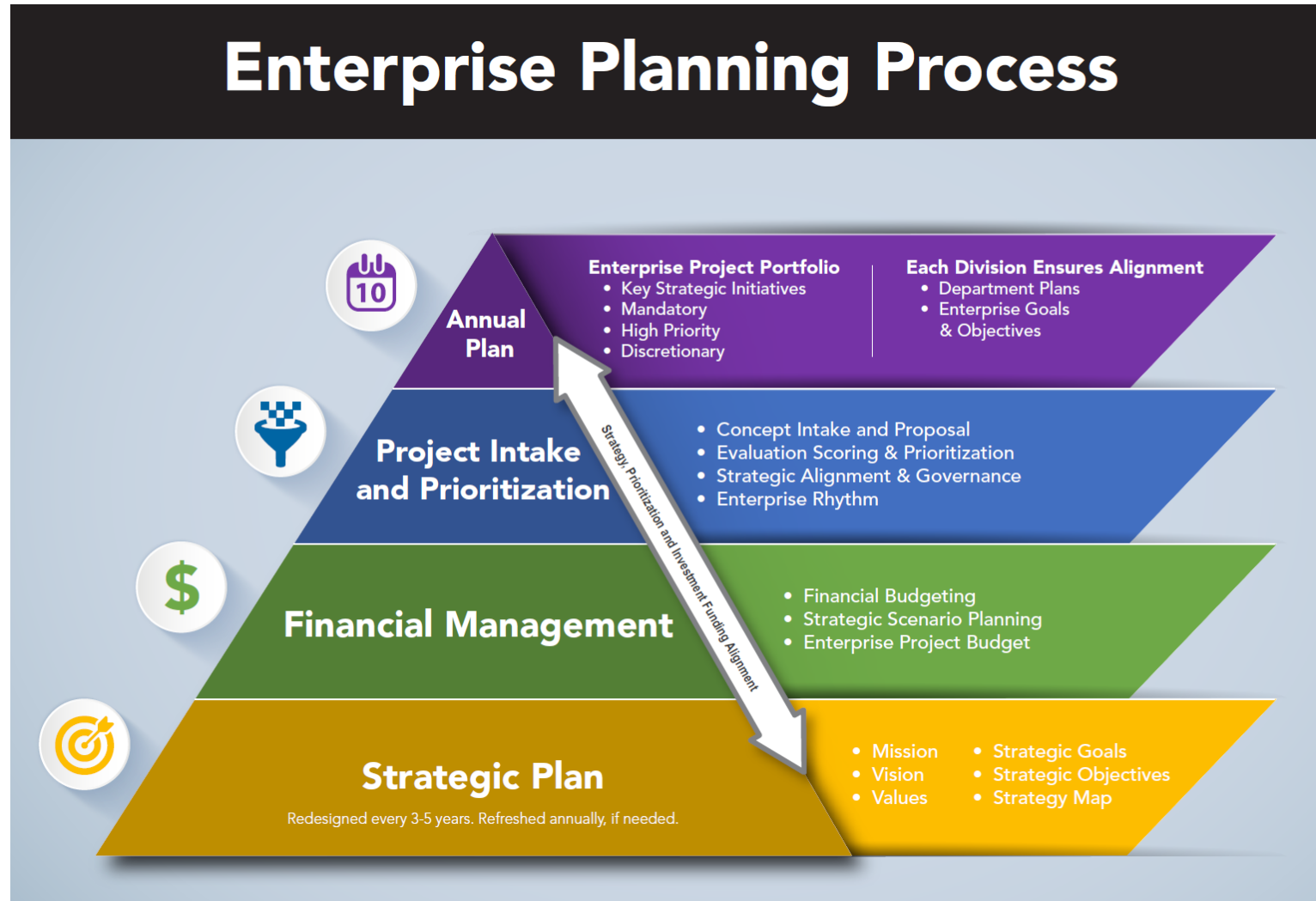
2020 Planning & Budget

December 11, 2019

Board of Governors

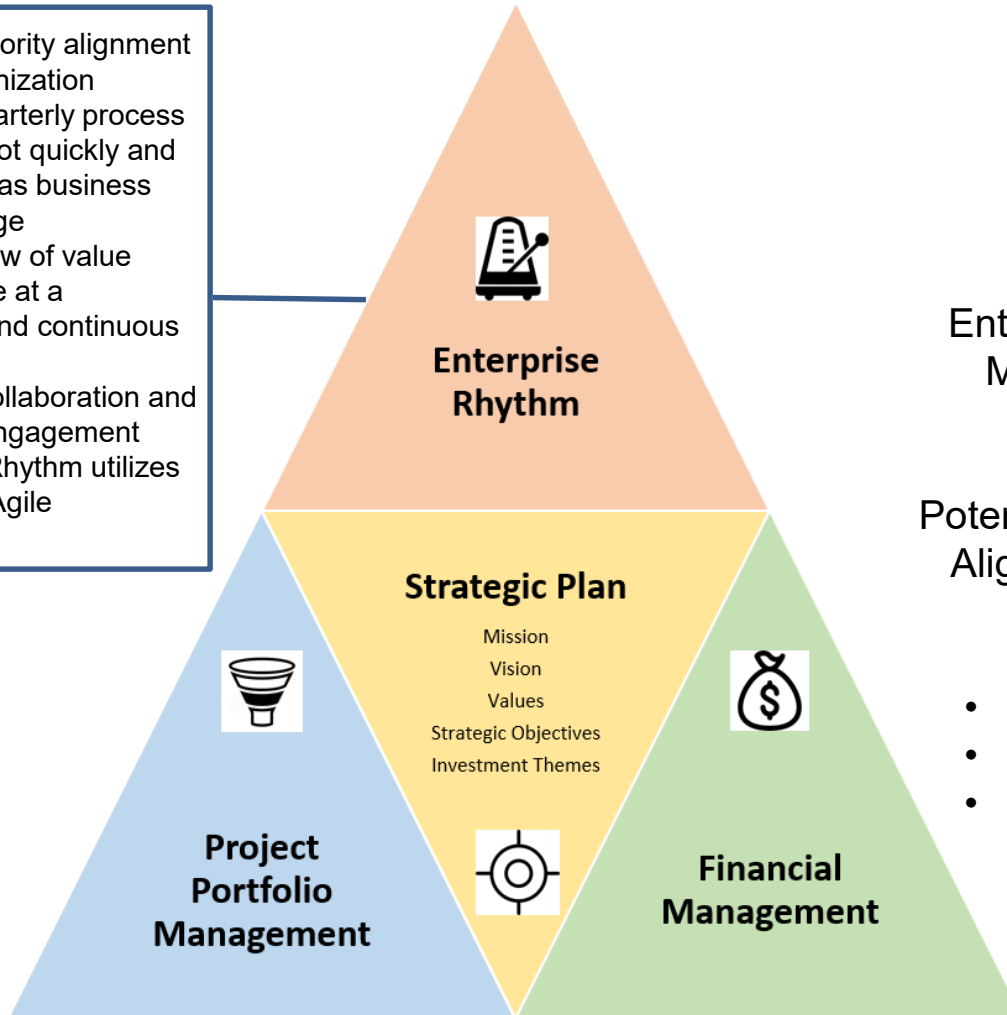


Enterprise Planning Process



Enterprise Planning Process

- Goal and priority alignment across organization
- Iterative, quarterly process
- Ability to pivot quickly and responsibly as business needs change
- Focus on flow of value
- Deliver more at a consistent and continuous pace
- Promotes collaboration and employee engagement
- Enterprise Rhythm utilizes the Scaled Agile Framework



Outcome Hierarchy



Enterprise Strategic Plan



Enterprise Strategic Themes and Messaging – Upcoming Year



Potential Enterprise Project Portfolio Aligned to Strategic Themes and Investments

- Key Strategic Initiatives
- Enterprise Project Budget
- Enterprise Project Funnel Managed via Enterprise Rhythm

Our Enterprise Strategic Themes: *“Connecting People to Purpose”*

Align our investment in people, process and technology to those corporate initiatives that return optimal value and lessen financial impacts absorbed by policyholders and, potentially, all Florida consumers by ensuring a pronounced focus on:

- Strengthening **Metric-Driven Decision Making**
- Proactively Managing **Claims** and **Litigation Avoidance**
- Ensuring **Scalability and Flexibility** in our Operations to Optimally Serve Customers and the Florida Market
- Investing In and Leveraging Citizens’ Greatest Resource – **Our Employees**

2020 Key Strategic Initiatives

Strategic Goals	2020 Key Strategic Initiatives
Goal One: <i>Operate as an efficient residual market</i>	None *
Goal Two: <i>Ensure a strong financial operating environment</i>	Managing Claims and Litigation Avoidance
	Predictive Analytics
Goal Three: <i>Operate a streamlined, scalable and customer-focused organization</i>	Agency Management Transformation:
Goal Four: <i>Protect the public interest and maintain the integrity of the corporation</i>	Identity and Access Management
Goal Five: <i>Identify, effectively communicate with and educate internal and external stakeholders</i>	Self-Service / Digital Strategy

* Although there are no Key Strategic Initiatives planned under this Goal, there are several enterprise-level projects and operational activities planned for 2020 that enable Citizens to continue to operate as an efficient residual market.

Drivers/Themes underlying the 2020 Operating Budget

- Stability in policy count
- Market uncertainty
- Reduced litigation rates on homeowners water claims
- Flat staffing model
- Carry-over impact from Hurricanes Irma and Michael
- Administrative expense management

Direct Written Premium

	(\$ in millions)											
	Combined			PLA			CLA			Coastal		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Direct written premium (\$)	852.4	873.4	889.1	542.6	562.4	573.0	11.4	8.9	7.2	298.4	302.2	308.9
Ceded (take out) (\$)	15.5	11.7	11.1	5.9	3.5	3.6	0.1	0.1	0.1	9.5	8.0	7.4
Policies in force	432,876	430,704	426,378	318,159	318,474	315,604	682	520	402	114,035	111,710	110,372

- Decreases in PIF (0.5%) offset by increases in average premium (3.0%) leads to a total increase in premium of 2.5%
- 21,000 policies added from Florida Specialty, of which 16,000 are assumed to renew in 2020
- New policy counts and renewal rates are relatively steady (including Commercial Lines)

	Average Premium / Policy			
	2017	2018	2019	2020
PLA	\$ 1,649	\$ 1,733	\$ 1,706	\$ 1,766
CLA	\$ 15,134	\$ 15,958	\$ 16,693	\$ 17,067
Coastal	\$ 2,733	\$ 2,673	\$ 2,617	\$ 2,705

Losses and Loss Adjustment Expenses

Loss / LAE Ratios	Combined			PLA			CLA			Coastal		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
	65.7%	53.5%	53.0%	89.6%	70.6%	69.8%	56.1%	14.6%	14.2%	24.8%	22.4%	22.2%

- Non-catastrophe loss and LAE ratios are expected to remain constant
- Loss and LAE ratios in 2020 and 2021 do not include any catastrophes, and do not include provisions for development on losses and LAE on prior year catastrophes
- The litigation rate and pending claim count rate are expected to decline in 2020 on non-catastrophe claims; however, Citizens continues to adjust claims from prior periods when litigation rates were higher

- Placeholders of \$25 million and \$100 million for private risk transfer (including Everglades Re and multi-year traditional treaties carrying over) established within the PLA and Coastal Account, respectively
- Budgeted 2020 yield of 2.2% on invested assets:
 - 2019 projected yield of 2.4%
 - 2020 budgeted yield reduced 20bps in consideration of potential interest rate cuts and uncertainty in portfolio returns
- Budgeted 2020 interest expense considers:
 - January 2020 bond call of \$150 million
 - June 2020 maturities of \$335 million

Administrative Expenses

	2019			2020			2021		
	Best Estimate	Lower Limit	Upper Limit	Best Estimate	Lower Limit	Upper Limit	Best Estimate	Lower Limit	Upper Limit
Underwriting costs	10.3%	10.3%	10.2%	10.1%	10.2%	10.0%	10.1%	10.3%	9.9%
Administrative expenses	15.0%	15.2%	14.8%	15.3%	16.4%	14.4%	15.1%	17.3%	13.2%
Expense ratio	25.2%	25.5%	25.0%	25.4%	26.6%	24.4%	25.2%	27.6%	23.1%

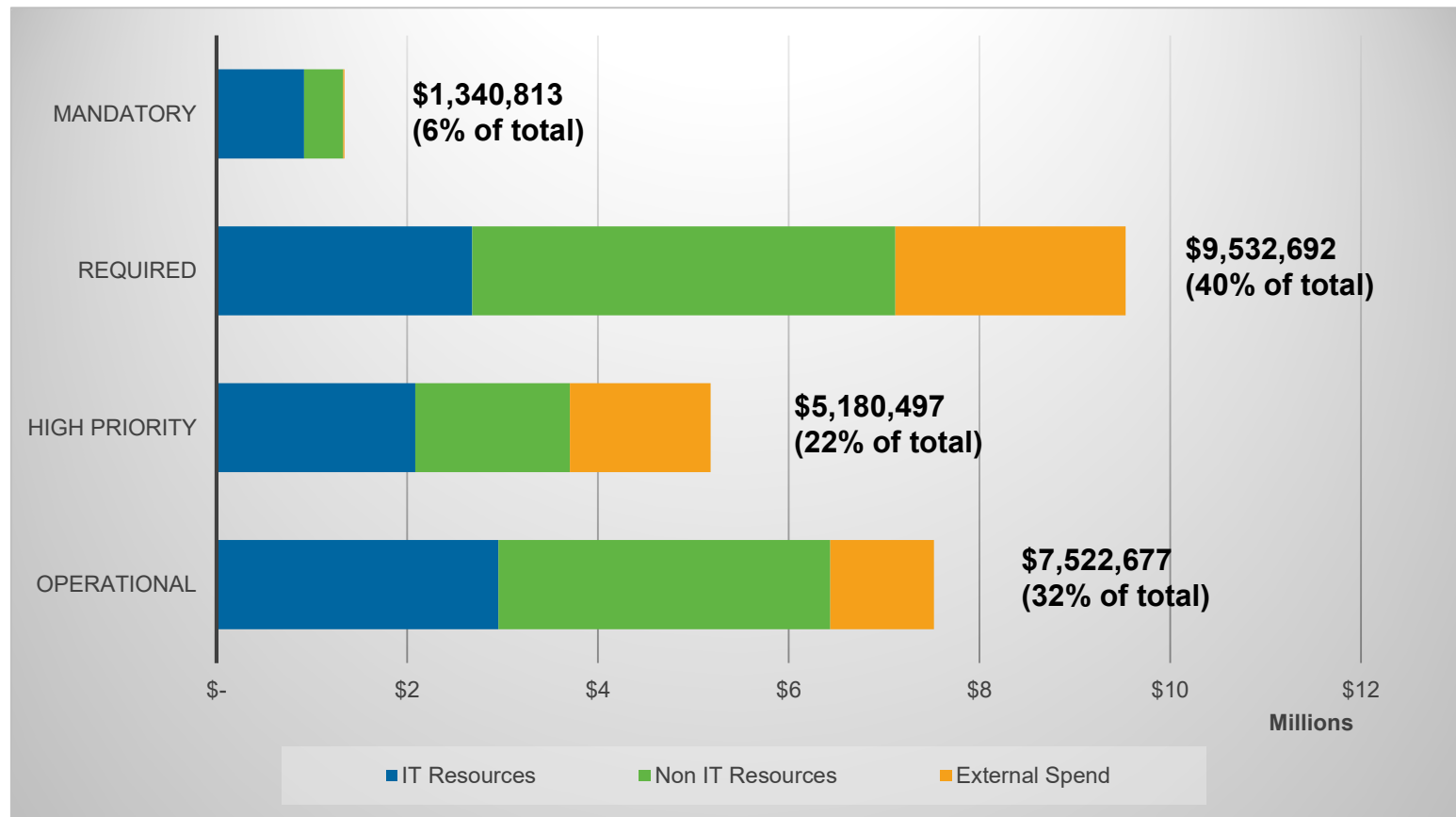
- Citizens' expense ratio is aligned with and comparable that of private carriers in Florida
- Headcount for 2020 was relatively unchanged
- A flat staffing model is supported by a stable policy count/revenue forecast but flexible to accommodate market conditions
- Turnover in certain areas remains a challenge
- Reduction in contingent staffing except in areas where a rapid scalability is needed (i.e. Claims)
- Process improvements, system enhancements and expanded capabilities to further service our policyholders remain a top priority

Enterprise Project Budget: High-Level Approach



- Enterprise Project Budget concept introduced in 2016 to align potential project investments and spend to corporate financial budgeting process.
- Blended approach of resources (people) and external spend required for project delivery in upcoming year:
 - Estimated IT and Business resources potentially required to deliver projects
 - Estimated External Costs (hardware, software and professional services) potentially required to deliver projects
- Serves as additional true-up activity to ensure financial investments required to address potential portfolio of projects are viewed from a cross-functional perspective and accounted for in divisional budgets.

Enterprise Project Budget - Investment by Project Type



Divisional Project Budget Drivers

Claims

- Automated Independent Adjustor Billing
- Enterprise Litigation Management System
- Fraud Analysis – Predictive Analytics
- Loss Adjustment Expense Strategy and Implementation
- Operational Assessment – Claims Case Management

Communication, Legislative & External Affairs

- 2020 CAT Season SMS
- Alternative Solution for Sending Agent Mailers
- External Website Mobile Site
- Text Messages to Policyholders
- Written Communication Translation Services

Financial Services

- Claims Payment Platform
- Participation/Assessment Receivable Application
- Real-Time Predictive Analytics

Human Resources

- HR Learning Management System
- Strategic Workforce Planning
- MyService for HR

Divisional Project Budget Drivers

Legal Services

- Enterprise Litigation Management System
- Records Management

Office of Internal Audit

- Data Analytics Expansion
- Governance, Risk & Compliance Tool

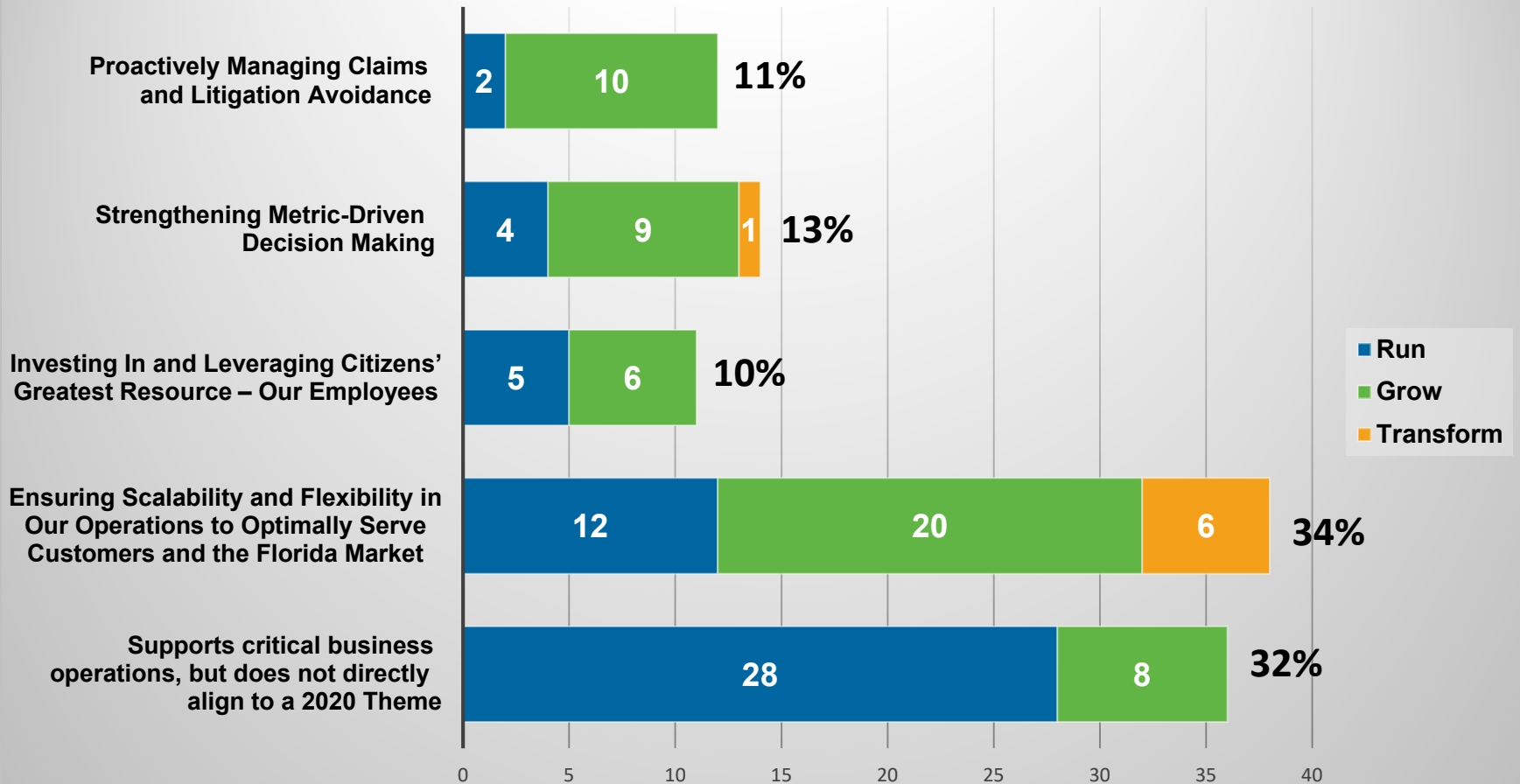
Systems and Operations

- Backup and Recovery Platform Refresh
- Big Data Analytics Platform for Business Enablement
- Cloud Strategy
- Identity and Access Management
- Office 365 End User Tool Rollout
- Unified Communications and Collaboration Strategy
- Vendor and Contract Management System

Underwriting and Agency Services

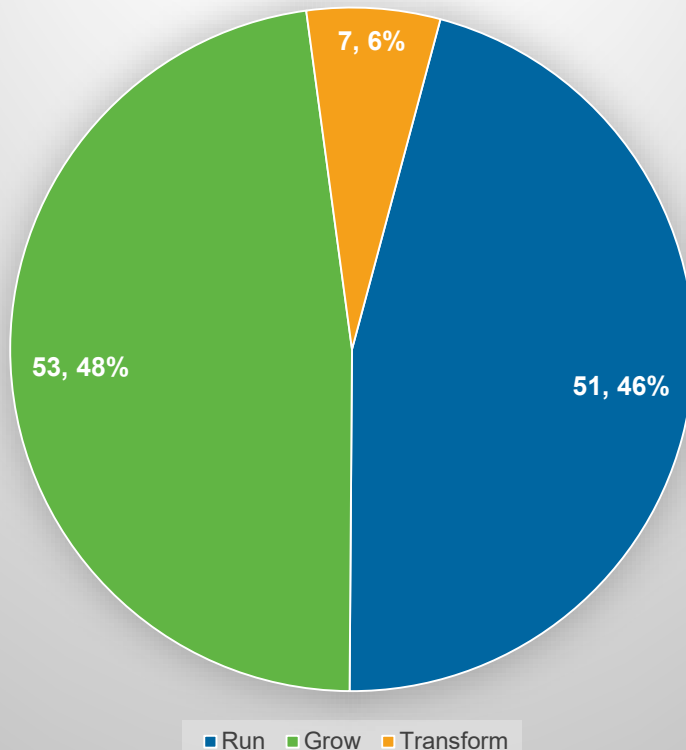
- Agency Management System Implementation
- Predictive Analytics for Renewal Underwriting
- Self-Service – Electronic Policy Document Delivery
- Self-Service – Update Contact Information

Alignment to 2020 Strategic Themes



Potential Portfolio Alignment Overview

Projects by Portfolio Type



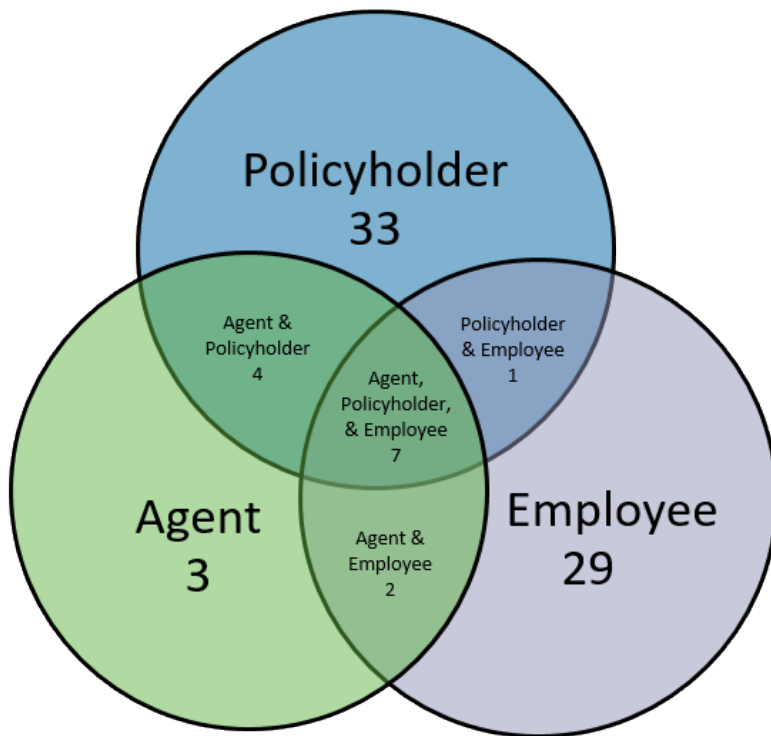
There are 111 projects in the Potential Portfolio for 2020

Run: Maintain current business capabilities.

Grow (Mature/Improve): Expand existing business capabilities.

Transform: Drive new business capabilities.

2020 Potential Portfolio Overview – Support of Key Constituents



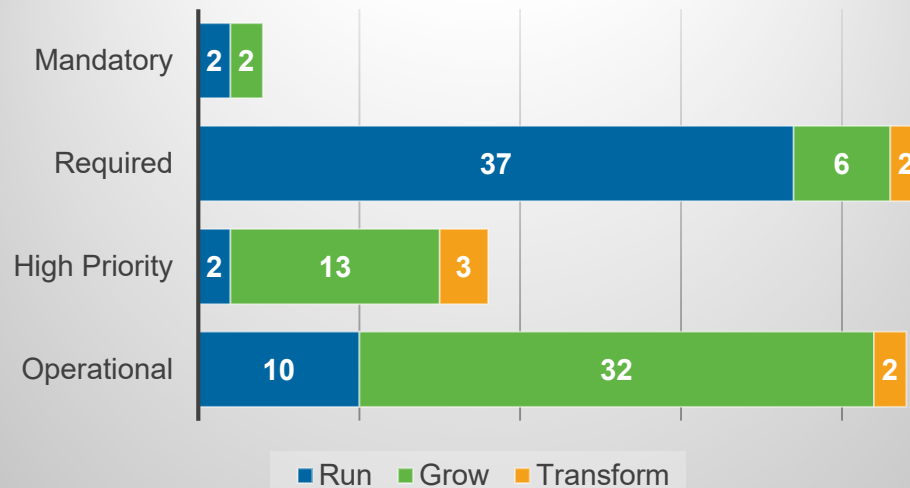
Key Constituent	Number of Projects Supporting Key Constituent	%
Agent	16	12%
Policyholder	45	34%
Employee	39	30%
All other projects	32	24%

Majority of projects are in direct support of a Key Constituent – Agent, Policyholder, or Employee. Other projects are focused on operational activities or business process. While these projects do not have a direct link to a Key Constituent, they do provide value to our overall operations.

Potential Portfolio – Initiative Type

Type	2018		2019		2020	
	Count	%	Count	%	Count	%
Mandatory	4	5%	7	7%	4	4%
Required	27	30%	32	34%	45	40%
High Priority	22	25%	6	6%	18	16%
Operational	36	40%	50	53%	44	40%
Total	89		95		111	

Initiative Type by Portfolio Type



Mandatory: Required by law, rule, regulation; OIR order

Required: Continuation of existing service (expiring contract, software support, etc.).

High Priority: Response to audit finding, BOG direction, Data Privacy/Security, KSIs which are not otherwise categorized as Mandatory or Required.

Operational: Projects that are operational or tactical in nature.

Monitoring Mechanisms In Place:

- Strategic Plan Scorecard - *quarterly*
- Enterprise Rhythm – Strategic Intelligence Dashboard and Program Increment Updates - *quarterly*
- Key Strategic Initiatives Update - *quarterly*
- Enterprise Portfolio Reporting Package - *monthly*
- Executive Leadership Team Metrics Report - *monthly*



Strategic Objective Alignment	Identified Initiatives	Division/(Sponsor)	Key Strategic Initiative Description
GOAL 1: Operate as an efficient residual market			
	Although there are no Key Strategic Initiatives planned under this Goal, there are several enterprise-level projects and operational activities planned for 2020 including: <ul style="list-style-type: none">• Add specific mobile home new and renewal policy types to the Property Insurance Clearinghouse to reduce Citizens exposure• Update rates, forms and rules, with the proposed system and rate table updates/enhancements to ensure compliance, improve rate adequacy, address ongoing claims litigation and ensure market alignment• Procurement of Actuarial Consulting Services		
GOAL 2: Ensure a strong financial operating environment			
Protect premium reserves and sustain financial strength by identifying, evaluating and addressing nonweather-related claim-cost trends and mitigating the potential for litigation.	Goal 2 Objectives 2 and 4 Managing Claims and Litigation Avoidance	Multiple (Adams, Booten, Montero, Sumner)	Continued examination and evaluation of the drivers of claims, loss frequency, and litigation to develop actionable strategies that address the needs of policyholders, ensure efficient and accurate adjustments of claims while reducing the frequency of litigation and enhancing expense management. Initiatives and activities include: <ul style="list-style-type: none">• Loss Adjustment Expense Strategy and Implementation• Automate Independent Adjuster (IA) billing process to allow tracking of loss adjusting expenses at a more granular level and improve efficiencies• Review and identify areas of improvement in our Litigation strategies, practices and workflows• Procurement and eventual implementation for Enterprise Legal Management in advance of the current vendor contract expiration in 2022• Continued purchase of risk transfer as part of our Risk Transfer Strategy
Strengthen Citizens’ corporate control environment by mitigating the potential for fraud, waste or abuse, and integrating internal control measures into the organizational culture.	Goal 2 Objectives 2 and 4 Predictive Analytics	Multiple (Adams, Bitar, Booten, Montero)	Employ predictive analytics to enable metrics driven front-end decision making guidance in areas including fraud analytics and underwriting. Focal areas include: <ul style="list-style-type: none">• Leverage and apply real-time predictive analytics for a multitude of uses within the Citizens Insurance Suite to improve workflow efficiency, reduce cycle time, reduce risk, reduce cost, and improve data quality• Strategically identify policies for renewal review and leverage predictive analytics to identify risks with higher likelihood for inaccuracy• Map potential claim party relationships providing early indicators of potential claim fraud activity• Develop an improved platform to better enable analytics
GOAL 3: Operate a streamlined, scalable and customer-focused organization			
Align the organization to control costs, maintain and improve customer service, insource core competencies, and ensure Citizens’ flexibility to expand and contract operations to meet fluctuating market needs.	Goal 3 Objective 1 Agency Management Transformation	Multiple (Bitar, Booten)	This initiative transforms the manner in which agents transact business with Citizens as well as implementing a new Agency Management System (AMS). The AMS implementation is aligned to Citizens' digital strategy and will enable improvements from current state systems used to support business needs and for agent distribution relationship management. This will allow Citizens to modernize agency management workflows and eliminate the need to support three legacy systems.

Strategic Objective Alignment	Identified Initiatives	Division/(Sponsor)	Key Strategic Initiative Description
GOAL 4: Protect the public interest and maintain the integrity of the corporation			
Protect private information in Citizens' custody, as well as its access and use by internal and external parties.	<i>Goal 4 Objective 1</i> Identity and Access Management	Systems & Operations (Booten)	To ensure only those parties who have a need and authorization are able to access information systems and private data, this initiative seeks to implement an enterprise wide strategy to consolidate and centralize user identity and access management process and technology capabilities. The approach will provide a framework and strategy for evolving Citizens' identity and access management capabilities to improve governance, processes, technology platforms, protection and compliance.
GOAL 5: Identify, educate and effectively communicate with internal and external stakeholders			
Develop and implement a self-service strategy that enhances communications with and servicing capabilities offered to stakeholders.	<i>Goal 5 Objectives 1 and 2</i> Self-Service/Digital Strategy	Multiple (Ashburn, Adams, Bitar, Booten, Montero)	With a focus on Citizens' customers and business partners, the Self-Service/Digital Strategy builds upon progress made in prior years to enhance the customer experience for our policyholders and business partners, while enabling the ability to transact business in an increasingly electronic environment. A number of capabilities will be evaluated to identify viable and actionable improvement opportunities, such as: <ul style="list-style-type: none"> • Provide the ability for policyholders to view policy and billing documents online • Enabling registered myPolicy users the ability to update contact information online • Provide improved claims portal functionality to policyholders • Provide greater access to web content for people with disabilities • Create a more mobile user-friendly external website • Implement capability to send text messages to policyholders, which could include payment reminders, claim filing information, and CAT information