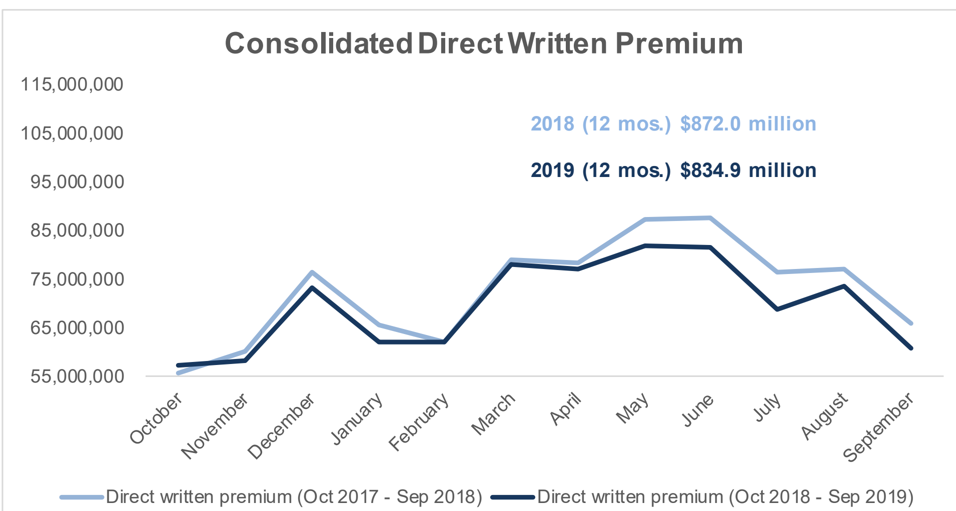
The following is an analysis of Citizens' financial and operating results through the third quarter of 2019.

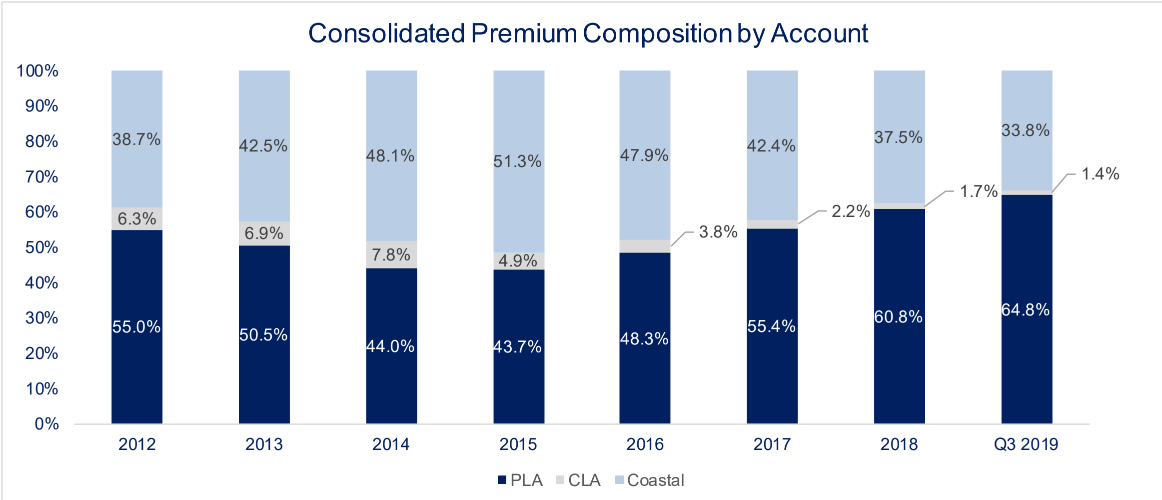
- PREMIUMS -

Consolidated direct written premium through the third quarter of 2019 was $662.1 million or $17.5 million (2.6%) less than consolidated direct written premium a year prior. The decrease in written premium is the result of decreases in combined policies inforce (PIF) across all three accounts. Through the first three quarters of 2019, decreases in PIF were 7,490 (2.4%), 248 (24.4%) and 13,148 (10.0%) within the Personal Lines Account (PLA), Commercial Lines Account (CLA) and Coastal Account, respectively. For the period ended September 30, 2019, the decrease in consolidated direct written premium approximated the consolidated decrease in PIF (4.7%). Premiums removed through depopulation of $6.7 million during 2019 was $1.4 million (26.4%) more than the same period in 2018.

	9-months ended	
	Sep 2019	**Sep 2018**
New Business	60,764	68,497
Untagged Takeouts	31	151
Reinstatements	6,218	6,545
Cancellations	(32,625)	(34,169)
Non-Renewals	(33,412)	(33,653)
New Tags for Takeout	(7,041)	(5,559)
Net change	(6,065)	1,812
Ending PIF	421,332	442,218

Consolidated direct earned premium declined $22.9 million (3.4%) during the first nine months of 2019 compared to the same period a year ago and approximated the decline in direct written premium.





Through September 30, 2019 premiums ceded through reinsurance arrangements totaled $230.4 million or or $10.3 million (4.3%) less than the same period in 2018. The decline in reinsurance premiums ceded was largely driven by declines in premiums ceded to the FHCF, partially offset by an increase in premiums ceded through traditional reinsurance arrangements with the placement of coverage in the PLA.

- LOSSES -

Non-CAT Only	Consolidated			Personal Lines Account			Commercial Lines Account			Coastal Account		
	Q3 2019	CY 2018	Q3 2018	Q3 2019	CY 2018	Q3 2018	Q3 2019	CY 2018	Q3 2018	Q3 2019	CY 2018	Q3 2018
Direct loss ratio	30.4%	31.0%	33.2%	42.0%	40.4%	41.1%	-62.8%	142.5%	172.9%	14.6%	11.1%	14.0%
Direct loss ratio (underlying)	30.4%	28.1%	28.7%	40.0%	39.0%	40.0%	41.5%	10.3%	9.8%	13.3%	12.4%	13.1%
Direct LAE ratio	21.9%	24.1%	23.0%	28.2%	32.9%	31.1%	11.2%	-14.5%	-8.1%	11.4%	12.8%	12.5%
Direct LAE ratio (underlying)	18.8%	16.5%	16.9%	24.2%	22.0%	22.3%	16.7%	3.6%	5.9%	9.7%	8.9%	9.4%

CAT and Non-CAT	Consolidated			Personal Lines Account			Commercial Lines Account			Coastal Account		
	Q3 2019	CY 2018	Q3 2018	Q3 2019	CY 2018	Q3 2018	Q3 2019	CY 2018	Q3 2018	Q3 2019	CY 2018	Q3 2018
Direct loss ratio	52.5%	53.9%	33.2%	68.5%	82.5%	41.2%	42.9%	168.4%	172.9%	25.4%	4.8%	14.0%
Direct loss ratio (underlying)	30.4%	44.3%	28.7%	40.0%	54.2%	40.0%	41.5%	27.4%	9.8%	13.3%	30.3%	13.1%
Direct LAE ratio	18.5%	30.8%	23.1%	28.9%	40.5%	31.3%	20.3%	-11.4%	-8.1%	0.4%	18.3%	12.7%
Direct LAE ratio (underlying)	18.8%	17.9%	16.9%	24.2%	23.5%	22.3%	16.7%	3.9%	5.9%	9.7%	10.2%	9.4%

The term *underlying* refers to losses and LAE on claims incurred in the current accident year and excludes development on prior accident years

At September 30, 2019 consolidated ultimate direct losses and LAE related to Hurricane Irma were $2.035 billion. Of that amount, $783.5 million is recoverable under Citizens' reinsurance contracts with both the FHCF ($435.8 million in the PLA and $222.3 million in the Coastal Account) and private reinsurers ($125.4 million in the Coastal Account only). A majority of the development that occurred during the 2nd quarter ($107.6 million of the $119.1 million) occurred within the PLA and resulted from an increase in both late reported claims and loss severity, particularly in the Southeastern region of the state.

On a consolidated basis, ultimate direct losses and LAE related to Hurricane Michael were $151.7 million and were unchanged from the prior period. No reinsurance recoverables associated with Hurricane Michael were recorded due to the losses and LAE not meeting the attachment levels of reinsurance arrangements.

Current accident year losses and LAE unrelated to sinkholes and hurricanes did not experience meaningful variances from prior accident years and development of prior accident year losses and LAE was minimal. Although litigated non-weather water claims continue to be a dominant driver of loss and LAE activity within the PLA, the litigation rate for accident years 2018 and 2019 continues to show improvement in comparison to accident years 2014 through 2017.

Within the CLA, volatility in older sinkhole claims continues to contribute to material quarterly variances in the reported loss and LAE ratios. While loss and LAE development within the CLA are less significant to the accident years to which they relate, the diminishing size of the overall commercial lines book of business leaves it more susceptible to material swings in the loss and LAE ratio as a result of development in prior accident years when the commercial lines book of business was considerably larger. The reported loss ratio through the 3rd quarter of 2019 was driven by favorable development on outstanding loss reserves for older sinkhole claims.

Administrative expenses reclassified to LAE are assigned to prior accident years based on the number of claims closed for the current and each prior accident year. Accordingly, fluctuations in the number of claims closed and the fraction of claims closed for each accident year can lead to adverse or favorable development of LAE in prior accident years.

- ADMINISTRATIVE EXPENSES -

Administrative expenses incurred through the third quarter of 2019 of $93.4 million were $2.2 million (2.3%) less than administrative expenses incurred during the same period a year ago and $13.5 million (12.6%) less than budget. Variances (year-over-year and budget-to-actual) in contingent staffing were primarily due to lower-than-anticipated need for independent adjusters that were engaged in response to Hurricanes Michael and Irma, as well as a higher-than-anticipated number of claims entering mediation. These expenses, along with other claims-related costs, are reclassified to loss adjustment expenses (LAE).

Other factors contributing to significant year-over-year or budget-to-actual variances are as follows:

- *Subscriptions and Dues* were $0.7 million (55.0%) below budget as a result of lower than anticipated usage of information services that incur costs on a per-claim basis.

- *Operations and Maintenance* expenses were $0.5 million (32.6%) below budget and $0.2 million (12.8%) less than 2018 as a result of deferrals and delays in expenditures related to the Tampa office build-out and lower-than-anticipated utilities expenses.

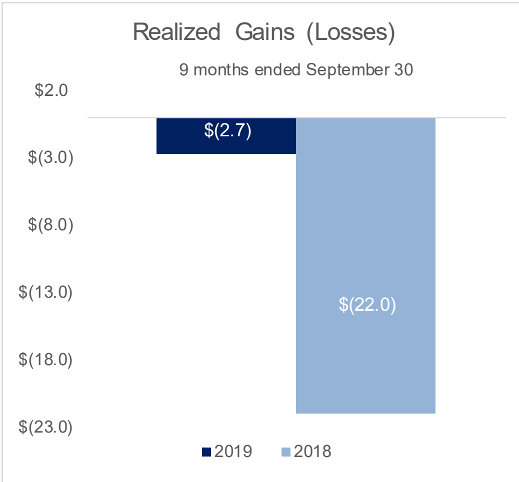
- *Computer Hardware* expenses were $0.6 million (30.7%) below budget and $0.5 million (28.4%) less than 2018 with decreases largely the result of delays in several large Information Technology-related purchases.

- *Professional Services* expenses were $5.8 million (54.9%) below budget and $1.9 million (27.9%) less than 2018 due to delays in the implementation several large-scale projects and expenses incurred in 2018 but not in 2019 related to the ERP implementation and other implementations completed by year-end 2018.

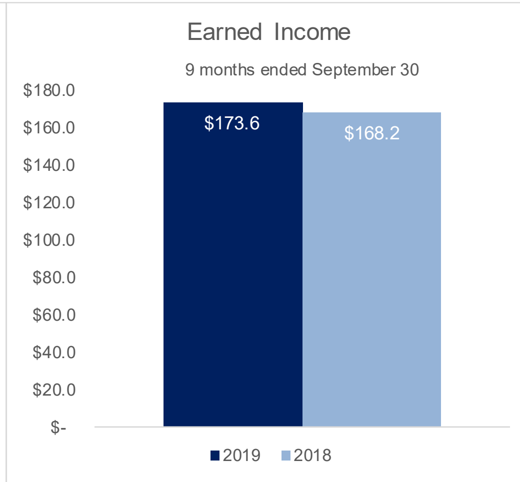
- *Travel* expenses were $0.3 million (23.8%) below budget and $1.2 million (53.4%) less than 2018 as a result of reduced catastrophe response costs associated with Hurricanes Irma and Michael.

For the period ended September 30, 2019, Citizens' expense ratio was 24.3%, reflecting a 0.3% increase from the same period a year ago and a 1.8% decrease compared to budget.

- INVESTMENT INCOME -



($ in millions)



($ in millions)

Total investment income (measured as investment income excluding investment expenses) for the first three quarters of 2019 was $170.8 million, or $24.6 million (16.8%) greater than the same period a year ago, despite a $772.4 million (7.8%) decline in total average invested assets over the same comparable period. The relative and absolute increases in investment income were principally driven by significant reductions in net realized losses. With the recent overall increases in bond prices, most securities disposed of through the active management of invested assets have generated realized gains thereby increasing overall investment income. Additionally, holdings in tax-exempt securities have declined resulting in a proportional increase in securities that generally produce higher yields. In September 2019, realized losses on certain of Citizens' legacy assets were taken as the securities were deemed to be other-than-temporarily-impaired. Although the securities have not yet been disposed of, realized losses of $12.8 million were recognized as of September 30, 2019.

	9-months ended ($ millions)	
	Sep 2019	**Sep 2018**
Earned income	$ 173.58	$ 168.22
Net realized gains (losses)	(2.75)	(21.98)
Total income	**$ 170.84**	**$ 146.25**
Average invested assets	**$ 9,141.08**	**$ 9,913.48**

	Externally-Managed Portfolios (September 2019)			
	Taxable Liquidity	Taxable Claims	Tax-Exempt Claims	Taxable LD Claims
Total market value ($ in billions)	$1.040	$1.528	$1.113	$4.907
Duration	1.4	3.7	1.7	5.4
Avg. credit rating (S&P / Moody's / Fitch)	A+ / Aa2 / AA-	A+ / Aa3 / A+	AA / Aa2 / AA	A+ / A1 / A+

- CASH FLOWS -

Consolidated cash flows used in operations were $25.9 million during the period ended September 30, 2019 compared to consolidated cash used in operations of $290.7 million during the same period in 2018. Net premiums collected were $526.0 million or $13.6 million (2.5%) less than the year prior, generally consistent with declines in written premium. Decreases in benefits and loss related payments, as well as loss adjustment expense payments, were largely the result of reinsurance recoveries on loss and LAE payments associated with Hurricane Irma.

	Consolidated - 9 months ended	
	Sept 2019	**Sept 2018**
Premiums collected, net	$ 526,024,071	$ 539,637,330
Net investment income	154,786,477	162,661,382
Miscellaneous income (expense) collected (paid)	1,855,797	2,236,218
Benefits and loss related payments	(374,246,374)	(617,926,397)
Loss adjustment expense payments	(165,339,450)	(213,496,343)
Underwriting expenses paid	(168,942,924)	(163,841,733)
Net cash flows provided by (used in) operations	**$ (25,862,402)**	**$ (290,729,543)**