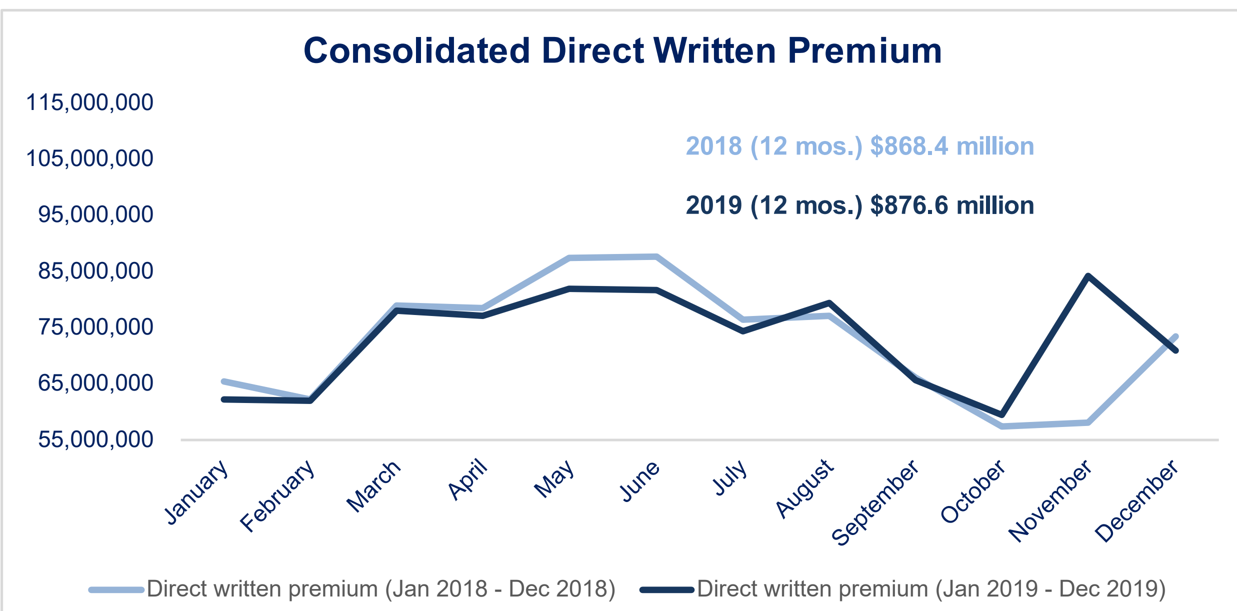
The following is an analysis of Citizens' financial and operating results for the fiscal year 2019.

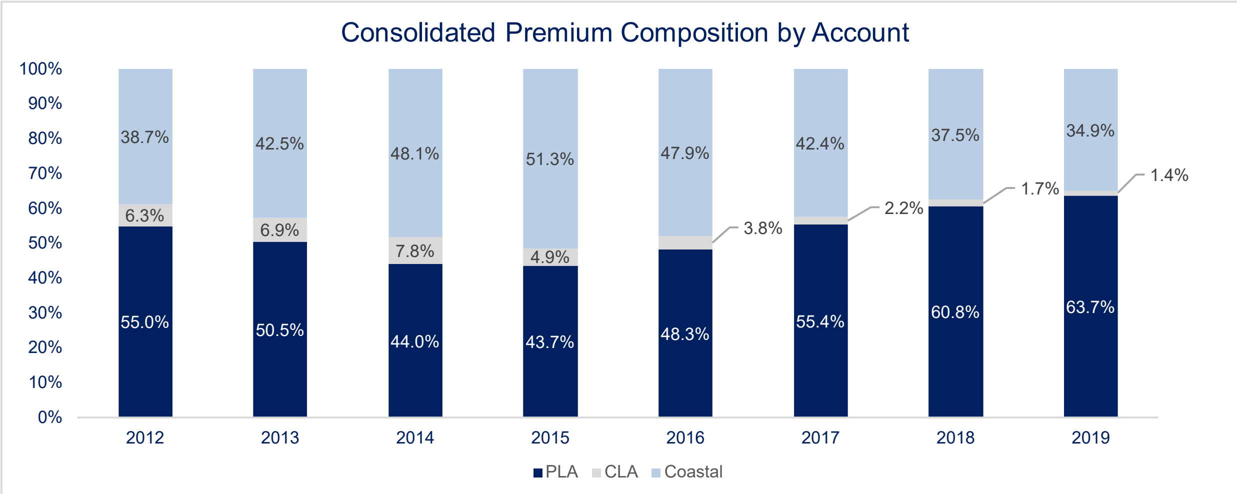
- PREMIUMS -

Consolidated direct written premium in 2019 was $876.6 million or $8.1 million (0.9%) greater than consolidated direct written premium 2018. The increase in written premium is the result of an increase in policies inforce (PIF) within the Personal Lines Account (PLA) that outpaced decreases in PIF within the Commercial Lines Account (CLA) and Coastal Account. By account, increases (decreases) in PIF during 2019 were 18,274 (6.0%), -181 (-19.7%) and -3,292 (-2.7%) within the PLA, CLA and Coastal Account, respectively. Increases in direct written premium were tempered by increases in PIF due lower per policy premiums associated with policies in the PLA compared to higher per policy premiums within the CLA and Coastal Account. Premiums removed through depopulation of $9.3 million during 2019 were $8.6 million (48.0%) less than 2018.

	12-months ended	
	Dec 2019	Dec 2018
New Business	103,855	83,809
Untagged Takeouts	1,493	159
Reinstatements	8,013	8,201
Cancellations	(45,585)	(44,379)
Non-Renewals	(42,938)	(43,308)
New Tags for Takeout	(10,037)	(17,491)
Net change	14,801	(13,009)
Ending PIF	442,196	427,395

Consolidated direct earned premium declined $24.0 million (2.7%) during 2019 despite an increase in consolidated direct written premium due to year-over-year differences in months during which the underlying premiums were written.





In 2019, premiums ceded through reinsurance arrangements totaled $228.2 million or $6.3 million (2.7%) less than 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		
	CY 2019	CY 2018	CY 2017	CY 2019	CY 2018	CY 2017	CY 2019	CY 2018	CY 2017	CY 2019	CY 2018	CY 2017
Direct loss ratio	31.30%	31.00%	28.30%	41.90%	40.40%	43.80%	-28.50%	142.50%	3.30%	15.40%	11.10%	11.20%
Direct loss ratio (underlying)	29.20%	28.10%	27.30%	38.70%	39.00%	41.50%	33.40%	10.30%	9.80%	12.50%	12.40%	11.30%
Direct LAE ratio	20.70%	24.10%	18.90%	26.10%	32.90%	26.20%	15.20%	-14.50%	-2.20%	11.50%	12.80%	11.60%
Direct LAE ratio (underlying)	18.80%	16.50%	16.00%	23.90%	22.00%	22.30%	14.10%	3.60%	4.10%	10.10%	8.90%	9.20%

CAT and Non-CAT	Consolidated			Personal Lines Account			Commercial Lines Account			Coastal Account		
	CY 2019	CY 2018	CY 2017	CY 2019	CY 2018	CY 2017	CY 2019	CY 2018	CY 2017	CY 2019	CY 2018	CY 2017
Direct loss ratio	61.80%	53.90%	187.70%	78.60%	82.50%	159.40%	83.40%	168.40%	75.80%	31.70%	4.80%	229.20%
Direct loss ratio (underlying)	29.20%	44.30%	186.60%	38.70%	54.20%	157.00%	33.40%	27.40%	82.30%	12.50%	30.30%	229.30%
Direct LAE ratio	19.00%	30.80%	67.20%	30.20%	40.50%	74.40%	30.00%	-11.40%	11.90%	-1.10%	18.30%	62.30%
Direct LAE ratio (underlying)	18.80%	17.90%	63.90%	23.90%	23.50%	70.10%	14.10%	3.90%	18.20%	10.10%	10.20%	59.50%

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

As of December 31, 2019, consolidated ultimate direct losses and LAE related to Hurricane Irma were $2.160 billion, marking a $125.6 million increase relative to September 30, 2019. Of the $2.160 billion in ultimate loss and LAE, $879.8 million is recoverable under Citizens' reinsurance contracts with both the FHCF ($521.5 million in the PLA and $246.7 million in the Coastal Account) and private reinsurers ($111.6 million in the Coastal Account only). A majority of the development that occurred during the 4th quarter ($103.2 million of the $125.6 million) occurred within the PLA and resulted from an increase in claim counts and loss severity (driven by an increase in inflationary trends), particularly in the Southeastern region of the state.

On a consolidated basis, ultimate direct losses and LAE related to Hurricane Michael were $149.9 million, reflecting a $1.8 million (1.1%) reduction from 2018.

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 for 2019 was driven by favorable development on outstanding loss reserves for older sinkhole claims while the current accident year loss ratio was driven by a sinkhole claim for a loss that occurred in 2019. Loss and LAE ratios reported in future periods could be significantly affected by the development of this sinkhole claim.

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 during 2019 of $124.0 million were $2.2 million (1.8%) less than administrative expenses incurred during 2018 and $14.0 million (10.2%) less than budget. Variances (year-over-year and budget-to-actual) in contingent staffing were primarily due to lower-than-anticipated needs 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:

- Employee expenses (*Salaries, Employee Benefits and Payroll Taxes*) were $4.8 million (4.0%) below budget as a result of reductions and/or delays in filling vacant position as well as lower-than-expected benefits costs.

- *Legal* expenses were $0.9 million (70.7%) more than budget and $0.9 million (77.0%) more than 2018 primarily due to an increase in expenses associated with the resolution of contract terminations

- *Subscriptions and Dues* were $0.8 million (50.3%) below budget as a result of lower than anticipated usage of information services that incur costs on a per-claim basis.

- *Computer Hardware* expenses were $0.5 million (23.3%) below budget and $1.2 million (42.2%) less than 2018 with decreases largely the result of delays in several large Information Technology-related purchases.

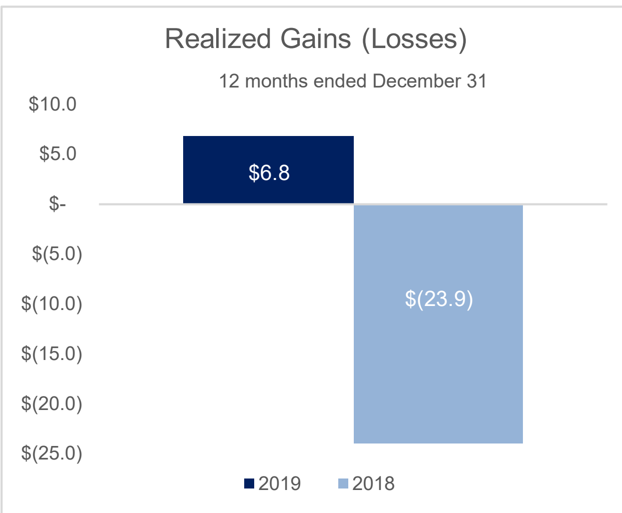
- *Professional Services* expenses were $5.4 million (44.0%) below budget and $2.5 million (26.4%) less than 2018 due to delays in the implementation several large-scale projects and expenses incurred in 2018 but not in 2019 related to the ERP implementation and other implementations completed by year-end 2018.

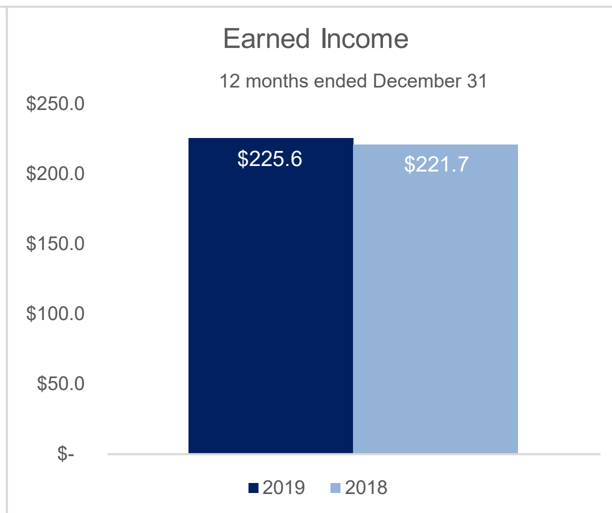
- *Software Maintenance and Licensing* expenses were $1.6 million (8.6%) below budget and $0.8 million (4.4%) less than 2018 due to reductions in contract costs, delays in software purchases, and overall reductions in per-license software usage.

- *Travel* expenses were $0.2 million (13.5%) below budget and $1.4 million (47.2%) less than 2018 as a result of reduced catastrophe response costs associated with Hurricanes Irma and Michael.

For the year ended December 31, 2019, Citizens' expense ratio was 24.3%, reflecting a 0.3% decrease from 2018 and a 2.3% decrease compared to budget.

- INVESTMENT INCOME -





($ in millions)

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Total investment income (measured as investment income excluding investment expenses) in 2019 was $232.5 million, or $34.7 million (17.5%) greater than 2018, despite a $681.2 million (7.0%) decline in total average invested assets during 2019. The relative and absolute increases in investment income were principally driven by significant reductions in realized losses, partially offset by $12.3 million in realized losses arising from the disposition of certain legacy assets, and increased yields persisting from investing in a higher interest rate environment. In September 2019, these securities were impaired resulting in a other-than-temporary loss of $12.8 million. 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. Holdings in tax-exempt securities within bond proceeds accounts have declined as outstanding bond obligations decline. A reduction in these holdings result in proportional increases in securities that generally produce higher yields.

	12-months ended ($ millions)	
	Dec 2019	**Dec 2018**
Earned income	$ 225.62	$ 221.73
Net realized gains (losses)	6.82	(23.93)
Total income	**$ 232.45**	**$ 197.80**
Average invested assets	**$ 9,028.12**	**$ 9,709.28**

	Externally-Managed Portfolios (December 2019)			
	Taxable Liquidity	Taxable Claims	Tax-Exempt Claims	Taxable LD Claims
Total market value ($ in billions)	$1.046	$1.538	$1.019	$4.926
Duration	1.1	3.7	1.3	5.5
Avg. credit rating (S&P /Moody's /Fitch)	A+ / Aa2 / AA-	A+ / A1 / A+	AA / Aa2 / AA	A+ / A1 / A+

- CASH FLOWS -

Consolidated cash flows used in operations were $13.6 million during 2019 compared to consolidated cash used in operations of $525.5 million during 2018. Net premiums collected during 2019 were $631.7 million or $16.5 million (2.7%) more than 2018, consistent with overall increases in written premium and declines in reinsurance premiums ceded. Increases in net investment income collected of $9.9 million (5.3%) were driven by increases in realized gains, partially offset by a reduction in securities that yield higher coupon payments. Decreases in benefits and loss related payments, as well as loss adjustment expense payments, were largely the result of reductions in reserves and increases in reinsurance recoveries on loss and LAE payments associated with Hurricane Irma. Increases in underwriting expenses paid of $10.6 million (5.2%) were due to decreases in year-end accruals at the end of 2019 compared to 2018.

	Consolidated - 12 months ended	
	Dec 2019	**Dec 2018**
Premiums collected, net	$ 631,647,869	$ 615,131,361
Net investment income	196,806,939	186,941,580
Miscellaneous income (expense) collected (paid)	2,562,262	(53,739)
Benefits and loss related payments	(410,575,528)	(831,067,966)
Loss adjustment expense payments	(221,037,863)	(294,037,987)
Underwriting expenses paid	(212,953,086)	(202,386,658)
Net cash flows provided by (used in) operations	**$ (13,549,407)**	**$ (525,473,409)**