

2021 Operating Budget Overview

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Premium

(\$ in millions)

	Combined			PLA			CLA			Coastal		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Direct Written Premium (\$)	1,154.4	1,379.5	1,580.3	760.9	930.3	1,056.7	14.5	15.2	16.2	379.0	433.9	507.3
Ceded (take out) (\$)	12.0	10.9	11.7	3.5	5.6	6.1	-	-	-	8.5	5.3	5.6
Policies in-force	532,135	630,256	688,818	398,403	476,862	518,898	774	845	851	132,958	152,549	169,069

- Projected premium is based on two models – **baseline** and **growth**:
 - Baseline** – assumes new policy counts and renewal rates stay at August 2020 levels (adjusted for seasonality) through June 2021 then revert to (pre-Covid) March 2020 levels
 - Growth** – assumes new policy counts continue to modestly climb in 2020 and stay at those levels through the end of 2021 and renewal rates remain high through 2021
- 2021 and 2022 projection premium and policy counts assign a weighting of 75% and 25% to the baseline and growth models, respectively

Losses and LAE (Excludes Catastrophes)

	Combined			PLA			CLA			Coastal		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Loss & LAE Ratio	53.8%	54.3%	54.9%	69.1%	68.8%	69.4%	26.2%	14.4%	14.4%	25.4%	25.0%	25.3%

- 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
- Certain costs that were postponed in 2020 due to Covid may shift into 2021

Reinsurance and Net Investment Income

- Placeholders of \$60 million (PLA) and \$150 million (Coastal) for private risk transfer (including Everglades Re and multi-year traditional treaties carrying over) are included in the 2021 Operating Budget
- Budgeted 2021 yield of 2.3% on invested assets:
 - Equal to weighted portfolio income yield from October – December 2020
 - Assumes no significant movement in overall rates in 2021
 - 2021 budgeted yield does not contemplate any potential realized gains
- Budgeted 2021 interest expense considers:
 - June 2021 maturities of \$160 million of Series 2012A-1 PLA bonds
 - No additional debt issuances or early redemptions planned in 2021

Expense Ratio

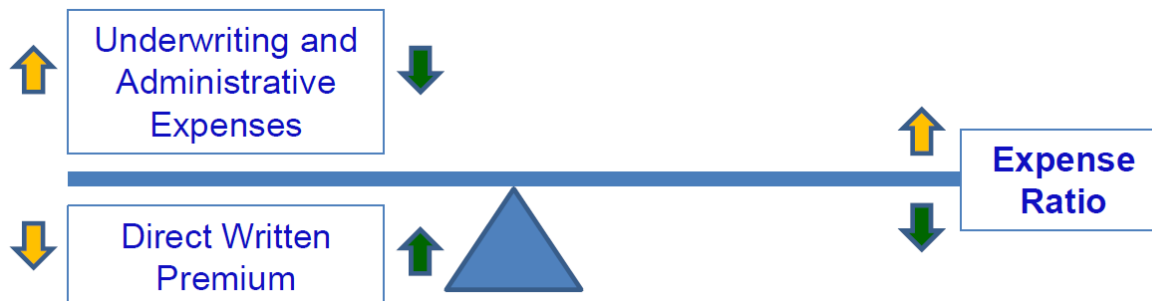
Underwriting and Administrative Expenses:

- Personnel costs
- Contingent staffing
- Professional services
- Rent
- Depreciation
- Agent commissions
- Premium taxes
- Reduced by ULAE allocation

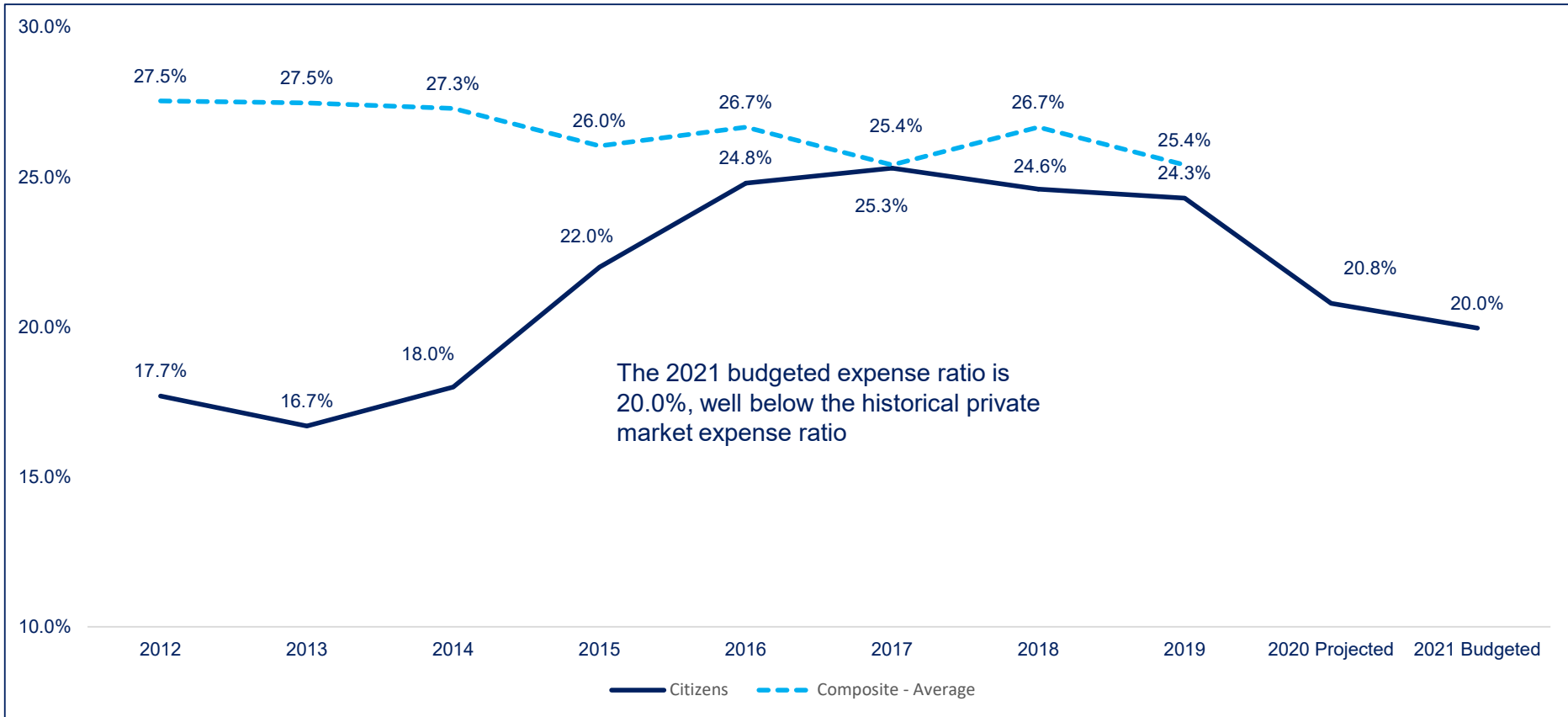
Direct Written Premium:

- Premiums received directly from policyholders
- Not reduced for depopulation
- Not reduced for reinsurance

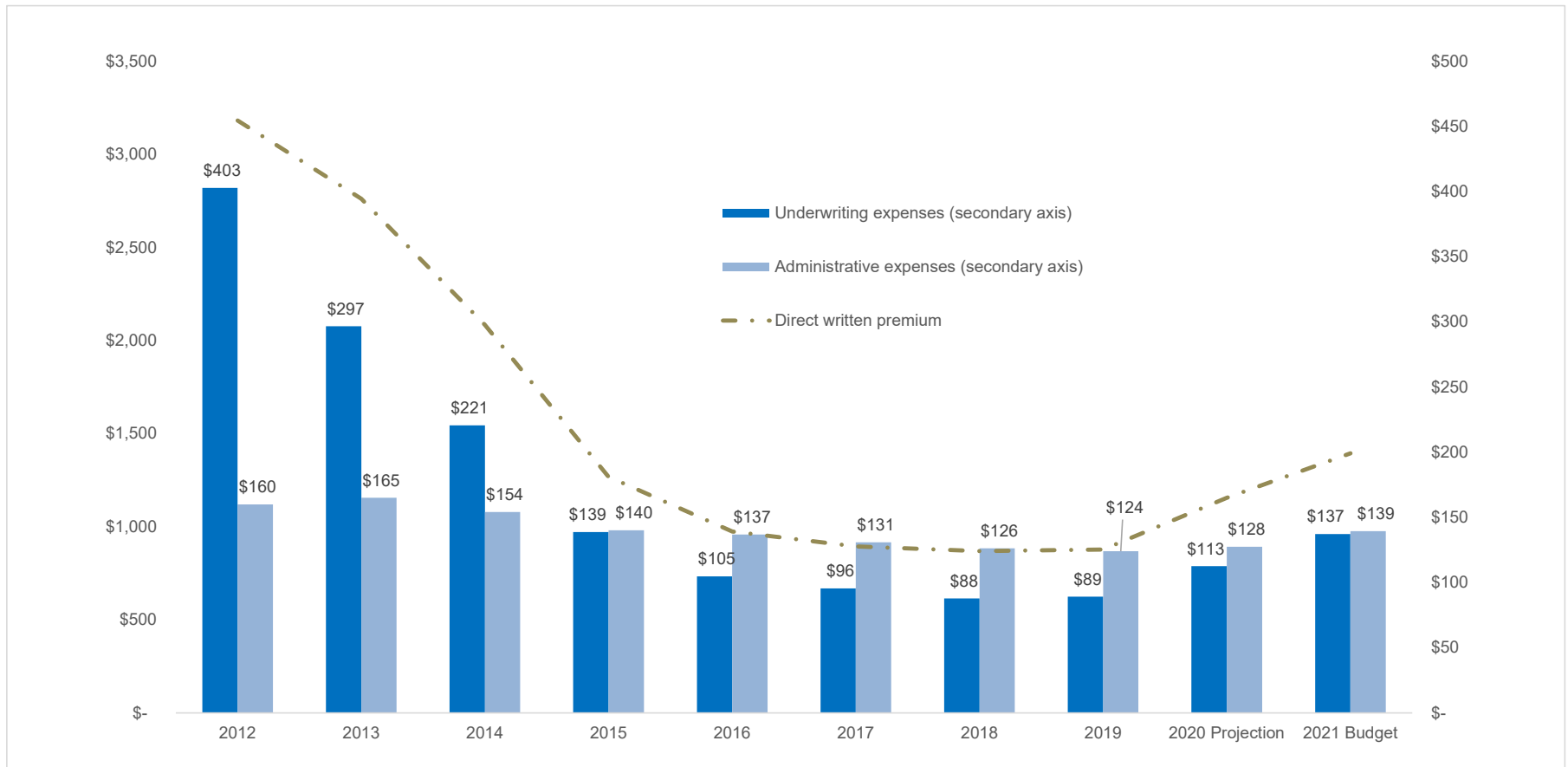
Underwriting and Administrative Expenses ÷ Direct Written Premium = Expense Ratio



Private Market Comparison



Premium and Expenses



Note: values are in \$ millions

Administrative Expenses

	2020				2021		
	Budget	Best Estimate	Lower Limit	Upper Limit	Best Estimate	Lower Limit	Upper Limit
Policy count	430,704	532,135	521,118	544,868	630,257	567,290	719,072
Direct written premium (\$ millions)	\$ 873.4	\$1,154.4	\$1,131.1	\$1,182.0	\$1,379.5	\$1,239.0	\$1,581.4
Administrative and underwriting expenses (\$ millions)	\$ 222.0	\$ 240.0	\$ 238.0	\$ 242.4	\$ 275.4	\$ 263.1	\$ 292.9
Expense ratio	25.4%	20.8%	21.0%	20.5%	20.0%	21.2%	18.5%

- Excluding ULAE, major components of 2021 budget administrative and other underwriting expenses are:
 - Employee costs - \$136.5 million (52%)
 - Contingent staffing - \$58.6 million (22%)
 - Software, maintenance and licensing - \$17.9 million (7%)
 - Other underwriting expenses - \$16.0 million (6%)

2021 Budgeted Income Statement

	<u>Consolidated</u>	<u>PLA</u>	<u>CLA</u>	<u>Coastal</u>
Direct Written Premium	\$ 1,379,454,729	\$ 930,299,676	\$ 15,217,411	\$ 433,937,641
Takeout	(10,896,389)	(5,639,813)	-	(5,256,576)
FHCF	(184,116,705)	(98,563,640)	(3,352,228)	(82,200,837)
Private Risk Transfer	(210,000,000)	(60,000,000)	-	(150,000,000)
Earned Premiums, Net	864,921,227	685,879,025	11,284,608	167,757,594
Underwriting Expenses				
Losses and LAE incurred	683,291,163	581,160,214	2,102,782	100,028,167
Underwriting and Administrative Expense	275,277,912	182,886,453	3,582,623	88,808,836
Total	958,569,075	764,046,667	5,685,405	188,837,003
Net underwriting income	(93,647,848)	(78,167,643)	5,599,203	(21,079,409)
Other Income (expense)				
Investments Income	162,991,129	40,740,280	42,378,002	79,872,847
Interest expense	(24,589,181)	(7,373,668)	(1,164,623)	(16,050,890)
Other income (expense)	2,127,548	1,621,102	89,629	416,818
Net income	\$ 46,881,648	\$ (43,179,929)	\$ 46,902,211	\$ 43,159,366
Policies In Force as of 12/31	630,257	476,862	845	152,549