

Citizens' Economics 2013 - 3Q2020

Board of Governors
March 3, 2021



Terms Used

Term	Definition
Premiums	Net revenues from the sale of insurance coverage to policyholders
Losses	Net costs of claim payments on coverage sold to policyholders, which includes plaintiff attorney costs
Loss Adjustment Expenses (LAE)	Net costs to investigate and settle claims, and generally consisting of payments to adjusters, defense attorneys, experts (geologists, engineers) and staffing costs of the Claims Department
Underwriting and Administrative	Net costs to agents for commissions, underwriting costs, policy servicing costs, premium taxes and overhead expenses
Underwriting Profit (Loss)	The net operating profit or loss on the sale of insurance coverage
Net Investment Gain (Loss)	Income earned on accumulated net revenues that have not yet been paid out for losses, loss adjustment expenses or underwriting and administrative costs, minus interest expense

Multi-period Operating Results – *Citizens*

(\$000s)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Q1, Q2 and Q3 2020	Total
Premiums	\$ 1,880,761	\$ 1,377,841	\$ 760,750	\$ 625,540	\$ 626,446	\$ 622,976	\$ 616,075	\$ 556,651	\$ 7,067,041
Losses	(502,375)	(441,155)	(402,515)	(345,768)	(1,032,852)	(466,995)	(331,849)	(262,291)	(3,785,802)
Loss Adjusting Expenses	(248,050)	(198,935)	(86,538)	(167,146)	(532,242)	(222,717)	(168,112)	(158,043)	(1,781,784)
Underwriting and administrative	(461,683)	(374,600)	(278,786)	(241,460)	(226,317)	(213,962)	(213,173)	(179,276)	(2,189,257)
Underwriting profit (loss)	\$ 668,653	\$ 363,151	\$ (7,090)	\$ (128,834)	\$ (1,164,965)	\$ (280,699)	\$ (97,059)	\$ (42,959)	\$ (689,802)
Net investment gain (loss)	6,723	1,201	(5,669)	99,349	132,154	134,228	180,826	177,597	726,409

Note: reported results are stated on a "net" basis

Multi-period Operating Results – Florida Specialists

(\$000s)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Q1, Q2 and Q3 2020	Total
Premiums	\$ 3,099,863	\$ 3,899,221	\$ 4,665,795	\$ 4,825,132	\$ 5,142,997	\$ 5,620,428	\$ 5,741,786	\$ 4,605,445	\$37,600,667
Losses	(1,158,611)	(1,491,310)	(1,909,977)	(2,619,035)	(2,972,794)	(3,348,639)	(3,584,635)	(4,090,952)	(21,175,954)
Loss Adjusting Expenses	(338,328)	(416,465)	(507,072)	(604,869)	(661,542)	(606,787)	(696,370)	(A)	(3,831,432)
Underwriting and administrative	(1,187,792)	(1,431,398)	(1,711,404)	(1,769,942)	(1,864,807)	(2,025,718)	(2,055,672)	(1,666,838)	(13,713,570)
Underwriting profit (loss)	\$ 415,133	560,049	\$ 537,342	(168,715)	\$ (356,146)	(360,715)	\$ (594,891)	(1,152,345)	(1,120,289)
Net investment gain (loss)	78,514	102,970	130,154	178,431	187,090	188,091	253,663	282,332	1,401,244
Other income	44,696	23,378	24,051	21,197	7,427	52,491	32,019	20,761	226,019
Taxes	(194,172)	(251,509)	(226,009)	(12,934)	84,581	10,136	45,634	202,769	(341,503)
Net income (loss)	<u>\$ 344,171</u>	<u>\$ 434,887</u>	<u>\$ 465,537</u>	<u>\$ 17,979</u>	<u>\$ (77,049)</u>	<u>\$ (109,998)</u>	<u>\$ (263,574)</u>	<u>\$ (646,483)</u>	<u>\$ 165,470</u>

(A) Losses and LAE are combined

Note: reported results are stated on a "net" basis

Note 2: "Florida Specialists" obtained from Willis Re Florida Market Watch (Primary Personal Property Writers) and excludes Castle Key Insurance Company (Allstate), First Floridian Auto and Home Insurance Company (Travelers), Castle Key Indemnity Insurance Company (Allstate), State Farm Florida Insurance Company (State Farm), and Nationwide Insurance Company of Florida (Nationwide); only those companies that are included in the 2020 composite are presented for all years above

A “Model” Profit and Loss Statement (\$000s)

Simplified Assumptions:

- Revenue proportionate to capital level
- Underwriting and administrative expenses of **approximately 36%** of premiums
- Loss and LAE costs of **60%** of premiums
- Combined ratio of **less than 100%**
- Investment income yield of **approximately 4%** on accumulated assets

Net premiums	\$ 4,713,603
Losses and LAE	(2,828,162)
Underwriting and Administrative	(1,720,465)
Underwriting profit	<u>\$ 164,976</u>
Net investment income	520,470
Operating income	<u>\$ 685,446</u>
Taxes and other	(216,858)
Net income (loss)	<u>\$ 468,588</u>

Average net written premium (2013 - 2019)

Equal to 60% of net premiums

Equal to 36.5% based on average (2013 - 2019)

Produces 96.5% combined ratio

4% of admitted assets at December 31, 2019

Underwriting profit plus net investment income

Equal to 25.5% of Operating income

Equal to approximately 12% of total capital at December 31, 2019