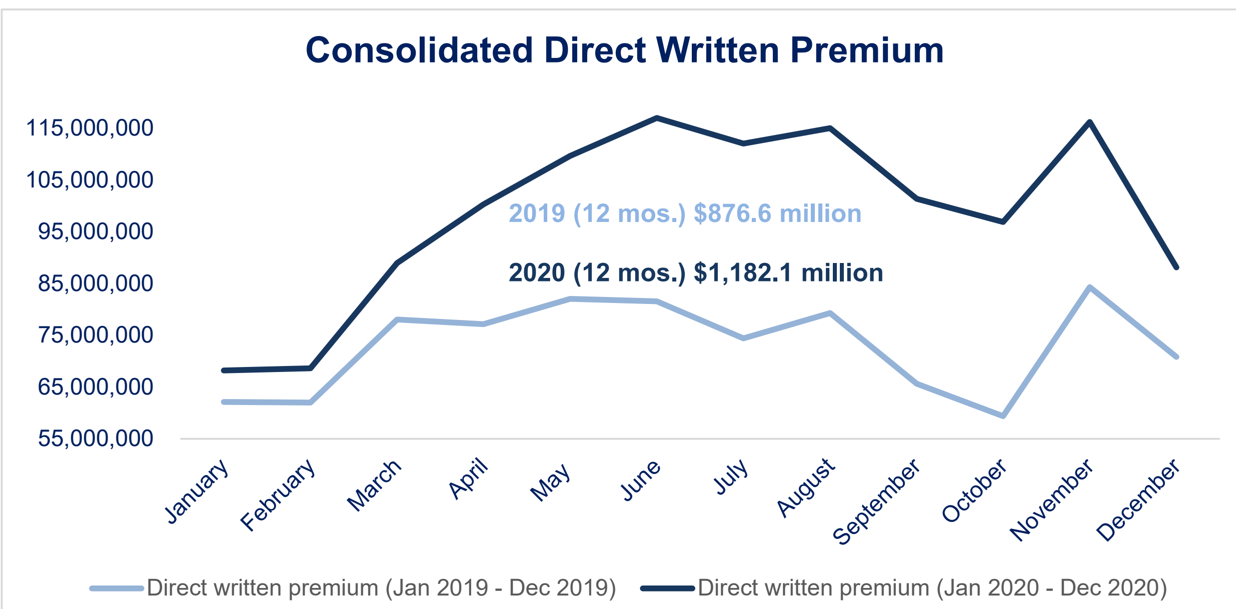
The following is an analysis of Citizens' financial and operating results for the year 2020.

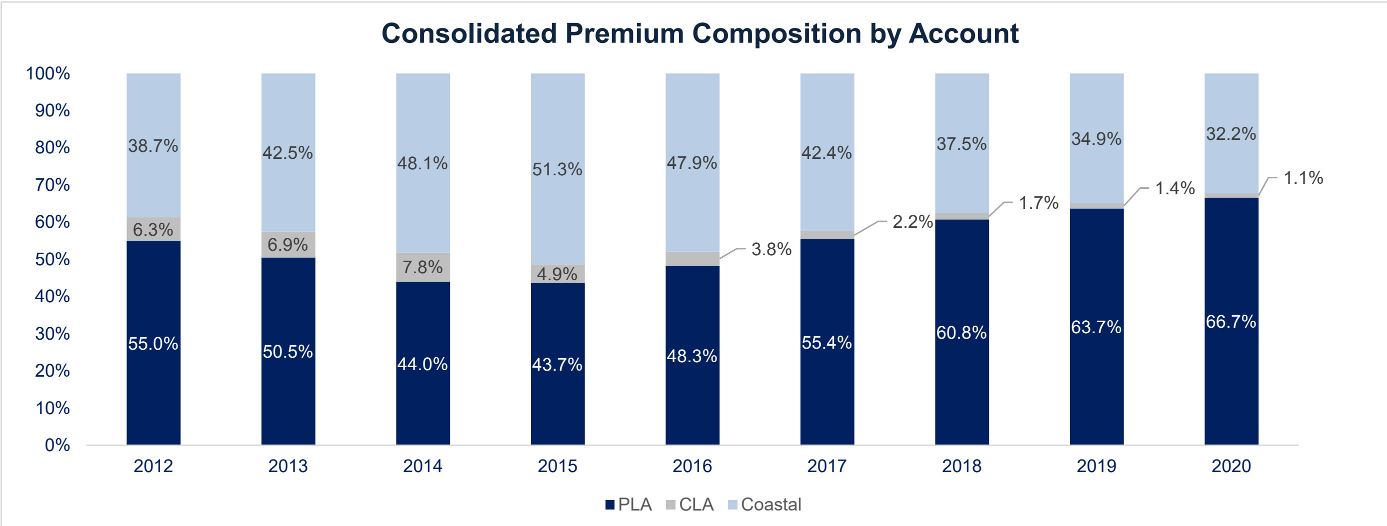
- PREMIUMS -

Consolidated direct written premium in 2020 was $1,182.1 million or $305.5 (34%) greater than consolidated direct written premium in 2019. The increase in written premium is the result of increases in new policies written in Dade, Broward and Palm Beach counties, along with increases in renewal rates largely due to temporary payment exceptions and deferral of certain underwriting procedures. The increase in premium (34%) in comparison to the increase in policies inforce (PIF) (20%) is due to the relative increase in HO-3 policies that generally have a larger average per-policy premium. Premiums removed through depopulation of $12.4 million in 2020 were $3.1 million (33%) more than in 2019.

	12-months ended	
	Dec 2020	**Dec 2019**
New Business	161,712	103,860
Untagged Takeouts	10	1,493
Reinstatements	4,595	8,013
Cancellations	(63,707)	(45,585)
Non-Renewals	(6,221)	(42,938)
New Tags for Takeout	(7,424)	(10,037)
Net change	88,965	14,806
Ending PIF	531,168	442,203

Consolidated direct earned premium increased $136.2 million (15%) in 2020 commensurate with the months during which premium increased.





Premiums ceded for private reinsurance and for coverage provided by the Florida Hurricane Catastrophe Fund (FHCF) in 2020 were $1.5 million (1%) less than in 2019 due to a reduction in the amount of private reinsurance purchased, partially offset by an increase in coverage provided by the FHCF.

- LOSSES -

Non-CAT Only	Consolidated			Personal Lines Account			Commercial Lines Account			Coastal Account		
	Q4 2020	CY 2019	Q4 2019	Q4 2020	CY 2019	Q4 2019	Q4 2020	CY 2019	Q4 2019	Q4 2020	CY 2019	Q4 2019
Direct loss ratio	37.40%	31.31%	31.03%	45.20%	41.88%	40.42%	17.01%	-28.54%	142.54%	23.04%	15.44%	11.07%
Direct loss ratio (underlying)	34.96%	29.19%	28.06%	41.64%	38.66%	39.04%	9.99%	33.40%	10.35%	22.95%	12.50%	12.44%
Direct LAE ratio	19.64%	20.69%	24.08%	22.92%	26.08%	32.91%	9.11%	15.16%	-14.48%	13.67%	11.54%	12.80%
Direct LAE ratio (underlying)	20.42%	18.80%	16.46%	24.22%	23.90%	21.96%	4.65%	14.15%	3.56%	13.66%	10.10%	8.86%

CAT and Non-CAT	Consolidated			Personal Lines Account			Commercial Lines Account			Coastal Account		
	Q4 2020	CY 2019	Q4 2019	Q4 2020	CY 2019	Q4 2019	Q4 2020	CY 2019	Q4 2019	Q4 2020	CY 2019	Q4 2019
Direct loss ratio	41.96%	61.82%	53.88%	48.81%	78.60%	82.51%	23.76%	83.44%	168.37%	29.37%	31.66%	4.79%
Direct loss ratio (underlying)	34.96%	29.19%	44.31%	41.64%	38.66%	54.17%	9.99%	33.40%	27.44%	22.95%	12.50%	30.34%
Direct LAE ratio	26.02%	18.98%	30.77%	30.61%	30.22%	40.55%	7.75%	29.99%	-11.43%	17.80%	-1.06%	18.25%
Direct LAE ratio (underlying)	20.42%	18.80%	17.91%	24.22%	23.90%	23.50%	4.65%	14.15%	3.92%	13.66%	10.10%	10.21%

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, 2020, consolidated ultimate direct losses and LAE related to Hurricane Irma were $2.270, reflecting a $110 million (5%) increase compared to 2019. Of the $110M of adverse development, $73M is in the PLA, with the majority of the development ($50M) related to LAE costs. The Coastal account experienced a total of $35M of development, with the majority of this development ($31M) on Coastal residential claims and the remaining ($4M) on Coastal non-residential claims. The CLA experienced $2M of development. The primary driver of the development for the PLA and Coastal residential claims was an increase in the ultimate litigation rate. The projected ultimate litigation rates (percentage of reported claims that are litigated) increased from 17.7% to 21.8% and 10.2% to 12.0% in the PLA and Coastal account, respectively.

A secondary, less impactful driver of the development in both accounts was an increase in ultimate claims (570 in both accounts combined). Of the $2.270 billion in ultimate loss and LAE across all accounts, $935.8 million is recoverable under Citizens' reinsurance contracts with both the FHCF ($546.1 million in the PLA and $263.6 million in the Coastal Account) and private reinsurers ($126.1 million in the Coastal Account only).

On a consolidated basis, ultimate direct losses and LAE related to Hurricane Michael were $150.0 million as of December 31, 2020, reflecting no change from 2019. No reinsurance recoverables associated with Hurricane Michael were recorded due to the losses and LAE not meeting the attachment levels of reinsurance arrangements.

In the 3rd quarter of 2020 there were a series of smaller storms (Sally, Isias, Laura and Marco) that made landfall in Florida. Consolidated ultimate direct loss and LAE of these storms as of December 31, 2020 is $51.6M, with Sally comprising 97% of the total. In the 4th quarter of 2020, there were two additional storms (Eta and Zeta). Consolidated ultimate direct loss and LAE of these storms is $39M, with Eta comprising 99% of the total. In total, these storms contributed 7.4%, 10.8%, and 12.6% to the reported 2020 loss and LAE ratios for the PLA, CLA, and Coastal Account, respectively. No ceded recoverables 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 the prior quarter as development of prior accident year losses and LAE was as expected.

Although litigated non-weather water claims continue to be a dominant driver of loss and LAE activity within the PLA, the litigation rate trend for accident years 2018, 2019 and 2020 continue to show improvement in comparison to accident years 2014 to 2017.

Within the CLA, losses and LAE related to sinkhole claims were relatively unchanged, however, volatility in these outstanding sinkhole claims have the potential to contribute to material quarterly variances in the reported loss and LAE ratios in future periods. 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.

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 in 2020 of $124.5 million were $0.5 million more than administrative expenses incurred in 2019 and $9.4 million (7%) less than budget.

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 $2.2 million (2%) below budget as a result of reductions and/or delays in filling vacant positions, and $5.9 million (5%) more than 2019 as a result of year-over-year increases in the number of FTEs and increases in employee benefits.

- *Contingent staffing* expenses were $5.2 million (8%) less than budget due to a reduction in the need for independent adjusters within the Litigated and Disputed Claims unit, partially offset by an increase in the number of independent adjusters used in response to Hurricane Irma claims.

- *Legal* expenses were $0.9 million (43%) less than 2019 due to delays in the timing of anticipated legal expenditures, partially offset by unplanned expenses incurred in connection with the preliminary offering of a catastrophe bond in the Coastal Account.

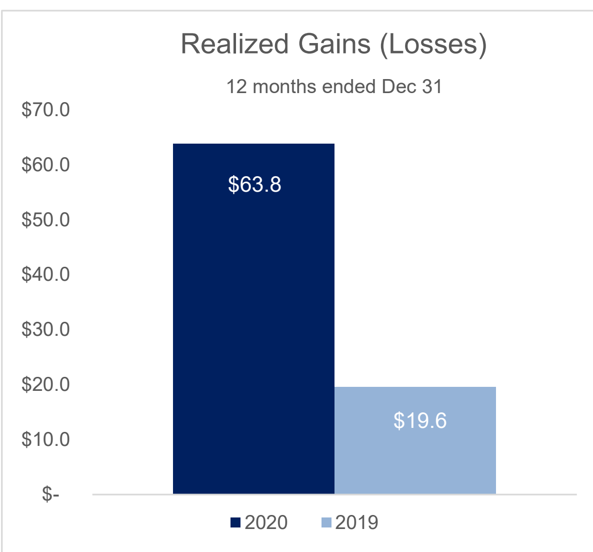
- *Operations and Maintenance* expenses were $0.7 million (29%) below budget and $0.5 million (23%) less than 2019 due to reductions in service needs resulting from lower office space occupancy as well as decommissioning of the Tampa Data Center.

- *Professional Services* expenses were $3.1 million (26%) below budget and $1.9 million (28%) more than 2019 due to delays and cancellations in several initiatives and transitioning certain outsourced services in-house (budget-to-actual); year-over year increases were due to increases in professional services rendered in 2020 as well as increases in certain per-transaction costs associated with an increase in policy count.

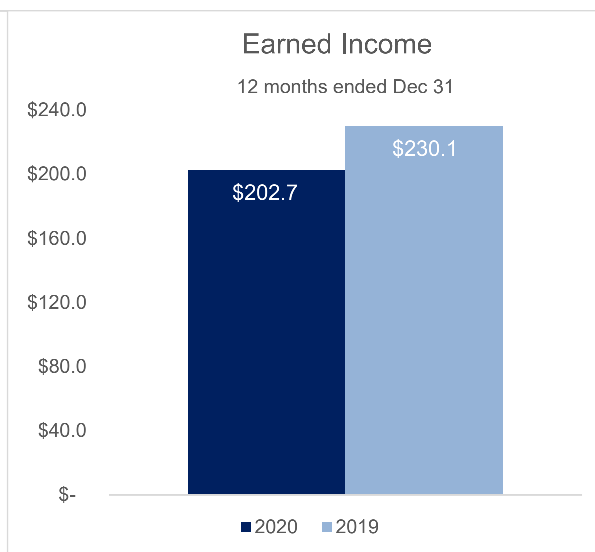
- *Software Maintenance and Licensing* expenses were $3.2 million (17%) below budget and $1.8 million (10%) less than 2019 largely due to reductions in the anticipated number of user licenses for Claims-related software as well as non-usage of and delays in the purchase of several other software products (budget-to-actual); decreases in year-over-year expenditures are largely due to reductions in costs associated with the Guidewire system and other end-user license expenses.

For the year ended December 31, 2020, Citizens' expense ratio was 20.3%, reflecting a 4.0% decrease from 2019 and a 5.1% decrease compared to budget.

- INVESTMENT INCOME -



($ in millions)



($ in millions)

Total investment income (measured as investment income excluding investment expenses) in 2020 was $266.6 million, or $16.8 million (7%) greater than in 2019 while the book value of average total invested assets declined $250.5 million (3%).

The decrease in earned income of $27.4 million (12%) was principally driven by significant reductions in interest rates during 2020 as well as reductions in tax-exempt holdings resulting from the scheduled maturities of certain outstanding bond obligations. However, the decrease in earned income was more than offset by an increase in net realized gains as portfolio managers sold securities that were held in positive mark-to-market positions through the active management of invested assets to align portfolios to take advantage of market conditions. Additionally, in January 2020, $150 million of the 2015A-1 series bonds were redeemed at par, prior to their scheduled maturity date, resulting in a $1.5 million gain that was included in net realized gains.

	12-months ended ($ millions)	
	Dec 2020	**Dec 2019**
Earned income	$ 202.71	$ 230.10
Net realized gains (losses)	63.84	19.63
Total income	**$ 266.55**	**$ 249.73**
Average invested assets	**$ 8,777.60**	**$ 9,028.10**

	Externally-Managed Portfolios (December 2020)			
	Taxable Liquidity	Taxable Claims	Tax-Exempt Claims	Taxable LD Claims
Total market value ($ in billions)	$1.074	$1.640	$0.675	$5.478
Duration	1.1	3.8	2.4	5.9
Avg. credit rating (S&P /Moody's /Fitch)	A+ / Aa3 / AA-	A- / A1 / A+	AA / Aa2 / AA	A+ / A1 / A+

- CASH FLOWS -

Consolidated cash flows provided by operations were $322.1 million in 2020 compared to $13.6 million of cash flows used in operations in 2019. Net premiums collected in 2020 were $900.7 million or $269.0 million (42%) more than in 2019, consistent with overall increases in written premium and declines in reinsurance premiums paid. Decreases in net investment income collected of $13.2 million (7%) were generally driven by decreases in earned investment income, driven by reductions in invested assets and decreases in overall interest rates, partially offset by decreases in debt obligations outstanding. Decreases in benefits and loss related payments were largely the result of reductions in reserves and increases in reinsurance recoveries on loss and LAE payments associated with Hurricane Irma.

	Consolidated - 12 months ended	
	Dec 2020	**Dec 2019**
Premiums collected, net	$ 900,636,660	$ 631,647,869
Net investment income	183,556,892	196,806,939
Miscellaneous income collected	3,946,863	2,562,262
Benefits and loss related payments	(301,680,101)	(410,575,528)
Loss adjustment expense payments	(230,934,148)	(221,037,863)
Underwriting expenses paid	(233,477,882)	(212,953,086)
Net cash flows provided by (used in) operations	**$ 322,048,283**	**$ (13,549,407)**