

PRESIDENT'S REPORT: JULY 2021

Good morning Mr. Chairman and Board Members. Before I launch into my quarterly update, I would like to thank each of our new Board Members for the considerable time they have spent with myself and members of Citizens Staff to familiarize themselves, to the extent possible, particularly given these market conditions.

I would like to report that market conditions are improving, but the bottom line is they are not. Previously I reported that the Florida Domestic Market (Excluding the National Companies) has produced unprofitable results for the past five years with each year worse than the prior. 2020 results showed an Underwriting Loss of \$1.64 Billion and a Negative Net Income of \$928 Million for these companies and that was twice as bad as the previous year (2019). Unfortunately, the trend continued in the first quarter of 2021 with Negative Underwriting results of \$320 Million and Negative Net Income of \$244 Million for this same group of companies. I have included in your materials an exhibit that shows the results for each company for year end 2020 and the first quarter of 2021. I will not be referring to these as they are informational only; but one issue really stands out and that is that only one very small company posted an underwriting gain in 2020 and only four, again small companies, posted a positive net income. A lot of red ink on these pages clearly supports the need for the rate increases that are occurring and increased focus on litigation.

Profitability issues have plagued many companies resulting in the market restrictions that I will discuss later. Some of the more relevant events that have occurred since my last report are:

- OIR Approved the midterm cancellation of 500 Weston Policies, 391 were Commercial. (Citizens wrote 58 of these Commercial Wind Policies.)
- American Capital Liquidation was announced resulting in the cancellation of 1,700 Commercial Policies (Citizens wrote just 20 of these and the balance were placed in the private market.)
- OIR issued a consent order approving the midterm cancellation of 32,000 policies from Gulfstream, Universal N.A. and Southern Fidelity and an additional 20,000 policies from Southern Fidelity that would be non-renewed over the next 12 months. (Citizens has written 5,331 policies that were covered by this consent order)

In my March report I indicated that due to current profitability issues and marketplace restrictions we were growing at the rate of 3,000 new customers per week and that this was steadily increasing. Today that number has grown to 6,000 per week and the year end forecast has been increased from 650,000 policies to 766,000. We are of course responding to this increase through the addition of increased staff in Customer Service, Underwriting and Claims in addition to increasing our use of vendor agreements in each of these areas. As I believe you are all aware, we use a balance of Citizens Staff and Vendor support due to the variability in the number of customers.

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I would be remiss if I did not keep you informed of the ongoing litigation challenges. I have included an updated Carrier Litigation Report in your reference materials. The report, which is included as an attachment, repeats information previously provided showing that total lawsuits have increased from 27,416 in 2013 to 85,007 in 2020. However, comparing YTD litigation results from Jan to June 2020 to Jan to June 2021 shows a disturbing trend as indicated in the notes on this report. It shows that All other Carriers Litigation increased year over year by 51% from 33,800 to 50,951. It also shows a disturbing increase in AOB Litigation during this same period for the Industry and for Citizens.

Going forward there are positive signs for both Citizens and the Industry. I will not repeat the advantages of SB76 but it does improve Citizens overall position from a competitive standpoint over time and the litigation numbers indicated earlier clearly show the absolute need for the One-Way-Attorney Fee statute changes. Another good sign is that there has been significant investor interest in the marketplace that would indicate a potential for a resurgence of the Depopulation Program in 2022 and the potential for new entrants with new Capital entering the market.

Finally, I will focus on the major challenge for the balance of 2021. I am going to refer to it as a *balancing act*. "Citizens Mission is to provide property insurance protection in Florida to those who are, in good faith, entitled to obtain coverage through the private market but are unable to do so." It is a balancing act because every day we are faced with a more restricted market with the customers expectation that we are there as a last resort. However, there are accounts or risks that we should not be assuming on behalf of Citizens or the State. Risks that are in such a state of disrepair they are not acceptable. These risks should likely be written in the non-admitted market where the premiums can be charged commensurate with the real exposure. These premiums can be exorbitant. Every day many decisions are made whether these accounts are "in good faith, entitled" to obtain coverage from Citizens. With the impact of the heartbreaking collapse of Champlain Towers in Miami and the declaration that there are possibly more unsafe buildings we can expect companies to be far more stringent in their underwriting requirements. This will send more business our way and it will be essential to make sure that our standards are consistent with the market while following our statutory mission. The findings of the Florida Bar Task Force and the recent announcement of the Grand Jury review of this issue will hopefully provide more guidance. In addition, as the marketplace gets tighter, hopefully just in the short term, and it is, we will be expected to respond appropriately to the market conditions and provide a market for even more insureds. It is a challenge, and I will open it up to questions and I believe the Chairman has scheduled some time on the agenda to get input from all Board members on these current challenges.

Carrier Litigation Experience 2013 – June 2021



Year	Citizens Lawsuits	Citizens AOB Lawsuits	Citizens AOB %	Lawsuits All Others	AOB All Others	All Other AOB %	Total Lawsuits	Total AOB	Total AOB %
2013	9,146	860	9.4%	18,270	4,613	25.2%	27,416	5,473	20.0%
2014	9,525	1,062	11.1%	22,122	4,820	21.8%	31,647	5,882	18.6%
2015	7,653	1,250	16.3%	30,167	6,645	22.0%	37,820	7,895	20.9%
2016	10,061	3,242	32.2%	31,790	5,968	18.8%	41,851	9,210	22.0%
2017	7,624	2,718	35.7%	41,524	9,772	23.5%	49,148	12,490	25.4%
2018	13,363	3,631	27.2%	69,300	17,421	25.1%	82,663	21,052	25.5%
2019	9,877	3,886	39.3%	74,210	24,694	33.3%	84,087	28,580	34.0%
2020	7,853	2,007	25.6%	77,154	15,676	20.3%	85,007	17,683	20.8%
2021	5,480	1,401	25.6%	50,953	13,045	25.6%	56,433	14,446	25.6%
Total	80,582	20,057	24.9%	415,490	102,654	24.7%	496,072	122,711	24.7%

Jan – Jun 2020 vs Jan – Jun 2021 Notes:

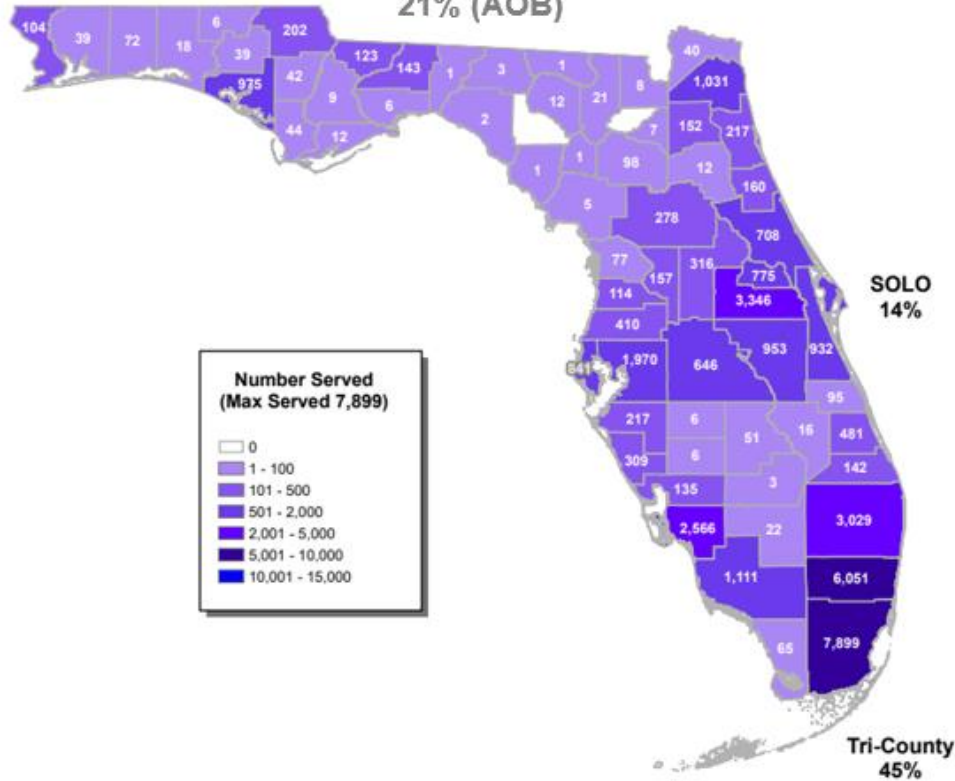
1. Citizens AOB Litigation increased by 49% (938 to 1,401)
2. Citizens Overall Litigation increased by 50% (3,645 to 5,480)
3. All Other Carriers AOB Litigation increased by 85% (7,063 to 13,045)
4. All Other Carriers Overall Litigation increased by 51% (33,800 to 50,953)

Data source – DFS LSOP 2013 – June 2021

Carrier Litigation Experience June 2020 vs June 2021 by County

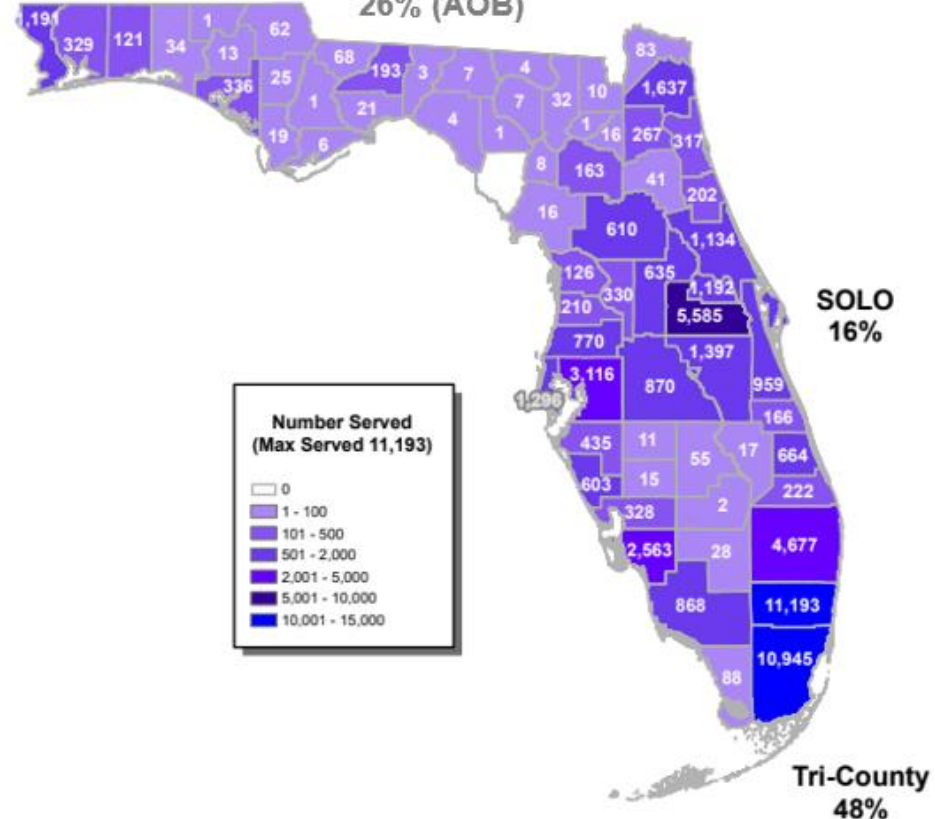
January 2020 to June 2020 Lawsuits by County All Insurance Companies

37,445
21% (AOB)



January 2021 to June 2021 Lawsuits by County All Insurance Companies

56,433
26% (AOB)



NUMBER OF CASES FILED BY KEY COUNTIES

	January – June 2020	January – June 2021
Dade	7829	10,945
Broward	6051	11,193
Palm Beach	3029	4,677
Hillsborough	1970	3116
Osceola	953	1397
Orange	3346	5585
Seminole	775	1192
Lake	316	635
Duval	1031	1637

Florida Homeowner Companies
\$000 Omitted

Company	Direct Premiums Written	Net Income			Net Underwriting Gains / (Loss)		
	Year End 4Q 2020	Year to Date 1Q 2021	Year End 4Q 2020	Year End 4Q 2019	Year to Date 1Q 2021	Year End 4Q 2020	Year End 4Q 2019
Amer Integrity Ins Co. of FL	\$362,695	(\$313)	(\$1,099)	\$3,515	(\$1,253)	(\$3,117)	(\$295)
Amer Modern Ins Co. of FL Inc.	\$18,634	(\$37)	(\$843)	(\$8)	(\$337)	(\$1,832)	(\$491)
American Capital Assr Corp. (Insolvent)	\$113,418	-	(\$41,316)	(\$5,965)	-	(\$45,121)	(\$9,416)
American Coastal Ins Co.	\$336,268	(\$15,852)	(\$8,666)	(\$17,433)	(\$17,681)	(\$44,803)	(\$26,706)
American Platinum P&C Ins Co.	\$10,406	(\$64)	(\$4,022)	\$252	(\$77)	(\$4,966)	(\$140)
American Strategic Ins Corp.	\$1,165,255	(\$30,709)	(\$59,575)	(\$19,408)	(\$55,610)	(\$139,086)	(\$66,146)
American Traditions Ins Co.	\$137,027	\$233	(\$1,861)	\$598	(\$32)	(\$5,427)	(\$1,321)
Anchor P&C Insurance Co.	(\$21,547)	(\$702)	(\$9,813)	(\$22,194)	(\$403)	(\$9,916)	(\$22,982)
ASI Assurance Corp.	\$16,109	(\$130)	\$105	\$3,868	(\$363)	(\$909)	(\$432)
ASI Preferred Insurance Corp.	\$450,045	\$8,213	(\$3,988)	(\$1,270)	\$9,279	(\$9,829)	(\$7,135)
Auto Club Insurance Co. of FL	\$239,315	\$7,394	(\$23,523)	\$18,657	\$4,260	(\$50,837)	\$12,498
Avatar P&C Insurance Co.	\$81,817	(\$12,468)	(\$8,555)	(\$6,059)	(\$12,569)	(\$11,769)	(\$10,867)
Capacity Insurance Co.	\$13,645	(\$1,393)	(\$1,253)	(\$429)	(\$1,453)	(\$2,963)	(\$1,148)
Centauri Specialty Ins Co.	\$143,235	(\$4,223)	(\$5,654)	(\$6,812)	(\$4,909)	(\$21,845)	(\$9,635)
Cypress P&C Insurance Co.	\$125,663	\$1,727	\$1,731	(\$2,109)	\$1,591	\$408	(\$4,962)
Edison Insurance Co.	\$127,220	\$1,957	(\$6,853)	(\$4,554)	\$2,156	(\$14,204)	(\$6,025)
Family Security Insurance Co.	\$264,140	(\$8,193)	(\$6,159)	(\$5,837)	(\$9,112)	(\$21,686)	(\$10,142)
FedNat Insurance Co.	\$618,575	(\$19,557)	(\$35,392)	(\$18,174)	(\$25,361)	(\$96,637)	(\$38,816)
First Community Insurance Co.	\$145,081	(\$1,159)	(\$10,581)	(\$350)	(\$2,380)	(\$15,765)	(\$3,045)
First Protective Insurance Co.	\$529,271	(\$2,260)	(\$4,695)	(\$11,649)	(\$3,794)	(\$9,555)	(\$18,148)
Florida Family Home Ins Co.	\$28,608	\$453	(\$778)	(\$1,192)	\$381	(\$2,787)	(\$2,025)
Florida Family Insurance Co.	\$101,497	\$1,291	(\$2,631)	(\$3,710)	\$1,143	(\$8,361)	(\$6,075)
Florida Farm Bureau Cas Ins Co	\$105,383	(\$1,054)	(\$21,577)	\$1,442	(\$4,758)	(\$45,839)	(\$15,348)
Florida Peninsula Insurance Co	\$219,430	(\$6,528)	(\$2,698)	(\$2,674)	(\$7,821)	(\$19,500)	(\$13,314)
Frontline Ins Unlimited Co.	\$70,456	(\$422)	(\$2,577)	(\$241)	(\$609)	(\$3,930)	(\$758)

Florida Homeowner Companies

\$000 Omitted

Company	Direct Premiums Written	Net Income			Net Underwriting Gains / (Loss)		
	Year End 4Q 2020	Year to Date 1Q 2021	Year End 4Q 2020	Year End 4Q 2019	Year to Date 1Q 2021	Year End 4Q 2020	Year End 4Q 2019
Gulfstream P&C Insurance Co.	\$141,937	(\$2,903)	(\$22,637)	(\$7,429)	(\$4,085)	(\$34,907)	(\$9,300)
Heritage P&C Insurance Co.	\$633,523	(\$21,398)	(\$32,616)	(\$23,453)	(\$24,524)	(\$64,935)	(\$38,844)
Homeowners Choice P&C Ins Co.	\$357,650	\$7,140	(\$28,779)	\$18,443	\$7,770	(\$37,927)	\$4,986
Journey Insurance Co.	\$11,798	(\$3,127)	\$1,237	\$898	(\$4,043)	\$160	(\$769)
Kin Interinsurance Network	\$19,434	(\$4,826)	(\$8,613)	(\$644)	(\$4,921)	(\$9,140)	(\$936)
Lighthouse Property Ins Corp.	\$213,957	(\$12,412)	(\$71,625)	(\$20,304)	(\$13,549)	(\$77,884)	(\$22,908)
Maison Insurance Co.	\$98,254	(\$7,949)	(\$14,551)	(\$15,085)	(\$10,076)	(\$25,517)	(\$21,612)
Monarch National Insurance Co.	\$20,820	(\$481)	(\$7,532)	(\$3,535)	(\$604)	(\$9,084)	(\$4,676)
Olympus Insurance Co.	\$209,891	\$3,449	(\$3,131)	\$4,549	\$3,950	(\$6,538)	\$3,761
People's Trust Insurance Co.	\$278,475	\$2,516	(\$21,135)	(\$2,806)	\$834	(\$29,341)	(\$13,242)
Privilege Underwriters Recpl	\$1,337,257	(\$33,537)	(\$37,082)	(\$29,879)	(\$42,949)	(\$56,348)	(\$55,795)
Progressive Property Ins Co.	\$86,601	(\$957)	(\$972)	(\$591)	(\$1,454)	(\$3,636)	(\$1,729)
Safe Harbor Insurance Co.	\$91,107	(\$2,975)	(\$5,129)	(\$1,495)	(\$3,993)	(\$8,121)	(\$3,268)
Safepoint Insurance Co.	\$147,346	(\$3,185)	\$116	(\$6,220)	(\$3,326)	(\$7,376)	(\$12,753)
Safepoint Insurance Co.	\$63,308	(\$4,466)	(\$7,507)	(\$2,323)	(\$5,963)	(\$11,875)	(\$4,975)
Security First Insurance Co.	\$406,326	(\$3,858)	(\$21,748)	(\$17,551)	(\$4,784)	(\$34,372)	(\$24,560)
Southern Fidelity Insurance Co	\$348,560	(\$35,932)	(\$119,191)	(\$22,617)	(\$34,488)	(\$137,581)	(\$26,237)
Southern Oak Insurance Co.	\$120,058	(\$3,628)	(\$5,410)	(\$13,347)	(\$4,532)	(\$14,459)	(\$14,374)
St. Johns Insurance Co.	\$410,739	\$376	(\$27,492)	(\$22,111)	\$206	(\$42,575)	(\$29,164)
Stillwater P&C Insurance Co.	\$130,436	\$1,950	\$7,083	\$7,721	\$592	\$3,589	\$2,377
Tower Hill Preferred Ins Co.	\$139,898	(\$803)	(\$1,783)	(\$1,985)	\$36	(\$7,694)	(\$5,603)
Tower Hill Prime Insurance Co.	\$244,266	\$318	(\$19,273)	\$10,829	(\$410)	(\$26,270)	(\$819)
Tower Hill Signature Ins Co.	\$369,788	(\$1,326)	(\$30,349)	\$2,706	(\$1,851)	(\$41,378)	(\$236)
TypTap Insurance Co.	\$105,816	(\$4,909)	(\$10,893)	(\$5,164)	(\$5,550)	(\$13,399)	(\$6,172)
United P&C Insurance Co.	\$791,785	(\$17,733)	(\$13,329)	(\$20,828)	(\$26,742)	(\$69,286)	(\$35,544)

Florida Homeowner Companies

\$000 Omitted

Company	Direct Premiums Written	Net Income			Net Underwriting Gains / (Loss)		
	Year End 4Q 2020	Year to Date 1Q 2021	Year End 4Q 2020	Year End 4Q 2019	Year to Date 1Q 2021	Year End 4Q 2020	Year End 4Q 2019
Univ Ins Co. of North America	\$122,654	(\$417)	(\$22,552)	(\$4,120)	(\$797)	(\$24,478)	(\$7,196)
Universal P&C Insurance Co.	\$1,507,073	(\$7,312)	(\$100,317)	(\$50,169)	(\$7,360)	(\$212,400)	(\$81,910)
US Coastal P&C Insurance Co.	\$24,420	(\$309)	(\$7,332)	\$392	(\$291)	(\$9,057)	(\$671)
Vault Reciprocal Exchange	\$71,849	(\$10,086)	\$2,169	(\$3,846)	(\$6,930)	(\$4,263)	(\$4,616)
Weston Insurance Co.	\$98,436	(\$4,803)	(\$35,955)	\$1,456	(\$4,907)	(\$36,451)	\$818
Total (without ANTS)	\$14,005,107	(\$257,384)	(\$928,601)	(\$330,247)	(\$334,454)	(\$1,642,819)	(\$678,843)
ANTS							
Castle Key Indemnity Co.	\$102,901	\$58	\$225	\$228	\$0	\$0	\$0
Castle Key Insurance Co.	\$93,398	\$5,671	\$10,368	\$34,457	\$4,043	(\$439)	\$30,667
First Floridian Auto & Home	\$43,544	(\$1,304)	(\$17,364)	\$1,305	(\$3,371)	(\$29,568)	(\$6,449)
Nationwide Insurance Co. of FL	\$21,811	(\$3,296)	\$433	\$210	\$0	\$0	\$0
State Farm Florida Ins Co.	\$776,016	\$35,822	(\$18,793)	\$75,669	\$33,289	(\$23,408)	\$125,348
ANTS Total	\$1,037,671	\$36,951	(\$25,130)	\$111,870	\$33,960	(\$53,415)	\$149,565
Citizens Property Insurance Corporation	\$1,182,125	\$59,546	\$128,967	\$86,329	\$9,974	(\$98,327)	(\$97,059)
Total All Companies	\$16,224,903	(\$160,887)	(\$824,765)	(\$132,048)	(\$290,521)	(\$1,794,560)	(\$626,336)

Florida Homeowner Companies with 1st Quarter 2021 Positive Net Income and/or Net Underwriting Gain

Company Name	NAIC Code	Direct Premiums Written (\$000)		Net Income (\$000)		Net Underwriting Gains / (Loss) (\$000)		Net Loss & Loss Adj Expense Ratio (%)		Net Expense Ratio		Net Combined Ratio	
		YTD 1Q 2021	4Q 2020	YTD 1Q 2021	4Q 2020	YTD 1Q 2021	4Q 2020	YTD 1Q 2021	4Q 2020	YTD 1Q 2021	4Q 2020	YTD 1Q 2021	4Q 2020
Tower Hill Preferred Ins Co.	29050	\$50,635	\$139,898	(\$803)	(\$1,783)	\$36	(\$7,694)	66%	122%	7%	26%	73%	148%
American Traditions Ins Co.	12359	\$37,613	\$137,027	\$233	(\$1,861)	(\$32)	(\$5,427)	64%	76%	31%	31%	94%	107%
Tower Hill Prime Insurance Co.	11027	\$54,048	\$244,266	\$318	(\$19,273)	(\$410)	(\$26,270)	78%	187%	8%	(30%)	87%	157%
St. Johns Insurance Co.	11844	\$95,794	\$410,739	\$376	(\$27,492)	\$206	(\$42,575)	416%	749%	(709%)	(65%)	(293%)	683%
Florida Family Home Ins Co.	13648	\$11,170	\$28,608	\$453	(\$778)	\$381	(\$2,787)	49%	72%	37%	43%	86%	114%
Florida Family Insurance Co.	10688	\$24,396	\$101,497	\$1,291	(\$2,631)	\$1,143	(\$8,361)	49%	72%	37%	43%	86%	114%
Cypress P&C Insurance Co.	10953	\$32,476	\$125,663	\$1,727	\$1,731	\$1,591	\$408	57%	92%	(16%)	7%	41%	100%
Stillwater P&C Insurance Co.	16578	\$35,574	\$130,436	\$1,950	\$7,083	\$592	\$3,589	0%	0%	39%	9%	39%	9%
Edison Insurance Co.	12482	\$37,108	\$127,220	\$1,957	(\$6,853)	\$2,156	(\$14,204)	56%	94%	18%	28%	74%	123%
People's Trust Insurance Co.	13125	\$67,103	\$278,475	\$2,516	(\$21,135)	\$834	(\$29,341)	71%	100%	7%	31%	78%	130%
Olympus Insurance Co.	12954	\$50,452	\$209,891	\$3,449	(\$3,131)	\$3,950	(\$6,538)	NM	NM	(380%)	NM	NM	NM
Homeowners Choice P&C Ins Co.	12944	\$65,831	\$357,650	\$7,140	(\$28,779)	\$7,770	(\$37,927)	57%	69%	23%	41%	80%	110%
Auto Club Insurance Co. of FL	12813	\$66,405	\$239,315	\$7,394	(\$23,523)	\$4,260	(\$50,837)	73%	100%	19%	19%	92%	119%
ASI Preferred Insurance Corp.	13142	\$123,254	\$450,045	\$8,213	(\$3,988)	\$9,279	(\$9,829)	(63%)	96%	34%	33%	(29%)	129%
Citizens Property Insurance Corporation	10064	\$339,471	\$1,182,125	\$59,546	\$128,967	\$9,974	(\$98,327)	74%	81%	20%	25%	94%	107%

ANTS

Castle Key Indemnity Co.	10835	\$28,919	\$102,901	\$58	\$225	\$0	\$0	NM	NM	NM	NM	NM	NM
Castle Key Insurance Co.	30511	\$23,083	\$93,398	\$5,671	\$10,368	\$4,043	(\$439)	77%	94%	11%	5%	87%	99%
State Farm Florida Ins Co.	10739	\$196,017	\$776,016	\$35,822	(\$18,793)	\$33,289	(\$23,408)	48%	74%	27%	29%	75%	102%