



# 2021 Risk Transfer Program

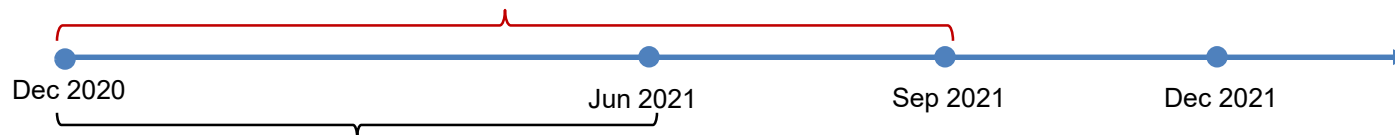
Updated Initial Conditions to June 30, 2021

September 21 & 22, 2021



# Initial Conditions

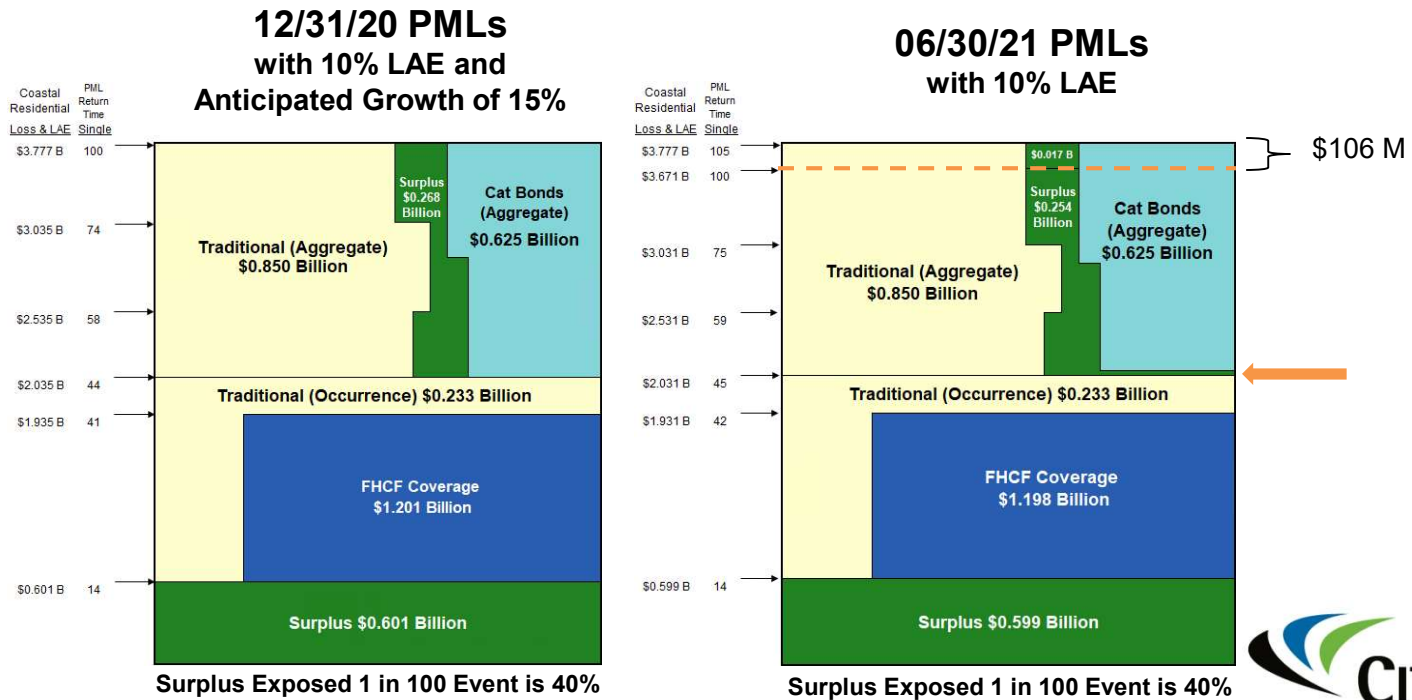
- Charts presented in July were based on assumptions for pricing in the traditional reinsurance market projecting December 2020 data to September 2021



- Updated charts are based on actual June month end data
  - FHCF coverage and attachment is based on June 30<sup>th</sup> inforce policies
  - Updated charts show how traditional reinsurance and catastrophe bonds interact with the FHCF
- Since we are looking at actual June data, the PMLs are lower than we expected for the finalized program projected to 09/30/21.
- We anticipate continued growth through the end of hurricane season and beyond. As policy counts increase, PMLs will increase. This will shift the coverage layers to lower return times and expose more surplus at the top of the tower where only the most severe storm scenarios exist.
- While these charts show that the Coastal Account Surplus exposed has remained at 40%, the PLA chart shows it dropping from 65% to 58%. With continued growth, we expect the PLA surplus exposed to shift back toward the projected 65% value.

# 2021 Coastal Residential (Personal & Commercial)

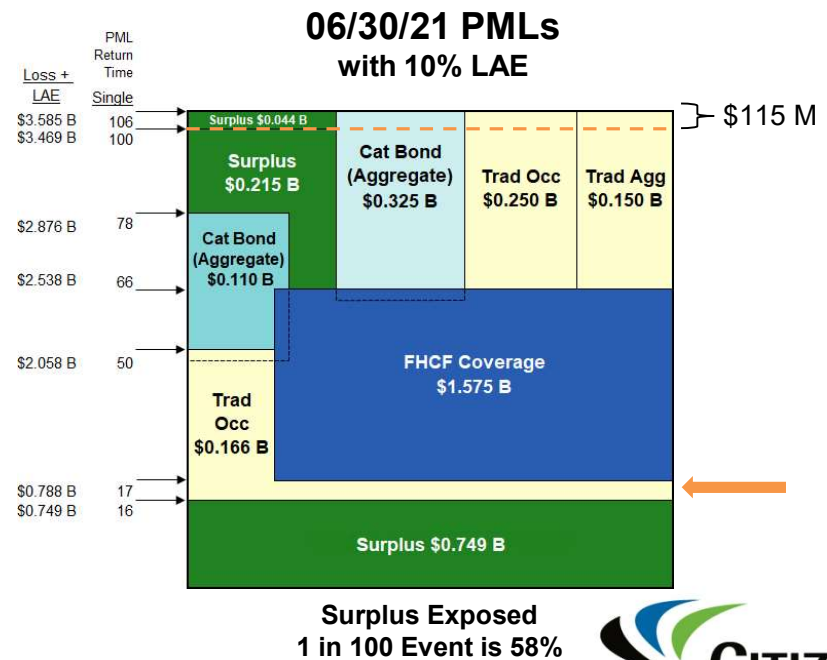
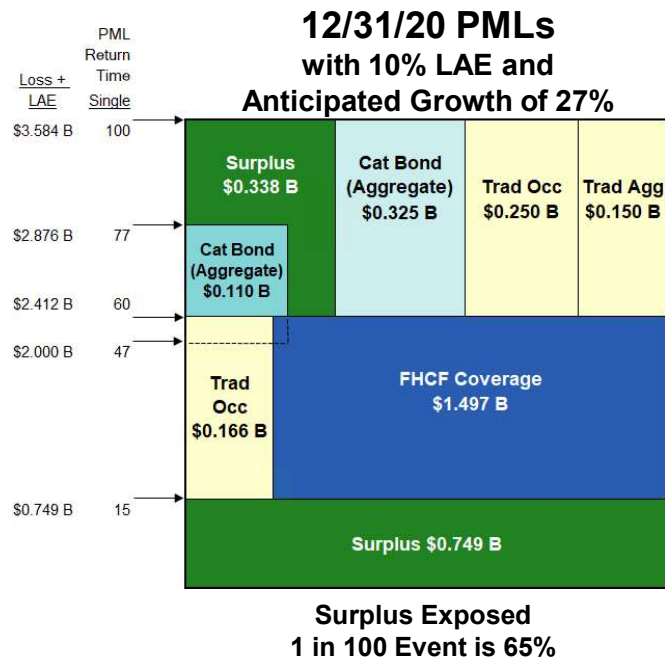
	12/31/20 with Projected Growth to 09/30/21	Actual 06/30/21	Difference
Policy Count	156 K	147 K	(9 K)
Total Insured Value	\$51.4 B	\$50.6 B	(\$0.742 B)
1 in 100 PML	\$3.777 B	\$3.671 B	(\$0.106 B)
FHCF Attachment	\$0.601 B	\$0.599 B	(\$0.001 B)
FHCF Coverage	\$1.201 B	\$1.198 B	(\$0.002 B)
1 in 100 Surplus Exposed	\$0.868 B	\$0.854 B	(\$0.015 B)



Not drawn to scale; values may not add due to rounding

# 2021 PLA

	12/31/20 with Projected Growth to 09/30/21	Actual 06/30/21	Difference
Policy Count	514 K	488 K	(26 K)
Total Insured Value	\$127.1 B	\$128.1 B	\$0.991 B
1 in 100 PML	\$3.584 B	\$3.469 B	(\$0.115 B)
FHCF Attachment	\$0.749 B	\$0.788 B	\$0.039 B
FHCF Coverage	\$1.497 B	\$1.575 B	\$0.079 B
1 in 100 Surplus Exposed	\$1.086 B	\$0.964 B	(\$0.122 B)



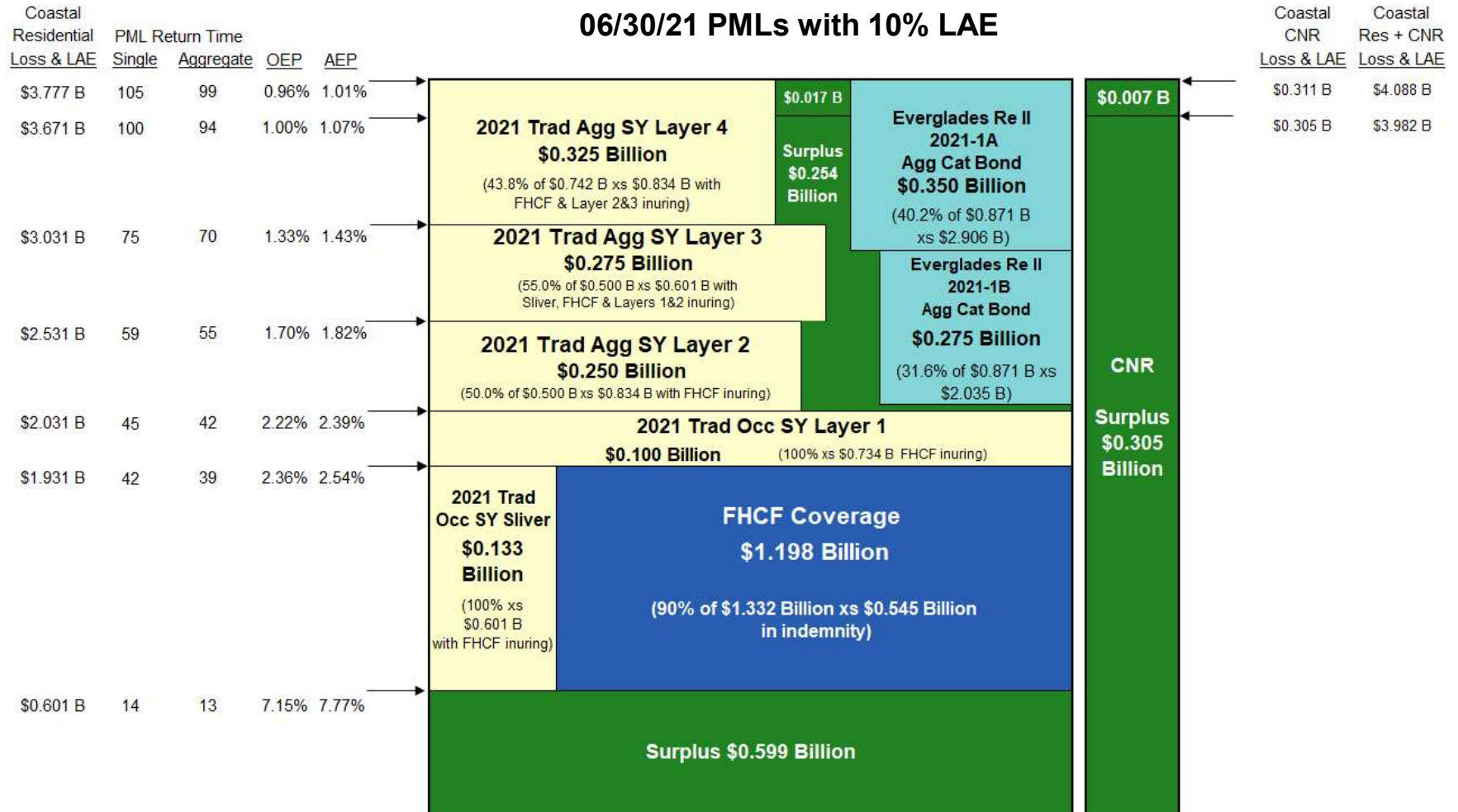
Not drawn to scale; values may not add due to rounding

# Appendix:

## 2021 Layer Charts using 06/30/21 PMLs

# 2021 Coastal Account Layer Chart

## Residential (Personal & Commercial) and Commercial Non-Residential (CNR)

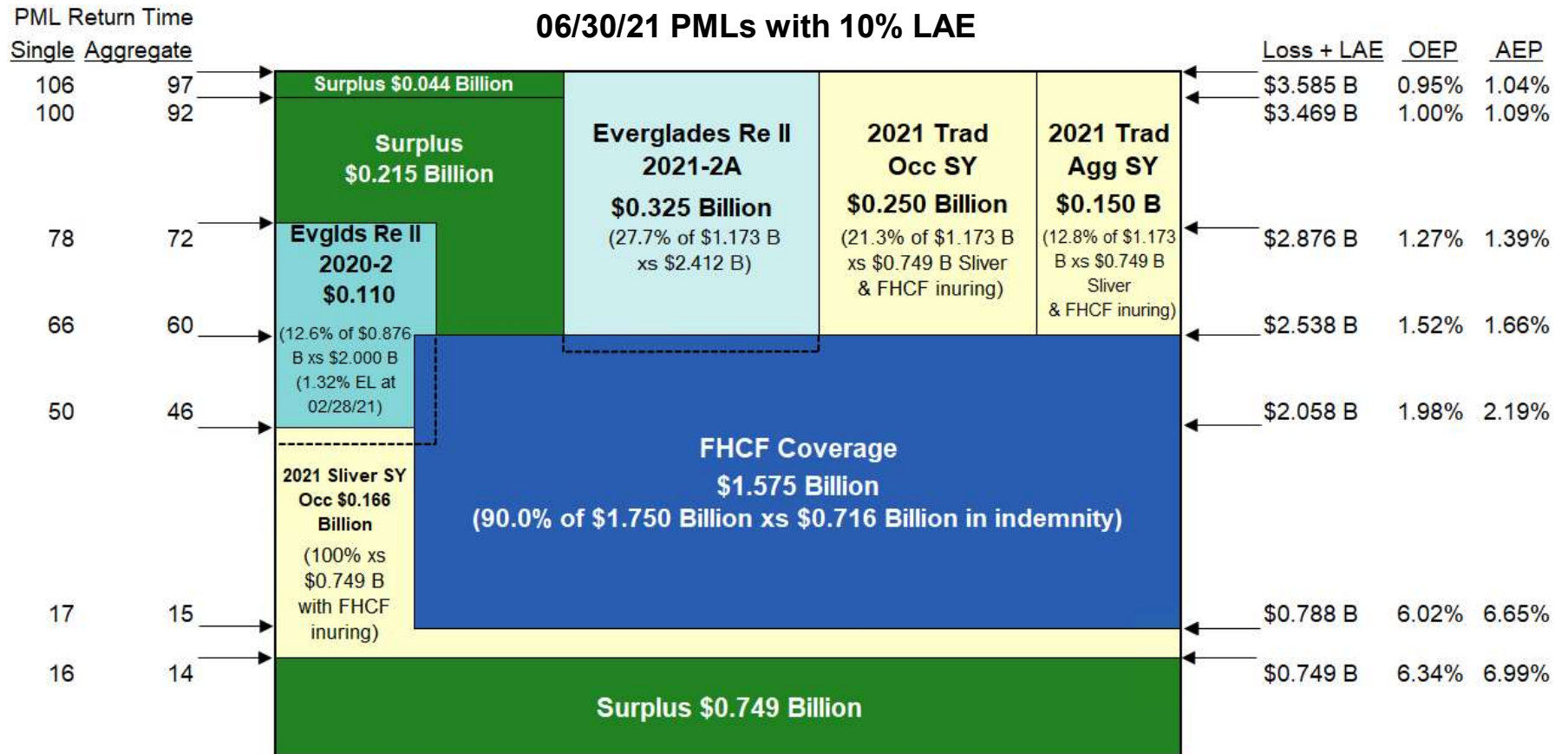


(Not to scale)

Approximately 40% of Coastal Account surplus is exposed in a 1-in-100 year event. Surplus remaining after a 1-in-100 year storm is projected to fund a 1-in-35 year event, additional LAEs, or multiple smaller storms in this or subsequent years.



# 2021 PLA Layer Chart

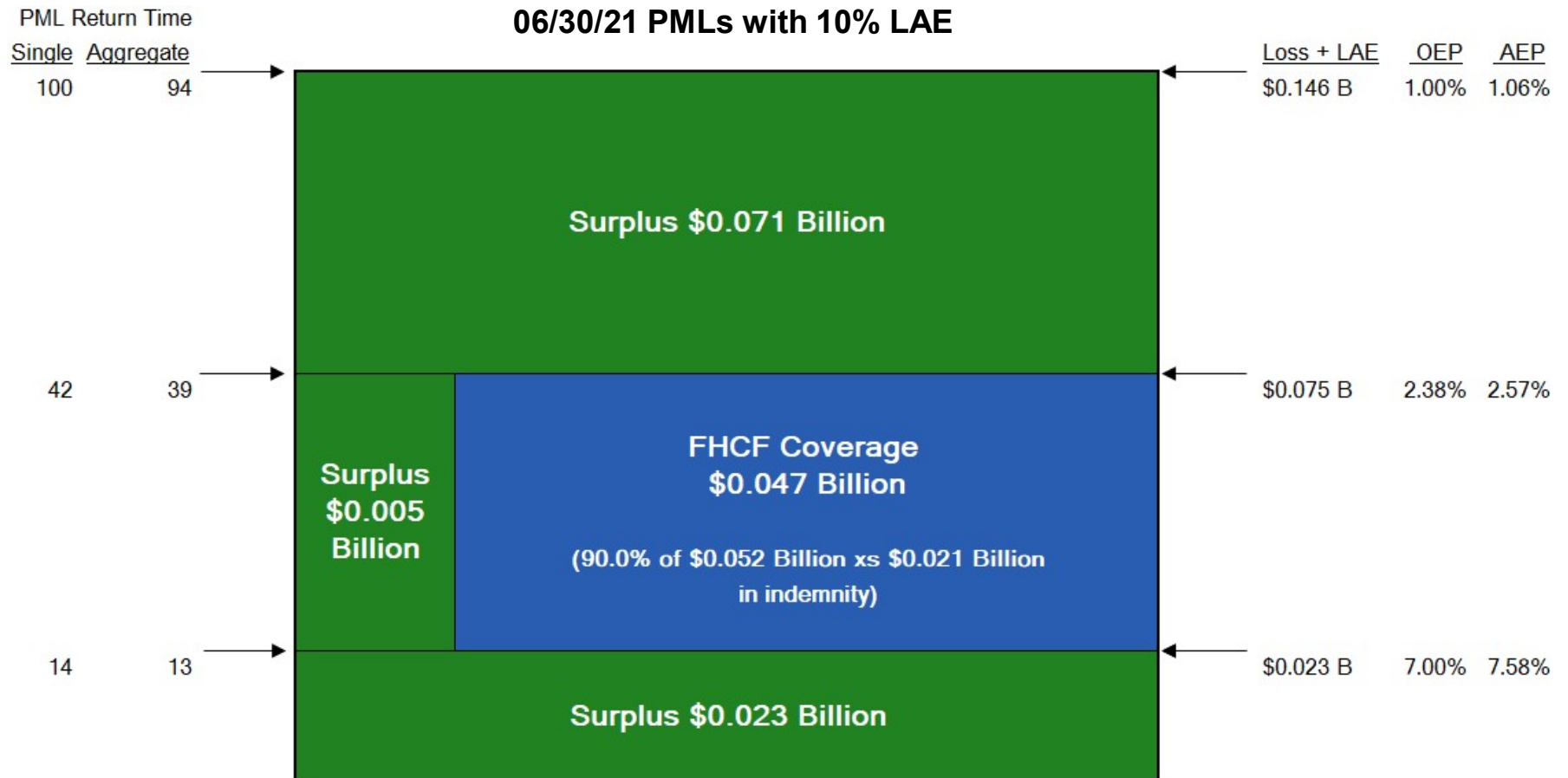


Approximately 58% of PLA surplus is exposed in a 1-in-100 year event. Surplus remaining after a 1-in-100 year storm is projected to fund a 1-in-18 year event, additional LAEs, or multiple smaller storms in this or subsequent years.





# 2021 CLA Layer Chart



Approximately 5% of CLA surplus is exposed in a 1-in-100 year event.

(Not to scale)





# Notes and Assumptions

## 2021-2022 Storm Season

### ASSUMPTIONS

- Citizens' 2021 Budgeted DWP \$1,379 Million
- Citizens' Policyholder Surcharge Maximum % Per Account 15%
- 2020 Regular Assessment Base \$54.8 Billion
- Regular Assessment Maximum % Per Account 2% for Coastal; 0% for PLA/CLA
- 2020 Emergency Assessment Base \$56.0 Billion
- PMLs are based on modeled losses as of June 30, 2021, per AIR Hurricane Model for the United States Version 17.0.1 as implemented in Touchstone Version 7.3.0. All PMLs reflect the Standard Sea Surface Temperature (SSST) Event Catalog including Demand Surge, excluding Storm Surge, and include 10% of loss to account for loss adjustment expense (LAE).
- Interim Return Periods are derived by linear interpolation between 5-year intervals
- 2021 Projected Surplus = unaudited 2020 surplus + 2021 budgeted net income + adjustment for reinsurance cost
- FHCF pays 10% of reimbursed loss for loss adjustment expense
- Citizens' 2021 FHCF coverage is based on preliminary retention and coverage estimates. Actual Citizens' FHCF attachment and limits of coverage could differ significantly from estimates.

### NOTES

These charts are imperfect! They attempt to show projected claims-paying resources, but they are approximations only. Four significant complicating factors are described below:

- 1) Coastal PML vs. PLA/CLA PML: An actual 100-year PML event in the Residential portion of the Coastal Account may not be a 100-year PML event for PLA/CLA nor for the Non-Residential portion of the Coastal Account. The relative magnitude of actual losses for Coastal and PLA/CLA will depend on the storm size and path
- 2) Combining PLA and CLA: The PLA and CLA are separate accounts for deficit calculation and assessment purposes but are combined for FHCF and credit purposes. It is impossible to accurately show the PML resources situation of these accounts on either separate or combined charts since simplifications must be made in either case that could prove materially inaccurate
- 3) Non-residential exposure: Commercial non-residential (CNR) exposures in the CLA and Coastal Account are not reinsured by FHCF. Coastal CNR losses are shown in a stand-alone chart and correspond to the actual CNR's PML and return periods. CNR is a small portion of the CLA Account and so is not considered in that chart.
- 4) Liquidity: These charts do not show the liquidity needs of the accounts. An account with ample PML resources may still require liquidity as many of the PML resources are not available immediately following a major hurricane. The timing and magnitude of receivables such as FHCF recoveries and assessments are unknown.