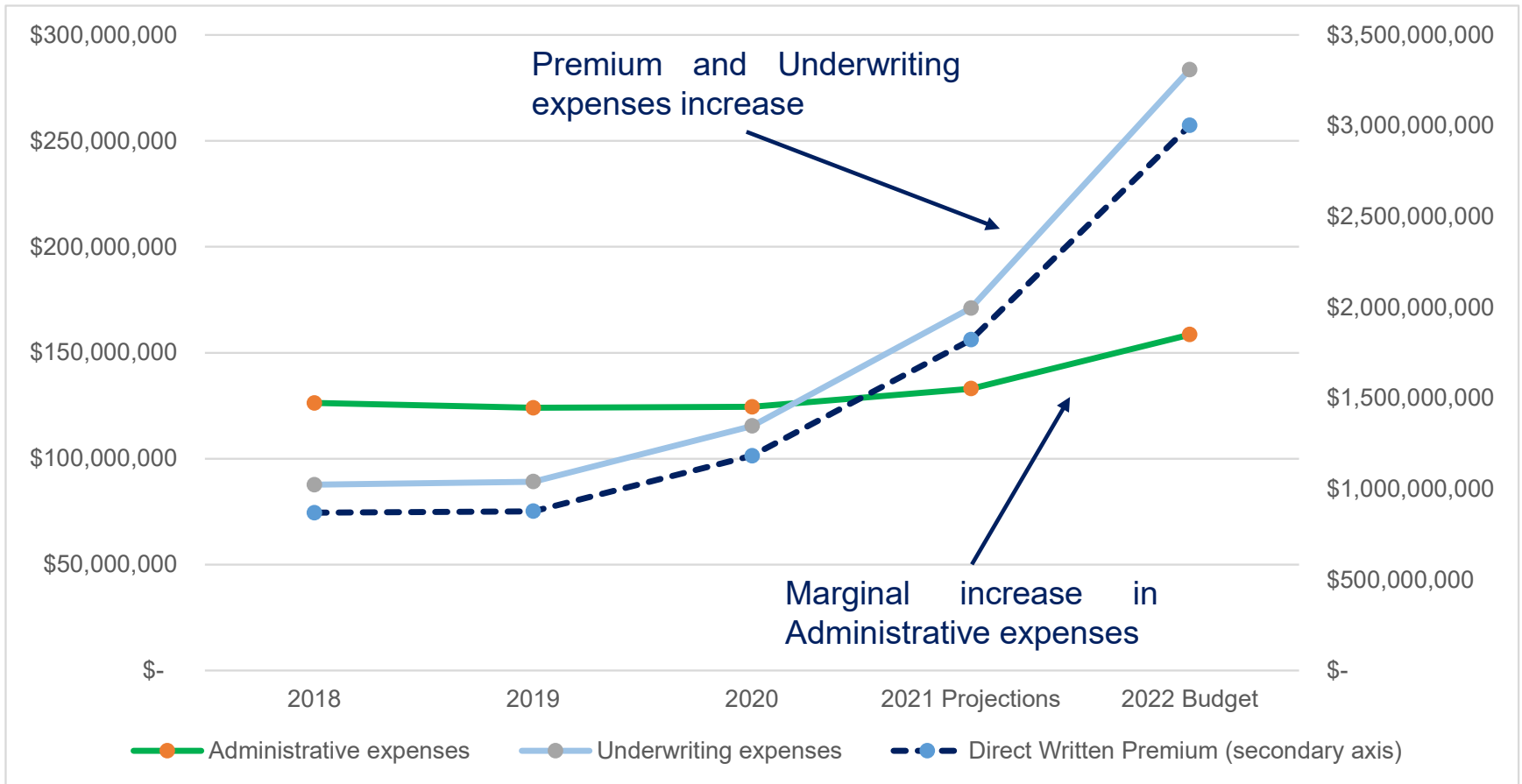


# 2022 Operating Budget Overview

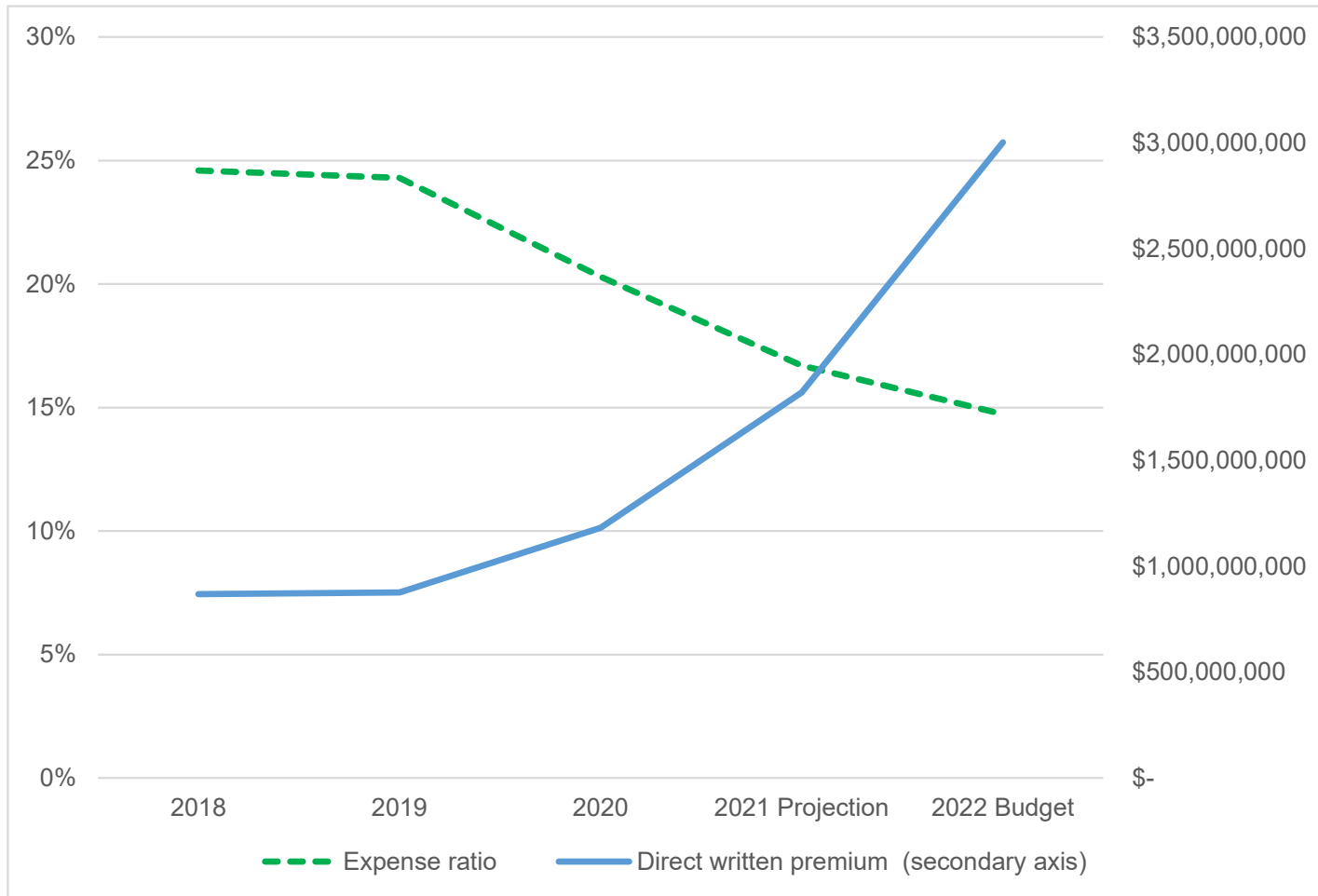
Barry Gilway  
Jennifer Montero



# Revenue growth surpasses increase in expenses



## As premiums increase, expense ratios decrease



# Premium

(\$ in millions)

	Combined		PLA		CLA		Coastal	
	2021	2022	2021	2022	2021	2022	2021	2022
Direct Written Premium	\$ 1,821.4	\$ 3,001.8	\$ 1,275.4	\$ 2,142.5	\$ 17.7	\$ 20.1	\$ 528.3	\$ 839.2
Depopulation	\$ 8.8	\$ 13.0	\$ 5.7	\$ 8.7	\$ -	\$ -	\$ 3.1	\$ 4.3
Policies in-force	775,431	1,064,220	597,572	827,699	698	704	177,161	235,817

- Current projections show that 2022 will see the most new business policies since 2011
- In addition to the growth in new business policies, rate changes and increases in per-policy exposures also contribute to 2022 budgeted direct written premium of \$3 billion

# Losses and LAE (Excludes Catastrophes)

	Combined		PLA		CLA		Coastal	
	2021	2022	2021	2022	2021	2022	2021	2022
Loss & LAE Ratio	53.4%	53.6%	64.5%	63.6%	14.4%	14.3%	29.6%	29.6%

- The PLA loss and LAE ratio has seen modest improvements due to:
  - The fraction of water claims that enter litigation continues to trend favorably, despite the total number of litigated claims expected to increase due to Citizens' increase in policies
  - The severity of both litigated and non-litigated water claims has decreased

# Reinsurance and Net Investment Income

- Placeholders of \$190 million (PLA) and \$210 million (Coastal) for private risk transfer (including Everglades Re and multi-year traditional treaties carrying over) are included in the 2022 Operating Budget
- Estimated \$322 million of ceded premium for coverage from the FHCF which Citizens is required to purchase
- Budgeted 2022 yield of 1.9% on invested assets:
  - Based on taxable and tax-exempt portfolio income yields as of September 2021 and projected portfolio balances
  - Assumes no significant movement in overall rates in 2021
  - 2022 budgeted yield does not contemplate any potential realized gains
- Budgeted 2022 interest expense considers:
  - December 2021 redemption of \$225 million of Series 2015A-1 Coastal bonds
  - June 2022 maturities of \$225 million of Series 2015A-1 Coastal bonds and \$160 million of Series 2012A-1 PLA bonds
  - No additional debt issuances or early redemptions planned in 2022

# Administrative Expenses

	2021				2022		
	Budget	Projections	Lower Limit	Upper Limit	Budget	Lower Limit	Upper Limit
Policy count	630,257	775,431	749,946	802,973	1,064,220	889,725	1,295,505
Direct written premium (\$ millions)	\$ 1,379.5	\$ 1,821.4	\$ 1,760.3	\$ 1,888.0	\$ 3,001.8	\$ 2,506.1	\$ 3,656.8
Administrative and underwriting expenses (\$ millions)	\$ 275.3	\$ 304.1	\$ 299.1	\$ 309.5	\$ 442.2	\$ 401.9	\$ 495.5
Expense ratio	20.0%	16.7%	17.0%	16.4%	14.7%	16.0%	13.6%

- Excluding ULAE, major components of 2022 budget administrative and other underwriting expenses are:
  - Employee costs - \$160.4 million (47%)
  - Contingent staffing - \$78.5 million (23%)
  - Software, maintenance and licensing - \$22.5 million (7%)
  - Other underwriting expenses and servicing carrier fees - \$38.6 million (11%)

# Components of 2022 Budgeted Salaries

Salary expense of <u>existing</u> employees		\$ 109,084,275	<b>1,245 employees at year-end 2021</b>
Salary expense of <u>new</u> employees		\$ 7,009,862	<b>105 employees added during 2022</b>
Adjustments:			
Merit	(3.0%)	\$ 2,237,500	
Off-cycle	(0.5%)	495,097	
Promotion	(1.0%)	990,173	
Other adjustments		(1,691,010)	
<b>Total 2022 budget salary expense</b>		<b>\$ 118,125,887</b>	



# 2022 Budgeted Income Statements

	Consolidated	PLA	CLA	Coastal
Direct Written Premium	\$ 3,001,818,384	\$ 2,142,501,727	\$ 20,116,328	\$ 839,200,329
Depopulation	(13,007,340)	(8,677,931)	-	(4,329,409)
FHCF	(321,955,544)	(192,476,506)	(3,900,625)	(125,578,413)
Private Risk Transfer	(400,000,000)	(190,000,000)	-	(210,000,000)
Earned Premiums, Net	1,671,535,860	1,314,316,768	14,523,264	342,695,828
Underwriting Expenses				
Losses and LAE incurred	1,281,950,677	1,078,822,619	2,626,016	200,502,043
Administrative and underwriting expenses	442,230,487	312,063,205	3,624,562	126,542,720
Total	1,724,181,164	1,390,885,823	6,250,578	327,044,763
Net underwriting income (loss)	\$ (52,645,303)	\$ (76,569,055)	\$ 8,272,686	\$ 15,651,065
Other Income (expense)				
Investment Income	172,440,704	56,220,348	37,400,538	78,819,818
Interest expense	(11,983,112)	(2,181,230)	(344,511)	(9,457,370)
Other income	2,923,172	2,478,122	107,892	337,158
Net income (loss)	\$ <b>110,735,461</b>	\$ <b>(20,051,815)</b>	\$ <b>45,436,605</b>	\$ <b>85,350,671</b>
Policies In Force as of 12/31	1,064,220	\$ 827,699	\$ 704	\$ 235,817

# Comparative Income Statements

	<u>2021 Budget</u>	<u>2021 Projection</u>	<u>2022 Budget</u>
Direct Written Premium	\$ 1,379,454,729	\$ 1,821,361,298	\$ 3,001,818,384
Depopulation	(10,896,389)	(8,760,421)	(13,007,340)
FHCF	(184,116,705)	(194,672,888)	(321,955,544)
Private Risk Transfer	(210,000,000)	(250,922,579)	(400,000,000)
Earned Premiums, Net	864,921,227	1,001,223,092	1,671,535,860
Underwriting Expenses			
Losses and LAE incurred	683,291,163	827,349,230	1,281,950,677
Administrative and Underwriting Expenses	275,277,912	304,097,364	442,230,487
Total	958,569,075	1,131,446,593	1,724,181,164
Net underwriting loss	\$ (93,647,848)	\$ (130,223,502)	\$ (52,645,303)
Other Income (expense)			
Investment Income	162,991,129	253,577,250	172,440,704
Interest expense	(24,589,181)	(24,056,360)	(11,983,112)
Other income	2,127,548	7,713,978	2,923,172
Net income	<b>\$ 46,881,648</b>	<b>\$ 107,011,367</b>	<b>\$ 110,735,461</b>
Policies In Force as of 12/31	630,257	775,431	1,064,220