Scenario Planning Analyses

Board of Governors Meeting

December 15, 2021

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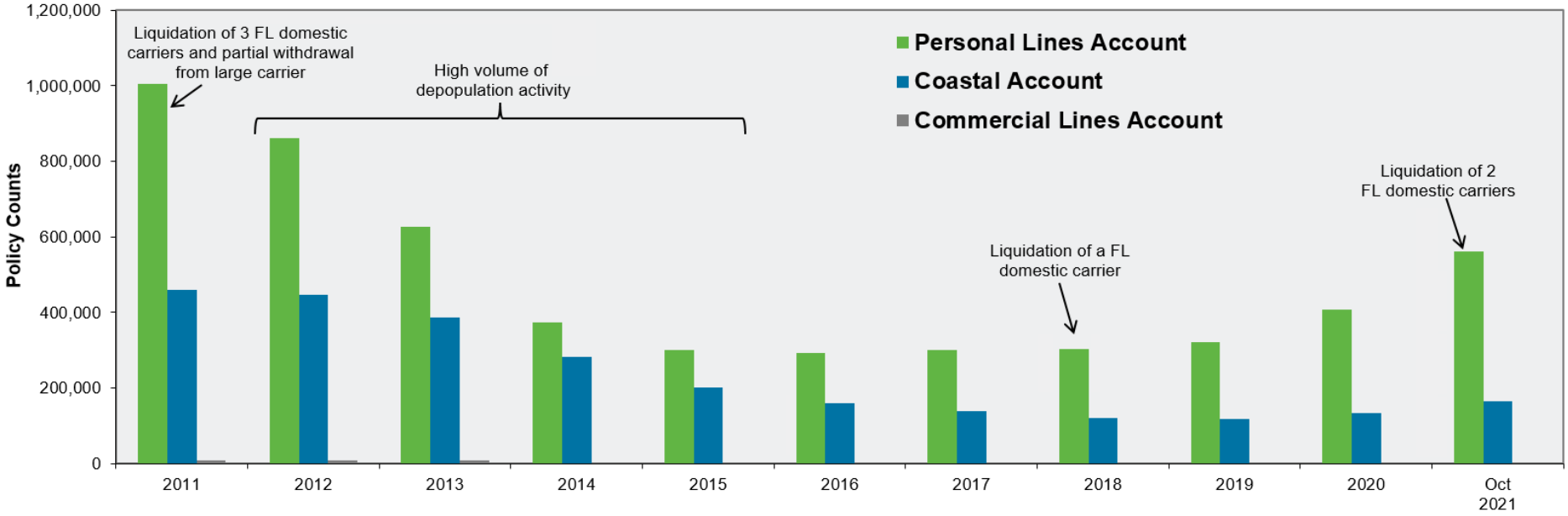
Fragile and Volatile Property Insurance Market Impacts Citizens

Policy Counts by Account



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Oct 2021
Personal Lines Account	1,003,856	860,502	627,391	373,617	299,902	293,118	300,507	304,507	322,792	407,325	560,569
Coastal Account	460,161	446,163	386,688	282,863	200,842	160,834	138,591	121,971	118,673	134,687	164,661
Commercial Lines Account	8,374	8,146	7,615	4,681	3,121	1,891	1,308	919	738	727	712
Total	**1,472,391**	**1,314,811**	**1,021,694**	**661,161**	**503,865**	**455,843**	**440,406**	**427,397**	**442,203**	**542,739**	**725,942**

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Strategic Evaluation Group Risk Assessment Results

- Citizens' top strategic risk for 2021 is the instability of property insurance market.
- Enterprise Risk partnered with the Strategic Evaluation Group (SEG) to perform a scenario risk assessment to identify cross-functional key risks that may impact:
  - Operations and size as a result of market changes and
  - Uncertainty related to timing and quantity of policy fluctuations
- Risk assessment participants included a cross-functional subset of the SEG with representatives from Financial Services, Agency and Market Services, Claims, Consumer & Policy Services and Underwriting departments.
- 15 risks were identified and assessed which provided insights and actions for consideration to addresses such impacts across the organization.
- Risk assessment ratings were estimated using the potential impact or severity level and likelihood of a risk event. Top risks included:
  1. Financial impacts to risk and surplus
  2. Internal and external resource impacts during rapid rates of change

Scenario Planning Process

Ensure Operational Resiliency through Scalability and Flexibility to Optimally Serve Customers

This approach enables Citizens to continue normal business operations while mitigating financial and operational impacts related to policy volume fluctuation.

Scenario-based planning prepares Citizens to be ready to respond financially and operationally for all its stakeholders and the citizens of Florida.

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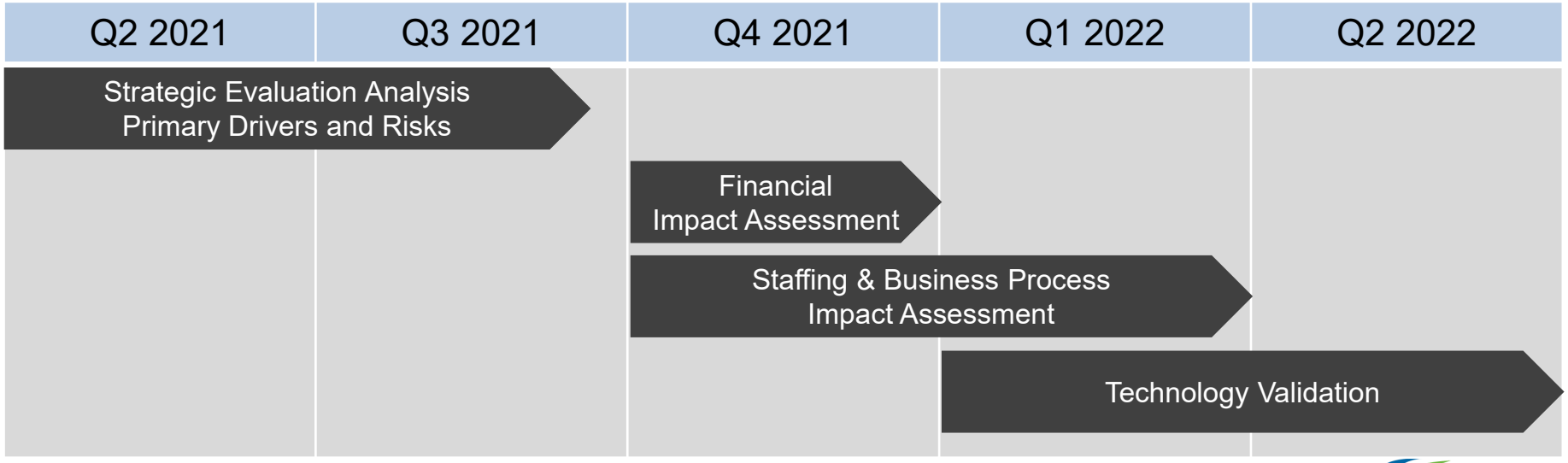
Operational Resiliency Activities and Timeline

- Completed Staffing Model based on 2022 budgeted scenario.
- The Operational Resiliency plan includes 4 scenarios based on varying levels of policies in force for 2022 and 2023 is in progress and will identify:
  1. Impacts to staffing, business processes, and technology for all Divisions.
  2. Risks and develop mitigation plans.
  3. Action plans to address impacts, as appropriate.
- Work is underway to assess the various scenarios' impact to financials, staffing, business processes, and technology.



Scenario Assumptions

Four scenarios are provided that include the following assumptions

1. **1M policies** or 13% market share at 12/31/22
   - Budgeted best estimate of forecast based on current conditions
   - No insurer insolvency or downgrades

2. **1.3M policies** or 16% market share at 8/31/23
   - Budgeted best estimate of forecast based on current conditions
   - No insurer insolvency or downgrades

3. **2M policies** or 25% market share at 12/31/23
   - Based on upper limit of forecast
   - Insurer insolvencies and downgrade(s) with BIPIP of 300K policies

4. **500K policies** or 6% market share at 12/31/23
   - Legislative changes and high volume of depopulation

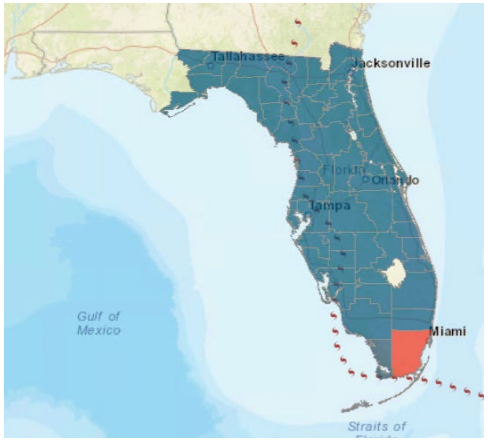
Each of the above scenarios considers

1. A single event CAT 4 hurricane
2. Multiple events with two CAT 4 hurricanes

Category 4 Hurricanes Estimated Claim Counts

1st Storm: Hurricane Irma Pre-Landfall Potential Path

	Scenario 1 1M Policies	Scenario 2 1.3M Policies	Scenario 3 2M Policies	Scenario 4 500K Policies
PLA	417,347	510,437	785,883	141,460
CLA	1,318	1,363	1,752	1,052
Coastal	171,568	211,371	330,441	136,692
Combined Total	**590,234**	**723,172**	**1,118,075**	**279,203**



2nd Storm: Great Miami Hurricane of 1929

	Scenario 1 1M Policies	Scenario 2 1.3M Policies	Scenario 3 2M Policies	Scenario 4 500K Policies
PLA	349,907	427,985	658,955	118,030
CLA	1,149	1,188	1,527	912
Coastal	147,008	181,126	283,166	116,561
Combined Total	**498,064**	**610,299**	**943,647**	**235,503**

Scenario 1

1M Policies with 13% market share

at 12/31/22

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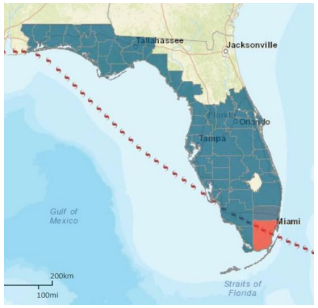
$18.9B Potential Assessments Resulting from Two Category 4 Storms

($ in millions)

	Coastal	CLA	PLA	Total
Policy Count	247,590	698	815,931	1,064,220
Surplus	$2,933	$1,904	$1,654	$6,492
Additional Claims Paying Resources	$4,370	$46	$4,218	$8,633

1st Storm: Pre-Landfall Potential Path for Irma				***(Estimated Loss $19.34 B)***
Surplus Remaining	$0	$1,728	$0	$0
Surplus Exposed	100%	9%	100%	N/A
Assessment	$4,495	$0	$1,453	**$5,947**

2nd Storm: Actual Path Great Miami Hurricane of 1929				***(Estimated Loss $13.09 B)***
Surplus Remaining	$0	$1,566	$0	$0
Surplus Exposed	100%	9%	100%	N/A
Assessment	$7,322	$0	$5,606	**$12,929**



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Financial Results

1M Policies In Force	
Direct Written Premium	$ 3,001,818,384
Administrative Expenses	$ 158,588,016
Underwriting Expenses	$ 283,642,470
Loss/Loss Adjustment Ratio	53.6%
Expense Ratio	14.7%

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Scenario 2

1.3M Policies with 16% market share
at 8/31/23

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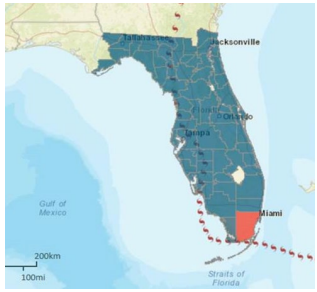
$24.2B Potential Assessments Resulting from Two Category 4 Storms

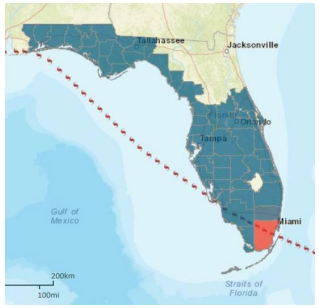
($ in millions)

	Coastal	CLA	PLA	Total
Policy Count	303,062	691	1,002,072	1,305,825
Surplus	$2,933	$1,904	$1,654	$6,492
Additional Claims Paying Resources	$5,349	$45	$5,180	$10,574

1st Storm: Pre-Landfall Potential Path for Irma				***(Estimated Loss $23.66 B)***
Surplus Remaining	$0	$1,730	$0	$0
Surplus Exposed	100%	9%	100%	N/A
Assessment	$6,159	$0	$2,162	**$8,321**



2nd Storm: Actual Path Great Miami Hurricane of 1929				***(Estimated Loss $16.01 B)***
Surplus Remaining	$0	$1,569	$0	$0
Surplus Exposed	100%	9%	100%	N/A
Assessment	$8,963	$0	$6,885	**$15,848**



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Financial Results

1.3 M Policies In Force	
Direct Written Premium	$ 3,656,801,107
Administrative Expenses	$ 179,081,770
Underwriting Expenses	$ 345,531,930
Loss/Loss Adjustment Ratio	53.6%
Expense Ratio	14.3%

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Scenario 3

2M Policies with 25% market share

at 12/31/23

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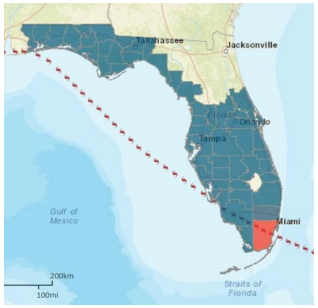
$39.9B Potential Assessments Resulting from Two Category 4 Storms

($ in millions)

	Coastal	CLA	PLA	Total
Policy Count	468,127	828	1,552,740	2,021,695
Surplus	$2,933	$1,904	$1,654	$6,492
Additional Claims Paying Resources	$8,262	$54	$8,027	$16,343

1st Storm: Pre-Landfall Potential Path for Irma				***(Estimated Loss $36.51 B)***
Surplus Remaining	$0	$1,695	$0	$0
Surplus Exposed	100%	11%	100%	N/A
Assessment	$11,111	$0	$4,259	**$15,369**

2nd Storm: Actual Path Great Miami Hurricane of 1929				***(Estimated Loss $24.71 B)***
Surplus Remaining	$0	$1,503	$0	$0
Surplus Exposed	100%	11%	100%	N/A
Assessment	$13,844	$0	$10,669	**$24,513**



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Financial Results

2 M Policies In Force	
Direct Written Premium	$ 6,110,809,306
Administrative Expenses	$ 243,961,247
Underwriting Expenses	$ 577,411,696
Loss/Loss Adjustment Ratio	53.6%
Expense Ratio	13.4%

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Scenario 4

500K Policies with 6% market share at 12/31/23

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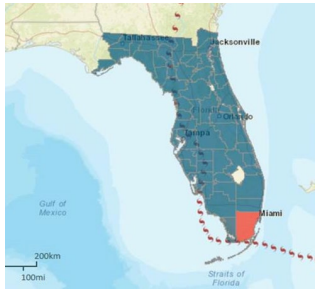
$6.5B Potential Assessments Resulting from Two Category 4 Storms

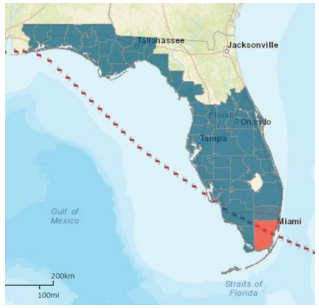
($ in millions)

	Coastal	CLA	PLA	Total
Policy Count	117,643	624	381,733	500,000
Surplus	$2,933	$1,904	$1,654	$6,492
Additional Claims Paying Resources	$2,076	$41	$1,973	$4,090

1st Storm: Pre-Landfall Potential Path for Irma				*(Estimated Loss $9.23 B)*
Surplus Remaining	$0	$1,746	$201	$1,351
Surplus Exposed	100%	8%	88%	N/A
Assessment	$596	$0	$0	**$596**



2nd Storm: Actual Path Great Miami Hurricane of 1929				*(Estimated Loss $6.25 B)*
Surplus Remaining	$0	$1,602	$0	$0
Surplus Exposed	100%	8%	100%	N/A
Assessment	$3,479	$0	$2,422	**$5,901**



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Financial Results

500K Policies In Force	
Direct Written Premium	$ 1,410,337,329
Administrative Expenses	$ 130,000,000
Underwriting Expenses	$ 133,263,080
Loss/Loss Adjustment Ratio	53.6%
Expense Ratio	18.7%

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Summary of Scenarios

Scenario	1	2	3	4
Policies In Force	1 M	1.3 M	2 M	500 K
Direct Written Premium	$3.0 B	$3.7 B	$6.1 B	$1.4 B
Administrative Expenses	$158.6 M	$179.1 M	$244.0 M	$130.0 M
Underwriting Expenses	$158.6 M	$179.1 M	$244.0 M	$130.0 M
Loss/Loss Adjustment Ratio	53.6%	53.6%	53.6%	53.6%
Expense Ratio	14.7%	14.3%	13.4%	18.7%
1st Hurricane Estimated Claim Count	590 K	723 K	1,118 K	279 K
2nd Hurricane Estimated Claim Count	498 K	610 K	944 K	235 K
Category 4 Hurricane Potential Assessment	$5.9 B	$8.3 B	$15.4 B	$0.6 B
Two Category 4 Hurricanes Potential Assessment	$18.9 B	$24.2 B	$39.9 B	$6.5 B

Summary of Implications and Next Steps

- Levy assessments when a deficit occurs.
- Evaluate the need for post-event financing.
- Continue pursuing reinsurance to protect against future assessments.
- Continue maintaining relationships with current vendor partners and look to develop new relationships.
- Complete Operational Resiliency activities (outlined on Slide 4).