

Executive Summary

Finance and Investment Committee Meeting, March 18, 2022

Board of Governors Meeting, March 23, 2022

2022 Risk Transfer Program

Background

Citizens' enabling statute requires it to make its best effort to procure catastrophe reinsurance in the private market at reasonable rates. The analysis and decision to purchase catastrophe reinsurance coverage is evaluated by staff each year and a recommendation is made to the Board of Governors.

Citizens' Board of Governors and staff recognize that the event most likely to trigger assessments would be a catastrophic hurricane or series of hurricanes striking Florida. Transferring risk using catastrophe reinsurance offers an effective means to eliminate the amount and likelihood of assessments after such an event.

Central to Citizens' goal of reducing exposure and, by extension, reducing or eliminating the amount and likelihood of its assessment burden on Florida taxpayers, is the transfer of risk through reinsurance mechanisms, traditionally accomplished via participation in the Florida Hurricane Catastrophe Fund (FHCF) reimbursement program, traditional reinsurance markets and in the capital markets. Citizens' participation in the reinsurance markets reduces the potential assessments that result from losses reducing or exhausting Citizens' surplus and FHCF coverage.

Citizens' risk transfer program is structured to provide liquidity by allowing Citizens to obtain reinsurance recoveries in advance of the payment of claims after a triggering event while reducing or eliminating the probabilities of assessments and preserving surplus for multiple events and/or subsequent seasons.

Proposed 2022 Risk Transfer Program

The proposed 2022 risk transfer program as part of Citizens' budget presented at the December 2021 Board of Governors meeting incorporated strategic elements from prior risk transfer programs, which include: transfer risk alongside the FHCF and transfer single occurrence and annual aggregate risk above the FHCF in order to protect a portion of surplus for most catastrophic events to reduce the amount and likelihood of potential assessments for a 1-in-100 event year to the citizens of Florida.

During that meeting Citizens proposed a risk transfer program for 2022 that reflected exposure data as of September 30, 2021 with projections to September 30, 2022 utilizing a projected growth rate of approximately 60% for the Personal Lines Account (PLA) and 44% for the Coastal Account. Since that time, Citizens has updated its exposure data as of December 31, 2021 and

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its projections to September 30, 2022. There has been a significant increase in projected growth in the PLA, while the Coastal Account projections have remained consistent with the prior forecast. Therefore, we are proposing a program based on the updated projections. Citizens is utilizing a growth rate of approximately 80% for the PLA and 43% for the Coastal Account from September 30, 2021 to September 30, 2022.

| (\$ in Millions) | 2022 Budget | | | 2022 Updated Forecast | | | 2022 Budget vs. 2022 Updated Forecast | | |
|--|-------------|----------|-----------|-----------------------|----------|-----------|---------------------------------------|----------|-----------|
| | PLA | Coastal | PLA + CST | PLA | Coastal | PLA + CST | PLA | Coastal | PLA + CST |
| Policies-in-Force (Projected to 9/30/22) | 777,242 | 222,732 | 999,974 | 816,297 | 211,488 | 1,027,785 | 39,055 | (11,244) | 27,811 |
| Total Insured Value (Projected to 9/30/22) | \$242,999 | \$81,932 | \$324,931 | \$271,997 | \$81,750 | \$353,747 | \$28,998 | (\$182) | \$28,816 |
| 1-100 Year PML (Projected to 9/30/22) | \$6,271 | \$5,996 | \$12,267 | \$6,910 | \$5,875 | \$12,785 | \$639 | (\$121) | \$518 |

As a result of the updated exposure and projections, Citizens has revised its proposed risk transfer program to include four scenarios in addition to the 2022 Budget scenario presented at the December 2021 board meeting. These scenarios are summarized below:

1. 2022 Updated Forecast – Budget Reinsurance Spend, 12/31/2021 PMLs
2. 2022 Updated Forecast – No Projected Combined Underwriting Loss
3. 2022 Updated Forecast – No Projected PLA Underwriting Loss
4. 2022 Updated Forecast – No New Risk Transfer Purchase

A summary of the results of these scenarios are provided in the tables below and within the attached layer charts.

2022 Budget

The private risk transfer program proposed with the 2022 Budget would provide approximately \$1.886 billion of coverage in the PLA. This coverage would be comprised of \$435 million of existing private risk transfer and \$1.451 billion of new private risk transfer, with budgeted premiums of \$190 million. Under this scenario, the PLA would expose all its surplus for a 1-100-year event and would not have any potential assessment burden for a 1-100-year event.

The Coastal Account coverage would be approximately \$2.510 billion. This coverage would be comprised of \$625 million of existing private risk transfer and \$1.885 billion of new private risk transfer, with budgeted premiums of \$210 million. Under this scenario, the Coastal Account would expose 57% of its surplus for a 1-100-year event and would not have any potential assessment burden for a 1-100-year event.

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1. 2022 Updated Forecast – Budget Reinsurance Spend, 12/31/2021 PMLs

The private risk transfer program proposed with the updated forecast and the budgeted reinsurance spend would provide approximately \$1.958 billion of coverage in the PLA. This coverage would be comprised of \$435 million of existing private risk transfer and \$1.523 billion of new private risk transfer, with budgeted premiums of \$190 million. Under this scenario, the PLA would expose all its surplus for a 1-100-year event and would have a potential assessment burden for a 1-100-year event of approximately \$656 million, comprised of \$450 million of policyholder surcharges and \$206 million of emergency assessments.

The Coastal Account coverage would be approximately \$2.530 billion. This coverage would be comprised of \$625 million of existing private risk transfer and \$1.905 billion of new private risk transfer, with budgeted premiums of \$210 million. Under this scenario, the Coastal Account would expose 57% of its surplus for a 1-100-year event and would not have any potential assessment burden for a 1-100-year event.

2. 2022 Updated Forecast – No Projected Combined Underwriting Loss

The private risk transfer program proposed with the updated forecast structured to eliminate the consolidated underwriting loss, would provide approximately \$1.708 billion of coverage in the PLA. This coverage would be comprised of \$435 million of existing private risk transfer and \$1.273 billion of new private risk transfer, with premiums of \$165 million. Under this scenario, the PLA would expose all its surplus for a 1-100-year event and would have a potential assessment burden for a 1-100-year event of \$881 million, comprised of \$450 million of policyholder surcharges and \$431 million of emergency assessments. This reflects an increase in the potential emergency assessment burden of \$225 million versus the proposed risk transfer program utilized in the 2022 Updated Forecast, Scenario #1 above.

The Coastal Account coverage would be approximately \$2.230 billion. This coverage would be comprised of \$625 million of existing private risk transfer and \$1.605 billion of new private risk transfer, with premiums of \$182 million. Under this scenario, the Coastal Account would not have any potential assessment burden for a 1-100-year event and would expose 66% of its surplus for a 1-100-year event, which reflects an increase in the surplus exposed of \$300 million, or a nine percentage point increase, versus the proposed risk transfer program utilized in the 2022 Updated Forecast, Scenario #1 above.

3. 2022 Updated Forecast – No Projected PLA Underwriting Loss

The private risk transfer program proposed with the updated forecast structured to eliminate the PLA underwriting loss, would provide approximately \$1.183 billion of coverage in the PLA. This coverage would be comprised of \$435 million of existing private risk transfer and \$748 million of new private risk transfer, with premiums of \$116 million. Under this scenario, the PLA would expose all its surplus for a 1-100-year event and would have a potential assessment burden for

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a 1-100-year event of \$1.356 billion, comprised of \$450 million of policyholder surcharges and \$906 million of emergency assessments. This reflects an increase in the potential emergency assessment burden of \$700 million versus the proposed risk transfer program utilized in the 2022 Updated Forecast, Scenario #1 above.

The Coastal Account would not be affected under this scenario and would be the same as the 2022 Updated Forecast, Scenario #1 above.

4. 2022 Updated Forecast – No New Risk Transfer Purchase

The private risk transfer program proposed with the updated forecast structured to only include existing private risk transfer would provide only \$435 million of coverage in the PLA, with premiums of \$28 million. Under this scenario, the PLA would expose all of its surplus for a 1-100-year event and would have a potential assessment burden for a 1-100-year event of \$2.016 billion, comprised of \$450 million of policyholder surcharges and \$1.566 billion of emergency assessments. This reflects an increase in the potential emergency assessment burden of \$1.360 billion versus the proposed risk transfer program utilized in the 2022 Updated Forecast, Scenario #1 above.

The Coastal Account coverage would be only \$625 million, with premiums of \$40 million. Under this scenario, the Coastal Account would expose all its surplus for a 1-100-year event and would have a potential projected assessment burden for a 1-100-year event of \$422 million of policyholder surcharges. This reflects an increase in the potential assessment burden of \$422 million versus the proposed risk transfer program utilized in the 2022 Updated Forecast, Scenario #1 above.

| | 2022 Budget | PLA Risk Transfer Program Scenarios | | | |
|---|-------------|--|--|---|--|
| | | 1. 2022 Updated Forecast - Budget Reinsurance Spend, 12/31/2021 PMLs | 2. 2022 Updated Forecast – No Projected Combined Underwriting Loss | 3. 2022 Updated Forecast – No Projected PLA Underwriting Loss | 4. 2022 Updated Forecast – No New Risk Transfer Purchase |
| Risk Transfer Program | | | | | |
| Existing Private Risk Transfer | 435 | 435 | 435 | 435 | 435 |
| New Private Risk Transfer (Projected) | 1,451 | 1,523 | 1,273 | 748 | 0 |
| Total Private Risk Transfer | 1,886 | 1,958 | 1,708 | 1,183 | 435 |
| Private Risk Transfer Premium | 190 | 190 | 165 | 116 | 28 |
| Surplus | | | | | |
| Percentage of Surplus Exposed for 1-100 Year Event | 100% | 100% | 100% | 100% | 100% |
| Surplus Remaining for Subsequent Event after 1-100 Year Event | 0 | 0 | 0 | 0 | 0 |
| Surcharges/Assessments for 1-100 Year Event | | | | | |
| Policyholder Surcharges | 0 | 450 | 450 | 450 | 450 |
| Regular Assessment | N/A | N/A | N/A | N/A | N/A |
| Emergency Assessment | 0 | 206 | 431 | 906 | 1,566 |
| Total Surcharges/Assessments | 0 | 656 | 881 | 1,356 | 2,016 |

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| | Coastal Account Risk Transfer Program Scenarios | | | | |
|---|---|--|--|---|--|
| | 2022 Budget | 1. 2022 Updated Forecast - Budget Reinsurance Spend, 12/31/2021 PMLs | 2. 2022 Updated Forecast - No Projected Combined Underwriting Loss | 3. 2022 Updated Forecast - No Projected PLA Underwriting Loss | 4. 2022 Updated Forecast - No New Risk Transfer Purchase |
| Risk Transfer Program | | | | | |
| Existing Private Risk Transfer | 625 | 625 | 625 | 625 | 625 |
| New Private Risk Transfer (Projected) | 1,885 | 1,905 | 1,605 | 1,905 | 0 |
| Total Private Risk Transfer | 2,510 | 2,530 | 2,230 | 2,530 | 625 |
| Private Risk Transfer Premium | 210 | 210 | 182 | 210 | 40 |
| Surplus | | | | | |
| Percentage of Surplus Exposed for 1-100 Year Event | 57% | 57% | 66% | 57% | 100% |
| Surplus Remaining for Subsequent Event after 1-100 Year Event | 1,321 | 1,312 | 1,040 | 1,312 | 0 |
| Surcharges/Assessments for 1-100 Year Event | | | | | |
| Policyholder Surcharges | 0 | 0 | 0 | 0 | 422 |
| Regular Assessment | 0 | 0 | 0 | 0 | 0 |
| Emergency Assessment | 0 | 0 | 0 | 0 | 0 |
| Total Surcharges/Assessments | 0 | 0 | 0 | 0 | 422 |

| | PLA & Coastal Risk Transfer Program Scenarios | | | | |
|---|---|--|--|---|--|
| | 2022 Budget | 1. 2022 Updated Forecast - Budget Reinsurance Spend, 12/31/2021 PMLs | 2. 2022 Updated Forecast - No Projected Combined Underwriting Loss | 3. 2022 Updated Forecast - No Projected PLA Underwriting Loss | 4. 2022 Updated Forecast - No New Risk Transfer Purchase |
| Risk Transfer Program | | | | | |
| Existing Private Risk Transfer | 1,060 | 1,060 | 1,060 | 1,060 | 1,060 |
| New Private Risk Transfer (Projected) | 3,336 | 3,428 | 2,878 | 2,653 | 0 |
| Total Private Risk Transfer | 4,396 | 4,488 | 3,938 | 3,713 | 1,060 |
| Private Risk Transfer Premium | 400 | 400 | 347 | 326 | 67 |
| Surplus | | | | | |
| Surplus Remaining for Subsequent Event after 1-100 Year Event | 1,321 | 1,312 | 1,040 | 1,312 | 0 |
| Surcharges/Assessments for 1-100 Year Event | | | | | |
| Policyholder Surcharges | 0 | 450 | 450 | 450 | 872 |
| Regular Assessment | 0 | 0 | 0 | 0 | 0 |
| Emergency Assessment | 0 | 206 | 431 | 906 | 1,566 |
| Total Surcharges/Assessments | 0 | 656 | 881 | 1,356 | 2,438 |

Next Steps

Staff will work with Citizens' traditional and capital markets teams, as well as its financial advisor, to evaluate available options, relating to the structure, terms, pricing, and other relevant matters with regards to structuring the 2022 risk transfer program. Staff will present recommendations to the Board in May for final approval of the risk transfer program.



2022 Risk Transfer Program

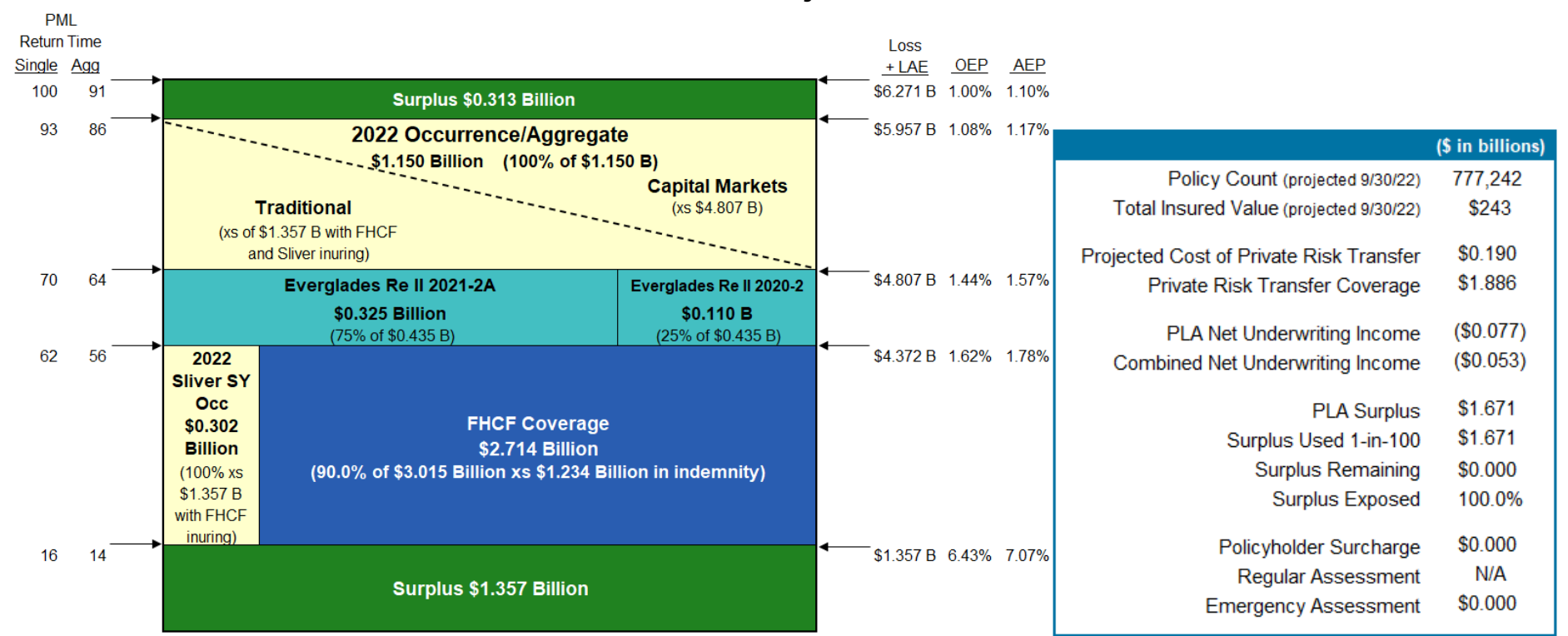
March 18 & 23, 2022



2022 Budget Risk Transfer Spend (09/30/21 PMLs)

Personal Lines Account (PLA)

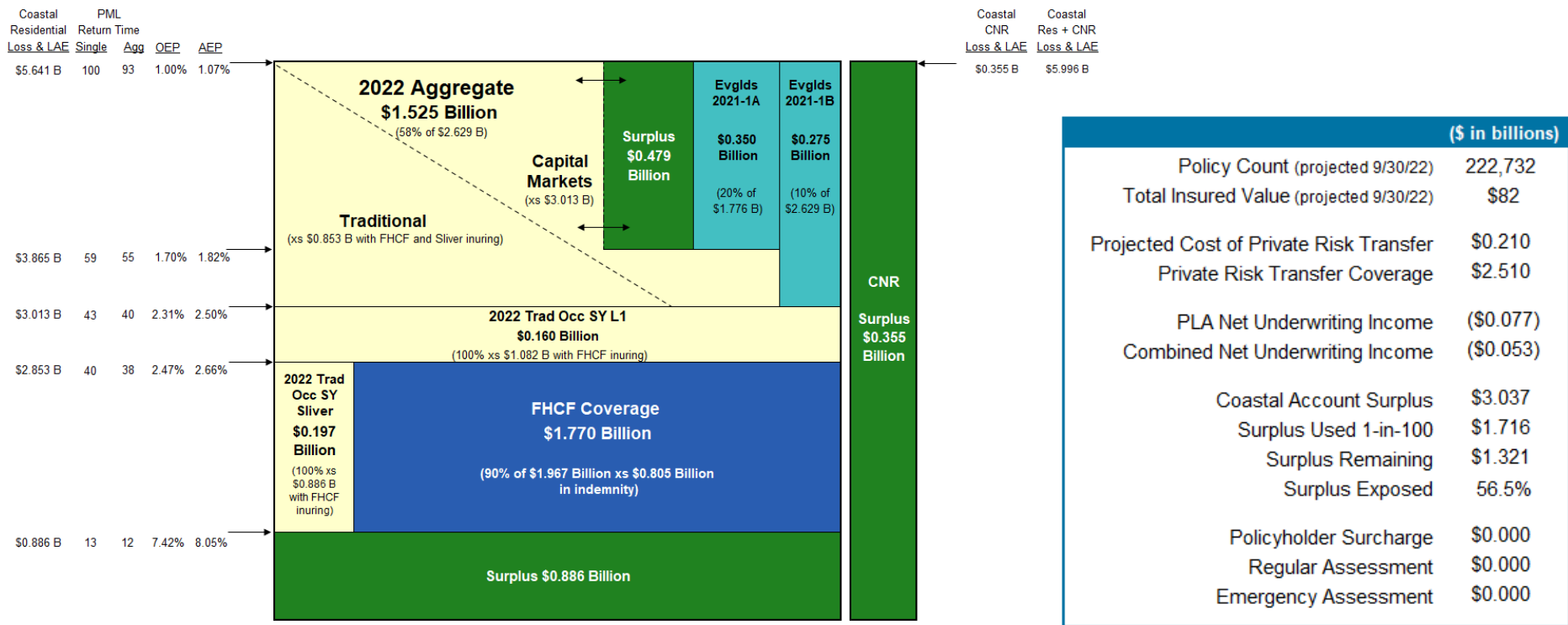
09/30/21 PMLs with 10% LAE and 61% Growth Adjustment



2022 Budget Risk Transfer Spend (09/30/21 PMLs)

Coastal Account (Personal/Commercial Residential and Commercial Non-Residential (CNR))

09/30/21 PMLs with 10% LAE and 44% PR/CR, 19% CNR Growth Adjustment

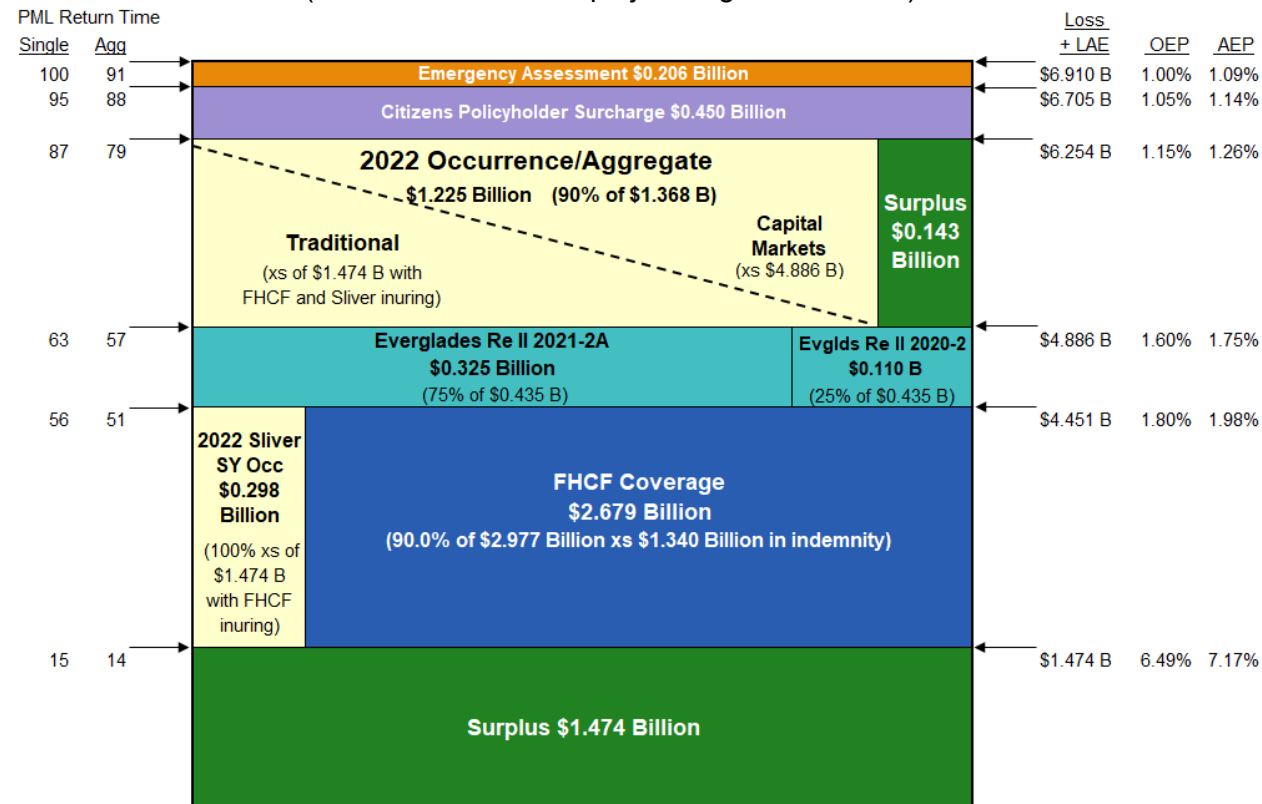


2022 Updated Forecast Scenario #1 (Budget Reinsurance Spend, 12/31/21 PMLs)

Personal Lines Account (PLA)

12/31/21 PMLs with 10% LAE and 62% Growth Adjustment

(09/30/21 to 09/30/22 projected growth of 81%)



| (\$ in billions) | |
|---|----------------|
| Policy Count (projected 9/30/22) | 816,297 |
| Total Insured Value (projected 9/30/22) | \$272 |
| Projected Cost of Private Risk Transfer | \$0.190 |
| Private Risk Transfer Coverage | \$1.958 |
| PLA Net Underwriting Income | (\$0.074) |
| Combined Net Underwriting Income | (\$0.052) |
| PLA Surplus | \$1.617 |
| Surplus Used 1-in-100 | \$1.617 |
| Surplus Remaining | \$0.000 |
| Surplus Exposed | 100.0% |
| Policyholder Surcharge | \$0.450 |
| Regular Assessment | N/A |
| Emergency Assessment | \$0.206 |

(Not to scale)

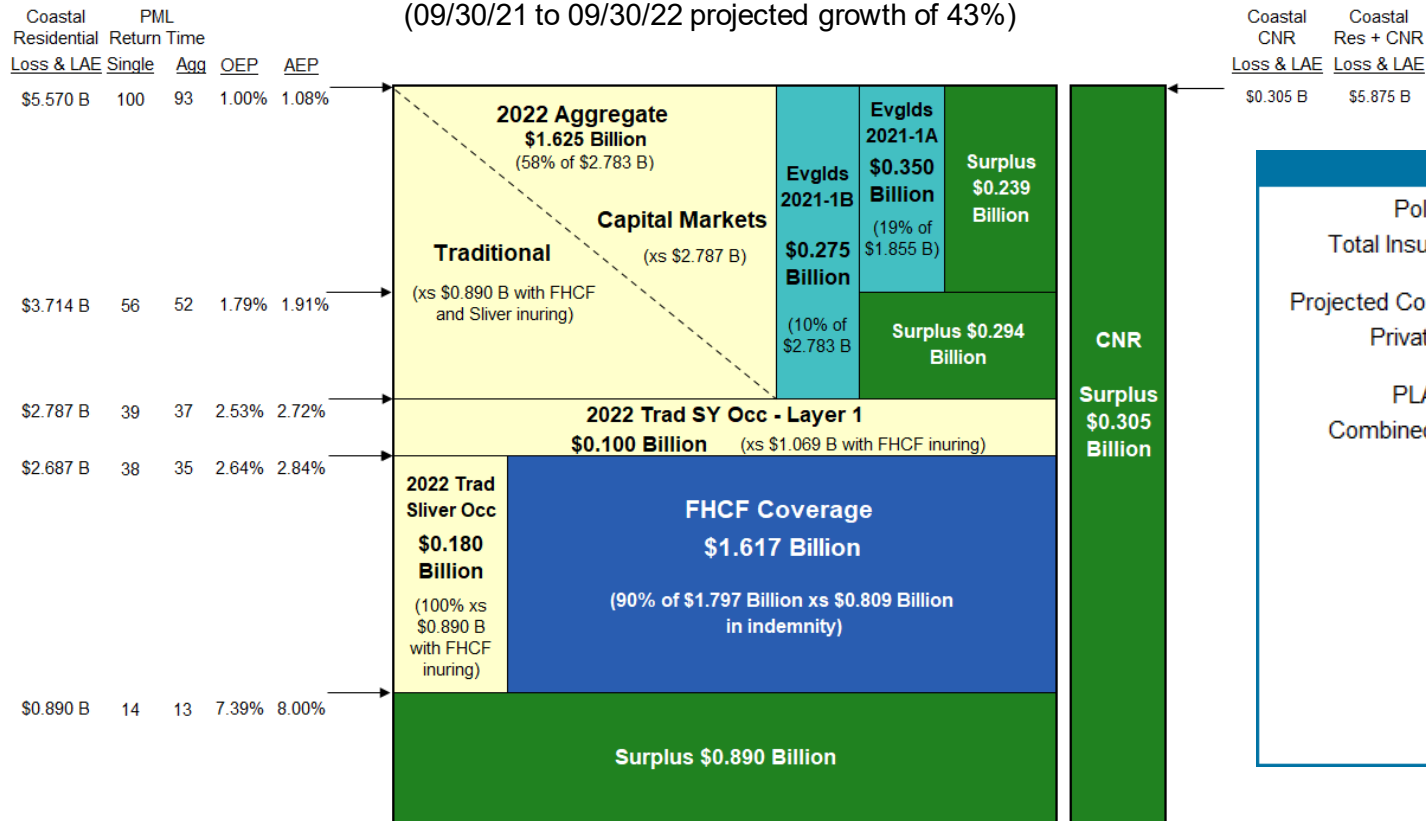


2022 Updated Forecast Scenario #1 (Budget Reinsurance Spend, 12/31/21 PMLs)

Coastal Account (Personal/Commercial Residential and Commercial Non-Residential (CNR))

12/31/21 PMLs with 10% LAE and 37% PR/CR, 3% CNR Growth Adjustment

(09/30/21 to 09/30/22 projected growth of 43%)



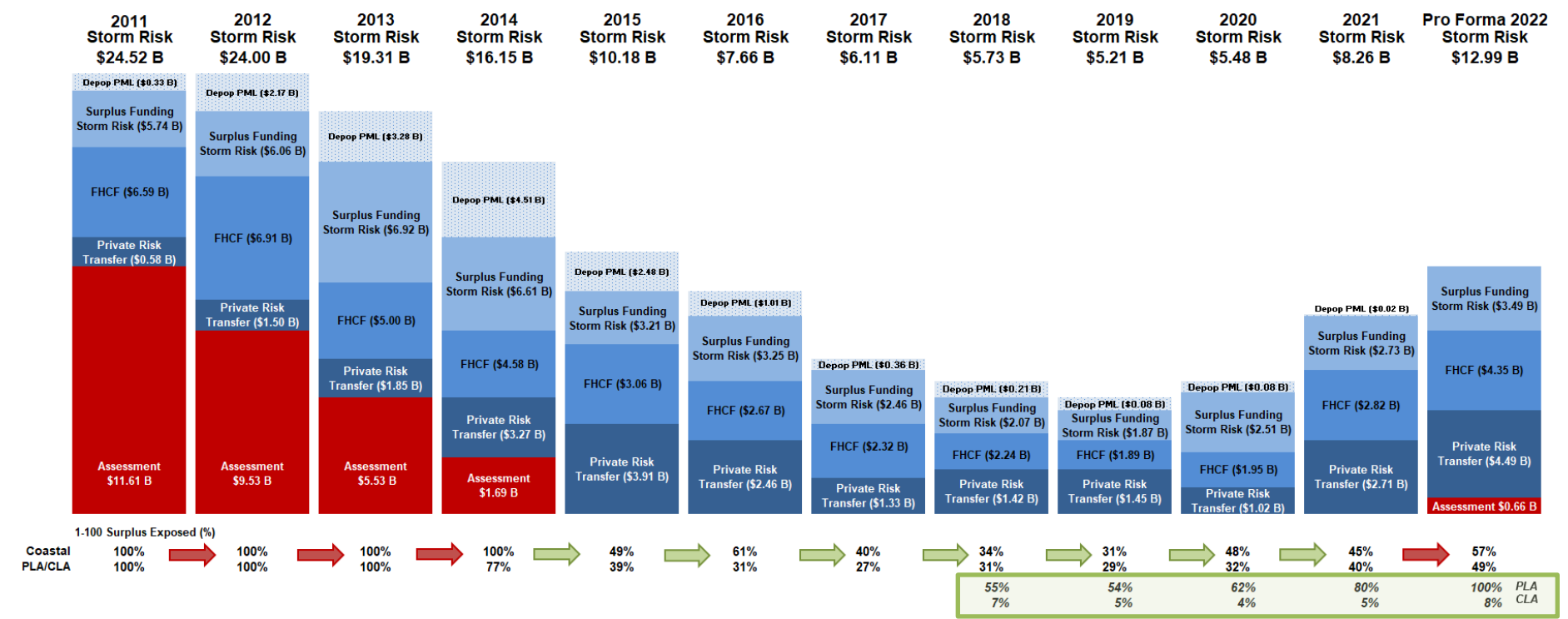
| (\$ in billions) | |
|---|-----------|
| Policy Count (projected 9/30/22) | 211,488 |
| Total Insured Value (projected 9/30/22) | \$82 |
| Projected Cost of Private Risk Transfer | \$0.210 |
| Private Risk Transfer Coverage | \$2.530 |
| PLA Net Underwriting Income | (\$0.074) |
| Combined Net Underwriting Income | (\$0.052) |
| Coastal Account Surplus | \$3.040 |
| Surplus Used 1-in-100 | \$1.728 |
| Surplus Remaining | \$1.312 |
| Surplus Exposed | 56.8% |
| Policyholder Surcharge | \$0.000 |
| Regular Assessment | \$0.000 |
| Emergency Assessment | \$0.000 |

(Not to scale)



2022 Updated Forecast Scenario #1 (Budget Reinsurance Spend, 12/31/21 PMLs)

Risk and Assessment Trend



- Notes:**
- 1) Storm Risk is as measured by 1-in-100 year probable maximum loss (PML) plus estimated loss adjustment expenses using the Florida Hurricane Catastrophe Fund (FHCF) account allocation where PLA and CLA are combined. PLA/CLA combined PMLs are added to the Coastal PMLs to be consistent for surplus distribution. In general, the PMLs presented are as projected at the beginning of storm season; with the exception of 2017 which is as of August month end and 2021 which is as of September month end.
 - 2) Surplus and Assessments are as projected at beginning of storm season. Not all PLA/CLA surplus is needed to fund storm risk in 2014. In 2015 - 2021, not all surplus in PLA/CLA and the Coastal Account is needed to fund storm risk. Remaining surplus is available to fund a second event.
 - 3) Florida Hurricane Catastrophe Fund (FHCF) is as projected at beginning of storm season; with the exception of 2017 - 2019 which are Citizens' initial data submission to the FHCF and 2021 which is an estimate based on June, 30 2021 month end inforce policies.
 - 4) Depop PMLs are not included in storm risk totals and are presented as year end totals. Beginning with 2021, PML results displayed are 50K US Hurricane, Florida Regulatory (SSST) Event Set.
 - 5) PMLs from 2011-2014 use a weighted average of 1/3 Standard Sea Surface Temperature (SSST) and 2/3 Warm Sea Surface Temperature (WSST). 2015 - 2021 PMLs reflect only SSST event catalog.

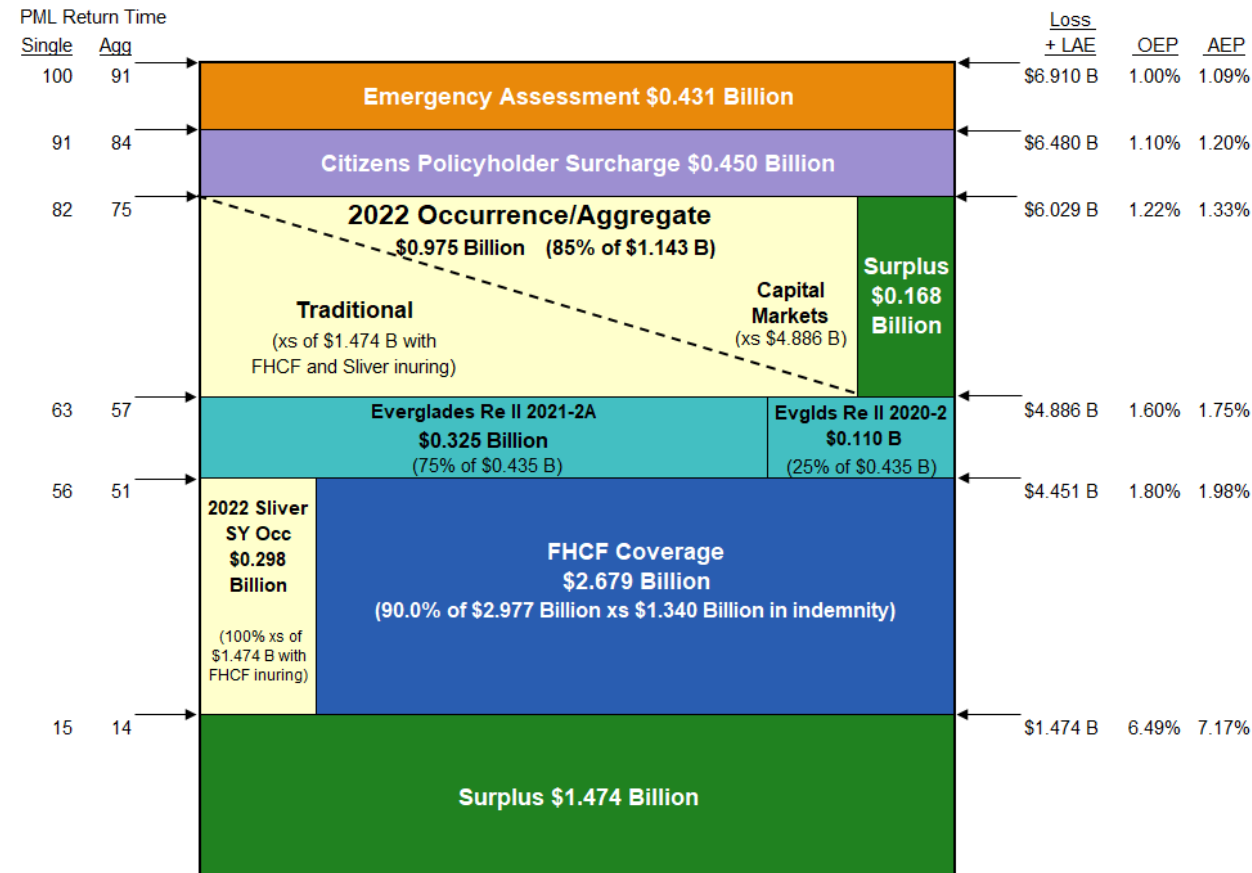


2022 Updated Forecast Scenario #2 (No Projected Combined Underwriting Loss)

Personal Lines Account (PLA)

12/31/21 PMLs with 10% LAE and 62% Growth Adjustment

(09/30/21 to 09/30/22 projected growth of 81%)



| (\$ in billions) | |
|---|----------------|
| Policy Count (projected 9/30/22) | 816,297 |
| Total Insured Value (projected 9/30/22) | \$272 |
| Projected Cost of Private Risk Transfer | \$0.165 |
| Private Risk Transfer Coverage | \$1.708 |
| PLA Net Underwriting Income | (\$0.049) |
| Combined Net Underwriting Income | \$0.000 |
| PLA Surplus | \$1.642 |
| Surplus Used 1-in-100 | \$1.642 |
| Surplus Remaining | \$0.000 |
| Surplus Exposed | 100.0% |
| Policyholder Surcharge | \$0.450 |
| Regular Assessment | N/A |
| Emergency Assessment | \$0.431 |

(Not to scale)

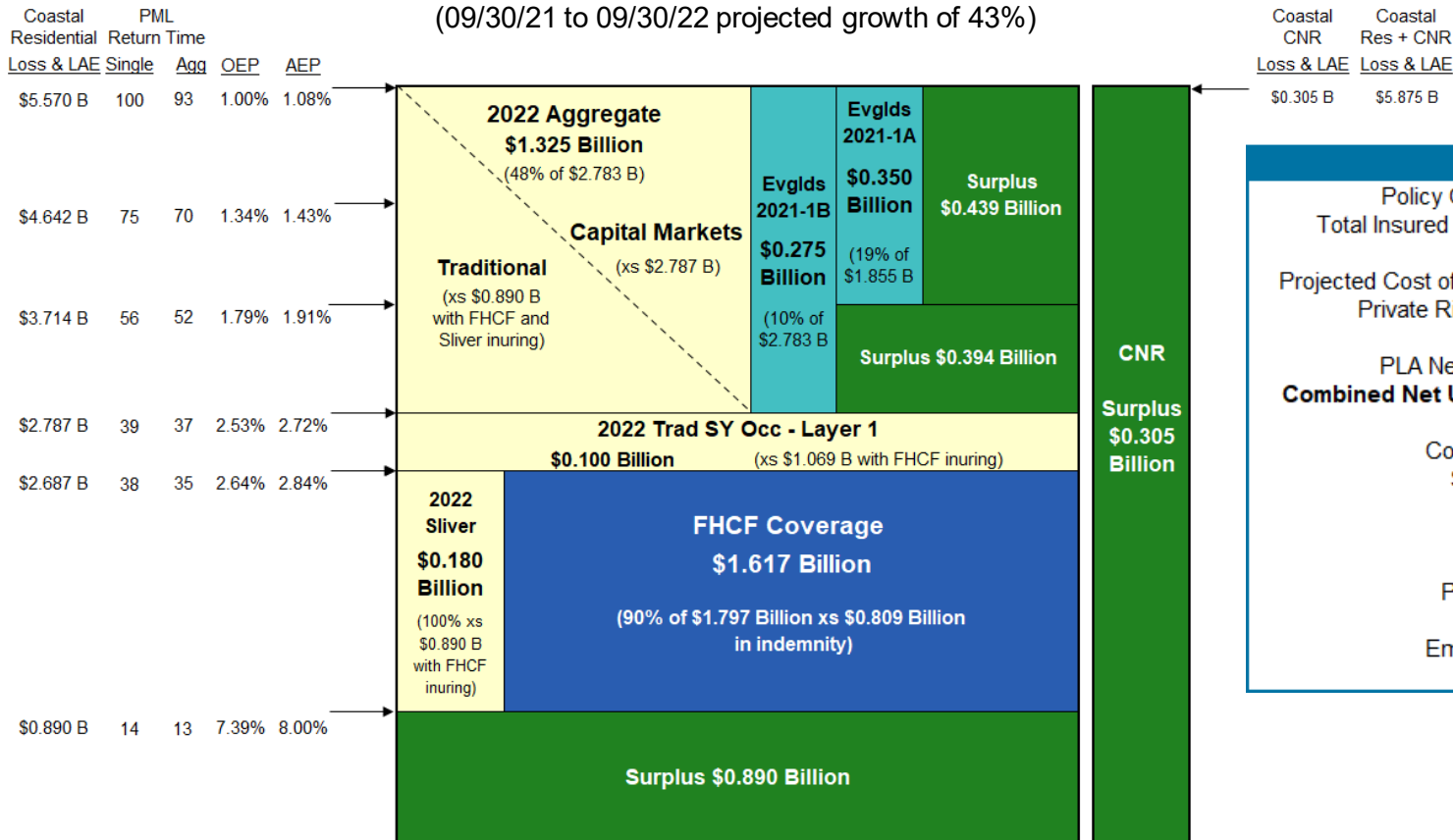


2022 Updated Forecast Scenario #2 (No Projected Combined Underwriting Loss)

Coastal Account (Personal/Commercial Residential and Commercial Non-Residential (CNR))

12/31/21 PMLs with 10% LAE and 37% PR/CR, 3% CNR Growth Adjustment

(09/30/21 to 09/30/22 projected growth of 43%)

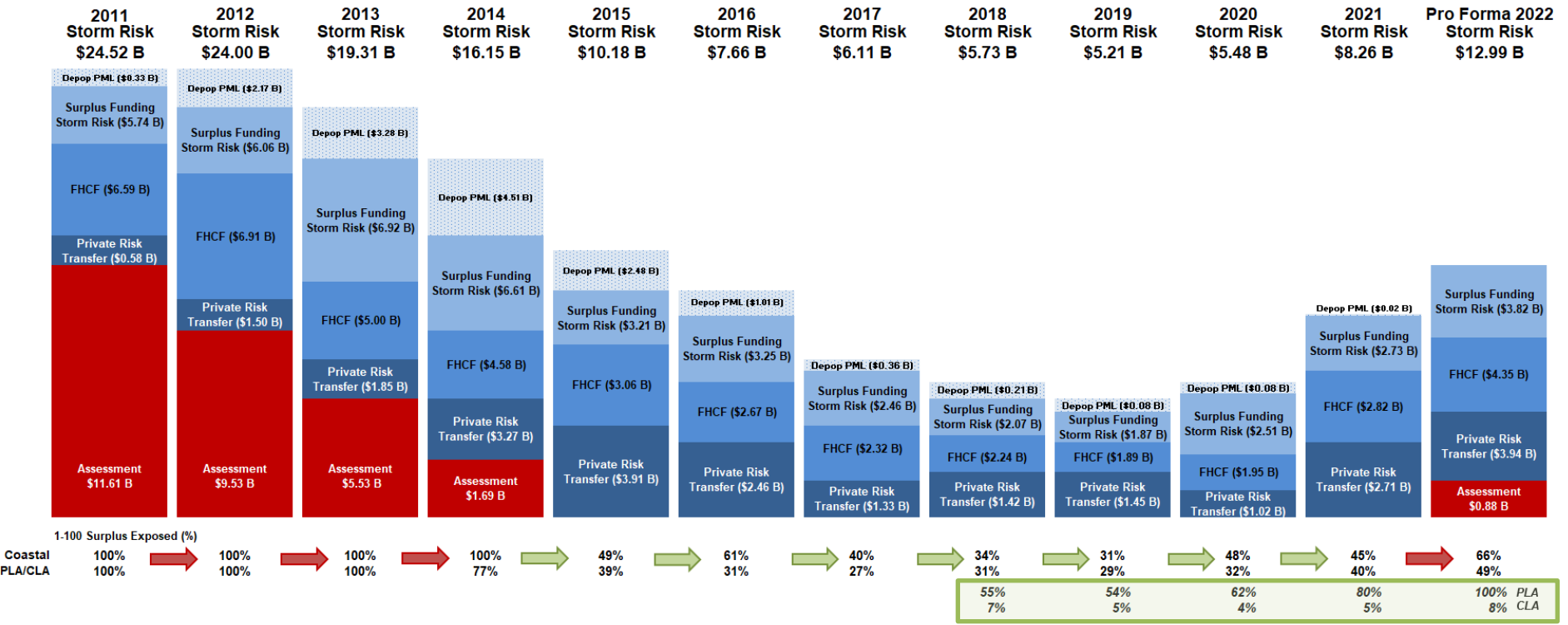


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2022 Updated Forecast Scenario #2 (No Projected Combined Underwriting Loss)

Risk and Assessment Trend



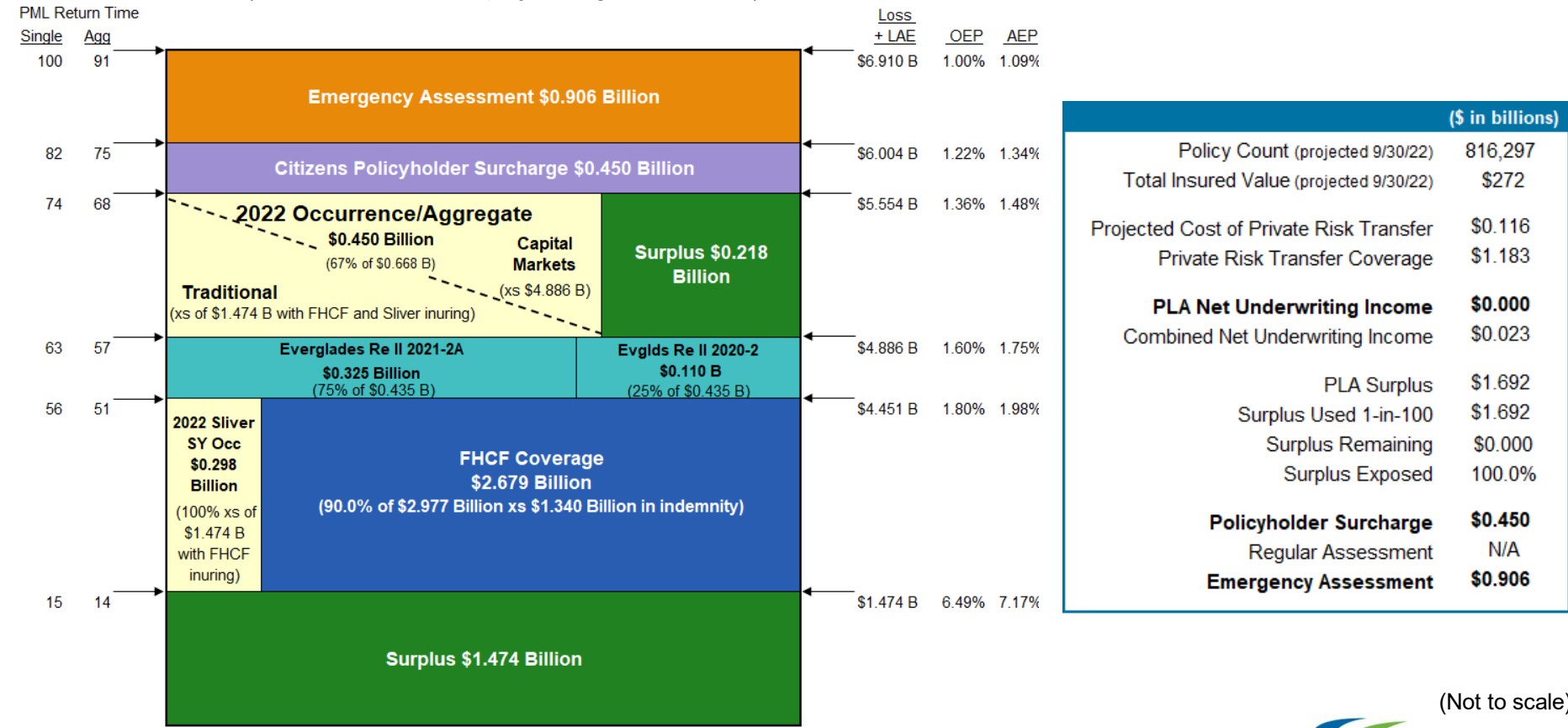
- Notes:**
- 1) Storm Risk is as measured by 1-in-100 year probable maximum loss (PML) plus estimated loss adjustment expenses using the Florida Hurricane Catastrophe Fund (FHCF) account allocation where PLA and CLA are combined. PLA/CLA combined PMLs are added to the Coastal PMLs to be consistent for surplus distribution. In general, the PMLs presented are as projected at the beginning of storm season; with the exception of 2017 which is as of August month end and 2021 which is as of September month end.
 - 2) Surplus and Assessments are as projected at beginning of storm season. Not all PLA/CLA surplus is needed to fund storm risk in 2014. In 2015 - 2021, not all surplus in PLA/CLA and the Coastal Account is needed to fund storm risk. Remaining surplus is available to fund a second event.
 - 3) Florida Hurricane Catastrophe Fund (FHCF) is as projected at beginning of storm season; with the exception of 2017 - 2019 which are Citizens' initial data submission to the FHCF and 2021 which is an estimate based on June, 30 2021 month end inforce policies.
 - 4) Depop PMLs are not included in storm risk totals and are presented as year end totals. Beginning with 2021, PML results displayed are 50K US Hurricane, Florida Regulatory (SSST) Event Set.
 - 5) PMLs from 2011-2014 use a weighted average of 1/3 Standard Sea Surface Temperature (SSST) and 2/3 Warm Sea Surface Temperature (WSST). 2015 - 2021 PMLs reflect only SSST event catalog.



2022 Updated Forecast Scenario #3 (No Projected PLA Underwriting Loss)

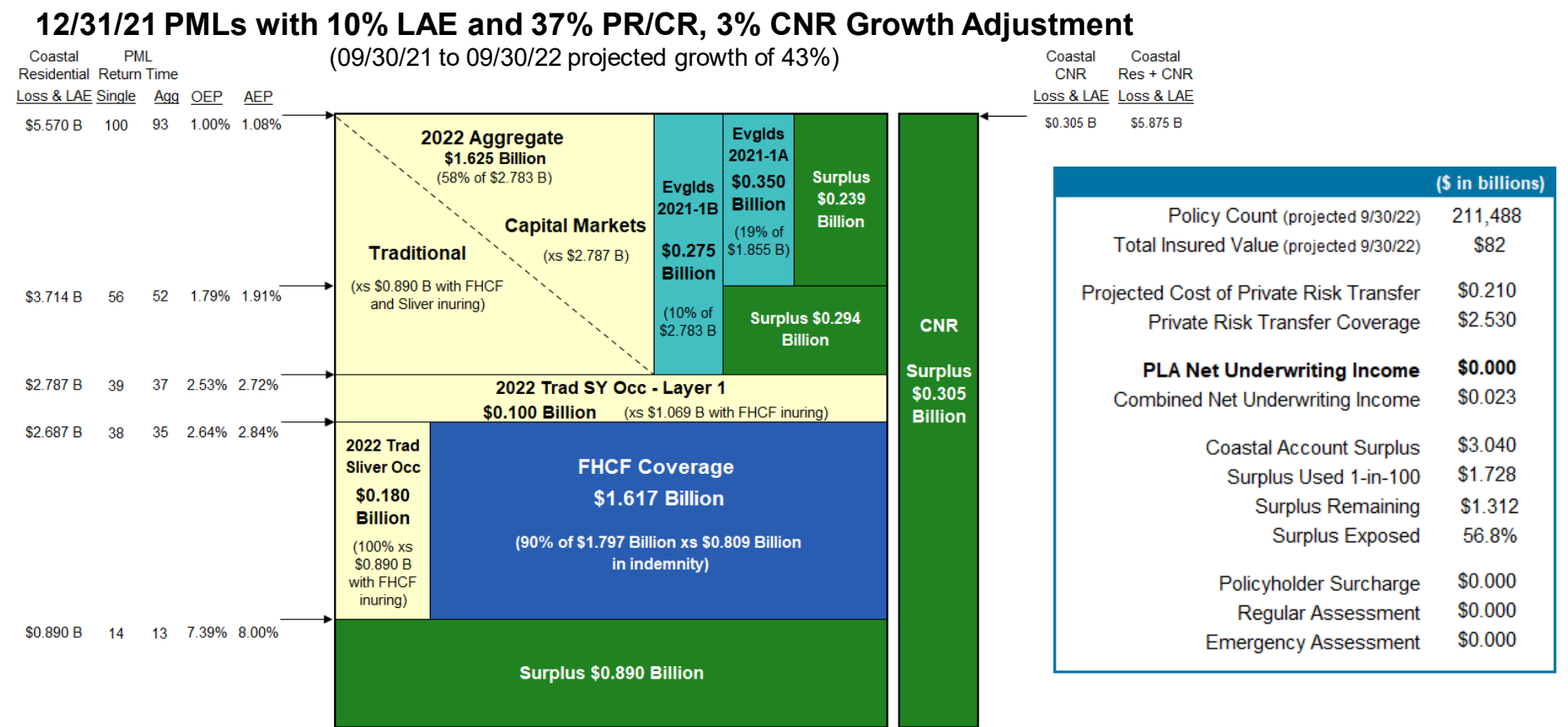
Personal Lines Account (PLA)

12/31/21 PMLs with 10% LAE and 62% Growth Adjustment (09/30/21 to 09/30/22 projected growth of 81%)



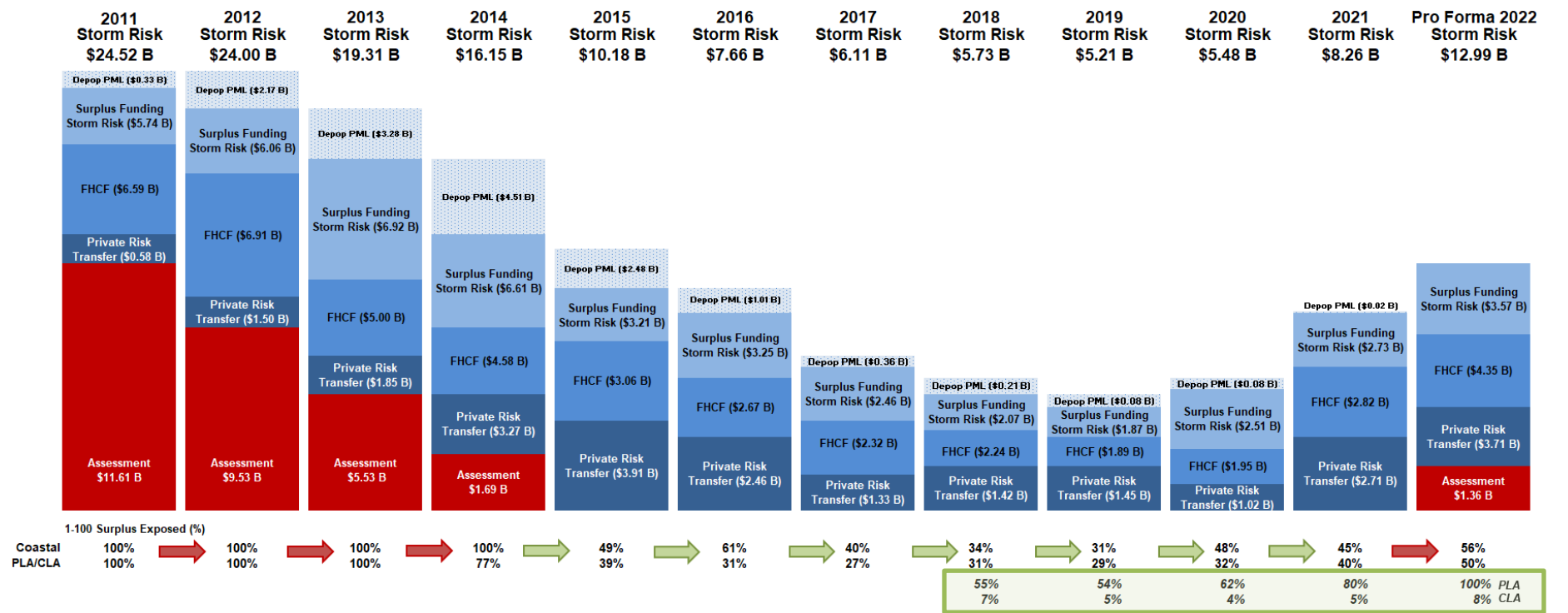
2022 Updated Forecast Scenario #3 (No Projected PLA Underwriting Loss)

Coastal Account (Personal/Commercial Residential and Commercial Non-Residential (CNR))



2022 Updated Forecast Scenario #3 (No Projected PLA Underwriting Loss)

Risk and Assessment Trend



- Notes:**
- Storm Risk is as measured by 1-in-100 year probable maximum loss (PML) plus estimated loss adjustment expenses using the Florida Hurricane Catastrophe Fund (FHCF) account allocation where PLA and CLA are combined. PLA/CLA combined PMLs are added to the Coastal PMLs to be consistent for surplus distribution. In general, the PMLs presented are as projected at the beginning of storm season; with the exception of 2017 which is as of August month end and 2021 which is as of September month end.
 - Surplus and Assessments are as projected at beginning of storm season. Not all PLA/CLA surplus is needed to fund storm risk. In 2015 - 2021, not all surplus in PLA/CLA and the Coastal Account is needed to fund storm risk. Remaining surplus is available to fund a second event.
 - Florida Hurricane Catastrophe Fund (FHCF) is as projected at beginning of storm season; with the exception of 2017 - 2019 which are Citizens' initial data submission to the FHCF and 2021 which is an estimate based on June, 30 2021 month end inforce policies.
 - Depop PMLs are not included in storm risk totals and are presented as year end totals. Beginning with 2021, PML results displayed are 50K US Hurricane, Florida Regulatory (SSST) Event Set.
 - PMLs from 2011-2014 use a weighted average of 1/3 Standard Sea Surface Temperature (SSST) and 2/3 Warm Sea Surface Temperature (WSST). 2015 - 2021 PMLs reflect only SSST event catalog.

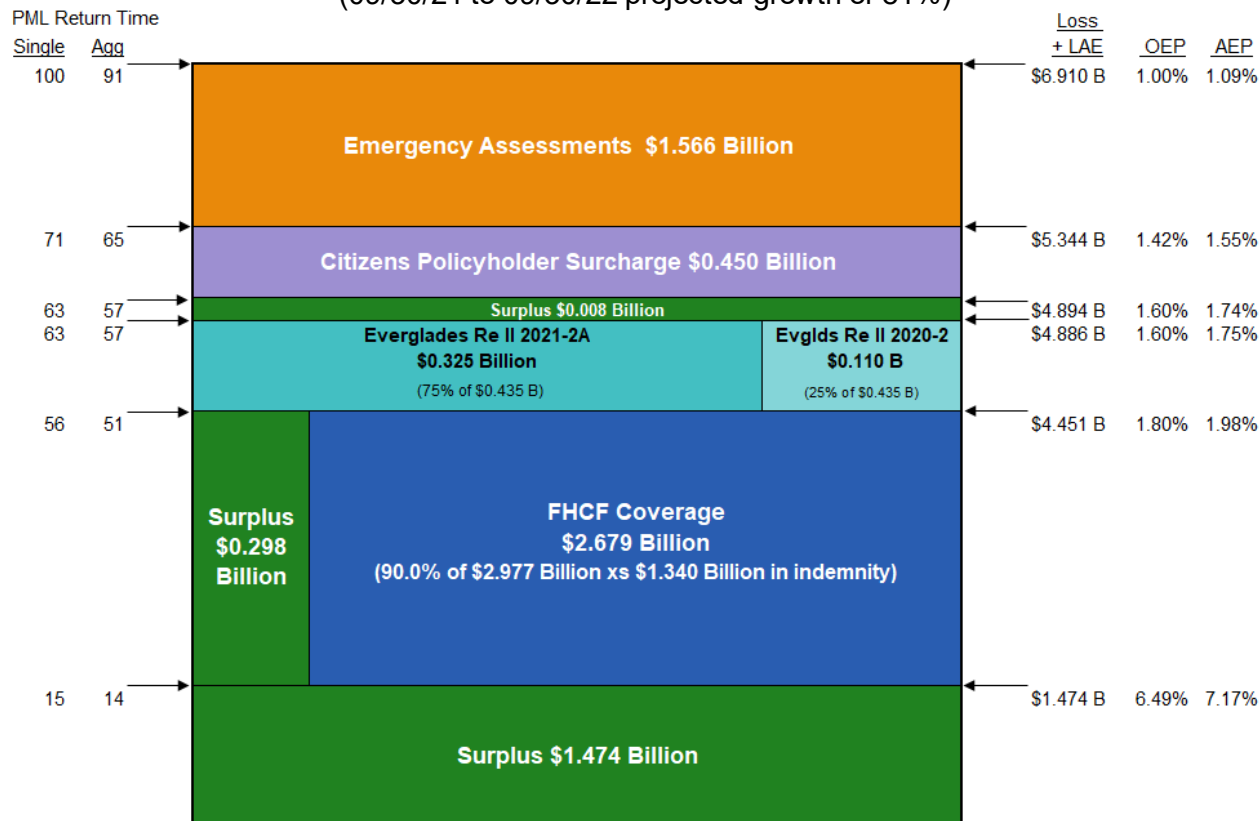


2022 Updated Forecast Scenario #4 (No New Risk Transfer Purchase)

Personal Lines Account (PLA)

12/31/21 PMLs with 10% LAE and 62% Growth Adjustment

(09/30/21 to 09/30/22 projected growth of 81%)



| (\$ in billions) | |
|---|---------|
| Policy Count (projected 9/30/22) | 816,297 |
| Total Insured Value (projected 9/30/22) | \$272 |
| Projected Cost of Private Risk Transfer | \$0.028 |
| Private Risk Transfer Coverage | \$0.435 |
| PLA Net Underwriting Income | \$0.088 |
| Combined Net Underwriting Income | \$0.281 |
| PLA Surplus | \$1.779 |
| Surplus Used 1-in-100 | \$1.779 |
| Surplus Remaining | \$0.000 |
| Surplus Exposed | 100.0% |
| Policyholder Surcharge | \$0.450 |
| Regular Assessment | N/A |
| Emergency Assessment | \$1.566 |

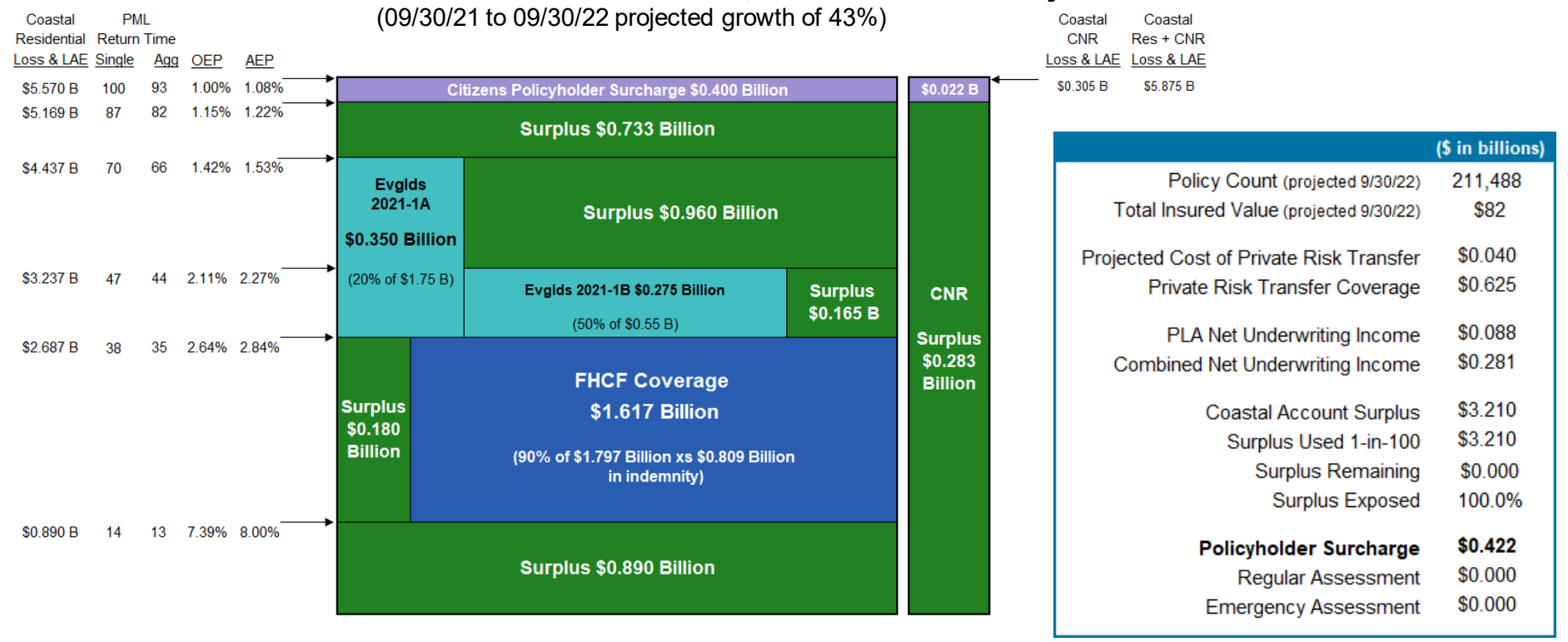
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2022 Updated Forecast Scenario #4 (No New Risk Transfer Purchase)

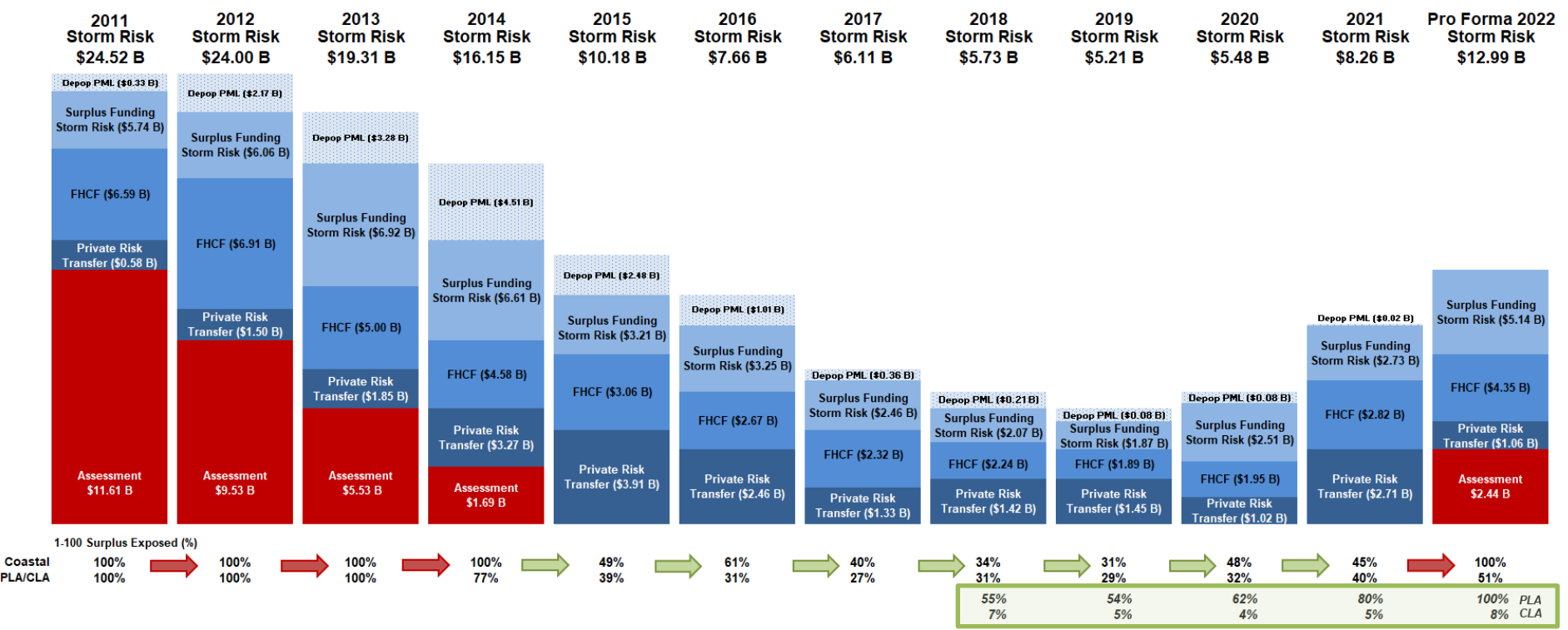
Coastal Account (Personal/Commercial Residential and Commercial Non-Residential (CNR))

12/31/21 PMLs with 10% LAE and 37% PR/CR, 3% CNR Growth Adjustment (09/30/21 to 09/30/22 projected growth of 43%)



2022 Updated Forecast Scenario #4 (No New Risk Transfer Purchase)

Risk and Assessment Trend



- Notes:**
- 1) Storm Risk is as measured by 1-in-100 year probable maximum loss (PML) plus estimated loss adjustment expenses using the Florida Hurricane Catastrophe Fund (FHCF) account allocation where PLA and CLA are combined. PLA/CLA combined PMLs are added to the Coastal PMLs to be consistent for surplus distribution. In general, the PMLs presented are as projected at the beginning of storm season; with the exception of 2017 which is as of August month end and 2021 which is as of September month end.
 - 2) Surplus and Assessments are as projected at beginning of storm season. Not all PLA/CLA surplus is needed to fund storm risk. In 2015 - 2021, not all surplus in PLA/CLA and the Coastal Account is needed to fund storm risk. Remaining surplus is available to fund a second event.
 - 3) Florida Hurricane Catastrophe Fund (FHCF) is as projected at beginning of storm season; with the exception of 2017 - 2019 which are Citizens' initial data submission to the FHCF and 2021 which is an estimate based on June, 30 2021 month end inforce policies.
 - 4) Depop PMLs are not included in storm risk totals and are presented as year end totals. Beginning with 2021, PML results displayed are 50K US Hurricane, Florida Regulatory (SSST) Event Set.
 - 5) PMLs from 2011-2014 use a weighted average of 1/3 Standard Sea Surface Temperature (SSST) and 2/3 Warm Sea Surface Temperature (WSST). 2015 - 2021 PMLs reflect only SSST event catalog.



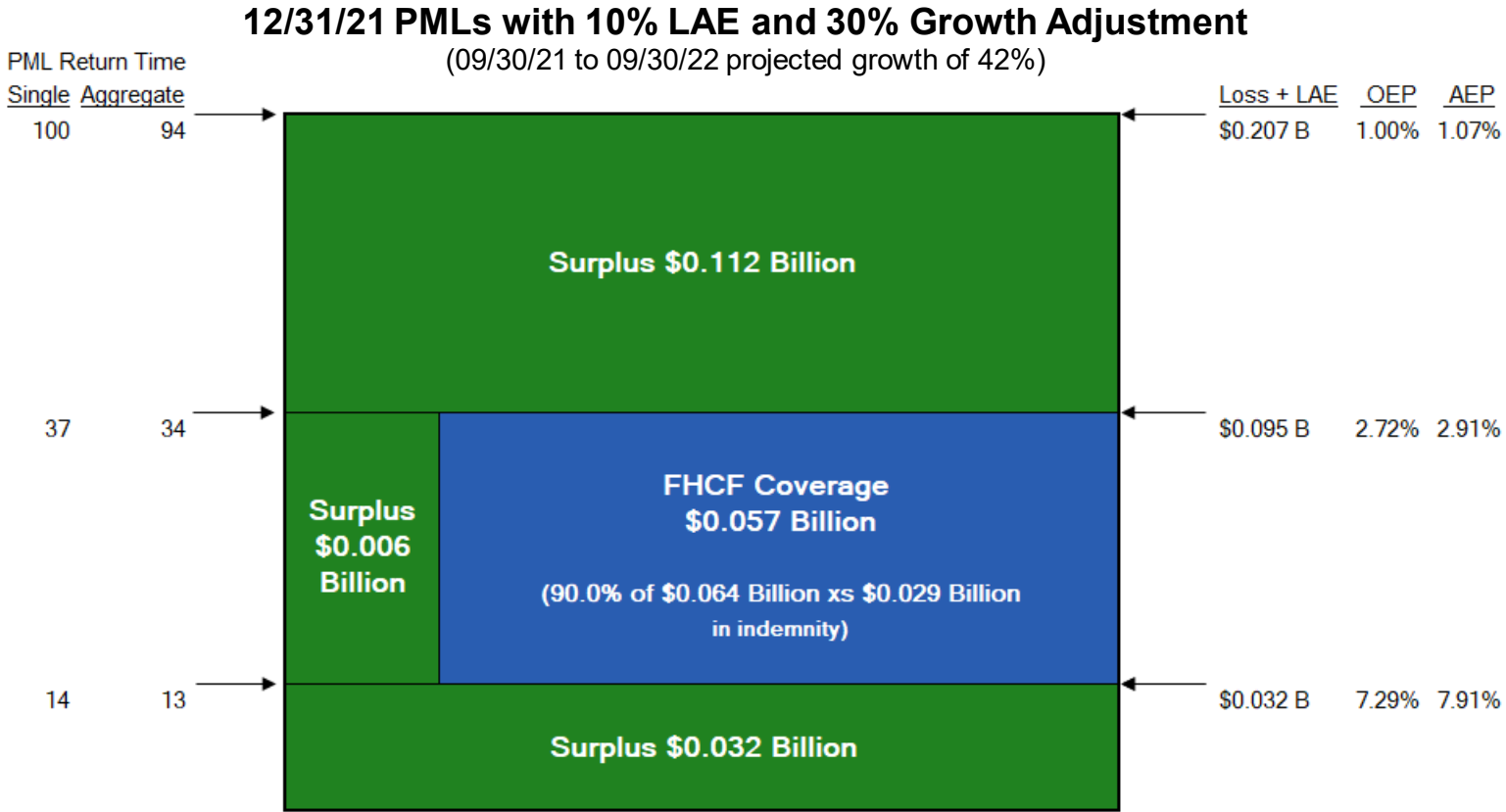
Summary of Scenarios

| | Scenarios (\$ in billions) | Budget | 1 | 2 | 3 | 4 |
|------------------------------|---|-----------|----------------|----------------|----------------|----------------|
| Personal Lines Account (PLA) | Policy Count (projected 9/30/22) | 777,242 | 816,297 | | | |
| | Total Insured Value (projected 9/30/22) | \$243.00 | \$272.00 | | | |
| | Projected Cost of Private Risk Transfer | \$0.190 | \$0.190 | \$0.165 | \$0.116 | \$0.028 |
| | Private Risk Transfer Coverage | \$1.886 | \$1.958 | \$1.708 | \$1.183 | \$0.435 |
| | Surplus Exposed | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| | Policyholder Surcharge | \$0.000 | \$0.450 | \$0.450 | \$0.450 | \$0.450 |
| | Regular Assessment | N/A | N/A | N/A | N/A | N/A |
| | Emergency Assessment | \$0.000 | \$0.206 | \$0.431 | \$0.906 | \$1.566 |
| | Policy Count (projected 9/30/22) | 222,732 | 211,488 | | | |
| | Total Insured Value (projected 9/30/22) | \$81.93 | \$81.75 | | | |
| Coastal Account | Projected Cost of Private Risk Transfer | \$0.210 | \$0.210 | \$0.182 | \$0.210 | \$0.040 |
| | Private Risk Transfer Coverage | \$2.510 | \$2.530 | \$2.230 | \$2.530 | \$0.625 |
| | Surplus Exposed | 56.5% | 56.8% | 66.1% | 56.8% | 100.0% |
| | Policyholder Surcharge | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$0.422 |
| | Regular Assessment | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$0.000 |
| | Emergency Assessment | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$0.000 |
| | PLA Net Underwriting Income | (\$0.077) | (\$0.074) | (\$0.049) | \$0.000 | \$0.088 |
| | Combined Net Underwriting Income | (\$0.053) | (\$0.052) | \$0.000 | \$0.023 | \$0.281 |
| | Total Combined Surcharges/Assessments | \$0.000 | \$0.656 | \$0.881 | \$1.356 | \$2.438 |
| | | | | | | |

Totals may not add due to rounding
See Notes and Assumptions (page 19)

Appendix

2022 CLA Layer Chart



Approximately 8% of CLA surplus is exposed in a 1-in-100 year event.

(Not to scale)



Notes and Assumptions

2022-2023 Storm Season

ASSUMPTIONS

- Citizens' 2022 Budgeted DWP \$3,002 Million
- Citizens' Policyholder Surcharge Maximum % Per Account 15%
- 2021 Regular Assessment Base \$52.9 Billion
- Regular Assessment Maximum % Per Account 2% for Coastal; 0% for PLA/CLA
- 2021 Emergency Assessment Base \$55.9 Billion
- For the Budget Risk Transfer Spend scenario, PMLs are based on modeled losses as of September 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). The PMLs are adjusted to project to September 30, 2022, using growth factors of 44% for Coastal PR/CR, 19% for Coastal CNR, 15% for CLA, and 61% for PLA.
- For Updated Forecast Scenarios #1 through #4, PMLs are based on modeled losses as of December 31, 2021, AIR Hurricane Model for the United States Version 1.0.0 as implemented in Touchstone 2021 (version 9.0.3). All PMLs reflect the 50K US Hurricane - Florida Regulatory Event Set including Demand Surge, excluding Storm Surge, and include 10% of loss to account for loss adjustment expense (LAE). The PMLs are adjusted to project to September 30, 2022, using growth factors of 37% for Coastal PR/CR, 3% for Coastal CNR, 30% for CLA, and 62% for PLA.
- Interim Return Periods are derived by linear interpolation between 5-year intervals
- 2022 Projected Surplus = unaudited 2021 surplus + 2022 budgeted net income +/- adjustment for reinsurance cost and differences between budget and updated forecast FHCF premium
- FHCF pays 10% of reimbursed loss for loss adjustment expense
- Citizens' 2022 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.