

Good morning, Chairman and members of the board. Jennifer Montero will share with you Citizens financials for 2021 so my objective in this report is to provide a brief overview of the Florida Property Market and the implications for Citizens in the short term.

In 2018 Citizens reached a low point of 414,000 policyholders representing total exposure of \$108 Billion. This was a significant reduction from 2011 when we reached a high of over 1.5 million policyholders and more than \$512 Billion in exposure. Since the end of 2018 there has been a rapid decline in the Florida Property Market profitability and a severe restriction in the number of policies the private market is writing along with far more restrictive risk characteristics. This has ultimately led to Policies in Force currently of slightly more than 800,000. (Refer to Slide 1 in the board book) Current projections indicate we will exceed 1 million policies in 2022 with exposure greater than \$350 Billion. (In terms of what that means-in 2017 when we had close to 400,000 policies and IRMA hit, we had 78,000 claims. Based on today's volume that would be 200,000 claims and by the end of next year over a quarter of a million claims. IRMA started out as a 1/25 but after development was close to a 1/10. We must be prepared for this type of event or far worse.

The overall financial condition of the Florida Market is clearly driving the increased flow of business into Citizens. In your Board books I provided documents that reflect continuing deterioration of Private Company results. It shows that the Negative Net Income for the Florida Domestic Market exceeded \$1 Billion in 2021 and the Net Underwriting Loss exceeded \$1.34 Billion with one company yet to report. As you can see from this exhibit the Negative Net Income has increased each of the last 5 years from \$92 million in 2017 to over \$1 Billion last year.

The financial strain on the 52 Florida Market companies has been so great that we have just experienced yet another insolvency with the announcement that Avatar Property and Casualty recently entered into receivership. This follows the insolvencies of American Capital and Gulfstream last year and the recent insolvency of St. Johns prior to the news on Avatar. Fortunately, it appears that a newly formed company Slide has agreed to provide renewal offers to the 140,000 St. Johns policyholders but Slide of course does not carry the current liabilities of St. Johns going forward. This is the same advantage that we provide to companies participating in our Depopulation program.

FIGA (Financial Guarantee Insurance Association) is in the position of funding the unfunded run-off liabilities for these insolvencies. Last year the FIGA Board approved a .7% assessment of \$158 million relating to Gulfstream and additional storm losses and has now approved an additional 1.3% assessment for \$319 million relating to St. Johns. We do not yet know the impact that Avatar may have on FIGA's financial position and the potential for additional assessments.

These insolvencies are concerning but of even more concern is the financial condition of the remaining Florida Domestic Companies. I have a second exhibit I included that shows the results of the Top 10 companies operating in this market writing over \$8.5 Billion in premium. 3 of the top 10 companies posted Negative Net Income of over

\$100 Million last year with only one company posting a slight positive Net Income. In a recent interim report to the Board, I shared a list of 8 companies that had recently shut down for new residential business for the entire state and with many companies with little or no capacity for new business that is certain to have an impact on our writings. Additional companies have announced severe restrictions on what they will write for example ASI/Progressive recently announced that they would be cancelling 56,000 policyholders with roofs over 15 years old.

I will not steal Christine Ashburn's thunder, but we were hopeful that legislation, that had been proposed to close the GAP between Citizens rates and the industry, would pass this year but that was not to be. We will still be in a position going forward where we are the least expensive option available and the differential between Citizens rates and Private market rates is of course widening as the private market files increases to stay ahead of the litigation trends and abusive claims practices that are becoming even more prevalent. This legislative session ended with no reform measures passing that could have an impact on industry results. At this point we are dependent on SB76 having an impact on the increasing litigation rates and the amount paid to plaintiff council. Unfortunately, the industry increased litigation by over 30% year over year in January and 17% in February so the environment is not improving but getting worse. We simply cannot expect major changes in the market dynamics without significant legislative reform. Companies at this point are simply increasing their rates as quickly as possible to stay ahead of the climbing litigation rates which of course is widening the gap between Citizens rates and those of the private companies.

One final note and it is not a positive one. If you combine the FHCF and Private Insurance placed for Citizens, it is forecast to be 23% of premium this year. It is at that level because we are only required by statute to place reinsurance at the 1-100 level. The private market however, to maintain a Demotech rating, is required to place reinsurance that covers a 1-130 storm with a reinstatement to cover a 1-75 storm. This results in Private Market Insurers paying between 40% and 50% or more of premium for coverage compared to our 23%. At the Bermuda Risk Summit on March 14th the cover story was "Florida Carriers face higher prices, greater client selection and a focus on payment terms". Reinsurers are describing this year's placement as the most difficult they have seen in 15 years. We will have to see what substantial reinsurance pricing increases have on the current financial condition of Private Market companies. To quote The Insurer magazine it will be a fascinating period between now and the start of Hurricane Season.

President's Report Board of Governors Meeting

March 23, 2022



Market Conditions

Week-over-Week Policy Count for Inforce

3/11/2022

AsofDate

801,341

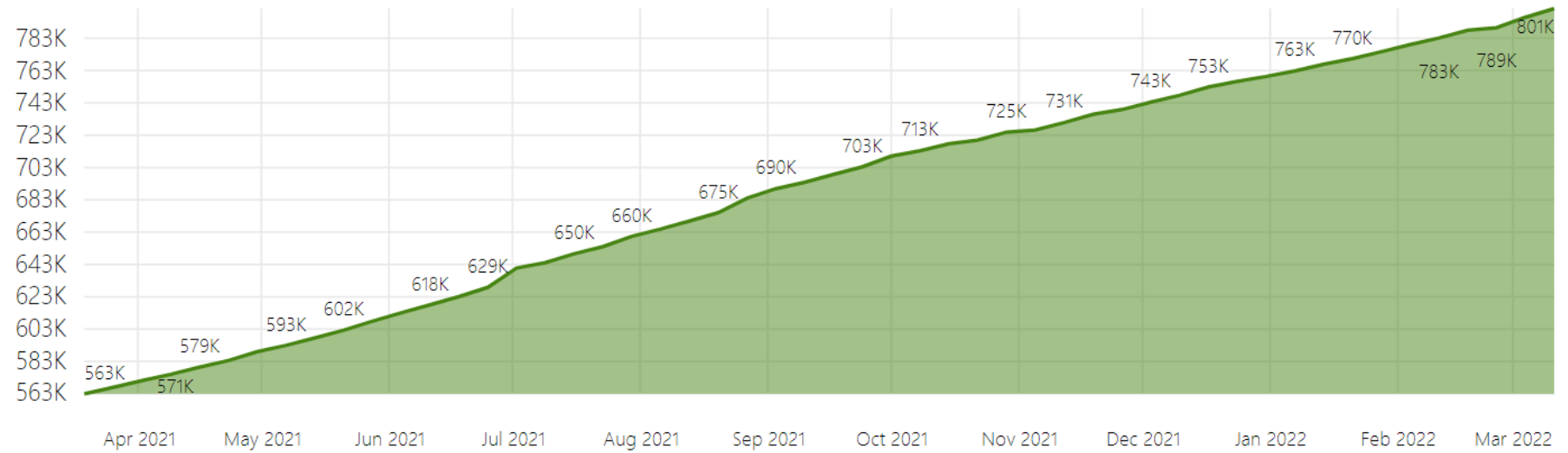
Current Week

795,934

Previous Week

5,407

Weekly Growth



- Citizens has grown by 240,000 policies over a 12-month period.

5 Year Domestic Insurer Total Net Income and Net Underwriting Gain

S&P Global Market Intelligence Data 4Q 2021		Net Income (\$000)					Net Underwriting Gains (\$000)				
Company Name	NAIC Code	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
Citizens Property Insurance Corporation		\$80,128	\$128,967	\$86,329	(\$151,350)	(\$1,028,383)	(\$166,516)	(\$98,327)	(\$97,059)	(\$280,699)	(\$1,164,965)
Florida Domestic & Foreign Companies		(\$1,000,510)	(\$806,097)	(\$326,096)	(\$123,927)	(\$92,401)	(\$1,340,582)	(\$1,486,952)	(\$662,350)	(\$372,443)	(\$365,801)
Florida Only Subsidiaries of National Writers (PUPS / ANTS)		\$32,736	(\$57,161)	\$161,219	(\$72,548)	(\$86,917)	(\$39,650)	(\$143,146)	\$168,425	(\$19,302)	(\$84,556)
Total		(\$887,646)	(\$734,291)	(\$78,547)	(\$347,824)	(\$1,207,700)	(\$1,546,748)	(\$1,728,425)	(\$590,983)	(\$672,444)	(\$1,615,323)

Top 10 Florida Domestic Insurers Net Income

Company	Direct Premiums Written (\$000)	Net Income (\$000)				
	2021	2021	2020	2019	2018	2017
1	\$1,662,599	(\$106,225)	(\$100,317)	(\$50,169)	\$3,587	\$36,226
2	\$1,556,737	(\$139,624)	(\$37,082)	(\$29,879)	\$27,543	(\$6,962)
3	\$1,307,148	(\$147,817)	(\$59,575)	(\$19,408)	(\$47,465)	(\$22,712)
4	\$702,262	\$9,202	(\$4,695)	(\$11,649)	(\$1,448)	\$5,017
5	\$652,751	(\$30,637)	(\$13,329)	(\$20,828)	(\$13,167)	(\$17,178)
6	\$652,324	(\$29,190)	(\$32,616)	(\$23,453)	(\$64,998)	\$7,587
7	\$584,275	(\$94,281)	(\$35,392)	(\$18,174)	\$10,218	(\$13,874)
8	\$542,957	(\$606)	(\$3,988)	(\$1,270)	\$710	(\$9,092)
9	\$452,700	\$2,010	(\$1,099)	\$3,515	\$1,152	\$2,560
10	\$400,614	(\$27,646)	(\$8,666)	(\$17,433)	\$20,903	\$17,682

* Top homeowners' insurers ranked by 12/31/21 Direct Premiums Written

Top 10 Florida Domestic Insurers Net Underwriting Gain / (Loss)

Company	Direct Premiums Written (\$000)	Net Underwriting Gain / (Loss) (\$000)				
	2021	2021	2020	2019	2018	2017
1	\$1,662,599	(\$153,239)	(\$212,400)	(\$81,910)	(\$15,449)	\$40,028
2	\$1,556,737	(\$180,728)	(\$56,348)	(\$55,795)	\$24,409	(\$26,730)
3	\$1,307,148	(\$235,671)	(\$139,086)	(\$66,146)	(\$78,481)	(\$49,014)
4	\$702,262	\$3,737	(\$9,555)	(\$18,148)	(\$7,449)	\$4,000
5	\$652,751	(\$53,988)	(\$69,286)	(\$35,544)	(\$35,217)	(\$38,736)
6	\$652,324	(\$40,818)	(\$64,935)	(\$38,844)	(\$68,947)	(\$45,447)
7	\$584,275	(\$109,710)	(\$96,637)	(\$38,816)	\$2,289	(\$40,641)
8	\$542,957	(\$6,096)	(\$9,829)	(\$7,135)	(\$2,450)	(\$14,057)
9	\$452,700	\$455	(\$3,117)	(\$295)	(\$2,954)	\$526
10	\$400,614	(\$34,228)	(\$44,803)	(\$26,706)	\$19,158	\$20,405

* Top homeowners' insurers ranked by 12/31/21 Direct Premiums Written