

# 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.

	PLA 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
<b>Risk Transfer Program</b>					
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
<b>Surplus</b>					
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
<b>Surcharges/Assessments for 1-100 Year Event</b>					
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
<b>Total Surcharges/Assessments</b>	<b>0</b>	<b>656</b>	<b>881</b>	<b>1,356</b>	<b>2,016</b>

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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
<b>Risk Transfer Program</b>					
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
<b>Surplus</b>					
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
<b>Surcharges/Assessments for 1-100 Year Event</b>					
Policyholder Surcharges	0	0	0	0	422
Regular Assessment	0	0	0	0	0
Emergency Assessment	0	0	0	0	0
<b>Total Surcharges/Assessments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>422</b>

	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
<b>Risk Transfer Program</b>					
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
<b>Surplus</b>					
Surplus Remaining for Subsequent Event after 1-100 Year Event	1,321	1,312	1,040	1,312	0
<b>Surcharges/Assessments for 1-100 Year Event</b>					
Policyholder Surcharges	0	450	450	450	872
Regular Assessment	0	0	0	0	0
Emergency Assessment	0	206	431	906	1,566
<b>Total Surcharges/Assessments</b>	<b>0</b>	<b>656</b>	<b>881</b>	<b>1,356</b>	<b>2,438</b>

## 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

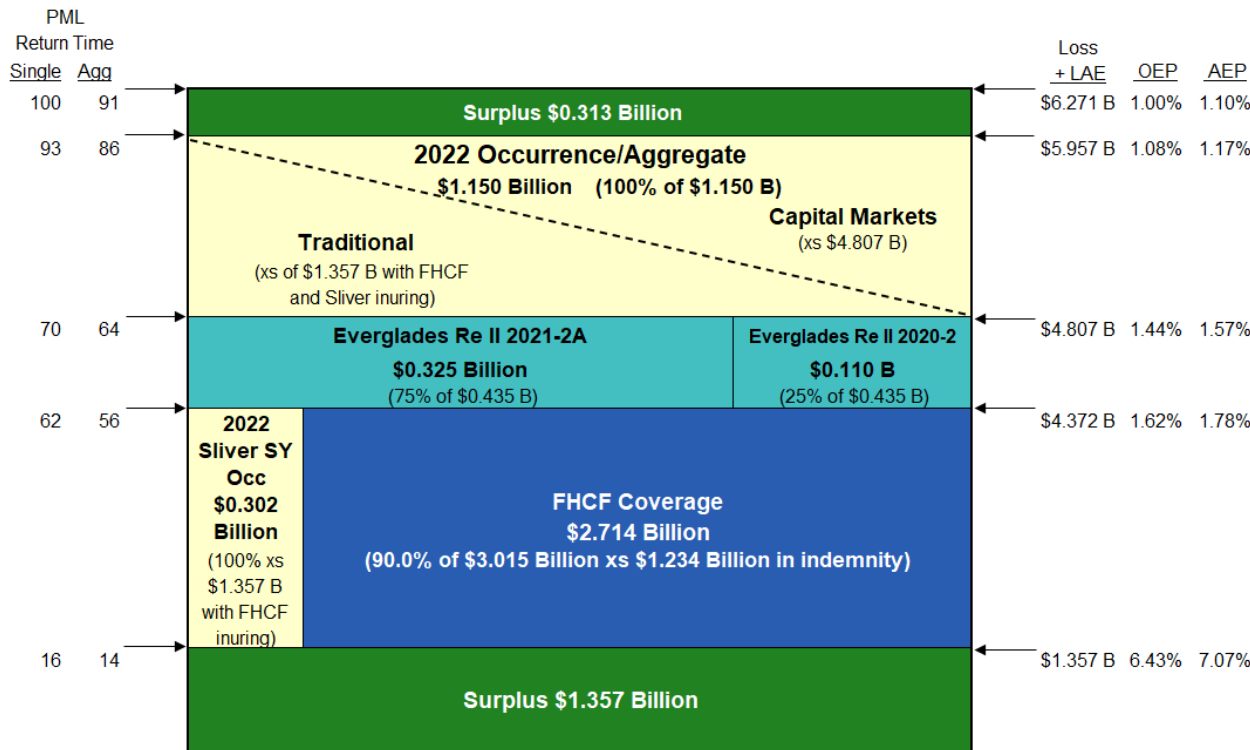
March 18 & 23, 2022



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

## Personal Lines Account (PLA)

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



(\$ in billions)	
Policy Count (projected 9/30/22)	777,242
Total Insured Value (projected 9/30/22)	\$243
Projected Cost of Private Risk Transfer	\$0.190
Private Risk Transfer Coverage	\$1.886
PLA Net Underwriting Income	(\$0.077)
Combined Net Underwriting Income	(\$0.053)
PLA Surplus	\$1.671
Surplus Used 1-in-100	\$1.671
Surplus Remaining	\$0.000
Surplus Exposed	100.0%
Policyholder Surcharge	\$0.000
Regular Assessment	N/A
Emergency Assessment	\$0.000

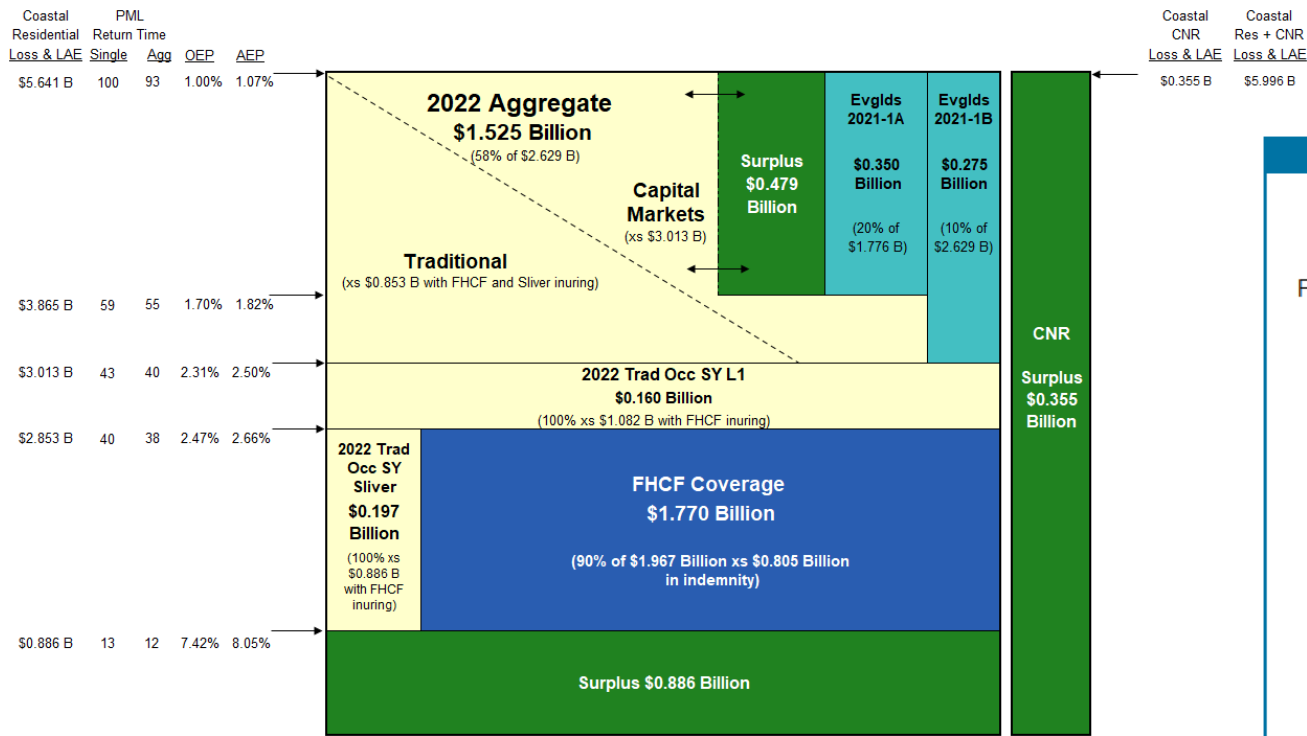
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# 2022 Budget Risk Transfer Spend (09/30/21 PMLs)

## 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



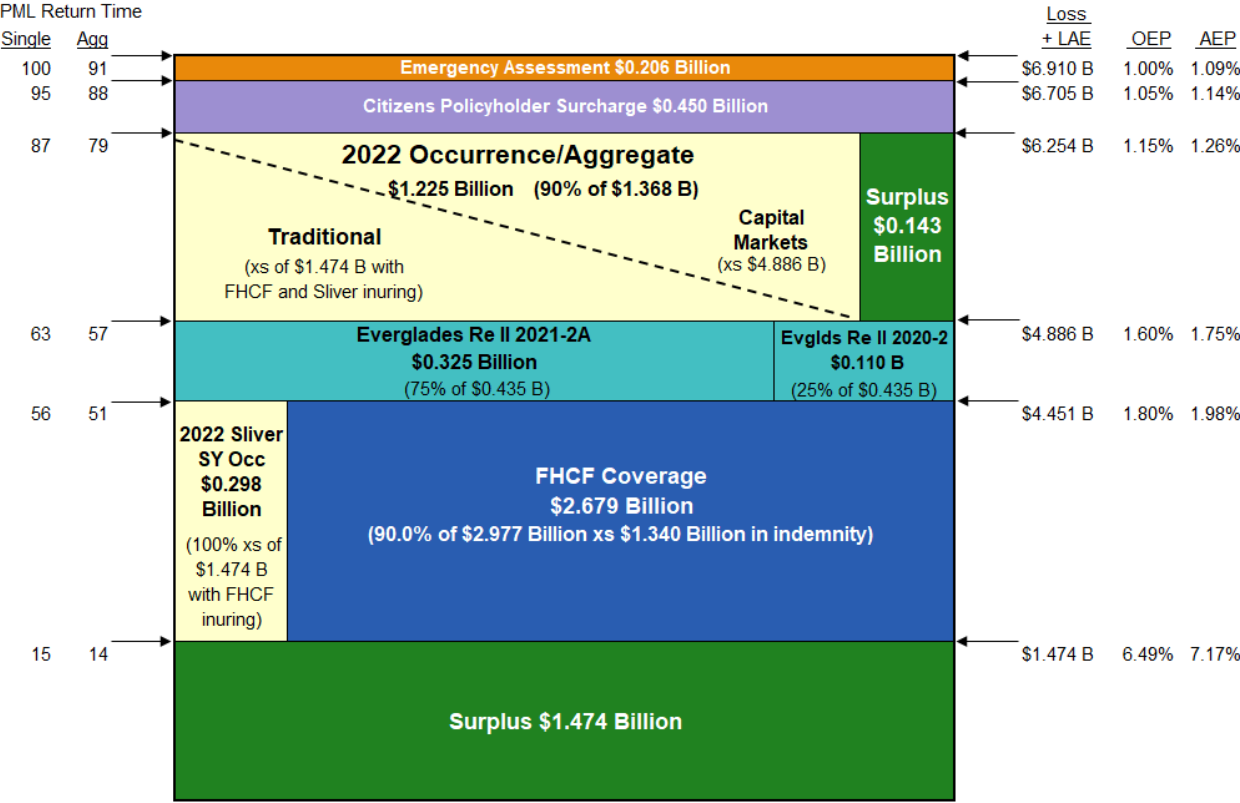
(\$ in billions)	
Policy Count (projected 9/30/22)	222,732
Total Insured Value (projected 9/30/22)	\$82
Projected Cost of Private Risk Transfer	\$0.210
Private Risk Transfer Coverage	\$2.510
PLA Net Underwriting Income	(\$0.077)
Combined Net Underwriting Income	(\$0.053)
Coastal Account Surplus	\$3.037
Surplus Used 1-in-100	\$1.716
Surplus Remaining	\$1.321
Surplus Exposed	56.5%
Policyholder Surcharge	\$0.000
Regular Assessment	\$0.000
Emergency Assessment	\$0.000



# 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%
<b>Policyholder Surcharge</b>	<b>\$0.450</b>
Regular Assessment	N/A
<b>Emergency Assessment</b>	<b>\$0.206</b>

(Not to scale)

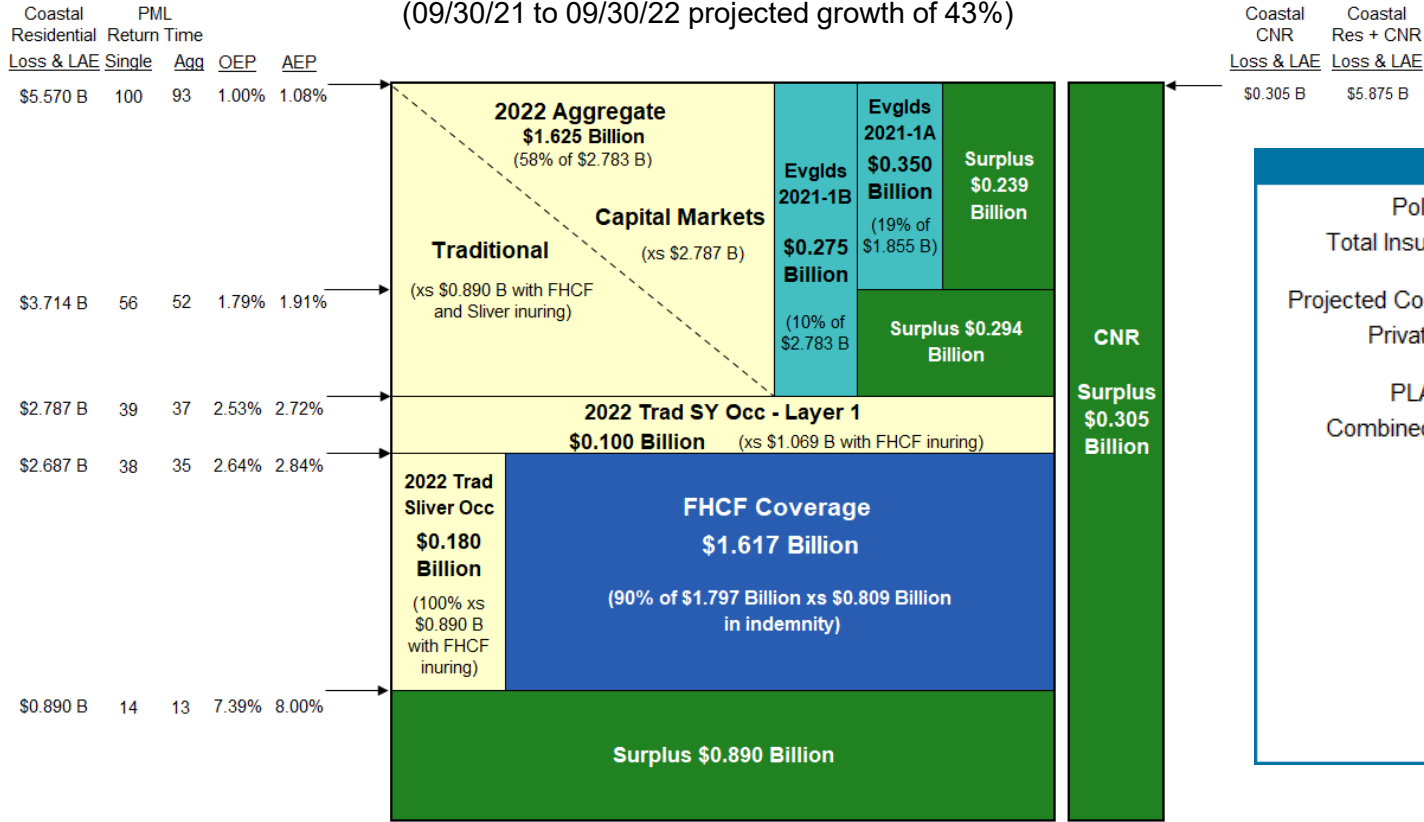


# 2022 Updated Forecast Scenario #1 (Budget Reinsurance Spend, 12/31/21 PMLs)

## 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%)



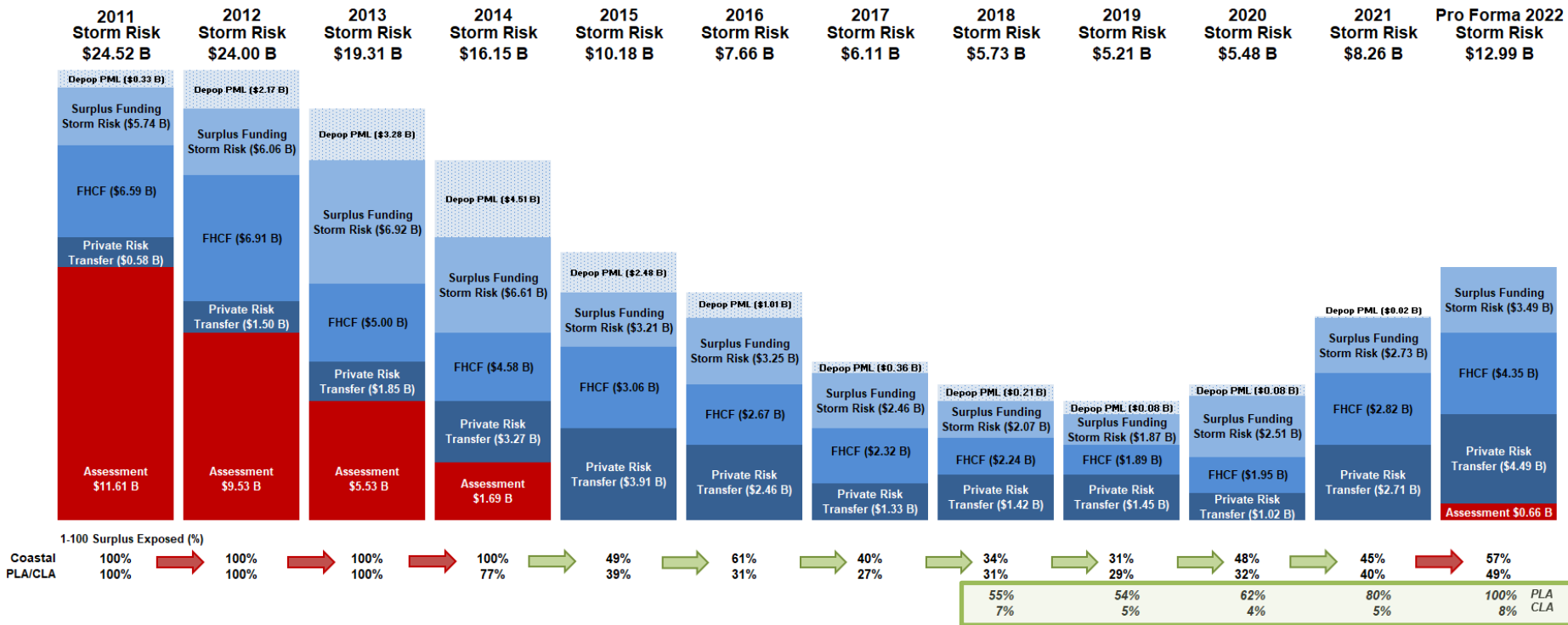
(\$ in billions)	
Policy Count (projected 9/30/22)	211,488
Total Insured Value (projected 9/30/22)	\$82
Projected Cost of Private Risk Transfer	\$0.210
Private Risk Transfer Coverage	\$2.530
PLA Net Underwriting Income	(\$0.074)
Combined Net Underwriting Income	(\$0.052)
Coastal Account Surplus	\$3.040
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



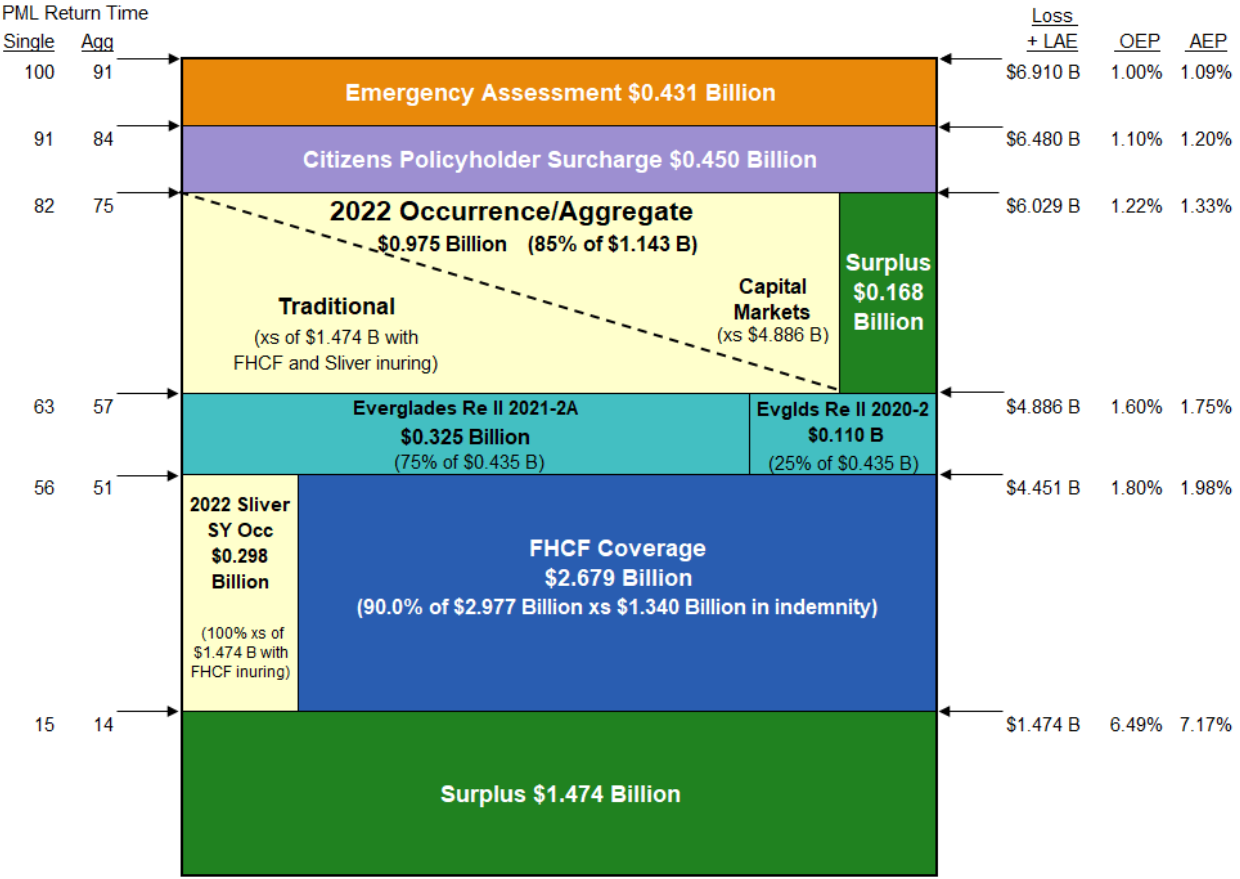
- Notes:**
- 1) Storm Risk is as measured by 1-in-100 year probable maximum loss (PML) plus estimated loss adjustment expenses using the Florida Hurricane Catastrophe Fund (FHCF) account allocation where PLA and CLA are combined. PLA/CLA combined PMLs are added to the Coastal PMLs to be consistent for 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 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 enforce 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)
<b>Combined Net Underwriting Income</b>	<b>\$0.000</b>
PLA Surplus	\$1.642
Surplus Used 1-in-100	\$1.642
Surplus Remaining	\$0.000
Surplus Exposed	100.0%
<b>Policyholder Surcharge</b>	<b>\$0.450</b>
Regular Assessment	N/A
<b>Emergency Assessment</b>	<b>\$0.431</b>

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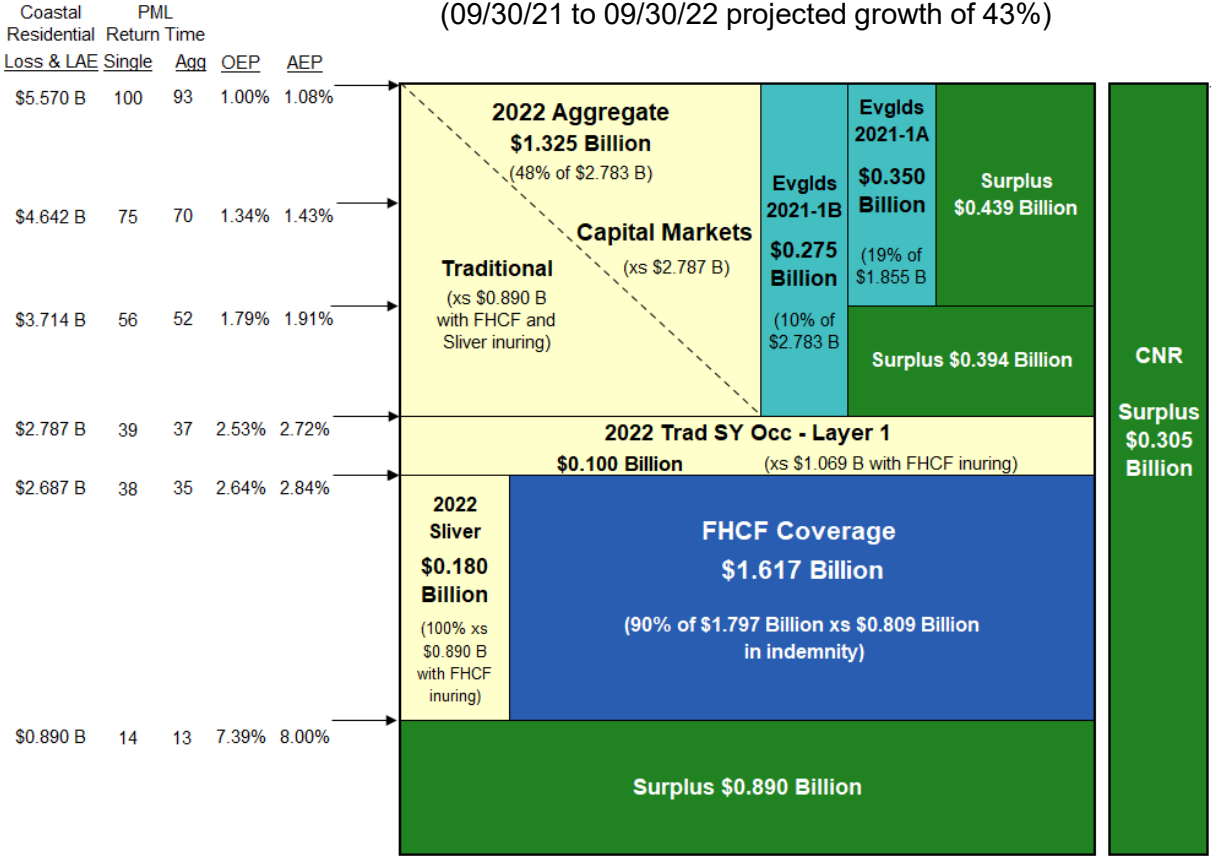


# 2022 Updated Forecast Scenario #2 (No Projected Combined Underwriting Loss)

## 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%)



Coastal CNR Loss & LAE: \$0.305 B  
 Coastal Res + CNR Loss & LAE: \$5.875 B

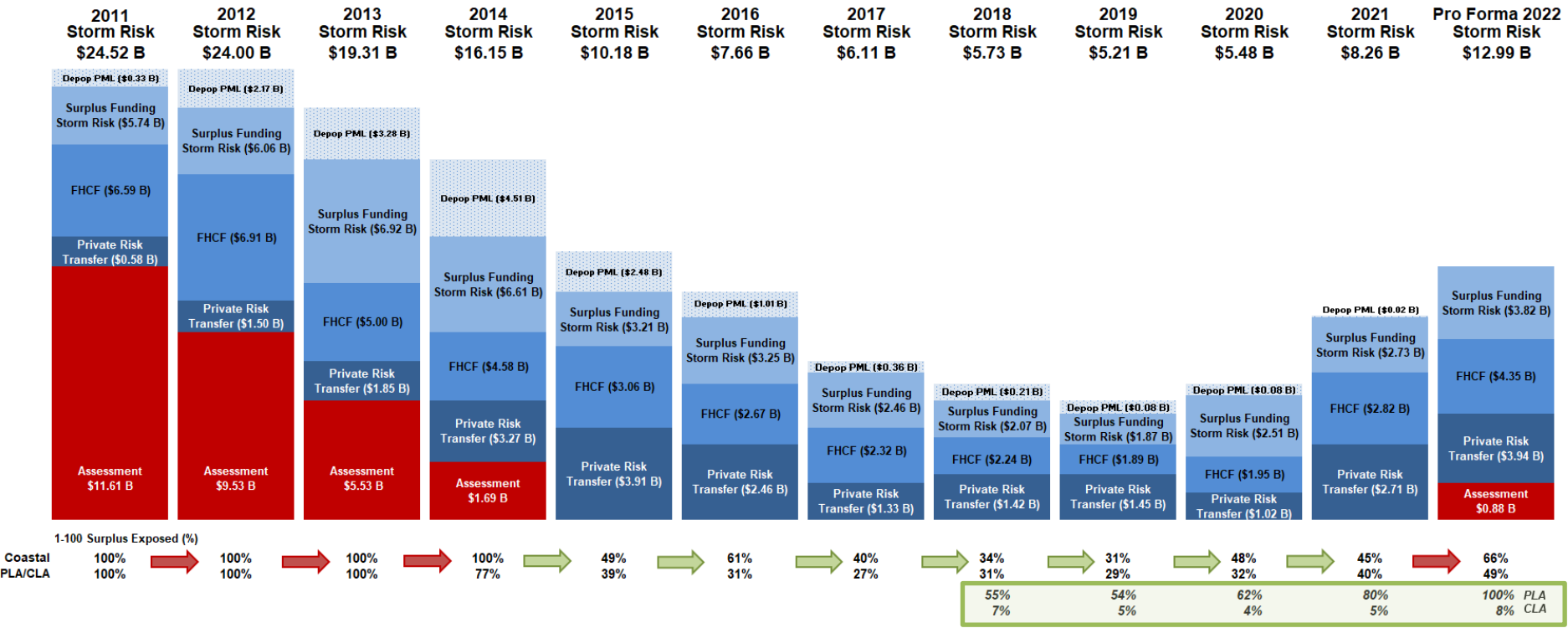
(\$ in billions)	
Policy Count (projected 9/30/22)	211,488
Total Insured Value (projected 9/30/22)	\$82
Projected Cost of Private Risk Transfer	\$0.182
Private Risk Transfer Coverage	\$2.230
PLA Net Underwriting Income	(\$0.049)
<b>Combined Net Underwriting Income</b>	<b>\$0.000</b>
Coastal Account Surplus	\$3.068
Surplus Used 1-in-100	\$2.028
Surplus Remaining	\$1.040
Surplus Exposed	66.1%
Policyholder Surcharge	\$0.000
Regular Assessment	\$0.000
Emergency Assessment	\$0.000

(Not to scale)



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

## Risk and Assessment Trend



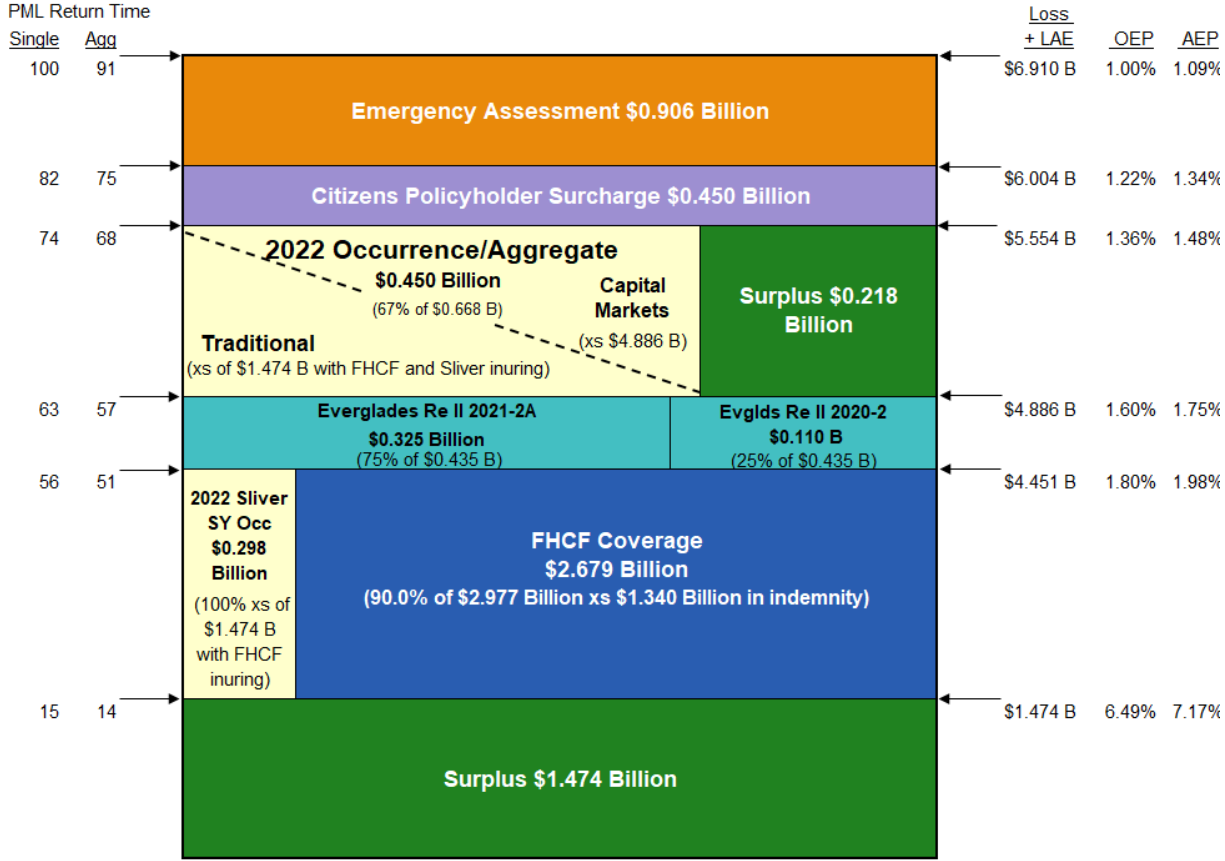
- Notes:**
- 1) Storm Risk is as measured by 1-in-100 year probable maximum loss (PML) plus estimated loss adjustment expenses using the Florida Hurricane Catastrophe Fund (FHCF) account allocation where PLA and CLA are combined. PLA/CLA combined PMLs are added to the Coastal PMLs to be consistent for 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 enforce 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%)



(\$ in billions)	
Policy Count (projected 9/30/22)	816,297
Total Insured Value (projected 9/30/22)	\$272
Projected Cost of Private Risk Transfer	\$0.116
Private Risk Transfer Coverage	\$1.183
<b>PLA Net Underwriting Income</b>	<b>\$0.000</b>
Combined Net Underwriting Income	\$0.023
PLA Surplus	\$1.692
Surplus Used 1-in-100	\$1.692
Surplus Remaining	\$0.000
Surplus Exposed	100.0%
<b>Policyholder Surcharge</b>	<b>\$0.450</b>
Regular Assessment	N/A
<b>Emergency Assessment</b>	<b>\$0.906</b>

(Not to scale)

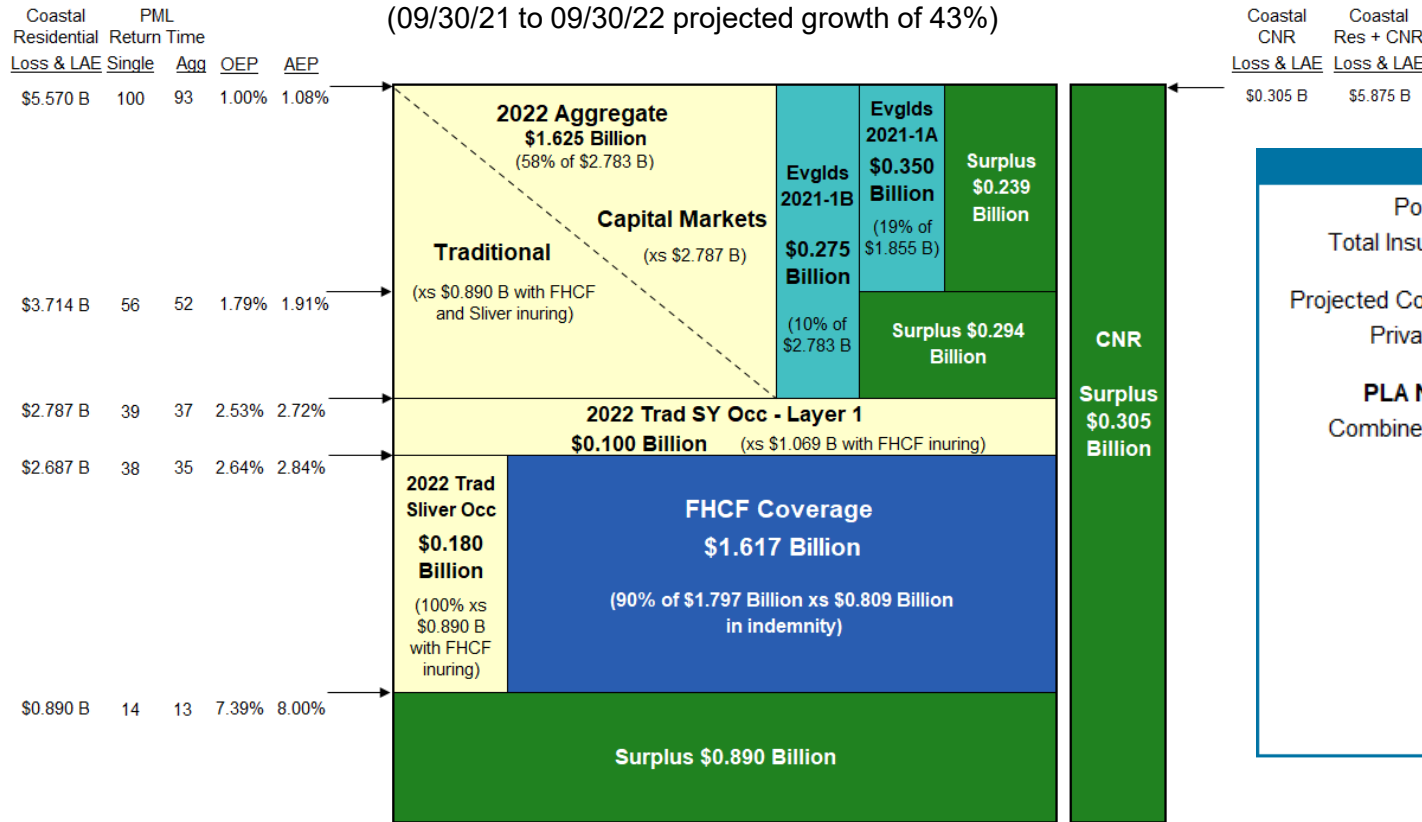


# 2022 Updated Forecast Scenario #3 (No Projected PLA Underwriting Loss)

## 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%)



	(\$ 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
<b>PLA Net Underwriting Income</b>	<b>\$0.000</b>
Combined Net Underwriting Income	\$0.023
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

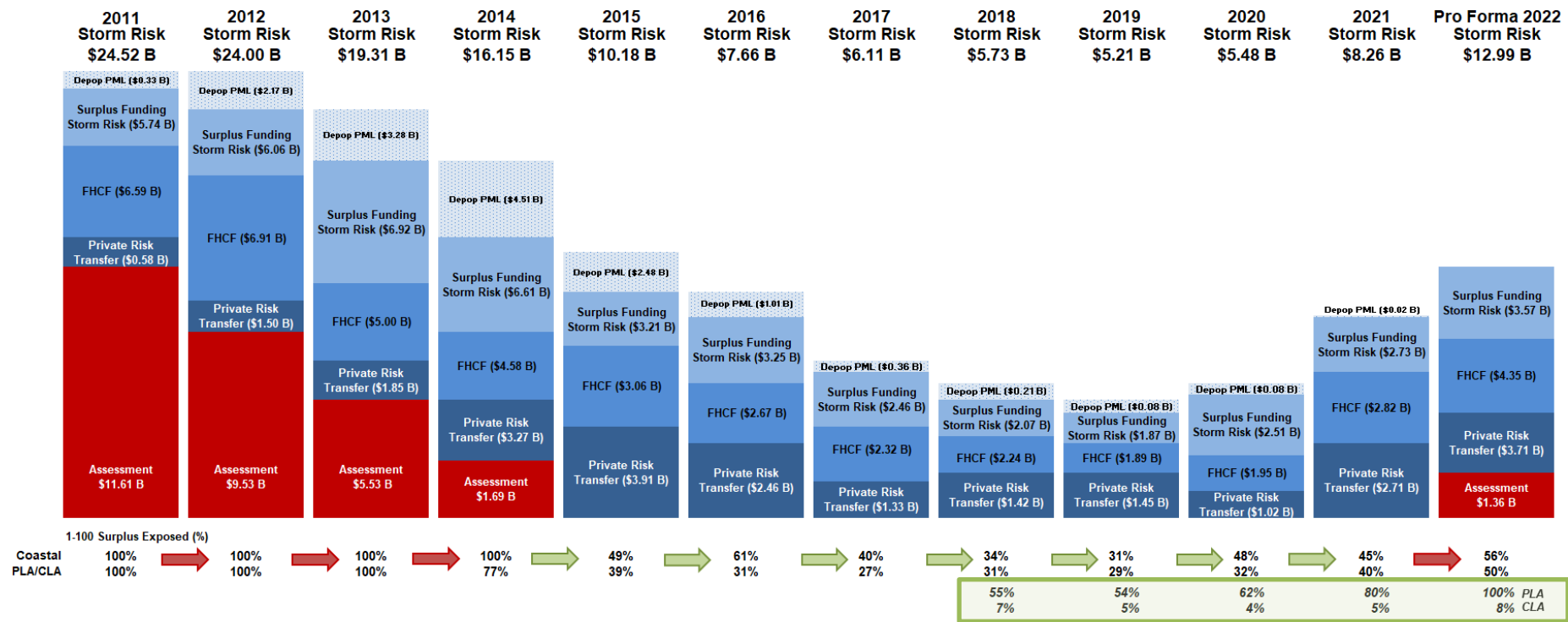
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# 2022 Updated Forecast Scenario #3 (No Projected PLA Underwriting Loss)

## 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 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.
  - 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 enforce 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.

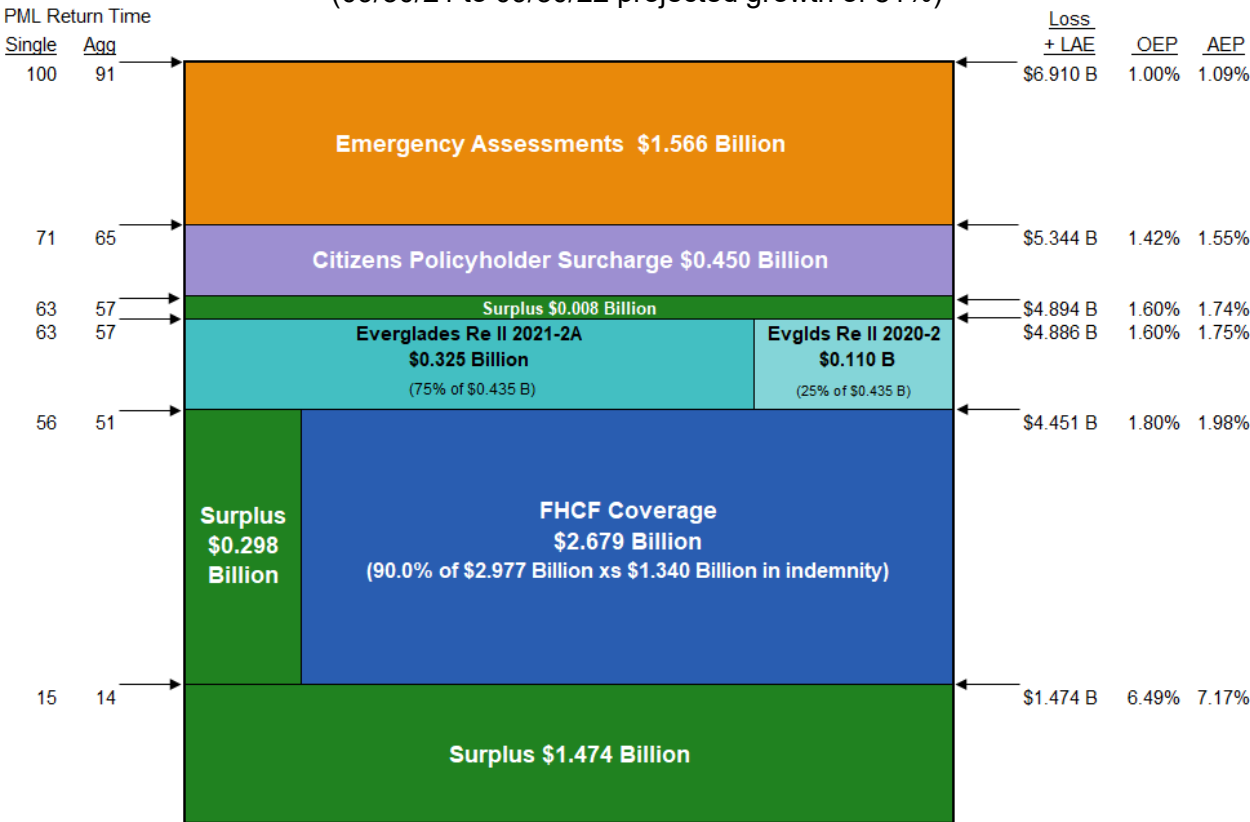


# 2022 Updated Forecast Scenario #4 (No New Risk Transfer Purchase)

## 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%
<b>Policyholder Surcharge</b>	<b>\$0.450</b>
Regular Assessment	N/A
<b>Emergency Assessment</b>	<b>\$1.566</b>

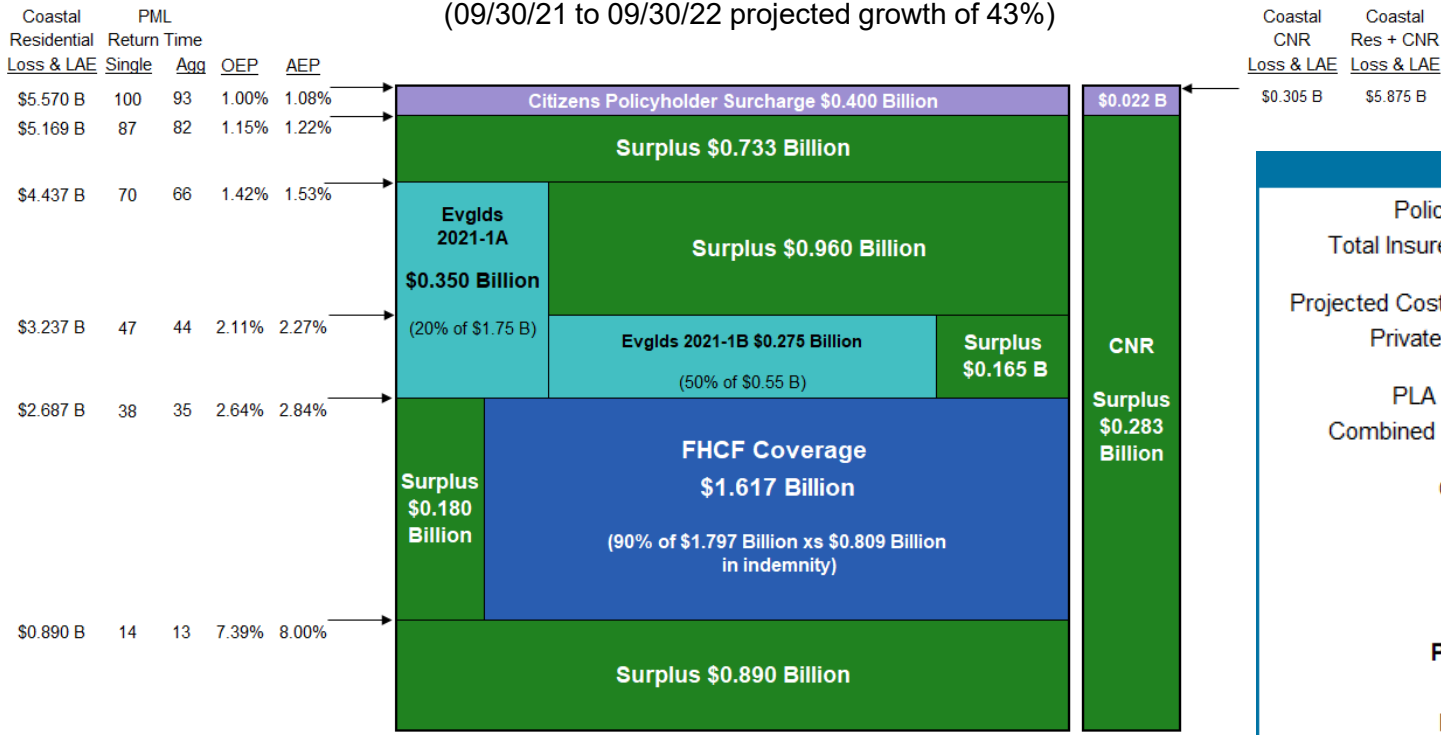
(Not to scale)



# 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%)



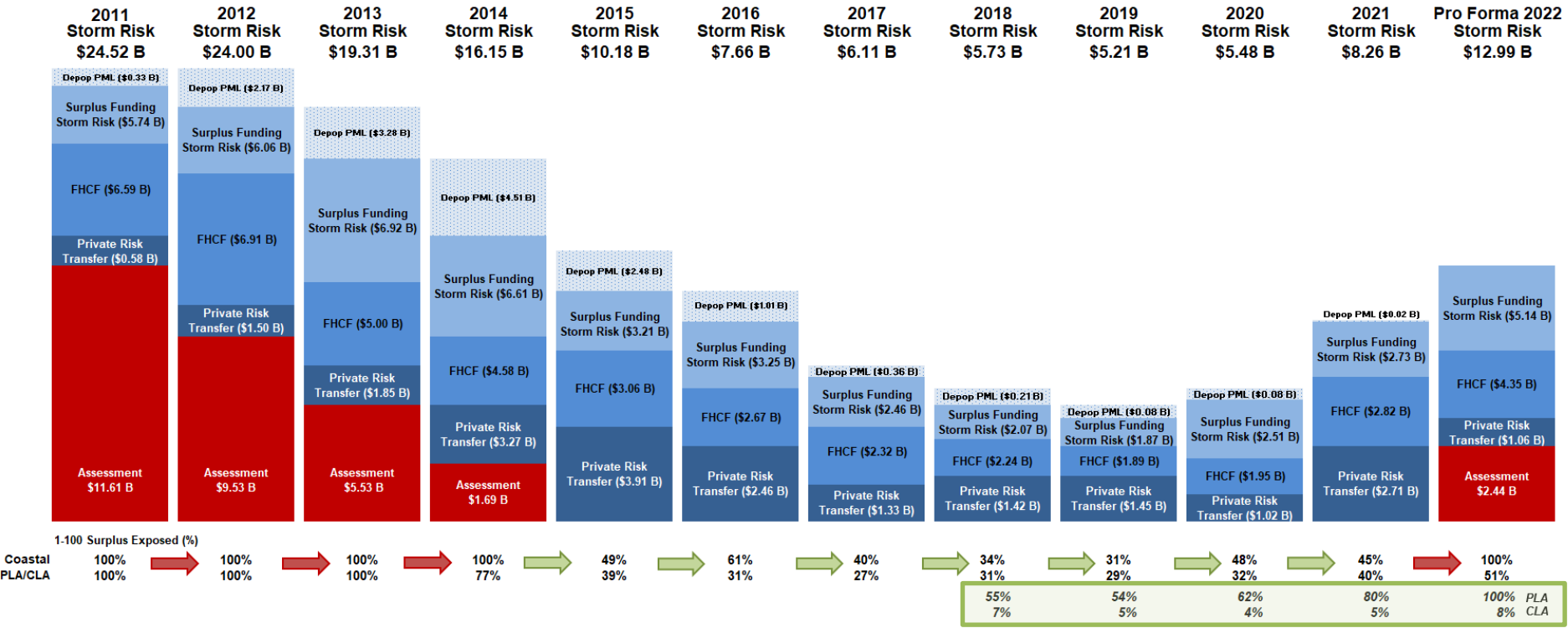
(\$ in billions)	
Policy Count (projected 9/30/22)	211,488
Total Insured Value (projected 9/30/22)	\$82
Projected Cost of Private Risk Transfer	\$0.040
Private Risk Transfer Coverage	\$0.625
PLA Net Underwriting Income	\$0.088
Combined Net Underwriting Income	\$0.281
Coastal Account Surplus	\$3.210
Surplus Used 1-in-100	\$3.210
Surplus Remaining	\$0.000
Surplus Exposed	100.0%
<b>Policyholder Surcharge</b>	<b>\$0.422</b>
Regular Assessment	\$0.000
Emergency Assessment	\$0.000

(Not to scale)



# 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 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 enforce 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

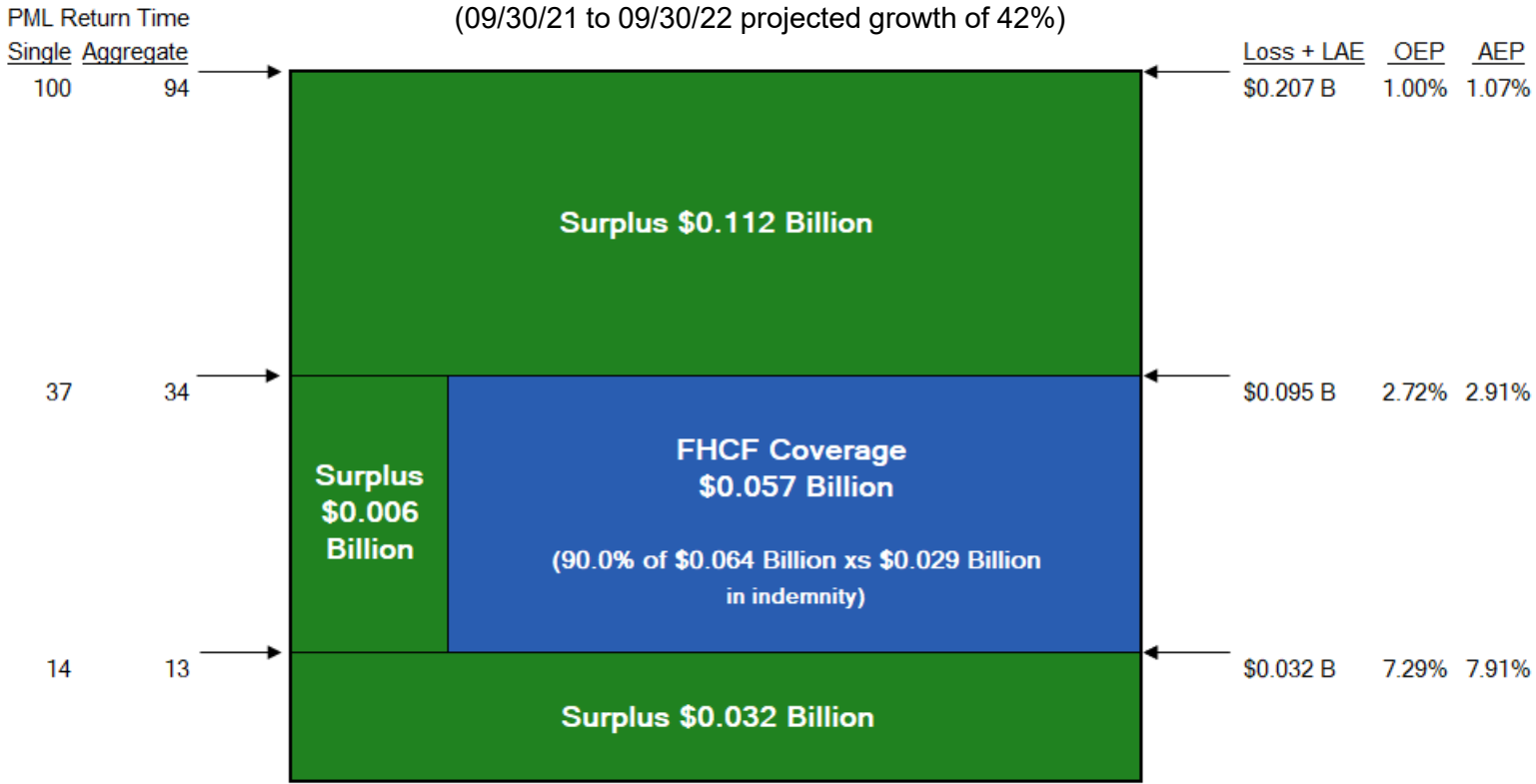
Scenarios (\$ in billions)		Budget	1	2	3	4
Personal Lines Account (PLA)	Policy Count (projected 9/30/22)	777,242	816,297			
	Total Insured Value (projected 9/30/22)	\$243.00	\$272.00			
	Projected Cost of Private Risk Transfer	\$0.190	\$0.190	\$0.165	\$0.116	\$0.028
	Private Risk Transfer Coverage	\$1.886	\$1.958	\$1.708	\$1.183	\$0.435
	Surplus Exposed	100.0%	100.0%	100.0%	100.0%	100.0%
	Policyholder Surcharge	\$0.000	<b>\$0.450</b>	<b>\$0.450</b>	<b>\$0.450</b>	<b>\$0.450</b>
	Regular Assessment	N/A	N/A	N/A	N/A	N/A
	Emergency Assessment	\$0.000	<b>\$0.206</b>	<b>\$0.431</b>	<b>\$0.906</b>	<b>\$1.566</b>
	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	<b>\$0.422</b>
	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	<b>\$0.656</b>	<b>\$0.881</b>	<b>\$1.356</b>	<b>\$2.438</b>

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

# Appendix

# 2022 CLA Layer Chart

## 12/31/21 PMLs with 10% LAE and 30% Growth Adjustment (09/30/21 to 09/30/22 projected growth of 42%)



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.





# 2022 Risk Transfer Program

Additional Scenario for PLA with no Surcharge or Assessment

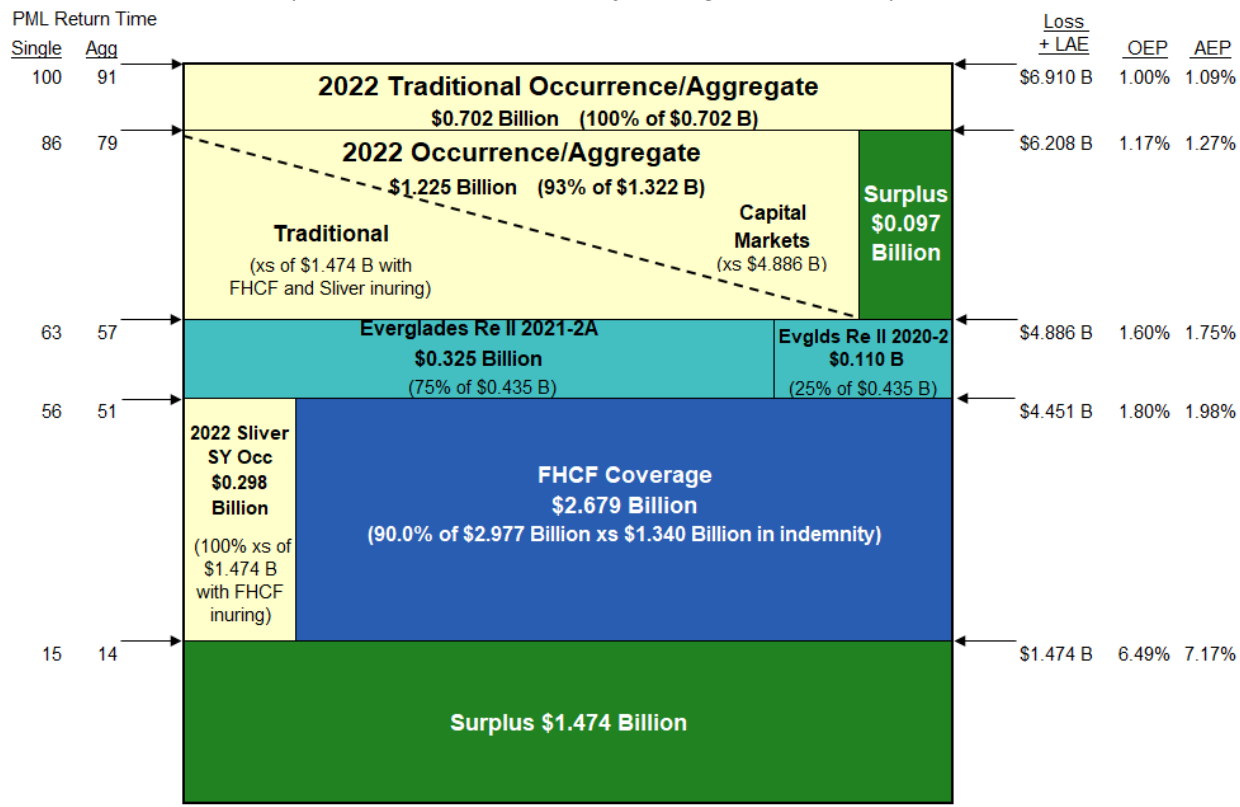
March 18 & 23, 2022



# 2022 Updated Forecast Scenario #1b (Cover up to 1-in-100 with an additional \$46 M spend)

## 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%)



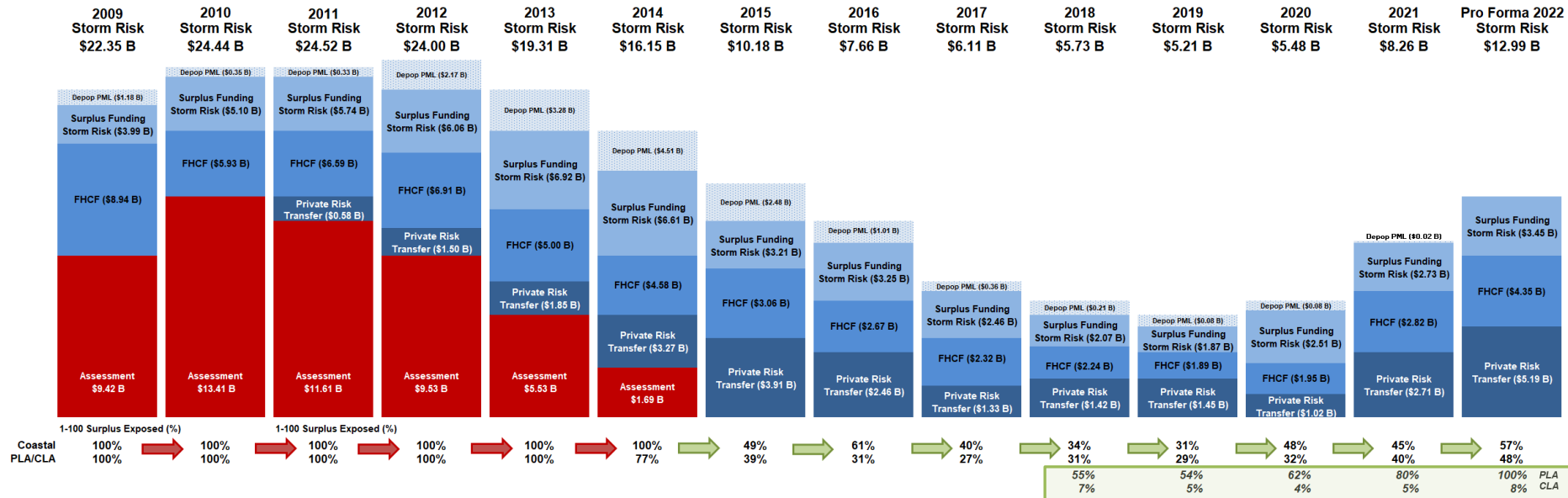
(\$ in billions)	
Policy Count (projected 9/30/22)	816,297
Total Insured Value (projected 9/30/22)	\$272
Projected Cost of Private Risk Transfer	\$0.236
Private Risk Transfer Coverage	\$2.660
PLA Net Underwriting Income	(\$0.120)
Combined Net Underwriting Income	(\$0.098)
PLA Surplus	\$1.571
Surplus Used 1-in-100	\$1.571
Surplus Remaining	\$0.000
Surplus Exposed	100.0%
Policyholder Surcharge	\$0.000
Regular Assessment	N/A
Emergency Assessment	\$0.000

(Not to scale)



# 2022 Updated Forecast Scenario #1b (Cover up to 1-in-100 with an additional \$46 M spend)

## 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 with the exception of 2009 and 2010 which are year end audited statutory values. 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.
  - Florida Hurricane Catastrophe Fund (FHCF) is as projected at beginning of storm season; with the exception of 2009-2010 which are actual audited, 2017-2019 which are Citizens' initial data submission to the FHCF, and 2021 which is an estimate based on June, 30 2021 month end enforce 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.

(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 Updated Forecast Scenario #1b, 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
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# 2022 Risk Transfer Program

Potential Policyholder Impact from Surcharges/Assessments  
Scenarios #1 through #4

March 18 & 23, 2022



# Potential Policyholder Impact from Surcharges/Assessments

## 2022 Risk Transfer Program Scenarios #1 through #4

Initial Assumptions	Citizens Capped Policy	Citizens Uncapped Policy <sup>(2)</sup>	Other Insurer
Annual Homeowner Policy Premium <sup>(1)</sup>	\$2,950	\$3,625	\$2,442
Annual Auto Policy Premium <sup>(3)</sup>	\$2,364	\$2,364	\$2,364
<b>Total Annual Insurance Premium</b>	<b>\$5,314</b>	<b>\$5,989</b>	<b>\$4,806</b>

Surcharges/Assessments	Scenario #1			Scenario #2			Scenario #3			Scenario #4		
	Citizens Capped Policy	Citizens Uncapped Policy <sup>(2)</sup>	Other Insurer	Citizens Capped Policy	Citizens Uncapped Policy <sup>(2)</sup>	Other Insurer	Citizens Capped Policy	Citizens Uncapped Policy <sup>(2)</sup>	Other Insurer	Citizens Capped Policy	Citizens Uncapped Policy <sup>(2)</sup>	Other Insurer
PLA Policyholder Surcharge <sup>(4)</sup>	15.0%	15.0%	N/A	15.0%	15.0%	N/A	15.0%	15.0%	N/A	15.0%	15.0%	N/A
Coastal Account Policyholder Surcharge <sup>(4)</sup>	0.0%	0.0%	N/A	0.0%	0.0%	N/A	0.0%	0.0%	N/A	14.1%	14.1%	N/A
PLA Emergency Assessment <sup>(5)</sup>	0.4%	0.4%	0.4%	0.8%	0.8%	0.8%	1.6%	1.6%	1.6%	2.8%	2.8%	2.8%

Premium With Surcharges/Assessments	Citizens Capped Policy	Citizens Uncapped Policy <sup>(2)</sup>	Other Insurer	Citizens Capped Policy	Citizens Uncapped Policy <sup>(2)</sup>	Other Insurer	Citizens Capped Policy	Citizens Uncapped Policy <sup>(2)</sup>	Other Insurer	Citizens Capped Policy	Citizens Uncapped Policy <sup>(2)</sup>	Other Insurer
Annual Homeowner Policy Premium	\$3,403	\$4,182	\$2,451	\$3,415	\$4,197	\$2,461	\$3,440	\$4,228	\$2,482	\$3,890	\$4,780	\$2,511
Annual Auto Policy Premium	\$2,373	\$2,373	\$2,373	\$2,382	\$2,382	\$2,382	\$2,402	\$2,402	\$2,402	\$2,430	\$2,430	\$2,430
<b>Total Annual Insurance Premium</b>	<b>\$5,776</b>	<b>\$6,555</b>	<b>\$4,824</b>	<b>\$5,797</b>	<b>\$6,579</b>	<b>\$4,843</b>	<b>\$5,843</b>	<b>\$6,630</b>	<b>\$4,884</b>	<b>\$6,320</b>	<b>\$7,211</b>	<b>\$4,941</b>
Resulting \$ Difference in Total	\$462	\$566	\$18	\$483	\$590	\$37	\$529	\$641	\$78	\$1,006	\$1,222	\$135
Resulting % Difference in Total	8.7%	9.4%	0.4%	9.1%	9.9%	0.8%	9.9%	10.7%	1.6%	18.9%	20.4%	2.8%

- (1) Annual Homeowner Policy Premium is the statewide average for HO-3/HO-8 policies in force as of 09/30/2021 as submitted to the Florida Office of Insurance Regulation in QUASR required reporting
- (2) The Citizens Uncapped Policy Premium has been adjusted to reflect the full indicated premium rates (no glidepath rate cap applied)
- (3) Annual Auto Policy Premium is the statewide average annual full coverage car insurance from Quadrant Information Services (<https://www.bankrate.com/insurance/car/average-cost-of-car-insurance-in-florida/>)
- (4) Citizens Policyholder Surcharge is one time, applies to Citizens' policyholders only and is up to a maximum of 45% of premium (15% per account for Coastal, PLA, and/or CLA deficits)
- (5) The Emergency assessment may be a single or multiyear assessment. It applies to Citizens and private-market policyholders and may be up to 30% of premium per year until any remaining deficit is eliminated (10% per account). In this example, it is treated as a single one-time assessment.

