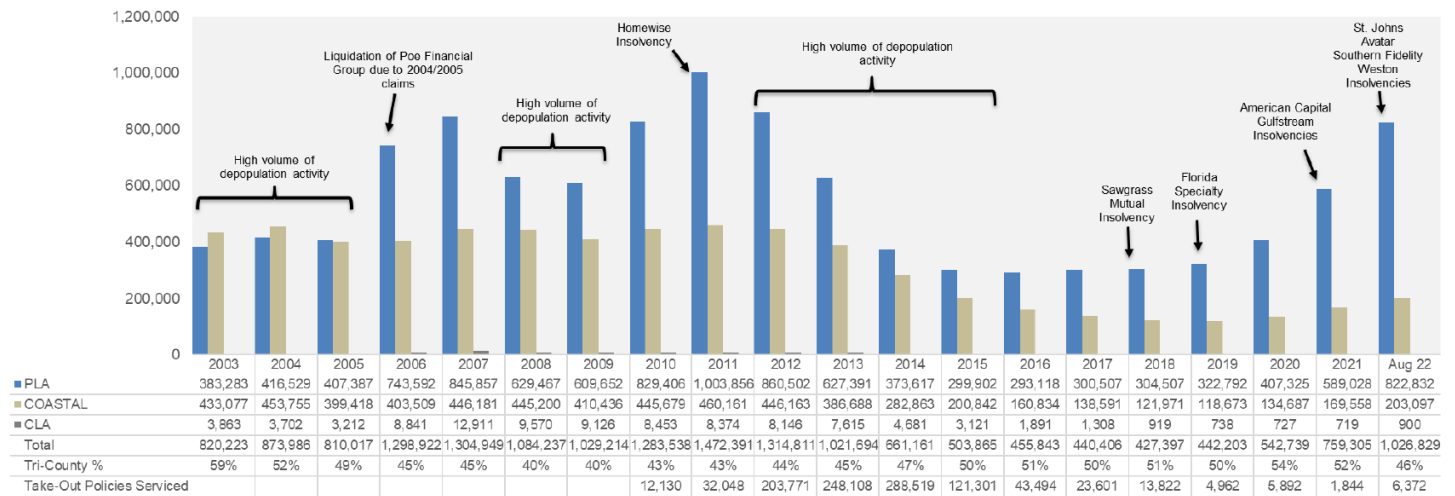


Many of the numbers that I will share with you today for both Citizens and the overall Florida Market on the surface are concerning to say the least but viewed over time are consistent with those that have occurred in the past. In fact, Citizens is filling the role for which it was originally intended by the legislature. A review of an FSU study¹ that will be published reviewing the Impact of Hurricane Andrew on the property market introduces some interesting perspectives I will comment on later.

Citizens publishes a monthly metrics report that is distributed to our Board Members.

(Please refer to Exhibit 1)

Policies in Force by Year and Account



➤ Historical data by County prior to 2003 and for Take-Out Policies Served prior to 2010 are not available.

This clearly shows that Citizens has been a roller-coaster ride since its formation in 2002. Customer count increases or decreases depending on the profitability of the private market. In fact, more specifically, the roller-coaster ride has been a direct result of the insolvencies over time due to industry unprofitability. Companies become insolvent and the business moves into Citizens to stabilize the market. The FSU study adds more perspective on Citizen’s customer count but over a broader period. From 1984 to 2021 the number of companies writing business in Florida has been a revolving door. During this period 370 different companies have written homeowners insurance in Florida. On average, in any given year, 103 companies compete for that business in this State. Only eight of those companies are still writing business in 2021. *Yes, that is eight out of 370.*

This really speaks to market instability, not just today but over time. We are now a market dominated by Domestic Insurers that tend to be smaller companies more reliant on reinsurance and the capital markets. History indicates that these companies tend to be far less stable than National Carriers. It would be difficult to argue that the makeup and instability of the market is due, in part, to the unintended consequences of HB1A in 2007. National Companies, investors in Domestic Companies and Reinsurers all make decisions on capital

allocation based on their ability to generate a consistent reasonable rate of return. HB1A created serious limitations that factor into their decisions.

The lack of stability and reliance on reinsurance clearly is also having a significant impact on Citizens numbers driving the customer counts upward once again. We know that Florida pricing, to a large degree, is dictated by reinsurance pricing that can range from 40-50% of every premium dollar. As I will discuss later reinsurance capacity is not only driven by storm activity but by litigation and the loss development trends resulting from the increased litigation.

Including the insolvency of Florida Specialty in November 2019 there have been seven other insolvencies in the last two years as well as OIR consent orders that were issued to protect the financial condition of several companies.

(Please refer to Exhibit 2)

Insolvencies and Consent Orders

Carrier	Original Policy Count	Total Policies to Citizens	% of Original Policy Count Written by Citizens
Florida Specialty	90,059	22,454	25%
Capitol Preferred	23,000	1,036	5%
Gulfstream	14,328	3,034	21%
Universal	13,294	2,781	21%
Southern Fidelity	2,178	465	21%
Gulfstream	32,324	5,048	16%
St. Johns	20,000	5,086	25%
Avatar	36,559	14,231	39%
Lighthouse	27,244	7,713	28%
FedNat	65,442	19,740	30%
Southern Fidelity	77,008	27,858	36%
Weston	19,780	11,183	57%
	421,216	120,629	29%
United Property & Casualty	187,000	1,122	1%

This shows the companies that have become insolvent along with the number of policies and the percentage of these policies moved to Citizens. We are writing an increasing percentage of the involved policies averaging in the 30-35% range with exceptions like Weston where we will write more than 60% of the business that is being non-renewed.

PRESIDENT'S REPORT SEPTEMBER 2022

As I displayed earlier on the *ELT Metrics Report* Citizens reached a low of 414,000 policies and \$108 billion in exposure down from a peak of 1.5 million policyholders and more than \$512 billion in exposure. As this exhibit shows, as of 8/31/22, we had again reached over 1 million policies and \$360 billion in exposure. While the growth rate is increasing, the impact of recent insolvencies clearly had an impact of the level of growth, however you cannot ignore the fact that the new business per month has been averaging over 60,000 for the past few months.

(Please refer to Exhibit 3)

In Force Policy Count and New Business by month as of August 2022



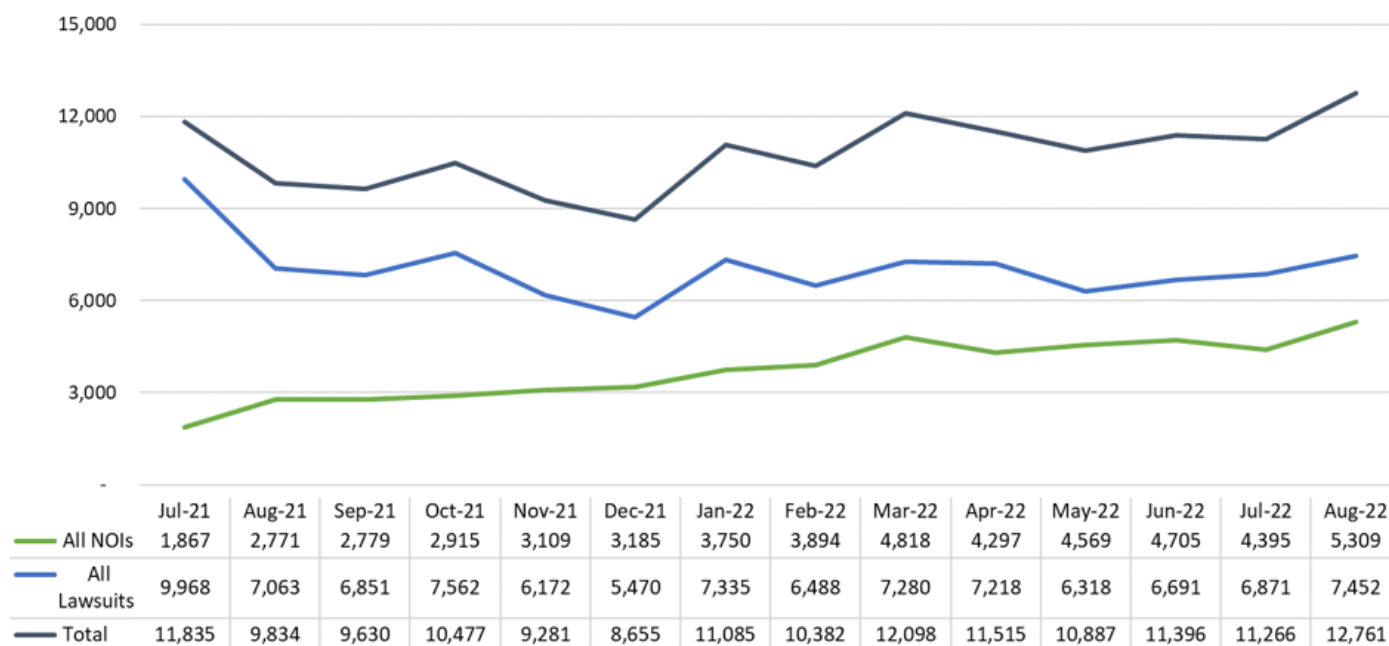
Citizens market share, currently at 13% will reach 15% by year end. While this is the overall share - the impact on the Southeast Counties is far greater. Residential market share for Dade County is now 39%, Broward County is 30%, Palm Beach County 22% and Monroe County is at 71%. I should point out that at Citizens "Peak" in 2022 we had reached 23%. These numbers relate to personal residential. While we have reduced the commercial business to 5,062 policies this does reflect an increase of 817 policies in the last 2.5 months driven to a large degree by the Weston Property and Insurance Company cancellations.

I do believe that SB76 and Special Session Legislation, particularly the AOB changes, will have an impact over time. But as you can see in the next exhibit the combined litigation numbers for the industry and for Citizens has not yet experienced the benefit of the legislation that has been passed, in fact the driver for the increase continues to be AOB.

PRESIDENT'S REPORT SEPTEMBER 2022

(Please refer to Exhibit 4)

NOIs and Lawsuits July 2021 to Aug 2022 (All Carriers)



Source: "Service of Process Reports" (LSOP Reports), Property Insurance Intent to Initiate Litigation (NOI Reports) Florida Department of Financial Services and July 2021 – August 2022.

2

(Please Refer to Exhibit 5)

Year	Citizens Lawsuits	Citizens AOB Lawsuits	Citizens AOB %	Lawsuits All Others	AOB All Others	All Other AOB %	Total Lawsuits	Total AOB Lawsuits	Total AOB %	Total NOI	Lawsuits and NOI
2013	9,146	860	9.4%	18,270	4,613	25.2%	27,416	5,473	20.0%		27,416
2014	9,525	1,062	11.1%	22,122	4,820	21.8%	31,647	5,882	18.6%		31,647
2015	7,653	1,250	16.3%	30,167	6,645	22.0%	37,820	7,895	20.9%		37,820
2016	10,061	3,242	32.2%	31,790	5,968	18.8%	41,851	9,210	22.0%		41,851
2017	7,624	2,718	35.7%	41,524	9,772	23.5%	49,148	12,490	25.4%		49,148
2018	13,363	3,631	27.2%	69,300	17,421	25.1%	82,663	21,052	25.5%		82,663
2019	9,877	3,886	39.3%	74,210	24,694	33.3%	84,087	28,580	34.0%		84,087
2020	7,853	2,007	25.6%	77,154	15,676	20.3%	85,007	17,683	20.8%		85,007
2021	10,367	3,047	29.4%	89,152	22,867	25.6%	99,519	25,914	26.0%	16,626	116,145
2022	8,495	3,936	46.3%	47,158	14,795	31.4%	55,653	18,731	33.7%	35,737	91,390
Total	93,964	25,639	27.3%	500,847	127,271	25.4%	594,811	152,910	25.7%	52,363	647,174

Industry lawsuits increased from 85,007 to 99,519 in 2021 and if you include NOI's in the numbers the increase was from 85,000 in 2020 to 116,000 in 2021 and through August the *Lawsuit and NOI Volume* was already at 91,390. The legislative changes of course have also not had an opportunity to impact the industry financials significantly at this point. Domestic and Foreign financials through mid-year also show limited improvement with Negative Net Income of \$452 million and is projected to again exceed a \$1 billion loss by year end when timing of reinsurance payments is considered. If these numbers remain in the Red, then Investors and Reinsurers are going to remain wary of jumping into the market again to provide capacity.

Let me close on an optimistic note. Citizens Property Insurance (as the largest residual insurance company in the United States) is operating as it has historically and consistently with legislative intent providing stability to the market. If you accept the fact that 400,000 residual market policy holders are a reasonable number in a State with Florida's issues that means that there are opportunities for investors to participate in close to a million customers by year end and \$2.3 billion in revenue out of an estimated \$3.1 billion by year end. (With no acquisition cost) As Citizens grows the overall quality of the book is improving. We have been adding more preferred policies, that are clearly not residual policies, an example would be 4% of our policies are homes less than 10 years old. This provides significant opportunities to attract investors and convince financially stable companies to write more business. To attract investors, Citizens rates must not be more competitive than private market rates and the Legislature must address the continuing litigation crisis.