

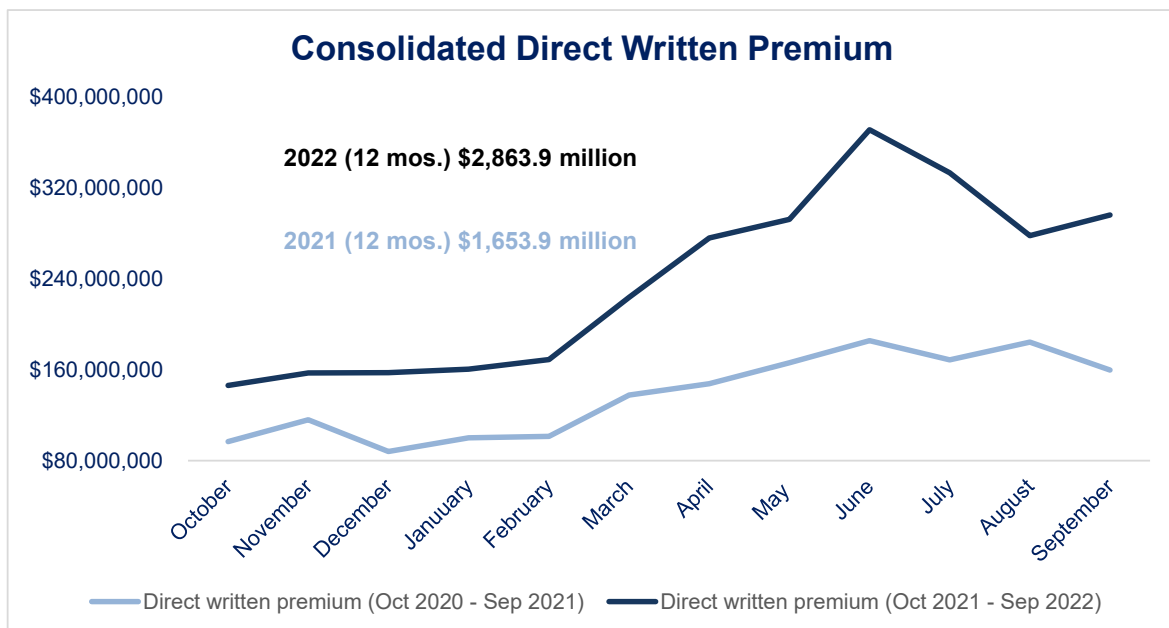
The following is an analysis of Citizens’ financial and operating results through the period ending September 30, 2022.

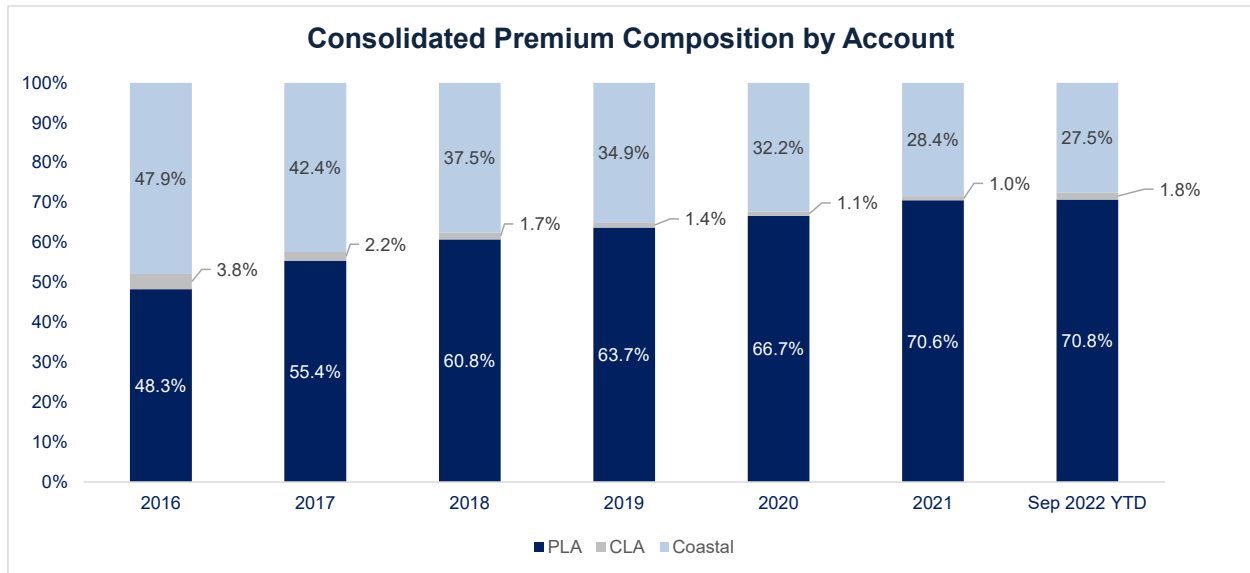
**- PREMIUMS -**

Consolidated direct written premium through September 30, 2022 was \$2,402.5 million or \$1,352.8 (78%) greater than consolidated direct written premium for the same period in 2021. The overall renewal rate during the first nine months of 2022 was approximately 80%, marking a 4% decrease from the same period a year ago. While the renewal rate has decreased, the number of first-time policies written increased to 456,000 compared to 267,000 policies during the first three quarters of 2021. This is the most first-time policies Citizens has written in any nine-month period over the last 11 years. Premiums removed through depopulation of \$13.8 million through September 30, 2022 were \$12.1 million (672%) more than in during the same period in 2021.

	<b>9-months ended</b>	
	<b>Sep 2022</b>	<b>Sep 2021</b>
New Business	455,479	266,154
Untagged Takeouts	2	4
Reinstatements	16,005	9,999
Cancellations	(87,489)	(76,344)
Non-Renewals	(62,596)	(32,564)
New Tags for Takeout	(8,856)	(1,069)
Net change	312,545	166,180
Ending PIF	1,071,850	708,919

Consolidated direct earned premium increased \$658.8 million (64%) consistent with an increase in direct premiums written.





Premiums ceded through reinsurance, including premiums ceded to the Florida Hurricane Catastrophe Fund, of \$540.8 million were \$108.3 million (25%) more than premiums ceded in 2021. The increase in exposure, driven by an increase in policy count, along with an increase in the cost of reinsurance contributed most significantly to the year-over-year increase in premiums ceded through reinsurance.

**- LOSSES -**

Non-CAT Only	Consolidated			Personal Lines Account			Commercial Lines Account			Coastal Account		
	Q3 2022	CY 2021	Q3 2021	Q3 2022	CY 2021	Q3 2021	Q3 2022	CY 2021	Q3 2021	Q3 2022	CY 2021	Q3 2021
Direct loss ratio	31.4%	30.3%	32.4%	38.5%	37.8%	40.1%	9.4%	6.9%	10.5%	14.4%	14.1%	16.0%
Direct loss ratio (underlying)	31.3%	29.9%	32.1%	38.5%	37.6%	39.8%	10.1%	3.0%	2.9%	13.9%	12.9%	15.7%
Direct LAE ratio	16.4%	16.2%	19.3%	19.6%	19.8%	23.3%	6.7%	0.8%	0.3%	8.8%	8.6%	10.7%
Direct LAE ratio (underlying)	15.7%	15.6%	18.3%	18.8%	18.8%	21.8%	4.7%	1.6%	1.7%	8.4%	8.6%	11.0%

CAT and Non-CAT	Consolidated			Personal Lines Account			Commercial Lines Account			Coastal Account		
	Q3 2022	CY 2021	Q3 2021	Q3 2022	CY 2021	Q3 2021	Q3 2022	CY 2021	Q3 2021	Q3 2022	CY 2021	Q3 2021
Direct loss ratio	227.1%	40.6%	37.6%	220.4%	48.1%	45.4%	220.3%	29.8%	6.2%	244.6%	23.8%	21.1%
Direct loss ratio (underlying)	227.0%	29.9%	32.1%	220.6%	37.6%	39.8%	206.3%	3.0%	2.9%	244.4%	12.9%	15.7%
Direct LAE ratio	46.2%	24.4%	21.1%	47.2%	29.6%	25.2%	38.9%	2.8%	3.7%	43.8%	13.1%	12.5%
Direct LAE ratio (underlying)	45.1%	15.6%	18.3%	46.1%	18.8%	21.8%	34.1%	1.6%	1.7%	42.9%	8.6%	11.0%

The term *underlying* refers to losses and LAE on claims incurred in the current accident year and excludes development on prior accident years

On September 28, 2022, Hurricane Ian made landfall in Southwest Florida. As of the September 30, 2022, Citizens is projecting total direct loss and LAE of 3.782 billion across all accounts. The estimated reinsurance recoverables are \$1.356 billion, resulting in a net impact to Citizens of \$2.426.

Consolidated ultimate direct losses and LAE related to Hurricanes Irma and Michael were \$2.394 billion and \$150.0 million, respectively, reflecting no change from December 31, 2021.

Of the \$2.394 billion in ultimate loss and LAE across all accounts related to Hurricane Irma, \$1.010 billion is recoverable under Citizens' reinsurance contracts with both the FHCF (\$587.5 million in the PLA and \$278.0 million in the Coastal Account) and private reinsurers (\$144.7 million in the Coastal Account only). No reinsurance recoverables associated with Hurricane Michael were recorded due to the losses and LAE not meeting the attachment levels of reinsurance arrangements.

Through September 30, 2022 there was no development on Tropical Storms Eta and Sally. Total loss and LAE reserves associated with Tropical Storms Eta and Sally were \$238.1 million at September 30, 2022. Tropical Storms Eta and Sally did not meet the attachment levels of Citizens' reinsurance program, and therefore, there are no ceded losses and LAE associated with these storms.

Current accident year losses and LAE unrelated to sinkholes and hurricanes did not experience meaningful variances from the prior quarter as development of prior accident year losses and LAE was as expected.

The 2022 accident year non-catastrophe loss and LAE ratios for the PLA and Coastal account are relatively flat compared to year end 2021. The dominant driver behind the improvement in loss and LAE over the past several years is the improvement in litigation rates, which continues to be the single most important factor in non-catastrophe losses and LAE. For accident year 2021, the litigation rate for non-catastrophe/non-sinkhole claims was approximately 15% in both the PLA and Coastal Account. This 15% litigation rate for 2021 is less than half of what it was from its peak in 2015. While still immature, results through the first three quarters of accident year 2022 for these accounts are showing signs of similar results compared to accident year 2021. The underlying CLA loss and LAE ratio increased to 14.8%, however this is driven by the inherent volatility in the CLA due to the low premium volume. The increase in the CLA results is not caused by any systemic changes to the underlying loss experience or book of business.

Within the CLA, losses and LAE related to sinkhole claims were relatively unchanged, however, volatility in these outstanding sinkhole claims have the potential to contribute to material quarterly variances in the reported loss and LAE ratios in future periods. While loss and LAE development within the CLA are less significant to the accident years to which they relate, the diminishing size of the overall commercial lines book of business leaves it more susceptible to material swings in the loss and LAE ratio as a result of development in prior accident years when the commercial lines book of business was considerably larger. Administrative expenses reclassified to LAE are assigned to prior accident years based on the number of claims closed for the current and each prior accident year. Accordingly, fluctuations in the number of claims closed and the fraction of claims closed for each accident year can lead to adverse or favorable development of LAE in prior accident years.

### **- ADMINISTRATIVE EXPENSES -**

Administrative expenses incurred during the first three quarters of 2022 of \$104.8 million were \$5.6 million (6%) more than administrative expenses incurred during the same period in 2021 and \$16.9 million (14%) less than budget.

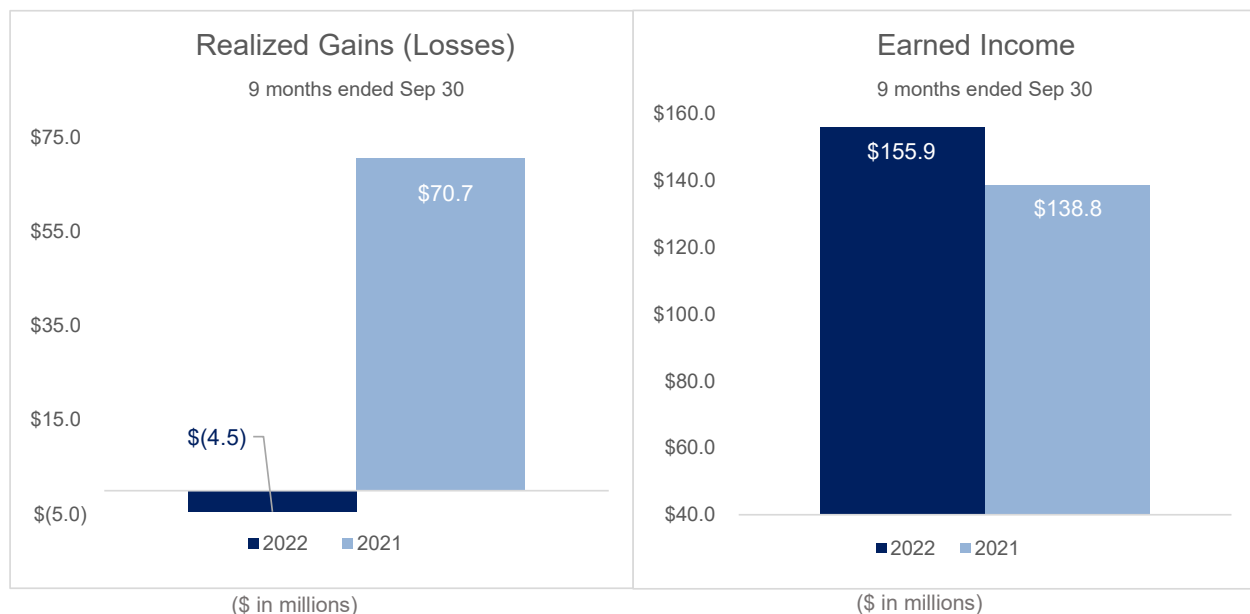
Individual variances that contributed to the overall variances are as follows:

- *Employee expenses (Salaries, Employee Benefits and Payroll Taxes)* were \$11.7 million (11%) more than the prior year period as a result of an increase in employee counts primarily within operational areas affected by an increase in policy count. In comparison to budget, *employee expenses* were \$7.7 million (6%) below budget as a result of delays in filling positions.
- *Contingent Staffing* expenses were \$11.9 million (30%) greater than the prior period principally driven by an increased need for independent adjusters. In comparison to budget, *contingent staffing* expenses were \$8.7 million (15%) below budget due to the increased use of in-house adjusters.

- *Computer Hardware* expenses were \$0.9 million (42%) below budget due to certain computer hardware orders that are behind schedule.
- *Professional Services* expenses were \$1.7 million (30%) more than the prior period due to an increase in expenses associated with an increase in policy count whereas *professional services* expenses were \$5.8 million (44%) below budget due to timing delays in the implementation of several initiatives.
- *Software Maintenance and Licensing* expenses were \$1.5 million (13%) more than the prior period due to an increase in software-related needs and \$3.7 million (22%) below budget due to timing delays of several initiatives and the discontinuation in use of certain software applications.

For the period ended September 30, 2022, Citizens' expense ratio was 14.4%, reflecting a 2.5% decrease from the same period in 2021 and a 0.5% decrease compared to budget.

**- INVESTMENT INCOME -**



Total investment income (measured as investment income excluding investment expenses) through September 30, 2022 was \$151.4 million, or \$58.1 million (28%) less than during the same period in 2021, while average invested assets increased \$553.3 million (6%). While earned income increased \$17.1 million (12%) largely due to the overall increase in interest rates, the decrease in realized gains was the primary contributor to the period-over-period variance. In July 2021, several positions were sold resulting in a significant level of realized gains that did not occur in 2022. Additionally, with the recent rise in interest rates, certain portfolios were and continue to be repositioned to purchase securities with higher yields resulting in short-term realized losses. It is expected that the short-term realized losses will be more than offset by higher returns in future periods.

	9-months ended (\$ millions)	
	Sep 2022	Sep 2021
Earned income	\$ 155.92	\$ 138.80
Net realized gains (losses)	(4.52)	70.72
<b>Total income</b>	<b>\$ 151.40</b>	<b>\$ 209.52</b>
Average invested assets	\$ 9,707.97	\$ 9,154.66

	Externally-Managed Portfolios (Sep 2022)			
	<u>Taxable Liquidity</u>	<u>Taxable Claims</u>	<u>Tax-Exempt Claims</u>	<u>Taxable LD Claims</u>
Total market value (\$ in billions)	\$1.327	\$1.743	\$0.261	\$5.136
Duration	0.8	2.9	2.2	5.2
Avg. credit rating (S&P / Moody's / Fitch)	AA- / Aa3 / AA	A+ / Aa3 / AA	AA / Aa2 / AA	A+ / A1 / AA-

### - CASH FLOWS -

Consolidated cash flows provided by operations were \$1,174.9 million through September 30, 2022 compared to \$655.8 million during the same period in 2021. Net premiums collected during 2022 were \$1,972.3 million or \$798.8 million (68%) more than during the same period in 2021, consistent with overall increases in written premium. Net investment income collected of \$150.9 million was \$3.4 million less (2%) than in 2021 as a result of decreases in realized gains, partially offset by decreases in interest expense resulting from reductions in bond obligations outstanding. Net increases in benefits and loss related payments were largely the result of increases in premiums written partially offset by reinsurance recoveries on loss and LAE payments associated with Hurricane Irma. Increases in underwriting expenses paid of \$103.6 million (48%) were consistent with increases in premiums written and the related increase in variable costs.

	<u>Consolidated - 9 months ended</u>	
	<u>Sep 2022</u>	<u>Sep 2021</u>
Premiums collected, net	\$ 1,972,340,368	\$ 1,173,563,306
Net investment income	150,917,063	147,320,076
Miscellaneous income collected	3,451,019	7,514,469
Benefits and loss related payments	(404,447,841)	(273,954,998)
Loss adjustment expense payments	(226,692,826)	(171,641,059)
Underwriting expenses paid	(320,631,105)	(217,050,968)
Net cash flows provided by operations	<b>\$ 1,174,936,679</b>	<b>\$ 665,750,826</b>