FORVIS

Report to the Audit Committee

Citizens Property Insurance Corporation

Results of the 2022 Financial Statement Audit, Including Required Communications

Tampa, FL

Period End December 31, 2022

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Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

The following matters are required communications we must make to you, including these responsibilities:

Scope of Our Audit & Inherent Limitation to *Reasonable Assurance*

Your & Our Responsibilities

Extent of Our Communication & Distribution Restriction

Independence Matters

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Overview and Responsibilities

Matter	Discussion
Scope of Our Audit	This report covers audit results related to your financial statements and supplementary information • As of and for the year ended December 31, 2022 • Conducted in accordance with our contract dated December 2, 2022
Our Responsibilities	FORVIS is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and statutory accounting principles prescribed or permitted by the Florida Office of Insurance Regulation (STAT).
Audit Scope and Inherent Limitations to *Reasonable Assurance*	An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards issued by the Comptroller General of the United States (GAGAS)* is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the financial statements taken as a whole and did not include a detailed audit of all transactions.

Matter	Discussion
Extent of Our Communication	In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS and GAGAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.
Independence	The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.
Your Responsibilities	Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.
Distribution Restriction	This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties: • Audit Committee • Management of Citizens Property Insurance Corporation

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Government Auditing Standards

Matter	Discussion
Additional GAGAS Reporting	We also provided reports as of December 31, 2022, on the following as required by GAGAS: • Internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with GAGAS
Reporting Limitations	Our consideration of internal control over financial reporting and our tests of compliance were not designed with an objective of forming an opinion on the effectiveness of internal control or on compliance, and accordingly, we do not express such an opinion.

Other Information Accompanying the Audited Financial Statements

The audited financial statements are presented along with management’s discussion and analysis and supplementary information. Management, or those charged with governance, is responsible for preparing the discussion and analysis and supplementary information.

We were not engaged to audit the information contained in the discussion and analysis and supplementary information and as a result our opinion(s) does/do not provide assurance as to the completeness and accuracy of the information contained therein.

As part of our procedures, we read the entire report to determine if financial information discussed in sections outside the financial statements materially contradicts the audited financial statements. If we identify any such matters, we bring them to management’s attention and review subsequent revisions.

Auditor Objectives Related to Other Information

Our objectives related to the other information accompanying the audited financial statements were to:

- Consider whether a material inconsistency exists between the other information and the financial statements
- Remain alert for indications that
  - A material inconsistency exists between the other information and the auditor's knowledge obtained in the audit, or
  - A material misstatement of fact exists or the other information is otherwise misleading
- Respond appropriately when we identify that such material inconsistencies appear to exist or when we otherwise become aware that other information appears to be materially misstated. Potential responsive actions would include requesting management to correct the identified inconsistency
- Include the appropriate communication in our auditor's report, disclosing the procedures performed on the Other Information, as well as the results obtained
  - Enter content here

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Qualitative Aspects of Significant Accounting Policies and Practices

The following matters are detailed in the following pages and included in our assessment:

Significant Accounting Policies	Unusual Policies or Methods	Alternative Accounting Treatments
Management Judgments & Accounting Estimates	Financial Statement Disclosures	Our Judgment About the Quality of the Entity's Accounting Principles

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Significant Accounting Policies

Significant accounting policies are described in Note 2 of the audited financial statements.

With respect to new accounting standards adopted during the year, we call to your attention the following topics detailed in the following pages:

- Bonds
- Other Than Temporary Impairment
- Loss Reserves and Loss Adjustment Expense Reserves
- Premiums
- Reinsurance
- Concentration of risk (CAT)
- GASB 87 *Leases*

Unusual Policies or Methods

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature):

- No matters are reportable

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

- The loss and loss adjustment expenses reserves represent the estimated ultimate net cost of all reported and unreported losses incurred but unpaid through December 31 and the estimated loss adjustment expenses related to those claims. The loss and loss adjustment expenses reserves are estimated using individual case basis valuations and statistical analyses. These estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes that the loss and loss adjustment expenses reserves are adequate. The estimates are continually reviewed and adjusted as necessary, as experience develops or new information becomes known; such adjustments are reflected in current operations. Our audit procedures included reviewing the credentials of the opining actuary, tying underlying data that the opining actuary used to the general ledger and our audit workpapers, and the resulting reserves to the audited financial statements.

- The estimates of fair value for financial assets and financial liabilities are based on the framework established in the fair value measurements and disclosures accounting guidance. The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions.
- Declines in the estimated fair value of bonds below amortized cost are evaluated for other-than-temporary impairment (OTTI) losses on a regular basis. Impairment losses for declines in the estimated fair value of bonds below amortized cost attributable to issuer-specific events are evaluated based upon all relevant facts and circumstances for each investment and are recognized when appropriate in accordance with statutory accounting principles and related guidance. In determining OTTI, Citizens considers many factors, including (1) the length of time and extent to which the fair value has been less than cost; (2) the financial condition and near-term prospects of the issuer; (3) whether the market decline was affected by macroeconomic conditions; (4) the present value of the expected future cash flows associated with the debt security compared to its carrying value; and (5) whether the Company has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery, which may be maturity. The assessment of whether an OTTI decline exists involves a high degree of subjectivity and judgment, and is based on the information available at a point in time. Citizens records an impairment charge to the extent that the amortized cost exceeds the estimated fair value of the securities and the decline in value is determined to be other than temporary. Citizens recognizes OTTI losses on its loan-backed and structured securities measured as the difference between amortized cost and estimated present value of projected future cash flows. OTTI charges are recognized in net realized capital gains (losses).

- Reinsurance recoverables and payables are estimated and calculated by the Company and are accounted for based on the basis of the recoverable. For recoverables on unpaid Losses and Loss Adjustment Expenses (LAE), the recoverables are used as a reduction to Loss and LAE reserves. For recoverables on paid Losses and LAE, the recoverables are recorded as receivables. Reinsurance recoverables and payables are estimated and calculated by the Company and are accounted for based on the basis of the recoverable. For recoverables on unpaid Losses and Loss Adjustment Expenses (LAE), the recoverables are used as a reduction to Loss and LAE reserves. For recoverables on paid Losses and LAE, the recoverables are recorded as receivables. The Company has also entered into multiple reinsurance agreements that requires them to cede premiums to the reinsurers based on the amount of losses incurred by the Company.
- The estimates of depreciable lives are determined by the Company according to their policies as it pertains to various property, plant, and equipment. Estimated useful lives are assigned by asset class and is as follows: Electronic Data Processing (EDP) equipment - 3 years, Office equipment and automobiles - 5 years, Furniture and equipment - 7 years, and Leasehold Improvements - 10 years.
- Premiums receivable includes amounts due from policyholders for billed premiums. Billings are calculated using estimated annual premiums for each policy and are paid either through an installment plan offered by Citizens or in their entirety at the inception of the policy. Premiums receivable are charged to bad debt expense in the period determined uncollectible. Under statutory accounting principles Citizens nonadmits assets due from insureds for which a portion of the receivable is more than 90 days past due.

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Loss and LAE Reserves, see previous page
- Investments are disclosed at estimated fair value and reported at fair value, and, if applicable, adjusted for other-than-temporary declines in fair value, with unrealized gains and losses reported through equity. Securities should be regularly reviewed for differences between the cost and estimated fair value of each security for factors that may indicate that a decline in fair value is other-than temporary. Some factors considered in evaluating whether or not a decline in fair value is other-than temporary include the duration of the decline and extent to which the estimated fair value has been less than cost, and the Company's ability and intent to retain the investment for a period of time sufficient to allow for a recovery in value. Such reviews are inherently uncertain and the value of the investment may not fully recover or may decline in future periods, resulting in a realized loss. Estimated fair values of all investments are based on quoted market prices or prices determined by independent pricing services. Realized gains and losses are determined on the specific identification method. Management believes the securities in an unrealized loss position are not other-than-temporarily impaired.

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- Other than temporary impairment (OTTI) - The Company did not record any OTTI as of December 31, 2022. The third party investment managers employed by the Company believe that the portfolio is strong enough to withstand this decline in market value and plan to hold the securities and not dispose of them. For debt securities that are impaired, Citizens has evaluated whether they intend to sell the security and, if they do not intend to sell, whether it is more likely than not that Citizens will be required to sell the security before recovery of its amortized cost. Citizens has also evaluated whether they expect to recover the entire amortized cost basis of the debt security, including comparing the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. There has been no OTTI recognized in the financial statements and any amounts impaired are deemed to be immaterial.
- FIGA Assessments were levied on March 11 and August 26, 2022 pursuant to State Orders #293027-22 and 299727-22, respectively. The Company has collected these assessments but have not yet remitted them to FIGA in 2022.
- Subsequent events that FORVIS is aware of is that there is another FIGA Assessment expected to be levied on April 10, 2023 and there has been no liability recorded as of year end. FORVIS notes no other subsequent events to year end.
- Citizens recognizes its Plan of Operations excludes unrealized gains or losses from investments from its calculations of determining the plan year deficit. Citizens has determined a plan year deficit has not resulted in evaluation of an assessment as of December 31, 2022.

- Pursuant to Immediate Final Order # 298695-22, an Agreement to Provide Cut Through Endorsements (the Agreement) was executed between Citizens and a private carrier authorized to conduct business in Florida (the authorized insurer) effective August 3, 2022 and expiring June 1, 2023. As stipulated by the Agreement, Citizens may provide additional claims paying resources for the benefit of policyholders insured by the authorized insurer in the event that the authorized insurer becomes insolvent, and the outstanding claim(s) exceeds the statutory per claim limit of the Florida Insurance Guaranty Fund (FIGA). Citizens estimates the ultimate loss and LAE attributable under the Agreement results in zero estimated loss recorded at December 31, 2022.

Our Judgment About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding the Entity's application of accounting principles:

- The Company implemented GASB Statement No. 87 – Leases, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows, or outflows, of resources based upon the payment provisions of the contract. The new Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under the guidance, lessees are required to recognize lease assets and lease liabilities in the statements of net position, unless the lease is a short-term lease (under twelve months), or it transfers ownership of the underlying asset. The lessee should reduce the lease liability over the lease term as payments are made and recognize an expense for interest on the liability. The Company has elected the full retrospective implementation method, which requires restatement of all prior period financial information presented.

Significant Accounting Policies & Alternative Treatments – Details

GASB 87, *Leases*

Effective December 15, 2022, the Entity adopted GASB 87, *Leases*. GASB 87 creates one model for recognizing leases for both lessees and lessors. Substantially all leases are recognized on the lessee's statement of net position.

In the activity statement, lessees no longer report rent expense for the previously classified operating leases but instead report interest expense on the liability and amortization expense related to the asset. Lessors recognize a lease receivable and corresponding deferred inflow of resources. Interest income associated with the receivable are recognized using the effective interest method.

Adoption of GASB 87 required significant time to identify a complete list of lease contracts for consideration of adoption and measure the lease assets and liabilities for recognition. In addition, due to adoption of the standard, the Entity's key performance indicators related to the statement of net position (such as the current ratio) are likely not comparable to historical results.

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Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

- List adjustments if following page is not used

The engagement team noted a material credit balance in cash on the GAAP financial statements. As such, the engagement team proposed an entry for management to reclassify the credit balance from cash to other liabilities. Management posted the entry and the total amount was $456,172,620. This is a balance sheet reclassification and has no impact on the income statement or net assets.

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Uncorrected Misstatements

Some adjustments proposed were **not recorded** because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Uncorrected audit misstatements pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the financial statements as a whole are included as an attachment to this communication.

While these uncorrected misstatements were deemed to be immaterial to the current-year financial statements, it is possible that the impact of these uncorrected misstatements, or matters underlying these uncorrected misstatements, could potentially cause future-period financial statements to be materially misstated.

Nature of Uncorrected Misstatements

- See attached for summary of uncorrected misstatements

Other Required Communications

Disagreements with Management

The following matters involved disagreements which if not satisfactorily resolved would have caused a modified auditor's opinion on the financial statements:

- No matters are reportable

Consultation with Individuals Outside of the Engagement Team

During our audit, we encountered the following matters, for which we consulted the views of individuals outside of the engagement team:

- No matters are reportable

Consultation with Other Accountants

During our audit, we became aware that management had consulted with other accountants about the following auditing or accounting matters:

- No matters are reportable

Significant Issues Discussed with Management

Prior to Retention

During our discussion with management prior to our engagement, the following issues regarding application of accounting principles or auditing standards were discussed:

- No matters are reportable

During the Audit Process

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- Business conditions affecting the Entity
- Business plans and strategies that may affect the risks of material misstatement
- Transactions with related parties

Difficulties Encountered in Performing the Audit

Our audit requires cooperative effort between management and the audit team. During our audit, we found significant difficulties in working effectively on the following matters:

- No matters are reportable

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (see Attachments)

Required Communications Regarding Internal Control (AU-C 265)

Consideration of Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Citizens Property Insurance Corporation, as of and for the year ended December 31, 2022, in accordance with GAAS, we considered the Entity's internal control over financial reporting (internal control).

This consideration served as a basis for designing audit procedures that are appropriate in the circumstance for the purpose of expressing our opinion on the financial statements.

However, this consideration was **not** for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraphs and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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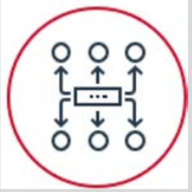
Categorizing Deficiencies by Severity

Deficiency

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.



Significant Deficiency

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatements of the Entity's financial statements will not be prevented or detected and corrected on a timely basis.

Attachments

Management Representation Letter (Appendix A)

As a material communication with management, included herein is a copy of the representation letter provided by management at the conclusion of our engagement.

Schedule of Uncorrected Misstatements (Appendix B)

The detail of uncorrected misstatements identified as a result of our engagement are included herein.

Qualifications Letter (Appendix C)

Communication of Internal Control Related Matters (Statutory) (Appendix D)