



## Appendix A

### Management Representation Letter

**FORV/S**

FORV/S is a trademark of FORV/S, LLP, registration of which is pending with the U.S. Patent and Trademark Office.

Citizens Property Insurance Company

Report Date June 1, 2023



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Representation of:  
Citizens Property Insurance Company  
Attention: Andrew Woodward  
2101 Maryland Circle  
Tallahassee, FL 32303

*Provided to:*  
**FORVIS, LLP**  
Certified Public Accountants  
400 N. Ashley Drive, Suite 2540  
Tampa, FL 33602

The undersigned (“We”) are providing this letter in connection with FORVIS’ audit of our audited financial statements as of and for the years ended December 31, 2022 and December 31, 2021.

Our representations are current and effective as of the date of FORVIS’ report: June 1, 2023.

Our engagement with FORVIS is based on our contract for services dated: December 2, 2022.

### **Our Responsibility & Consideration of Material Matters**

We confirm that we are responsible for the fair presentation of the audited financial statements subject to FORVIS’ report in conformity with accounting principles established by the Government Accounting Standards Board (GASB), and include all properly classified funds and other financial information of the primary government and all component units required by GASB to be included in the financial reporting entity.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

### **Confirmation of Matters Specific to the Subject Matter of FORVIS’ Report**

We confirm, to the best of our knowledge and belief, the following:

#### ***Broad Matters***

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the audited financial statements in accordance with accounting principles established by the GASB.

2. We acknowledge our responsibility for the design, implementation, and maintenance of:
  - a. Internal control relevant to the preparation and fair presentation of the audited financial statements that are free from material misstatement, whether due to fraud or error.
  - b. Internal control to prevent and detect fraud.
3. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the audited financial statements, such as financial records and related data, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. All minutes of directors' and committee of directors meetings held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the board, if applicable, and maintained as part of our records.
  - e. All significant contracts.
4. We have responded fully and truthfully to all your inquiries.

***Misappropriation, Misstatements, & Fraud***

5. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
  - a. Misappropriation of assets.
  - b. Misrepresented or misstated assets, deferred outflow of resources, liabilities, deferred inflows of resources, equity, net position, equity balance, or net assets.
6. We have no knowledge of fraud or suspected fraud affecting the entity involving:
  - a. Management or employees who have significant roles in internal control over financial reporting, or
  - b. Others when the fraud could have a material effect on the financial statements.
7. We understand that the term "fraud" includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets. Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in audited financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity's assets where the effect of the theft causes the audited financial statements not to be presented in conformity with accounting principles established by the GASB.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, policyholders, regulators, or others.

9. We have assessed the risk that the audited financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.

***Ongoing Operations***

10. We have evaluated whether there are conditions or events known or reasonably knowable, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year of the date of this letter without consideration of potential mitigating effects of management's plans not yet fully implemented and concluded substantial doubt does not exist.
11. We acknowledge the current economic volatility presents difficult circumstances and challenges for our industry. Entities are potentially facing declines in the fair values of investments and other assets, changes in the volume of business, constraints on liquidity, and other economic challenges. We understand the values of the assets and liabilities recorded in the audited financial statements could change rapidly, resulting in material future adjustments to invested asset values, allowances for accounts and premiums or contributions receivable, capital, etc., that could negatively impact the entity's ability to meet regulatory capital requirements or maintain sufficient liquidity.

We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the entity's audited financial statements. Further, management and governance are solely responsible for all aspects of managing the entity, including questioning the quality and valuation of investments and other assets; evaluating assumptions regarding defined benefit pension plan obligations, reviewing allowances for uncollectible amounts; or loan losses evaluating capital needs and liquidity plans amongst other things.

***Related Parties***

12. We have disclosed to you the identity of all of the entity's related parties and all the related-party relationships of which we are aware.

In addition, we have disclosed to you all related-party transactions and amounts receivable from or payable to related parties of which we are aware, including any modifications during the year that were made to related-party transaction agreements which existed prior to the beginning of the year under audit, as well as new related-party transaction agreements that were executed during the year under audit.

Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles established by the GASB.

13. We understand that the term related party refers to:

- Affiliates
- Entities for which investments are accounted for by the equity method
- Trusts for the benefits of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management
- Principal owners and members of their immediate families
- Management and members of their immediate families
- Any other party with which the entity may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

Another party is also a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

14. Related-party transactions asserted to or disclosed in the financial statements as arm's length were conducted on terms equivalent to those prevailing for comparable transactions with unrelated parties or, in the absence of comparable transactions, terms that would be offered in good faith to unrelated parties, and support regarding the assertion has been provided.

#### ***Litigation, Laws, Rulings & Regulations***

15. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the audited financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles established by the GASB.
16. We have no knowledge of communications, other than those specifically disclosed, from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the audited financial statements.
17. We have disclosed to you all known instances of violations or noncompliance or possible violations or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements or as a basis for recording a loss contingency.
18. There are no regulatory examinations currently in progress for which we have not received examination reports.

#### ***Nonattest Services***

19. You have provided nonattest services, including the following, during the period of this engagement:
- Preparing a draft of the audited financial statements and related notes and supplementary information

- Advising management about appropriate accounting principles
20. With respect to these services:
- a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
  - b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.
  - c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
  - d. We have evaluated the adequacy of the services performed and any findings that resulted.
  - e. Established and maintained internal controls, including monitoring ongoing activities.
  - f. We have received the deliverables from you and have stored these deliverables in information systems controlled by us. We have taken responsibility for maintaining internal control over these deliverables.

***Financial Statements & Reports***

21. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 2, 2022, for the preparation and fair presentation of the financial statements in accordance with GASB and for the preparation of the supplementary information in accordance with the applicable criteria.
22. The financial statements referred to above are fairly presented in conformity with accounting principles established by the GASB, and include all properly classified funds and other financial information of the primary government and all component units required by GASB to be included in the financial reporting entity.
23. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
24. With regard to supplementary information:
  - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
  - b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
  - c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.

We do not issue an annual report, nor do we have plans to issue an annual report at this time.

***Transactions, Records & Adjustments***

25. All transactions have been recorded in the accounting records and are reflected in the audited financial statements.
26. We have everything we need to keep our books and records.
27. We have disclosed any significant unusual transactions the entity has entered into during the period, including the nature, terms, and business purpose of those transactions.
28. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the entity's accounts.
29. We believe the effects of the uncorrected financial statement misstatements and omitted disclosures summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the audited financial statements taken as a whole.

We understand that, depending on both the nature of the uncorrected misstatements and the federal and state income tax rules applicable thereto, each uncorrected misstatement may or may not be taken into account for purposes of determining our federal and/or state taxable income and any income tax liability for the current year.

***General Government Matters***

30. The audited financial statements properly classify all funds and activities in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended.
31. All funds that meet the quantitative criteria in in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, and No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus-an Amendment of GASB Statements No. 21 and No. 34*, for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
32. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
33. We have appropriately disclosed that the entity is following either its established accounting policy regarding which governmental fund resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available or is following paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes and have determined that fund balance is properly recognized under the policy.

***Accounting & Disclosures (GASB)***

34. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

35. With respect to the Supplemental Combining Statements of Net Position, Supplemental Combining Statements of Revenues, Expenses and Changes in Net Position, and Supplemental Revenues, Expenses and Claim Development Information, (collectively Supplemental Information):
- a. We acknowledge our responsibility for presenting the Supplemental Information in accordance with GASB, and we believe the Supplemental Information, including its form and content, is fairly presented in accordance with GASB. The methods of measurement and presentation of the Supplemental Information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the Supplemental Information;
  - b. We acknowledge our responsibility for the Required Supplementary Information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
36. All transactions entered into by the entity are final. We are not aware of any unrecorded transactions, side agreements or other arrangements (either written or oral) that are in place, other than those disclosed in the financial statements.
37. Except as reflected in the audited financial statements, there are no:
- a. Plans or intentions that may materially affect carrying values or classifications of assets, deferred outflow of resources, liabilities, deferred inflows of resources, equity, net position, equity balance, or net assets.
  - b. Material transactions omitted or improperly recorded in the financial records.
  - c. Events occurring subsequent to the balance sheet date through the date of this letter, which is the date the audited financial statements were available to be issued, requiring adjustment or disclosure in the audited financial statements.
  - d. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit or similar arrangements.
  - e. Guarantees, whether written or oral, under which the entity is contingently liable.
  - f. Uncorrected or corrected misstatements or omitted disclosures material to the financial statements.
  - g. Any instances that have occurred or are likely to have occurred, of fraud, abuse or noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
  - h. We have not identified any instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.



- i. We have not identified any instances that have occurred or are likely to have occurred, or abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
  - j. Material weaknesses, including significant deficiencies, in the design or operation of internal controls that could adversely affect Citizens' ability to record, process, summarize, and report financial data.
38. Except as disclosed in the audited financial statements, the entity has:
- a. Satisfactory title to all recorded assets, and those assets are not subject to any liens, pledges, or other encumbrances.
  - b. Properly accounted for Related party relationships and transactions, including sales, purchases, loans, transfers, reinsurance arrangements, guarantees, and amounts receivable from or payable to related parties;
  - c. Properly accounted for all liabilities, both actual and contingent (including their liabilities or gain or loss contingencies);
  - d. Properly accounted for and presented all significant estimates and material concentrations known to management;
  - e. Properly accounted for and presented all assets and liabilities measured at fair value;
  - f. Properly accounted for and classified deposits and investment securities as to risk;
  - g. Properly accounted for and presented capital assets, including infrastructure, are properly capitalized, reported, and, if applicable, depreciated.
  - h. Properly accounted for and presented components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
  - i. Properly accounted for and presented Citizens' policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
39. We agree with the findings of specialists in evaluating the Loss and LAE Reserves and have adequately considered the qualification of the specialists in determining the amounts and disclosures used in the audited financial statements and underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.

***Premiums and Unearned Premiums***

40. The in-force files properly reflect all policies and contracts in force for all lines of insurance coverage as of and for the year ended December 31, 2022. We are not aware of any material commitments or concessions to a policyholder that are outside of the terms of the written policy agreements.

41. Unearned premiums are fairly stated at December 31, 2022 and the calculations of such are consistent with those of the preceding year. Business written from all sources, including reinsurance ceded, has been included in premiums in force and unearned. Business expired has been excluded from premiums in force and unearned.
42. We have fully disclosed to you all premium terms, including all rights of return or price adjustments including endorsements and cancellations.
43. As of December 31, 2022, Citizens has other receivables under reinsurance contracts due which represents amounts due under depopulation reinsurance assumption agreements.
44. Citizens determined a premium deficiency reserve is not needed as of December 31, 2022. Citizens anticipates investment income as a factor in the premium deficiency calculation. For purposes of determining premium deficiencies, contracts are grouped in a manner consistent with how Citizens' policies are marketed, serviced, and measured for the profitability of such contracts. Additionally, Citizens' premium deficiency calculation is performed separately for the individual accounts required pursuant to Section 627.351 (c) of the Florida Statutes. informed you of the existence of any of the following unusual transactions:
45. Adequate provisions and allowances have been accrued for any material losses from:
  - a. Uncollectible receivables.
46. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the statement of net position and appropriate provisions have been made for losses that may be sustained on uncollectible receivables
47. Citizens is responsible for determining and maintaining the adequacy of the allowance for uncollectible premium installment receivables and reinsurance recoverable, as well as estimates used to determine such amounts. In making its determination of the necessary allowance, management considered past experience and all information currently available. Management further considered information with respect to receivable aging and credit ratings of debtors, challenges or potential challenges, including litigation and arbitration proceedings, with respect to reinsurance balances and amounts due from other reinsurers as a result of loss communications, solvency and other actions. Management believes the allowances are adequate to cover uncollectible account balances as of December 31, 2022.

***Reserve for Loss and Loss Adjustment Expense***

48. Citizens' reserve for unpaid losses and loss adjustment expenses (LAE) at December 31, 2022 is management's best estimate and makes a reasonable provision for all reported and unreported claims incurred as of December 31, 2022 based upon the consolidation of all information available at the date those financial statements were prepared, including actuarial indications and other factors.
49. The findings of all actuarial studies, which have been completed and accepted by Citizens, have been considered in establishing the required level of loss and LAE reserves.
50. With respect to Citizens' reserve for losses and LAE:
  - a. For the year ended December 31, 2022, we have processed claims received by Citizens in a manner and timing consistent with prior years;

- b. We have considered all information that, in our judgment, is necessary to adequately estimate the loss and LAE reserves at the balance sheet date, including among other things:
    - i. Anticipated and historical claims experience of Citizens;
    - ii. Expected impact of inflation and other economic or social factors on future payments of losses and LAE incurred at the date of the statutory-basis statement of admitted assets, liabilities and accumulated surplus;
    - iii. Lines and geographical locations of the business written by Citizens;
    - iv. Citizens' underwriting and claims policies and procedures;
    - v. The timeliness and reliability of reports from reinsurers;
    - vi. Estimates of claim recoveries, exclusive of reinsurance recoveries;
  - c. Citizens has considered and properly disclosed in the financial statements all the information with respect to losses and LAE reserves and related claim recoveries, which in our judgment, is necessary to adequately identify and understand the nature of reserving the estimates and underlying coverage issues, including the potential volatility, complexity, and uncertainty of such estimate and the possibility that the ultimate liability may vary significantly from the recorded reserve and related recovery amounts.
51. We believe the reserves for possible claims are adequate to cover claim losses, which might result from pending and possible claims.
  52. All material reinsurance transactions have been recorded and disclosed.
  53. All reinsurance transactions entered into by Citizens are final and there are no side agreements with reinsurers, or other terms in effect, which allow for the modification of terms under existing reinsurance arrangements. All contracts have been reviewed during 2022 and those accounted for as reinsurance meet the risk transfer provisions for which Citizens maintains documentation of risk transfer.
  54. We believe that policy slips and other documents obtained from brokers and counterparties with binding signatures represent enforceable insurance and reinsurance contracts. There are no separate written or oral agreements between Citizens and reinsurers that would under any circumstances, reduce, limit, mitigate, or otherwise affect any actual or potential loss to the parties under the reinsurance contract that, if considered, would change Citizens' application of accounting principles or the amounts recorded with respect to the transaction, other than insuring contracts that are explicitly defined in the reinsurance contract.
  55. At December 31, 2022, Citizens has reinsurance recoverables on paid and unpaid losses on catastrophe reinsurance coverage related to Hurricane Irma, Ian, and other named storms including amounts on internally allocated loss adjustment expenses. Citizens believes these reinsurance recoverables are fully collectible under the terms of the applicable reinsurance agreements.

***Estimates***

56. We have identified all accounting estimates that could be material to the audited financial statements and we confirm the appropriateness of the methods and the consistency in their application, the accuracy and completeness of data and the reasonableness of significant assumptions used by us in making the accounting estimates, including those measured at fair value reported in the audited financial statements.
57. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the audited financial statements. We understand that “near term” means the period within one year of the date of the audited financial statements. In addition we have no knowledge of concentrations, which refer to volumes of business or premiums, existing at the date of the audited financial statements that would make the entity vulnerable to the risk of severe impact in the near term that have not been properly disclosed in the audited financial statements.

***Fair Value***

58. With respect to the fair value measurements of financial and nonfinancial assets and liabilities, if any, recognized in the audited financial statements or disclosed in the notes thereto:
- a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated course of action.
  - b. The measurement methods and significant assumptions used in determining fair value are appropriate in the circumstances for financial statement measurement and disclosure purposes and have been consistently applied.
  - c. The significant assumptions appropriately reflect market participant assumptions.
  - d. The disclosures related to fair values are complete, adequate, and in conformity with GASB.
  - e. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the audited financial statements.

***Off-Balance Sheet Risk***

59. The following information about financial instruments with off-balance sheet risk and financial instruments with concentrations of credit risk have been properly disclosed in the audited financial statements:
- a. The extent, nature, and terms of financial instruments with off-balance sheet risk.
  - b. The amount of credit risk of financial instruments with off-balance sheet risk and information about the collateral supporting such audited financial statements.
  - c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral of such financial instruments.
  - d. The common activity, region, or characteristic that identified the concentration.

- e. The maximum loss that could result if the counterparties completely failed to perform their obligations and any collateral for the amounts due were worthless.
- f. The entity's policy of requiring collateral to minimize the risk, the nature of this collateral, and information about the entity's access to collateral.

***Investments***

- 60. Citizens has properly recorded investments in debt securities at their fair value.
- 61. For debt securities that are impaired, we have evaluated whether we intend to sell the security and, if we do not intend to sell, whether it is more likely than not that we will be required to sell the security before recovery of its amortized cost. We have also evaluated whether we 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.
- 62. We represent to you the following for Citizens' fair value measurements and disclosures:
  - a. The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action;
  - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied;
  - c. The disclosures related to estimated fair values are complete and adequate;
  - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in financial statements.
- 63. All investment transactions have credit exposure to the extent that a counterparty may default on an obligation to Citizens. To manage credit risk, Citizens focuses primarily on higher quality, fixed income securities, reviews the credit strength of all entities in which it invests, limits its exposure in any one investment, and monitors portfolio quality, taking into account credit ratings assigned by recognized credit rating organizations.
- 64. The methods and significant inputs and assumptions used to determine fair values of financial instruments include the following: valuation of securities based on average bid prices of identical or similar issues with the same life and expected yields. The methods and significant inputs and assumptions used result in a measure of fair value appropriate for statutory financial statement measurement and disclosure purposes.
- 65. Financial institutions with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the statutory financial statements.

***Long-Lived Assets to Be Held & Used***

- 66. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable and have appropriately recorded the adjustment.

***Tax Matters***

67. Pursuant to a determination letter received from the Internal Revenue Service, Citizens is exempt from Federal income tax as a political subdivision and integral part of the State of Florida, and as such, is liable for income taxes only on business income unrelated to the purpose for which it is exempt. Citizens had no unrelated business income during 2022 and therefore no Federal or State income tax was incurred during 2022.

***GASB Statement 87, Leases***

68. In connection with the adoption of GASB Statement No. 87, *Leases* (GASB 87), we represent the following:
- a. We have identified a complete population of potential leases as of the implementation date.
  - b. We have reviewed all significant contracts to identify lease and nonlease components as of the earliest date of adoption. Allocation of contract prices between lease and nonlease components are based upon standalone prices or other reasonable factors.
  - c. Measurements of the lease assets and liabilities are based upon facts and circumstances that existed at the beginning of the period of implementation.
  - d. The estimates related to any options to extend or terminate the lease terms within the measurement of lease assets and liabilities agree to management's plans for the leases.
  - e. The discount rates for each lease are based upon what would be obtained by the entity for similar loans as an incremental rate.
  - f. The classification and accounting of related-party leases between entities, for which separate financial statements are issued, have been modified to recognize the substance of the transaction rather than only its legal form.
  - g. We have adequate controls in place to prevent and/or detect errors in lease assets and liabilities on a recurring basis.
  - h. The footnotes to the audited financial statements appropriately describe the adoption of GASB 87 and include all additional disclosures required under the Statement.

***Other Matters***

69. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances or similar arrangements have been properly disclosed.
70. Citizens has made available all communications from regulators. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
71. Regarding Citizens' Information Systems (IS) function, we have made available to you all information and documentation responsive to your review of the IS function; and we have, to the best of our knowledge and belief, answered all questions and inquiries fully and accurately.

72. None of Citizens' third-party service providers, upon which Citizens relies, has known problems which would be likely to threaten the reliability of Citizens' information systems and/or the systems' internal controls, or which could have a material impact on Citizens' financial statements.
73. There are no known or expected circumstances, as of the date of this letter that would either threaten the solvency of Citizens under applicable insurance regulations, or require significant capital infusions to Citizens in order to comply with applicable regulations applicable to their individual domiciliary states or countries.
74. Citizens has properly disclosed all affiliate transactions in its financial statements.
75. Citizens has acknowledged of all guaranty fund assessments as of December 31, 2022.
76. Citizens is in compliance with all covenants and limitations associated with its outstanding obligations.
77. The financial statements disclose all of the matters of which we are aware that are relevant to Citizens' ability to continue as a going concern. We have evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Citizens' ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable) and determined no such substantial doubt exists.
78. There have been no updates or additional claims which would require disclosure or accrual of a liability related to the following internal legal counsel confirmations received since their respective confirmation dates: Ricky Poston - Citizens' Chief Legal Officer and General Counsel - May 3, 2023;
79. There have been no updates or additional claims which would require disclosure or accrual of a liability related to the following internal legal counsel confirmations received since their respective confirmation dates:
80. Citizens is named as a defendant in legal actions arising from claims filed under insurance policies it has underwritten and other claims incidental to its normal business activities. In the opinion of management, which is based on the advice of legal counsel, the ultimate outcome of such proceedings is not expected to have a material effect on Citizens' financial position or results of operations.
81. Citizens has issued Senior Secured Bonds for the purpose of funding losses in the event of a future catastrophe. The bonds are secured by pledged revenues which consist of monies and investments held in accounts established under the trust indenture, proceeds from any surcharges, regular, and emergency assessments, and/or reimbursements from the Florida Hurricane Catastrophe Fund (FHCF). The carrying value of the bonds is \$285,973,000 as of December 31, 2022.
82. Citizens appropriately accounted for the ceded premium adjustment as a result of the final TIV exceeding 10% of projected TIV.
83. Citizens has no plans or intentions to discontinue the operations of any subsidiary or division or to discontinue any significant product lines.

84. 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 and no liability has been recorded at December 31, 2022.
85. 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.

## Timothy M. Cerio

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Timothy M. Cerio, President and Chief Executive Officer

## Jennifer Montero

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Jennifer Montero, Chief Financial Officer

## Andrew Woodward

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Andrew Woodward, Controller

Signature:

  
[Andrew Woodward \(Jun 1, 2023 11:06 EDT\)](#)

Email: [andrew.woodward@citizensfla.com](mailto:andrew.woodward@citizensfla.com)

Signature:

*Jennifer Montero*  
[Jennifer Montero \(Jun 1, 2023 12:04 EDT\)](#)

Email: [jennifer.montero@citizensfla.com](mailto:jennifer.montero@citizensfla.com)

Signature:

*Timothy M. Cerio*  
[Timothy M. Cerio \(Jun 1, 2023 13:03 EDT\)](#)

Email: [tim.cerio@citizensfla.com](mailto:tim.cerio@citizensfla.com)





Representation of:  
Citizens Property Insurance Company  
Attention: Andrew Woodward  
2101 Maryland Circle  
Tallahassee, FL 32303

*Provided to:*  
**FORVIS, LLP**  
Certified Public Accountants  
400 N. Ashley Drive, Suite 2540  
Tampa, FL 33602

The undersigned (“We”) are providing this letter in connection with FORVIS’ audit of our statutory financial statements as of and for the years ended December 31, 2022 and December 31, 2021.

Our representations are current and effective as of the date of FORVIS’ report: June 1, 2023.

Our engagement with FORVIS is based on our contract for services dated: December 2, 2022.

### **Our Responsibility & Consideration of Material Matters**

We confirm that we are responsible for the fair presentation of the statutory financial statements subject to FORVIS’ report in conformity with statutory accounting principles. Statutory accounting principles are those accounting principles prescribed or permitted by Florida Department of Financial Services, Office of Insurance Regulation (Office).

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

### **Confirmation of Matters Specific to the Subject Matter of FORVIS’ Report**

We confirm, to the best of our knowledge and belief, the following:

#### ***Broad Matters***

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the statutory financial statements in accordance with accounting principles prescribed or permitted by the Office, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP).

2. We acknowledge our responsibility for the design, implementation, and maintenance of:
  - a. Internal control relevant to the preparation and fair presentation of the statutory financial statements that are free from material misstatement, whether due to fraud or error.
  - b. Internal control to prevent and detect fraud.
3. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the statutory financial statements, such as financial records and related data, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. All minutes of directors' and committee of directors meetings held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the board, if applicable, and maintained as part of our records.
  - e. All significant contracts.
4. We have responded fully and truthfully to all your inquiries.

***Misappropriation, Misstatements, & Fraud***

5. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
  - a. Misappropriation of assets.
  - b. Misrepresented or misstated assets, deferred outflow of resources, liabilities, deferred inflows of resources, equity, net position, equity balance, or net assets.
6. We have no knowledge of fraud or suspected fraud affecting the entity involving:
  - a. Management or employees who have significant roles in internal control over financial reporting, or
  - b. Others when the fraud could have a material effect on the financial statements.
7. We understand that the term "fraud" includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets. Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in statutory financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity's assets where the effect of the theft causes the statutory financial statements not to be presented in conformity with accounting principles prescribed or permitted by the Office, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP).

8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, policyholders, regulators, or others.
9. We have assessed the risk that the statutory financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.

***Ongoing Operations***

10. We have evaluated whether there are conditions or events known or reasonably knowable, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year of the date of this letter without consideration of potential mitigating effects of management's plans not yet fully implemented and concluded substantial doubt does not exist.
11. We acknowledge the current economic volatility presents difficult circumstances and challenges for our industry. Entities are potentially facing declines in the fair values of investments and other assets, changes in the volume of business, constraints on liquidity, and other economic challenges. We understand the values of the assets and liabilities recorded in the statutory financial statements could change rapidly, resulting in material future adjustments to invested asset values, allowances for accounts and premiums or contributions receivable, capital, etc., that could negatively impact the entity's ability to meet regulatory capital requirements or maintain sufficient liquidity.

We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the entity's statutory financial statements. Further, management and governance are solely responsible for all aspects of managing the entity, including questioning the quality and valuation of investments and other assets; evaluating assumptions regarding defined benefit pension plan obligations, reviewing allowances for uncollectible amounts; or loan losses evaluating capital needs and liquidity plans amongst other things.

***Related Parties***

12. We have disclosed to you the identity of all of the entity's related parties and all the related-party relationships of which we are aware.

In addition, we have disclosed to you all related-party transactions and amounts receivable from or payable to related parties of which we are aware, including any modifications during the year that were made to related-party transaction agreements which existed prior to the beginning of the year under audit, as well as new related-party transaction agreements that were executed during the year under audit.

Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles prescribed or permitted by the Office, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP).

13. We understand that the term related party refers to:

- Affiliates
- Entities for which investments are accounted for by the equity method
- Trusts for the benefits of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management
- Principal owners and members of their immediate families
- Management and members of their immediate families
- Any other party with which the entity may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

Another party is also a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

14. Related-party transactions asserted to or disclosed in the financial statements as arm's length were conducted on terms equivalent to those prevailing for comparable transactions with unrelated parties or, in the absence of comparable transactions, terms that would be offered in good faith to unrelated parties, and support regarding the assertion has been provided.

***Litigation, Laws, Rulings & Regulations***

15. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the statutory financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles prescribed or permitted by the Office, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP).
16. We have no knowledge of communications, other than those specifically disclosed, from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the statutory financial statements.
17. We have disclosed to you all known instances of violations or noncompliance or possible violations or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements or as a basis for recording a loss contingency.
18. There are no regulatory examinations currently in progress for which we have not received examination reports.

***Nonattest Services***

19. You have provided nonattest services, including the following, during the period of this engagement:
- Assistance to management preparing a draft of the statutory financial statements and related notes and supplementary information
  - Advising management about appropriate accounting principles
20. With respect to these services:
- a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
  - b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.
  - c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
  - d. We have evaluated the adequacy of the services performed and any findings that resulted.
  - e. Established and maintained internal controls, including monitoring ongoing activities.
  - f. We have received the deliverables from you and have stored these deliverables in information systems controlled by us. We have taken responsibility for maintaining internal control over these deliverables.

***Financial Statements & Reports***

21. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 2, 2022 for the preparation and fair presentation of the statutory financial statements in conformity with accounting practices prescribed or permitted by the Office.
22. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statutory financial statements that are free from material misstatement, whether due to fraud or error.
23. We acknowledge our responsibilities for the design, implementation, and maintenance of internal control to prevent and detect fraud.
24. With regard to supplementary information:
- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
  - b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
  - c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.

We do not issue an annual report, nor do we have plans to issue an annual report at this time.

***Transactions, Records & Adjustments***

25. All transactions have been recorded in the accounting records and are reflected in the statutory financial statements.
26. We have everything we need to keep our books and records.
27. We have disclosed any significant unusual transactions the entity has entered into during the period, including the nature, terms, and business purpose of those transactions.
28. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the entity's accounts.
29. We believe the effects of the uncorrected financial statement misstatements and omitted disclosures summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the statutory financial statements taken as a whole.

We understand that, depending on both the nature of the uncorrected misstatements and the federal and state income tax rules applicable thereto, each uncorrected misstatement may or may not be taken into account for purposes of determining our federal and/or state taxable income and any income tax liability for the current year.

***Insurance Company Matters***

30. We understand that you will render a general use opinion, which gives an adverse opinion on the statutory financial statements due to lack of conformity with accounting principles generally accepted in the United States of America and gives an unmodified opinion as to the conformity with the statutory requirements prescribed or permitted by the Insurance Department.
31. We have provided you with copies of the most recently received regulatory audit reports. To our knowledge, there are no significant unresolved matters or contingencies that need to be accrued for or disclosed in the statutory financial statements for the years ended December 31, 2022, and December 31, 2021, as a result of these reports. Also, we have provided you with all communications from regulatory agencies concerning noncompliance with, or deficiencies in, statutory financial reporting practices. All required tax returns and statutory reporting requirements have been filed on a timely basis with the appropriate regulatory bodies.
32. We represent that we have complied, as applicable, with the following Statements of Statutory Accounting Principles:
  - a. Significant estimates and material concentrations known to management or third party administrators that are required to be disclosed in accordance with Statement of Statutory Accounting Principles ("SSAP") No. 1, *Accounting Policies, Risks & Uncertainties, and Other Disclosures*;
  - b. The entity has properly classified all assets as admitted or nonadmitted in accordance with SSAP No. 4, *Assets and Nonadmitted Assets*.

- c. There are no material unasserted claims or assessments that are probable of assertion or other gain/loss contingencies requiring accrual or disclosure in accordance with Statements of Statutory Accounting Principles ("SSAP") No. 5R, *Liabilities, Contingencies and Impairments of Assets*.
- d. The entity has properly addressed premiums receivable or uncollected premiums have been recorded and disclosed in conformity with statutory accounting principles prescribed or permitted by the Office in accordance with SSAP No. 6, *Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due from Agents and Brokers*.
- e. Investment securities are properly valued and there has not been a significant decline in the market value since year-end. Investments are recorded based on the following principles and interpretations thereof, as follows:
  - i. Bonds are recorded and disclosed in accordance with SSAP No. 26R, *Bonds, and SSAP No.43R, Loan Backed and Structured Securities*.
  - ii. Investments in subsidiaries and affiliated or controlled companies is recorded and disclosed in accordance with SSAP No. 97, *Investments in Subsidiary, Controlled and Affiliated Entities*.
  - iii. Short term investments are recorded and disclosed in accordance with SSAP No. 2R, *Cash, Drafts, and Short-term Investments*.
- f. The entity has evaluated subsequent events in accordance with SSAP No. 9, *Subsequent Events*, through the date of this letter. There were no subsequent events that merit disclosure or would have a material effect on the statutory basis financial condition of the entity, except as communicated to you and disclosed in the financial statements.
- g. The Company's liabilities for unpaid losses and loss adjustment expenses are based on and recorded at management's best estimate in accordance with SSAP No. 55, *Unpaid Claims, Losses and Loss Adjustment Expenses*.
- h. All material reinsurance transactions have been recorded and disclosed in accordance with SSAP No. 62R, *Property and Casualty Reinsurance*. All reinsurance contracts properly transfer risk in accordance with SSAP No. 62R, and the documentation on hand prove as such.
- i. The entity has disclosed the amount of credit risk and extent, nature, and terms of financial instruments with off balance sheet risk in accordance with SSAP No. 27, *Off Balance Sheet and Credit Risk Disclosures*

#### **Accounting & Disclosures**

- 33. All transactions entered into by the entity are final. We are not aware of any unrecorded transactions, side agreements or other arrangements (either written or oral) that are in place, other than those disclosed in the statutory financial statements.
- 34. Except as reflected in the statutory financial statements, there are no:
  - a. Plans or intentions that may materially affect carrying values or classifications of assets, deferred outflow of resources, liabilities, deferred inflows of resources, equity, net position, equity balance, or net assets.

- b. Material transactions omitted or improperly recorded in the financial records.
  - c. Events occurring subsequent to the balance sheet date through the date of this letter, which is the date the statutory financial statements were available to be issued, requiring adjustment or disclosure in the statutory financial statements.
  - d. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit or similar arrangements.
  - e. Guarantees, whether written or oral, under which the entity is contingently liable.
  - f. Violations or possible violations of laws or regulations, the effects of which should be considered for disclosure in the statutory financial statements or as a basis for recording a loss contingency.
  - g. Material adjustments, including changes in classification, to previously issued statutory financial statements.
  - h. Communications from regulatory agencies (including state insurance departments) concerning noncompliance with or deficiencies in financial reporting practices.
  - i. Material weaknesses, or significant deficiencies, in the design or operation of internal controls that could adversely affect Citizens' ability to record, process, summarize, and report financial data.
35. Except as disclosed in the statutory financial statements, the entity has:
- a. Satisfactory title to all recorded assets, and those assets are not subject to any liens, pledges, or other encumbrances.
  - b. Complied with all aspects of contractual agreements, for which noncompliance would materially affect the statutory financial statements.
  - c. Properly accounted for Related party relationships and transactions, including sales, purchases, loans, transfers, reinsurance arrangements, guarantees, and amounts receivable from or payable to related parties;
  - d. Properly accounted for all liabilities, both actual and contingent (including either liabilities or gain or loss contingencies);
  - e. Properly accounted for and presented all significant estimates and material concentrations known to management;
  - f. Properly accounted for and presented all assets and liabilities measured at fair value;
36. We agree with the findings of specialists in evaluating the Loss and LAE reserves and have adequately considered the qualification of the specialists in determining the amounts and disclosures used in the statutory financial statements and underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.



***Premiums and Unearned Premiums***

37. The inforce files properly reflect all policies and contracts in force for all lines of insurance coverage as of and for the year ended December 31, 2022. We are not aware of any material commitments or concessions to a policyholder that are outside of the terms of the written policy agreements.
38. Unearned premiums are fairly stated at December 31, 2022 and the calculations of such are consistent with those of the preceding year. Business written from all sources, including reinsurance ceded, has been included in premiums in force and unearned. Business expired has been excluded from premiums in force and unearned.
39. We have fully disclosed to you all premium terms, including all rights of return or price adjustments including endorsements and cancellations.
40. As of December 31, 2022, Citizens has other receivables under reinsurance contracts due which represents amounts due under depopulation reinsurance assumption agreements.
41. Citizens determined a premium deficiency reserve is not needed as of December 31, 2022 in accordance with SSAP No. 53- *Property Casualty Contracts-Premiums*. Citizens anticipates investment income as a factor in the premium deficiency calculation. For purposes of determining premium deficiencies, contracts are grouped in a manner consistent with how Citizens' policies are marketed, serviced, and measured for the profitability of such contracts.
42. The reserve for unpaid losses and loss adjustment expense (LAE) for Citizens at December 31, 2022 is management's best estimate recorded in accordance with SSAP No. 55, *Unpaid Claims, Losses and Loss Adjustment Expenses* (SSAP No. 55) and makes a reasonable provision for all reported and unreported claims incurred as of December 31, 2022 based upon the consolidation of all information available at the date the statutory financial statements were prepared, including actuarial indications and other factors.
43. The findings of all actuarial studies, which have been completed and accepted by Citizens, have been considered in establishing the required level of loss and LAE reserves.
44. With respect to Citizens' reserve for losses and LAE:
  - a. For the year ended December 31, 2022, we have processed claims received by Citizens in a manner and timing consistent with prior years;
  - b. We have considered all information that, in our judgment, is necessary to adequately estimate the loss and LAE reserves at the balance sheet date, including among other things:
    - i. Anticipated and historical claims experience of Citizens;
    - ii. Expected impact of inflation and other economic or social factors on future payments of losses and LAE incurred at the date of the statutory statement of admitted assets, liabilities and accumulated surplus;
    - iii. Lines and geographical locations of the business written by Citizens;
    - iv. Citizens' underwriting and claims policies and procedures;
    - v. The timeliness and reliability of reports from reinsurers;

- vi. Estimates of claim recoveries, exclusive of reinsurance recoveries;
  - c. Citizens has considered and properly disclosed in the statutory financial statements all the information with respect to losses and LAE reserves and related claim recoveries, which in our judgment, is necessary to adequately identify and understand the nature of reserving the estimates and underlying coverage issues, including the potential volatility, complexity, and uncertainty of such estimate and the possibility that the ultimate liability may vary significantly from the recorded reserve and related recovery amounts.
45. We believe the reserves for possible claims are adequate to cover claim losses, which might result from pending and possible claims.
  46. All material reinsurance transactions have been recorded and disclosed in accordance with SSAP No. 62R, *Property and Casualty Reinsurance* (SSAP No 62R).
  47. All reinsurance transactions entered into by Citizens are final and there are no side agreements with reinsurers, or other terms in effect, which allow for the modification of terms under existing reinsurance agreements. All contracts have been reviewed during 2022 and those accounted for as reinsurance meet the risk transfer provisions for which Citizens maintains documentation of risk transfer and are recorded in accordance with SSAP No. 62R.
  48. We believe that policy slips and other documents obtained from brokers and counterparties with binding signatures represent enforceable insurance and reinsurance contracts. There are no separate written or oral agreements between Citizens and reinsurers that would under any circumstances, reduce, limit, mitigate, or otherwise affect any actual or potential loss to the parties under the reinsurance contract that, if considered, would change Citizens' application of accounting principles or the amounts recorded with respect to the transaction, other than insuring contracts that are explicitly defined in the reinsurance contract.
  49. At December 31, 2022, Citizens has reinsurance recoverables on paid and unpaid losses on catastrophe reinsurance coverage related to Hurricane Irma, including amounts on internally allocated loss adjustment expenses. Citizens believes these reinsurance recoverables are fully collectible under the terms of the applicable reinsurance agreements.
  50. Adequate provisions and allowances have been accrued for any material losses from:
    - a. Uncollectible premium receivables.

**Estimates**

51. We have identified all accounting estimates that could be material to the statutory financial statements and we confirm the appropriateness of the methods and the consistency in their application, the accuracy and completeness of data and the reasonableness of significant assumptions used by us in making the accounting estimates, including those measured at fair value reported in the statutory financial statements.
52. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the statutory financial statements. We understand that "near term" means the period within one year of the date of the statutory financial statements. In addition we have no knowledge of concentrations, which refer to volumes of business or premiums, existing at the date of the statutory financial statements that would make the entity vulnerable to the risk of severe impact in the near term that have not been properly disclosed in the statutory financial statements.

***Fair Value***

53. With respect to the fair value measurements of financial and nonfinancial assets and liabilities, if any, recognized in the statutory financial statements or disclosed in the notes thereto:
- a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated course of action.
  - b. The measurement methods and significant assumptions used in determining fair value are appropriate in the circumstances for financial statement measurement and disclosure purposes and have been consistently applied.
  - c. The significant assumptions appropriately reflect market participant assumptions.
  - d. The disclosures related to fair values are complete, adequate, and in conformity with SSAP No. 100R, *Fair Value*.
  - e. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the statutory financial statements.

***Off-Balance Sheet Risk***

54. The following information about financial instruments with off-balance sheet risk and financial instruments with concentrations of credit risk have been properly disclosed in the statutory financial statements:
- a. The extent, nature, and terms of financial instruments with off-balance sheet risk.
  - b. The amount of credit risk of financial instruments with off-balance sheet risk and information about the collateral supporting such statutory financial statements.
  - c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral of such financial instruments.
  - d. The common activity, region, or characteristic that identified the concentration.
  - e. The maximum loss that could result if the counterparties completely failed to perform their obligations and any collateral for the amounts due were worthless.
  - f. The entity's policy of requiring collateral to minimize the risk, the nature of this collateral, and information about the entity's access to collateral.

***Investments***

55. Citizens has properly recorded investments in debt securities at amortized cost except as disclosed in the statutory financial statements, based on the accounting treatment prescribed by the Office. Investments with original maturity (at the time of purchase) of one year or less are classified as short term investments.

56. For debt securities that are impaired, we have evaluated whether we intend to sell the security and, if we do not intend to sell, whether it is more likely than not that we will be required to sell the security before recovery of its amortized cost. We have also evaluated whether we 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.
57. Investments are appropriately recorded and valued as follows:
- a. Bonds are recorded and disclosed in accordance with SSAP No. 26, *Bonds, and SSAP No. 43R, Loan Backed and Structured Securities*, as applicable and interpretations thereof;
  - b. Cash equivalents and Short term investments are recorded and disclosed in accordance with SSAP No. 2R, *Revised, Cash, Cash Equivalents, Drafts, and Short term Investments*, and interpretations thereof.
58. All investment transactions have credit exposure to the extent that a counterparty may default on an obligation to Citizens. To manage credit risk, Citizens focuses primarily on higher quality, fixed income securities, reviews the credit strength of all entities in which it invests, limits its exposure in any one investment, and monitors portfolio quality, taking into account credit ratings assigned by recognized credit rating organizations.
59. The methods and significant inputs and assumptions used to determine fair values of financial instruments include the following: valuation of securities based on average bid prices of identical or similar issues with the same life and expected yields. The methods and significant inputs and assumptions used result in a measure of fair value appropriate for statutory financial statement measurement and disclosure purposes.
60. Financial institutions with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the statutory financial statements.

***Long-Lived Assets to Be Held & Used***

61. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable and have appropriately recorded the adjustment.

***Tax Matters***

62. Pursuant to a determination letter received from the Internal Revenue Service, Citizens is exempt from Federal income tax as a political subdivision and integral part of the State of Florida, and as such, is liable for income taxes only on business income unrelated to the purpose for which it is exempt. Citizens had no unrelated business income during 2022 and therefore no Federal or State income tax was incurred during 2022.

**Other Matters**

63. Citizens is responsible for determining and maintaining the adequacy of the allowance for uncollectible premium installment receivables and reinsurance recoverable, as well as estimates used to determine such amounts. In making its determination of the necessary allowance, management considered past experience and all information currently available. Management further considered information with respect to receivable aging and credit ratings of debtors, challenges or potential challenges, including litigation and arbitration proceedings, with respect to reinsurance balances and amounts due from other reinsurers as a result of loss communication, solvency and other actions. Management believed the allowances are adequate to cover uncollectible account balances as of December 31, 2022.
64. Citizens has no plans or intentions to discontinue the operations of any subsidiary or division or to discontinue any significant product lines.
65. Regarding Citizens' Information Systems (IS) function, we have made available to you all information and documentation responsive to your review of the IS function; and we have, to the best of our knowledge and belief, answered all questions and inquiries fully and accurately.
66. None of the Company's third party service providers, upon which the Company relies, has known problems which would be likely to threaten the reliability of Company's information systems and/or the systems' internal controls, or which could have a material impact on Company's statutory basis financial statements.
67. In accordance with Section 627.351(6) of the Florida Statutes, Citizens is not subject to Risk-Based Capital (RBC) requirements or required to have a pledged deposit on file with the State of Florida.
68. There are no known or expected circumstances, as of the date of this letter that would either threaten the solvency of Citizens under applicable insurance regulations, or require significant capital infusions to Citizens in order to comply with applicable regulations.
69. Citizens has properly disclosed all affiliate transactions in its statutory financial statements.
70. Citizens has acknowledged all guaranty fund assessments as of December 31, 2022.
71. Citizens is in compliance with all covenants and limitations associated with its outstanding obligations.
72. The statutory financial statements disclose all the matters of which we are aware that are relevant to Citizens' ability to continue as a going concern. We have evaluated whether there are conditions or events, considered in aggregate, that raise substantial doubt about Citizens' ability to continue as a going concern within one year after the date that the statutory financial statements are issued (or within one year after the date that the statutory financial statements are available to be issued when applicable) and determined no such substantial doubt exists.

73. There have been no updates or additional claims which would require disclosure or accrual of a liability under SSAP No. 5R. related to the following internal legal counsel confirmations received since their respective confirmation dates: Ricky Poston - Citizens' Chief Legal Officer and General Counsel - May 3, 2023.
74. Citizens is party to claims and legal actions arising routinely in the ordinary course of business. In the opinion of management, the ultimate disposition of these matter specific to insurance policy claims are included in the methods and assumptions of management's determination of incurred but not reported reserves as of December 31, 2022. The ultimate disposition of these matters is not expected to have a material, adverse effect on the Company's financial position or liquidity.
75. Citizens is named as a defendant in legal actions arising from claims filed under insurance policies it has underwritten and other claims incidental to its normal business activities. In the opinion of management, which is based on the advice of legal counsel, the ultimate outcome of such proceedings is not expected to have a material effect on Citizens' financial position or results of operations.
76. Citizens has issued Senior Secured Bonds for the purpose of funding losses in the event of a future catastrophe. The bonds are secured by pledged revenues which consist of monies and investments held in accounts established under the trust indenture, proceeds from any surcharges, regular, and emergency assessments, and/or reimbursements from the Florida Hurricane Catastrophe Fund (FHCF). The carrying value of the bonds is \$285,793,000 as of December 31, 2022.
77. Citizens appropriately accounted for the ceded premium adjustment as a result of the final TIV exceeding 10% of projected TIV.
78. 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 and no liability has been recorded at December 31, 2022.

79. 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.

**Timothy M. Cerio**

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Timothy M. Cerio, President and Chief Executive Officer

**Jennifer Montero**

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Jennifer Montero, Chief Financial Officer

**Andrew Woodward**

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Andrew Woodward, Controller

**Signature:**



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Andrew Woodward (Jun 1, 2023 11:05 EDT)

**Email:** [andrew.woodward@citizensfla.com](mailto:andrew.woodward@citizensfla.com)

**Signature:**

*Jennifer Montero*

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Jennifer Montero (Jun 1, 2023 12:04 EDT)

**Email:** [jennifer.montero@citizensfla.com](mailto:jennifer.montero@citizensfla.com)

**Signature:**

*Timothy M. Cerio*

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Timothy M. Cerio (Jun 1, 2023 13:03 EDT)

**Email:** [tim.cerio@citizensfla.com](mailto:tim.cerio@citizensfla.com)



## Appendix B

### Schedule of Uncorrected Misstatements

**FORV/S**

FORV/S is a trademark of FORV/S, LLP, registration of which is pending with the U.S. Patent and Trademark Office.

Citizens Property Insurance Company

Report Date June 1, 2023



**Appendix B**  
**Citizens Property Insurance Company**  
**Summary of Uncorrected Misstatements**  
**As of and for the Year Ended December 31, 2022**

**Summary of Misstatements in the Financial Statements**

Description	Debit (Credit) Required to Correct the Financial Statements					
	Assets	Liabilities	Equity	Revenue	Expenses	Net Income
Total corrected adjusting journal entries	-	-	-	-	-	-
Unrecorded misstatements - factual	(23,137,513)	26,742,235	3,604,722	3,604,722	-	(3,604,722)
Unrecorded misstatements - projected	-	-	-	-	-	-
Unrecorded misstatements - judgmental	-	-	-	-	-	-
<b>Total pre-tax uncorrected misstatements</b>	<b>(23,137,513)</b>	<b>26,742,235</b>	<b>3,604,722</b>	<b>3,604,722</b>	<b>-</b>	<b>(3,604,722)</b>
Estimated income tax effect of pre-tax uncorrected misstatements	-	-	-	-	-	-
<b>Total uncorrected misstatements before income effect of prior year differences (Iron Curtain)</b>	<b>(23,137,513)</b>	<b>26,742,235</b>	<b>3,604,722</b>	<b>3,604,722</b>	<b>-</b>	<b>(3,604,722)</b>
Effect of uncorrected misstatements from prior periods				-	-	-
<b>Total uncorrected misstatements after income effect of prior year differences (Rollover)</b>				<b>3,604,722</b>	<b>-</b>	<b>(3,604,722)</b>

**Uncorrected misstatements from prior periods**

A	Impact of prior years unadjusted misstatements carried forward on opening Retained Earnings misstatements Debit (Credit)	Assets	Liabilities	Equity	Revenue	Expenses	Net Income
1.		-	-	-	-	-	-
B	Total - Income Statement, net of tax				-	-	-
	Total - Balance Sheet, net of tax	-	-	-			

**Summary of Omitted Disclosures**

Description of Omission or Other Misstatement	Financial Statement Element, Transaction, or Other Area Affected (e.g., inventory, purchase transaction, or bank covenant)	\$ Amount if Applicable	Corrected	Reason for Not Disclosing
n/a		-		

**Accepted and Agreed:**

**Citizens Property Insurance Company**

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Andrew Woodward

Date

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**Appendix B**  
**Citizens Property Insurance Company**  
**Summary of Uncorrected Misstatements**  
**As of and for the Period Ended December 31, 2022**

	Rollover Method			Iron Curtain Method	
	As Reported	Unadjusted Differences	As Adjusted	Unadjusted Differences	As Adjusted
<b>ASSETS</b>					
Cash	\$ 1,365,682,170	\$ -	\$ 1,365,682,170	\$ -	\$1,365,682,170
Other assets	<u>16,941,818,745</u>	<u>-</u>	<u>16,941,818,745</u>	<u>-</u>	<u>16,941,818,745</u>
Total assets	<u>\$18,307,500,915</u>	<u>\$ -</u>	<u>\$18,307,500,915</u>	<u>\$ -</u>	<u>\$18,307,500,915</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Other liabilities	<u>\$10,594,577,324</u>	<u>\$ -</u>	<u>\$10,594,577,324</u>	<u>\$ -</u>	<u>\$10,594,577,324</u>
Total liabilities	10,594,577,324	-	10,594,577,324	-	10,594,577,324
Other equity	<u>7,712,923,591</u>	<u>-</u>	<u>7,712,923,591</u>	<u>-</u>	<u>7,712,923,591</u>
Total equity	<u>7,712,923,591</u>	<u>-</u>	<u>7,712,923,591</u>	<u>-</u>	<u>7,712,923,591</u>
Total liabilities and stockholders' equity	<u>\$18,307,500,915</u>	<u>\$ -</u>	<u>\$18,307,500,915</u>	<u>\$ -</u>	<u>\$18,307,500,915</u>
<b>STATEMENT OF OPERATIONS</b>					
Other income (expense)	<u>(3,266,419,398)</u>	<u>-</u>	<u>(3,266,419,398)</u>	<u>-</u>	<u>(3,266,419,398)</u>
Net income	<u>\$ (3,266,419,398)</u>	<u>\$ -</u>	<u>\$ (3,266,419,398)</u>	<u>\$ -</u>	<u>\$ (3,266,419,398)</u>

**EXPLANATION OF UNADJUSTED DIFFERENCES:**

	Increase (Decrease) In Order To Correct			
	Assets	Liabilities	Equity	Income

Beginning of the period:  
During the current period:  
End of the period:

**Accepted and Agreed:**

**Citizens Property Insurance Company**

\_\_\_\_\_  
Andrew Woodward

Date \_\_\_\_\_



## Appendix C

### Qualifications Letter

**FORV/S**

FORV/S is a trademark of FORV/S, LLC registration of which is pending with the U.S. Patent and Trademark Office

Citizens Property Insurance Company

Report Date June 1, 2023

# FORVIS

400 N. Ashley Drive, Suite 2540 / Tampa, FL 33602

D 813.421.9299 / F 813.436.3405

[forvis.com](http://forvis.com)

Board of Directors  
Citizens Property Insurance Corporation  
Tallahassee, FL

To the Board of Directors of Citizens Property Insurance Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statutory financial statements of Citizens Property Insurance Corporation (Citizens) as of and for the year ended December 31, 2022, and 2021, and have issued our report thereon dated June 1, 2023. In connection therewith, we advise you as follows:

1. We are independent certified public accountants with respect to Citizens and conform to the standards of the accounting profession as contained in the Code of Professional Conduct and pronouncements of the American Institute of Certified Public Accountants and the Rules of Professional Conduct of the Florida Board of Public Accountancy.
2. The engagement partner and engagement manager, who are certified public accountants, have 16 years and 7 years, respectively, of experience in public accounting and are experienced in auditing insurance entities. Members of the engagement team, most of whom have had experience in auditing insurance entities and 80 percent of whom are certified public accountants, were assigned to perform tasks commensurate with their training and experience.
3. We understand that Citizens intends to file its audited statutory financial statements and our report thereon with the Florida Department of Financial Services, Office of Insurance Regulation (the Office) and that the Insurance commissioner of the State of Florida (Insurance Commissioner) will be relying on that information in monitoring and regulating the statutory financial condition of Citizens.

Although we understand that an objective of issuing a report on the statutory financial statements is to satisfy regulatory requirements, our audit was not planned to satisfy all objectives or responsibilities of insurance regulators. In this context, Citizens and the Insurance commissioner should understand that the objective of an audit of statutory financial statements in accordance with generally accepted auditing standards is to form an opinion and issue a report on whether the statutory financial statements present fairly, in all material respects, the admitted assets, liabilities, and capital, and surplus as well as the results of operations and cash flow in conformity with accounting practices prescribed or permitted by the Office.

Consequently, under auditing standards generally accepted in the United States of America, we have the responsibility, within the inherent limitations of the auditing process, to plan and perform our audit to obtain reasonable assurance about whether the statutory financial statements are free of material misstatement, whether caused by error or fraud, and to exercise due professional care in the conduct of the audit. The concept of selective testing of the data being audited, which involves judgment both as to the number of transactions to be audited and the areas to be tested, has been generally accepted as a valid and sufficient basis for an auditor to express an opinion on financial statements. Audit procedures that are effective for detecting errors, if they exist, may be ineffective for detecting misstatement resulting from fraud. Because of the characteristics of fraud, a properly planned and performed audit may not detect a material misstatement resulting from fraud. In addition, an audit does not address the possibility that material misstatements, caused by error or fraud may occur in the future. Also, our use of professional judgment and the assessment of materiality for the purpose of our audit means that matters may exist that would be assessed differently by the Insurance commissioner.

It is the responsibility of the management of Citizens to adopt sound accounting policies, to maintain an adequate and effective system of accounts, and to establish and maintain an internal control that will, among other things, provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting practices prescribed or permitted by the Office.

The Insurance commissioner should exercise due diligence to obtain whatever other information may be necessary for the purpose of monitoring and regulating the statutory financial position of insurers and should not rely solely upon the independent auditor's report.

4. We will retain audit working papers (including those kept in a hard copy or electronic medium) prepared in compliance with professional standards for seven years from the date that we grant permission to use our report in connection with the issuance of Citizens's financial statements (report release date). After notification to Citizens, we will make the audit working papers available for review by the Office or its delegates, at the offices of the insurer, at our offices, at the Office, or at any other reasonable place designated by the Insurance commissioner. Furthermore, in the conduct of the aforementioned periodic review by the Office, photocopies of pertinent audit working papers may be made (under the control of the accountant), and such copies may be retained by the Office. In addition, to the extent requested, we may provide the Office with copies of certain of our audit workpapers that do not contain password or encryption (such as unlocked electronic copies of Excel spreadsheets). As such, these audit working papers will be subject to potential modification by the Office or by others. We are not responsible for any modifications made to the copies, electronic or otherwise, after they are provided to the Office, and we are likewise not responsible for any effect that any such modifications, whether intentional or not, might have on the process, substance, or outcome of your regulatory examination.
5. The engagement partner or executive has served in that capacity with respect to Citizens since 2020, is licensed by the Florida Board of Public Accountancy, and is a member in good standing of the American Institute of Certified Public Accountants.
6. To the best of our knowledge and belief, we are in compliance with the requirements of Section 7 of the NAIC Annual Financial Reporting Model Regulation Model Rule (Regulation) Requiring Annual Audited Financial Reports regarding qualifications of independent certified public accountants.

This letter is intended solely for the information and use of the Audit Committee, Board of Directors, and management of the Company, and for filing with the Office and is not intended to be, and should not be, used for anyone other than these specified parties.

**FORVIS, LLP**

Certified Public Accountants

Tampa, Florida  
June 1, 2023



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

**FORV/S**

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Citizens Property Insurance Company

Report Date June 1, 2023



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## Communication of Internal Control Related Matters

The Audit Committee  
Citizens Property Insurance Corporation  
Tallahassee, FL

In planning and performing our audit of the statutory financial statements of Citizens Property Insurance Corporation (Citizens) as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered Citizens' internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the statutory financial statements, but not for the purpose of expressing an opinion on the effectiveness of Citizens' internal control. Accordingly, we do not express an opinion on the effectiveness of Citizens' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies that we consider material weaknesses, as previously defined as of December 31, 2022. However, unremediated material weaknesses may exist that were not identified.

This communication is intended solely for the information and use of the Audit Committee, Board of Governors, management, and the state insurance departments to whose jurisdiction Citizens' is subject and is not intended to be, and should not be, used by anyone other than these specified parties.

## FORVIS,LLP

June 1, 2023

The engagement partner, Brian Smith, has served in that capacity with respect to Citizens' since 2020.