Citizens Property Insurance Corporation

Independent Auditor's Report, Statutory Financial Statements and Supplementary Information

December 31, 2022 and 2021

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FORVIS

Independent Auditor's Report

Audit Committee
Citizens Property Insurance Corporation
Tallahassee, FL

Opinions

We have audited the accompanying statutory financial statements of Citizens Property Insurance Corporation (Citizens), which comprise the statutory statements of admitted assets, liabilities and accumulated surplus as of December 31, 2022 and 2021, and the related statutory statements of operations, changes in accumulated surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying statutory financial statements present fairly, in all material respects, the admitted assets, liabilities and accumulated surplus of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with statutory accounting principles prescribed or permitted by the Florida Department of Financial Services, Office of Insurance Regulation (the Office) described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the statutory financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), the financial position of the Company as of December 31, 2022 and 2021, or the results of its operations or its cash flows for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Statutory Financial Statements section of our report. We are required to be independent of Citizens, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the statutory financial statements, the statutory financial statements are prepared by the Company on the basis of statutory accounting principles prescribed or permitted by the Office, which is a basis of accounting other than U.S. GAAP, to meet the requirements of the Office. The effects on the statutory financial statements of the variances between the regulatory basis of accounting described in Note 2 and U.S. GAAP, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Statutory Financial Statements
Management is responsible for the preparation and fair presentation of the statutory financial statements in accordance with statutory accounting principles prescribed or permitted by the Office. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the statutory financial statements, management is required to evaluate 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 these financial statements are issued.

Auditor's Responsibilities for the Audits of the Statutory Financial Statements
Our objectives are to obtain reasonable assurance about whether the statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statutory financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statutory financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the statutory financial statements as a whole. The Supplemental Combining Statutory Statements of Admitted Assets, Liabilities and Accumulated Surplus by Account, Supplemental Combining Statutory Statements of Operations by Account, Summary Investment Schedule and Summary Investment Risks Interrogatories (collectively, "Supplementary Information") as of December 31, 2022 on pages 31 through 39 are presented for purposes of additional analysis and is not a required part of the statutory financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the statutory financial statements as a whole.

FORVIS, LLP

Tampa, FL
June 1, 2023

Citizens Property Insurance Corporation
Statutory Statements of Admitted Assets, Liabilities and Accumulated Surplus
December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
ADMITTED ASSETS		
Cash and invested assets:		
Bonds	**$ 8,419,177**	$ 7,714,920
Cash, cash equivalents, and short-term investments	**455,508**	1,397,070
Total cash and invested assets	**8,874,685**	9,111,990
Investment income due and accrued, net	**60,009**	48,249
Premiums receivable, net	**221,540**	135,686
Reinsurance recoverable on paid losses and loss adjustment expenses	**36,083**	55,505
Other receivables under reinsurance contracts, net	**126**	88
Other assets	**155,164**	234
Total admitted assets	**$ 9,347,607**	$ 9,351,752
LIABILITIES AND ACCUMULATED SURPLUS		
Liabilities:		
Loss reserves, net	**$ 1,626,253**	$ 583,147
Loss adjustment expense reserves, net	**993,452**	424,430
Retroactive reinsurance ceded	**(1,668)**	(1,668)
Unearned premiums, net	**1,704,720**	977,274
Reserve for future assessments	**140,790**	140,790
Reinsurance payable	**107,215**	120,959
Provision for reinsurance	**3,323**	148
Bonds payable	**285,973**	451,046
Interest payable	**1,146**	1,807
Advance premiums and suspended cash	**55,790**	30,369
Return premiums payable	**13,954**	9,728
Taxes and fees payable	**28,739**	829
Other liabilities	**108,397**	86,385
Total liabilities	**5,068,084**	2,825,244
Accumulated surplus:		
Restricted	**-**	-
Unrestricted	**4,279,523**	6,526,508
Total accumulated surplus	**4,279,523**	6,526,508
Total liabilities and accumulated surplus	**$ 9,347,607**	$ 9,351,752

Citizens Property Insurance Corporation
Statutory Statements of Operations
Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
Underwriting income:		
Net premiums earned	**$ 1,897,813**	$ 1,009,120
Underwriting expenses:		
Net losses incurred	**2,888,917**	530,792
Net loss adjustment expenses incurred	**990,850**	343,354
Other underwriting expenses incurred	**464,437**	301,489
Total underwriting expenses	**4,344,204**	1,175,635
Net underwriting loss	**(2,446,391)**	(166,515)
Investment income:		
Net interest income	**217,696**	182,241
Net realized capital (losses) gains	**(5,901)**	80,572
Net interest expense	**(11,983)**	(24,057)
Total net investment income	**199,812**	238,756
Other income:	**4,236**	7,887
Net (loss) income	**$ (2,242,343)**	$ 80,128

Citizens Property Insurance Corporation
Statutory Statements of Changes in Accumulated Surplus
Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	Restricted	Unrestricted	Total Accumulated Surplus
Balance at December 31, 2020	$ -	$ 6,441,806	$ 6,441,806
Net income	-	80,128	80,128
Change in nonadmitted assets	-	3,897	3,897
Change in provision for reinsurance	-	(128)	(128)
Other	-	805	805
Balance at December 31, 2021	-	6,526,508	6,526,508
Net loss	-	(2,242,343)	(2,242,343)
Change in nonadmitted assets	-	(486)	(486)
Change in provision for reinsurance	-	(3,176)	(3,176)
Other	-	(980)	(980)
Balance at December 31, 2022	$ -	$ 4,279,523	$ 4,279,523

Citizens Property Insurance Corporation
Statutory Statements of Cash Flows
Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
Operating activities:		
Premiums collected, net of reinsurance	**2,558,158**	$ 1,422,076
Loss and loss adjustment expenses paid	**(2,247,541)**	(618,036)
Underwriting expenses paid	**(422,179)**	(295,591)
Net investment income received	**208,732**	183,232
Other income received	**4,426**	6,694
Net cash provided by (used) in operating activities	**101,596**	698,375
Investing activities:		
Proceeds from investments sold, matured or repaid	**1,052,866**	3,281,943
Investments acquired	**(1,953,690)**	(2,848,149)
Net cash (used in) provided by investing activities	**(900,824)**	433,794
Financing and miscellaneous activities:		
Borrowed funds repaid	**(160,000)**	(385,000)
Other cash received	**17,666**	282
Net cash used in financing and miscellaneous activities	**(142,334)**	(384,718)
Net decrease in cash, cash equivalents, and short-term investments	**(941,562)**	747,451
Cash, cash equivalents, and short-term investments:		
Beginning of year	**1,397,070**	649,619
End of year	**$ 455,508**	$ 1,397,070

See accompanying notes to the statutory-basis financial statements.

Notes to Statutory Financial Statements

1. Organization and Description of the Company

Citizens Property Insurance Corporation (Citizens) was established on August 1, 2002, pursuant to Section 627.351(6), Florida Statutes (the Act), to provide certain residential and non-residential property insurance coverage to qualified risks in the State of Florida under circumstances specified in the Act. This legislation was enacted such that property insurance be provided through Citizens to applicants who are in good faith entitled to procure insurance through the voluntary market but are unable to do so. Citizens results from a combination of the Florida Residential Property and Casualty Joint Underwriting Association (FRPCJUA) and the Florida Windstorm Underwriting Association (FWUA). The FRPCJUA was renamed Citizens and the FWUA's rights, obligations, assets, liabilities and all insurance policies were transferred to Citizens. Unlike private insurers offering coverage through the admitted market, Citizens is not required to obtain or to hold a certificate of authority issued by the Florida Department of Financial Services, Office of Insurance Regulation (the Office). Likewise, Citizens is not subject to Risk-Based Capital (RBC) requirements or required to have a pledged deposit on file with the State of Florida. For purposes of its tax-exempt status, Citizens is considered a political subdivision and an integral part of the State of Florida. As such, Citizens' operations may be affected by the legislative process.

Citizens operates pursuant to a Plan of Operation (the Plan), under the Act, approved by the Financial Services Commission (the Commission) of the State of Florida. The Commission is composed of the Governor, the Chief Financial Officer, the Attorney General and the Commissioner of Agriculture of the State of Florida.

Citizens is supervised by a Board of Governors (the Board) which consists of nine individuals who reside in the State of Florida. The Governor appoints three members, and the Chief Financial Officer, the President of the Senate and the Speaker of the House of Representatives each appoint two members of the Board. At least one of the members appointed by each appointing officer must have a demonstrated expertise in the insurance industry. The Chief Financial Officer designates one of the appointees as the Board's chair. All Board members serve at the pleasure of their appointing officers.

Citizens' President and Chief Executive Officer (Executive Director) and senior managers are engaged by and serve at the pleasure of the Board. The Executive Director is subject to confirmation by the Florida Senate.

Pursuant to the Act, all revenues, expenses, assets and liabilities of Citizens shall remain divided into three separate accounts: the Personal Lines Account, the Commercial Lines Account and the Coastal Account (collectively, the Accounts). A brief history of each account follows:

Personal Lines Account History - The FRPCJUA began operations on January 21, 1993, after Hurricane Andrew, pursuant to Section 627.351(6), Florida Statutes, to provide certain residential property insurance coverage to qualified risks in the State of Florida for applicants who were in good faith entitled to procure insurance through the private market but were unable to do so. Residential property coverage consists of the types of coverage provided to homeowners, mobile homeowners, tenants, condominium unit owners, and similar policies. The policies provide coverage for all perils covered under a standard residential policy, subject to certain underwriting requirements. Such policies may exclude windstorm coverage on property within eligible areas. This portion of the FRPCJUA's activities became the Personal Lines Account (PLA) under Citizens.

***Commercial Lines Account History* -** The Florida Property and Casualty Joint Underwriting Association (FPCJUA) was activated in early 1994 to provide commercial residential coverage (i.e. coverage for condominium associations, apartment buildings and homeowner associations) to organizations unable to obtain such coverage from a private insurer. During 1995, legislation was enacted to transfer all obligations, rights, assets, and liabilities related to commercial residential coverage from the FPCJUA to the FRPCJUA. The legislation required that the premiums, losses, assets and liabilities be accounted for separately from the FRPCJUA's personal residential business. This portion of the FRPCJUA's activities became the Commercial Lines Account (CLA) under Citizens. In 2006, the FPCJUA was re-activated to provide commercial non-residential wind-only coverage. In 2007, legislation was enacted which resulted in the transfer and assumption of the FPCJUA's commercial non-residential policies by Citizens. These policies were added to the CLA.

***Coastal Account History* -** The FWUA, which was a residual market mechanism for windstorm and hail coverage in select areas of the State of Florida, was created by an act of the Florida Legislature in 1970 pursuant to Section 627.351(2), Florida Statutes. FWUA was a Florida unincorporated association, the members of which were all property insurance companies holding a certificate of authority to provide property insurance coverage in the State of Florida. FWUA provided policies of windstorm insurance for property owners within the eligible areas who were unable to obtain such coverage from private insurers. Insured properties include personal residential, commercial residential and commercial non-residential properties. This portion of the FWUA's activities became the High-Risk Account (HRA) under Citizens. In 2007, Citizens received authority to issue multi-peril policies in the HRA. Pursuant to legislative changes during 2011, the HRA was renamed the Coastal Account.

2. Basis of Presentation

Citizens prepares its statutory financial statements in conformity with Florida statutes and accounting rules prescribed by the Office for insurance companies domiciled in the State of Florida. The statutory financial statements have been prepared in conformity with the Statutory Accounting Principles (SAP) of the National Association of Insurance Commissioners' (the NAIC) Accounting Practices and Procedures Manual, subject to any deviations prescribed or permitted by the Office, as described below.

SAP is a comprehensive basis of accounting other than accounting principles general accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). The significant SAP which differ from GAAP are as follows:

Certain assets are defined under SAP as "nonadmitted." These include furniture and equipment, leasehold improvements, certain prepaid assets, certain computer software, investments over prescribed limits and receivables in the course of collection with balances more than 90 days past due. The net change in such nonadmitted assets during the year is charged or credited directly to accumulated surplus. Conversely, GAAP includes these as assets net of any applicable valuation allowance.

Investments in bonds are reported at amortized cost or fair value based on their NAIC rating; for GAAP, these investments would be reported at fair value with unrealized holding gains and losses reported in the statement of operations.

(Dollars in thousands)

All single class and multi-class mortgage-backed/asset-backed securities, such as collateralized mortgage obligations (CMOs), when it is determined that a decline in fair value is other-than-temporary, the amortized cost basis is written down to the present value of future cash flows. The difference between the amortized cost basis and the present value of future cash flows is recognized as a realized loss in the statutory statements of operations. For GAAP, all securities held representing beneficial interests in securitized assets, such as CMOs, mortgage-backed securities and other asset-backed securities, excluding high credit quality securities, are written down to fair value if the decline is determined to be other-than-temporary.

Cash, cash equivalents, and short-term investments in the statutory statements of admitted assets, liabilities and accumulated surplus and cash flows represent cash balances and investments with original maturities of one year or less at the date of acquisition. Under GAAP, the corresponding caption of cash and cash equivalents would include cash balances and investments with original maturities of three months or less at the date of acquisition. Also under GAAP, short-term investments are disclosed separately from cash and cash equivalents. The statutory statements of cash flows does not classify cash flows consistent with GAAP.

Lease-related assets and liabilities in the statutory financial statements are classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contracts. Under GAAP, lease accounting is based on the foundational principle that leases are financing arrangements of the right to use an underlying asset, requiring the lessee to recognize a lease liability and an intangible right-to-use lease asset, and the lessor to recognize a lease receivable and a deferred inflow of resources.

Certain other reported amounts in the statutory financial statements prepared on the basis of SAP are classified or presented differently than they would be under GAAP. Statutory requirements include that the statutory financial statements of Citizens be filed with state regulatory authorities. Accordingly, the statutory financial statements are presented in a format similar to the filed annual statement, which differs from the format of financial statements presented under GAAP. Required statutory disclosures that are not applicable to Citizens are not included in the notes to statutory financial statements.

Differences between Florida prescribed practices and SAP which affect Citizens are provided in Section 625.305, Florida Statutes. This statute provides limitations on the admission of invested assets as a percentage of total admitted assets, for securities with ratings of 5 and 6 as issued by the Securities Valuation Office (SVO) or equivalent rating agency, among other limitations not applicable to Citizens. Measurement for nonadmitted invested assets under this prescribed practice is performed separately for each of Citizens' Accounts. The effect of the prescribed practice on accumulated surplus is provided below. There is no effect on net income as a result of the prescribed practice.

Description	**State**	**2022**	**2021**
Accumulated surplus, state basis	FL	**$ 4,279,523**	$ 6,526,508
Effect of state prescribed practices			
F.S. 625.305(4) d. Nonadmitted Invested Assets	FL	**-**	-
Accumulated surplus, SAP basis		**$ 4,279,523**	$ 6,526,508

Citizens has no permitted practices for the year ended December 31, 2022.

3. Significant Accounting Policies

Use of Estimates

The preparation of the statutory financial statements in accordance with SAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Bonds

Bonds, which consist solely of debt securities, are recorded at admitted asset values, as prescribed by the NAIC's valuation procedures and are rated in accordance with current NAIC guidelines.

Bonds designated by the SVO or equivalent as 1 or 2 are reported at amortized cost. Bonds designated as 3 through 6 are reported at the lower of amortized cost or fair value. Debt securities not backed by other loans are stated at amortized cost using the interest method. Loan-backed debt securities and structured securities are stated at amortized cost using the interest method and adjusted retrospectively. Prepayment assumptions were obtained from broker dealer values. Fair values are generally measured using quoted prices in active markets for identical securities or other inputs that are observable either directly or indirectly, such as quoted prices for similar securities.

Declines in the estimated fair value of bonds below amortized cost are evaluated for other-than-temporary impairment (OTTI) losses on a regular basis. Impairment losses for declines in the estimated fair value of bonds below amortized cost attributable to issuer-specific events are evaluated based upon all relevant facts and circumstances for each investment and are recognized when appropriate in accordance with SAP and related guidance. In determining OTTI, Citizens considers many factors, including (1) the length of time and extent to which the fair value has been less than cost; (2) the financial condition and near-term prospects of the issuer; (3) whether the market decline was affected by macroeconomic conditions; (4) the present value of the expected future cash flows associated with the debt security compared to its carrying value; and (5) whether the Company has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery, which may be maturity. The assessment of whether an OTTI decline exists involves a high degree of subjectivity and judgment, and is based on the information available at a point in time. Citizens records an impairment charge to the extent that the amortized cost exceeds the estimated fair value of the securities and the decline in value is determined to be other than temporary. Citizens recognizes OTTI losses on its loan-backed and structured securities measured as the difference between amortized cost and estimated present value of projected future cash flows. OTTI charges are recognized in net realized capital gains (losses).

Cash, Cash Equivalents, and Short-term Investments

Cash and cash equivalents consists of money market mutual funds and highly liquid investments with remaining maturities of three months or less at the date of purchase. Short-term investments are investments with remaining maturities of one year or less at the date of purchase (excluding those investments classified as cash) and are generally recorded at cost.

Short-term investments include amounts invested in commercial paper, short-term municipal securities, short-term corporate bonds and U.S. government agency short-term notes.

(Dollars in thousands)

Net Investment Income

Net investment income includes interest income, amortization and accretion, realized gains and losses on sales or maturity of investments that are recognized on the specific identification basis, and interest expense. Gains and losses from call redemptions and repayments are charged or credited to investment income. Net investment income also includes bond interest, bond expenses and investment expenses. Interest is recognized on the accrual basis and uncollected interest is recorded in investment income due and accrued in the accompanying statutory statements of admitted assets, liabilities and accumulated surplus. Accrual of income is suspended for bonds that are in default or when the receipt of interest payments is in doubt.

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are depreciated using the straight-line method over the assets' estimated useful life. The estimated useful lives, by asset class, are as follows:

Electronic data processing (EDP) equipment:	3 years
Office equipment and automobiles:	5 years
Furniture and equipment:	7 years
Leasehold improvements:	10 years

The cost and accumulated depreciation for EDP equipment was $25,069 and $25,000 at December 31, 2022 and $33,862 and $33,656 at December 31, 2021, respectively.

Depreciation and amortization expense was $592 and $1,172 for the years ended December 31, 2022 and 2021, respectively, and is included in other underwriting expenses incurred on the accompanying statutory statements of operations. Nonadmitted balances for fixed assets, excluding EDP equipment, at December 31, 2022 and 2021 were $249 and $617, respectively. Net admitted EDP equipment of $69 and $205 at December 31, 2022 and 2021, is included in other assets on the accompanying statutory statements of admitted assets, liabilities and accumulated surplus.

Loss Reserves and Loss Adjustment Expense Reserves

Liabilities for loss reserves and loss adjustment expense (LAE) reserves are estimated based on claims adjusters' evaluations and on actuarial evaluations for incurred but not reported reserves, using Citizens' loss experience and industry statistics. While the ultimate amount of losses and LAE incurred is dependent on future development, in management's opinion, the estimated reserves are adequate to cover the expected future payment of losses and LAE. However, the ultimate settlement of losses may vary significantly from the reserves provided. Adjustments to estimates recorded resulting from subsequent actuarial evaluations or ultimate payments will be reflected in operations in the period in which such adjustments are known or estimable. Citizens does not discount liabilities for loss reserves and LAE reserves. The anticipated effect of inflation is implicitly considered when estimating liabilities for losses and LAE. While anticipated price increases due to inflation are considered in estimating the ultimate claim costs, the increase in average severities of claims is caused by a number of factors that vary with the individual type of policy written. Future average severities are projected based on historical trends adjusted for implemented changes in underwriting standards, policy provisions, and general economic trends. Those anticipated trends are monitored based on actual development and the estimated liabilities are modified, if necessary.

In the event of loss recoveries through reinsurance agreements, loss and LAE reserves are reported net of reinsurance amounts recoverable for unpaid losses and LAE. Losses and LAE ceded through reinsurance are credited against losses and LAE incurred.

Salvage and subrogation recoveries are not recorded until cash is received.

Premiums

Premiums written are recorded on the effective date of the policy and earned using the daily pro rata method over the policy period. The portion of premiums not earned at the end of the reporting period are recorded as unearned premiums. Premiums collected prior to the effective date of the policy are recorded as advance premiums. Premiums collected in excess of amounts due are reported as return premiums payable. Amounts incurred for ceded reinsurance premiums are deducted from written, earned and unearned premiums. Funds collected that are not readily identifiable with a Citizens' policy, primarily as a result of depopulation, are temporarily recorded as suspended cash until such time as the funds can be settled or returned by Citizens.

If anticipated losses, LAE, commissions and other acquisition costs exceed recorded unearned premium reserve, a premium deficiency is recognized by recording an additional liability for the deficiency. 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 policies are marketed, serviced, and measured for the profitability of such contracts. Additionally, premium deficiency calculations are performed for each Account separately. At December 31, 2022 and 2021, management determined that no premium deficiency reserve was required.

Premiums receivable includes amounts due from policyholders for billed premiums. Billings are calculated using estimated annual premiums for each policy and are paid either through an installment plan offered by Citizens or in their entirety at the inception of the policy. Citizens nonadmits assets due from insureds for which a portion of the receivable is more than 90 days past due. Premiums receivable are charged to bad debt expense in the period determined uncollectible.

Recoveries received on amounts previously charged off are credited to bad debt expense in the period received. As of December 31, 2022 and 2021, nonadmitted premiums receivable totaled $2,886 and $2,873 respectively.

Premium revenues and associated policy fees and inspection fees are recognized in accordance with the rates, rules, and forms as filed with the Office. Associated policy fees and inspection fees are included within other income.

Underwriting Expenses

Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred.

Guaranty Fund and Other Assessments

Citizens is subject to assessments by the Florida Insurance Guaranty Association (FIGA). For the property lines of insurance, FIGA collects assessments from solvent insurance companies operating in Florida to cover the costs resulting from insolvency or rehabilitation of other insurance companies. Assessments are charged to policyholders and collected by Citizens, and remitted to FIGA on a quarterly basis. Amounts collected from policyholders but not yet remitted to FIGA are reported within Taxes and fees payable on the accompanying statutory statements of admitted assets, liabilities and accumulated surplus until remitted to FIGA.

Citizens is also required to assess insurers and insureds in Florida for deficits incurred by Citizens. Assessments made pursuant to the Act and the Plan are recognized as revenue and recorded as receivable in the period approved by the Board and the Office and levied by Citizens (see Note 15). Assessment receivables are considered to be fully collectible. Under the Plan, amounts collected in excess of the calculated assessment are carried as a liability on the statutory statements of admitted assets, liabilities and accumulated surplus as reserve for future assessments until such time as their permitted use is determined by the Board in accordance with the Plan.

Reinsurance

Premiums ceded under reinsurance agreements are recorded as a reduction of earned premiums. Reinsurance recoverables on unpaid losses and LAE are recorded as a reduction to loss and LAE reserves.

Reinsurance recoverables on paid losses are recorded as receivables. All catastrophe reinsurance premiums are recorded as premiums ceded and are amortized over the life of the Atlantic hurricane season, from June 1 to November 30, for which the premiums apply. Premiums ceded include Florida Hurricane Catastrophe Fund (FHCF), private catastrophe reinsurance purchases and depopulation premiums.

Other receivables under reinsurance contracts represent amounts receivable from reinsurers on depopulation premiums. Reinsurance premiums payable represents amounts due to the FHCF, private reinsurers, and as a result of depopulation, which is presented as a liability. For multi-year treaties, ceded reinsurance is incurred in the treaty year in proportion to the coverage provided and amortized over the life of the hurricane season. Amounts unpaid for the current treaty year are recorded as reinsurance payable under the terms of the treaty.

Retroactive reinsurance ceded on the accompanying statutory statements of admitted assets, liabilities and accumulated surplus represents ceded losses and loss adjustment expenses associated with a 100% quota-share reinsurance agreement that qualified for retroactive treatment in accordance with SSAP No. 62R, *Property and Casualty Reinsurance (*SSAP No. 62R*)*. All policies ceded under the agreement were fully earned as of December 31, 2022 and 2021. Changes in retroactive reinsurance reserves are recognized on the accompanying statutory statements of operations within other income.

In accordance with SSAP No. 62R, a provision for reinsurance is established to offset credit taken in various balance sheet accounts for reinsurance ceded to unauthorized reinsurers in excess of collateral held by the Company.

Income Taxes

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. No federal or state income tax was incurred during 2022 and 2021.

Significant Concentrations of Risks

Citizens has geographic exposure to catastrophic losses. Catastrophes can be caused by various events including, but not limited to, hurricanes, windstorms, hail and fire. The occurrence and severity of catastrophes are inherently unpredictable. Citizens attempts to mitigate its exposure to losses from catastrophes by purchasing catastrophe reinsurance coverage. Catastrophes, depending on their path and severity, could result in losses exceeding Citizens' reinsurance protection, and could have a material adverse effect on Citizens' financial condition and results of operations.

(Dollars in thousands)

Citizens' exposure to concentrations of credit risk consists primarily of its cash, investments, and reinsurance balances. Citizens minimizes this risk by maintaining cash at highly rated financial institutions, investing surplus cash in highly rated money market funds, adhering to an investment strategy that emphasizes preservation of principal, and contracting with reinsurance companies that meet certain rating criteria and other qualifications. Financial instruments that potentially subject Citizens to concentrations of credit risk consist principally of cash and cash equivalents, and investments. Citizens' cash management and investment policies restrict investments by type, credit and issuer, and Citizens performs periodic evaluations of the credit standing of the financial institutions with which it deals. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation up to $250 per depositor. Bank deposits at times may exceed federally insured limits. An increased risk of loss occurs as more investments are acquired from one issuer or a group of issuers within one industry which results in a concentration of credit risk. Excluding securities issued by U.S. Government & Agencies, Citizens does not hold any securities from any single issuer that exceeded 5% of the investment portfolio. Citizens' investment strategy focuses primarily on higher quality, fixed income securities. Citizens 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.

Citizens enters into reinsurance treaties with highly rated reinsurers and has the contractual right to obtain letters of credit from any unauthorized reinsurer and certified reinsurer. As of December 31, 2022, management believes Citizens had no significant concentrations of credit risk.

Citizens is exposed to interest rate risk, which is the risk that interest rates will change and cause a decrease in the value of fixed-rate investments. Citizens mitigates this risk by attempting to match the maturity schedule of its assets with the expected payout of its liabilities.

Components of Unrestricted Surplus

Unrestricted surplus for the years ended December 31 was charged with the following items:

	2022	2021
Nonadmitted assets:		
Premiums receivable	**$ (2,886)**	$ (2,873)
Furniture, fixtures and equipment	**(249)**	(617)
Prepaid expenses	**(9,693)**	(8,851)
Other assets	**(622)**	(623)
Total nonadmitted assets	**$ (13,450)**	$ (12,964)
Provision for reinsurance	**$ (3,324)**	$ (148)
Other	**$ (552)**	$ 428

(Dollars in thousands)

4. Fair Value Measurements

Citizens' estimates of fair value for financial assets and financial liabilities are based on the framework established in the fair value measurements and disclosures accounting guidance under SSAP No. 100R, *Fair Value*. The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect significant market assumptions. The three levels of the hierarchy are as follows:

- Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market corroborated inputs.
- Level 3 - Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement, and includes broker quotes which are non-binding.

The following tables reflect the carrying values and estimated fair values of all admitted assets and liabilities that are financial instruments at December 31, 2022 and 2021. The estimated fair values are categorized into the three-level fair value hierarchy as described below.

	2022				
	Carrying Value	**Estimated Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial assets:					
Bonds	$ **8,419,177**	$ **7,560,504**	$ **1,466,519**	$ **6,093,985**	$ **-**
Cash, cash equivalents, and short-term investments	**455,508**	**454,001**	**410,580**	**43,421**	**-**
Investment income due and accrued, net	**60,009**	**60,009**	**-**	**60,009**	**-**
Total financial assets	**$ 8,934,694**	**$ 8,074,514**	**$ 1,877,099**	**$ 6,197,415**	**$ -**
Financial liabilities:					
Bonds payable	**285,973**	**286,784**	**-**	**286,784**	**-**
Interest payable	**1,146**	**1,146**	**-**	**1,146**	**-**
Total financial liabilities	**$ 287,119**	**$ 287,930**	**$ -**	**$ 287,930**	**$ -**

(Dollars in thousands)

	2021				
	Carrying Value	**Estimated Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial assets:					
Bonds	$ 7,714,920	$ 7,876,255	$ 1,556,204	$ 6,320,051	$ -
Cash, cash equivalents, and short-term investments	1,397,070	1,397,044	1,378,984	18,060	-
Investment income due and accrued, net	48,249	48,249	-	48,249	-
Total financial assets	$ 9,160,239	$ 9,321,548	$ 2,935,188	$ 6,386,360	$ -
Financial liabilities:					
Bonds payable	$ 451,046	$ 473,875	$ -	$ 473,875	$ -
Interest payable	1,807	1,807	-	1,807	-
Total financial liabilities	$ 452,853	$ 475,682	$ -	$ 475,682	$ -

The following describe fair value methodologies that may not be indicative of net realizable value or reflective of future fair values. Furthermore, Citizens believes different methodologies or assumptions used to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Bonds and Short-Term Investments

When available, the estimated fair values are based on quoted prices in active markets that are readily and regularly obtainable. Generally, these investments are classified in Level 1 and are the most liquid of Citizens' securities holdings, and valuation of these securities does not involve management's judgment.

When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies, giving priority to observable inputs. The significant inputs to the market standard valuation methodologies for certain types of securities with reasonable levels of price transparency are inputs that are observable in the market or which can be derived principally from or corroborated by observable market data. Generally, these investments are classified as Level 2.

When observable inputs are not available, the market standard valuation methodologies for determining the estimated fair value of certain types of securities that trade infrequently, and therefore have little or no price transparency, rely on inputs that are significant to the estimated fair value that are not observable in the market or which cannot be derived principally from or corroborated by observable market data. These unobservable inputs can be based in large part on management's judgment or estimation and cannot be supported by reference or market activity. Even though these inputs are unobservable, Citizens believes they are consistent with those which other market participants would use when pricing such securities and are considered appropriate, given the circumstances. Generally, these investments are classified as Level 3.

Cash and Cash Equivalents

The estimated fair value approximates carrying value and are classified as Level 1, given the nature of cash and cash equivalents.

Investment Income Due and Accrued and Interest Payable

The estimated fair value is determined based on significant observable inputs. These amounts are generally classified as Level 2.

Bonds Payable

Citizens' bonds trade on the bond market. The estimated fair value is based on trading activity and closing market prices on December 31.

At the end of each reporting period, Citizens evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred between Levels 1 and 2. This policy also applies to transfers into or out of Level 3. No transfers were made between financial instrument levels during the year end December 31, 2022 and 2021.

5. Investments

Investment Policy and Impairment

Citizens' invested assets are governed by five investment policies, three for taxable operating funds and two for tax-exempt bond proceeds:

- Liquidity Fund (Taxable): generally this policy governs the investment of funds and surplus that, in addition to internally managed cash, are the first monies used to pay claims after an event, and that can be used to pay operating expenses on an ongoing basis.
- Liquidity Fund (Tax-exempt): generally this policy governs the investment of tax-exempt pre-event bond proceeds and other monies required to be invested in tax-exempt instruments. Citizens uses these monies to pay claims after an event or to pay principal and / or interest payments on an as needed basis.
- Claims-Paying Fund (Taxable): generally this policy governs the investment of funds used to pay post-event claims after Citizens has expended all monies in the Liquidity Fund. Only monies eligible for investment in taxable instruments are deposited in this fund.
- Claims-Paying Fund (Tax-exempt): generally this policy governs the investment of tax-exempt pre-event bond proceeds and other monies required to be invested in tax-exempt instruments. Citizens uses these monies to pay claims after an event, typically after all funds in the Liquidity Fund have been expended.
- Claims-Paying Long Duration Fund (Taxable): generally this policy governs the investment of funds that will be used to pay post-event claims after Citizens has expended all monies in the Liquidity Funds and Claims-Paying Funds.

Citizens did not recognize any other-than-temporary impairments during the year ended December 31, 2022 and 2021. Citizens evaluates external indicators, such as issuer credit ratings along with the extent and duration of declines, and internal indicators such as ability and intent with respect to retention of impaired securities in determining whether declines in market value are temporary or other-than-temporary.

The investment policies require any repurchase agreement be collateralized to at least 102% with U.S. Government or Agency securities, excluding mortgage-backed securities. Repurchase agreements shall not represent more than 15% of the portfolio's amortized cost and must have a maximum maturity of 30 days or less. Reverse repurchase agreements and securities lending are not permitted investments. Citizens had no investments in agency repurchase agreements as of December 31, 2022 and 2021.

(Dollars in thousands)

Bonds

The carrying value, gross unrealized gains and losses, and estimated fair value of bonds at December 31, 2022 were as follows:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Bonds:				
U.S. Treasury and U.S. government securities	**$ 1,594,763**	**$ -**	**$ (126,236)**	**$ 1,468,527**
States, territories and possessions	**105,437**	**-**	**(11,185)**	**94,252**
Political subdivisions of states, territories and possessions	**119,028**	**-**	**(10,400)**	**108,628**
Special revenue	**649,562**	**35**	**(55,975)**	**593,622**
Industrial and miscellaneous	**5,617,250**	**44**	**(622,691)**	**4,994,603**
Mortgage-backed securities	**333,137**	**-**	**(32,265)**	**300,872**
Total admitted bonds	**$ 8,419,177**	**$ 79**	**$ (858,752)**	**$ 7,560,504**

The carrying value, gross unrealized gains and losses, and estimated fair value of bonds at December 31, 2021 were as follows:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Bonds:				
U.S. Treasury and U.S. government securities	$ 1,546,340	$ 22,557	$ (10,115)	$ 1,558,782
States, territories and possessions	105,086	2,223	(598)	106,711
Political subdivisions of states, territories and possessions	121,853	2,875	(371)	124,357
Special revenue	732,530	20,035	(4,040)	748,525
Industrial and miscellaneous	4,917,854	149,622	(31,203)	5,036,273
Mortgage-backed securities	291,257	11,907	(1,557)	301,607
Total admitted bonds	$ 7,714,920	$ 209,219	$ (47,884)	$ 7,876,255

(Dollars in thousands)

The unrealized loss position of bonds at December 31, 2022 was as follows:

	Less than 12 months		More than 12 months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
Bonds:						
U.S. Treasury and U.S. government securities	**$ 740,292**	**$ (53,165)**	**$ 708,189**	**$ (73,071)**	**$ 1,448,481**	**$ (126,236)**
States, territories and possessions	**38,262**	**(4,030)**	**55,989**	**(7,155)**	**94,251**	**(11,185)**
Political subdivisions of states, territories and possessions	**64,671**	**(6,964)**	**43,956**	**(3,436)**	**108,627**	**(10,400)**
Special revenue	**371,282**	**(30,984)**	**201,251**	**(24,991)**	**572,533**	**(55,975)**
Industrial and miscellaneous	**3,082,113**	**(292,869)**	**1,877,520**	**(329,822)**	**4,959,633**	**(622,691)**
Mortgage-backed securities	**252,825**	**(21,465)**	**48,047**	**(10,800)**	**300,872**	**(32,265)**
Total	**$ 4,549,445**	**$ (409,477)**	**$ 2,934,952**	**$ (449,275)**	**$ 7,484,397**	**$ (858,752)**

The unrealized loss position of bonds at December 31, 2021 was as follows:

	Less than 12 months		More than 12 months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
Bonds:						
U.S. Treasury and U.S. government securities	$ 592,058	$ (6,369)	$ 93,535	$ (3,746)	$ 685,593	$ (10,115)
States, territories and possessions	54,755	(562)	3,014	(36)	57,769	(598)
Political subdivisions of states, territories and possessions	51,860	(360)	502	(11)	52,362	(371)
Special revenue	209,477	(2,732)	26,019	(1,308)	235,496	(4,040)
Industrial and miscellaneous	1,530,299	(26,242)	105,275	(4,961)	1,635,574	(31,203)
Mortgage-backed securities	136,227	(1,505)	2,861	(52)	139,088	(1,557)
Total	$ 2,574,676	$ (37,770)	$ 231,206	$ (10,114)	$ 2,805,882	$ (47,884)

There were 2,057 and 1,754 bond holdings in an unrealized loss position for more than 12 months at December 31, 2022 and 2021, respectively.

(Dollars in thousands)

Citizens believes there were no fundamental issues such as credit losses or other factors with respect to any of its bond securities that are in an unrealized loss position. The unrealized losses on bonds were primarily caused by interest rate changes. It is expected that the securities would not be settled at a price less than the par value of the bonds. Citizens evaluates U.S. government, corporate, and state and municipal bonds based upon factors such as expected cash flows and the financial condition, and near-term and long-term prospects of the issuer, and evaluates mortgage-backed securities and asset-backed securities based on actual and projected cash flows after considering such factors as the quality of the underlying collateral, expected prepayment speeds, current and forecasted severity, consideration of the payment terms of the underlying assets, and payment priority of the security. Because the decline in fair value is attributable to changes in interest rates or market conditions and not credit quality, and because Citizens has the ability and intent to hold its bond securities until a market price recovery or maturity, Citizens does not consider any of its bonds to be other than temporarily impaired at December 31, 2022 and 2021.

Proceeds from maturities and sales of bonds during 2022 were $1,208,043 with gross realized gains of $2,779 and gross realized losses of $8,555 and during 2021 were $3,279,599 with gross realized gains of $89,347 and gross realized losses of $8,701. Investment dispositions and purchases are measured and recorded in the financial statements using the trade date, which may differ from the date on which settlement of the trade activity occurs. Proceeds related to gains (losses) on cash, cash equivalents, and short-term investments during 2022 and 2021 were $(125) and $(74) respectively.

The carrying value and estimated fair value of securities at December 31, 2022, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

	Carrying Value	Estimated Fair Value
Maturity:		
In 2023	$ 728,040	$ 717,004
2024 – 2027	3,495,999	3,298,076
2028 - 2032	3,225,903	2,750,277
After 2032	636,098	494,275
Mortgage-backed securities	333,137	300,872
Total	$ 8,419,177	$ 7,560,504

(Dollars in thousands)

Sources and uses of net investment income for the years ended December 31, were as follows:

	2022	2021
Gross interest income:		
Bonds	**$ 198,437**	$ 185,818
Cash, cash equivalents, and short-term investments	**23,455**	733
Total gross interest income	**221,892**	186,551
Investment expenses	**(4,196)**	(4,310)
Net interest income	**217,696**	182,241
Net realized gain (loss) on sales of invested assets:		
Bonds	**(5,776)**	80,646
Cash, cash equivalents, and short-term investments	**(125)**	(74)
Net realized capital gains (losses)	**(5,901)**	80,572
Interest expense:		
Bond interest	**(11,983)**	(24,057)
Net investment income	**$ 199,812**	$ 238,756

For the year ended December 31, 2022, 250 securities were called, 28 of which included prepayment penalties or acceleration fees of $3,645 and is included in net interest income.

Restricted Assets

Restricted assets (including pledged assets) are summarized as follows by restricted asset category:

	Gross Restricted				Percentage	
Restricted Asset Category	**Total from Current Year**	**Total from Prior Year**	**Increase (Decrease)**	**Total Current Year Admitted**	**Gross Restricted to Total Assets**	**Admitted Restricted to Total Admitted Assets**
Pledged as collateral not captured in other categories	$ 7,285	$ 118,998	$ (111,713)	$ 7,285	0.08%	0.08%
Total restricted assets	$ 7,285	$ 118,998	$ (111,713)	$ 7,285	0.08%	0.08%

Restricted assets pledged as collateral above consist of debt sinking funds on deposit with Citizens' Indenture Trustee for the purpose of funding principal and interest obligations associated with outstanding bonds payable.

(Dollars in thousands)

6. Liability for Loss Reserves and Loss Adjustment Expense Reserves

Activity in the liability for loss and LAE reserves for December 31 was as follows:

	2022	2021
Direct loss and loss adjustment expense reserves, beginning of year	**$ 1,158,326**	$ 950,448
Less reinsurance recoverables on reserves	**(150,749)**	(182,205)
Net loss and loss adjustment expense reserves, beginning of year	**1,007,577**	768,243
Incurred related to:		
Current accident year	**3,758,005**	663,362
Prior accident years	**121,762**	210,784
Total incurred	**3,879,767**	874,146
Paid related to:		
Current accident year	**1,803,556**	(251,452)
Prior accident years	**464,083**	(383,360)
Total paid	**2,267,639**	634,812
Net loss and loss adjustment expense reserves, end of year	**2,619,705**	1,007,577
Add reinsurance recoverables on reserves	**1,176,028**	150,749
Gross Balance at end of year	**$ 3,795,733**	$ 1,158,326

As a result of changes in estimates of insured events in prior years, the provision for loss and LAE reserves increased by approximately $121,762 and $210,784 net of reinsurance, in 2022 and 2021, respectively. Increases in overall projected claims counts and loss severity of claims from Hurricane Irma and Tropical Storms Sally and Eta contributed most significantly to the overall increase in the provision for loss and LAE reserves of $121,762. These adjustments are the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims. On September 28, 2022, Hurricane Ian made landfall in Southwest Florida. At December 31, 2022, estimated ultimate losses and LAE attributable to Hurricane Ian were $3,597,442, excluding recorded estimated reinsurance recoveries of $1,026,468. On November 10, 2022, Hurricane Nicole made landfall south of Vero Beach, Florida. At December 31, 2022, estimated ultimate losses and LAE attributable to Hurricane Nicole were $96,076. At December 31, 2022, no reinsurance recoverables have been recorded for losses and LAE attributable to Hurricane Nicole. There can be no assurance that the ultimate settlement of losses will not vary significantly from the recorded provision for losses and LAE.

However, management believes the provision for losses and LAE is adequate to cover the cost of unpaid claims incurred. During 2022 and 2021, net recoveries with respect to reinsurance recoverable on paid losses and LAE was $136,184 and $121,337 respectively.

For the years ended December 31, 2022 and 2021, ultimate losses and LAE attributable to Hurricane Irma were $2,553,813 and $2,393,980, respectively, excluding recorded anticipated reinsurance recoveries of $1,125,745 and $1,010,168, respectively. For the years ended December 31, 2022 and 2021, ultimate losses and LAE attributable to Hurricane Michael were $148,400 and $149,997, respectively, with no anticipated reinsurance recoveries. For the years ended December 31, 2022 and 2021, ultimate losses and LAE attributable to Tropical Storm Eta were $237,160 and $171,469, respectively, with no anticipated reinsurance recoveries.

(Dollars in thousands)

For both catastrophic and non-catastrophic claims, the loss adjusting function is performed by Citizens through its employees and through contracted independent adjusting firms. Citizens compensates independent adjusting firms, depending upon the type or nature of the claims, either on a per-day rate or on a graduated fee schedule based on the gross claim amount. Such costs are included as LAE.

7. Reinsurance Agreements

Citizens has entered into various contracts with reinsurers for the purpose of reducing its net exposure to qualifying losses should such losses occur. These contracts provide for the recovery of amounts above specified retention levels, subject to contractual limits, under per occurrence and aggregate catastrophe excess of loss arrangements. Reinsurance coverage is purchased separately for the Coastal Account and combined for the PLA and CLA. As required by statute, Citizens participates in the FHCF. Coverage provided by and premium ceded to the FHCF as respects the Coastal Account is measured and recognized as though the Coastal Account is a separate participating insurer with its own exposures, reimbursement premium and loss reimbursement. Likewise, the PLA and CLA are considered together as a single, separate participating insurer with its own exposures, reimbursement premium and loss reimbursement. Reinsurance coverage purchased through the FHCF was $3,040,179 and $1,849,351in the Coastal Account and PLA and CLA, respectively, for 2022, and $1,278,193 and $1,732,256, respectively, for 2021. Pursuant to the FHCF reinsurance contract, coverage amounts represent the total amount of available coverage available for individual or multiple covered events. Reinsurance coverage purchased in the Coastal Account and PLA through traditional and capital markets totaled $1,565,000 and $942,000 for 2022, respectively, and $1,708,000 and $1,001,000 for 2021, respectively. At December 31, 2022, Citizens was party to five outstanding insurance-linked securities (ILS) contracts as a ceding insurer that provide aggregate maximum proceeds of $625,000 for directly-written insurance risks by Citizens at an attachment level of $2,592,000 in the Coastal Account and aggregate maximum proceeds of $635,000 for directly-written insurance risks by Citizens at an attachment level of $4,115,000 in the PLA.

The effect of reinsurance on premiums written and earned is as follows:

	2022		2021	
	Written	**Earned**	**Written**	**Earned**
Direct premiums	**$ 3,190,080**	**$ 2,454,333**	$ 1,814,135	$ 1,470,826
FHCF ceded premiums	**(324,412)**	**(324,412)**	(199,827)	(199,827)
Private ceded premiums	**(216,343)**	**(216,343)**	(251,647)	(251,647)
Depopulation ceded premiums	**(24,069)**	**(15,765)**	(4,220)	(10,232)
Net premiums	**$ 2,625,256**	**$ 1,897,813**	$ 1,358,441	$ 1,009,120

Ceded premiums include premiums ceded to companies that assume policies pursuant to a depopulation program (see Note 11). Ceded losses and LAE incurred were $1,142,044 and $74,924 during 2022 and 2021, respectively. Unearned premiums on the accompanying statutory statements of admitted assets, liabilities and accumulated surplus are net of ceded unearned premiums on depopulation contracts of $10,001 and $1,697 at December 31, 2022 and 2021, respectively. There were no ceded unearned premiums with respect to the FHCF or traditional and capital markets reinsurance agreements at December 31, 2022 and 2021.

(Dollars in thousands)

Amounts recoverable from reinsurers on unpaid losses and LAE are estimated based on the allocation of estimated unpaid losses and LAE among Citizens' coverage lines. Actual amounts recoverable will depend on the ultimate settlement of losses and LAE. FHCF and private reinsurance contracts do not relieve Citizens from its obligation to policyholders. Citizens remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under their reinsurance agreements. As of December 31, 2022, Citizens reported a net recoverable due from FHCF in the amount of $1,032,997, or approximately 24.0% of accumulated surplus. As of December 31, 2021, Citizens reported a net recoverable due from FHCF in the amount of $154,869, or approximately 2.4% of accumulated surplus. FHCF net recoverable amounts at December 31, 2022 and 2021 are comprised of ceded loss and LAE reserves for claims arising from Hurricane Irma.

As of December 31, 2022 and 2021, Citizens recorded a provision for reinsurance as a liability with a corresponding charge to surplus in the amount of $3,324 and $148, respectively, on the statutory statements of admitted assets, liabilities and accumulated surplus as a result of uncollateralized net recoverable balances arising due to anticipated losses and LAE attributed to Hurricane Irma. For 2022, the provision for reinsurance includes $3,324 and $0 for unauthorized and certified reinsurers, respectively. For 2021, the provision for reinsurance includes $148 and $0 for unauthorized and certified reinsurers, respectively. Citizens does not believe there to be significant credit risk associated with net recoverable balances under its reinsurance program.

8. Bonds Payable

Citizens has issued multiple 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 received from the FHCF. The following table provides pertinent information regarding each issuance of the Senior Secured Bonds:

Bond Issue	Issuance Date	Face Value	Carrying Value	Stated Interest Rate	Current Year Principal Paid	Current Year Interest Paid
Series 2012A-1 Senior Secured Bonds (Pre-event PLA/CLA)	Jun 21, 2012	$ -	$ -	3.000% - 5.000%	$ 160,000	$ 3,967
Series 2015A-1 Senior Secured Bonds (Pre-event Coastal)	Jun 2, 2015	275,000	285,973	3.000% - 5.000%	-	13,750
Total		$ 275,000	$ 285,973		$ 160,000	$ 17,717

(Dollars in thousands)

Interest expense includes net amortization for and accretion of premiums and discounts of $5,073 and $11,227 for the years ended December 31, 2022 and 2021, respectively. Net unamortized premium at December 31, 2022 and 2021 was $10,973 and $16,046 respectively.

A schedule of bond maturities is as follows:

Years ended December 31,	**2015A-1 Bonds**	**Total**
2023	-	-
2024	-	-
2025	275,000	275,000
	$ 275,000	$ 275,000

A schedule of debt service requirements, including principal and interest, is as follows:

Years ended December 31,	**Principal**	**Interest**	**Total**
2023	-	13,750	13,750
2024	-	13,750	13,750
2025	275,000	5,729	280,729
	$ 275,000	$ 33,229	$ 308,229

On December 1, 2021, Citizens exercised an optional redemption of Series 2015A-1 Senior Secured pre-event fixed-rate bonds at par value for $225,000 with an original maturity of June 1, 2022. Citizens recognized a gain of $2,417 as a result of the redemption due to the carrying value of the bonds exceeding the optional redemption price at execution.

9. Retirement Plan

Citizens sponsors a 457(b)/401(a) defined contribution employee savings plan for qualified employees (the Savings Plan). The Savings Plan qualifies as a deferred salary arrangement under Section 401(a) of the Internal Revenue Code. Under the Savings Plan, participating eligible employees may defer a portion of their pretax earnings up to the Internal Revenue Service annual contribution limit. Citizens matches 100% of each employee's contributions up to a maximum of 8% of the employee's pretax earnings. Citizens' matching contributions to the Savings Plan were $7,394 and $7,325 for the years ended December 31, 2022 and 2021, respectively.

10. Agent Commissions and Servicing Company Fees

Citizens has contracted with various insurance agents licensed in the State of Florida. These agreements provide for commissions to be paid to the agents at rates established by the Board and calculated as a percentage of direct written premiums, net of certain surcharges and assessments. Agent commissions included in other underwriting expenses incurred were $234,958 and $128,860 during 2022 and 2021, respectively.

(Dollars in thousands)

Additionally, Citizens is a party to an agreement with a servicing company to provide underwriting and policy management services. The agreement provides for monthly compensation to the servicing company based on a "Per Transaction Fee" applied to the number of transactions processed in a monthly cycle. These services are for both Citizens' Commercial Lines and Personal Lines business. The amount per transaction ranges from $11.67 to $70.04 (dollars), depending on the complexity and volume of each transaction. Servicing company fees included in other underwriting expenses incurred were $10,268 and $6,099 during 2022 and 2021, respectively. There were no premiums written by service providers which individually are more than 5% of policyholders' surplus.

11. Depopulation

Pursuant to the Act, Citizens is authorized to adopt one or more programs, subject to approval by the Office, for the reduction of both new and renewal writings. Policies may be removed from Citizens at policy renewal or as part of a bulk assumption. In an assumption, the assuming insurer (Takeout Company) is responsible for losses occurring from the assumption date through the expiration of the Citizens policy period (the assumption period). Subsequent to the assumption period, the Takeout Company will write the policy directly. In January 2007, Florida law was amended to state that assumed policies are the direct insurance of the Takeout Company, for the purpose of clarifying that FIGA is liable for assumption period losses occurring during the assumption period if a Takeout Company were liquidated and unable to meet its obligation to policyholders.

During 2022 and 2021, Citizens recognized ceded written premiums of $24,069 and $4,220 respectively, as a result of depopulation.

Citizens provides policy administration services with respect to the assumed policies. All agreements provide for the Takeout Company to adjust losses. While Citizens is not liable to cover claims after the assumption, Citizens continues to service policies for items such as policyholder endorsements or cancellation refunds. Should Citizens process and provide a refund to policyholders, such amount is subsequently collected from the Takeout Company. At December 31, 2022 and 2021 net assumed premiums receivable in the amount of $126 and $88, respectively, were due from certain Takeout Companies and are reported as other receivables under reinsurance contracts in the accompanying statutory statements of admitted assets, liabilities and accumulated surplus. In addition, premiums due to Takeout Companies of $7,516 at December 31, 2022 ($0 at December 31, 2021) are included in reinsurance payable on the accompanying statutory statements of admitted assets, liabilities and accumulated surplus.

12. Operating Leases

Citizens leases office space and certain office equipment under various operating leases. Rental expense on operating leases amounted to $5,846 and $6,104 for the years ended December 31, 2022 and 2021 respectively. There are no contingent rental payments or unusual renewal options, escalation clauses or restrictions and there have been no early terminations of existing leases.

Future minimum payments under operating leases are as follows:

2023	$ 4,745
2024	4,795
2025	4,811
2026	2,583
2027	585
Total	$ 17,519

13. Commitments and Contingencies

Citizens is involved in certain litigation and disputes incidental to its operations. In the opinion of management, after consultation with legal counsel, there are substantial defenses to such litigation and disputes and any ultimate liability, in excess of reserves resulting there from, will not have a material adverse effect on the financial condition or results of operations of Citizens.

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). In March of 2023, the authorized insurer was placed into liquidation by the Florida Department of Financial Services. At December 31, 2022, Citizens has not recorded a liability for potential claims associated with the Agreement.

Multi-Year Reinsurance Treaties

Citizens is party to reinsurance arrangements that provide coverage into 2023, including traditional aggregate catastrophic excess of loss agreements as well as aggregate catastrophe bonds placed in the capital markets. Premiums ceded under multi-year contracts are determined before each contractual reset period and are based upon defined risk parameters within the contracts that may result in increases or decreases to premiums ceded. Such adjustments to premiums ceded are included in the treaty year to which they apply.

Risk Management Programs

In addition to claims under the insurance policies it issues, Citizens is potentially exposed to various risks of loss, including those related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. As a state government entity, Citizens has immunity from certain claims.

For the years ending December 31, 2022 and 2021, Citizens had insurance protection in place from various commercial insurance carriers covering various exposures, including workers' compensation, property loss, employee liability, general liability, data-breach liability, and directors' and officers' liability. Management continuously reviews the limits of coverage and believes that current coverage is adequate. There were minimal changes in insurance coverage, terms or conditions from the previous year.

(Dollars in thousands)

14. Reconciliation of SAP to GAAP

A reconciliation of Citizens' 2022 and 2021 statutory net income (loss) and accumulated surplus to GAAP basis (as determined by the Governmental Accounting Standards Board) change in net position and net position, respectively, is as follows:

	2022	2021
Net income (loss) - statutory basis	**$ (2,242,343)**	$ 80,128
Adjustments:		
Change in allowance for doubtful accounts	**(13)**	4,355
GASB 87	**(1,556)**	(1,347)
Change in net unrealized gain (loss) on investments	**(1,022,508)**	(370,269)
Change in net position – GAAP basis	**$ (3,266,420)**	$ (287,133)
Accumulated surplus - statutory basis	**$ 4,279,523**	$ 6,526,508
Adjustments:		
Nonadmitted assets, net of allowance	**10,565**	10,091
GASB 87	**166**	1,721
Provision for reinsurance	**3,324**	148
Net unrealized gain (loss) on investments	**(860,178)**	161,308
Net position - GAAP basis	**$ 3,433,400**	$ 6,699,776

15. Assessments and Other Regulatory Matters

Citizens' enabling legislation and the Plan establish a process by which Citizens is required to levy assessments to recover deficits incurred in a given plan year for any of its three accounts. Deficits are calculated separately, and assessments are levied separately, for each of the three accounts. The Plan provides for deficits to be determined in accordance with GASB, adjusted for certain items.

In the event of a Plan Year Deficit in any Account, Citizens must first levy an assessment against the premium of each Citizens policyholder (the Citizens Policyholder Surcharge) in each of Citizens' Accounts, as a uniform percentage of the premium of the policy of up to 15% of such premium. Citizens Policyholder Surcharges are not subject to commissions, fees, or premium taxes; however, failure to pay a Citizens Policyholder Surcharge is treated as failure to pay premium.

If the Citizens Policyholder Surcharge is insufficient to eliminate a deficit in the Coastal account, Citizens would then levy a "Regular Assessment" on assessable insurers, as defined in Section 627.351(6), Florida Statutes. The assessment is based upon each assessable insurer's share of direct written premium for the Subject Lines of Business in the State of Florida for the calendar year preceding the year in which the deficit occurred, and is applied as a uniform percentage of up to 2% of subject premiums. The Regular Assessment is not available for deficits within the PLA or CLA.

If the deficit in any year in any account is greater than the amount that may be recovered through Citizens' Policyholder Surcharges and Regular Assessments, Citizens is required to levy any remaining Plan Year Deficit as an Emergency Assessment. An Emergency Assessment is to be collected by all assessable insurers, Surplus Lines Agents, and Citizens from policyholders upon the issuance or renewal of policies for Subject Lines of Business for as many years as necessary to cover the Plan Year Deficit in the account.

The primary difference between the assessment base for Regular Assessments and Emergency Assessments is the inclusion of Citizens' direct written premium in the assessment base for Emergency Assessments, in addition to the Regular Assessment being limited to the Coastal account only.

For purposes of Regular Assessments and Emergency Assessments, the "Subject Lines of Business" are all lines of property and casualty insurance, including automobile lines, but excluding accident and health, workers' compensation, and medical malpractice insurance, and also excluding insurance under the National Flood and Federal Crop insurance programs.

Effective March 5, 2015, the 2005 Emergency Assessment was terminated for all policies with effective dates on or after July 1, 2015. The 2005 Emergency Assessment was anticipated to be collected over a ten-year period commencing July 1, 2007. As of December 31, 2022 and 2021, collections in excess of the Emergency Assessment were $140,790. These balances are reported as the reserve for future assessments on the statutory statements of admitted assets, liabilities and accumulated surplus until such time as the Board approves a change to direct these excess collections to be used for any lawful purpose available within the Plan.

FIGA Assessments

On March 11, 2022, the Office approved an assessment levied by FIGA on all FIGA members, pursuant to Order # 293027-22. The assessment will be levied at a rate of 1.3% of direct written premium on policies issued or renewed during the 2022 and 2023 calendar years and shall be remitted to FIGA in four quarterly installments with the first installment due on or before October 31, 2022. At December 31, 2022, a payable to FIGA for amounts collected by Citizens but not yet remitted to FIGA of $10,055 is included within Taxes and fees payable on the accompanying statutory statements of admitted assets, liabilities and accumulated surplus.

On August 26, 2022, the Office approved an assessment levied by the Florida Insurance Guaranty Association (FIGA) on all FIGA members, pursuant to Order # 299727-22. The assessment will be levied at a rate of 0.7% of direct written premium on policies issued or renewed during the 2023 calendar year and shall be remitted to FIGA in four quarterly installments with the first installment due on or before April 30, 2023. At December 31, 2022, a payable to FIGA for amounts collected by Citizens but not yet remitted to FIGA of $5,354 is included within Taxes and fees payable on the accompanying statutory statements of admitted assets, liabilities and accumulated surplus.

16. Subsequent Events

Subsequent events have been considered through June 1, 2023, the date of issuance of these statutory financial statements.

On April 10, 2023, the Office approved an assessment levied by FIGA on all FIGA members, pursuant to Order # 308776-23. The assessment will be levied at a rate of 1.0% of direct written premium on policies issued or renewed during the 2023 and 2024 calendar years and shall be remitted to FIGA in four quarterly installments with the first installment due on or before January 31, 2024. No liability for this assessment has been recorded at December 31, 2022.

There were no events occurring subsequent to the end of the year that merit recognition or disclosure in these statements.

Supplementary Information

Citizens Property Insurance Corporation
Supplemental Combining Statutory Statements of Admitted Assets, Liabilities and Accumulated Surplus by Account
December 31, 2022
(Dollars in thousands)

	Combined	Personal Lines Account	Commercial Lines Account	Coastal Account
ADMITTED ASSETS				
Cash and invested assets:				
Bonds	$ 8,419,177	$ 3,065,415	$ 1,927,812	$ 3,425,950
Cash, cash equivalents, and short-term investments	455,508	173,684	73,517	208,307
Total cash and invested assets	8,874,685	3,239,099	2,001,329	3,634,257
Investment income due and accrued, net	60,009	20,887	12,803	26,319
Premiums receivable, net	221,540	155,718	3,075	62,747
Reinsurance recoverable on paid losses and loss adjustment expenses	36,083	2,907	3,510	29,666
Other receivables under reinsurance contracts, net	126	115	-	11
Other assets	155,164	77,499	20,271	57,394
Inter-account receivable (payable)	-	25,812	(3,517)	(22,295)
Total admitted assets	$ 9,347,607	$ 3,522,037	$ 2,037,471	$ 3,788,099
LIABILITIES AND ACCUMULATED SURPLUS				
Liabilities:				
Loss reserves, net	$ 1,626,253	$ 1,144,503	$ 49,752	$ 431,998
Loss adjustment expense reserves, net	993,452	818,526	8,719	166,207
Retroactive reinsurance ceded	(1,668)	(1,538)	-	(130)
Unearned premiums, net	1,704,720	1,214,725	36,030	453,965
Reserve for future assessments	140,790	-	-	140,790
Reinsurance payable	107,215	47,453	-	59,762
Provision for reinsurance	3,323	1,851	-	1,472
Bonds payable	285,973	-	-	285,973
Interest payable	1,146	-	-	1,146
Advance premiums and suspended cash	55,790	37,179	1,471	17,140
Return premiums payable	13,954	9,967	55	3,932
Taxes and fees payable (receivable)	28,739	21,811	919	6,009
Other liabilities	108,397	93,418	1,878	13,101
Total liabilities	5,068,084	3,387,895	98,824	1,581,365
Accumulated surplus:				
Restricted	-	-	-	-
Unrestricted	4,279,523	134,142	1,938,647	2,206,734
Total accumulated surplus	4,279,523	134,142	1,938,647	2,206,734
Total liabilities and accumulated surplus	$ 9,347,607	$ 3,522,037	$ 2,037,471	$ 3,788,099

Citizens Property Insurance Corporation
Supplemental Combining Statutory Statements of Operations by Account
Year Ended December 31, 2022
(Dollars in thousands)

	Combined	Personal Lines Account	Commercial Lines Account	Coastal Account
Underwriting income:				
Net premiums earned	$ 1,897,813	$ 1,447,501	$ 31,247	$ 419,065
Underwriting expenses:				
Net losses incurred	2,888,917	1,892,218	56,429	940,270
Net loss adjustment expenses incurred	990,850	810,769	5,040	175,041
Other underwriting expenses incurred	464,437	324,549	11,429	128,459
Total underwriting expense	4,344,204	3,027,536	72,898	1,243,770
Net underwriting (loss) gain	(2,446,391)	(1,580,035)	(41,651)	(824,705)
Investment income:				
Net interest income	217,696	83,725	45,802	88,169
Net realized capital gains	(5,901)	(434)	(2,671)	(2,796)
Interest expense	(11,983)	(2,181)	(345)	(9,457)
Total net investment income	199,812	81,110	42,786	75,916
Other (expense) income	4,236	2,915	90	1,231
Net income (loss)	$ (2,242,343)	$ (1,496,010)	$ 1,225	$ (747,558)

Citizens Property Insurance Corporation
Summary Investment Schedule
December 31, 2022
(Dollars in thousands)

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	Amount	Percentage	Amount	Percentage
Bonds				
U.S. Governments	$ 1,597,627	18.1%	$ 1,597,627	18.1%
All Other Governments	-	0.0%	-	0.0%
U.S. States, Territories and Possessions, etc. Guaranteed	105,437	1.2%	105,437	1.2%
U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed	119,028	1.3%	119,028	1.3%
U.S. Special Revenue & Special Assessment Obligations, etc. Non-Guaranteed	942,843	10.6%	942,843	10.6%
Industrial and Miscellaneous	5,654,243	63.7%	5,654,243	63.7%
Hybrid Securities	-	0.0%	-	0.0%
Parent, Subsidiaries and Affiliates	-	0.0%	-	0.0%
SVO Identified Funds	-	0.0%	-	0.0%
Unaffiliated Bank Loans	-	0.0%	-	0.0%
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)	-	0.0%	-	0.0%
Parent, Subsidiaries and Affiliates	-	0.0%	-	0.0%
Common Stocks				
Industrial and Misc. Publicly Traded (Unaffiliated)	-	0.0%	-	0.0%
Industrial and Misc. Other (Unaffiliated)	-	0.0%	-	0.0%
Parent, Subsidiaries and Affiliates Publicly Traded	-	0.0%	-	0.0%
Parent, Subsidiaries and Affiliates Other	-	0.0%	-	0.0%
Mutual Funds	-	0.0%	-	0.0%
Unit Investment Trusts	-	0.0%	-	0.0%
Closed-End Funds	-	0.0%	-	0.0%
Mortgage Loans				
Farm Mortgages	-	0.0%	-	0.0%
Residential Mortgages	-	0.0%	-	0.0%
Commercial Mortgages	-	0.0%	-	0.0%
Mezzanine Real Estate Loans	-	0.0%	-	0.0%
Real Estate				
Properties Occupied by Company	-	0.0%	-	0.0%
Properties Held for Production of Income	-	0.0%	-	0.0%
Properties Held for Sale	-	0.0%	-	0.0%
Cash (Schedule E, Part 1)	(432,211)	-4.9%	(432,211)	-4.9%
Cash Equivalents (Schedule E, Part 2)	575,420	6.5%	575,420	6.5%
Short-Term Investments (Schedule DA)	312,298	3.5%	312,298	3.5%
Total Invested Assets	$ 8,874,685	100.0%	$ 8,874,685	100.0%

Citizens Property Insurance Corporation
Supplemental Schedule of Investment Risks Interrogatories
December 31, 2022
(Dollars in thousands)

1. Reporting entity's total admitted assets: $ 9,347,607

2. Ten largest exposures to a single issuer/borrower/investment.

	Issuer	Description of Exposure	Carrying Amount	Percentage of Total Admitted Assets
2.01	Fannie Mae	Bonds	$ 304,327	3.2%
2.02	JPMorgan Chase & Co.	Bonds, Short-term Investments	193,559	2.0%
2.03	Deutsche Bank AG	Bonds, Short-term Investments	193,190	2.0%
2.04	Freddie Mac	Bonds, Short-term Investments	187,041	2.0%
2.05	Morgan Stanley	Bonds, Short-term Investments	179,663	1.9%
2.06	Bank of America Corp.	Bonds	134,758	1.4%
2.07	Citigroup Inc.	Bonds, Short-term Investments	92,958	0.9%
2.08	Goldman Sachs Group Inc.	Bonds, Short-term Investments	87,597	0.9%
2.09	Verizon Communications Inc.	Bonds	85,087	0.9%
2.10	Berkshire Hathaway Inc.	Bonds	74,920	0.8%

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

		Carrying Amount	Percentage of Total Admitted Assets
	Bonds:		
3.01	NAIC-1	$ 6,046,033	64.6%
3.02	NAIC-2	2,681,564	28.6%
3.03	NAIC-3	3,880	0.0%
3.04	NAIC-4	-	0.0%
3.05	NAIC-5	-	0.0%
3.06	NAIC-6	-	0.0%
	Preferred Stocks:		
3.07	P/RP-1	-	0.0%
3.08	P/RP-2	-	0.0%
3.09	P/RP-3	-	0.0%
3.10	P/RP-4	-	0.0%
3.11	P/RP-5	-	0.0%
3.12	P/RP-6	-	0.0%

(Dollars in thousands)

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?

Yes [ ] No [X]

		Carrying Amount	Percentage of Total Admitted Assets
4.02	Total admitted assets held in foreign investments	$ 609,551	6.5%
4.03	Foreign currency-denominated investments	-	0.0%
4.04	Insurance liabilities denominated in that same foreign currency	-	0.0%

If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

		Carrying Amount	Percentage of Total Admitted Assets
5.01	Countries designated NAIC 1	$ 590,127	6.3%
5.02	Countries designated NAIC 2	11,527	0.1%
5.03	Countries designated NAIC-3 or below	7,897	0.1%

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		Carrying Amount	Percentage of Total Admitted Assets
	Countries designated NAIC 1:		
6.01	United Kingdom	$ 173,791	1.8%
6.02	Japan	113,365	1.2%
	Countries designated NAIC 2:		
6.03	Mexico	11,527	0.1%
6.04		-	0.0%
	Countries designated NAIC 3 or below:		
6.05	Multi-National	7,897	0.0%
6.06		-	0.0%

7. Aggregate unhedged foreign currency exposure:

Not applicable.

(Dollars in thousands)

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

Not applicable.

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

Not applicable.

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	Issuer	NAIC Designation	Carrying Amount	Percentage of Total Admitted Assets
10.01	HSBC Holdings PLC	1	$ 46,048	0.4%
10.02	Mitsubishi UFJ Fin Grp.	1	33,959	0.3%
10.03	Banco Santander SA	1, 2	30,790	0.3%
10.04	ING Groep NV	1	30,175	0.3%
10.05	Barclays PLC	2	29,641	0.3%
10.06	Westpac Banking Corp	1	29,495	0.3%
10.07	Deutsche Bank AG	1, 2	24,190	0.2%
10.08	Sumitomo Mitsui Finl Grp.	1	23,721	0.2%
10.09	Credit Suisse Group AG	1, 2	22,575	0.2%
10.10	Takeda Pharmaceutical Co Ltd.	2	19,469	0.2%

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets?
Yes [ ] No [X]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

		Carrying Amount	Percentage of Total Admitted Assets
11.02	Total admitted assets held in Canadian investments	$ 255,418	2.7%
11.03	Canadian-currency-denominated investments	-	0.0%
11.04	Canadian-denominated insurance liabilities	-	0.0%
11.05	Unhedged Canadian Currency exposures	-	0.0%

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?

Yes [X] No [ ]

If response to 12.01 is yes, detail is not required for the remainder of Interrogatory 12.

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets?

Yes [X] No [ ]

If response to 13.01 is yes, detail is not required for the remainder of Interrogatory 13.

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets?

Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets?

Yes [X] No [ ]

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less 2.5% of the reporting entity's total admitted assets?

Yes [X] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Not applicable.

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets?

Yes [X] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in mezzanine real estate loans.

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's admitted assets?

Yes [X] No [ ]

If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.

(Dollars in thousands)

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

		At Year End		At End of Each Quarter 1st Qtr.	2nd Qtr.	3rd Qtr.
20.01	Securities lending agreements (do not include assets held as collateral for such transactions)	$ -	0.0%	$ -	$ -	$ -
20.02	Repurchase agreements	-	0.0%	-	-	-
20.03	Reverse repurchase agreements	-	0.0%	-	-	-
20.04	Dollar repurchase agreements	-	0.0%	-	-	-
20.05	Dollar reverse repurchase agreements	-	0.0%	-	-	-

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

		Owned		Written	
21.01	Hedging	$ -	0.0%	$ -	0.0%
21.02	Income generation	-	0.0%	-	0.0%
21.03	Other	-	0.0%	-	0.0%

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

		At Year End		At End of Each Quarter 1st Qtr.	2nd Qtr.	3rd Qtr.
22.01	Hedging	$ -	0.0%	$ -	$ -	$ -
22.02	Income generation	-	0.0%	-	-	-
22.03	Replications	-	0.0%	-	-	-
22.04	Other	-	0.0%	-	-	-

23. Amounts and percentages of the reporting entity's total admitted assets of potential for future contracts:

		At Year End		At End of Each Quarter 1st Qtr.	2nd Qtr.	3rd Qtr.
23.01	Hedging	$ -	0.0%	$ -	$ -	$ -
23.02	Income generation	-	0.0%	-	-	-
23.03	Replications	-	0.0%	-	-	-
23.04	Other	-	0.0%	-	-	-