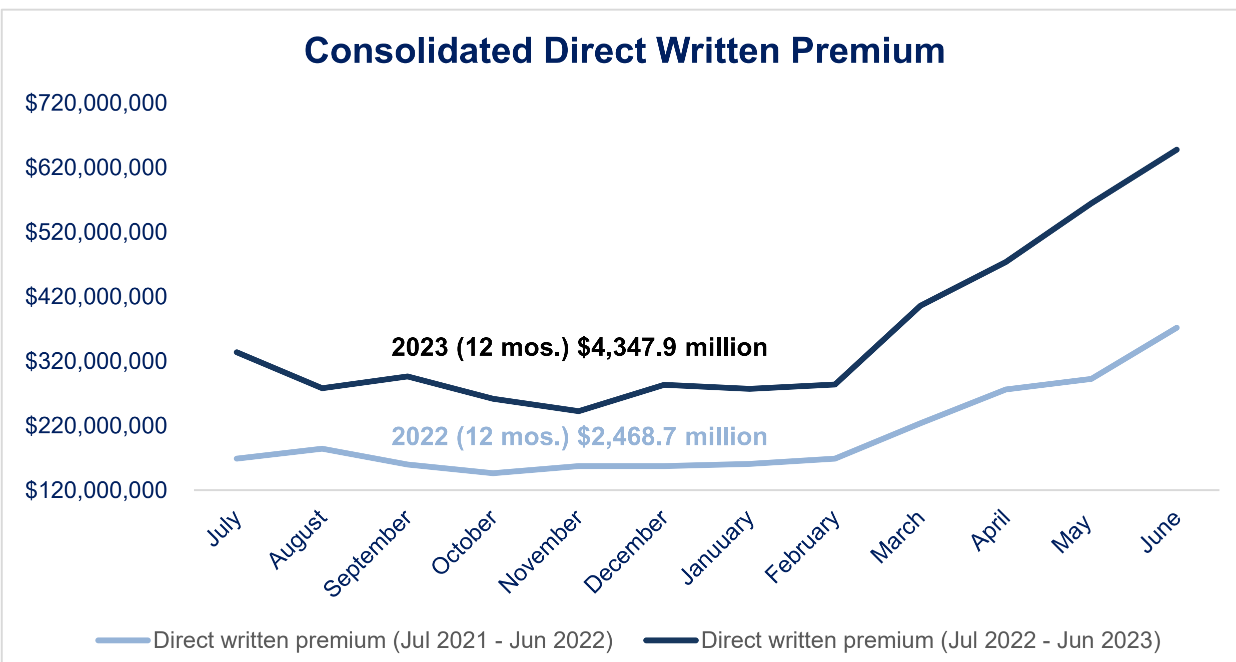
The following is an analysis of Citizens' financial and operating results for the 6-month period ending June 30, 2023.

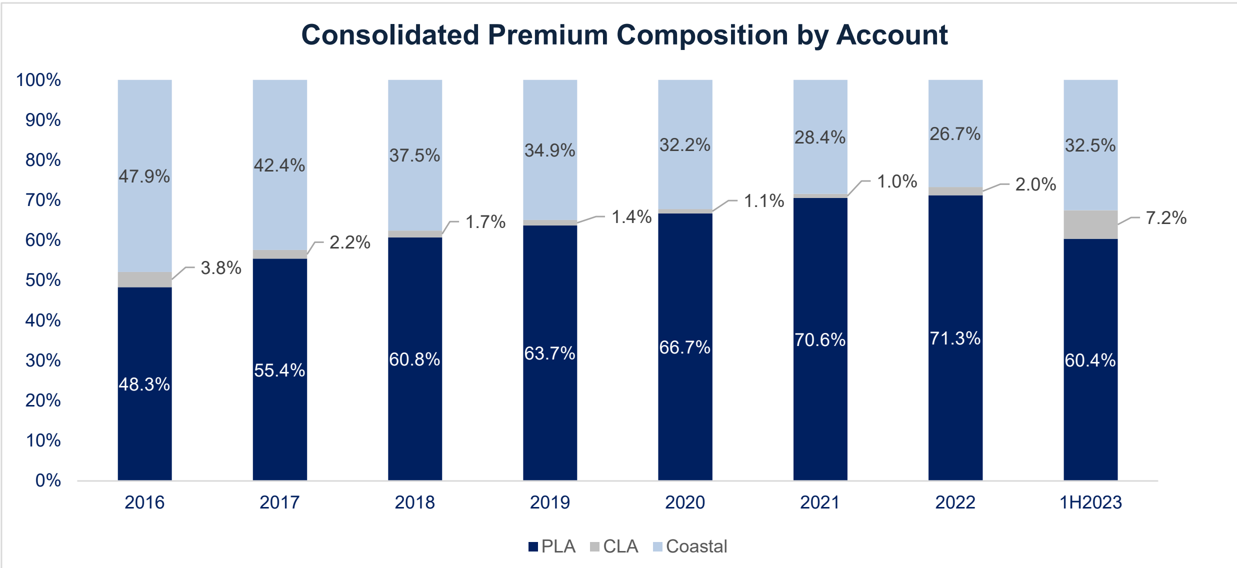
## - PREMIUMS -

Consolidated direct written premium in the first half of 2023 was $2,651.9 million or $1,157.9 (78%) greater than consolidated direct written premium for the same period in 2022. The overall renewal rate in the first half of 2023 was approximately 85%, marking a 6% increase from the same period a year prior. Along with the increase in renewal rate, the number of first-time policies written decreased to 339,000 during the first half of 2023 in comparison to 347,000 during the same period a year prior. Premiums ceded through depopulation during the first half of 2023 were $42.1 million whereas during the same period in 2022, premiums ceded through depopulation were $13.9 million.

| | 6-months ended | |
|---|---|---|
| | Jun 2023 | Jun 2022 |
| New Business | 157,945 | 169,053 |
| Untagged Takeouts | 1 | - |
| Reinstatements | 5,111 | 4,727 |
| Cancellations | (40,774) | (29,626) |
| Non-Renewals | (22,779) | (25,295) |
| New Tags for Takeout | (21,726) | (5,428) |
| Net change | 77,778 | 113,431 |
| Ending PIF | 1,317,174 | 931,357 |

Consolidated direct earned premium increased $796.3 million (78%) consistent with an increase in direct premiums written.






Through the first half of 2023, premium ceded for private reinsurance and for coverage through the FHCF totaled $1,126.4, an increase of approximately $585.5 million (109%). An increase in both reinsured exposure and pricing contributed to the period-over-period increase in premium ceded.

## - LOSSES -

| Non-CAT Only | Consolidated | | | Personal Lines Account | | | Commercial Lines Account | | | Coastal Account | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q2 2023 | CY 2022 | Q2 2022 | Q2 2023 | CY 2022 | Q2 2022 | Q2 2023 | CY 2022 | Q2 2022 | Q2 2023 | CY 2022 | Q2 2022 |
| Direct loss ratio | 29.1% | 29.9% | 31.4% | 37.0% | 36.8% | 38.5% | 6.4% | 5.4% | 9.5% | 12.6% | 13.6% | 14.5% |
| Direct loss ratio (underlying) | 28.9% | 29.7% | 31.4% | 36.9% | 36.8% | 38.5% | 3.8% | 5.9% | 9.5% | 12.6% | 12.6% | 14.5% |
| Direct LAE ratio | 14.6% | 15.7% | 16.4% | 17.4% | 18.5% | 19.4% | 5.7% | 5.0% | 8.3% | 8.9% | 8.9% | 9.2% |
| Direct LAE ratio (underlying) | 13.2% | 15.1% | 12.5% | 16.0% | 18.2% | 15.1% | 2.7% | 2.4% | 3.0% | 7.5% | 7.9% | 6.5% |

| CAT and Non-CAT | Consolidated | | | Personal Lines Account | | | Commercial Lines Account | | | Coastal Account | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q2 2023 | CY 2022 | Q2 2022 | Q2 2023 | CY 2022 | Q2 2022 | Q2 2023 | CY 2022 | Q2 2022 | Q2 2023 | CY 2022 | Q2 2022 |
| Direct loss ratio | 29.4% | 160.5% | 31.4% | 37.3% | 154.8% | 38.5% | 10.8% | 167.3% | 9.5% | 12.3% | 174.9% | 14.5% |
| Direct loss ratio (underlying) | 28.9% | 155.0% | 31.4% | 36.9% | 148.9% | 38.5% | 3.8% | 155.9% | 9.5% | 12.6% | 171.0% | 14.5% |
| Direct LAE ratio | 14.8% | 45.4% | 16.4% | 17.5% | 51.8% | 19.4% | 6.7% | 14.4% | 8.3% | 9.0% | 30.7% | 9.2% |
| Direct LAE ratio (underlying) | 13.2% | 41.2% | 12.5% | 16.0% | 46.9% | 15.1% | 2.7% | 9.3% | 3.0% | 7.5% | 28.0% | 6.5% |

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

Consolidated ultimate direct losses and LAE related to Hurricane Ian were $3,600.6 million at June 30, 2023. Of this, $1,031.9 million is recoverable under Citizens' reinsurance contracts, resulting in net losses and LAE of $2,565.6 million.

Consolidated ultimate direct losses and LAE related to Hurricane Nicole were $96.1 million at June 30, 2023. Of this, $14.4 million is recoverable under Citizens' reinsurance contracts, resulting in net losses and LAE of $81.6 million.

Consolidated ultimate direct losses and LAE related to Hurricane Irma were $2,553.8 million at June 30, 2023. Of this, $1,125.3 million is recoverable under Citizens' reinsurance contracts, resulting in net losses and LAE of $1,428.6 million.

Consolidated ultimate direct losses and LAE related to Hurricane Michael were $148.4 million at June 30, 2023. No reinsurance recoveries from Hurricane Michael have been recorded due to loss levels not meeting the retention of Citizens' reinsurance contracts.

Consolidated ultimate direct losses and LAE related to Tropical Storms Sally and Eta were $304.7 million at June 30, 2023. No reinsurance recoveries have been recorded due to loss levels not meeting the retention of Citizens' reinsurance contracts.

The 2023 non-catastrophe loss and LAE ratio for the PLA and Coastal account are comparatively unchanged relative to 2022. The dominant driver behind the improvement in loss and LAE over the past several years has been the improvement in litigation rates, which continues to be the single most important factor in non-catastrophe losses and LAE, and which have remained stable for non-catastrophe losses in 2022 and into 2023. The underlying CLA loss and LAE ratio is inherently volatile due to the low premium volume and large potential impact of a few claims.

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

## - ADMINISTRATIVE EXPENSES -

Administrative expenses incurred during the first half of 2023 of $84.9 million were $12.7 million (18%) more than administrative expenses incurred during the same period in 2022 and $12.0 million (12%) less than budget.

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

- *Employee expenses* (*Salaries, Employee Benefits and Payroll Taxes*) were $15.6 million (19%) more than the prior period as a result of an increase in employee counts primarily within operational areas affected by an increase in policy count. In comparison to budget, *employee expenses* were $10.8 million (10%) below budget as a result of delays in filling positions.

- *Contingent Staffing* expenses were $42.4 million (128%) greater than the prior period due to the need for adjusters in response to Hurricane Ian.

- *Professional Services* expenses were $3.0 million (37%) below budget due to timing delays in the implementation of several initiatives.

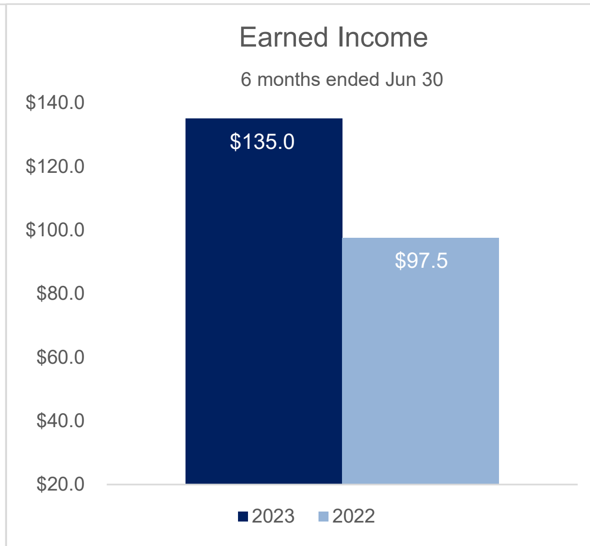
- *Software Maintenance and Licensing* expenses were $1.5 million (17%) more than the prior year largely due to an increase in need for services as well as contractual price escalations, and $1.6

million (14%) below budget due to timing delays of several initiatives and the discontinuation in use of certain software applications.

For the 6-month period ended June 30, 2023, Citizens' expense ratio was 13.8%, reflecting a 0.9% decrease from the same period a year prior and a 0.2% decrease compared to budget.

## - INVESTMENT INCOME -


($ in millions)




($ in millions)

Total investment income in the first half of 2023 was $127.4 million, or $33.1 million (35%) more than during the same period in 2022, while average invested assets decreased $73.2 million (1%). Increases in realized losses during the first quarter of 2023, driven largely by the disposition of securities to reduce risk across portfolios, were offset by overall increases in earned income. This increase was driven by an overall relative increase in interest rates, specifically yields in money market funds and reinvestments of maturing or sold securities.

| | 6-months ended ($ millions) | |
|---|---|---|
| | **Jun 2023** | **Jun 2022** |
| Earned income | $ 134.96 | $ 97.49 |
| Net realized gains (losses) | (7.60) | (3.20) |
| **Total income** | **$ 127.36** | **$ 94.29** |
| Average invested assets | **$ 9,475.41** | **$ 9,548.64** |

| | Externally-Managed Portfolios (Jun 2023) | | | |
|---|---|---|---|---|
| | Taxable Liquidity | Taxable Claims | Tax-Exempt Claims | Taxable LD Claims |
| Total market value ($ in billions) | $1.224 | $1.633 | $0.269 | $5.203 |
| Duration | 0.3 | 2.6 | 1.5 | 4.7 |
| Avg. credit rating (S&P / Moody's / Fitch) | AA / Aa2 / AA- | A+ / Aa3 / AA- | AA+ / Aa2 / AA+ | A+ / A1 / A+ |

## - CASH FLOWS -

Consolidated cash flows provided by operations were $1,151.2 million during the first half of 2023 compared to $835.0 million during the same period in 2022. Net premiums collected during the first half of 2023 were $2,499.2 million or $1,183.4 million (88%) more than during the same period in 2022, consistent with overall increases in written premium. Net investment income collected of $135.6 million was $45.0 million (50%) more than during the same period a year prior as a result of decreases in interest expense and increases in overall interest rates. Net increases in benefits and loss related payments were largely the result of loss and LAE payments associated with Hurricane Ian, offset by reinsurance recoveries on loss and LAE, as well as an increase in claims volume as a result of overall premium growth. Increases in underwriting expenses paid of $156.8 million (79%) were consistent with increases in premiums written and the related increase in variable costs.

| | Consolidated - 6 months ended | |
|---|---|---|
| | **Jun 2023** | **Jun 2023** |
| Premiums collected, net | $ 2,499,200,336 | $ 1,315,843,805 |
| Net investment income | 135,588,132 | 90,552,122 |
| Miscellaneous income collected | 2,528,551 | 1,540,417 |
| Benefits and loss related payments | (864,868,016) | (228,624,125) |
| Loss adjustment expense payments | (264,780,306) | (144,622,147) |
| Underwriting expenses paid | (356,449,014) | (199,658,632) |
| Net cash flows provided by operations | **$ 1,151,219,682** | **$ 835,031,440** |