

2024 Operating Budget

Board of Governors
December 2023



Fiscal Year Comparison – 2019 vs. 2024

(\$ in millions)	2019	2020	2021	2022	2023 Projection	2024 Budget
Policies inforce	447,400	531,200	759,300	1,145,811	1,215,692	1,239,892
Policies serviced	434,855	485,459	645,076	951,411	1,334,442	1,471,035
Direct written premium	\$ 876.6	\$ 1,182.1	\$ 1,814.1	\$ 3,190.1	\$ 5,230.9	\$ 7,113.8
Administrative expenses	\$ 124.0	\$ 124.5	\$ 130.4	\$ 138.6	\$ 167.8	\$ 205.6
Expense ratio	24.3%	20.3%	16.6%	14.6%	14.1%	13.9%
Exposure	\$ 111,248.6	\$ 144,798.3	\$ 232,502.3	\$ 422,953.2	\$ 551,185.6	\$ 678,794.6

**Increase
from 2019**

177%

238%

712%

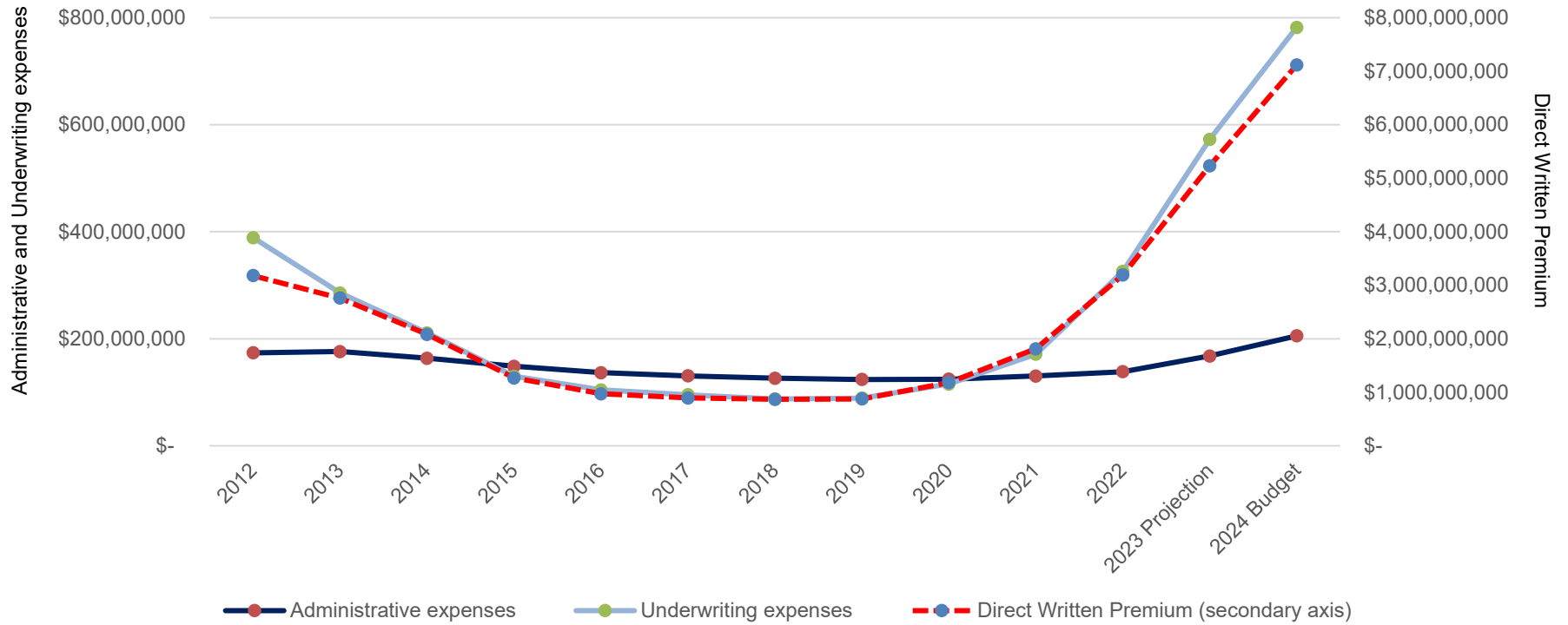
66%

510%

2024 Budget Highlights

- Premium revenue is expected to surpass \$7 billion in 2024, partially offset by more than \$800 million in premium removed through depopulation
- The number of policies serviced, which includes policies removed through depopulation, is estimated to approach 1.5 million in 2024
- The 2024 projected underwriting gain of \$1.045 billion is driven by improved loss and LAE results and a reduction in relative operating expenses
- Operating expenses include planned expenditures that further expand and promote initiatives that reduce Citizens' net retained exposure and to implement statutory directives
- The number of policies in force in 2024 is expected to remain relatively unchanged in comparison to 2023
- 2024 net income is projected at \$1.48 billion
- Projected 2024 operating ratios, in particular the expense ratio, are considerably below industry averages and near historical low points

Growth Affects Variable Expenses



Premium

	(\$ in millions)	
	Combined	
	2023	2024
Direct Written Premium	\$ 5,230.9	\$ 7,113.8
Depopulation	\$ (605.9)	\$ (809.3)
Policies in-force	1,215,692	1,239,892

- Modest decrease in the number of new policies, from 543,000 in 2023 to 527,000 in 2024
- Robust but modest increase in policy assumption counts from 282,000 in 2023 to 336,000, with additional depopulation certainly possible
- End-of-year policy count slightly increases from 1.216M in 2023 to 1.240M in 2024
- Average in-service count projected to increase from 1.34M in 2023 to 1.47M in 2024, reflecting delayed effect of additional assumptions
- Commercial business exception to improving trends: new policies projected to increase from 8,800 in 2023 to 12,800 in 2024

Losses and LAE (Excludes Catastrophes)

	Combined	
	2023	2024
Loss & LAE Ratio	42.8%	37.7%

- Overall loss and LAE ratio projected to improve from 43% to 38%
- Rate increases also contribute to the lower loss & LAE ratio
- As water litigation has improved, loss & LAE ratio on personal lines policies outside of wind area (old PLA) has shown remarkable improvement, contributing to overall loss and LAE ratio reduction.

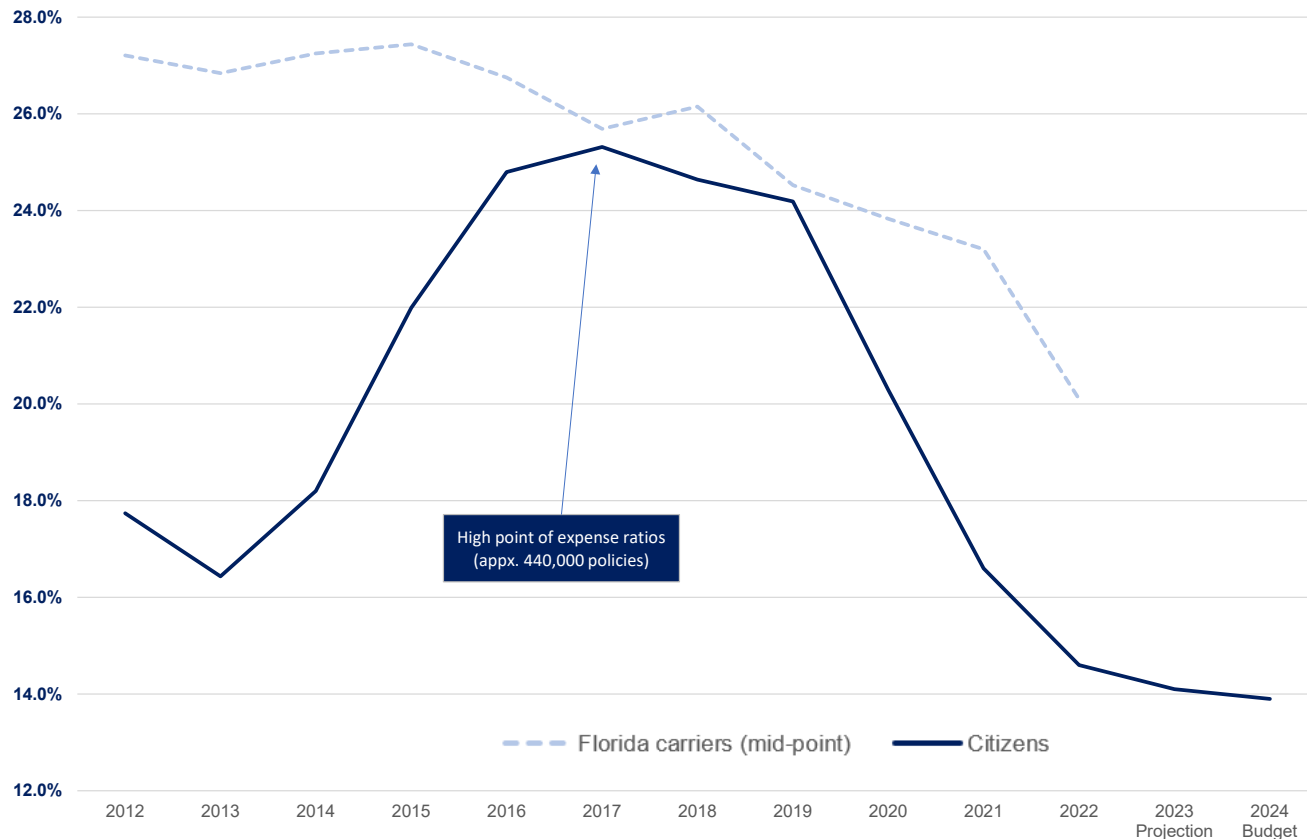
Former PLA Calendar Year Loss and LAE Ratios (Excludes Catastrophes)

2015	2016	2017	2018	2019	2020	2021	2022	2023 Projection	2024 Budget
74%	78%	70%	73%	67%	61%	58%	55%	55%	55%

Reinsurance and Net Investment Income

- Placeholder of \$700 million for private risk transfer is included in the 2024 Operating Budget
- Estimated \$498 million of ceded premium for coverage from the FHCF, which Citizens is required to purchase
- Budgeted 2024 yield of 3.6% on invested assets:
 - Based on taxable and tax-exempt portfolio income yields estimated for 2024 and projected impacts to portfolio balances as a result of significant increases in operating cash flow from increases in premium volume and relative declines in loss and LAE costs
 - Assumes no significant movement in overall rates in 2024
 - 2024 budgeted yield does not contemplate any potential realized gains or losses
- Budgeted 2024 interest expense contemplates that the credit facility for the PLA remains open until June 2024, however, the January 2024 account merger will reduce the actual expense by a considerable amount

Administrative Expenses



Since 2019:

- revenue projected to increase by over 700%
- policies serviced more than tripled
- new business policies projected to increase more than 400%
- administrative expenses projected to increase 66%

Multi-year Comparison

	2024 Budget	2023 Projection	2023 Budget	2022 Actual
Premiums				
Premiums Written - Direct	\$ 7,113,793,719	\$ 5,230,902,862	\$ 5,136,078,361	\$ 3,190,080,231
Change in Direct UPR	(809,921,764)	(1,035,059,410)	(995,805,516)	(735,748,080)
Premiums Ceded (FHCF)	(497,606,554)	(479,461,603)	(506,199,218)	(324,412,304)
Premiums Ceded (Private)	(700,000,000)	(695,244,251)	(725,000,000)	(216,342,909)
Premiums Ceded (Depop)	(809,291,107)	(605,926,055)	(31,522,276)	(24,068,982)
Change in Ceded UPR (Depop)	(310,101,252)	465,798,191	4,360,688	8,303,857
Net Premiums Earned	\$ 3,986,873,042	\$ 2,881,009,734	\$ 2,881,912,038	\$ 1,897,811,814
Underwriting Expenses				
Losses and LAE Incurred	\$ 1,954,031,038	\$ 1,905,676,808	\$ 2,019,651,706	\$ 3,879,766,597
Producer Commissions	594,013,303	416,888,552	376,530,126	234,957,789
Taxes and Assessments	123,038,687	91,506,199	74,781,598	54,059,807
Administrative Expenses	205,594,913	167,795,249	185,784,654	138,610,996
Other Underwriting Expenses	64,830,953	64,013,007	59,866,656	36,808,758
	\$ 2,941,508,894	\$ 2,645,879,815	\$ 2,716,614,740	\$ 4,344,203,947
Net Underwriting Gain (Loss)	\$ 1,045,364,148	\$ 235,129,919	\$ 165,297,298	\$ (2,446,392,133)
Other Income (Expense)				
Investment Income - Net	\$ 422,181,342	\$ 298,348,538	\$ 241,979,133	\$ 211,796,319
Interest Expense - Net	(1,236,111)	(9,938,214)	(9,314,424)	(11,983,112)
Other Income and Expenses	11,346,276	7,051,540	9,444,886	4,236,202
Total Other Income (Expense)	\$ 432,291,507	\$ 295,461,864	\$ 242,109,596	\$ 204,049,408
Net Income (Loss)	\$ 1,477,655,655	\$ 530,591,783	\$ 407,406,894	\$ (2,242,342,725)
Policies In-Force	1,239,892	1,215,692	1,680,968	1,145,811