



Citizens Property Insurance Corporation

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

December 31, 2024 and 2023



**forv/s
mazars**

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Independent Auditor's Report

Audit Committee
Citizens Property Insurance Corporation
Tallahassee, Florida

Opinion

We have audited the financial statements of Citizens Property Insurance Corporation (Citizens), an enterprise fund of the State of Florida, which comprise the statements of net position as of December 31, 2024 and 2023 and the related statements of revenues, expenses and changes in net position, and statements of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Citizens as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 and *Government Auditing Standards* 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Citizens' 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Citizens' 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 10 and the Supplemental Revenues, Expenses and Claim Development Information on page 38 to 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2025 on our consideration of Citizens' internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Citizens' internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Tampa, Florida
May 16, 2025**

Management's Discussion & Analysis

This discussion provides an assessment by management of the current financial position and results of operations for Citizens Property Insurance Corporation (Citizens). Management encourages readers to consider the information presented here in conjunction with additional information included in the accompanying basic financial statements, notes to the financial statements and supplemental financial information.

Financial Highlights

- The assets of Citizens exceeded its liabilities at the close of the most recent year by \$3,627,009.
- Citizens' total net position decreased by \$798,955 resulting primarily from two major storms that occurred during 2024.
- The operating loss of \$1,221,932 represents a decrease of \$1,688,694 for 2024 as compared to the operating gain reported for 2023. Two major storms during 2024 contributed most significant to the 2024 operating loss.
- Operating expenses increased by \$1,987,767 during 2024, principally driven by increases in loss and LAE expenses due to increased storm activity as compared to 2023.
- Nonoperating gains of \$422,866 in 2024 were \$103,042 less than nonoperating gains of \$525,908 in 2023. Nonoperating gains were principally driven by \$51,378 of unrealized holding gains on investments and by \$365,102 of interest income.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to Citizens' basic financial statements, which consist of the statements of net position, statements of revenues, expenses and changes in net position and the statements of cash flows. This report also contains other supplementary information in addition to the basic financial statements.

The *statements of net position* present information on all of Citizens' assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indication of whether the financial position of Citizens is improving or deteriorating.

The *statements of revenues, expenses and changes in net position* present information illustrating changes to Citizens' net position during the most recent fiscal year as well as the prior year. All changes in net position are reported when the underlying events giving rise to the changes occur, regardless of the timing of related cash flows.

The *statements of cash flows* present information concerning cash receipts and cash payments during the year. The statements illustrate the cash effects of operating, noncapital financing, capital financing and investing activities during the fiscal years presented.

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The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements immediately follow the statements of cash flows.

In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning Citizens' revenues, expenses and claims development information for the last ten policy years and combining financial statements.

Financial Analysis

Cash and invested assets

Citizens employs an investment policy that focuses on principal preservation, competitive returns, and adequate liquidity in order to meet future claim obligations. Citizens' invested assets are governed by five investment policies, three for taxable operating funds and two for tax-exempt bond proceeds: 1) Liquidity Fund (Taxable) – generally this policy will govern the investment of funds and surplus that, in addition to internally managed cash, will be the first monies used to pay claims after an event, and that can be used to pay operating expenses on an ongoing basis; 2) Liquidity Fund (Tax-exempt) – generally this policy will govern the investment of tax-exempt pre-event bond proceeds and other monies required to be invested in tax-exempt instruments. Citizens will use these monies to pay claims after an event or to pay principal and / or interest payments on an as needed basis; 3) Claims-Paying Fund (Taxable) – generally this policy will govern the investment of funds that will be used to pay post-event claims after Citizens has expended all monies in the Liquidity Fund. Only monies eligible for investment in taxable instruments will be deposited in this fund; 4) Claims-Paying Fund (Tax-exempt) – generally this policy will govern the investment of tax-exempt pre-event bond proceeds and other monies required to be invested in tax-exempt instruments. Citizens will use these monies to pay claims after an event, typically after all funds in the Tax-Exempt Liquidity Fund and all taxable Funds have been expended; 5) Claims-Paying Long Duration Fund (Taxable) – generally this policy will govern the investment of funds that will be used to pay post-event claims after Citizens has expended all monies in the Taxable Claims-Paying Fund. Citizens' investment policy requires securities with long-term ratings in the taxable portfolios to have minimum ratings of BBB-/Baa3 and be rated by at least two of Moody's, S&P and/or Fitch at the time of purchase. The policy also requires securities with long-term ratings in the tax-exempt portfolios to be rated by at least two of Moody's, S&P, and/or Fitch and have minimum ratings of A3/A-/A- at the time of purchase. Citizens engages independent investment managers to invest bond proceeds and certain operating cash pursuant to its taxable and tax-exempt investment policies. Citizens' investment portfolio consists of high-quality debt instruments such as US Treasury and Agency securities and money market funds, corporate bonds, commercial paper and certificates of deposit, AAA rated asset backed securities, tax-exempt money market funds, taxable municipal bonds, tax-exempt municipal bonds, tax-exempt variable rate demand notes, and prime money market funds.

Declines in market value of invested assets are continually evaluated to determine whether these declines are temporary or other-than-temporary in nature. In making this determination, Citizens monitors external impairment indicators such as issuer credit ratings as well as the extent and length of the related declines and internal impairment indicators such as Citizens' intent and ability with respect to retention of the impaired securities. These indicators are obtained from both third-party valuation services and internal analyses performed by Citizens.

Cash and the estimated market value of Citizens' invested assets totaled \$9,748,336 at December 31, 2024, marking an increase of \$351,045 from December 31, 2023.

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Reserve for losses and loss adjustment expenses

Reserves for unpaid losses and loss adjustment expenses (LAE) are stated at Citizens' estimate of the ultimate cost of settling all incurred but unpaid claims. Incurred losses and LAE represent a combination of payments for loss and LAE as well as changes in reserves that occur during the calendar year.

Activity with respect to reserves for unpaid losses and loss adjustment expenses for the years ended December 31, 2024 and 2023 were as follows:

	2024	2023
Direct loss and loss adjustment expense reserves, beginning of year	\$ 3,369,038	\$ 3,794,065
Less reinsurance recoverables on reserves	(1,022,003)	(1,176,028)
Net loss and loss adjustment expense reserves, beginning of year	2,347,035	2,618,037
Incurred related to:		
Current accident year	3,841,368	1,645,821
Prior accident years	(110,293)	69,386
Total incurred	3,731,075	1,715,207
Paid related to:		
Current accident year	(1,294,131)	(548,251)
Prior accident years	(842,690)	(1,437,958)
Total paid	(2,136,821)	(1,986,209)
Change in retroactive reinsurance reserves ceded	-	-
Net loss and loss adjustment expense reserves, end of year	3,941,289	2,347,035
Add reinsurance recoverables on reserves	618,729	1,022,003
Direct loss and loss adjustment expenses reserves, end of year	<u>\$ 4,560,018</u>	<u>\$ 3,369,038</u>

Reserves for unpaid losses, net of amounts ceded under reinsurance contracts, increased \$1,280,716 and reserves for unpaid LAE reserves, net of amounts ceded under reinsurance contracts, increased \$313,538. Net unpaid losses and LAE reserves related to catastrophes decreased \$868,311 largely as a result of the settlement of prior year hurricane losses. Net unpaid losses and LAE reserves not related to hurricanes increased \$597,310 primarily as a result of an increase in policies in force.

Long-term debt

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 Florida Hurricane Catastrophe Fund (FHCF).

On December 4, 2023, Citizens executed a legal defeasance of the remaining outstanding Series 2015A-1 Senior Secured bonds in the amount of \$275,000.

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At December 31, 2023, the legal defeasance of these bonds resulted in a loss of \$5,507 which is included in net investment income within the Statements of Revenues, Expenses and Changes in Net Position. For the years ended December 31, 2024 and 2023, interest expense incurred was \$1,222 and \$13,903, respectively.

Interest expense includes net amortization for and accretion of premiums and discounts of \$0 and \$4,060 for the years ended December 31, 2024 and 2023, respectively. There was no remaining net unamortized premium at December 31, 2024 and 2023.

Other liabilities

Effective July 1, 2015, Citizens terminated the 2005 Citizens Emergency Assessment that was activated as a result of unprecedented storm activity during 2004 and 2005 during which eight hurricanes made landfall in various southern US states, including Florida. The collection of these assessment funds were used for debt service obligations incurred in connection with the now defeased 2007A post-event bonds that were issued to provide claims paying resources to Citizens. Amounts collected by Citizens in excess of the 2005 Citizens Emergency Assessment levy are held in a reserve account and may be used by Citizens to offset future plan year deficits as approved by Citizens Board of Governors and the Office of Insurance Regulation. At December 31, 2024 and 2023, funds held in this reserve totaled \$140,790.

Operating Revenue

A summary of Citizens Statements of Revenues, Expenses and Changes in Net Position and certain key financial ratios are presented below:

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>% Change 2024 - 2023</u>	<u>%Change 2023 - 2022</u>
Operating revenue:					
Premiums earned	\$ 3,180,481	\$ 2,881,408	\$ 1,897,813	10.4%	51.8%
Operating expenses:					
Losses and loss adjustment expenses incurred	3,731,075	1,715,207	3,879,767	117.5%	-55.8%
Other underwriting expenses	<u>671,338</u>	<u>699,439</u>	<u>466,217</u>	<u>-4.0%</u>	<u>50.0%</u>
Total expenses	<u>4,402,413</u>	<u>2,414,646</u>	<u>4,345,984</u>	<u>82.3%</u>	<u>-44.4%</u>
Operating gain (loss)	\$ (1,221,932)	\$ 466,762	\$ (2,448,171)	-361.8%	-119.1%
Non-operating income (expense)	<u>422,866</u>	<u>525,908</u>	<u>(818,473)</u>	<u>-19.6%</u>	<u>-164.3%</u>
Change in net position	<u>\$ (799,066)</u>	<u>\$ 992,670</u>	<u>\$ (3,266,644)</u>	<u>-180.5%</u>	<u>-130.4%</u>
Policies in-force (as of year-end)	936,182	1,228,718	1,145,809	-23.8%	7.2%
Policies serviced (as of year-end)	1,305,666	1,489,901	1,154,978	-12.4%	29.0%
Underwriting ratios:					
Net loss and LAE ratio (calendar year)	117.3%	59.5%	204.4%	57.8%	-144.9%
Expense ratio (calculated on net premiums earned)	<u>21.1%</u>	<u>24.3%</u>	<u>24.6%</u>	<u>-3.2%</u>	<u>-0.3%</u>
Combined ratio	<u>138.4%</u>	<u>83.8%</u>	<u>229.0%</u>	<u>54.6%</u>	<u>-145.2%</u>

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Operating loss

For 2024, the operating loss of \$1,221,932 represents a decrease of \$1,688,694 for 2024 as compared to the operating gain reported for 2023. Losses from three hurricanes, two of which were major, during the 2024 Atlantic Hurricane season, contributed significantly to the operating loss. The non-catastrophe results in 2024 are much improved from prior years due to a decrease in the number of litigated claims, largely attributable to the implementation of SB-2A. Citizens' rates moved closer to actuarial soundness as the glide-path cap increased from 12% to 13% for primary risks and up to 50% for non-primary risks.

Direct Written Premium

During 2024, direct written premium decreased \$473,095 (9%) as compared to the year prior. The overall renewal rate in 2024 was approximately 83%, marking a 2% decrease from the same period a year prior. The number of first-time policies written decreased to 367,000 in comparison to 552,000 during the same period a year prior.

Premiums ceded through the depopulation program in 2024 were \$1,023,565, marking a significant increase in comparison to 2023 where \$588,341 of premiums were ceded through depopulation.

The next annual rate filings are expected to take effect in June 2025 .

Losses and LAE incurred

The following table provides the ultimate loss and LAE, and any anticipated reinsurance recoveries, attributable to significant hurricanes and tropical storms as of December 31, 2024 and 2023.

	2024		2023	
	Ultimate Loss and LAE	Ceded Loss and LAE	Ultimate Loss and LAE	Ceded Loss and LAE
Hurricane Milton - 2024	\$ 2,073,125	\$ -	N/A	N/A
Hurricane Helene - 2024	313,489	-	N/A	N/A
Hurricane Debby - 2024	76,516	-	N/A	N/A
Hurricane Idalia - 2023	97,170	-	\$ 83,477	\$ -
Hurricane Ian - 2022	3,421,001	925,613	3,595,992	1,121,566
Hurricane Nicole - 2022	106,544	4,640	100,449	14,656
Tropical Storm Eta - 2020	347,513	-	351,337	-
Hurricane Sally - 2020	70,924	-	78,439	-
Hurricane Michael - 2018	145,158	-	145,178	-
Hurricane Irma - 2017	2,561,470	1,117,732	2,550,514	1,125,745

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.

Net investment income and interest expense

Net investment income consists of interest earned on Citizens' invested assets, and net realized and unrealized gains on sales of invested assets. Total investment gains for 2024 were \$416,480 or \$116,845 less than 2023. Net realized losses and unrealized gains during 2024 were \$3,657 and \$51,378, respectively, marking a decrease in unrealized gains of \$193,941 compared to 2023. Average invested assets increased \$890,208 (10%) over the same comparable period. The increase in total investment income was principally driven by an overall relative increase in interest rates, specifically yields in money market funds and other short-duration instruments, where a majority of Citizens' cash flow from operations as well as proceeds from maturing securities have been invested. Interest expense decreased by \$12,681 from the year prior due to the defeasance of Citizens bonds in 2023, partially offset by interest expense incurred on Citizens revolving line of credit.

Subsequent Events

Subsequent events have been considered through May 16, 2025, the date of issuance of these statutory financial statements. The following events occurred subsequent to the end of the year that merit recognition or disclosure in these statements.

In December 2024, the Company entered into a lease for office space for a seven-year term beginning on the date of occupancy, with an option to renew for two additional three-year terms. As of May 16, 2025, the Company has not yet commenced occupancy of the office space subject to this lease.

Citizens Property Insurance Corporation
Statements of Net Position
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(Dollars in thousands)

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,641,043	\$ 1,150,106
Short-term investments	1,235,227	1,367,240
Investment income due and accrued	61,350	58,507
Reinsurance recoverable on paid losses and LAE	49,730	65,721
Premiums receivable, net	260,396	304,234
Premiums receivable from assuming companies, net	12,634	4,152
Other current assets	33,005	45,154
Total current assets	<u>3,293,385</u>	<u>2,995,114</u>
Noncurrent assets		
Long-term investments	6,872,066	6,879,945
Lease Asset (GASB 87)	41,255	45,454
Lease Asset (GASB 96)	113,399	33,397
Capital assets	901	863
Total noncurrent assets	<u>7,027,621</u>	<u>6,959,659</u>
Total assets	<u><u>\$ 10,321,006</u></u>	<u><u>\$ 9,954,773</u></u>
LIABILITIES		
Current liabilities		
Loss reserves, net	\$ 2,720,617	\$ 1,439,901
Loss adjustment expense reserves, net	1,220,672	907,134
Unearned premiums, net	1,664,526	2,130,987
Reinsurance premiums payable	302,514	426,474
Advance premiums and suspended cash	57,159	68,595
Return premiums payable	20,088	12,720
Interest payable	3,265	1,294
Current portion of lease liability (GASB 87)	3,619	3,505
Current portion of lease liability (GASB 96)	16,447	7,728
Outstanding checks in excess of deposits	280,034	190,288
Other current liabilities	128,096	133,277
Total current liabilities	<u>6,417,037</u>	<u>5,321,903</u>
Noncurrent liabilities		
Lease Liability (GASB 87)	41,078	44,696
Lease Liability (GASB 96)	95,092	21,420
Reserve for future assessments	140,790	140,790
Total noncurrent liabilities	<u>276,960</u>	<u>206,906</u>
Total liabilities	<u><u>\$ 6,693,997</u></u>	<u><u>\$ 5,528,809</u></u>
Net position		
Invested in capital assets	\$ 901	\$ 863
Unrestricted	3,626,108	4,425,101
Total net position	<u><u>\$ 3,627,009</u></u>	<u><u>\$ 4,425,964</u></u>

See accompanying notes.

Citizens Property Insurance Corporation
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2024 and 2023
(Dollars in thousands)

	<u>2024</u>	<u>2023</u>
Operating revenue		
Net premiums earned	\$ 3,180,481	\$ 2,881,408
Operating expenses		
Net losses incurred	2,859,228	1,261,404
Net loss adjustment expenses incurred	871,847	453,803
Service company fees	12,547	12,870
Agent commissions	367,680	400,155
Taxes and fees	51,534	77,964
Other underwriting expenses	239,577	208,450
Total operating expenses	<u>4,402,413</u>	<u>2,414,646</u>
Operating (loss) gain	<u>(1,221,932)</u>	<u>466,762</u>
Nonoperating revenues (expenses)		
Net investment income	416,480	533,325
Net interest expense	(1,222)	(9,843)
Other income	7,608	2,426
Total nonoperating income	<u>422,866</u>	<u>525,908</u>
Change in net position	(799,066)	992,670
Net position, beginning of year	4,425,964	3,433,176
Other changes in net position	<u>111</u>	<u>118</u>
Net position, end of year	<u>\$ 3,627,009</u>	<u>\$ 4,425,964</u>

See accompanying notes.

Citizens Property Insurance Corporation
Statements of Cash Flows
Years Ended December 31, 2024 and 2023
(Dollars in thousands)

	2024	2023
Cash flows from operating activities		
Premiums collected, net of reinsurance	\$ 2,628,615	\$ 3,556,594
Net losses and loss adjustment expenses paid	(2,023,970)	(2,274,726)
Payments to employees for services	(144,417)	(133,439)
Payments for underwriting expenses	(558,317)	(574,430)
Net cash (used in) provided by operating activities	(98,089)	573,999
Cash flows from noncapital financing activities		
Debt redemption	-	(275,000)
Interest paid	(1,861)	(23,542)
Other non-operating receipts	3,737	6,203
Net cash provided by (used in) noncapital financing activities	1,876	(292,339)
Cash flows from capital and related financing activities		
Capital assets acquired	5,426	(1,852)
Net cash provided by (used in) capital and related financing activities	5,426	(1,852)
Cash flows from investing activities		
Proceeds from investments sold, matured or repaid	(4,412,481)	(2,030,912)
Investment acquisition	4,705,170	2,014,434
Interest income received	289,035	287,394
Net cash provided by investing activities	581,724	270,916
Net change in cash and cash equivalents	490,937	550,724
Cash and cash equivalents, beginning of year	1,150,106	599,382
Cash and cash equivalents, end of year	\$ 1,641,043	\$ 1,150,106

See accompanying notes.

Citizens Property Insurance Corporation
Statements of Cash Flows
Years Ended December 31, 2024 and 2023
(Dollars in thousands)

(Continued)

	<u>2024</u>	<u>2023</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	\$ (1,221,932)	\$ 466,762
Adjustments to reconcile net cash used in operating activities		
Depreciation expense	280	169
(Increase) decrease in operating assets		
Reinsurance recoverable on paid losses and LAE	15,992	(29,638)
Premiums receivable	43,838	(82,695)
Premiums receivable from assuming companies	(8,481)	(4,027)
Other current assets	(21,066)	(6,256)
Increase (decrease) in operating liabilities		
Loss and loss adjustment expense reserves	1,594,254	(271,003)
Unearned premiums, net	(466,460)	426,266
Reinsurance premiums payable	(123,960)	319,259
Advance premiums and suspended cash	(11,436)	12,804
Outstanding checks in excess of deposits	89,747	(265,885)
Other current liabilities	11,135	8,243
	<u>11,135</u>	<u>8,243</u>
Net cash (used in) provided by operating activities	<u>\$ (98,089)</u>	<u>\$ 573,999</u>

Note 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 (the FRPCJUA) and the Florida Windstorm Underwriting Association (the 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 two 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.

In January 2024, pursuant to Florida Senate Bill 2-1 and upon the extinguishment of all financing obligations, Citizens three operating accounts – the Personal Lines Account, Commercial Lines Account, and the Coastal Account – were combined into a single account. Prior to the account consolidation, each operating account could impose a policyholder surcharge of up to 15% per account, as well as an emergency Assessment of up to 10% per account, per year on assessable premium.

Following the account consolidation, Citizens may impose a policyholder surcharge of up to 15% and an Emergency Assessment of up to 10% on assessable premium for the combined account only. In addition, the Regular Assessment of up to 2% of state-wide assessable premium previously applicable to the Coastal Account only was eliminated as part of the account consolidation.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. Application of these criteria determines potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. Based on the application of these criteria, Citizens is a component unit of the State of Florida, and its financial activity is reported in the state's Comprehensive Annual Financial Report by discrete presentation.

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The financial statements presented herein relate solely to the financial position and results of operations of Citizens and are not intended to present the financial position of the State of Florida or the results of its operations or its cash flows.

Citizens has determined that it has no component units that should be included in its separately reported financial statements. However, the Florida Market Assistance Plan (FMAP) is a financially related entity. FMAP is a 501(c)(6) entity created by Section 627.3515, Florida Statutes. FMAP was created for the purpose of assisting in the placement of applicants who are unable to procure property or casualty insurance coverage from authorized insurers when such insurance is otherwise generally available. As provided in FMAP's enabling legislation, each person serving on the Board of Citizens also serves on the Board of FMAP.

In addition, Citizens is required to fund any deficit incurred by FMAP in performing its statutory purpose. No such funding has taken place from FMAP inception through December 31, 2024.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accounting policies and practices of Citizens conform to accounting principles generally accepted in the United States (U.S. GAAP) applicable to a proprietary fund of a government unit. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

GASB Statement No. 34, *Basic Financial Statements - and Management Discussion and Analysis - for State and Local Government*, established standards for financial reporting for all state and local governmental entities, which includes a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. It requires net position to be classified and reported in three components: invested in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. As of December 31, 2024 and 2023, Citizens did not have any outstanding debt that was attributable to capital assets.
- Restricted - This component of net position includes assets subject to external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. Restricted net position on the statements of net position includes funds advanced to Citizens by the Florida Surplus Lines Service Office (FSLSO) for obligations under the 2005 Citizens Emergency Assessment.
- Unrestricted - This component of net position consists of assets that do not meet the definition of "Restricted" or "Invested in capital assets."

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Use of Estimates

The preparation of the financial statements in accordance with U.S GAAP 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Measurement Focus

As an enterprise fund, Citizens' financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operations of Citizens are included in the statements of net position. The statements of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. The statements of cash flows provides information about how Citizens finances and meets the cash flow needs of its activities.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents consists of demand deposits held with financial institutions, various highly liquid money market funds, other short-term corporate obligations and agency discount notes. Demand deposits and highly liquid investments with original maturities of three months or less at the time of acquisition are considered to be cash and cash equivalents. Money-market funds, including money-market mutual funds, are included in the statements of net position as cash equivalents.

Short-term investments consist of commercial paper, short-term municipal securities, short-term corporate bonds and U.S. government agency notes. Short-term investments are classified as all securities with original maturities greater than three months and less than twelve months at the time of acquisition.

Long-term investments consist solely of debt securities issued by municipal bodies, U.S. Treasury, U.S. government agencies, asset-backed securities, and corporate bonds with an original maturity greater than twelve months at the time of acquisition.

Such investments are recorded at fair value, which is generally based on independent quoted market prices. If quoted market prices are not available, broker quotes or an estimation of the current liquidation values is determined through a collaborative process among various pricing experts and sources in the marketplace. Changes in fair value are reflected as a component of net investment income.

When, in the opinion of management, a decline in the estimated fair value of an investment is considered to be other than temporary, the investment is written down to its estimated fair value. The determination of an other than temporary decline in estimated fair value includes, in addition to other relevant factors, consideration of the nature of the investments, the severity of the impairments, including the number of securities impaired, and the duration of the impairment.

Net Investment Income

Net investment income includes interest income, amortization and accretion, changes in unrealized gains and losses based on estimated fair value, and realized gains and losses on sales of investments that are recognized on the specific identification basis. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year and included in net investment income in the statements of revenues, expenses and changes in net position. Gains and losses from call redemptions and repayments are charged to investment income.

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Capital Assets

Capital assets 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 capital assets was \$45,989 and \$45,088 at December 31, 2024, and \$46,236 and \$45,374 at December 31, 2023, respectively. Depreciation and amortization expense was \$280 and \$169 for the years ended December 31, 2024 and 2023, respectively and is included in other underwriting expenses on the accompanying statements of revenues, expenses and changes in net position.

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. 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 incurred and 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 basis 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. 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 and LAE exceed Citizens' 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 Citizens' policies are marketed, serviced, and measured for the profitability of such contracts. Additionally, Citizens' premium deficiency calculation is performed separately for the Accounts. At December 31, 2024 and 2023, management determined that no premium deficiency reserve was required.

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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. An allowance for doubtful accounts is recorded for the estimated uncollectible amounts, and amounted to \$1,639 and \$2,207 at December 31, 2024 and 2023, 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 and included within net premiums earned and other income, respectively.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from premiums charged to policyholders. Operating expenses include incurred losses, LAE, policy acquisition costs and necessary costs incurred to provide and administer residential and commercial property insurance coverage and to carry out programs for the reduction of new and renewal writings.

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 statements of net position 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 accompanying statements of net position 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 and LAE are recorded as receivables. All catastrophe reinsurance payments are recorded as premiums ceded and are amortized over the life of the hurricane season for which the payments apply, while depopulation premiums ceded are earned pro-rata over the life of the underlying policies. Premiums ceded include Florida Hurricane Catastrophe Fund (FHCF), private catastrophic reinsurance purchases and depopulation premiums.

Premiums receivable from assuming companies contracts represent amounts receivable from reinsurers on depopulation premiums. Reinsurance premiums payable represent amounts due to reinsurers and are 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.

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 in 2024 and 2023.

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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.

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, 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 obtains a letter of credit from any unauthorized reinsurer and certain certified reinsurers. As of December 31, 2024, 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.

Compensated Absences

Citizens has adopted the provisions of GASB Statement No. 101 – *Compensated Absences*. This statement provides updated guidance to the recognition and measurement of liabilities for compensated absences for various forms of leave accumulated by employees. The adoption of this statement did not have any material impact on Citizens' financial statements.

Note 3. 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. 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 Citizens' 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.

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- 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.

At December 31, 2024 and 2023, Citizens financial assets measured at estimated fair value on a recurring basis include long-term and short-term investments. Citizens has no financial liabilities measured at estimated fair value on a recurring basis.

The following tables reflect the estimated fair values of all assets and liabilities that are financial instruments at December 31, 2024 and 2023, including those measured at estimated fair value on a recurring basis. The estimated fair values are categorized into the three-level fair value hierarchy as described below.

2024				
	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:				
Long-term investments	\$ 6,872,066	\$ 1,357,773	\$ 5,514,293	\$ -
Short-term investments	1,235,227	1,082,285	152,942	-
Cash and cash equivalents	1,641,043	602,157	1,038,886	-
Investment income due and accrued	61,350	-	61,350	-
Total financial assets	<u>\$ 9,809,686</u>	<u>\$ 3,042,215</u>	<u>\$ 6,767,471</u>	<u>\$ -</u>
2023				
	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:				
Long-term investments	\$ 6,879,945	\$ 1,184,907	\$ 5,695,038	\$ -
Short-term investments	1,367,240	1,358,051	9,189	-
Cash and cash equivalents	1,150,106	1,148,916	1,190	-
Investment income due and accrued	58,507	-	58,507	-
Total financial assets	<u>\$ 9,455,798</u>	<u>\$ 3,691,874</u>	<u>\$ 5,763,924</u>	<u>\$ -</u>
Financial liabilities:				
Long-term debt	\$ -	\$ -	\$ -	\$ -
Interest payable	639	-	639	-
Total financial liabilities	<u>\$ 639</u>	<u>\$ -</u>	<u>\$ 639</u>	<u>\$ -</u>

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The following describes 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.

Long-term 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. Generally, these investments are classified as Level 3.

Cash and Cash Equivalents

The estimated fair value of cash and cash equivalents, including restricted cash and cash equivalents, that represent highly liquid deposits generally approximates carrying value and is classified as Level 1. The estimated fair value of investment securities classified as cash equivalents is determined based on significant observable inputs and is generally classified as Level 2.

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.

Long-term Debt

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 levels during the years ended December 31, 2024 and 2023.

Note 4. Investments

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 evaluates external indicators, such as issuer credit ratings along with the extent and duration of the 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. Citizens recognized other-than-temporary impairments of \$1,980 on two fixed income securities for the year ended December 31, 2023 (none for the year ended December 31, 2024). Citizens recorded the other-than-temporary impairments due to its intent to sell the fixed income securities. The Company had no other-than-temporary impairments in 2024.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, Citizens would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Citizens had no investments with custodial credit risk as of December 31, 2024 and 2023, respectively. All investments were held by Citizens or its agent in Citizens' name.

Concentration of Credit Risk - An increased risk of loss occurs as more investments are acquired from one issuer or a group of issuers with 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 3% of the taxable investment portfolios and 5% of the tax-exempt investment portfolios.

Interest Rate Risk - Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Citizens measures this risk by using the weighted average maturity (WAM) method and a set limit on the maximum WAM for each investment policy. Citizens' investment policies require that the WAM of the Liquidity Fund (taxable), Claims Paying Fund (taxable) and Claims Paying Long Duration Fund (taxable) portfolios not exceed 548 days, 6 years and 10 years, respectively, whereas the WAM for the Claims Paying Fund (tax-exempt) portfolios not exceed 3 years and 6 months and 4 years for the Series 2011 and 2012, and Series 2015 portfolios, respectively. This policy takes interest rate reset dates, primarily related to tax-exempt variable rate demand notes and floating rate notes, into consideration.

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Foreign Currency Risk - Citizens had no investments with foreign currency risk at December 31, 2024 and 2023, respectively. All investments are settled in U.S. dollars.

Credit Risk Disclosure - Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. All long-term and short-term securities held in the investment portfolio are generally rated by two of the three nationally recognized rating agencies. The following table presents the fair value by rating classification as reported by Moody's at December 31, 2024.

<u>Rating</u>	<u>Estimated Fair Value</u>
A1	\$ 686,991
A2	544,705
A3	720,390
Aa1	81,725
Aa2	212,419
Aa3	229,496
Aaa	2,380,794
P-1	927,674
Baa1	974,392
Baa2	866,206
Baa3	161,913
Not rated	301,603
WR	18,985
Total	<u>\$ 8,107,293</u>

The following tables provide a summary of investments estimated fair value, amortized cost, and net unrealized gain (loss) by type as of December 31, 2024 and 2023.

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2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Non-asset backed securities:				
U.S. Treasury and U.S. government	\$ 2,457,412	\$ 3,125	\$ (83,515)	\$ 2,377,022
States, territories, and possessions	72,948	22	(7,052)	65,918
Political subdivisions	73,444	-	(6,552)	66,892
Special revenue	442,000	1	(31,529)	410,472
Industrial and miscellaneous	5,306,182	3,599	(415,733)	4,894,048
Asset-backed securities:				
Residential and commercial mortgage backed	319,888	293	(27,240)	292,941
Total admitted bonds	<u>\$ 8,671,874</u>	<u>\$ 7,040</u>	<u>\$ (571,621)</u>	<u>\$ 8,107,293</u>
2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Non-asset backed securities:				
U.S. Treasury and U.S. government	\$ 2,635,208	\$ 622	\$ (93,247)	\$ 2,542,583
States, territories, and possessions	98,823	-	(8,164)	90,659
Political subdivisions	110,466	-	(7,424)	103,042
Special revenue	559,477	9	(38,897)	520,589
Industrial and miscellaneous	5,163,604	1,721	(444,392)	4,720,933
Asset-backed securities:				
Residential and commercial mortgage backed	295,712	72	(26,405)	269,379
Total admitted bonds	<u>\$ 8,863,290</u>	<u>\$ 2,424</u>	<u>\$ (618,529)</u>	<u>\$ 8,247,185</u>

The following tables summarize unrealized losses on investments by the length of time that the securities have continuously been in unrealized loss positions as of December 31, 2024 and 2023.

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	2024					
	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
U.S. Treasury and U.S. government	\$ 1,482,061	\$ (800)	\$ 894,963	\$ (82,715)	\$ 2,377,024	\$ (83,515)
States, territories and possessions	9,022	-	56,896	(7,052)	65,918	(7,052)
Political subdivisions	843	(158)	66,049	(6,394)	66,892	(6,552)
Special revenue	6,984	(5)	403,487	(31,524)	410,471	(31,529)
Industrial and miscellaneous	736,427	(1,482)	4,157,620	(414,251)	4,894,047	(415,733)
Asset-backed securities	69,407	(299)	223,534	(26,941)	292,941	(27,240)
Total admitted bonds	<u>\$ 2,304,744</u>	<u>\$ (2,744)</u>	<u>\$ 5,802,549</u>	<u>\$ (568,877)</u>	<u>\$ 8,107,293</u>	<u>\$ (571,621)</u>

	2023					
	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
U.S. Treasury and U.S. government	\$ 49,628	\$ (35)	\$ 1,134,875	\$ (93,213)	\$ 1,184,503	\$ (93,248)
States, territories and possessions	-	-	90,659	(8,164)	90,659	(8,164)
Political subdivisions	839	(161)	102,202	(7,263)	103,041	(7,424)
Special revenue	-	-	512,774	(38,897)	512,774	(38,897)
Industrial and miscellaneous	25,820	(1,975)	4,585,416	(442,405)	4,611,236	(444,380)
Asset-backed securities	2,114	(11)	255,190	(26,405)	257,304	(26,416)
Total admitted bonds	<u>\$ 78,401</u>	<u>\$ (2,182)</u>	<u>\$ 6,681,116</u>	<u>\$ (616,347)</u>	<u>\$ 6,759,517</u>	<u>\$ (618,529)</u>

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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. treasury, 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, 2024 and 2023.

The estimated fair value and amortized cost of securities at December 31, 2024 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.

	Estimated Fair Value	Amortized Cost
Maturity:		
In 2025	\$ 2,267,082	\$ 2,270,667
2026-2029	3,314,204	3,449,347
2030-2034	1,863,934	2,147,001
After 2034	369,132	484,971
Asset-backed securities	292,941	319,888
 Total	 <u>\$ 8,107,293</u>	 <u>\$ 8,671,874</u>

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

	2024	2023
Gross interest income:		
Bonds	\$ 215,526	\$ 203,083
Cash, cash equivalents, and short-term investments	157,062	105,719
 Total gross interest income	 <u>372,588</u>	 <u>308,802</u>
Net realized gains (losses):		
Net realized capital gains (losses) on sales		
Bonds	(5,905)	(9,325)
Cash, cash equivalents, and short-term investments	2,248	(1,927)
 Total net realized capital losses on sales	 <u>(3,657)</u>	 <u>(11,252)</u>
 Loss on defeasance of debt	 <u>-</u>	 <u>(5,507)</u>
 Net realized losses	 <u>(3,657)</u>	 <u>(16,759)</u>
 Net increase in the fair value of investments	 <u>51,378</u>	 <u>245,321</u>
 Investment expenses	 <u>(3,829)</u>	 <u>(4,039)</u>
 Net investment income	 <u>\$ 416,480</u>	 <u>\$ 533,325</u>

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Note 5. Liability for Loss Reserves and Loss Adjustment Expense Reserves

Activity in the net liability for loss and LAE reserves for the years ended December 31, 2024 and 2023, were as follows:

	2024	2023
Direct loss and loss adjustment expense reserves, beginning of year	\$ 3,369,038	\$ 3,794,065
Less reinsurance recoverables on reserves	<u>(1,022,003)</u>	<u>(1,176,028)</u>
Net loss and loss adjustment expense reserves, beginning of year	<u>2,347,035</u>	<u>2,618,037</u>
Incurred related to:		
Current accident year	3,841,368	1,645,821
Prior accident years	<u>(110,293)</u>	<u>69,386</u>
Total incurred	<u>3,731,075</u>	<u>1,715,207</u>
Paid related to:		
Current accident year	(1,294,131)	(548,251)
Prior accident years	<u>(842,690)</u>	<u>(1,437,958)</u>
Total paid	<u>(2,136,821)</u>	<u>(1,986,209)</u>
Change in retroactive reinsurance reserves ceded	<u>-</u>	<u>-</u>
Net loss and loss adjustment expense reserves, end of year	3,941,289	2,347,035
Add reinsurance recoverables on reserves	<u>618,729</u>	<u>1,022,003</u>
Direct loss and loss adjustment expenses reserves, end of year	<u><u>\$ 4,560,018</u></u>	<u><u>\$ 3,369,038</u></u>

As a result of changes in estimates of insured events in prior years, the provision for loss and LAE reserves (decreased) increased by approximately (\$110,293) and \$69,386 net of reinsurance, in 2024 and 2023, respectively. Decreases in the estimated severity of 2023 accident year claims and reductions to loss and LAE reserves associated with an April 2023 hail storm, partially offset by reductions to ceded loss and LAE reserves for Hurricane Ian, contributed most significantly to the overall decrease in the provision for loss and LAE reserves of \$110,293.

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. 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 2024 and 2023, net recoveries with respect to reinsurance recoverable on paid losses and LAE was \$223,028 and \$227,196 respectively.

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For the years ended December 31, 2024 and 2023, ultimate losses and LAE attributable to significant hurricanes and tropical storms were as follows:

	2024		2023	
	Ultimate Loss and LAE	Ceded Loss and LAE	Ultimate Loss and LAE	Ceded Loss and LAE
Hurricane Milton - 2024	\$ 2,073,125	\$ -	N/A	N/A
Hurricane Helene - 2024	313,489	-	N/A	N/A
Hurricane Debby - 2024	76,516	-	N/A	N/A
Hurricane Idalia - 2023	97,170	-	\$ 83,477	\$ -
Hurricane Ian - 2022	3,421,001	925,613	3,595,992	1,121,566
Hurricane Nicole - 2022	106,544	4,640	100,449	14,656
Tropical Storm Eta - 2020	347,513	-	351,337	-
Hurricane Sally - 2020	70,924	-	78,439	-
Hurricane Michael - 2018	145,158	-	145,178	-
Hurricane Irma - 2017	2,561,470	1,117,732	2,550,514	1,125,745

Note 6. 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. Prior to the combining of accounts (see Note 1), reinsurance coverage was purchased separately for the Coastal Account and combined for the PLA and CLA. As required by statute, Citizens participates in the FHCF. For the year ended December 31, 2023, coverage provided by and premium ceded to the FHCF as respects to 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 \$4,821,414 on a combined basis for 2024. And \$2,072,418 and \$3,315,201 in the Coastal Account and PLA and CLA, respectively, for 2023. 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 through traditional and capital markets totaled \$3,563,739 on a combined basis for 2024 and \$2,461,377 and \$2,919,077 for 2023 in the Coastal Account and PLA and CLA, respectively. At December 31, 2024, Citizens was party to 4 outstanding insurance-linked securities (ILS) contracts as a ceding insurer that provide aggregate maximum proceeds of \$1,600,000 for directly-written insurance risks by Citizens at an attachment level of \$9,809,000.

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

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	2024		2023	
	Written	Earned	Written	Earned
Direct premiums	\$ 4,597,895	\$ 4,953,198	\$ 5,070,989	\$ 4,218,128
FHCF ceded premiums	(406,543)	(406,543)	(479,461)	(479,462)
Private ceded premiums	(453,766)	(453,766)	(695,512)	(695,512)
Depopulation ceded premiums	(1,023,565)	(912,408)	(588,341)	(161,746)
Net premiums	<u>\$ 2,714,021</u>	<u>\$ 3,180,481</u>	<u>\$ 3,307,675</u>	<u>\$ 2,881,408</u>

Ceded premiums include premiums ceded to companies that assume policies pursuant to a depopulation program (see Note 10). Ceded losses and LAE incurred were (\$207,036) and \$102,809 during 2024 and 2023, 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 \$547,753 and \$436,596 at December 31, 2024 and 2023, respectively. There were no ceded unearned premiums with respect to the FHCF or traditional and capital markets reinsurance agreements at December 31, 2024 and 2023.

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, 2024, Citizens reported a net recoverable due from FHCF in the amount of \$590,796, or approximately 14.1% of accumulated surplus. As of December 31, 2023, Citizens reported a net recoverable due from FHCF in the amount of \$936,390, or approximately 18.6% of accumulated surplus. FHCF net recoverable amounts at December 31, 2024 and 2023 are comprised of ceded loss and LAE reserves for claims arising from Hurricane Irma.

On August 17, 2023, Citizens entered into a commutation agreement with the Florida Hurricane Catastrophe Fund (FHCF) to settle all of the FHCF's Loss and LAE obligations associated with Citizens' 2017 Reimbursement Contract. In connection with this commutation, Citizens recognized a loss of approximately \$8,155 resulting from the difference between its estimated outstanding loss and LAE and the amount agreed to in the commutation.

Note 7. Long-Term Debt

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.

On December 4, 2023, Citizens executed a legal defeasance of the remaining outstanding Series 2015A-1 Senior Secured bonds in the amount of \$275,000.

The legal defeasance of these bonds resulted in a loss of \$5,507 which is included in net investment income within the statements of revenues, expenses, and changes in net position. For the years ending December 31, 2024 and 2023, interest expense incurred was \$1,222 and \$13,903, respectively.

There were no bonds payable outstanding at December 31, 2024 and 2023.

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Interest expense includes net amortization for and accretion of premiums and discounts of \$0 and \$4,060 for the years ended December 31, 2024 and 2023, respectively. There was no remaining net unamortized premium at December 31, 2024 and 2023.

On June 29, 2023, Citizens executed a revolving line of credit in an amount not to exceed \$1.25 billion for purposes of providing liquidity for the PLA in the event of a storm or series of storms. This line of credit is secured by pledged revenues which consist of monies and investments held in accounts established under the trust indenture, proceeds from any regular and/or emergency assessments, and/or reimbursements received from the FHCF. Interest on any draws accrues at an applicable rate of 50 basis points over the Daily Simple Secured Overnight Financing Rate (SOFR) and LOC fees are 20 basis points for any unused amount. The applicable rates will increase if Citizens' issuer ratings fall below A / A2 / A from Moody's, Fitch or S&P, respectively. For the year ended December 31, 2023, an unused facility fee of \$1,299 was incurred and reported in net interest expense.

Closing costs of \$2,219, including commitment fees equal to 13.5 basis points of the total commitment, were incurred and reported in net interest expense for the year ending December 31, 2023. At December 31, 2024, there were no draws against the revolving line of credit. The contractual expiry date of the revolving line of credit is June 26, 2024.

Note 8. 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 \$9,372 and \$8,128 for the years ended December 31, 2024 and 2023, respectively.

Note 9. 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 were \$367,680 and \$400,155 during 2024 and 2023 respectively.

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 \$7.74 to \$72.87 (dollars), depending on the complexity and volume of each transaction. Service company fees incurred were \$12,547 and \$12,870, during 2024 and 2023, respectively. There were no premiums written by service providers which individually are more than 5% of policyholders' surplus.

Note 10. 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 2024 and 2023, Citizens recognized ceded written premiums of \$1,023,565 and \$588,341, 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, 2024 and 2023, assumed premiums recoverable in the amount of \$12,634 and \$4,153, respectively were due from certain Takeout Companies and are reported as premiums receivable from assuming companies in the statements of net position. In addition, premiums due to Takeout Companies of \$113,158 at December 31, 2024 (\$110,861 at December 31, 2023) are included in reinsurance premiums payable on the accompanying statements of net position.

Note 11. Leases

Citizens has in place multiple leases for offices facilities with agreements expiring through July of 2026. Each facility lease contract contains renewal options which have been factored into the initial measurement and recording of the lease asset and liabilities. The company accounts for its leases under the guidance of GASB 87 – *Leases*. Leased assets are amortized on a straight-line basis over the life of the lease. Amortization expense incurred for the year ending December 31, 2024 and 2023 were \$4,199 and \$4,201, respectively. Citizens' implicit borrowing rate used for discounting the future minimum lease payments was 2.75% at the initial measurement date.

The following tables provide a summary of the changes in GASB 87 lease asset receivables as of December 31, 2024 and 2023, respectively.

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	<u>January 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2024</u>
Assets:				
Right of use - facilities	\$ 58,052	\$ -	\$ -	\$ 58,052
Less: accumulated amortization	(12,598)	(4,199)	-	(16,797)
Total lease assets, net	<u>\$ 45,454</u>	<u>\$ (4,199)</u>	<u>\$ -</u>	<u>\$ 41,255</u>

	<u>January 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2023</u>
Assets:				
Right of use - facilities	\$ 58,045	\$ 7	\$ -	\$ 58,052
Less: accumulated amortization	(8,397)	(4,199)	(2)	(12,598)
Total lease assets, net	<u>\$ 49,648</u>	<u>\$ (4,192)</u>	<u>\$ (2)</u>	<u>\$ 45,454</u>

The following tables provide a summary of the changes in GASB 87 lease liabilities as of December 31, 2024 and 2023, respectively

	<u>January 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2024</u>
Liabilities:				
Lease liability - GASB 87	\$ 48,201	\$ -	\$ (3,504)	\$ 44,697

	<u>January 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2023</u>
Liabilities:				
Lease liability - GASB 87	\$ 51,658	\$ (96)	\$ (3,361)	\$ 48,201

Future debt service requirements on lease payables as of December 31, 2024, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 3,619	\$ 1,185	\$ 4,804
2026	3,747	1,084	4,831
2027	3,639	981	4,620
2028	3,248	888	4,136
2029	3,445	795	4,240
5 Years ending 2034	20,465	2,373	22,838
5 Years ending 2039	6,534	116	6,650
Total	<u>\$ 44,697</u>	<u>\$ 7,422</u>	<u>\$ 52,119</u>

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Note 12. Subscription Based Information Technology Arrangements (SBITAs)

Citizens has in place multiple subscription-based information technology arrangements (SBITAs) for the use of third-party vendor IT software and related platforms. These agreements, inclusive of anticipated renewal options, have expiration dates that run through 2042. The company accounts for its SBITAs under the guidance of GASB 96 – Subscription Based Information Technology Arrangements. Capitalized assets are amortized on a straight-line basis over the life of the agreement. Amortization and interest expense, net of adjustments for differences in the original amounts capitalized and actual cash outflows, incurred for the years ending December 31, 2024 and 2023 were \$20,547 and \$7,216, respectively. Citizens' implicit borrowing rate used for discounting the future minimum lease payments upon initial measurement of the contract ranged from 3.14% to 4.42% based upon contract duration plus a spread factor derived from Citizens' long-term credit ratings.

The following tables provide a summary of the changes in GASB 96 lease asset receivables as of December 31, 2024 and 2023, respectively.

	<u>January 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2024</u>
Assets:				
Right of use - SBITAs	\$ 50,418	\$ 97,902	\$ (5,076)	\$ 143,244
Less: accumulated amortization	(17,021)	(16,477)	3,653	(29,845)
Total lease assets, net	<u>\$ 33,397</u>	<u>\$ 81,425</u>	<u>\$ (1,423)</u>	<u>\$ 113,399</u>

	<u>January 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2023</u>
Assets:				
Right of use - SBITAs	\$ 37,453	\$ 12,965	\$ -	\$ 50,418
Less: accumulated amortization	(7,350)	(9,671)	-	(17,021)
Total lease assets, net	<u>\$ 30,103</u>	<u>\$ 3,294</u>	<u>\$ -</u>	<u>\$ 33,397</u>

The following tables provide a summary of the changes in GASB 96 lease liabilities as of December 31, 2024 and 2023, respectively.

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	<u>January 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2024</u>
Liabilities:				
Lease liability - GASB 96	<u>\$ 29,148</u>	<u>\$ 90,119</u>	<u>\$ (7,728)</u>	<u>\$ 111,539</u>

	<u>January 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2023</u>
Liabilities:				
Lease liability - GASB 96	<u>\$ 27,728</u>	<u>\$ 10,568</u>	<u>\$ (9,148)</u>	<u>\$ 29,148</u>

Future debt service requirements on SBITA lease payables as of December 31, 2024, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 16,447	\$ 3,578	\$ 20,025
2026	12,881	3,103	15,984
2027	12,889	2,637	15,526
2028	12,718	2,193	14,911
2029	11,310	1,785	13,095
5 Years ending 2034	36,435	4,191	40,626
5 Years ending 2039	4,867	1,559	6,426
5 Years ending 2044	<u>3,992</u>	<u>340</u>	<u>4,332</u>
Total	<u>\$ 111,539</u>	<u>\$ 19,386</u>	<u>\$ 130,925</u>

Note 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, 2024, Citizens has not recorded a liability for potential claims associated with the Agreement.

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Multi-Year Reinsurance Treaties

Citizens is party to reinsurance arrangements that provide coverage into 2023, including a 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, 2024 and 2023, 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.

Note 14. Reconciliation of U.S. GAAP to SAP

A reconciliation of Citizens' U.S. GAAP basis (as determined by the Governmental Accounting Standards Board) change in net position and net position to statutory net income (loss) and accumulated surplus for the years ended December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Change in net position - U.S. GAAP basis	\$ (799,066)	992,670
Adjustments:		
Change in allowance for doubtful accounts	(568)	(679)
GASB 87	1,391	1,492
GASB 96	4,869	(1,708)
Change in net unrealized gain (loss) on investments	<u>(51,379)</u>	<u>(245,321)</u>
Net income (loss) - statutory basis	<u>\$ (844,753)</u>	<u>\$ 746,454</u>
Net position - U.S. GAAP basis	\$ 3,627,009	4,425,964
Adjustments:		
Nonadmitted assets, net of allowance	(10,908)	(11,289)
GASB 87	2,669	1,326
GASB 96	1,302	(3,706)
Provision for reinsurance	(1,295)	(4,926)
Net unrealized gain (loss) on investments	<u>564,580</u>	<u>616,098</u>
Accumulated surplus - statutory basis	<u>\$ 4,183,357</u>	<u>\$ 5,023,467</u>

Note 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. The Plan provides for deficits to be determined in accordance with GASB, adjusted for certain items.

In the event of a Plan Year Deficit, Citizens must first levy an assessment against the premium of each Citizens policyholder (the Citizens Policyholder Surcharge), 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 will be treated as failure to pay premium.

If the deficit in any year is greater than the amount that may be recovered through Citizens' Policyholder Surcharges, 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.

For purposes of 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, 2024 and 2023, collections in excess of the Emergency Assessment were \$140,790. These balances are reported as the reserve for future assessments on the accompanying statements of net position 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, 2024, a payable to FIGA for amounts collected by Citizens but not yet remitted to FIGA of (\$6) is included within other current liabilities on the accompanying statements of net position.

On August 26, 2022, the Office approved an assessment levied by the 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, 2024, a payable to FIGA for amounts collected by Citizens but not yet remitted to FIGA of (\$27) is included within other current liabilities on the accompanying statements of net position.

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. At December 31, 2024, a payable to FIGA for amounts collected by Citizens but not yet remitted to FIGA of \$8,473 is included within other current liabilities on the accompanying statements of net position.

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December 31, 2024 and 2023

Premium Tax Credit

Pursuant to Rule 69OER24-1, insurers must provide discounts to their policyholders for policies that provide residential coverage on a dwelling for a 12-month period with an effective date beginning between October 1, 2024, and September 30, 2025, of 1.75% of the premium and a discount for the amount charged for the State Fire Marshal Regulatory Assessment. These discounts are passthroughs and will be reflected as a tax credit for the total amount of the discounts provided by the Company to its policyholders. For the year ending December 31, 2024, discounts totaling \$15,661 were provided by the Company.

Note 16. Subsequent Events

Subsequent events have been considered through May 16, 2025, the date of issuance of these statutory financial statements. The following events occurred subsequent to the end of the year that merit recognition or disclosure in these statements.

In December 2024, the Company entered into a lease for office space for a seven-year term beginning on the date of occupancy, with an option to renew for two additional three-year terms. As of May 16, 2025, the Company has not yet commenced occupancy of the office space subject to this lease.

Supplementary Information

Citizens Property Insurance Corporation
Supplemental Revenues, Expenses and Claim Development Information
(Unaudited)
(Dollars in thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Gross earned premiums and investment revenue	\$ 1,770,837	\$ 1,208,796	\$ 1,207,544	\$ 950,637	\$ 1,469,282	\$ 1,595,860	\$ 1,363,371	\$ 1,643,622	\$ 4,751,452	\$ 5,369,678
Ceded earned premiums	<u>899,532</u>	<u>479,845</u>	<u>297,406</u>	<u>261,780</u>	<u>244,719</u>	<u>235,419</u>	<u>461,706</u>	<u>556,520</u>	<u>1,336,719</u>	<u>1,772,717</u>
Net earned premiums and investment revenue	\$ 871,305	\$ 728,951	\$ 910,138	\$ 688,857	\$ 1,224,563	\$ 1,360,441	\$ 901,665	\$ 1,087,102	\$ 3,414,733	\$ 3,596,962
Unallocated expenses	\$ 278,787	\$ 241,460	\$ 226,317	\$ 213,962	\$ 213,173	\$ 239,844	\$ 301,488	\$ 465,995	\$ 699,439	\$ 671,338
Gross incurred claims and claims expenses, as originally reported	\$ 477,457	\$ 426,236	\$ 2,187,489	\$ 533,501	\$ 405,139	\$ 550,877	\$ 663,362	\$ 4,784,472	\$ 1,645,820	\$ 3,841,368
Incurred claims and expenses ceded, as originally reported	\$ -	\$ -	\$ 661,072	\$ -	\$ -	\$ -	\$ -	\$ 1,026,468	\$ -	\$ -
Net incurred claims and claims expenses, as originally reported	\$ 477,457	\$ 426,236	\$ 1,526,417	\$ 533,501	\$ 405,139	\$ 550,877	\$ 663,362	\$ 3,758,004	\$ 1,645,820	\$ 3,841,368

See independent auditors' report on the supplementary information.

Citizens Property Insurance Corporation
Supplemental Revenues, Expenses and Claim Development Information
(Unaudited)
(Dollars in thousands)

(Continued)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Paid (cumulative) as of:										
End of policy year	309,997	287,506	1,425,245	401,374	264,684	\$ 231,632	\$ 251,452	\$ 1,803,556	\$ 548,251	\$ 1,294,131
One year later	380,930	370,297	1,521,913	468,725	307,662	432,731	422,540	2,949,716	899,673	\$ 1,294,131
Two years later	425,403	414,047	1,625,528	502,191	307,662	582,740	530,050	3,216,949		
Three years later	447,561	433,976	1,695,071	502,191	340,331	737,364	588,288			
Four years later	458,488	444,432	1,695,071	524,916	363,670	820,250				
Five years later	465,402	444,432	1,761,520	538,571	374,997					
Six years later	465,402	450,218	1,742,148	544,239						
Seven years later	469,346	453,297	1,801,450							
Eight years later	472,437	456,102								
Nine years later	473,258									
Re-estimated incurred claims and claims expenses ceded	\$ -	\$ -	\$ 1,117,977	\$ -	\$ -	\$ -	\$ -	\$ 930,253	\$ -	\$ -
Re-estimated net incurred claims and expense:										
End of policy year	\$ 477,457	\$ 426,236	\$ 1,526,417	\$ 533,501	\$ 405,139	\$ 550,877	\$ 663,362	\$ 3,758,004	\$ 1,645,820	\$ 3,841,368
One year later	447,773	426,974	1,616,623	547,224	395,702	717,303	661,070	3,668,729	1,488,303	
Two years later	462,153	454,204	1,696,123	549,460	383,448	790,881	674,098	3,695,156		
Three years later	469,551	458,339	1,756,624	555,235	392,768	933,443	680,018			
Four years later	471,998	461,822	1,806,580	558,276	397,504	928,664				
Five years later	473,428	462,023	1,852,895	556,653	397,893					
Six years later	474,255	460,220	1,858,873	558,873						
Seven years later	476,323	459,803	1,871,314							
Eight years later	476,541	460,343								
Nine years later	477,244									
Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ (213)	\$ 34,107	\$ 344,897	\$ 25,372	\$ (7,246)	\$ 377,787	\$ 16,656	\$ (62,848)	\$ (157,517)	\$ -

See independent auditors' report on the supplementary information.

Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

Audit Committee
Citizens Property Insurance Corporation
Tallahassee, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Citizens Property Insurance Corporation (Citizens), which comprise the statements of net position as of December 31, 2024, and the related statements of revenue, expenses and changes in net position, and cash flows for the year ended and the related notes to the financial statements, which collectively comprise the Citizens' basic financial statements, and have issued our report thereon dated May 16, 2025.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Citizens' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Citizens' internal control. Accordingly, we do not express an opinion on the effectiveness of Citizens' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Citizens' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Forvis Mazars, LLP

**Tampa, Florida
May 16, 2025**