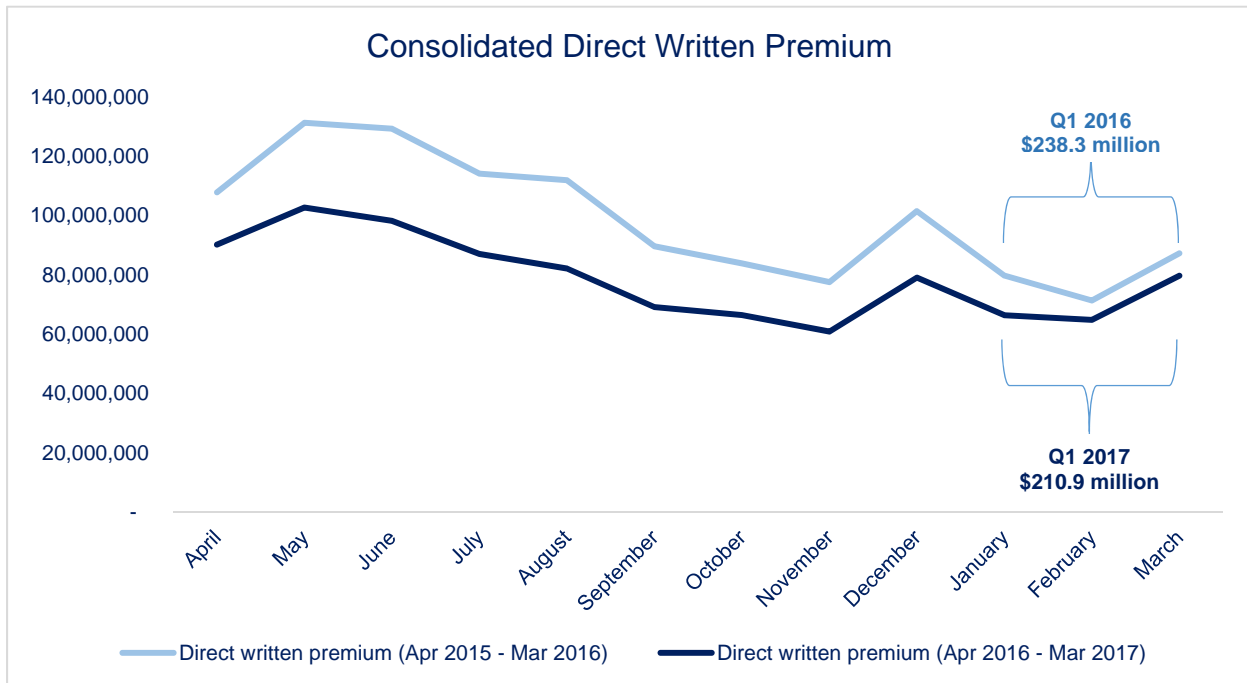


The following is an analysis of Citizens’ financial and operating results through the first quarter of 2017.

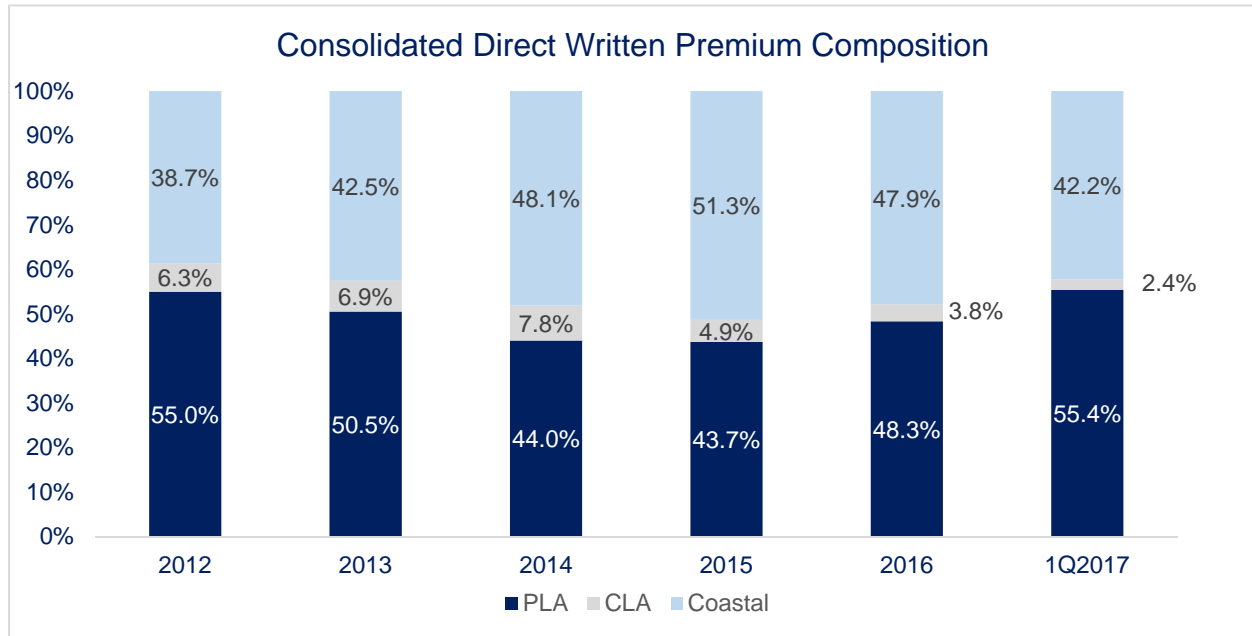
**- PREMIUMS -**

During the first quarter of 2017, consolidated direct written premium of \$210.9 million marked a decline of \$27.4 million (11.5%) relative to the first quarter of 2017. While the Commercial Lines Account (CLA) and Coastal Account declined \$5 million (50%) and \$25.5 million (22%), respectively, the Personal Lines Account (PLA) exhibited a marginal increase in direct premiums written of \$3.1 million (3%) during the first quarter of 2017. Consolidated direct earned premiums of \$236 million represented a decrease of \$67 million (22%) driven by declines of approximately 20% in direct written premium during the 12-month period ended March 31, 2017 relative to the same 12-month period a year earlier.



**New and Renewal Policy Counts**

	PLA		CLA		Coastal	
	New Business	Renewal Business	New Business	Renewal Business	New Business	Renewal Business
1Q 2016	16,660	70,036	22	625	5,779	42,976
1Q 2017	16,708	69,392	10	375	5,068	34,631
<b>Variance</b>	<b>0.3%</b>	<b>-0.9%</b>	<b>-56.6%</b>	<b>-40.0%</b>	<b>-12.3%</b>	<b>-19.4%</b>



Premiums ceded through depopulation during the first quarter of 2017 were \$3.2 million or \$9.2 million (75%) less than the same period a year ago. Despite a substantial decline in the volume of premiums ceded through depopulation, the first and second fiscal quarters have historically experienced lower levels of depopulation relative to the fourth fiscal quarter that follows hurricane season.

**- LOSSES -**

	Consolidated			Personal Lines Account			Commercial Lines Account			Coastal Account		
	1Q 2017	FY 2016	1Q 2016	1Q 2017	FY 2016	1Q 2016	1Q 2017	FY 2016	1Q 2016	1Q 2017	FY 2016	1Q 2016
Direct loss ratio	30.0%	35.1%	27.7%	45.8%	54.8%	42.9%	13.8%	15.9%	4.2%	13.7%	18.1%	16.6%
Direct loss ratio (underlying)	28.7%	30.1%	26.3%	43.6%	45.2%	41.2%	9.9%	14.8%	10.6%	13.6%	17.2%	14.9%
Direct LAE ratio	14.0%	17.0%	11.3%	21.6%	25.4%	16.0%	-7.2%	-0.6%	2.7%	7.1%	10.6%	8.0%
Direct LAE ratio (underlying)	14.2%	13.2%	8.2%	20.1%	19.4%	11.5%	4.1%	4.6%	3.9%	8.5%	8.0%	5.7%

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

Through March 31, 2017, Citizens’ consolidated direct loss ratio was 30%, reflecting an overall decrease of 5% relative to the year-ended December 31, 2016. Factors affecting this 5% reduction in the current calendar quarter loss ratio were the 2015 and 2016 rate filings, that went into effect for policies written or renewed on or after February 1, 2016 and 2017, respectively, that generally produced rate increases, the absence of any hurricane or wind-storm loss activity during the first quarter, and no adverse development on water claims from prior accident years. By account, these factors are generally consistent.

During the first quarter, adverse reserve development totaled \$2.8 million, of which \$2.4 million occurred within the PLA, and applied almost entirely to the continued run-off of sinkhole losses. Adverse loss development on sinkhole claims was substantially offset by reductions in reserves for claims adjudication expenses for the same accident years due to lower than expected adjusting costs associated with sinkhole claims that have entered settlement. Loss development activity on prior accident year sinkhole losses contributed slightly more than one percentage point to the 2017 calendar year loss ratio and slightly more than two percentage points to the PLA 2017 calendar year loss ratio. The rate of decline in Citizens' premium base over the last 5 years also contributes to variability in recent calendar year loss ratios as the earned premium base in

current calendar years is considerably smaller relative to accident year loss development trends in prior years when Citizens' premium base was substantially larger. Loss development unrelated to sinkhole activity was relatively unchanged compared to the selected ultimates at December 31, 2016, reflecting decisions to strengthen reserves at year-end in light of continued loss trends of litigated non-weather water losses. Despite the absence of adverse loss development on non-sinkhole claims, Citizens continues to closely monitor loss activity, specifically as it relates to litigated non-weather water losses, to address increased loss and LAE costs associated with these types of claims.

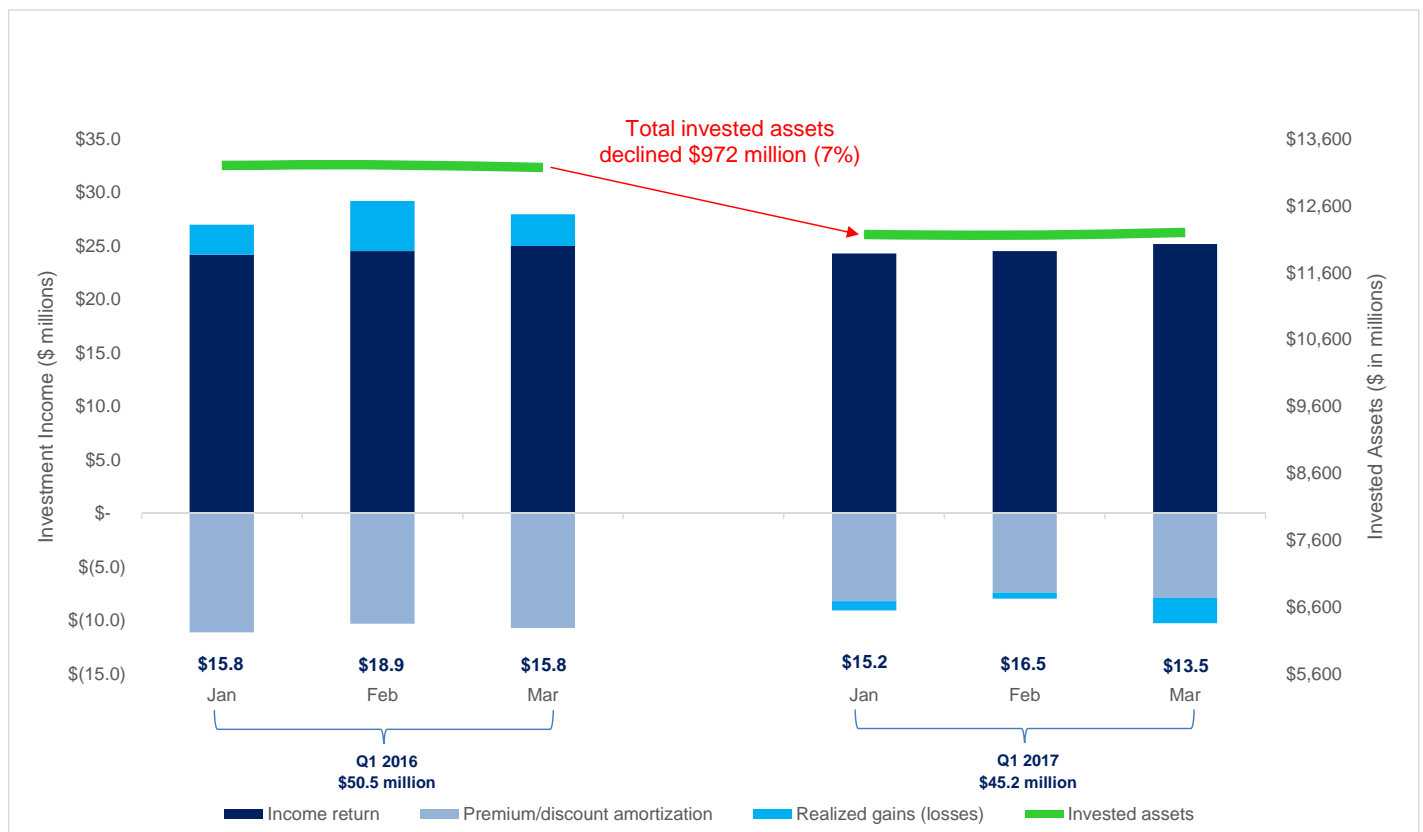
Through March 31, 2017, Citizens' consolidated LAE ratio was 14%, reflecting an overall decrease of 3% relative to the year-ended December 31, 2016. This decline was largely driven by favorable development on prior year sinkhole losses that, as noted previously, have entered into a higher rate of settlement than previously expected and thereby reducing anticipated adjusting expenses. No development on prior accident years, excluding sinkhole claims, were reported and again reflect the reserve strengthening at year-end 2016 to recognize the anticipated increase in the number of litigated claims. The recorded LAE reserves continue to support the ultimate loss adjusting costs that anticipate a litigation rate of approximately 50% for all non-sinkhole claims within the PLA.

#### **- ADMINISTRATIVE EXPENSES -**

Administrative expenses through the first quarter of 2017 of \$36.5 million were \$3.1 million (8%) below the same period a year ago and \$5.9 million (14%) below budgeted estimates. Year over year increases in contingent staffing and computer hardware and maintenance were offset by year over year decreases in employee costs, rent and telecommunications expenses. Relative to budgeted amounts, nearly each category of administrative expenses showed favorable variances.

However variances within employee costs, professional services and certain Information Technology expenditures accounted for a majority of the total budget to actual variance. The variance within the ULAE allocation was primarily the result of favorable budget variances within employee costs and contingent staffing charges totaling \$2.7 million in the Claims Division, whose expenses account for 96% of the ULAE allocation as of March 31, 2017.

**- INVESTMENT INCOME -**



During the first quarter of 2017, net investment income, excluding interest expense on Citizens’ pre-event bonds, totaled \$45.2 million or \$5.2 million (10%) less than the first quarter of 2016. Contributing to the decline in net investment income was the decrease in invested assets of \$972 million (7%) largely driven by the principal repayments on Citizens’ pre-event bonds in June 2016 as well as an overall reduction in realized gains on the disposition of certain invested assets. Through first quarter 2017 and 2016, net interest income totaled \$49.0 million and \$40.0 million, respectively, with reported net realized losses of \$3.8 million and net realized gains of \$10.5 million, respectively.

During the first quarter of 2017, Citizens' executed its strategy of allocating certain of its investment holdings into longer duration portfolios that required Citizens to liquidate existing positions, in some cases resulting in one-time realized losses. It is anticipated that investments held in longer duration portfolios will produce an overall increase in returns and will more than offset these one-time realized losses incurred during the first quarter that were necessary to move into longer duration positions. At March 31, 2017, the average credit rating of Citizens' consolidated investment holdings was A+/A1/A+.

**- CASH FLOWS -**

Consolidated cash flows from operations of \$92.0 million increased \$102.5 million during the first quarter of 2017 as compared to the same period a year ago. A reduction in consolidated underwriting and administrative expenses paid of \$13.5 million was driven by an overall reduction in underwriting and administrative expenses incurred along with year-over-year reductions in prepaid expenses and other receivables and a year-over-year decrease in commissions paid. An increase in consolidated net premiums collected of \$43.5 million was largely due to decreases in reinsurance premiums paid resulting from a decline in the amount of reinsurance purchased during 2016 relative to 2015 as well as decreases in the volume of direct premiums written. Year-over-year declines in consolidated net loss payments of \$42.5 million resulted from a decrease in paid losses on prior accidents years largely due to the run-off of sinkholes claims, partially offset by recent accident year (2016 and 2017) paid loss development. Consolidated cash flows from investing activities generally result from the purchases and sales of investment positions as part of the investment portfolio management process and to meet debt service obligations associated with Citizens' pre-event outstanding bonds. Consolidated cash flows from financing activities primarily consist of fixed asset and equipment purchases and collections or remittances of assessments or surcharge proceeds.

	<b>Consolidated</b>		
	<b>1Q2017</b>	<b>1Q2016</b>	<b>Variance</b>
Premiums collected, net	\$ 190,351,584	\$ 146,887,113	\$ 43,464,471
Net investment income collected	72,222,491	73,041,087	(818,596)
Miscellaneous income collected	1,261,661	997,821	263,840
Benefits and loss related payments	(79,396,266)	(121,914,501)	42,518,235
Loss adjustment expense payments	(41,376,179)	(44,553,788)	3,177,609
Underwriting expenses paid	(51,058,260)	(64,603,208)	13,544,949
Net cash flows provided by (used in) operations	<b>\$ 92,005,032</b>	<b>\$ (10,145,476)</b>	<b>\$ 102,150,508</b>