

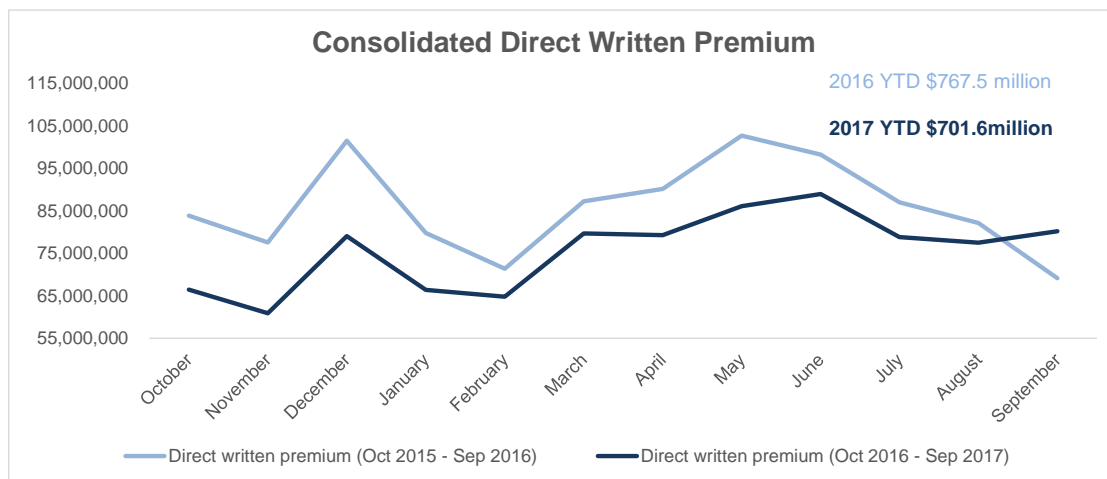
The following is an analysis of Citizens’ financial and operating results through the third quarter of 2017.

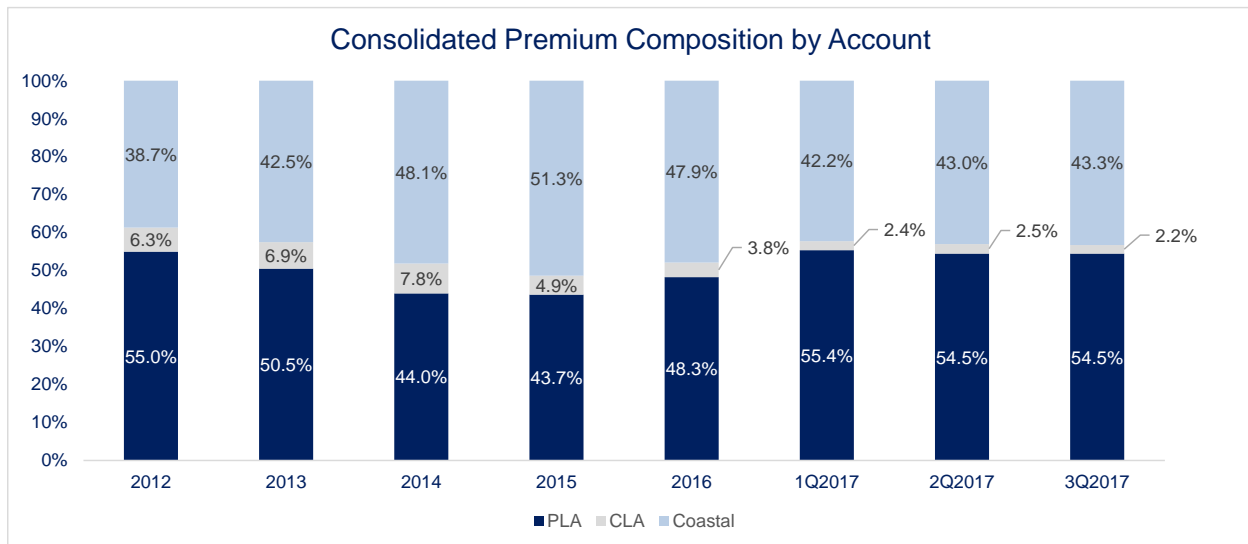
- PREMIUMS -

Consolidated direct written premium through the third quarter of 2017 was \$701.6 million or \$65.9 million (9%) less than the same period a year ago. The decrease in written premium is largely the result of decreases in combined policies inforce (PIF) of 32,436 (7%), with the most significant decline occurring within the commercial book of business. During the first nine months of 2017, in comparison to the first nine months of 2016, PIF within the PLA declined by less than 1%, while decreases in the CLA and Coastal Account were 38% and 17%, respectively. During the first three quarters of 2017, the PLA added 13,825 policies whereas the CLA and Coastal Account lost 395 and 9,930 policies, respectively. While depopulation activity has continued, the number of policies selected for depopulation has declined substantially, however, most depopulation activity has occurred during the 4th quarter in recent years. Year-over-year, consolidated ceded premium through depopulation declined \$10.4 million (54%) driven by a reduction in the number of policies assumed of over 32,300. Suspension of cancellations and non-renewals as a result of the Emergency Order issued by the Florida Office of Insurance Regulation on September 10, 2017 caused a short-term increase in premiums written and PIF during the month of September.

	9-months ended		6-months ended	
	Sep 2017	Sep 2016	Jun 2017	Jun 2016
New Business	71,832	80,392	25,947	31,159
Untagged Takeouts	6,634	24,091	113	3,658
Reinstatements	8,812	8,230	2,659	2,891
Cancellations	(35,411)	(37,763)	(13,062)	(12,559)
Non-Renewals	(32,673)	(39,035)	(12,856)	(13,764)
New Tags for Takeout	(15,693)	(48,000)	(1,396)	(12,575)
Net change	3,501	(12,085)	1,405	(1,190)
Ending PIF	459,343	491,779	452,594	489,138

Consolidated direct earned premium declined \$155.7 million (18%), outpacing declines in direct written premium. This decrease exceeds the decrease in direct written premium due to the pro rata recognition of earned premium over the underlying policy periods.





Declines in ceded premium for private reinsurance, driven largely by reductions in reinsured exposure and overall declines in risk-adjusted pricing, were \$88.7 million (49%) and contributed most significantly to the increase in net written premium of \$55.6 million (14%) during the first nine months of 2017 compared to the same period a year ago.

- LOSSES -

Non-CAT Only	Consolidated			Personal Lines Account			Commercial Lines Account			Coastal Account		
	3Q 2017	FY 2016	3Q 2016	3Q 2017	FY 2016	3Q 2016	3Q 2017	FY 2016	3Q 2016	3Q 2017	FY 2016	3Q 2016
Direct loss ratio	31.1%	31.7%	29.8%	47.5%	52.6%	50.2%	11.0%	10.9%	7.0%	13.3%	13.7%	13.0%
Direct loss ratio (underlying)	27.6%	26.7%	25.2%	41.6%	42.9%	41.5%	9.7%	10.6%	10.6%	12.5%	12.8%	11.6%
Direct LAE ratio	16.7%	16.5%	14.0%	22.8%	25.0%	21.4%	-2.9%	-0.8%	4.0%	11.0%	10.0%	8.0%
Direct LAE ratio (underlying)	13.9%	12.7%	9.6%	19.3%	19.0%	14.9%	3.8%	4.2%	4.1%	8.4%	7.5%	5.3%

CAT and Non-CAT	Consolidated			Personal Lines Account			Commercial Lines Account			Coastal Account		
	3Q 2017	FY 2016	3Q 2016	3Q 2017	FY 2016	3Q 2016	3Q 2017	FY 2016	3Q 2016	3Q 2017	FY 2016	3Q 2016
Direct loss ratio	201.9%	35.1%	29.8%	130.1%	54.8%	50.1%	134.5%	15.9%	8.0%	290.5%	18.1%	13.1%
Direct loss ratio (underlying)	198.3%	30.1%	25.2%	124.0%	45.2%	41.5%	133.2%	14.8%	10.6%	289.7%	17.2%	11.6%
Direct LAE ratio	33.9%	17.0%	14.0%	31.7%	25.4%	21.5%	9.2%	-0.6%	4.0%	38.2%	10.6%	8.1%
Direct LAE ratio (underlying)	30.9%	13.2%	9.6%	27.9%	19.5%	14.9%	15.7%	4.6%	4.1%	35.4%	8.1%	5.3%

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

Losses and loss adjustment expenses (LAE) incurred through the third quarter of 2017 include substantial losses and LAE as a result of Hurricane Irma. Gross losses and LAE attributable to Hurricane Irma were \$1.23 billion at September 30, 2017, and contributed 187.8 percentage points to the third quarter loss and LAE ratio of 235.8%. Estimated recoveries from the Florida Hurricane Catastrophe Fund (FHCF) are \$184.3 million (Coastal Account only) with no additional losses and LAE recoverable from other reinsurance arrangements at September 30, 2017.

By account, the impact of Hurricane Irma to the direct loss and LAE ratios are as follows:

	Consolidated	PLA	CLA	Coastal
Irma Only	187.8%	90.7%	135.9%	304.9%
Total	235.7%	161.8%	143.7%	328.7%

Total estimated losses and LAE, including estimated recoveries from the FHCF, as reported at September 30, 2017, were derived from AIR modeled loss results grossed up 10 percentage points for LAE. As actual reported claims mature, estimated modeled losses will be replaced with projections based on actual emerging loss and LAE data and therefore the estimated losses and LAE reported at September 30, 2017 are expected to change as a result of year-end analyses.

Through September 30, 2017, non-weather water losses continue to be the dominant driver of overall loss activity and represent nearly 75% of indemnity losses within the PLA. The expected litigation rate non-weather/non-sinkhole losses remains at 50% with no significant development on losses and LAE observed during the third quarter. Adverse development of pre-Senate Bill 408 sinkhole losses were \$20 million during the third quarter of 2017 but were partially offset by favorable development in LAE of \$6.3 million.

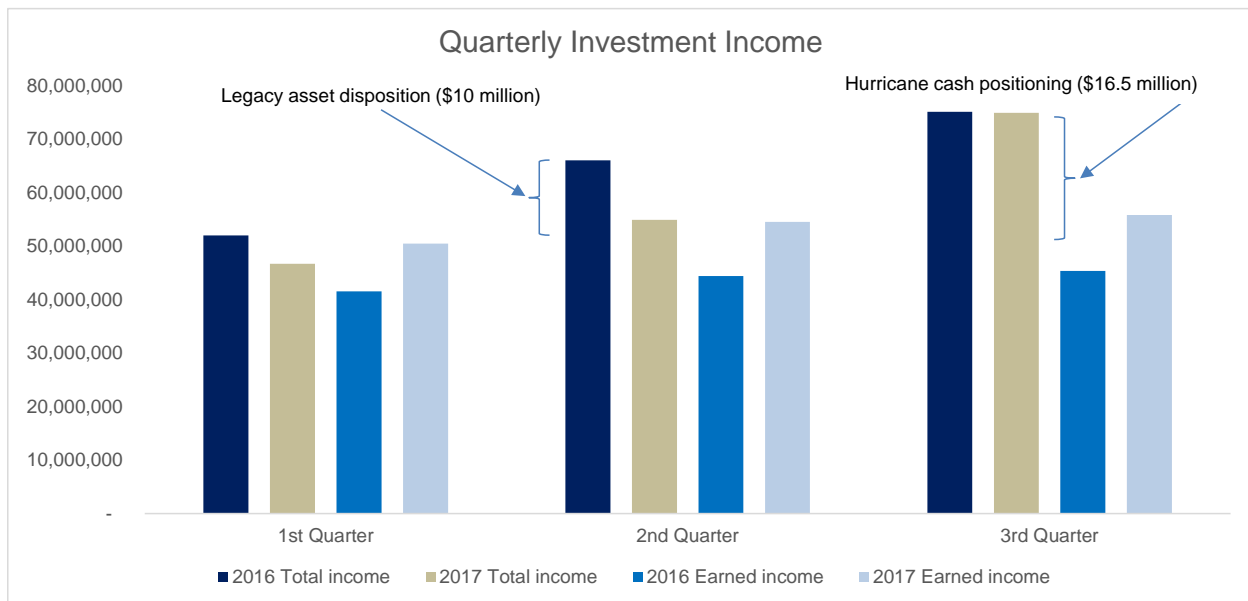
Non-hurricane loss activity within the CLA and Coastal Account experienced modest changes during the third quarter of 2017. Within the CLA, favorable development in LAE on prior accident years outweighed current calendar year LAE resulting in a negative LAE ratio for the period ended September 30, 2017. Development of sinkhole losses from accident years 2008 through 2012 account for the largest contribution in year-over-year changes to the CLA loss and LAE ratio. While this development is insignificant to the accident years to which they relate, the diminishing size of the CLA leaves it more susceptible to material swings in the loss and LAE ratio as a result of development in prior accident years when the CLA was considerably larger. In 2008, the CLA reported direct written premium of \$362.8 million and in 2012 reported \$200.8 million in direct written premium. Through the first nine months of 2017, direct written premium in the CLA was \$15.4 million.

- ADMINISTRATIVE EXPENSES -

Administrative expenses incurred through the first 9 months of 2017 are \$4.3 million (4%) below the first 9 months of 2016 and \$11.8 million (11%) below budget. Favorable budget-to-actual results within Salaries and related costs contributed most significantly (approximately 37%) to the total variances, driven principally by delays in filling vacant positions, followed by Professional Services (approximately 32% of the variance), driven by temporary delays in the implementation of the Enterprise Resource Planning (ERP) system.

Delays in the use of non-catastrophe contingent resources, largely due to an anticipated increased need during the 3rd quarter of 2017, along with an increase in the use of internal resources account for a majority of the favorable budget-to-actual variance within Contingent Staffing. Contingent Staffing costs and travel expenses associated with Hurricane Irma were \$3 million and \$1 million, respectively, in September 2017. Unused contingency spend related to the Enterprise Resource Planning (ERP) implementation, lower than anticipated Clearinghouse volume, timing delays on several projects, and the elimination of several ISO product enhancements led to favorable variances within Professional Services and Subscriptions and Dues. Year-over-year reductions in Rent of approximately \$1.8 million (24%) were largely the result of savings gained through the Real Estate Consolidation strategy. At September 30, 2017, Citizens' expense ratio was 24.6%, roughly unchanged from September 30, 2016 (24.7%) and slightly below budget (25.7%). Comparable industry expense ratio averages are typically within 27.5 – 28.0%.

- INVESTMENT INCOME -



Total income (measured as total investment income excluding investment expenses) for the 9-months ended September 30, 2017 was \$176.4 million, roughly \$16.7 million (9%) less than the same period a year ago, while total average invested assets declined \$1.059 billion (8%) over the same comparable period. Despite a modest decline in year-over-year total income, earned income (measured as total investment income excluding investment expenses and realized gains and losses) increased \$29.6 million (23%). During the 4th quarter of 2016, changes to Citizens’ investment policies were proposed and approved, allowing Citizens to take advantage of market conditions, provide additional diversification across portfolios, and increase overall portfolio returns by extending portfolio duration (6-12 month increase depending on the portfolio), increasing exposure to Corporate spread products (5-10% increase depending on the portfolio), and reducing permitted credit ratings (BBB+ to BBB). Additionally, a new investment policy was established to invest surplus funds above the 1-100 year probable maximum loss level in the Taxable Claims-Paying Long Duration Fund that extends the duration limit from 6 years to 10 years. Portfolio repositioning, which began in December 2016, was necessary to align existing investment positions with the revised investment policies and resulted in anticipated short-term realized losses.

During the first quarter of 2017, net realized losses were \$3.8 million, however during the second quarter of 2017, net realized gains were \$0.3 million. During September 2017 in response to Hurricane Irma, Citizens’ external money managers were instructed to liquidate 10% of invested assets to meet Citizens’ anticipated cash flow demands. Realized gains associated with this directed liquidation of invested assets were approximately \$16.5 million. Citizens anticipates that by year-end 2017, the realized losses associated with portfolio repositioning will be fully offset through increases in earned income and that total income in future periods will reflect the expected benefits of the investment policy changes.

	9-months ended (\$ millions)		6-months ended (\$ millions)	
	Sep 2017	Sep 2016	Jun 2017	Jun 2016
Earned income	\$ 160.8	\$ 131.2	\$ 105.0	\$ 85.9
Net realized gains (losses)	15.6	61.9	(3.5)	32.1
Total income	\$ 176.4	\$ 193.1	\$ 101.5	\$ 118.0

	Externally-Managed Portfolios (September 30, 2017)			
	<u>Taxable Claims</u>	<u>Taxable Liquidity</u>	<u>Tax-Exempt Claims</u>	<u>Taxable LD Claims</u>
Total market value (\$ in billions)	\$2.078	\$0.830	\$2.157	\$4.370
Duration	4.0	1.1	2.2	5.5
Avg. credit rating (S&P / Moody's / Fitch)	A / A1 / AA-	A+ / Aa3 / AA-	AA / Aa2 / AA-	A / A1 / AA-

- CASH FLOWS -

Consolidated cash flows from operations were \$9.2 million for the three-months ended September 30, 2017, or \$109.1 million year-to-date, compared to \$31.8 million and \$40.6 million for the three-month and nine-month periods a year prior. Year-to-date premiums collected in 2017 of \$500.9 million are slightly below the prior period of \$511.2 million. Year-over-year declines in written premium of \$65.9 million (9%) were largely offset by decreases in reinsurance premium paid during the first half of 2017 compared to the first half of 2016. A majority of reinsurance premiums paid during the first and second quarters are for reinsurance premium obligations incurred during the prior year. From 2015 to 2016, total reinsurance premiums ceded (including payments to the FHCF) declined \$151.2 million (30%). Net investment income collected increased \$28.8 million (24%) due to a reduction in interest expense of \$31.7 million as a result of annual scheduled bond maturities June.

Declines in benefits and loss related payments, as well as underwriting expenses paid, were largely driven by declines in overall levels of premium and the associated policy benefits and underwriting expenses paid. Through the third quarter of 2017, loss and LAE payments related to Hurricane Irma were \$19.2 million.

	<u>Consolidated - 9 months ended</u>		<u>Consolidated - 6 months ended</u>	
	<u>3Q2017</u>	<u>3Q2016</u>	<u>2Q2017</u>	<u>2Q2016</u>
Premiums collected, net	\$ 500,919,440	\$ 511,193,418	\$ 379,805,690	\$ 384,910,198
Net investment income collected	148,295,240	119,466,603	66,846,383	42,140,447
Miscellaneous income (expense) collected (paid)	3,582,299	1,716,509	1,816,716	1,001,480
Benefits and loss related payments	(244,395,420)	(291,653,961)	(156,355,863)	(211,499,348)
Loss adjustment expense payments	(132,584,158)	(113,095,860)	(82,806,568)	(78,539,363)
Underwriting expenses paid	(166,680,949)	(187,059,734)	(109,334,103)	(129,255,276)
Net cash flows provided by operations	<u>\$ 109,136,452</u>	<u>\$ 40,566,975</u>	<u>\$ 99,972,255</u>	<u>\$ 8,758,138</u>