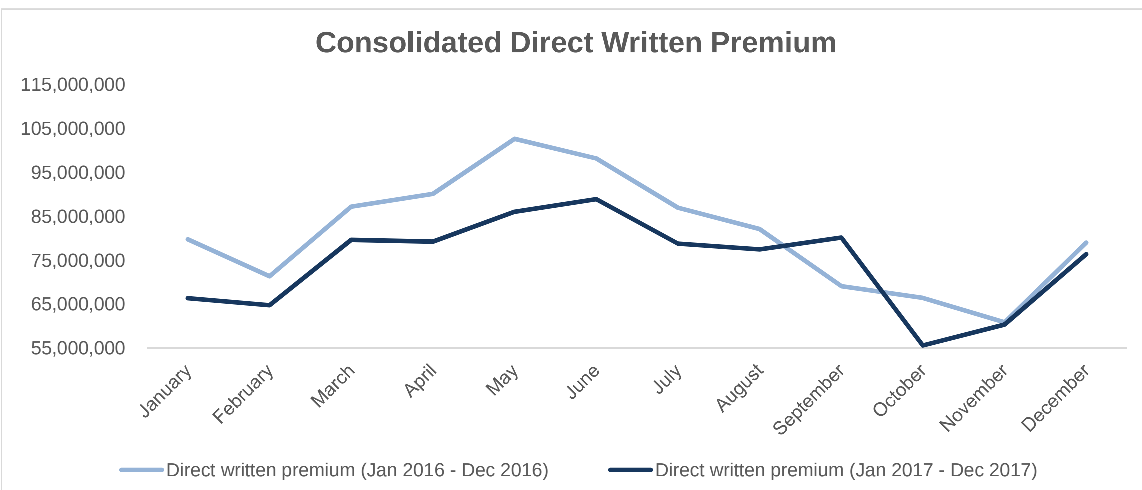
The following is an analysis of Citizens' financial and operating results for fiscal year 2017.

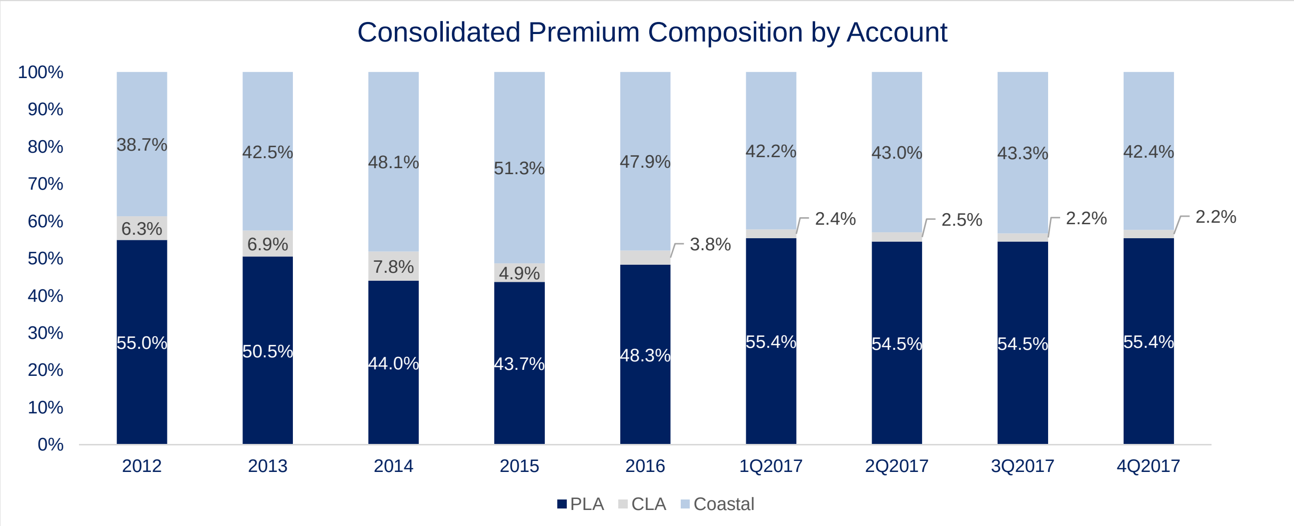
- PREMIUMS -

Consolidated direct written premium in 2017 was $894.0 million or $79.8 million (8%) less than 2016. The decrease in written premium is the result of decreases in combined policies inforce (PIF), primarily commercial policies within the Commercial Lines Account (CLA) and Coastal Account. During 2017 and within the Personal Lines Account (PLA), PIF increased 2.5%, while the CLA and Coastal Account had decreases in PIF of 31% and 14%, respectively. During 2017, the PLA added 7,387 policies whereas the CLA and Coastal Account lost 580 and 22,243 policies, respectively. While depopulation activity has continued, the number of policies selected for depopulation has declined substantially. Year-over-year, consolidated ceded premium through depopulation declined $32.7 million (52%) driven by a reduction in the number of policies assumed of over 32,500.

	12-months ended		3-months ended	
	Dec 2017	Dec 2016	Dec 2017	Dec 2016
New Business	91,981	100,592	20,148	20,200
Untagged Takeouts	6,711	28,215	77	4,124
Reinstatements	10,605	10,229	1,794	1,999
Cancellations	(49,160)	(50,202)	(13,749)	(12,439)
Non-Renewals	(42,149)	(49,406)	(9,476)	(10,371)
New Tags for Takeout	(33,424)	(87,449)	(17,731)	(39,449)
Net change	(15,436)	(48,021)	(18,937)	(35,936)
Ending PIF	440,408	455,844	440,408	455,844

Consolidated direct earned premium declined $181.5 million (16%), 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 $64.0 million (12%) during 2017 compared to 2016.

- LOSSES -

Non-CAT Only	Consolidated		Personal Lines Account		Commercial Lines Account		Coastal Account	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Direct loss ratio	28.3%	31.7%	43.8%	52.6%	3.3%	10.9%	11.2%	13.7%
Direct loss ratio (underlying)	27.3%	26.7%	41.5%	42.9%	9.8%	10.6%	11.3%	12.8%
Direct LAE ratio	18.9%	16.5%	26.2%	25.0%	-2.2%	-0.8%	11.6%	10.0%
Direct LAE ratio (underlying)	16.0%	12.7%	24.8%	19.0%	1.5%	4.2%	10.7%	7.5%

CAT and Non-CAT	Consolidated		Personal Lines Account		Commercial Lines Account		Coastal Account	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Direct loss ratio	187.7%	35.1%	159.4%	54.8%	75.8%	15.9%	229.2%	18.1%
Direct loss ratio (underlying)	228.4%	30.1%	157.0%	45.2%	82.3%	14.8%	229.3%	17.2%
Direct LAE ratio	67.2%	17.0%	74.4%	25.4%	11.9%	-0.6%	62.3%	10.6%
Direct LAE ratio (underlying)	63.9%	13.2%	27.9%	19.5%	15.6%	4.6%	35.4%	8.1%

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 during 2017 include substantial losses and LAE as a result of Hurricane Irma. Gross losses and LAE attributable to Hurricane Irma were $1.81 billion at December 31, 2017, and contributed 207.4 percentage points to the 2017 direct loss and LAE ratio of 254.9%. Estimated recoveries from the Florida Hurricane Catastrophe Fund (FHCF) are $534.7 million of which $193.8 million, $6.2 million and $334.7 are within the PLA, CLA and Coastal Account, respectively. Additionally, at December 31, 2017, estimated recoveries from private reinsurers were $126.4 million within the Coastal Account. In total, an estimated 70,800 claims are projected as a result of Hurricane Irma, or 41,500, 250 and 29,050 in the PLA, CLA and Coastal Account, respectively.

Ultimate losses and LAE for Hurricane Irma include a projected litigation rate of approximately 30% for all personal lines claims along with the associated increase in loss and LAE severity for claims that enter litigation.

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

	Consolidated	PLA	CLA	Coastal
Irma Only	207.4%	163.4%	86.5%	268.4%
Total	254.9%	233.8%	87.7%	291.5%

For the year ended December 31, 2017 the non-catastrophe loss and LAE ratio within the PLA declined 7.6% to 70%. During the 4th quarter of 2016, adverse reserve development on accident year 2015 contributed more than 15% to the 2016 calendar loss ratio as a result of an increase in the number of non-weather water claims entering litigation. During the 4th quarter of 2017, a noticeable decline in the number of litigated claims was observed leading to a modest level of favorable reserve development on prior accident years. However, considerable uncertainty remains as to whether or not this decline is the result of a temporary suspension in litigation activity due to Hurricane Irma or suggestive of a new trend. Despite favorable reserve development due to a reduction in 4th quarter litigated claims, adverse reserve development was recognized on prior accident years for sinkhole claims. Sinkhole claims that predate Senate Bill 408 that are in settlement are continuing to close as anticipated, however, claims that are not in settlement have experienced adverse development.

The diminishing relative size continues to leave CLA loss and LAE results very susceptible to adjustments in prior accident year loss and LAE reserves that are dominated by several large claims. The largest source of risk within the CLA is pending sinkhole claims from prior accident years. As these sinkhole claims continue to settle, additional volatility in the calendar year loss and LAE ratios is anticipated in future periods.

During 2017, the Coastal Account did not experience any meaningful reserve development (favorable or adverse) nor were there any significant variances between the 2017 and 2016 accident year loss ratios. The 2017 accident year LAE ratio increased approximately 3% relative to 2016 as a result of an increase in LAE severity.

- ADMINISTRATIVE EXPENSES -

Administrative expenses incurred during 2017 are $6.1 million (4%) below administrative expenses incurred in 2016 and $15.6 million (11%) below budget. Total employee costs (salaries, employee benefits, and payroll taxes) increased by less than $1 million (1%) during 2017 as compared to 2016, while a favorable budget to actual variance of $2 million (2%) was reported for 2017. Year-over-year increases in salaries expense were partially offset by decreases of $3 million (14%) within employee benefits, largely driven by savings realized through the adoption of the self-funded group health plan. The favorable budget variance is primarily the result of 2017 headcount being well below budget estimates.

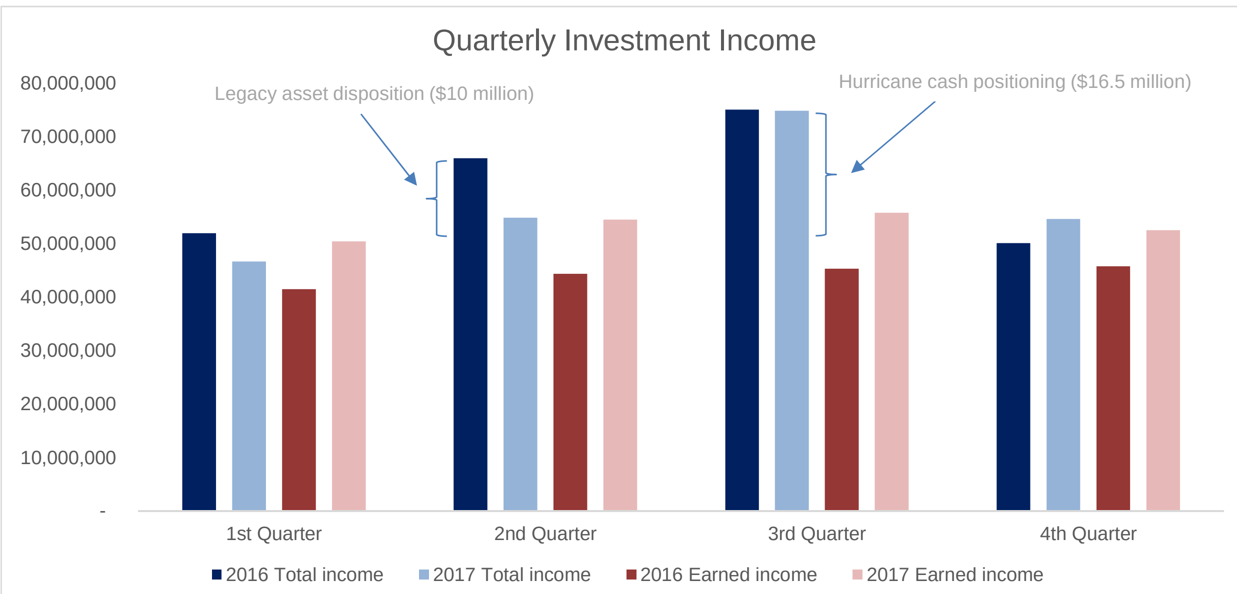
Year-over-year and budget to actual variances of $58 million and $48 million, respectively, within contingent staffing, subscriptions and dues, and travel expenses are the result of Citizens' catastrophe response to Hurricane Irma. However, these line item increases and other incremental response costs are allocated to loss adjustment expenses, thereby supporting the increases in year-over-year ($67 million) and budget to actual ($54 million) variances in ULAE Expense Allocation.

Other notable variances include the following;

- Professional services were largely impacted by the Centerpoint ERP implementation which contributed to a year-over-year increase of $1.5 million (15%). The related budget to actual decrease of $3.6 million (24%) is the result of postponement of Phase 3 of the project in addition to unused contingency reserves.
- Rent expense variances on a year-over-year basis reflect the continuance of the real-estate consolidation strategy, primarily as a result of the Tallahassee consolidation, which materially contributed to the $2.8 million (28%) decrease.

For 2017, Citizens' expense ratio was 25.3%, reflecting a 0.5% increase from 2016 and a 0.5% decrease as compared to budget. 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 2017 was $231 million, roughly $12.1 million (5%) less than the same period a year ago, while total average invested assets declined $1.217 billion (10%) over the same comparable period. Despite a slight decline in year-over-year total income, earned income (measured as total investment income excluding investment expenses and realized gains and losses) increased $36.3 million (20%). During the 4^{th} 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. By year-end 2017, realized losses associated with portfolio repositioning were more than offset through increases in earned income. Citizens anticipates that total income in future periods will reflect additional increases in yield from these revisions to its investment policies.

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.

	12-months ended ($ millions)		3-months ended ($ millions)	
	Dec 2017	**Dec 2016**	**Dec 2017**	**Dec 2016**
Earned income	$ 213.29	$ 176.95	$ 52.54	$ 45.78
Net realized gains (losses)	17.74	66.20	2.11	4.31
Total income	**$ 231.03**	**$ 243.15**	**$ 54.65**	**$ 50.09**

	Externally-Managed Portfolios (December 31, 2017)			
	Taxable Claims	Taxable Liquidity	Tax-Exempt Claims	Taxable LD Claims
Total market value ($ in billions)	$2.078	$0.830	$1.705	$4.377
Duration	4.0	1.0	2.2	5.6
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 used in operations were $693.7 million for the three-months ended December 31, 2017, or $584.6 million for 2017, compared to $151.1 million and $110.5 million for the three-month and twelve-month periods a year prior. Net premiums collected in 2017 of $578.4 million exceeded net premiums collected in 2016 of $545.3 million due to an increase in net premiums written. Year-over-year declines in direct premiums written of $79.8 million were more than offset by year-over-year declines in total premiums ceded of $143.8 million, largely driven by declines in private reinsurance premiums ceded of $88.7 million. Net investment income collected increased $57.8 million (54%) due to a reduction in interest paid of $49.0 million as a result of annual scheduled bond maturities in June as well as overall increases in earned.

Increases in benefits and loss related payments were principally the result of loss and LAE payments associated with Hurricane Irma. During 2017, catastrophe-related loss and LAE payments were $660.1 million whereas catastrophe-related loss and LAE payments were $27.2 million during 2016. Decreases in underwriting expenses paid were largely driven by declines in overall levels of direct premium.

Net cash outflows from financing activities $1,350.7 million for 2017 marked an increase of $424.7 million as compared to 2016, primarily driven by scheduled maturies of pre-event bonds of $998.5 million in June 2017 and the optional redemption exercised in December 2017 of $350 million on the 2015A Coastal Series bonds. Maturities totaled $923.1 million during 2016.

	Consolidated - 12 months ended		**Consolidated - 3 months ended**	
	Dec 2017	**Dec 2016**	**Dec 2017**	**Dec 2016**
Premiums collected, net	$ 578,405,144	$ 545,300,915	$ 77,485,704	$ 34,107,497
Net investment income	164,486,122	106,689,549	16,190,882	(12,777,054)
Miscellaneous income (expense) collected (paid)	4,931,356	(2,524,272)	1,349,057	(4,240,781)
Benefits and loss related payments	(792,692,855)	(368,170,212)	(548,297,435)	(76,516,251)
Loss adjustment expense payments	(321,844,274)	(155,252,642)	(189,260,116)	(42,156,782)
Underwriting expenses paid	(217,847,754)	(236,552,285)	(51,166,805)	(49,492,551)
Net cash flows provided by operations	**$ (584,562,261)**	**$ (110,508,947)**	**$ (693,698,713)**	**$ (151,075,922)**