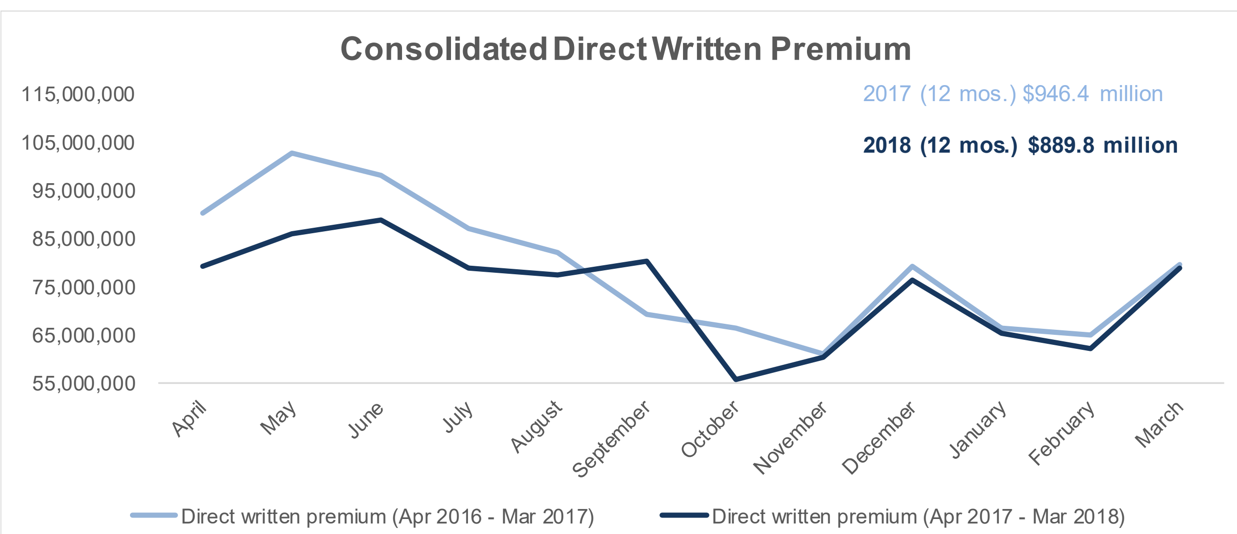
The following is an analysis of Citizens' financial and operating results for the first quarter of 2018.

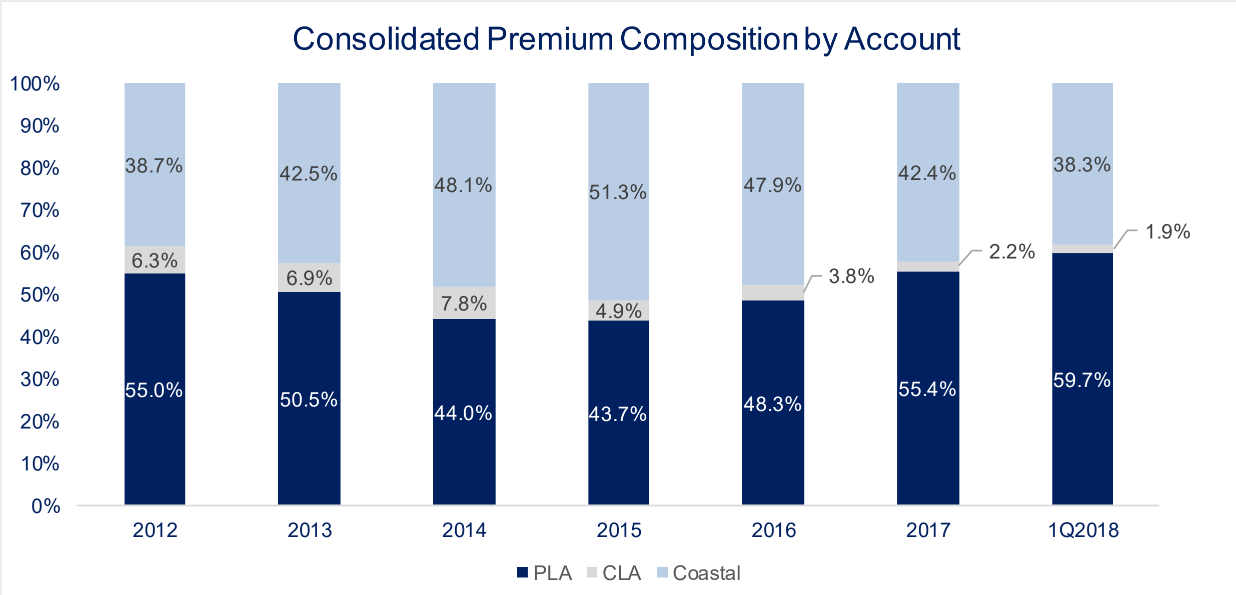
- PREMIUMS -

Consolidated direct written premium for the first quarter of 2018 was $206.6 million or $4.2 million (2%) less than the first quarter of 2017. The decrease in written premium is the result of decreases in combined policies inforce (PIF), primarily commercial lines policies within the Commercial Lines Account (CLA) and Coastal Account. During the first quarter of 2018, PIF within the Personal Lines Account (PLA) increased 3.5%, while the CLA and Coastal Account had decreases in PIF of 31% and 13%, respectively. During the first quarter of 2018, the PLA added 10,404 policies whereas the CLA and Coastal Account lost 527 and 20,715 policies, respectively. For the 12-month periods ended March 31, 2018 and 2017, the consolidated decrease in PIF marginally lagged behind the decrease in consolidated direct written premium due to decreases in commercial lines policies that generally have larger per-policy premium compared to personal lines policies. Quarter-over-quarter, the volume of premiums assumed through depopulation was substantially unchanged, however, premiums assumed through depopulation over the 12-month period ended March 31, 2018 was $30.8 million, or $23.4 million (44%) less than the same 12-month period eded March 31, 2017.

	12-months ended		3-months ended	
	Mar 2018	Mar 2017	Mar 2018	Mar 2017
New Business	92,069	99,835	21,846	21,759
Untagged Takeouts	337	15,905	66	6,440
Reinstatements	10,355	9,897	2,261	2,511
Cancellations	(48,117)	(50,858)	(10,744)	(11,787)
Non-Renewals	(39,890)	(48,323)	(10,000)	(12,259)
New Tags for Takeout	(25,592)	(65,594)	(3,486)	(11,318)
Net change	(10,838)	(39,138)	(57)	(4,654)
Ending PIF	440,351	451,189	440,351	451,189

Consolidated direct earned premium declined $16.1 million (7%) quarter-over-quarter, while direct earned premium declined $130.6 million (13%) during the 12-month period ended March 31, 2018 compared to the same period in 2017.





At March 31, 2018 and 2017, no premiums ceded for private reinsurance were recognized by Citizens – premiums ceded for private reinsurance are recognized at the inception of the Atlantic Hurricane Season, or June 1st. Declines in ceded premium for private reinsurance of $88.7 million (49%) during the 12-month period ended March 31, 2018 were driven largely by reductions in reinsured exposure and overall declines in risk-adjusted pricing.

- LOSSES -

Non-CAT Only	Consolidated			Personal Lines Account			Commercial Lines Account			Coastal Account		
	Q1 2018	FY 2017	Q1 2017	Q1 2018	FY 2017	Q1 2017	Q1 2018	FY 2017	Q1 2017	Q1 2018	FY 2017	Q1 2017
Direct loss ratio	29.7%	28.3%	30.0%	42.9%	43.8%	45.8%	15.4%	3.3%	13.8%	11.7%	11.2%	13.7%
Direct loss ratio (underlying)	29.0%	27.3%	28.7%	42.0%	41.5%	43.6%	9.4%	9.8%	9.9%	11.8%	11.3%	13.6%
Direct LAE ratio	21.4%	18.9%	13.9%	29.0%	26.2%	21.5%	0.3%	-2.2%	-7.2%	11.8%	11.6%	7.1%
Direct LAE ratio (underlying)	15.5%	16.0%	13.4%	21.0%	22.3%	17.0%	4.8%	4.1%	5.6%	8.4%	9.2%	8.7%

CAT and Non-CAT	Consolidated			Personal Lines Account			Commercial Lines Account			Coastal Account		
	Q1 2018	FY 2017	Q1 2017	Q1 2018	FY 2017	Q1 2017	Q1 2018	FY 2017	Q1 2017	Q1 2018	FY 2017	Q1 2017
Direct loss ratio	29.7%	187.7%	30.0%	42.9%	159.4%	45.8%	15.4%	75.8%	13.8%	11.7%	229.2%	13.7%
Direct loss ratio (underlying)	29.0%	186.6%	28.7%	42.0%	157.0%	43.6%	9.4%	82.3%	9.9%	11.8%	229.3%	13.6%
Direct LAE ratio	21.6%	67.2%	14.0%	29.2%	74.4%	21.6%	0.2%	11.9%	-7.2%	12.1%	62.3%	7.1%
Direct LAE ratio (underlying)	15.5%	63.9%	13.4%	21.0%	70.1%	17.0%	4.8%	18.2%	5.6%	8.4%	59.5%	8.7%

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

On a consolidated basis, losses incurred during the first quarter of 2018 were relatively unchanged as compared to the prior calendar year and first quarter of 2017. By account, the PLA and Coastal Account did not have any significant loss development on prior accident years, whereas the CLA experienced adverse loss development as a result of the settlement of losses from prior accident years.

While loss and LAE development within the CLA and commercial lines policies are insignificant to the accident years to which they relate, the diminishing size of the overall commercial lines book of business leaves it more susceptible to material swings in the loss and LAE ratio as a result of development in prior accident years when the commercial lines book fo business 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 quarter of 2018, direct written premium in the CLA was $4.0 million.

LAE incurred during the current calendar quarter increased as a result of increased resources needed to address continued challenges with non-weather water losses. Recent trends suggest that the fraction of non-weather water claims entering litigation may be stabilizing but remains at a historically high level with a projected litigation rate of 47%.

Administrative expenses that are recategorized 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 in prior accident years.

At March 31, 2018, gross losses and LAE attributable to Hurricane Irma were unchanged from the prior quarter and remained at $1.81 billion. 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. 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.

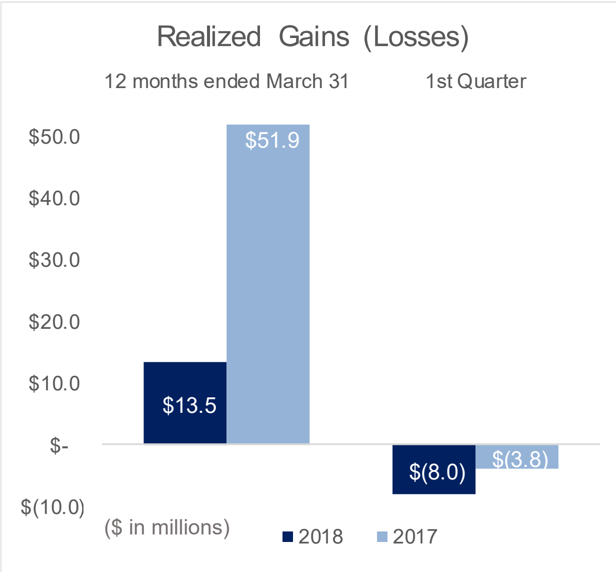
- ADMINISTRATIVE EXPENSES -

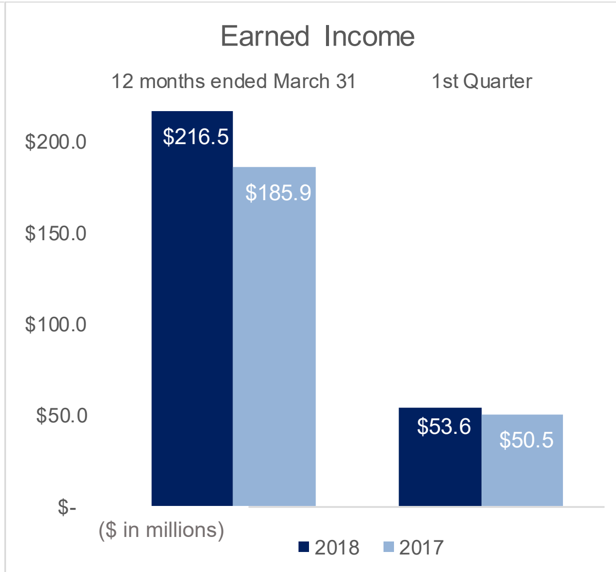
Administrative expenses incurred during the first quarter of 2018 were $2.6 million (7%) greater than the first quarter of 2017 and $3.3 million (8%) below budget. Total employee costs (salaries, employee benefits, and payroll taxes) increased by $1.3 million (3.5%) relative to the prior quarter and were $1.1 million (3%) below budget. Delays in the implementation of the new Agency Management System, unused contingency reserves related to the Centerpoint ERP implementation, and delays in receiving against purchasing orders were the largest factors contributing to the favorable budget variance within professional services. Favorable budget variances within contingent staffing were driven by a timing difference in the need for independent adjusters for Hurricane Irma but are expected to increase throughout the remainder of the year and approximate the annual budgeted amount.

Delays in receiving against purchase orders, along with an increase in the capitalization policies for fixed assets and prepaid expenses from $2,500 to $25,000 and $20,000 to $100,000, respectively, contributed most significantly to the quarter-over-quarter increase in administrative expenses. Staffing resources, contingent staffing and certain software licensing arrangements within the Claims Division as a result of Hurricane Irma also contributed to the increase in administrative expenses as well as the increase in ULAE expense allocation.

Through the end of the 1st quarter of 2018, Citizens' expense ratio was 28.8%, reflecting a 0.3% increase from 2017 and a 1.3% decrease as compared to budget. Citizens anticipates that the actual expense ratio for fiscal year 2018 will be inline with the budgeted expense ratio of 24.3%

- INVESTMENT INCOME -





Total income (measured as total investment income excluding investment expenses) for the first quarter of 2018 was $45.6 million, roughly $1 million (2%) less than the same period a year ago, while total average invested assets declined $2.153 billion (18%) over the same comparable period. Despite a slight decline in quarter-over-quarter total income, earned income (measured as total investment income excluding investment expenses and realized gains and losses) increased $3.2 million (6%). Realized losses during the first quarter of 2018 were $8 million, representing an increase of $4 million relative to the first quarter of 2017. Realized losses were taken largely in the taxable long-duration accounts as portfolio managers moved shorter positions to longer-duration positions to maintain and/or increase overall portfolio duration. This resulted in an increase in realized losses but also an increase in overall portfolio returns as portfolio managers took advantage of higher interest rates.

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.

	12-months ended ($ millions)		3-months ended ($ millions)	
	Mar 2018	**Mar 2017**	**Mar 2018**	**Mar 2017**
Earned income	$ 216.46	$ 185.91	$ 53.62	$ 50.45
Net realized gains (losses)	13.55	51.92	(8.00)	(3.81)
Total income	**$ 230.01**	**$ 237.83**	**$ 45.62**	**$ 46.64**
Average invested assets	**$ 11,021.93**	**$ 12,519.25**	**$ 10,143.75**	**$ 12,296.89**

	Externally-Managed Portfolios (March 31, 2018)			
	Taxable Claims	Taxable Liquidity	Tax-Exempt Claims	Taxable LD Claims
Total market value ($ in billions)	$2.053	$0.831	$1.621	$4.301
Duration	3.9	0.9	2.0	5.7
Avg. credit rating (S&P / Moody's / Fitch)	A / A1 / AA-	A+ / Aa3 / AA-	AA / Aa2 / AA	A / A1 / A+

- CASH FLOWS -

Consolidated cash flows used in operations were $83.9 million during the first quarter of 2018 compared to $91.6 million in cash flows provided by operations during the same period in 2017. Net premiums collected were $188.1 million or $2.5 million (1.5%) less than the same period a year ago and are consistent with quarter-over-quarter declines in net written premium. Quarter-over-quarter declines in net investment income collected were driven by an increase in net realized losses as well as a decrease in the concentration of higher-coupon bonds in tax-exempt portfolios. Year-over-year, net investment income collected increased $42 million (40%) primarily as a result of a decrease in interest expense due to the overall reduction in bonds payable.

Increases in benefits and loss related payments were principally the result of loss and LAE payments associated with Hurricane Irma. Decreases in underwriting expenses paid were largely driven by declines in overall levels of direct premium.

	Consolidated - 12 months ended		Consolidated - 3 months ended	
	Mar 2018	Mar 2017	Mar 2018	Mar 2017
Premiums collected, net	$ 575,879,256	$ 589,085,993	$ 188,084,965	$ 190,610,853
Net investment income	147,938,312	105,903,880	55,672,855	72,220,665
Miscellaneous income (expense) collected (paid)	4,933,726	(1,729,907)	1,035,653	1,033,284
Benefits and loss related payments	(909,349,051)	(326,180,407)	(196,374,799)	(79,718,603)
Loss adjustment expense payments	(363,335,478)	(151,860,343)	(82,828,891)	(41,337,688)
Underwriting expenses paid	(216,150,230)	(230,027,901)	(49,457,133)	(51,154,657)
Net cash flows provided by (used in) operations	**$ (760,083,466)**	**$ (14,808,685)**	**$ (83,867,350)**	**$ 91,653,854**