

**Report to the
Audit Committee**

Citizens Property Insurance Corporation

May 29, 2018

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Contacts

Matt Church

Engagement Partner
214 North Tryon Street, Suite 2200
Charlotte, North Carolina 28202
704.594.8104
Matt.Church@dhgllp.com

Kevin Ryals

Engagement Quality Review Partner
214 North Tryon Street, Suite 2200
Charlotte, North Carolina 28202
704.367.7043
Kevin.Ryals@dhgllp.com

Brian Smith

Relationship Partner
1901 Ulmerton Road, Suite 400
Clearwater, Florida 33762
727.223.6246
Brian.Smith@dhgllp.com

Amanda Tedeschi

Audit Manager
1901 Ulmerton Road, Suite 400
Clearwater, Florida 33762
727.223.6320
Amanda.Tedeschi@dhgllp.com

Communication with Those Charged with Governance

May 29, 2018

Audit Committee
Citizens Property Insurance Corporation
Tallahassee, Florida

We have audited the financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP financial statements) and the financial statements prepared in accordance with statutory accounting principles prescribed or permitted by the Florida Department of Financial Services, Office of Insurance Regulation (statutory-basis financial statements) (collectively, Financial Statements) of Citizens Property Insurance Corporation (Citizens) as of and for the year ended December 31, 2017, and have issued our reports thereon dated May 29, 2018. Professional standards require that we provide you with information about our responsibilities in accordance with 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 of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 21, 2017. Professional standards also require that we communicate to you the following information related to our audits.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Citizens are described in Note 2 and Note 3 to the GAAP and Statutory-basis Financial Statements, respectively.

Related to Citizens' Statutory-basis and GAAP financial statements, on January 1, 2017, Citizens elected to change its reporting for return premiums payable. \$2,661,000 has been reclassified out of premiums receivable and is now stated on its own line item. A \$2,568,000 reclassification has been made to the prior period amount to conform to the current period presentation. These reclassifications did not have a material impact on previously reported amounts. Beyond this change in accounting policy above, no new accounting policies were adopted which were material to Citizens and the application of existing policies was not changed during 2017 for the GAAP financial statements and statutory-basis financial statements.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the Financial Statements prepared by management, and are based on management's knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the Financial Statements and because of the possibility that future events affecting them may differ significantly from those expected. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive estimates and disclosures affecting the Financial Statements were:

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 (IBNR), using Citizens' loss experience and industry statistics. While the ultimate amount of losses and LAE incurred is dependent on future development, in Citizens' opinion, the estimated reserves are adequate to cover the expected future payment of losses and LAE. 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 ceded through reinsurance are credited against losses and LAE incurred.

We evaluated the key factors and assumptions used to develop the liability for losses and LAE in determining that it is reasonable in relation to the Financial Statements taken as a whole. Specifically, we obtained an understanding of the Citizens' financial reporting process and the internal control with respect to the claims reserving process and development of IBNR. We tested the accuracy and completeness of the claims data used in the development of the reserve. Additionally, we performed other substantive procedures to test the appropriateness of reserves including reviewing a sample of case reserve files, testing a sample of closed and re-opened claims, and performing a subsequent look-back analysis on claims paid through issuance. Further we engaged an independent actuary to perform an independent review of Citizens' opining actuary's analysis in order to ascertain the reasonableness of the assumptions and methodologies employed. We concluded that the reserves for losses and LAE as of December 31, 2017 are fairly stated in all material respects to the Financial Statements taken as a whole.

The relevant disclosures regarding loss and LAE reserves can be found in Note 2 (Summary of Significant Accounting Policies), Note 5 (Liability for Loss Reserves and Loss Adjustment Expense Reserves), and Note 6 (Reinsurance Agreements) to the GAAP financial statements and in Note 3 (Significant Accounting Policies), Note 6 (Liability for Loss Reserves and Loss Adjustment Expense Reserves), and Note 7 (Reinsurance Agreements) to the statutory-basis financial statements

Bonds

Long-term investments in the GAAP financial statements 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. Within the GAAP financial statements 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.

Within the statutory-basis financial statements, bonds which consist solely of debt securities, are recorded at admitted asset values, as prescribed by the NAIC's valuation procedures and are rated in accordance with current NAIC guidelines. Bonds designated by the SVO or equivalent as 1 or 2 are reported at amortized cost. Bonds designated as 3-6 are reported at the lower of amortized cost or fair value. Debt securities not backed by other loans are stated at amortized cost using the interest method. Loan backed debt securities and structured securities are stated at amortized cost using the interest method and adjusted retrospectively. Prepayment assumptions were obtained from broker dealer values. Fair values are generally measured using quoted prices in active markets for identical securities or other inputs that are observable either directly or indirectly, such as quoted prices for similar securities.

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 or for certain securities, its expected undiscounted cash flows. 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.

We evaluated the key factors and assumptions used by management, including testing the fair value of the securities through an independent pricing source from that used by management, in determining that the fair value and other-than-temporary impairment charges recorded by management are reasonable in relation to the Financial Statements taken as a whole.

The relevant disclosures regarding loss and LAE reserves can be found in Note 2 (Summary of Significant Accounting Policies) and Note 4 (Investments) to the GAAP financial statements and in Note 3 (Significant Accounting Policies), Note 4 (Fair Value Measurements), and Note 5 (Investments) to the statutory-basis financial statements

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audits.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audits, other than those that are trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements detected as a result of audit procedures. In addition, there were no omitted disclosures material to the Financial Statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the GAAP financial statements and statutory-basis financial statements or the auditors' reports. We are pleased to report that no such disagreements arose during the course of our audits.

Management Representations

We have requested certain representations from management that are included in the management representation letter included in Appendix A and Appendix B.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Financial Statements or a determination of the type of auditors’ opinions that may be expressed on the Financial Statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Matters, Findings, or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as auditors.

This communication is intended solely for the information and use of the Audit Committee, Board of Governors, and management of Citizens, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Dixon Hughes Goodman LLP

Charlotte, North Carolina



Communication of Internal Control Related Matters

May 29, 2018

Audit Committee
Citizens Property Insurance Corporation
Tallahassee, Florida

In planning and performing our audit of the statutory-basis financial statements of Citizens Property Insurance Corporation (Citizens) as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the statutory-basis 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Citizens' statutory-basis financial statements will not be prevented or detected and corrected on a timely basis.

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

This communication is intended solely for the information and use of the Audit Committee, Board of Governors and management of Citizens, and for filing with state regulators and is not intended to be and should not be used by anyone other than these specified parties.

Dixon Hughes Goodman LLP

Charlotte, North Carolina

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

May 29, 2018

Audit Committee of
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 statement of net position as of December 31, 2017, and the related statement 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 29, 2018.

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 the Citizens' internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Dixon Hughes Goodman LLP

Charlotte, North Carolina

Appendix A

Management Representation Letter - Statutory-Basis

CITIZENS PROPERTY INSURANCE CORPORATION
2101 MARYLAND CIRCLE
TALLAHASSEE, FLORIDA 32303-1001

TELEPHONE: 850.513.3892 FAX: 850.521.8943



May 29, 2018

Dixon Hughes Goodman LLP
214 North Tryon Street, Suite 2200
Charlotte, North Carolina 28202

This representation letter is provided in connection with your audits of the statutory-basis financial statements of Citizens Property Insurance Corporation (Citizens) which comprise the statutory-basis statements of admitted assets, liabilities and accumulated surplus as of December 31, 2017 and 2016, and the related statutory-basis statements of operations, changes in accumulated surplus, and cash flows for the years then ended, and the related notes to the statutory-basis financial statements, for the purpose of expressing an opinion as to whether the statutory-basis financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Citizens in conformity with statutory accounting principles prescribed or permitted by the Florida Department of Financial Services, Office of Insurance Regulation (Office), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter:

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 21, 2017 for the preparation and fair presentation of the statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the Office.
- 2) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statutory-basis financial statements that are free from material misstatement, whether due to fraud or error.
- 3) We acknowledge our responsibilities for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 4) The following have been properly accounted for and disclosed in the statutory-basis financial statements, where applicable:

Christopher B. Gardner, Chairman, Orange County • Gary Aubuchon, Lee County
Bette Brown, Monroe County • Blake Capps, Martin County • Marc W. Dunbar, Leon County • James Holton, Pinellas County
John McKay, Manatee County • Freddie Schinz, Okaloosa County • John Wortman, St. Johns County
Barry Gilway, President/CEO and Executive Director

- a) Related-party relationships and transactions, including sales, purchases, loans, transfers, reinsurance arrangements, and guarantees, and amounts receivable from or payable to related parties;
 - b) Guarantees, whether written or oral, under which Citizens is contingently liable;
 - c) Other liabilities or gain or loss contingencies;
 - d) All liabilities, both actual and contingent;
 - e) Lines of credit or similar arrangements;
 - f) All other liens or encumbrances on assets and all other pledges of assets;
 - g) Amounts of contractual obligations for purchase of real property, equipment, other assets, and intangibles;
 - h) Investments in debt securities;
 - i) All leases under long-term leases;
 - j) All significant estimates and material concentrations known to management;
 - k) Assets and liabilities measured at fair value are disclosed;
 - l) Significant estimates and material concentrations known to management or third-party administrators that are required to be disclosed in accordance with Statement of Statutory Accounting Principles (SSAP) SSAP No. 1 - *Accounting Policies, Risks & Uncertainties, and Other Disclosures*;
 - m) Amount of credit risk and extent, nature, and terms of financial instruments with off-balance-sheet risk in accordance with SSAP No. 27 - *Off-Balance-Sheet and Credit Risk Disclosures*.
- 5) Significant estimates that may be subject to a material change in the near term have been properly disclosed in the statutory-basis financial statements. We understand that "near term" means the period within one year of the date of the statutory-basis financial statements. In addition, we have no knowledge of concentrations existing at the date of the statutory-basis financial statements that make Citizens vulnerable to the risk of severe impact that have not been properly disclosed in the statutory-basis financial statements.
- 6) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 7) There are no uncorrected or corrected misstatements. There are no omitted disclosures material to the statutory-basis financial statements.
- 8) The non-admitted balance of \$1,854,268 is adequate for uncollected premiums as of December 31, 2017, and no additional provisions are necessary against uncollected premiums.
- 9) Citizens has properly classified all assets as admitted or nonadmitted in conformity with statutory accounting principles prescribed or permitted by the Office in accordance with SSAP No. 4 - *Admitted Assets*.
- 10) Premiums receivable or uncollected premiums have been recorded and disclosed in conformity with statutory accounting principles prescribed or permitted by the Office in accordance with SSAP No. 6 - *Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due from Agents and Brokers*.

- 11) Citizens has properly disclosed and recorded all changes in accounting principles in conformity with statutory accounting principles prescribed or permitted by the Office in accordance with SSAP No. 3 - *Correction of an Error Classification*. Certain balances in the 2016 financial statements have been reclassified to conform to the 2017 presentation. Return premium payables on insurance policies in the amount of \$2,568,000 were reclassified on the statutory-basis of admitted assets, liabilities, and accumulated surplus from net premiums receivables to return premiums payable as of December 31, 2016. This reclassification changes the balance of net premiums receivable from \$75,615,000 to \$78,183,000, and total admitted assets from \$12,268,998,000 to \$12,271,566,000, as of December 31, 2016.

Information Provided

- 12) We have provided you with:

- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the statutory-basis financial statements, such as records, documentation, and other matters;
- b) Additional information that you have requested from us for the purpose of performing your audit;
- c) Unrestricted access to persons within Citizens from whom you determined it necessary to obtain audit evidence;
- d) Minutes of the meetings of the Board of Governors, and committees thereof, or summaries of actions of recent meetings for which minutes have not yet been prepared for meetings held in 2017 and 2018 and through the date of this letter.

- 13) All transactions have been recorded in the accounting records and are reflected in the statutory-basis financial statements.

- 14) We have disclosed to you the results of our assessment of the risk that the statutory-financial statements may be materially misstated as a result of fraud.

- 15) We have no knowledge of any fraud or suspected fraud affecting Citizens involving:

- a) Management;
- b) Employees who have significant roles in internal control;
- c) Others where fraud could have a material effect on the statutory-basis financial statements.

- 16) There have been no communications from regulatory agencies (including state insurance departments) concerning noncompliance with or deficiencies in financial reporting practices.

- 17) There have been no material adjustments, including changes in classification, to previously issued statutory-basis financial statements, beyond those reclassifications disclosed in footnote 3 of the statutory-basis financial statements as discussed in representation #11 above.

- 18) There are no violations or possible violations of laws or regulations, the effects of which should be considered for disclosure in the statutory-basis financial statements or as a basis for recording a loss contingency.

- 19) We are aware of no material weaknesses, or significant deficiencies, in the design or operation of internal controls that could adversely affect Citizens' ability to record, process, summarize, and report financial data.

- 20) We have disclosed to you the identity of Citizens' related parties and all the related party relationships and transactions of which we are aware.
- 21) Citizens has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities as of December 31, 2017 and through the date of this letter.
- 22) Citizens has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral except as disclosed in the statutory-basis financial statements.
- 23) We acknowledge our responsibility for presenting the Supplemental Combining Statutory-Basis Statements of Admitted Assets, Liabilities and Accumulated Surplus by Account, the Supplemental Combining Statutory-Basis Statements of Operations by Account, Summary Investment Schedule, and Supplemental Schedule of Investment Risks Interrogatories, (collectively Supplementary Information) as of and for the year ended December 31, 2017 in conformity with statutory accounting principles prescribed or permitted by the Office; and we believe that the Supplementary Information including its form and content is fairly presented. The methods used to prepare the Supplementary Information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the Supplementary Information.

Income Taxes

- 24) 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. Citizens had no unrelated business income during 2017 and therefore no federal or state income tax was incurred during 2017.

Contingencies

- 25) There are no:
 - a) Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the statutory-basis financial statements or as a basis for recording a loss contingency.
 - b) Unasserted claims or assessments that our attorney (in-house or external) has advised us are probable of assertion and must be disclosed in accordance with SSAP No. 5R – *Liabilities, Contingencies and Impairment of Assets*.
- 26) Management is not aware of any class action lawsuits against Citizens which are likely or probable to result in loss to Citizens, except as disclosed in the statutory-basis financial statements.
- 27) Citizens has not entered into any buy or sell arrangements which would require it to record a related liability or require disclosure in the statutory-basis financial statements.
- 28) There were no material commitments for construction or acquisition of property, plant and equipment, or to acquire other noncurrent assets, such as investments or intangibles.
- 29) We have complied with all aspects of contractual agreements that would have a material effect on the statutory-basis financial statements in the event of noncompliance.
- 30) We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the statutory-basis financial statements. The effects of all known and actual

or possible litigation and claims have been accounted for and disclosed in accordance with SSAP No. 5R.

Premiums and Unearned Premiums

- 31) The inforce files properly reflect all policies and contracts in force for all lines of insurance coverage as of and for the year ended December 31, 2017. We are not aware of any material commitments or concessions to a policyholder that are outside of the terms of the written policy agreements.
- 32) Unearned premiums are fairly stated at December 31, 2017 and the calculations of such are consistent with those of the preceding year. Business written from all sources, including reinsurance ceded, has been included in premiums in force and unearned. Business expired has been excluded from premiums in force and unearned.
- 33) We have fully disclosed to you all premium terms, including all rights of return or price adjustments including endorsements and cancellations.
- 34) As of December 31, 2017, Citizens has other receivables under reinsurance contracts due which represents amounts due under depopulation reinsurance assumption agreements. Except for reinsurers separately identified as non-collectible, Citizens believes all amounts under depopulation reinsurance assumption agreements are collectible, regardless, if amounts have been billed under those contracts or are non-admitted for statutory-basis reporting.
- 35) Citizens is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowance is adequate to absorb currently estimated bad debts in account balances.

Reserve for Loss and Loss Adjustment Expenses

- 36) Citizens' liabilities for unpaid losses and loss adjustment expenses (LAE) are based on and recorded at management's best estimate in accordance with SSAP No. 55 – *Unpaid Claims, Losses and Loss Adjustment Expenses*.
- 37) The findings of all actuarial studies, which have been completed and accepted by Citizens, have been considered in establishing the required level of loss and LAE reserves.
- 38) With respect to Citizens' reserve for losses and LAE:
 - a) For the year ended December 31, 2017, we have processed claims received by Citizens in a manner and timing consistent with prior years;
 - b) We have considered all information that, in our judgment, is necessary to adequately estimate the loss and LAE reserves at the balance sheet date, including among other things:
 - i) Anticipated and historical claims experience of Citizens;
 - ii) Expected impact of inflation and other economic or social factors on future payments of losses and LAE incurred at the date of the statutory-basis statement of admitted assets, liabilities, and accumulated surplus;
 - iii) Lines and geographical locations of the business written by Citizens;
 - iv) Citizens' underwriting and claims policies and procedures;
 - v) The timeliness and reliability of reports from reinsurers;

- vi) Estimates of claim recoveries, exclusive of reinsurance recoveries.
 - c) Citizens has considered and properly disclosed in the statutory-basis financial statements all the information with respect to losses and LAE reserves and related claim recoveries, which in our judgment, is necessary to adequately identify and understand the nature of reserving estimates and underlying coverage issues, including the potential volatility, complexity, and uncertainty of such estimates and the possibility that the ultimate liability may vary significantly from the recorded reserve and related recovery amounts;
 - d) The reserve for unpaid losses and LAE for Citizens at December 31, 2017 is management's best estimate and makes a reasonable provision for all reported and unreported claims incurred as of December 31, 2017 based upon the consolidation of all information available at the date those statutory-basis financial statements were prepared, including actuarial indications and other factors.
- 39) We agree with the findings of specialists in evaluating the loss and LAE reserves and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the statutory-basis financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.
- 40) We believe the reserves for possible claims are adequate to cover claim losses, which might result from pending and possible claims.
- 41) All material reinsurance transactions have been recorded and disclosed in accordance with SSAP No. 62R – *Property and Casualty Reinsurance*.
- 42) All reinsurance transactions entered into by Citizens are final and there are no side agreements with reinsurers, or other terms in effect, which allow for the modification of terms under existing reinsurance arrangements. All contracts have been reviewed during 2017 and those accounted for as reinsurance has been confirmed through this review. Furthermore, all of Citizens' reinsurance arrangements meet the risk transfer provisions for which Citizens maintains documentation of risk transfer and are recorded in accordance with SSAP No. 62R.
- 43) We believe that policy slips and other documents obtained from brokers and counterparties with binding signatures represent enforceable insurance and reinsurance contracts. There are no separate written or oral agreements between Citizens and reinsurers that would under any circumstances, reduce, limit, mitigate, or otherwise affect any actual or potential loss to the parties under the reinsurance contract that, if considered, would change Citizens' application of accounting principles or the amounts recorded with respect to the transaction, other than insuring contracts that are explicitly defined in the reinsurance contract.
- 44) Citizens has completed an analysis and determined a premium deficiency reserve is not needed as of December 31, 2017 in accordance with SSAP No. 53 – *Property Casualty Contracts-Premiums*.

Accounting Methods

- 45) Citizens is responsible for determining and maintaining the adequacy of the allowance for uncollectible premium installment receivables and reinsurance recoverable, as well as estimates used to determine such amounts. In making its determination of the necessary allowance, management considered past experience and all information currently available. Management further considered information with respect to receivable aging and credit ratings of debtors, challenges or potential challenges, including litigation and arbitration proceedings, with respect to reinsurance balances and amounts due from other

reinsurers as a result of loss communications, solvency and other actions. Management believes the allowances are adequate to cover uncollectible account balances as of December 31, 2017.

- 46) Citizens has no plans or intentions to discontinue the operations of any subsidiary or division or to discontinue any significant product lines.
- 47) We have reviewed long-lived assets to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable and have determined no adjustments are necessary.

Financial Instruments

- 48) Citizens has properly classified investments in debt securities at amortized cost except as disclosed in the statutory-basis financial statements, based on the accounting treatment prescribed by the Office. Investments with original maturity (at the time of purchase) of one year or less are classified as short-term investments.
- 49) For investments that are impaired, we have evaluated whether the impairment is other than temporary. For debt securities that are impaired, we have evaluated whether we intend to sell the security and, if we do not intend to sell, whether it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis, even if not until maturity. We have also evaluated whether we expect to recover the entire amortized cost basis of the debt security, including comparing the present value of cash flows expected to be collected from the security with the amortized cost basis 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, 2017.
- 50) Investments are appropriately recorded and valued as follows:
- a) Bonds - are recorded and disclosed in conformity with statutory accounting principles prescribed or permitted by the Office, as applicable and interpretations thereof in accordance with SSAP No. 26R - *Bonds* and SSAP No. 43R - *Loan-Backed and Structured Securities*.
 - b) Short-term investments - are recorded and disclosed in conformity with statutory accounting principles prescribed or permitted by the Office and interpretations thereof in accordance with SSAP No. 2 - *Disclosure of Accounting Policies*.
- 51) We represent to you the following for Citizens' fair value measurements and disclosures:
- a) The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action;
 - b) The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied;
 - c) The disclosures related to estimated fair values are complete and adequate, in conformity with statutory accounting principles prescribed or permitted by the Office, and SSAP No. 100 - *Fair Value*;
 - d) There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the statutory-basis financial statements.
- 52) All investment transactions have credit exposure to the extent that a counterparty may default on an obligation to Citizens. To manage credit risk, Citizens focuses primarily on higher quality, fixed income securities, 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.

- 53) The methods and significant inputs and assumptions used to determine fair values of financial instruments include the following: valuation of securities based on average bid prices of identical or similar issues with the same life and expected yields. The methods and significant inputs and assumptions used result in a measure of fair value appropriate for statutory-basis financial statement measurement and disclosure purposes.
- 54) Financial institutions with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the statutory-basis financial statements.

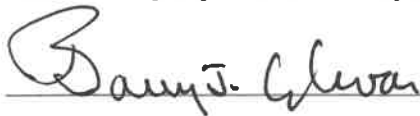
Other

- 55) Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances or similar arrangements have been properly disclosed
- 56) Regarding Citizens' Information Systems (IS) function, we have made available to you all information and documentation responsive to your review of the IS function; and we have, to the best of our knowledge and belief, answered all questions and inquiries fully and accurately.
- 57) None of Citizens' third-party service providers, upon which Citizens relies, has known problems which would be likely to threaten the reliability of Citizens' information systems and/or the systems' internal controls, or which could have a material impact on Citizens' statutory-basis financial statements.
- 58) In accordance with Section 627.351(6) of the Florida Statutes, Citizens is not subject to Risk-Based Capital (RBC) requirements or required to have a pledged deposit on file with the State of Florida.
- 59) There are no known or expected circumstances, as of the date of this letter that would either threaten the solvency of Citizens under applicable insurance regulations, or require significant capital infusions to Citizens in order to comply with applicable regulations.
- 60) Citizens does not follow any permitted or prescribed statutory accounting practices.
- 61) Citizens has properly disclosed all affiliate transactions in its statutory-basis financial statements.
- 62) Citizens has no knowledge of any guaranty fund assessments as of December 31, 2017.
- 63) Citizens is in compliance with all covenants and limitations associated with its outstanding obligations.
- 64) The statutory-basis financial statements disclose all of the matters of which we are aware that are relevant to Citizens' ability to continue as a going concern. We have evaluated 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 the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable) and determined no such substantial doubt exists.
- 65) In regard to the non-attest services (specifically advising management about appropriate accounting principles and assistance in preparation of Citizens' financial statements) performed by you, we have:
- a) Assumed all management responsibilities;
 - b) Overseen the service, by designating an individual, within senior management, who possess suitable skill, knowledge, or experience;

- c) Evaluated the adequacy and results of the services performed;
 - d) Accepted responsibility for the results of the services;
 - e) Evaluated and maintained internal controls, including monitoring ongoing activities.
- 66) There have been no updates or additional claims which would require disclosure or accrual of a liability under SSAP No. 5R. related to the following external legal counsel confirmations received since their respective confirmation dates:
- a) Daniel Sumner – Citizens Chief Legal Counsel – May 22, 2018
- 67) The Company is party to claims and legal actions arising routinely in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters specific to insurance policy claims are included in the methods and assumptions of management's determination of incurred but not reported reserves as of December 31, 2017. The results of outstanding legal cases in result of insurance claims as summarized in Mr. Daniel Sumner's legal response letter as referenced in representation #66 above, management represents are included in the methods and assumptions of management's determination of incurred but not reported reserves as of December 31, 2017. The ultimate disposition of these matters is not expected to have a material, adverse effect on the Company's financial position or liquidity.
- 68) Citizens anticipates reinsurance recoverables on catastrophe coverage related to Hurricane Irma in the amount of \$661,088,000 as of the year ended December 31, 2017. This balance includes reinsurance recoverables on internally allocated loss adjustment expense as of the year ended December 31, 2017, for which Citizens believes is fully collectible under the terms of their reinsurance agreements as of December 31, 2017.
- 69) Citizens is named as a defendant in legal actions arising from claims filed under insurance policies it has underwritten and other claims incidental to its normal business activities. In the opinion of management, which is based on the advice of legal counsel, the ultimate outcome of such proceedings is not expected to have a material effect on Citizens' financial position or results of operations.

We have evaluated subsequent events from December 31, 2017 through the date of this letter, which is the date the statutory-basis financial statements are available to be issued. No events have occurred subsequent to the statutory-basis statement of admitted assets, liabilities and accumulated surplus date and through the date of this letter that would require adjustment to or disclosure in the aforementioned statutory-basis financial statements.

Citizens Property Insurance Corporation



Barry Gilway
Chief Executive Officer



Jennifer Montero
Chief Financial Officer



Andrew Woodward
Controller



Brian Donovan
Chief Actuary

Appendix B
**Management Representation Letter – Generally Accepted
Accounting Principles**

CITIZENS PROPERTY INSURANCE CORPORATION
2101 MARYLAND CIRCLE
TALLAHASSEE, FLORIDA 32303-1001

TELEPHONE: 850.513.3892 FAX: 850.521.8943



May 29, 2018

Dixon Hughes Goodman LLP
214 North Tryon Street, Suite 2200
Charlotte, North Carolina 28202

This representation letter is provided in connection with your audits of 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, 2017 and 2016, and the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended and the related notes of the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter:

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 21, 2017, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP established by the Government Accounting Standards Board (GASB), and include all properly classified funds and other financial information of the primary government and all component units required by U.S. GAAP to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) The following have been properly accounted for and disclosed in the financial statements, where applicable:

Christopher B. Gardner, Chairman, Orange County • Gary Aubuchon, Lee County
Bette Brown, Monroe County • Blake Capps, Martin County • Marc W. Dunbar, Leon County • James Holton, Pinellas County
John McKay, Manatee County • Freddie Schinz, Okaloosa County • John Wortman, St. Johns County
Barry Gilway, President/CEO and Executive Director

- a) Related-party relationships and transactions, including sales, purchases, loans, transfers, reinsurance arrangements, and guarantees, and amounts receivable from or payable to related parties;
 - b) Guarantees, whether written or oral, under which the Citizens is contingently liable;
 - c) Other liabilities or gain or loss contingencies;
 - d) All liabilities, both actual and contingent;
 - e) Lines of credit or similar arrangements;
 - f) All other liens or encumbrances on assets and all other pledges of assets;
 - g) Amounts of contractual obligations for purchase of real property, equipment, other assets, and intangibles;
 - h) Investments in debt securities;
 - i) All leases under long-term leases;
 - j) All significant estimates and material concentrations known to management;
 - k) Assets and liabilities measured at fair value are disclosed.
- 5) Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that "near term" means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make Citizens vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
- 6) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 7) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 8) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 9) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 10) There are no uncorrected or corrected misstatements. There are no omitted disclosures material to the statutory-basis financial statements.
- 11) We are aware of no material weaknesses, including significant deficiencies, in the design or operation of internal controls that could adversely affect Citizens' ability to record, process, summarize, and report financial data.
- 12) Provision in the amount of \$1,854,268 has been made for adjustments and losses in collection of receivables for estimated uncollectible balances as of December 31, 2017.
- 13) Citizens has properly disclosed and recorded all changes in accounting principles. Certain balances in the 2016 financial statements have been reclassified to conform to the 2017 presentation. Return premium payables on insurance policies in the amount of \$2,568,000 were reclassified on the statements of net position from net premiums receivables to return premiums payable as of December

31, 2016. This reclassification changes the balance of net premiums receivable from \$75,615,000 to \$78,183,000, and total assets from \$12,173,984,000 to \$12,176,552,000, as of December 31, 2016.

- 14) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 15) Guarantees, whether written or oral, under which Citizens is contingently liable, if any, have been properly recorded or disclosed.
- 16) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 17) Citizens has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.
- 18) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 19) We have not identified any instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 20) We have not identified any instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statements amounts or other financial data significant to the audit objectives.
- 21) We have not identified any instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 22) Citizens has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, beyond those assets pledge in trust for Senior Secured Bonds as disclosed in footnote 7 of the financial statements.
- 23) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
- 24) All funds that meet the quantitative criteria in [GASB Statement No. 34](#) and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 25) Components of net position (net investment in capital assets; restricted; and unrestricted) and are properly classified and, if applicable, approved.
- 26) Provisions for uncollectible receivables have been properly identified and recorded.
- 27) Expenses have been appropriately classified in or allocated to functions and programs in the statements of revenue, expenses, and changes in net position, and allocations have been made on a reasonable basis.
- 28) Deposits and investment securities are properly classified as to risk and are properly disclosed.

- 29) Capital assets, including infrastructure, are properly capitalized, reported, and, if applicable, depreciated.
- 30) We have appropriately disclosed Citizens' policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 31) With respect to the Supplemental Combining Statements of Net Position, Supplemental Combining Statements of Revenues, Expenses and Changes in Net Position, and Supplemental Revenues, Expenses and Claim Development Information, (collectively Supplemental Information):
- a) We acknowledge our responsibility for presenting the Supplemental Information in accordance with accounting principles generally accepted in the United States of America, and we believe the Supplemental Information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the Supplemental Information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the Supplementary Information.
- 32) We acknowledge our responsibility for the required Supplementary Information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Information Provided

- 33) We have provided you with:
- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within Citizens from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board of Governors, and committees thereof, or summaries of actions of recent meetings for which minutes have not yet been prepared for meetings held in 2017 and 2018 and through the date of this letter.
- 34) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 35) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 36) We have no knowledge of any fraud or suspected fraud that affects Citizens and involves:
- a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 37) We have no knowledge of any allegations of fraud or suspected fraud affecting Citizens' financial statements communicated by employees, former employees, regulators, or others.

- 38) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 39) We have disclosed to you the identity of Citizens' related parties and all the related party relationships and transactions of which we are aware.

Contingencies

- 40) There are no:
- a) Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b) Unasserted claims or assessments that our attorney (in-house or external) has advised us are probable of assertion beyond those disclosed in the notes to the financial statements.
- 41) Citizens is not aware of any class action lawsuits against Citizens which are likely or probable to result in loss to Citizens, except for those disclosed in the financial statements.
- 42) Citizens has not entered into any buy or sell arrangements which would require it to record a related liability or require disclosure in the financial statements.
- 43) There were no material commitments for construction or acquisition of property, plant and equipment, or to acquire other noncurrent assets, such as investments or intangibles.
- 44) We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 45) We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known and actual or possible litigation and claims have been accounted for and disclosed in the financial statements.

Premiums and Unearned Premiums

- 46) The inforce files properly reflect all policies and contracts in force for all lines of insurance coverage as of and for the year ended December 31, 2017. We are not aware of any material commitments or concessions to a policyholder that are outside of the terms of the written policy agreements.
- 47) Unearned premiums are fairly stated at December 31, 2017 and the calculations of such are consistent with those of the preceding year. Business written from all sources, including reinsurance ceded, has been included in premiums in force and unearned. Business expired has been excluded from premiums in force and unearned.
- 48) We have fully disclosed to you all premium terms, including all rights of return or price adjustments including endorsements and cancellations.
- 49) As of December 31, 2017, Citizens has other receivables under reinsurance contracts due which represents amounts due under depopulation reinsurance assumption agreements. Except for reinsurers separately identified as non-collectible, Citizens believes all amounts under depopulation reinsurance assumption agreements are collectible, regardless, if amounts have been billed under those contracts.
- 50) Citizens is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, and accounts receivable, as well as estimates used to determine such amounts.

Management believes the allowance is adequate to absorb currently estimated bad debts in account balances.

Reserve for Loss and Loss Adjustment Expenses

- 51) Citizens' liabilities for unpaid losses and loss adjustment expenses are based on and recorded at management's best estimate.
- 52) The findings of all actuarial studies, which have been completed and accepted by Citizens, have been considered in establishing the required level of loss reserves.
- 53) With respect to Citizens' reserve for losses and loss adjustment expenses:
- / a) For the year ended December 31, 2017, we have processed claims received by Citizens in a manner and timing consistent with prior years.
 - b) We have considered all information that, in our judgment, is necessary to adequately estimate the loss and loss adjustment expense reserves at the balance sheet date, including among other things:
 - i) Anticipated and historical claims experience of Citizens;
 - ii) Expected impact of inflation and other economic or social factors on future payments of losses incurred at the balance sheet date;
 - iii) Lines and geographical locations of the business written by Citizens;
 - iv) Citizens' underwriting and claims policies and procedures;
 - v) The timeliness and reliability of reports from reinsurers;
 - vi) Estimates of claim recoveries, exclusive of reinsurance recoveries.
 - c) Citizens has considered and properly disclosed in financial statements all the information with respect to losses and loss adjustment expense reserves and related claim recoveries, which in our judgment, is necessary to adequately identify and understand the nature of reserving estimates and underlying coverage issues, including the potential volatility, complexity, and uncertainty of such estimates and the possibility that the ultimate liability may vary significantly from the recorded reserve and related recovery amounts.
 - d) The reserve for unpaid losses and loss adjustment expenses for Citizens at December 31, 2017 is management's best estimate and makes a reasonable provision for all reported and unreported claims incurred as of December 31, 2017 based upon the consolidation of all information available at the date those financial statements were prepared, including actuarial indications and other factors.
- 54) We agree with the findings of specialists in evaluating the loss and loss adjustment expense reserves and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.
- 55) We believe the reserves for possible claims are adequate to cover claim losses, which might result from pending and possible claims.
- 56) All material reinsurance transactions have been recorded and disclosed.
- 57) All reinsurance transactions entered into by Citizens are final and there are no side agreements with reinsurers, or other terms in effect, which allow for the modification of terms under existing reinsurance

arrangements. All contracts have been reviewed during 2017 and those accounted for as reinsurance have been confirmed through this review. Furthermore, all of Citizens' reinsurance arrangements meet the risk transfer provisions for which Citizens maintains documentation of risk transfers.

- 58) We believe that policy slips and other documents obtained from broker and counterparties with binding signatures represent enforceable insurance and reinsurance contracts. There are no separate written or oral agreements between Citizens and reinsurers that would under any circumstances, reduce, limit, mitigate, or otherwise affect any actual or potential loss to the parties under the reinsurance contract that, if considered, would change Citizens' application of accounting principles or the amounts recorded with respect to the transaction, other than insuring contracts that are explicitly defined in the reinsurance contract.
- 59) Citizens determined a premium deficiency reserve is not needed as of December 31, 2017. 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.

Accounting Methods

- 60) Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the statement of net position and appropriate provisions have been made for losses that may be sustained on uncollectible receivables.
- 61) Citizens is responsible for determining and maintaining the adequacy of the allowance for uncollectible premium installment receivables and reinsurance recoverable, as well as estimates used to determine such amounts. In making its determination of the necessary allowance, management considered past experience and all information currently available. Management further considered information with respect to receivable aging and credit ratings of debtors, challenges or potential challenges, including litigation and arbitration proceedings, with respect to reinsurance balances and amounts due from other reinsurers as a result of loss communications, solvency and other actions. Management believes the allowances are adequate to cover uncollectible account balances as of December 31, 2017.
- 62) Citizens has no plans or intentions to discontinue the operations of any subsidiary or division or to discontinue any significant product lines.
- 63) We have reviewed long-lived assets to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable and have determined no adjustments are necessary.

Financial Instruments

- 64) Citizens has properly classified investments in debt securities at Fair Value.
- 65) For investments that are impaired, we have evaluated whether the impairment is other than temporary. For debt securities that are impaired, we have evaluated whether we intend to sell the security and, if we do not intend to sell, whether it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis, even if not until maturity. We have also evaluated whether we expect to recover the entire amortized cost basis of the debt security, including comparing the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. We have not recognized other-than-temporary for the year ended December 31, 2017.
- 66) We represent to you the following for Citizens' fair value measurements and disclosures:

- a) The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b) The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c) The disclosures related to estimated fair values are complete and adequate.
 - d) There are no subsequent events that require adjustments to the fair value measurements and disclosures included in financial statements.
- 67) All investment transactions have credit exposure to the extent that a counterparty may default on an obligation to Citizens. To manage credit risk, Citizens focuses primarily on higher quality, fixed income securities, 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.
- 68) The methods and significant inputs and assumptions used to determine fair values of financial instruments include the following: valuation of securities based on average bid prices of identical or similar issues with the same life and expected yields. The methods and significant inputs and assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
- 69) Financial institutions with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.

Other

- 70) Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances or similar arrangements have been properly disclosed
- 71) Citizens has made available all communications from regulators. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
- 72) Regarding Citizens' Information Systems (IS) function, we have made available to you all information and documentation responsive to your review of the IS function; and we have, to the best of our knowledge and belief, answered all questions and inquiries fully and accurately.
- 73) None of Citizens' third-party service providers, upon which Citizens relies, has known problems which would be likely to threaten the reliability of Citizens' information systems and/or the systems' internal controls, or which could have a material impact on Citizens' financial statements.
- 74) There are no known or expected circumstances, as of the date of this letter that would either threaten the solvency of Citizens under applicable insurance regulations, or require significant capital infusions to Citizens in order to comply with applicable regulations applicable to their individual domiciliary states or countries.
- 75) Citizens has properly disclosed all affiliate transactions in its financial statements.
- 76) Citizens has no knowledge of any guaranty fund assessments as of December 31, 2017.
- 77) Citizens is in compliance with all covenants and limitations associated with its outstanding obligations.
- 78) The financial statements disclose all of the matters of which we are aware that are relevant to Citizens' ability to continue as a going concern. We have evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Citizens' ability to continue as a going

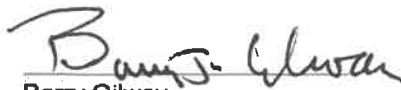
concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable) and determined no such substantial doubt exists.

- 79) In regard to the non-attest services (specifically advising management about appropriate accounting principles and assistance in preparation of audited financial statements) performed by you, we have:
- a) Assumed all management responsibilities;
 - b) Overseen the service, by designating an individual, within senior management, who possess suitable skill, knowledge, or experience;
 - c) Evaluated the adequacy and results of the services performed;
 - d) Accepted responsibility for the results of the services;
 - e) Evaluated and maintained internal controls, including monitoring ongoing activities.
- 80) There have been no updates or additional claims which would require disclosure or accrual of a liability related to the following external legal counsel confirmations received since their respective confirmation dates:
- a) Daniel Sumner – Citizens Chief Legal Counsel – May 22, 2018
- 81) The Company is party to claims and legal actions arising routinely in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters specific to insurance policy claims are included in the methods and assumptions of management's determination of incurred but not reported reserves as of December 31, 2017. The results of outstanding legal cases in result of insurance claims as summarized in Mr. Daniel Sumner's legal response letter as referenced in representation #86 above, management represents are included in the methods and assumptions of management's determination of incurred but not reported reserves as of December 31, 2017. The ultimate disposition of these matters is not expected to have a material, adverse effect on the Company's financial position or liquidity.
- 82) Citizens anticipates reinsurance recoverables on catastrophe coverage related to Hurricane Irma in the amount of \$661,088,000 as of the year ended December 31, 2017. This balance includes reinsurance recoverables on internally allocated loss adjustment expenses as of the year ended December 31, 2017, for which Citizens believes is fully collectible under the terms of their reinsurance agreements as of December 31, 2017.
- 83) Citizens is named as a defendant in legal actions arising from claims filed under insurance policies it has underwritten and other claims incidental to its normal business activities. In the opinion of management, which is based on the advice of legal counsel, the ultimate outcome of such proceedings is not expected to have a material effect on Citizens' financial position or results of operations.

We have evaluated subsequent events from December 31, 2017 through the date of this letter, which is the date the financial statements are available to be issued. No events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure on the aforementioned financial statements.

(Signature page follows)

Citizens Property Insurance Corporation



Barry Gilway
Chief Executive Officer



Jennifer Montero
Chief Financial Officer



Andrew Woodward
Controller



Brian Donovan
Chief Actuary