

Given that we have deferred some major discussions such as rate changes until the December board meeting, I will limit my comments to a few metrics showing where Citizens is today. The numbers that Jennifer will share today show we are writing slightly less premium and slightly fewer policies than originally budgeted, while reporting a favorable net income variance of \$36 million. We also are currently \$10 million below our original administrative expense budget. All good news.

The real good news is that our policy count is down to 443,000 policies and we have remained relatively stable at that level for 18 months now, despite significant market changes primarily related to the insurance company appetite in Tri-County area. In 2012, we wrote 23 percent of the residential market in Florida and today we have 5 percent. At its peak in 2007, we had 79 percent of the commercial residential market. Now that is 8 percent and still dropping.

While our overall policy count is stable, we are showing some growth in the first half in the PLA where we have multi-peril exposure to water losses (+8,591 policies). While the CLA and Coastal accounts both lost policies (CLA-203 & Coastal-5,534). The clearinghouse and depopulation programs, although slowing, are managing to offset the approximately 8,500 new policies written monthly. Another factor keeping policies stable, has been the increasing number of policyholders shifting to a surplus lines market that has grown from less than 100,000 policies in 2012 to over 300,000 today.

Following a similar pattern, Citizens in 2013 represented 33 percent of all property litigation. In 2017 that number is now 15.5 percent despite growth in tri-county market share. Our biggest challenge is to find solutions to the increasing litigation and AOB issues impacting all insurance companies doing business in Florida. Florida CFO Jimmy Patronis has requested we partner with his office, the Office of Insurance Regulation and others to hold industry round tables around the state to continue to search for solutions. While we are now only 5 percent of the market - not 23 percent -we still insure 443,000 policyholders. Solutions are necessary to maintain the healthy property insurance market that has been created.