2017 & 2018 Coastal Account Risk Transfer Programs

September 26, 2018

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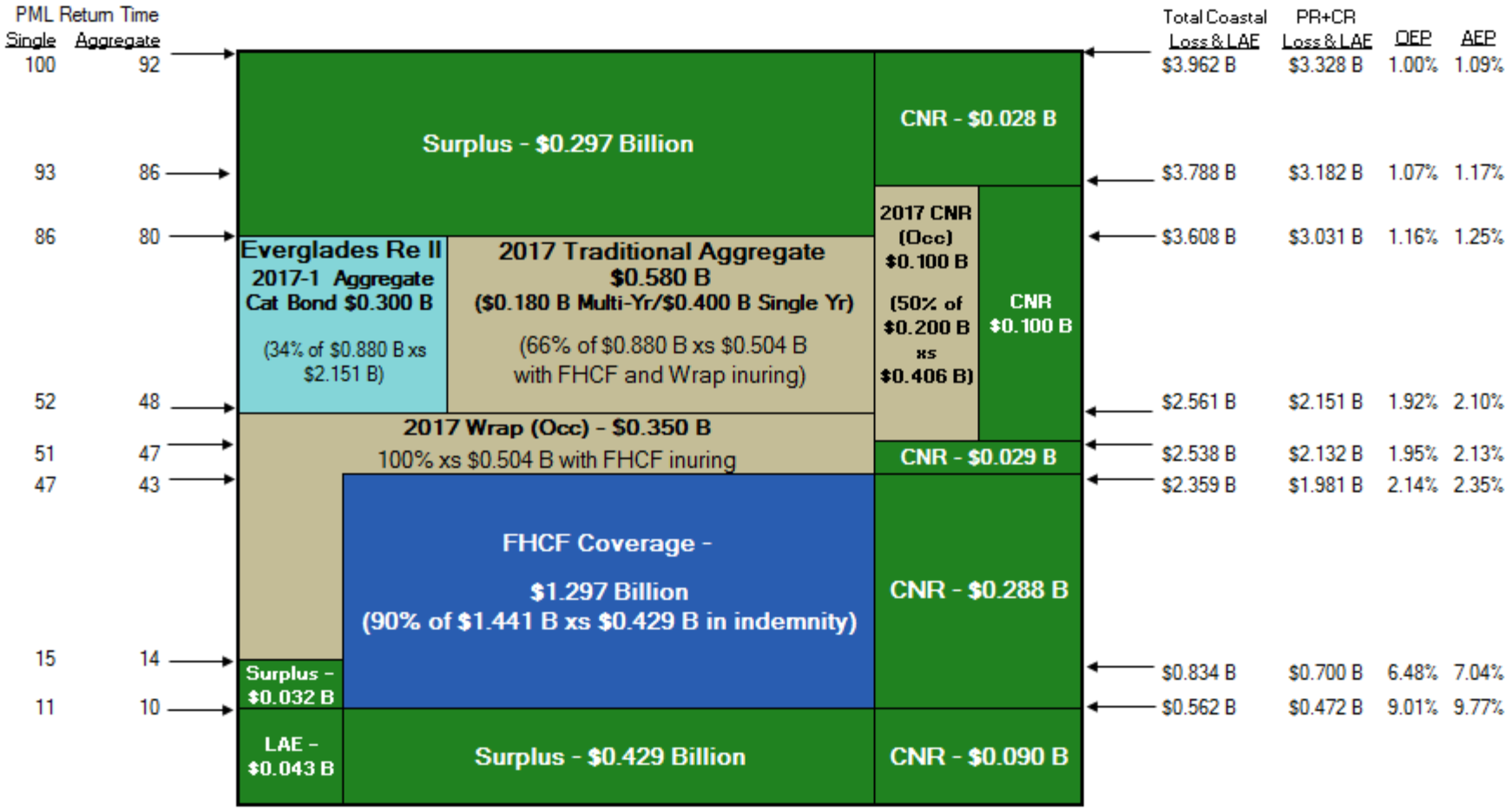
2017 Coastal Account Layer Chart (pre-Hurricane)

Personal Residential, Commercial Residential and Commercial Non-Residential



(Not to scale)

See *Notes and Assumptions (page 7)*

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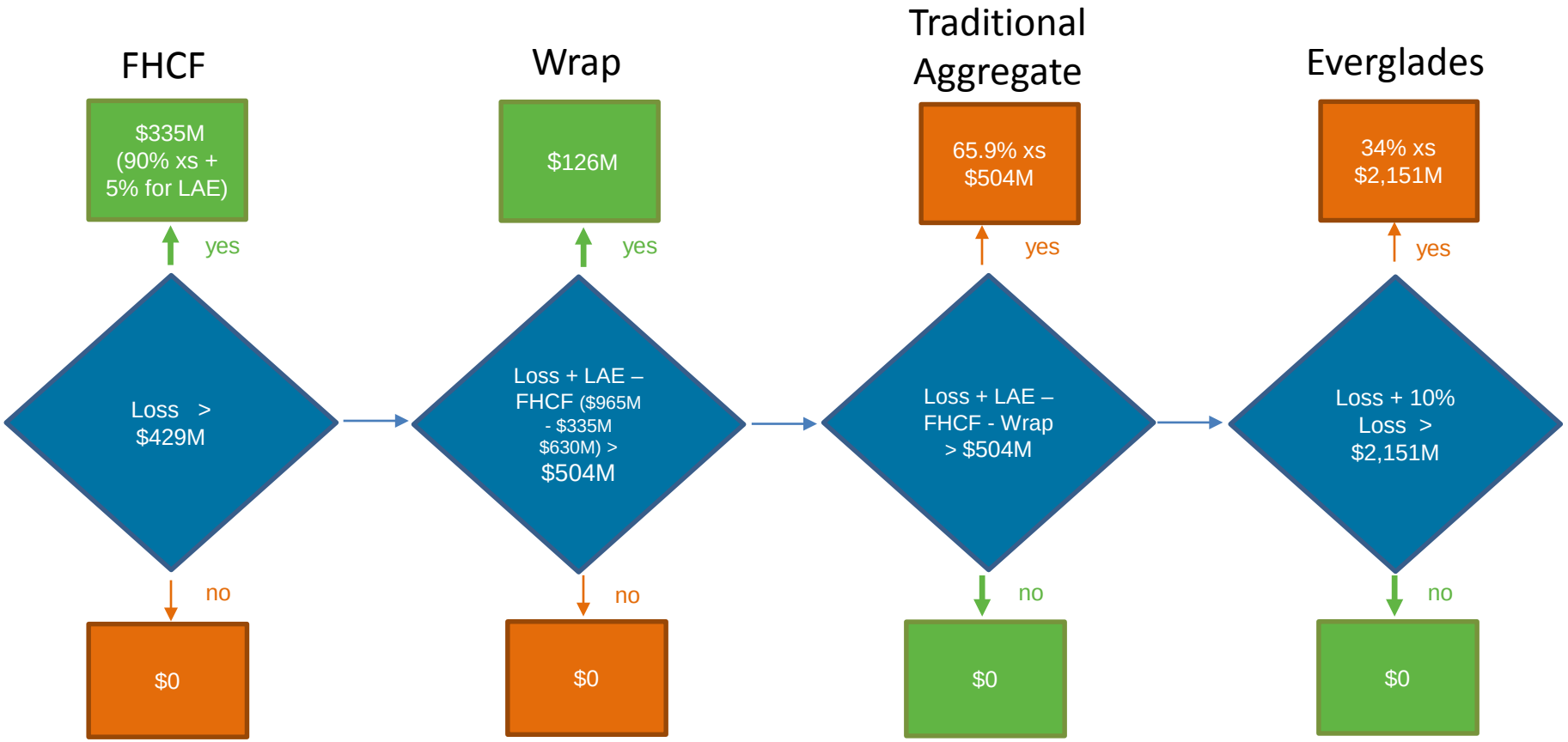
2017-18 Coastal Account – Irma Estimated Recoveries

Personal Residential & Commercial Residential

Projected Coastal Residential Ultimate Loss ($783M) + LAE ($182M) = $965M



2017-18 Coastal Account – Multiple Small Storms

Personal Residential & Commercial Residential

TS Emily ($32k) + Hurricane Nate ($107k) + TS Philippe ($79k) + TS Alberto ($223k)

= Projected $442k Loss & LAE

- FHCF and Wrap are occurrence contracts; each storm has to meet retention. Storms are in thousands; retentions are in $100s of millions. No recoveries.
- Traditional Aggregate: $504M retention has been met by Irma Loss & LAE.

- Everglades: Is Loss + 10% Loss from all storms including Irma > $2,151M? No, therefore no recoveries.
- For a single large storm, the traditional aggregate cover and Everglades will have similar recoveries. However, in the case of multiple storms, traditional may have recoveries where Everglades does not.

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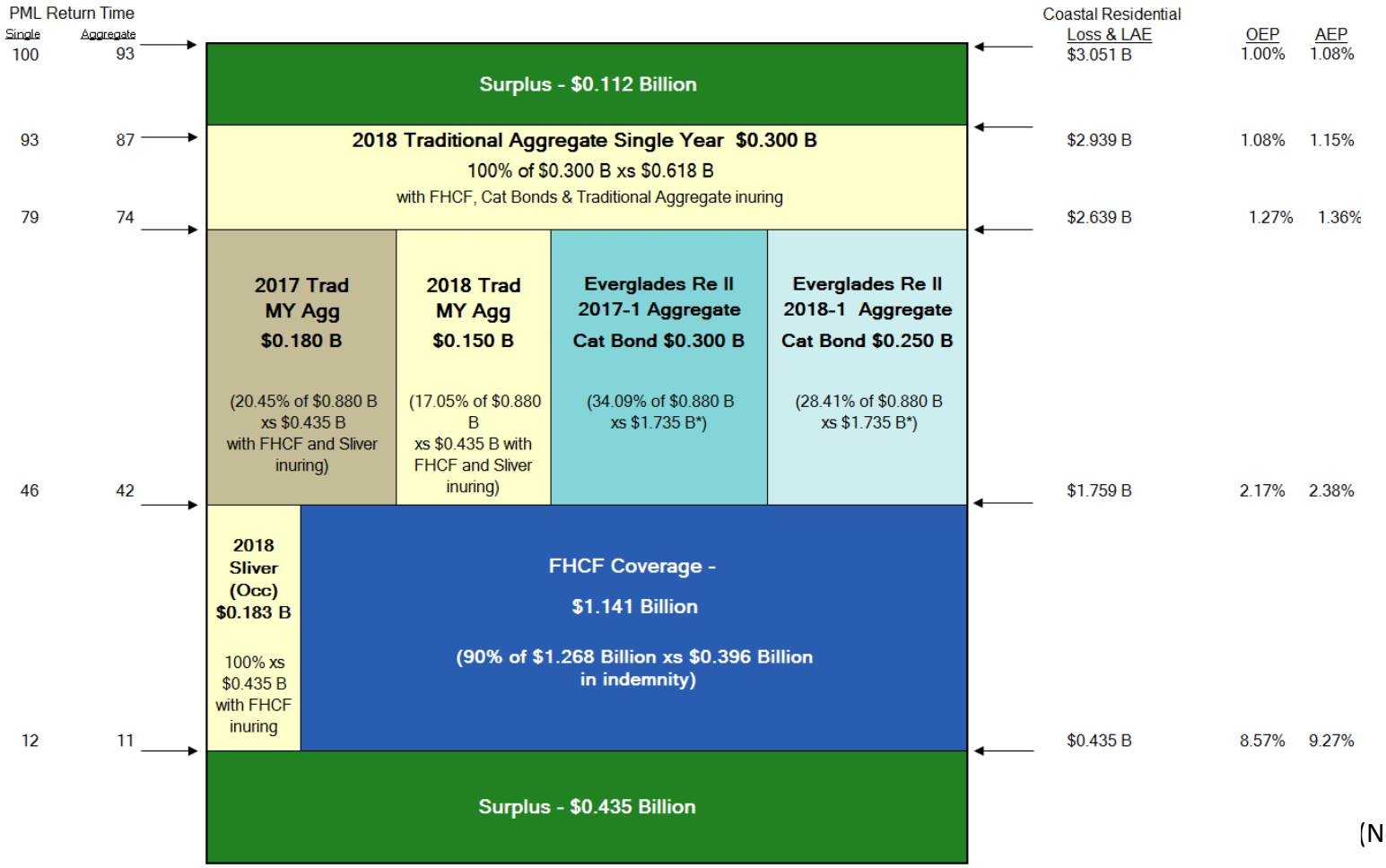
2018 Coastal Account Projected Layer Chart

Personal Residential and Commercial Residential



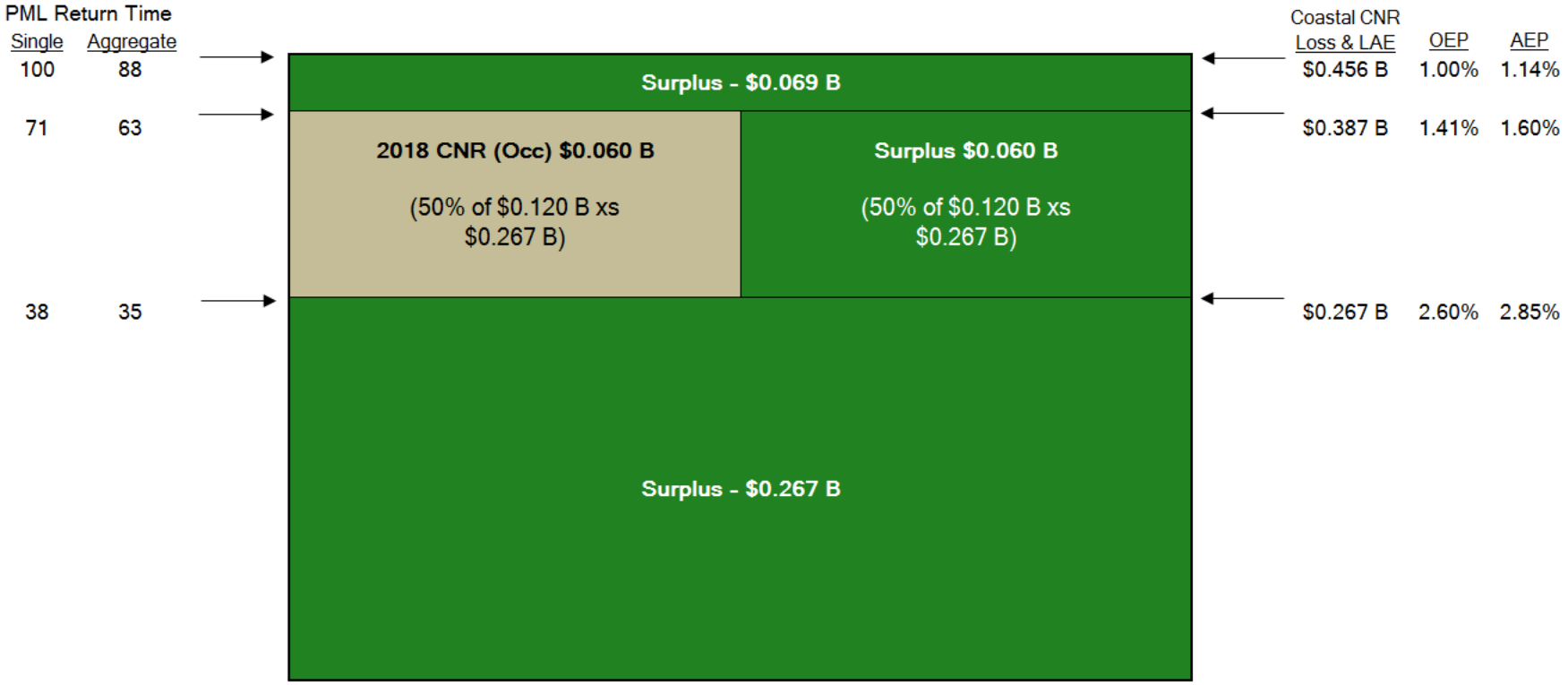
(Not to scale)

*The current estimate of FHCF coverage amount results in a slight overlap with the Everglades Re II attachment point which is not shown in the chart above

See *Notes and Assumptions (page 8)*

2018 Coastal Account Layer Chart

Commercial Non-Residential



(Not to scale)

See *Notes and Assumptions (page 8)*

Notes and Assumptions
2017-2018 Storm Season

ASSUMPTIONS

- Citizens' 2017 Budgeted DWP — $1.0 Billion (Coastal $419 Million; PLA/CLA $583 Million)
- Citizens' Policyholder Surcharge Maximum % Per Account — 15%
- 2017 Regular Assessment Base (projected) — $42.7 Billion
- Regular Assessment Maximum % Per Account — 2% for Coastal; 0% for PLA/CLA
- 2016 Emergency Assessment Base — $43.7 Billion
- PMLs are based on modeled losses as of August 31, 2017 per AIR Touchstone, Version 4.0.0. PMLs reflect the Standard Sea Surface Temperature (SSST) Event Catalog including Demand Surge, excluding Storm Surge, and include 10% of loss to account for loss adjustment expense (LAE).
- Interim Return Periods are derived by Linear Interpolation
- 2017 Projected Surplus = 2016 surplus + 2017 budgeted net income - adjustment for risk transfer cost in excess of budgeted
- Citizens' 2017 FHCF coverage is based on actual Citizens' FHCF premium and final retention & payout multiples

NOTES

These charts are imperfect! They attempt to show projected claims-paying resources, but they are approximations only. Four significant complicating factors are described below:

1) Coastal PML vs. PLA/CLA PML: An actual 100-year PML event in Coastal Account may not be a 100-year PML event for PLA/CLA. The relative magnitude of actual losses for Coastal and PLA/CLA will depend on the storm size and path

2) Combining PLA and CLA: The PLA and CLA are separate accounts for deficit calculation and assessment purposes, but are combined for FHCF and credit purposes. It is impossible to accurately show the PML resources situation of these accounts on either separate or combined charts since simplifications must be made in either case that could prove materially inaccurate. Although we show the combined accounts, there is no guarantee that they will have deficits at the same time or of similar magnitude

3) Non-residential exposure: Commercial non-residential (CNR) exposures in the CLA and Coastal Account are not reinsured by FHCF. Actual deficits and assessments may be significantly different than an aggregated PML would otherwise indicate. The charts include a provisional estimate for CNR losses of 16% in the Coastal Account for all return times. CNR is a negligible portion of the PLA/CLA Accounts and so is not considered in that chart

4) Liquidity: These charts do not show the liquidity needs of the accounts. An account with ample PML resources may still require liquidity as many of the PML resources are not available immediately following a major hurricane. The timing and magnitude of receivables such as FHCF recoveries and assessments are unknown.

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Notes and Assumptions
2018-2019 Storm Season

ASSUMPTIONS

▪ Citizens' 2018 Budgeted DWP	$1.0 Billion (Coastal $354 Million; PLA/CLA $652 Million)
▪ Citizens' Policyholder Surcharge Maximum % Per Account	15%
▪ 2018 Regular Assessment Base (projected)	$45.8 Billion
▪ Regular Assessment Maximum % Per Account	2% for Coastal; 0% for PLA/CLA
▪ 2017 Emergency Assessment Base	$46.8 Billion

- PMLs are based on modeled losses as of June 30, 2018 per AIR Hurricane Model for the United States Version 16.0.0 as implemented in Touchstone Version 5.0.0. All PMLs reflect the Standard Sea Surface Temperature (SSST) Event Catalog including Demand Surge, excluding Storm Surge, and include 10% of loss to account for loss adjustment expense (LAE).
- Interim Return Periods are derived by Linear Interpolation
- 2018 Projected Surplus = audited 2017 surplus + 2018 budgeted net income
- Citizens' 2018 FHCF coverage is based on preliminary retention estimates and payment multiples. Actual Citizens' FHCF attachment and limits of coverage could differ significantly from estimates.

NOTES

These charts are imperfect! They attempt to show projected claims-paying resources, but they are approximations only. Four significant complicating factors are described below:

1) Coastal PML vs. PLA/CLA PML: An actual 100-year PML event in the Residential portion of the Coastal Account may not be a 100-year PML event for PLA/CLA or for the Non-Residential portion of the Coastal Account. The relative magnitude of actual losses for Coastal and PLA/CLA will depend on the storm size and path

2) Combining PLA and CLA: The PLA and CLA are separate accounts for deficit calculation and assessment purposes, but are combined for FHCF and credit purposes. It is impossible to accurately show the PML resources situation of these accounts on either separate or combined charts since simplifications must be made in either case that could prove materially inaccurate. Although we show the combined accounts, there is no guarantee that they will have deficits at the same time or of similar magnitude

3) Non-residential exposure: Commercial non-residential (CNR) exposures in the CLA and Coastal Account are not reinsured by FHCF. Coastal CNR losses are shown in a stand-alone chart and correspond to the actual CNR's PML and return periods. CNR is a negligible portion of the PLA/CLA Accounts and so is not considered in that chart

4) Liquidity: These charts do not show the liquidity needs of the accounts. An account with ample PML resources may still require liquidity as many of the PML resources are not available immediately following a major hurricane. The timing and magnitude of receivables such as FHCF recoveries and assessments are unknown.

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