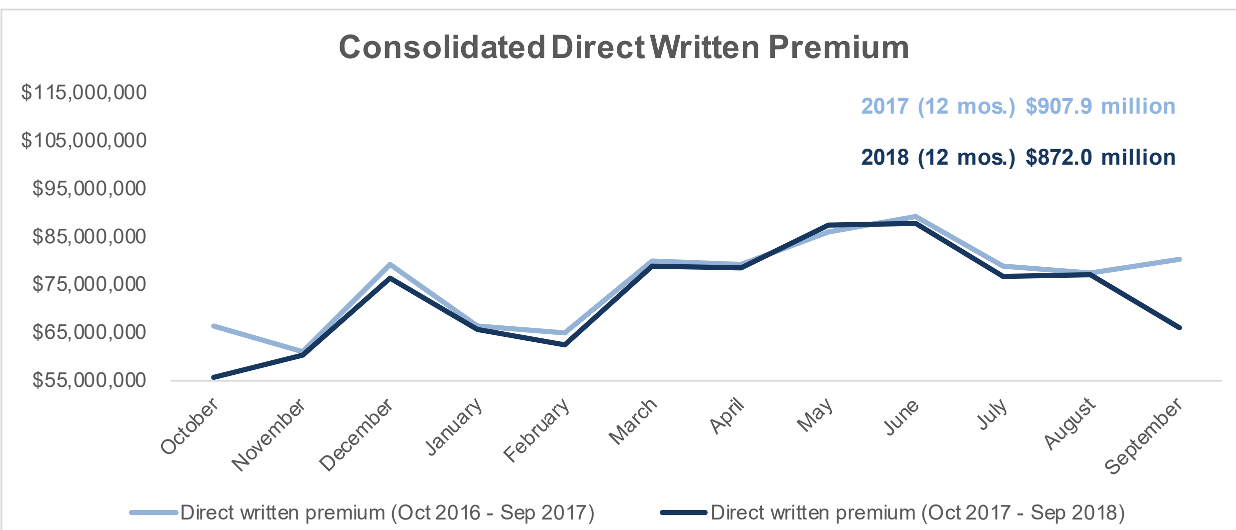
The following is an analysis of Citizens' financial and operating results for the third quarter of 2018.

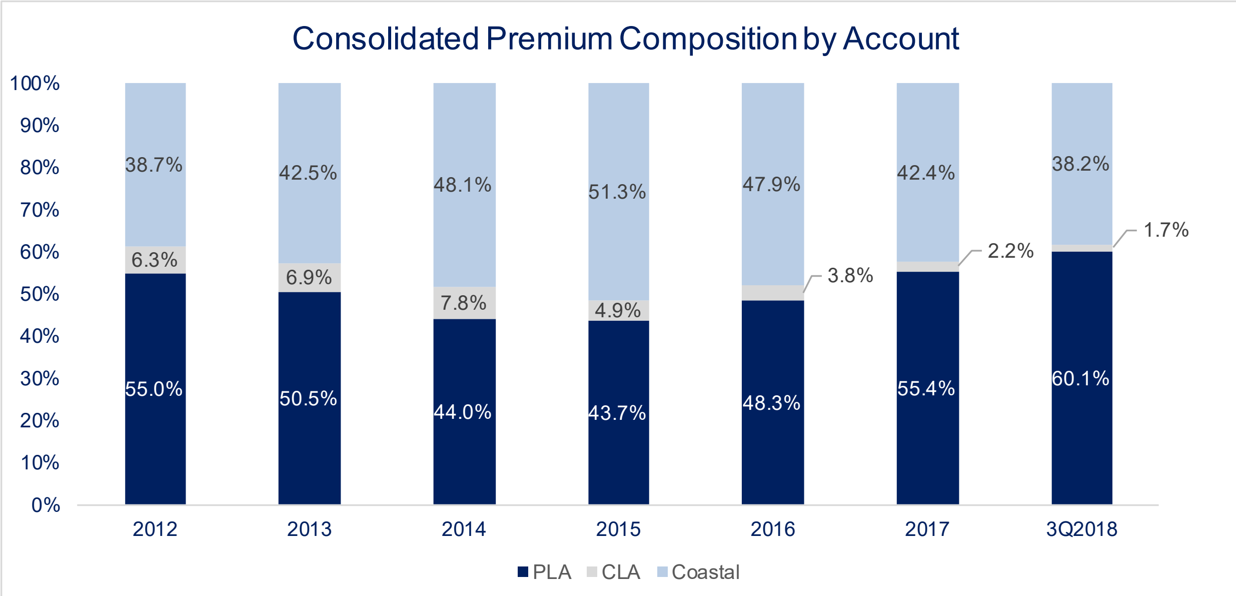
- PREMIUMS -

Consolidated direct written premium through the third quarter of 2018 was $679.6 million or $22.0 million (3%) less than the same period a year ago. 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. Through the third quarter of 2018, PIF within the Personal Lines Account (PLA) increased 1.1%, while the CLA and Coastal Account observed decreases in PIF of 32% and 13%, respectively. During this same period, the PLA added 3,406 policies whereas the CLA and Coastal Account lost 480 and 20,051 policies, respectively. For the rolling 12-month periods ended September 30, 2018 and 2017, the consolidated decrease in PIF (3.7%) approximated the decrease in consolidated direct written premium (3.9%). The volume of premiums removed through depopulation of $5.3 million during the first three quarters of 2018 was $3.6 million (40%) less than the same period in 2017.

	12-months ended		9-months ended	
	Sep 2018	Sep 2017	Sep 2018	Sep 2017
New Business	88,644	92,033	68,495	71,833
Untagged Takeouts	228	10,758	151	6,634
Reinstatements	8,339	10,810	6,545	8,811
Cancellations	(47,918)	(47,850)	(34,169)	(35,411)
Non-Renewals	(43,129)	(43,044)	(33,653)	(32,673)
New Tags for Takeout	(23,290)	(55,142)	(5,559)	(15,693)
Net change	(17,126)	(32,435)	1,810	3,501
Ending PIF	442,218	459,344	442,218	459,344

Consolidated direct earned premium declined $32.2 million (5%) during the first three quarters of 2018 compared to the first three quarters of 2017.





Through September 30, 2018 premiums ceded through reinsurance arrangements totaled $240.7 million or $10.2 million (4%) less than the same period in 2017. The decline in reinsurance premiums ceded was driven by reductions in the cost of private reinsurance as well as reductions in premiums ceded to the FHCF, both largely due to declines in reinsured exposure and changes in risk-adjusted pricing on private reinsurance arrangements.

- LOSSES -

Non-CAT Only	Consolidated			Personal Lines Account			Commercial Lines Account			Coastal Account		
	Q3 2018	FY 2017	Q3 2017	Q3 2018	FY 2017	Q3 2017	Q3 2018	FY 2017	Q3 2017	Q3 2018	FY 2017	Q3 2017
Direct loss ratio	33.2%	28.3%	31.1%	41.1%	43.8%	47.5%	172.9%	3.3%	11.0%	14.0%	11.2%	13.3%
Direct loss ratio (underlying)	28.7%	27.3%	27.6%	40.0%	41.5%	41.6%	9.8%	9.8%	9.7%	13.1%	11.3%	12.5%
Direct LAE ratio	23.0%	18.9%	16.7%	31.1%	26.2%	22.8%	-8.1%	-2.2%	-2.9%	12.5%	11.6%	11.0%
Direct LAE ratio (underlying)	16.9%	16.0%	13.9%	22.3%	22.3%	19.3%	5.9%	4.1%	3.8%	9.4%	9.2%	8.4%

CAT and Non-CAT	Consolidated			Personal Lines Account			Commercial Lines Account			Coastal Account		
	Q3 2018	FY 2017	Q3 2017	Q3 2018	FY 2017	Q3 2017	Q3 2018	FY 2017	Q3 2017	Q3 2018	FY 2017	Q3 2017
Direct loss ratio	33.2%	187.7%	201.9%	41.2%	159.4%	130.1%	172.9%	75.8%	134.5%	14.0%	229.2%	290.5%
Direct loss ratio (underlying)	28.7%	186.6%	198.3%	40.0%	157.0%	124.0%	9.8%	82.3%	133.2%	13.1%	229.3%	289.7%
Direct LAE ratio	23.1%	67.2%	33.9%	31.3%	74.4%	31.7%	-8.1%	11.9%	9.2%	12.7%	62.3%	38.2%
Direct LAE ratio (underlying)	16.9%	63.9%	22.5%	22.3%	70.1%	23.4%	5.9%	18.2%	9.9%	9.4%	59.5%	22.3%

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 through the third quarter of 2018 were relatively unchanged as compared to the prior calendar year and third 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 sinkhole losses from prior accident years.

While loss and LAE development within the CLA and commercial lines policies in the Coastal Account are less significant 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 of business was considerably larger. The CLA reported direct written premium of $362.8 million and $200.8 million for the calendar years 2008 and 2012, respectively. Through the first three quarters of 2018, direct written premium in the CLA was $11.7 million. The decrease LAE incurred through the first three quarters of 2018 was principally driven by reductions in unallocated LAE reserves for prior accident years.

LAE incurred during the current calendar year increased as a result of increased resources (internal and external) needed to address continued challenges with non-weather water losses. This increase in necessary resources contributed to the overall deterioration in the LAE ratio, particularly within the PLA. Recent trends suggest that the fraction of non-weather water claims entering litigation has stabilized but remains within a historically high range of 40-50%.

Administrative expenses reclassified 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 of LAE in prior accident years.

At September 30, 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 three quarters of 2018 of $95.7 million were approximately $4.6 million (4.6%) below the same period a year ago and $12.9 million (12%) below budget. Total employee costs (salaries, employee benefits, and payroll taxes) were $5.3 million (5.6%) below budget, primarily as a result of favorable variances in budgeted headcount reported through Q3. While employee costs support approximately 40% of the total variance to budget, provided below are other factors contributing to the combined result:

- Professional Services were $4.2 million or 39% under budget through the third quarter of 2018, and represented 32.5% of the combined observed variance of $12.9 million. The reported variance was primarily driven by the Centerpoint ERP and Guidewire V9 upgrade initiatives, where a combined $2.4 million favorable variance was reported as a result of lower than anticipated utilization of contingency reserves. In addition, delays in other initiatives contemplated in the 2018 Operating Budget contributed to the combined favorable variance.

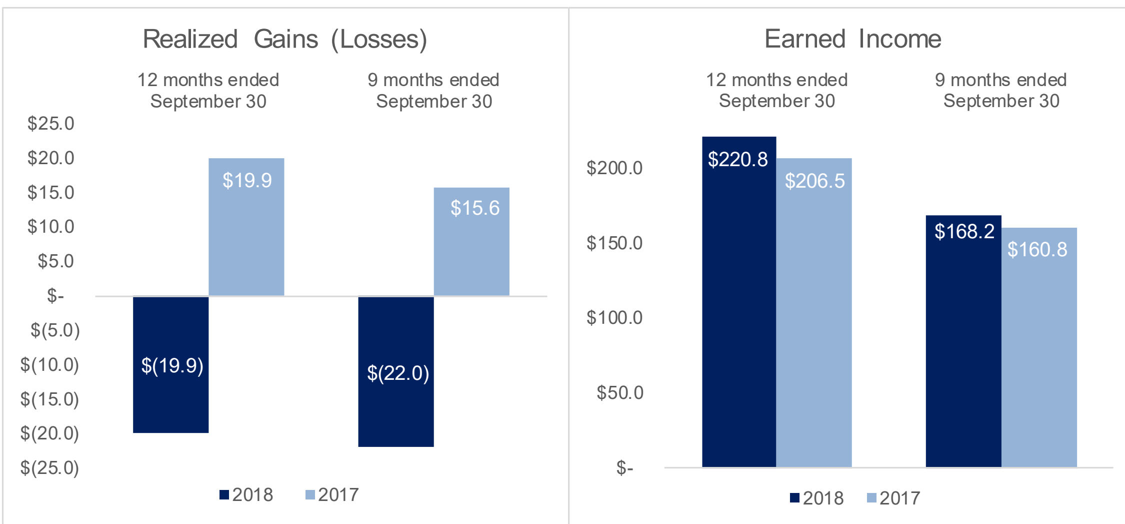
- Software Licensing and Fees expenses were approximately $800,000 or 6% under budget through September 30, 2018. Fees on corporate initiatives, including Centerpoint ERP and Self-Service Strategy, contributed approximately $780,000 to the overall variance in this category.

- Subscriptions and Dues were approximately $700,000 or 57% under budget through the third quarter of 2018, as a result of a reclassification of an expense accrued at year end 2017 which is now reported within other underwriting expenses.

Employee Training expenses were $380,000 or 45% below the budget estimate. Factors contributing to the observed variance include Citizens' response to Hurricane Irma and Michael that delay timing of planned training as well as lower than planned headcount as compared to the 2018 Operating Budget.

Through September 30, 2018, Citizens' expense ratio was 24.1%, reflecting a 0.5% decrease from 2017 and a 0.6% decrease as compared to budget. Citizens anticipates that the actual expense ratio for fiscal year 2018 will be 25.6%, or 0.9% above budget, largely due to projected declines in new business within the Coastal Account and PLA.

- INVESTMENT INCOME -



($ in millions) ($ in millions)

Total income (measured as total investment income excluding investment expenses) for the first three quarters of 2018 was $146.3 million, roughly $30.2 million (17%) less than the same period a year ago, while total average invested assets declined $2.344 billion (19%) over the same comparable period. Despite a decline in period-over-period total income, earned income (measured as total investment income excluding both investment expenses and realized gains/losses) increased $7.5 million (5%). Net realized losses during the first three quarters of 2018 were $22 million, representing an increase of $37.6 million relative to the same period in 2017. Net realized losses were taken as portfolio managers maintain duration targets across portfolios, reinvest maturing positions, and liquidate existing positions to meet scheduled debt service requirements. This resulted in an increase in realized losses due to overall rising market interest rates, volatility and fluctuations in credit spreads.

In January 2018, changes to Citizens' investment policies were implemented by portfolio managers, allowing Citizens to take advantage of market conditions, provide additional diversification across portfolios, and increase overall portfolio returns by extending portfolio duration, increasing exposure to corporate spread products, expanding permitted credit ratings, and permitting investment in certain asset-backed securities.

	12-months ended ($ millions)		9-months ended ($ millions)	
	Sep 2018	**Sep 2017**	**Sep 2018**	**Sep 2017**
Earned income	$ 220.76	$ 206.53	$ 168.22	$ 160.75
Net realized gains (losses)	(19.87)	19.94	(21.98)	15.63
Total income	**$ 200.90**	**$ 226.47**	**$ 146.25**	**$ 176.38**
Average invested assets	**$ 10,034.40**	**$ 11,787.00**	**$ 9,846.29**	**$ 12,189.80**

	Externally-Managed Portfolios (September 30, 2018)			
	Taxable Claims	Taxable Liquidity	Tax-Exempt Claims	Taxable LD Claims
Total market value ($ in billions)	$2.004	$0.841	$1.443	$4.268
Duration	3.8	0.7	1.8	5.5
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 $290.7 million during the first three quarters of 2018 compared to $109.1 million in cash flows provided by operations during the same period in 2017. Net premiums collected were $539.6 million or $38.7 million (8%) more than the same period a year ago consistent with declines in ceded premiums paid for reinsurance in 2018 compared to 2017. Period-over-period increases in net investment income collected were driven by decreases in the level of debt obligations outstanding.

Increases in benefits and loss related payments were principally the result of loss and LAE payments associated with Hurricane Irma. The modest decrease in underwriting expenses paid were the result of similar declines in the overall levels of direct premium written.

	Consolidated - 12 months ended		**Consolidated - 9 months ended**	
	Sep 2018	**Sep 2017**	**Sep 2018**	**Sep 2017**
Premiums collected, net	$ 617,123,035	$ 532,762,468	$ 539,637,330	$ 500,919,440
Net investment income	178,852,264	135,601,343	162,661,382	148,295,240
Miscellaneous income (expense) collected (paid)	3,585,275	4,238,463	2,236,218	3,582,299
Benefits and loss related payments	(1,166,223,833)	(323,011,986)	(617,926,397)	(244,395,420)
Loss adjustment expense payments	(402,756,459)	(174,746,355)	(213,496,343)	(132,584,158)
Underwriting expenses paid	(215,008,538)	(219,782,400)	(163,841,733)	(166,680,949)
Net cash flows provided by (used in) operations	**$ (984,428,256)**	**$ (44,938,466)**	**$ (290,729,543)**	**$ 109,136,452**