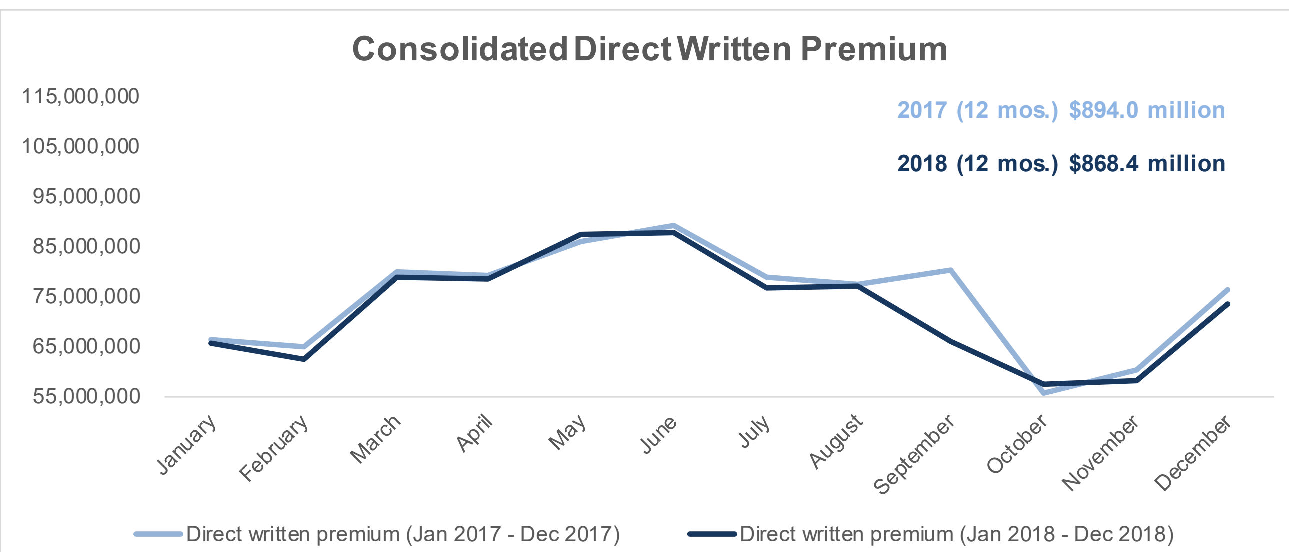
The following is an analysis of Citizens' financial and operating results for fiscal year 2018.

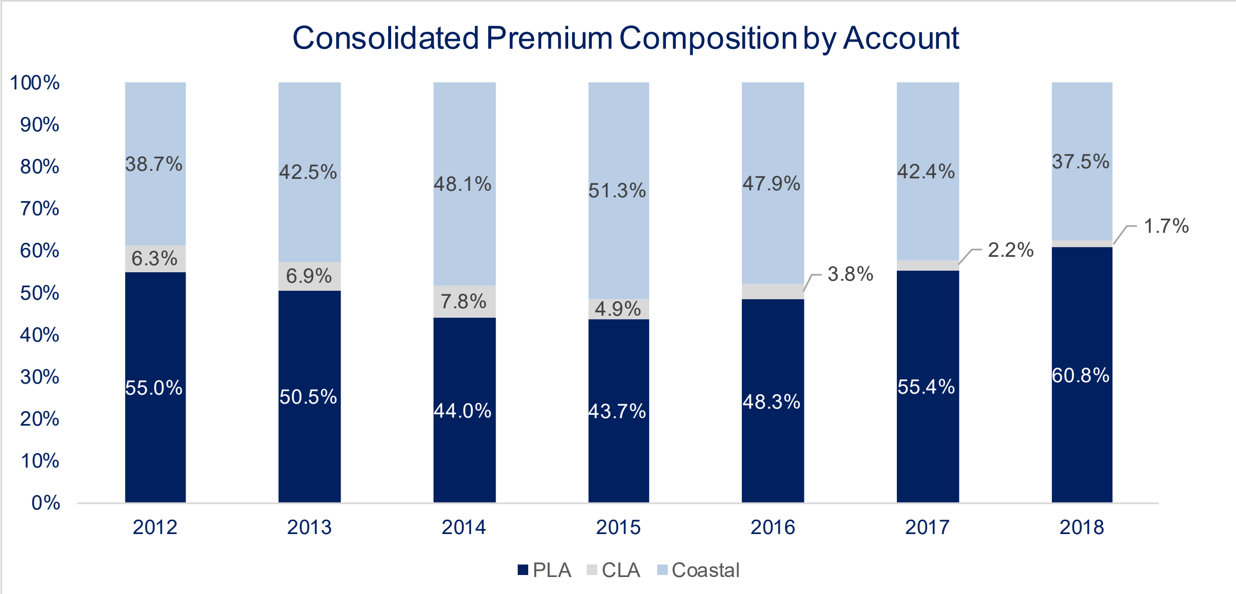
- PREMIUMS -

Consolidated direct written premium in 2018 was $868.4 million or $25.6 million (3%) less than consolidated direct written premium in 2017. The decrease in written premium is the result of decreases in combined policies inforce (PIF), primarily commercial lines policies within the Commercial Lines Account (CLA) and Coastal Account. Through 2018, PIF within the Personal Lines Account (PLA) increased 1.3%, while the CLA and Coastal Account observed decreases in PIF of 30% and 12%, respectively. During this same period, the PLA added 4,031 policies whereas the CLA and Coastal Account lost 388 and 16,655 policies, respectively. For the year ended December 31, 2018, the consolidated decrease in PIF (3%) was approximately equal to the decrease in consolidated direct written premium. The volume of premiums removed through depopulation of $17.9 million during 2018 was $12.8 million (42%) less than 2017, with a majority of the decrease ($9.8 million) occurring within the Coastal Account.

	12-months ended	
	Dec 2018	**Dec 2017**
New Business	83,807	91,981
Untagged Takeouts	159	6,711
Reinstatements	8,201	10,605
Cancellations	(44,380)	(49,160)
Non-Renewals	(43,308)	(42,149)
New Tags for Takeout	(17,491)	(33,424)
Net change	(13,012)	(15,436)
Ending PIF	427,395	440,407

Consolidated direct earned premium declined $39 million (4%) during 2018 compared to 2017 and approximated the decline in direct written premium.





Through December 31, 2018 premiums ceded through reinsurance arrangements totaled $234.6 million or $12.1 million (5%) less than 2017. The decrease in reinsurance premiums ceded was driven by reductions in both the cost of private reinsurance and 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**		
	FY 2018	**FY 2017**	**FY 2016**	**FY 2018**	**FY 2017**	**FY 2016**	**FY 2018**	**FY 2017**	**FY 2016**	**FY 2018**	**FY 2017**	**FY 2016**
Direct loss ratio	31.0%	28.3%	31.7%	40.4%	43.8%	52.6%	142.5%	3.3%	10.9%	11.1%	11.2%	13.7%
Direct loss ratio (underlying)	28.1%	27.3%	26.7%	39.0%	41.5%	42.9%	10.3%	9.8%	10.6%	12.4%	11.3%	12.8%
Direct LAE ratio	24.1%	18.9%	16.5%	32.9%	26.2%	25.0%	-14.5%	-2.2%	-0.8%	12.8%	11.6%	10.0%
Direct LAE ratio (underlying)	16.5%	16.0%	12.7%	22.0%	22.3%	19.0%	3.6%	4.1%	4.2%	8.9%	9.2%	7.5%

CAT and Non-CAT	**Consolidated**			**Personal Lines Account**			**Commercial Lines Account**			**Coastal Account**		
	FY 2018	**FY 2017**	**FY 2016**	**FY 2018**	**FY 2017**	**FY 2016**	**FY 2018**	**FY 2017**	**FY 2016**	**FY 2018**	**FY 2017**	**FY 2016**
Direct loss ratio	53.9%	187.7%	35.1%	82.5%	159.4%	54.8%	168.4%	75.8%	15.9%	4.8%	229.2%	18.1%
Direct loss ratio (underlying)	44.3%	186.6%	30.1%	54.2%	157.0%	45.2%	27.4%	82.3%	14.8%	30.3%	229.3%	17.2%
Direct LAE ratio	30.8%	67.2%	17.0%	40.5%	74.4%	25.4%	-11.4%	11.9%	-0.6%	18.3%	62.3%	10.6%
Direct LAE ratio (underlying)	17.9%	63.9%	13.2%	23.5%	70.1%	19.5%	3.9%	18.2%	4.6%	10.2%	59.5%	8.1%

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

At December 31, 2018, consolidated direct loss and LAE reserves related to Hurricane Irma were increased by $104.5 million. This increase was largely concentrated in the PLA and was driven by increases in projected reported claim counts, increases in loss severity, increases in ALAE severity, and overall increases in ULAE costs. Preliminary evidence suggests that the increase in loss severity is being driven by increases in inflationary trends, whereby significant increases in the cost of labor have been observed.

Although severity and cost increases have been noted for ALAE and ULAE, the relative increase in Irma-related LAE was less than the increase in Irma-related losses. Contributing to the modest increase in LAE is the reduction in projected litigation rates. Initial projections estimated a litigation rate of approximately 30% although as of December 31, 2018, the projected litigation rate was reduced to 15%.

Across all lines of business within the Coastal Account, direct loss and LAE reserves related to Hurricane Irma were decreased by $65 million. Reductions in projected litigation rates on personal and commercial residential claims were partially offset by increases in loss and ALAE severity on commercial non-residential claims.

On a consolidated basis, ultimate direct losses and LAE related to Hurricane Irma were $1.915 billion. Of that amount, $697.2 million is recoverable under Citizens' reinsurance contracts with both the FHCF ($329.8 million in the PLA and $238.2 million in the Coastal Account) and private reinsurers ($129.2 million in the Coastal Account only).

On a consolidated basis, ultimate direct losses and LAE related to Hurricane Michael were $151.7 million. No reinsurance recoverables associated with Hurricane Michael were recorded due to the losses and LAE not meeting the attachment levels of reinsurance arrangements.

Litigation of non-weather water claims continues to impact the PLA with historically high litigation rates that has remained in the 40-50% range. Favorable loss development on older water claims was more than offset by adverse development in ALAE. Additionally, adverse development on older sinkhole claims contributed to an increase in the reported loss and LAE ratio within the PLA.

Within the CLA, volatility in older sinkhole claims continues to contribute to material quarterly variances in the reported loss and LAE ratios. While loss and LAE development within the CLA 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. In 2018, direct written premium in the CLA was $14.7 million.

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.

- ADMINISTRATIVE EXPENSES -

Administrative expenses incurred during 2018 of $126.3 million were $4.5 million (3.5%) less than administrative expenses incurred during 2017 and $14.1 million (10.0%) less than budget. Total employee costs (salaries, employee benefits, and payroll taxes) incurred during 2018 were $4.4 million (3.6%) less than 2017 and $6.2 million (5%) below budget. Favorable headcount variances both year-over-year and budget-to-actual contributed most significantly to favorable variances within employee costs. Variances (year-over-year and budget-to-actual) in contingent staffing was primarily due to independent adjusters that were engaged in response to Hurricanes Michael and Irma. These expenses, along with other claims-related costs, are reclassified to loss adjustment expenses (LAE).

Other factors contributing to significant year-over-year or budget-to-actual variances are as follows:

- Depreciation expenses were $1.2 million (24%) below budget as a result of deferrals and timing differences in the acquisition dates of capital expenditures.

- Software Licensing and Fees expenses were $3.3 million (23%) greater than 2017 and were largely the result of additional licensing fees aquired for claims-related software due to Hurricane Irma.

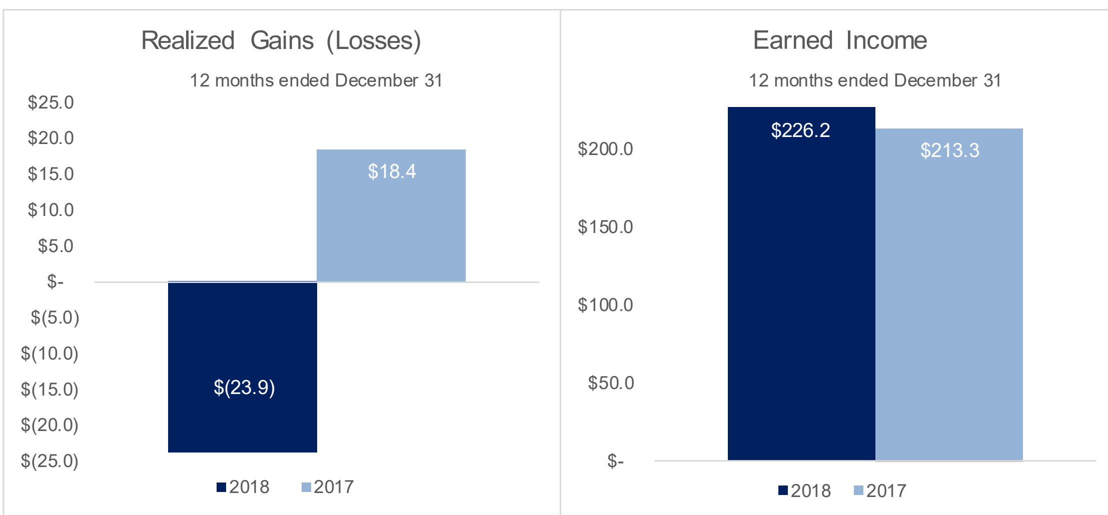
- Professional Services were $4.0 million (30%) below budget and $2.0 million (17%) less than 2017. These variances were primarily driven by the Centerpoint ERP and Guidewire V9 upgrade initiatives as a result of lower than anticipated utilization of contingency reserves, completions, reductions, and eliminations in implemented modules, and delays or deferrals of other initiatives included in the 2018 Operating Budget.

- Subscriptions and Dues were $0.7 million (49%) below budget and $1.2 million (59%) less than 2017. This variance was the result of a reclassification of an expense accrued at year end 2017 which is now reported within other underwriting expenses.

Unfavorable budget variances of $1 million (59%) in travel were largely due to travel expenditures associated with Citizens' field response to Hurricanes Irma and Michael which totaled approximately $1.5 million.

For the year ended December 31, 2018, Citizens' expense ratio was 24.6%, reflecting a 0.7% decrease from 2017 and a 0.3% increase as compared to budget.

- INVESTMENT INCOME -



($ in millionss) ($ in millions)

Total income (measured as total investment income excluding investment expenses) for 2018 was $202.3 million, roughly $29.4 million (13%) less than 2017, while total average invested assets declined $1.773 billion (15%) 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 $12.9 million (6%).

The increase in earned income both in absolute and relative terms was generally driven by increases in the overall level of interest rates during the last 12 months moderately offset by reductions in the duration of certain portfolios. Net realized losses during 2018 were $23.9 million, representing an increase of $41.6 million relative to 2017.

Net realized losses were taken as portfolio managers maintain duration targets across portfolios, liquidate existing positions to meet scheduled debt service requirements, and meet liquidity demands associated with hurricane-related loss and LAE payments. This resulted in an increase in realized losses due to overall rising market interest rates, volatility and fluctuations in credit spreads. Realized losses attributable to hurricane-related liquidity positioning during 2018 were approximately $2 million. In contrast, realized gains attributable to hurricane-related liquidity positioning during 2017 were approximately $16.5 million.

	12-months ended ($ millions)		3-months ended ($ millions)	
	Dec 2018	**Dec 2017**	**Dec 2018**	**Dec 2017**
Earned income	$ 226.20	$ 213.30	$ 58.00	$ 52.50
Net realized gains (losses)	(23.90)	17.70	(2.00)	2.80
Total income	**$ 202.30**	**$ 231.00**	**$ 56.00**	**$ 55.30**
Average invested assets	**$ 9,786.82**	**$ 11,560.21**	**$ 9,341.08**	**$ 10,590.45**

	Externally-Managed Portfolios (December 31, 2018)			
	Taxable Liquidity	Taxable Claims	Tax-Exempt Claims	Taxable LD Claims
Total market value ($ in billions)	$0.745	$2.031	$1.350	$4.338
Duration	0.7	3.7	1.8	5.3
Avg. credit rating (S&P / Moody's / Fitch)	A+ / Aa3 / AA-	A / A1 / AA-	AA / Aa2 / AA	A / A1 / A+

- CASH FLOWS -

Consolidated cash flows used in operations were $525.5 million during 2018 compared to $584.6 million during 2017. Net premiums collected were $615.1 million or $36.7 million (6%) more than 2017, consistent with declines in ceded premiums paid for reinsurance in 2018 compared to 2017 as well as declines in the volume of premiums ceded through depopulation. Period-over-period increases in net investment income collected were driven by overall decreases in the level of debt obligations outstanding partially offset by decreases in investment income collected.

Increases in benefits and loss related payments were principally the result of loss and LAE payments associated with the continued settlement of claims resulting from Hurricanes Irma (2017) and Michael (2018). The modest decrease in underwriting expenses paid were the result of corresponding declines in the overall levels of direct premium written and decreases in administrative expenses paid.

	Consolidated - 12 months ended		**Consolidated - 3 months ended**	
	Dec 2018	**Dec 2017**	**Dec 2018**	**Dec 2017**
Premiums collected, net	$ 615,131,361	$ 578,405,144	$ 75,494,031	$ 77,485,704
Net investment income	186,941,580	164,486,122	24,280,198	16,190,882
Miscellaneous income (expense) collected (paid)	(53,739)	4,931,356	(2,289,957)	1,349,057
Benefits and loss related payments	(831,067,966)	(792,692,855)	(213,141,569)	(548,297,435)
Loss adjustment expense payments	(294,037,987)	(321,844,274)	(80,541,644)	(189,260,116)
Underwriting expenses paid	(202,386,658)	(217,847,754)	(38,544,925)	(51,166,805)
Net cash flows provided by (used in) operations	**$ (525,473,409)**	**$ (584,562,261)**	**$ (234,743,866)**	**$ (693,698,713)**