Citizens Property Insurance Corporation

Annual Report of Aggregate Net Probable Maximum Losses,
Financing Options, and Potential Assessments

February 2025

Table of Contents

The data contained in this report is unaudited. This report is prepared by Raymond James as financial advisor to Citizens Property Insurance Corporation.

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Purpose and Scope

Section 627.35191 Florida Statutes, enacted in 2013, requires Citizens Property Insurance Corporation (Citizens) to provide a report to the Legislature and the Financial Services Commission identifying the aggregate net probable maximum losses, financing options, and potential assessments of Citizens. Section 627.35191 Florida Statutes follows:

> **627.35191 Required Reports. —**
> (1) By February 1 of each year, the Florida Hurricane Catastrophe Fund and Citizens Property Insurance Corporation shall each submit a report to the Legislature and the Financial Services Commission identifying their respective aggregate net probable maximum losses, financing options, and potential assessments. The report issued by the fund and the corporation must include their respective 50-year, 100-year, and 250-year probable maximum losses; analysis of all reasonable financing strategies for each such probable maximum loss, including the amount and term of debt instruments; specification of the percentage assessments that would be needed to support each of the financing strategies; and calculations of the aggregate assessment burden on Florida property and casualty policyholders for each of the probable maximum losses.

Before 2024, Citizens accumulated claims-paying resources through three separate accounts (Coastal, Personal Lines and Commercial Lines). On January 1, 2024, Citizens combined its accounts in accordance with Senate Bill 2-A (2022). In 2025, Citizens is again planning to acquire risk transfer resources to minimize the risk of assessments for its consolidated Citizens account.

Introduction

Citizens plays an important role in the provision of property insurance coverage for Florida residents unable to find coverage in the private market. Eleven consecutive seasons with minimal claims payment activity until Hurricane Irma in 2017 and Hurricane Michael in 2018, allowed Citizens to accumulate resources for future storms. However, due to Hurricane Ian in 2022, Citizens had again depleted some of its financial resources available for the 2024 season, with estimated surplus of approximately $6.2 billion. In addition to its surplus, Citizens' financial resources for 2024 also included a reinsurance program of approximately $3.6 billion through both the traditional reinsurance and capital markets, and approximately $4.8 billion through the Florida Hurricane Catastrophe Fund (FHCF). Due to the combined impact of hurricanes Debby, Helene, and Milton during the 2024 storm season, Citizens financial resources have been depleted further. The projected 2025 surplus is approximately $3.8 billion.

Despite this reduction in surplus, thanks to a successful year of depopulation, Citizens begins 2025 with significantly reduced exposure (30% from 2023 year-end to 2024 year-end) and anticipates placing a strong reinsurance program.

If Florida is impacted by an extreme storm or series of storms in 2025, Citizens may need to rely on its assessment capability and / or post-event financing to meet its policyholder obligations.

For the 2025 season, in addition to its surplus of approximately $3.8 billion, Citizens is projected to have approximately $3.5 billion in FHCF reimbursement and is planning for approximately $4.6 billion of private risk transfer (of which $1.6 billion is currently in place for the 2025 season remaining from 2023 and 2024). Catastrophic losses, either from a single event or from multiple events, that exhaust its claims paying resources will require Citizens to levy the policyholder surcharge and possibly levy an emergency assessment. In the event an emergency assessment is levied, Citizens would likely issue post-event bonds in order to meet its claims-paying needs. Repayment of any post-event bonds issued would be funded through the collection of the associated Citizens policyholder surcharge and emergency assessment. **Citizens is projected to not have an assessment burden for a 1-50 year event and an assessment burden of approximately $1.3 billion for a 1-100 year event and $9.3 billion for a 1-250 year event.**

The analyses presented in this report summarize Citizens' claim paying resources and how Citizens would apply these resources after a single event or series of events.

Aggregate Net Probable Maximum Losses

Table 1 below presents the projected net Probable Maximum Loss (PML), including 10% of loss to account for Loss Adjustment Expenses, from storms of the return time specified. The loss calculations are as of December 31, 2024 and were prepared by Citizens using AIR Hurricane Model for the United States Version 2.0.0 as implemented in Touchstone 2023 (version 11.5.0, 50K US Hurricane - Florida Regulatory Event Set). Table 1 also illustrates Citizens' projected payment sources for each return time, including surplus, FHCF reimbursement and private risk transfer, and identifies any shortfalls which would require the levy of the policyholder surcharge and emergency assessment.

Table 1
($ in millions)

Return Time (Years)	PML[1]	Projected FHCF Reimbursement	Projected Payment from Surplus[2]	Projected Private Reinsurance / Capital Markets[3]	Projected Assessable Shortfall
50	$8,537	$3,548	$3,217	$1,772	$0
100	$13,338	$3,548	$3,846	$4,636	$1,309
250	$21,285	$3,548	$3,846	$4,636	$9,255

[1] All PMLs reflect single event modeled losses as of December 31, 2024 per AIR Hurricane Model for the United States Version 2.0.0 as implemented in Touchstone 2023 (version 11.5.0, 50K US Hurricane - Florida Regulatory Event Set), including demand surge, excluding storm surge, including 10% of loss to account for Loss Adjustment Expense and are projected to the middle of storm season using a factor of -5.8% for residential and -7.6% for non-residential. The PML numbers are higher by approximately 9% for aggregate events or losses.

[2] Surplus is estimated as of 12/31/24 and includes 2025 net projected income/(loss) with $4.6 billion of projected traditional reinsurance / catastrophe bonds for the 2025 season.

[3] Private reinsurance/catastrophe bonds are estimated amounts per Citizens' projected risk transfer program for 2025. These amounts are preliminary, however, and may change.

[4] Numbers may not add due to rounding.

Financing Options

Financing provides liquidity but does not transfer risk. Citizens may undertake two basic types of financing: (1) pre-event financing – to provide liquid funds to meet policyholder obligations in a timely manner (Citizens uses this financing primarily as a "bridge" to ultimate claims-paying resources such as FHCF reimbursements or assessments); and (2) post-event financing – to provide the ultimate source of payment of covered claims in excess of accumulated surplus, FHCF reimbursements, other private reinsurance recoveries, and Citizens policyholder surcharge.

For 2025, Citizens' claims-paying sources are projected to total $12.0 billion ($3.8 billion of estimated surplus, $3.5 billion of FHCF reimbursements, and $4.6 billion of projected private risk transfer).

Citizens is currently evaluating market conditions for private risk transfer and is projected to have approximately $4.6 billion in 2025, which would reduce the projected assessable shortfall (if needed). This $4.6 billion includes approximately $1.6 billion of multi-year private risk transfer that carries over from the 2023 and 2024 seasons and is available for the 2025 season.

Citizens has two assessment tiers, which must be used by Citizens in a statutorily prescribed manner to fund any deficits caused by storm losses (see the following section for a description of each assessment type). The Citizens policyholder surcharge is collected over a 12-month period and, as a result of its relatively short collection period, this "one-time" levy may not require any financing. However, if a deficit still remains, Citizens is obligated to levy an emergency assessment. Emergency assessments can be levied over time in the amount of up to 10% of aggregate state-wide assessable premium per year and may be used to secure post-event bond financing. Citizens does not have a specific maturity limitation on its indebtedness and currently has no outstanding post-event bonds or assessments.

Per Citizens' financial advisor, Raymond James & Associates, conditions in the municipal and corporate markets are relatively stable as the Federal Reserve began its rate cut cycle with 1.00% of cuts in 2024 to the current rate of 4.25%-4.50%. Table 2 on the following page shows how corporate and municipal issuance rebounded in 2024 with approximately $2.0 trillion and $508 billion of issuance, respectively, which represents a 30% and 32% increase, respectively, as compared to 2023.

Table 2
($ in billions)

	Corporate Issuance		Municipal Issuance	
Year	Par ($B)	% Change from Prior Yr	Par ($B)	% Change from Prior Yr
2015	$1,514	2%	$405	19%
2016	$1,551	2%	$452	12%
2017	$1,678	8%	$449	-1%
2018	$1,378	-18%	$347	-23%
2019	$1,418	3%	$426	23%
2020	$2,275	60%	$485	14%
2021	$1,958	-14%	$476	-2%
2022	$1,354	-31%	$387	-19%
2023	$1,444	7%	$381	-2%
2024	$1,957	36%	$508	34%

Source: SIFMA

Although financial market conditions are currently moderately conducive to favorable for debt issuance, it is not possible to guarantee future financial market conditions. If long-term bonding in sufficient amounts is not immediately available, Citizens may need to explore alternatives, including the levying of emergency assessments with no financing, issuing bonds in multiple tranches over time and / or other interim financing alternatives.

Assessment Impact

Citizens has a two-tier assessment structure as prescribed by Florida Statutes. An important feature of the Citizens assessment structure is that unlike emergency assessments, Citizens' policyholder surcharge is levied only once, on Citizens policyholders only, and it may not be financed. The basic construct of Citizens' assessments for 2025 is as follows (note that this is a high-level summary and is therefore not exhaustive and may omit certain precise attributes):

(1) Any deficit (defined generally as losses and expenses in excess of surplus, FHCF reimbursement and private reinsurance) is first funded by Citizens' policyholder surcharge, up to a maximum of 15% of Citizens policyholder premium.

(2) Any remaining deficit is then funded through the collection of an emergency assessment, which can be levied directly on policyholders of most property and casualty lines in Florida at the greater of 10% of the assessment base or 10% of the remaining deficit. This effectively gives Citizens the ability to finance any deficit over multiple years. The emergency assessment would typically be used to secure post-event bonds, the proceeds of which would be used to pay policyholder claims in a timely manner.

Table 3 below presents the estimated assessment impact, by assessment type, for each of the three return periods.

Table 3
($ in millions)

Return Time (Years)	Projected Assessable Shortfall	Citizens' Policyholder Surcharge[1]		Emergency Assessment		
		$ Amount in MM	%	Total $ Amount in MM	Annual $ Amount in MM[2]	Annual %
50	$0	$0	0.0%	$0	$0	0.00%
100	$1,309	$559	15.0%	$750	$104	0.12%
250	$9,255	$559	15.0%	$8,696	$1,154	1.35%

[1] *These assessments are one-time assessments for the first year only. Citizens' policyholder surcharges are based on projected written premiums of approximately $4 billion for 2025.*

[2] *Represents annual assessment amount over a 10 year period using an assumed interest rate of 5.5% and the emergency assessment base of approximately $85 billion, which was the base for 2024. If this base is smaller or larger, required assessment percentages would be marginally higher or lower than shown above.*

Conclusion

Despite the impact of Hurricane Ian and Hurricane Milton, Citizens' financial strength is stable, primarily due to the consolidation of accounts and projected 2025 risk transfer, with no assessment burden for an event up to 1-85 years and minimal assessment burden for an event up to 1-100 years. Due to a successful depopulation program in 2024, in which 477,821 policies and $214.5 billion in exposure was removed, and strengthening of the Florida property insurance marketplace, Citizens' policy count and exposure are expected to remain steady or decrease marginally, further enhancing its financial position. For catastrophic losses which exceed Citizens' available surplus and risk transfer program, Citizens will rely on its policyholder surcharge and state-wide emergency assessments on Florida residents.

For catastrophic losses, either from a single event or from multiple events that result in a deficit and levying the emergency assessment, Citizens may issue post-event bonds in order to meet liquidity demands. Repayment of these post-event bonds would be funded through the collection of the associated emergency assessment. Citizens is projected to have no policyholder surcharge burden and no emergency assessments for up to a 1-85 year single event.

Citizens' ability to pay claims in full and in a timely manner remains critical to the people whose homes and businesses are insured and for the Florida economy in general. Citizens' claims-paying resources, which is comprised of its surplus, FHCF reimbursements, and private risk transfer program, is what allows Citizens to meet its potential claims-paying obligations. The preservation of Citizens' surplus and a robust risk transfer program enables Citizens to achieve its statutory requirement of limiting the assessment burden on Florida residents.

Currently, Citizens is projected to have all of its surplus exposed in the 2025 storm season and has the potential for a policyholder surcharge and minimal emergency assessment for a 1-100 year event or after multiple smaller events.