Citizens Property Insurance Corporation

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President/CEO and Executive Director

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What is Citizens

Citizens is a legislatively-created government entity, originally established in 2002, that provides residential and commercial property casualty coverage for Florida property owners, as specified in Section 627.351(6) of the Florida Statutes

- Citizens operates pursuant to a Plan of Operation which is reviewed and approved by the Financial Services Commission. Citizens is also subject to regulation by the Florida Office of Insurance Regulation
- Citizens is supervised by a nine member Board of Governors. The Governor appoints three members to the Board and the Chief Financial Officer of the State of Florida, the President of the Florida Senate, and the Speaker of the Florida House of Representatives each appoint two members to the Board

Citizens is self-funded. If in a deficit position, Citizens has the ability to assess its own policyholders as well as private-market policyholders, including, but not limited to homeowners, auto, and specialty and surplus lines policies via a three tier assessment structure

Citizens operates its insurance business through three separate accounts: (i) the Coastal Account; (ii) the Personal Lines Account; and (iii) the Commercial Lines Account

- Accounts are statutorily separate for purposes of surplus/deficit calculation and assessments
- The Coastal Account includes personal residential, commercial residential and commercial non-residential in designated areas along Florida’s coast. All policies within the Coastal Account include wind coverage
  - In recent years, Citizens has purchased private risk transfer for the Coastal Account only, via excess loss coverage for catastrophic wind events

Reducing Assessment Risk

Transfer Policies to the Private Market

- Depopulation (transfer existing policies)
- Clearinghouse (steer new/renewing policies to private market)
- Rate Adequacy (leads to natural movement to private market)

Transfer Catastrophic Risk

- Use combination of Traditional Reinsurance and Capital Markets
- Increase policyholder premium today versus potentially large amount post catastrophe

Citizens Assessments

CITIZENS
PROPERTY INSURANCE CORPORATION

3.

Emergency Assessment
Levied up to greater of 10% of Assessment Base or 0% of remaining Plan Year Deficit per year per account. Levied directly on all Citizens' and non-Citizens' policyholders; collected at new business/renewal.

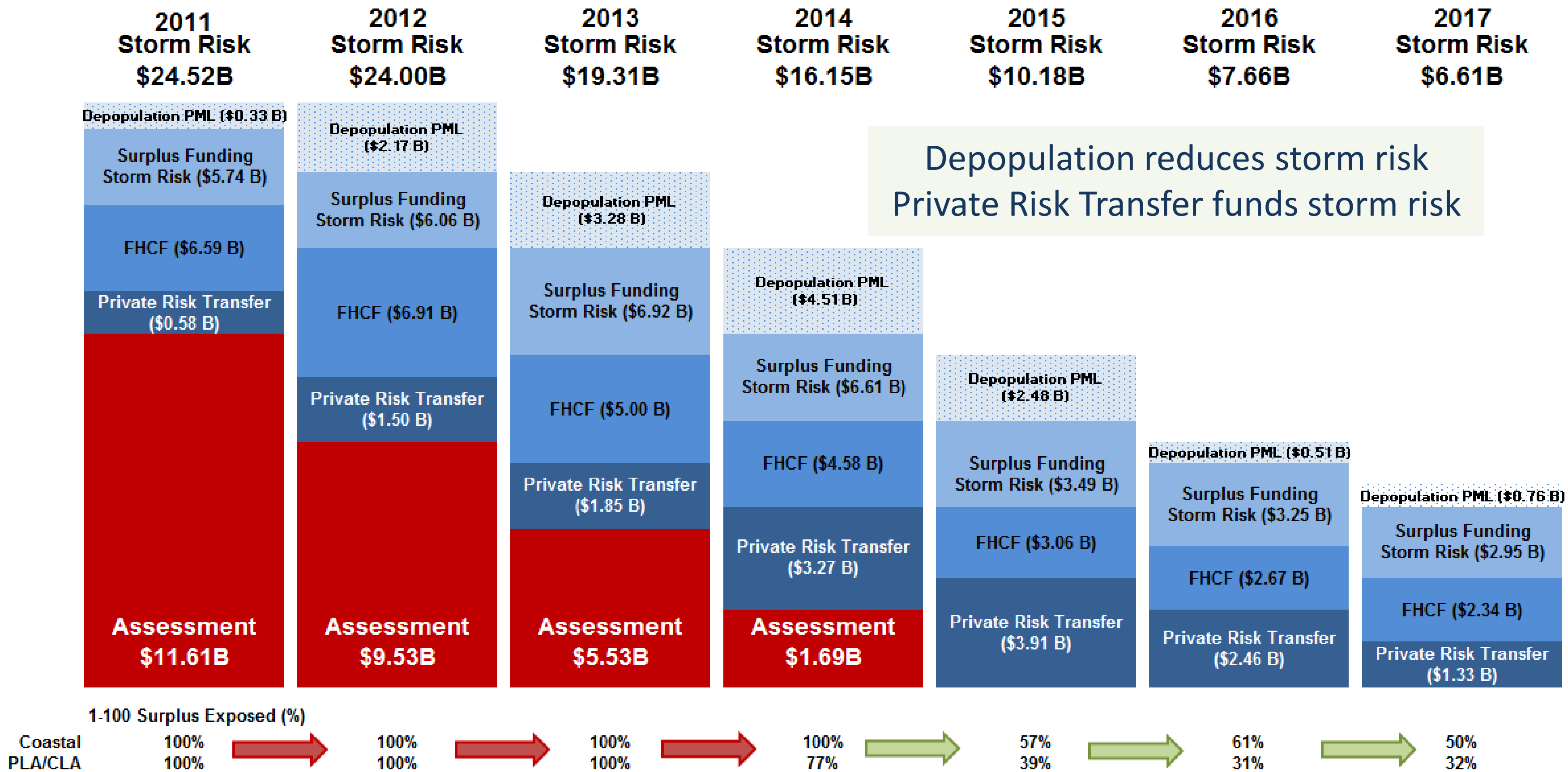
2.

Regular Assessment (Coastal Account Only)
Levied up to greater of (1) 2% of Coastal Account Plan Year deficits only, or (2) 2% of Statewide DWP for the subject line of business. Levied on Assessable Insurers and Assessable Insureds, but not on Citizens' policyholders. Due within 30 days from Assessable Insurers.

1.

Citizens Policyholder Surcharge
Up to 15% per account for Coastal, PLA and/or CLA deficits. Applies at new business/renewal for all Citizens' policyholders.

Risk and Assessment Reductions

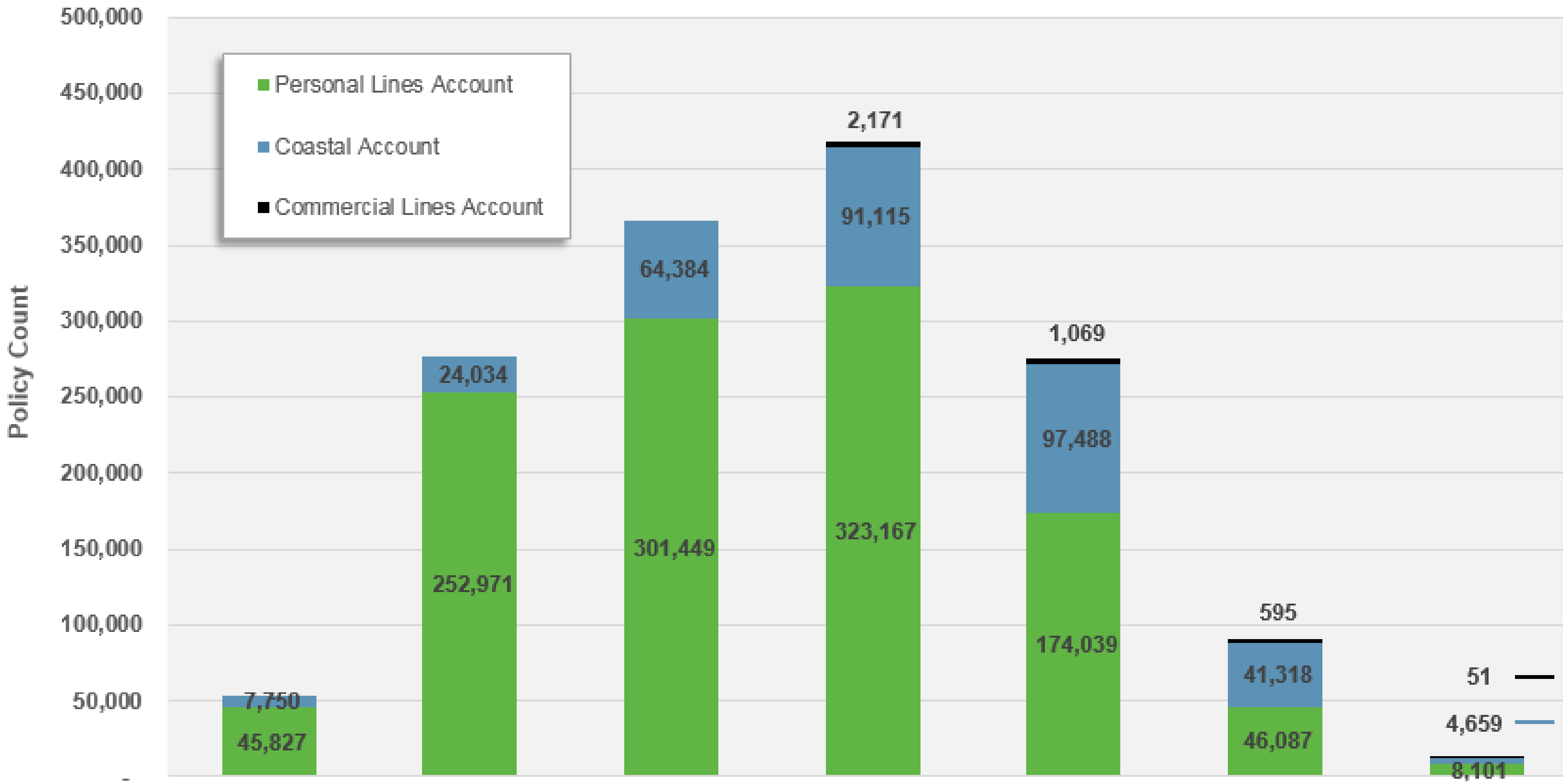


Notes:

1. Storm Risk is as measured by 1-in-100 year probable maximum loss (PML) plus estimated loss adjustment expenses using the Florida Hurricane Catastrophe Fund (FHCF) account allocation where PLA and CLA are combined. PLA/CLA combined PMLs are added to the Coastal PMLs to be consistent for surplus distribution.
2. Surplus, Florida Hurricane Catastrophe Fund (FHCF) & Assessments are as projected at beginning of storm season. Not all PLA/CLA surplus is needed to fund storm risk in 2014. In 2015 - 2017, not all surplus in PLA/CLA and the Coastal Account is needed to fund storm risk. Remaining surplus is available to fund a second event.
3. Depopulation PMLs are not included in storm risk totals. 2017 Depopulation PML includes January - April depopulation.
4. PMLs from 2011-2014 use a weighted average of 1/3 Standard Sea Surface Temperature (SSST) and 2/3 Warm Sea Surface Temperature (WSST). 2015 - 2017 PMLs reflect only SSST event catalog. 2017 storm risk is based on 12/31/16 exposures increased by 5% for PLA/CLA and reduced by 7.5% for the Coastal Account.

VALUES ARE NOT TO SCALE

Reducing Assessment Risk
Depopulation

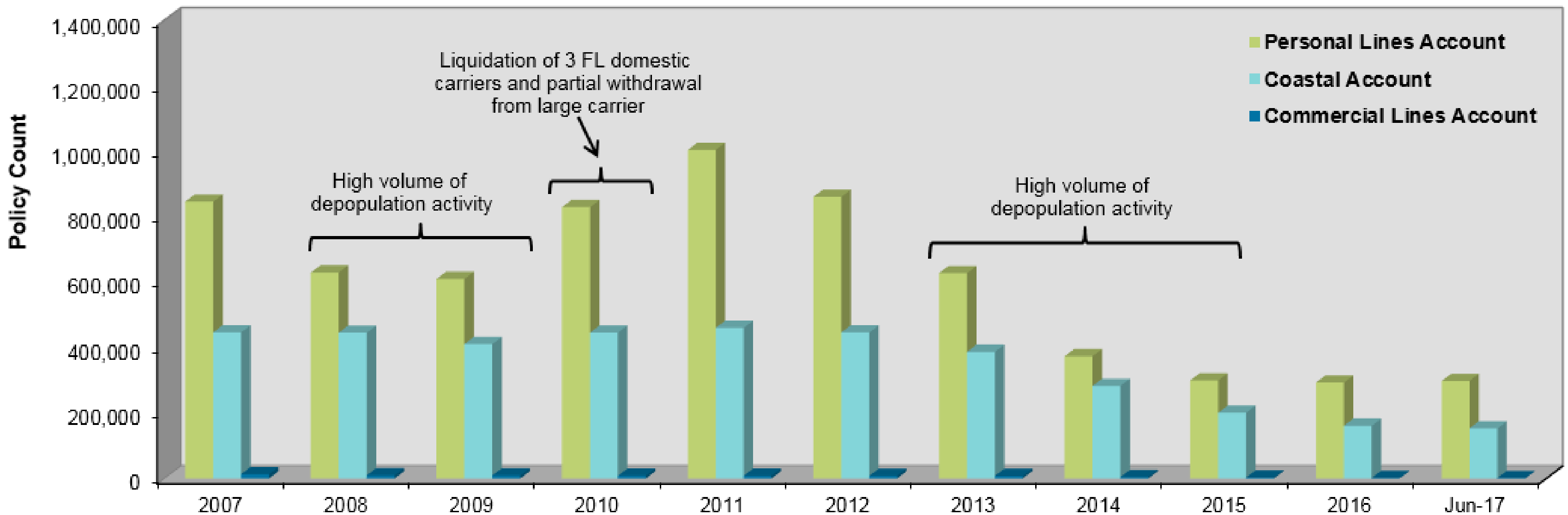


	2011	2012	2013	2014	2015	2016	2017
Policies Removed	53,577	277,005	365,833	416,453	272,596	88,000	12,811
Exposure Removed (in millions)	$14,474	$75,927	$112,265	$117,530	$64,830	$23,363	$2,014
1-in-100 Yr PML Reduction	-1.6%	-9.9%	-16.9%	-28.4%	-24.4%	-12.9%	

Notes:

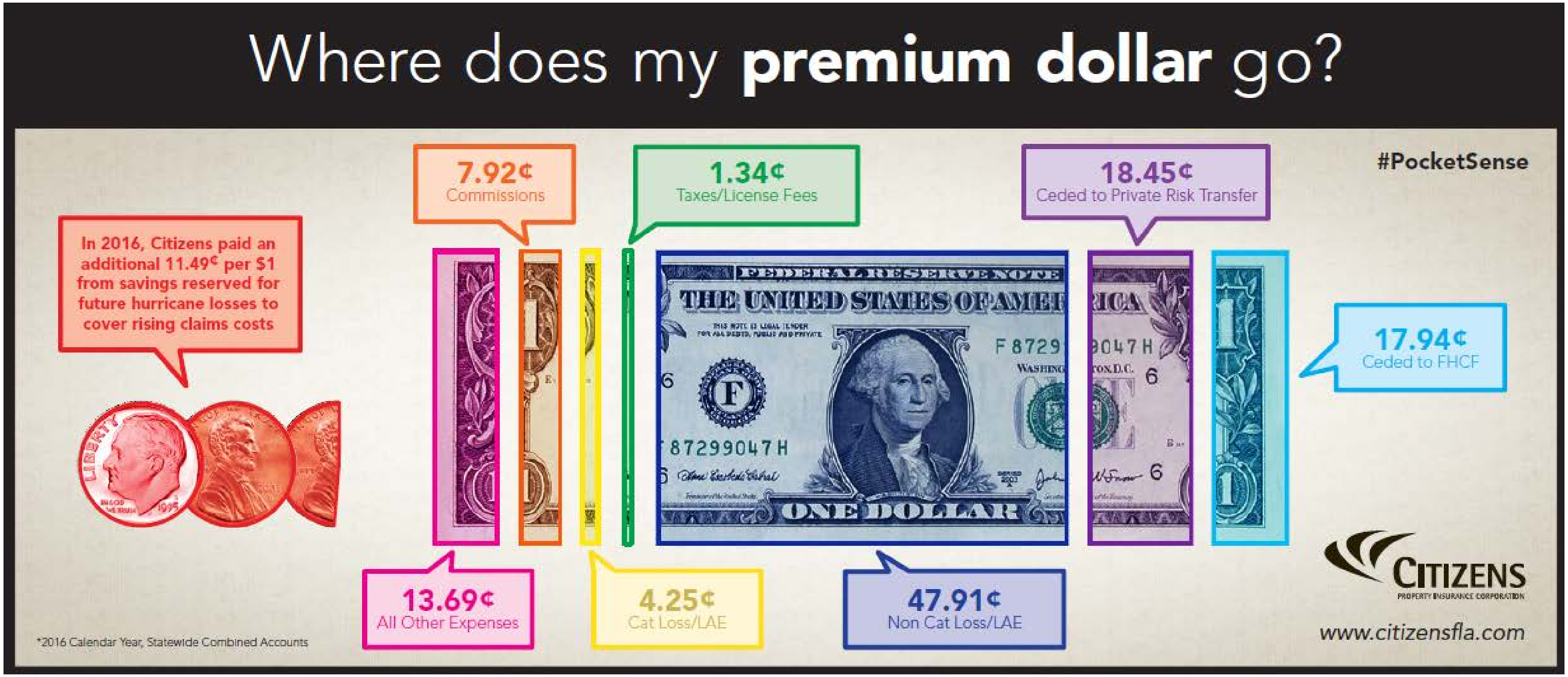
1) 2017 policy counts and exposure removed are as of June 20, 2017
2) Depopulation does not reflect opt outs after the date of assumption

Reducing Assessment Risk
Policy Count Stabilizing

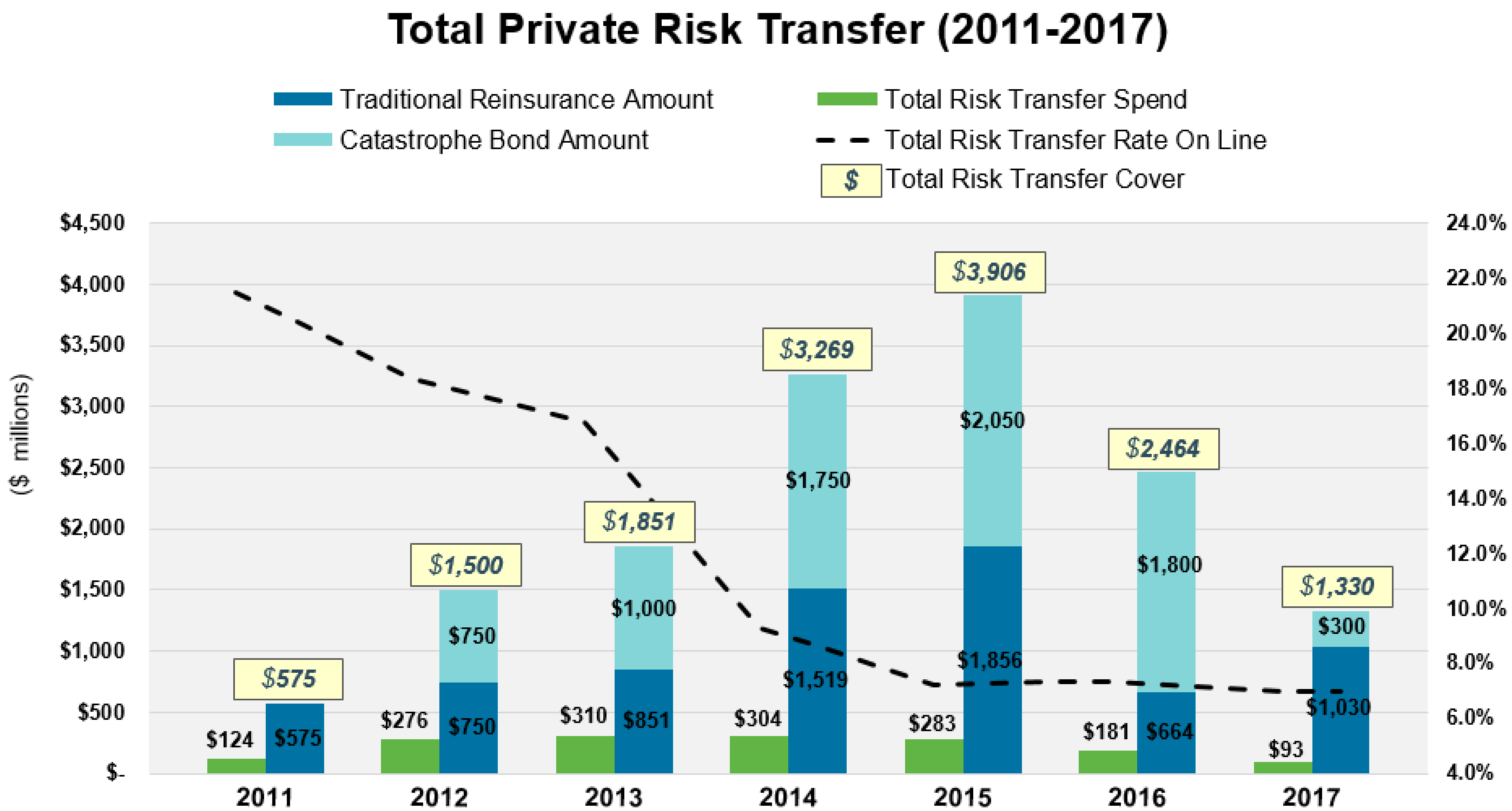


	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Jun-17
Personal Lines Account	845,857	629,467	609,652	829,406	1,003,856	860,502	627,391	373,617	299,902	293,118	298,072
Coastal Account	446,184	445,200	410,436	445,679	460,161	446,163	386,688	282,863	200,842	160,834	152,960
Commercial Lines Account	12,908	9,570	9,126	8,453	8,374	8,146	7,615	4,681	3,121	1,891	1,561
Total	**1,304,949**	**1,084,237**	**1,029,214**	**1,283,538**	**1,472,391**	**1,314,811**	**1,021,694**	**661,161**	**503,865**	**455,843**	**452,593**

Risk Transfer Impact on Premium
Statewide Premium Dollar



Reducing Assessment Risk
Private Risk Transfer



Citizens' Use of ILS

Key Benefits

- Expands capacity
- Expands number of participating investors
- Diversifies investor base
  - Asset managers
  - Pension funds
- Helps create downward pressure on price and terms within the traditional markets (and vice versa)
- Fully collateralized

Challenges

- High frictional costs
- Time consuming to structure and issue
- Need to educate investors on catastrophe risk
  - Complexity may drive up cost
- Cannot be structured in the U.S.
  - May lead to negative public perception
- Contract language is sometimes not as flexible

Citizens' Use of ILS

5 Years of Catastrophe Bond Issuances Totaling $3.1 Billion

Enhancements to bond features over time:

2012 - $750 million

- 2 year contract
- occurrence loss trigger

2013 - $250 million

- 3 year contract

2014 - $1,500 million

- aggregate loss trigger

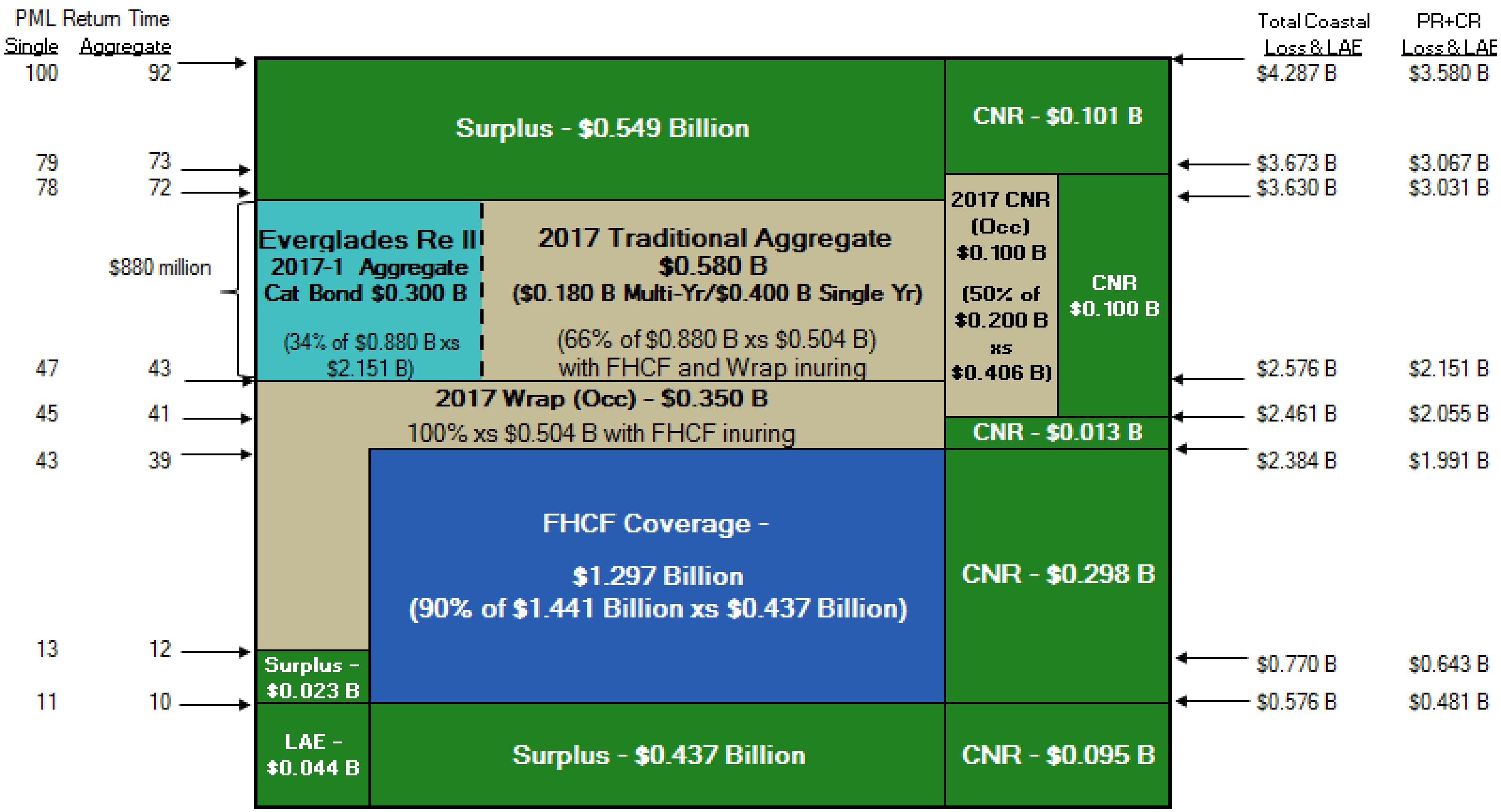
2015 - $300 million

- call feature for 3rd contract year with no call penalty if TIV decreases by a defined percentage (called in 2017)
- increased flexibility to reset terms
- expanded loss event from hurricane to named storm

2017 - $300 million

- earlier bonds included feature which decreased adjusted gross loss if more than 10% growth, protecting investors from exposure increases. Added mirror feature to protect Citizens if exposure is reduced by more than 10%.
- unrated

Coastal Account Risk Transfer Program



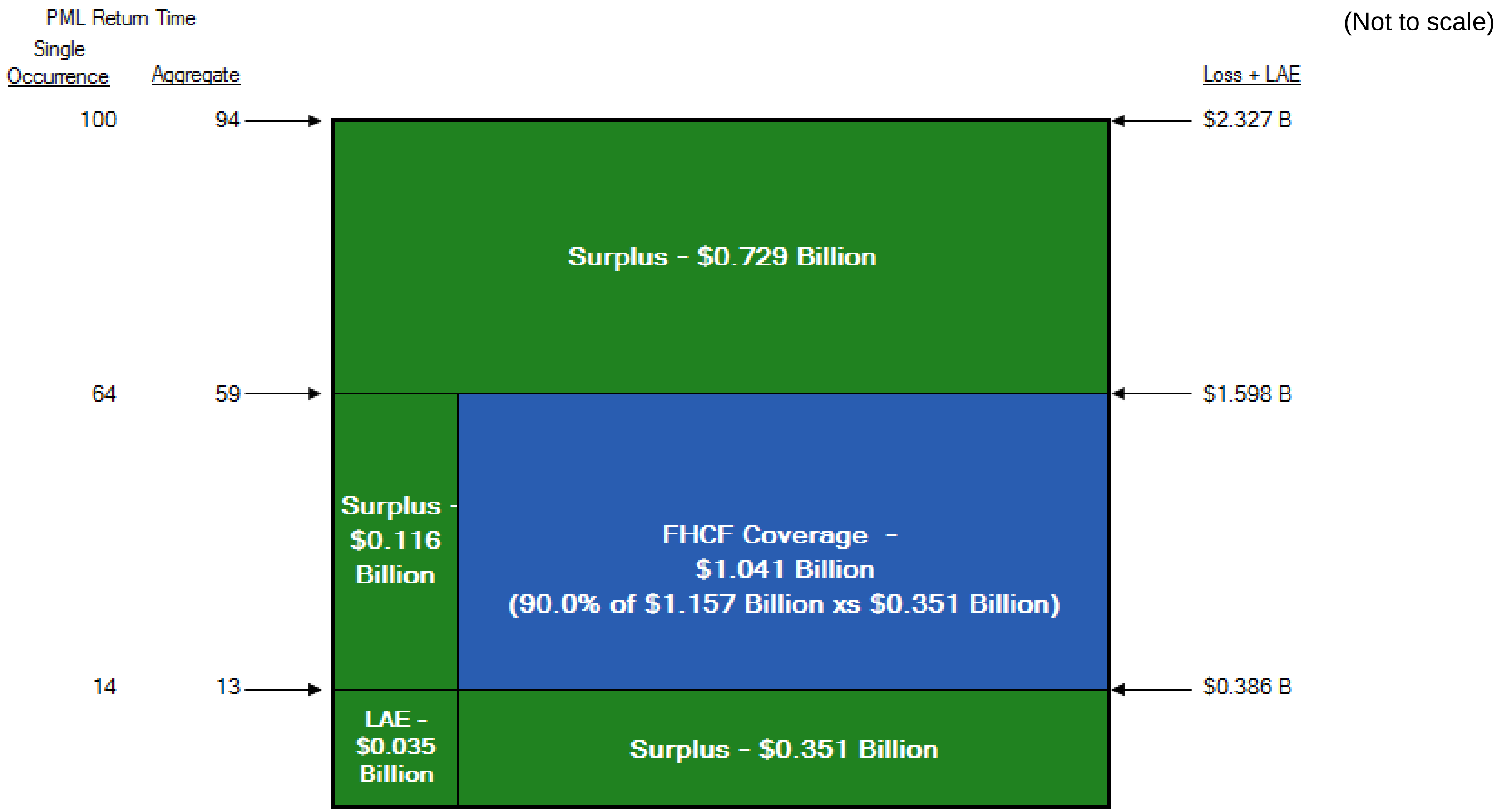
(Not to scale)

1-100 Surplus Exposed 50%

Citizens projects approximately $1.651 billion in additional funds which can be used to fund a 1-in-28 year event following a 1-in-100 year event, other multiple events, or additional LAEs.

See Notes & Assumptions on page14

PLA/CLA
Risk Transfer Program



1-100 Surplus Exposed 32%

Citizens projects approximately $2.790 billion in additional funds which can be used to fund a 1-in-132 year event following a 1-in-100 year event, other multiple events, or additional LAEs.

See Notes & Assumptions on page 14

Notes & Assumptions

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)	$40.5 Billion
▪ Regular Assessment Maximum % Per Account	2% for Coastal; 0% for PLA/CLA
▪ 2015 Emergency Assessment Base	$41.5 Billion

- Coastal PMLs are based on modeled losses as of December 31, 2016 per AIR Touchstone, Version 4.0.0; losses are reduced by 7.5% to reflect estimated decreases in exposure before the beginning of hurricane season. PLA/CLA PMLs are based on modeled losses as of December 31, 2016 per AIR Touchstone, Version 4.0.0; losses are increased by 5% to reflect estimated increases in exposure before the beginning of the 2017 hurricane season. 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
- 2017 Projected Surplus = unaudited 2016 surplus + 2017 budgeted net income - (adjustment for risk transfer coverage in excess of size contemplated in budget; adjustment in layer chart only)
- Citizens' 2017 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 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 16.5% 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.