

Barry Gilway, President/CEO and Executive Director
John Rollins, Chief Risk Officer

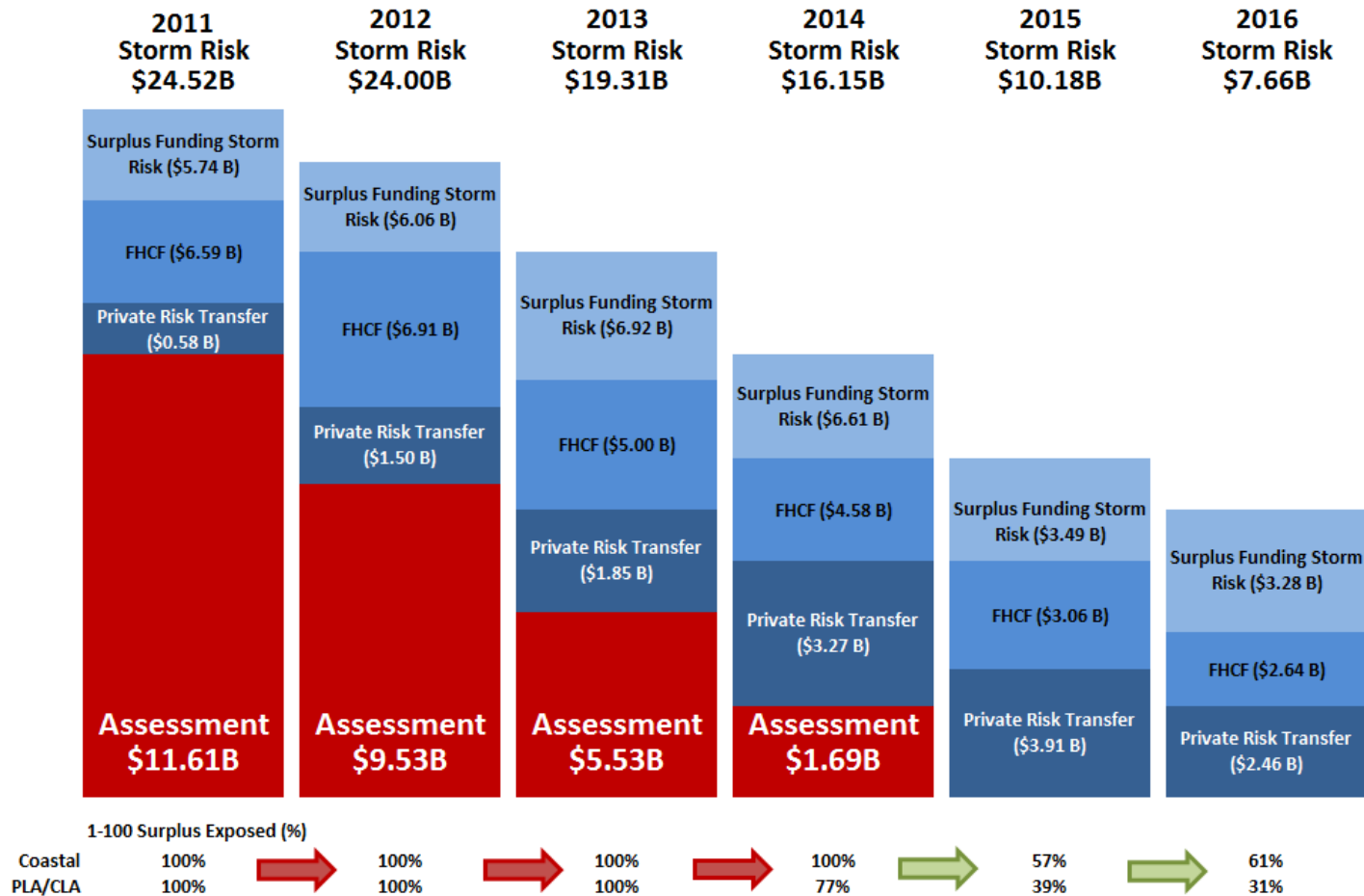
Public Hearing on Recommended Rates for 2017

August 18, 2016

Tallahassee, FL



Actuarially Sound Rates Support a Financially Sound Citizens



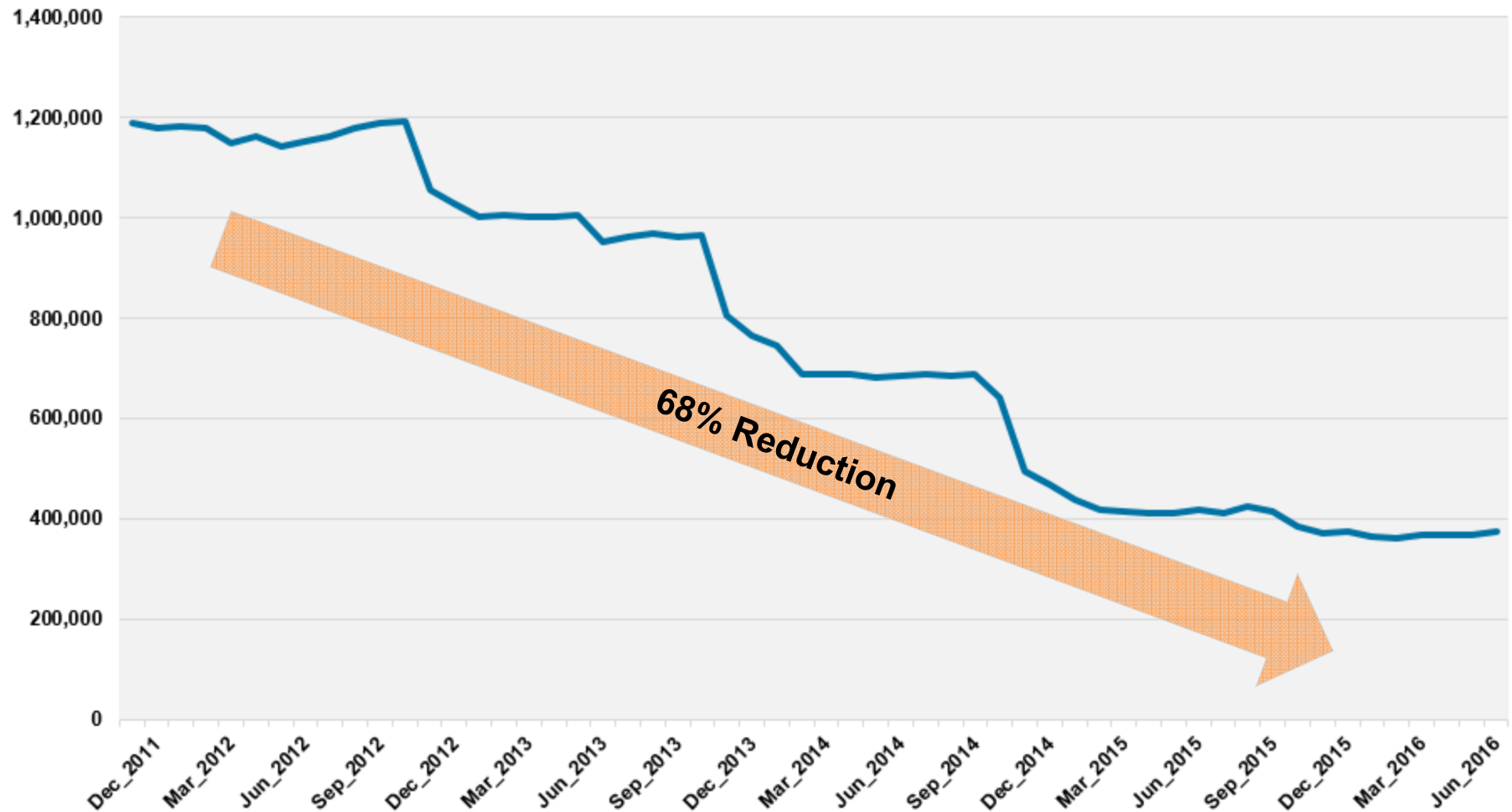
NOTES:

- Storm Risk is as measured by 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.
- 2011-2016 Surplus, Florida Hurricane Catastrophe Fund (FHCF) & Assessments are as projected at beginning of storm season. Not all PLA/CLA surplus is needed to fund a 1-100 year event in 2014. In 2015 - 2016, not all surplus in PLA/CLA and the Coastal Account is needed to fund a 1-100 year event. Remaining surplus is available to fund a second event.
- Not all private risk transfer is needed to fund a 1-100 year event in 2015 and 2016 and is available to fund a second event.
- PMLs from 2011-2014 use a weighted average of 1/3rd Standard Sea Surface Temperature (SSST) and 2/3rd Warm Sea Surface Temperature (WSST); 2015 - 2016 PMLs reflect only SSST event catalog.

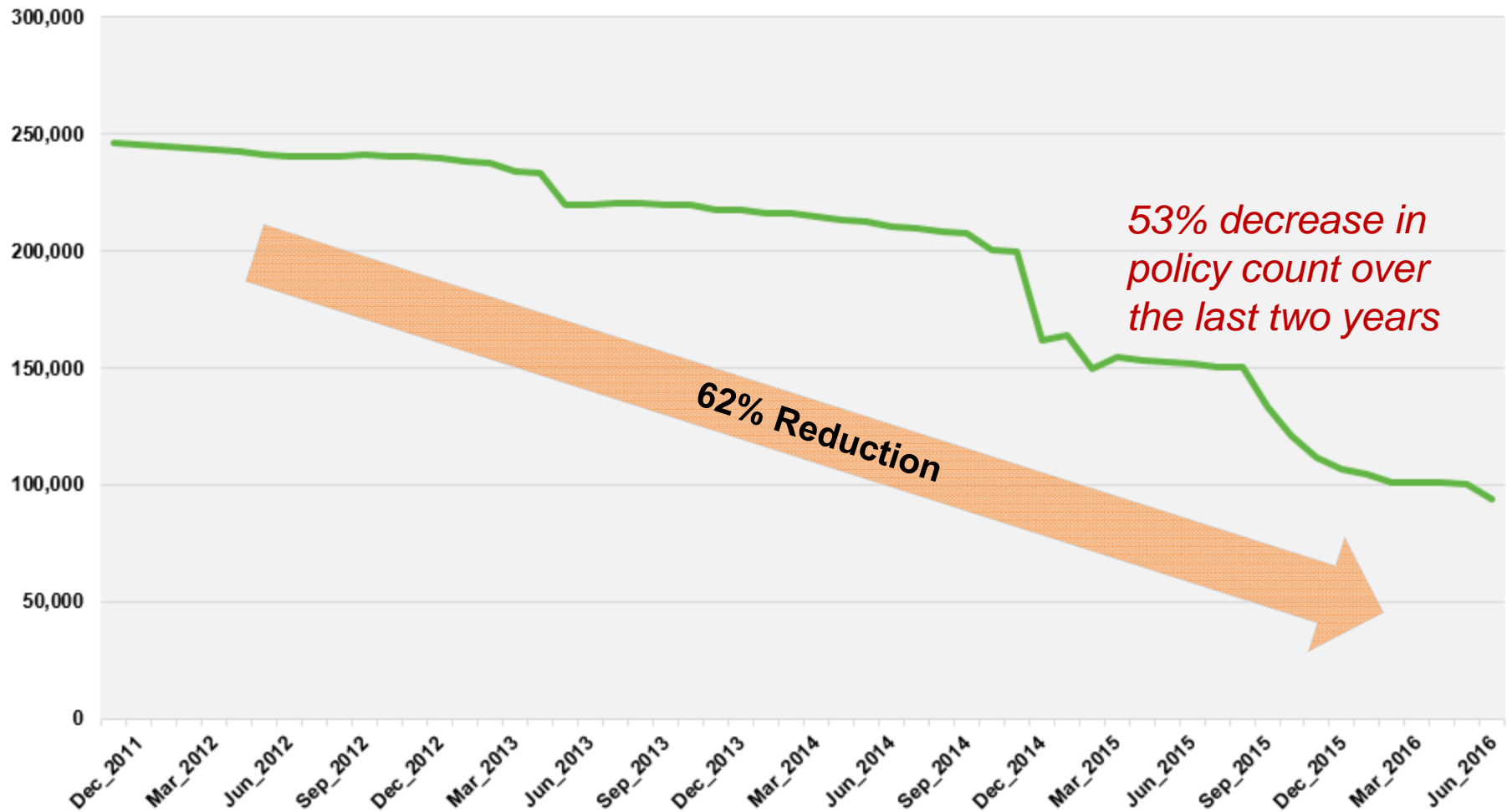
VALUES ARE NOT TO SCALE



Steady Drop in Personal Residential Multi-Peril Policy Counts Since Peak in 2012, But Depopulation is Slowing



Steep Decline in Personal Residential Wind-Only Since 2014



Costs Vastly Exceed Premiums, Signaling Years of Rate Hikes Under the Glide Path

Personal Residential Multi-Peril

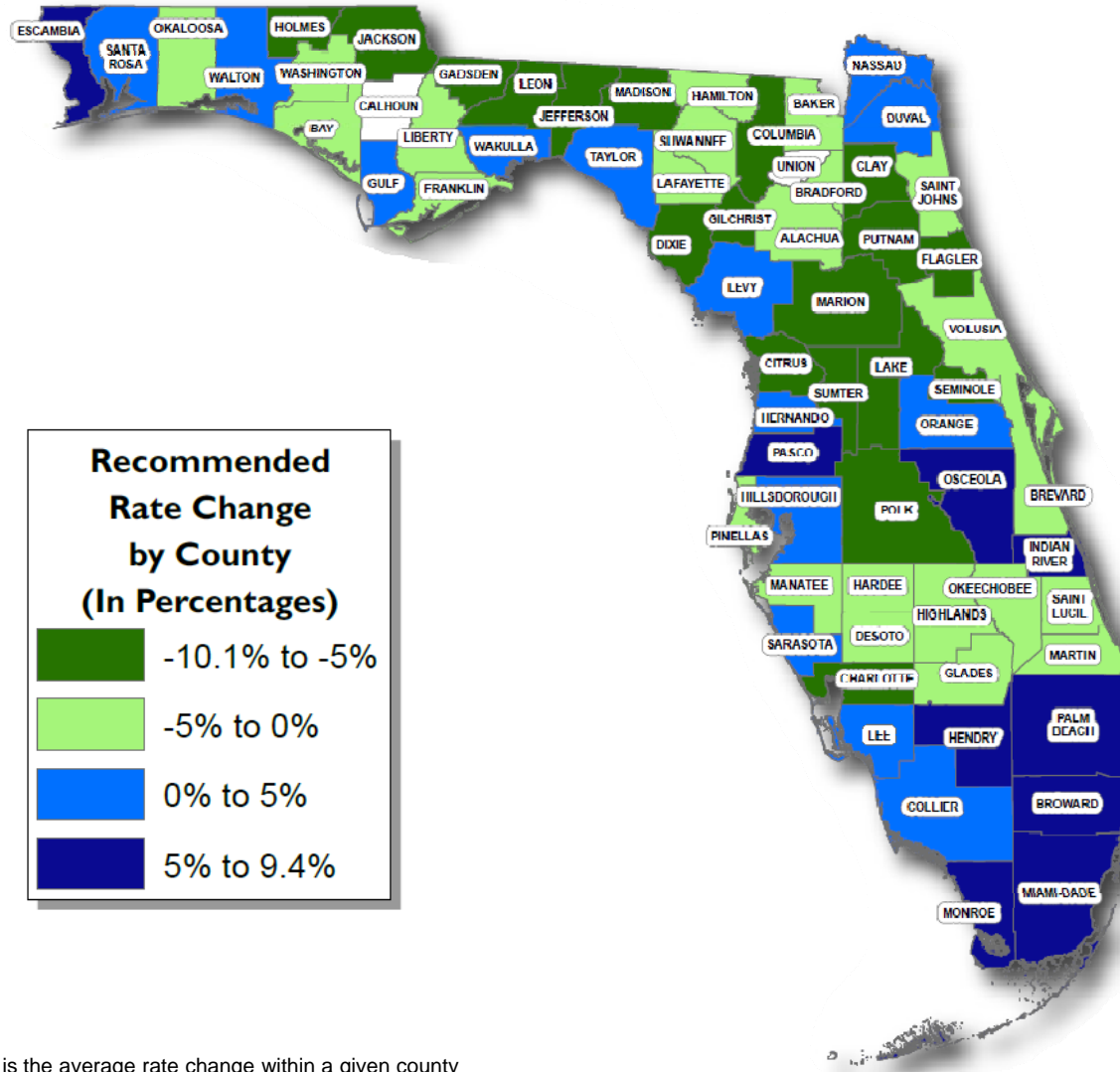
Policy Form	Uncapped Indication	Recommended Rate Change	Filing Number
HO-3	96.7%	6.9%	FCP 16-16024
HO-4	-22.6%	-13.4%	FCP 16-16024
HO-6	47.9%	8.3%	FCP 16-16024
DP1	9.6%	2.0%	FCP 16-16575
DP3	80.8%	5.8%	FCP 16-16575
MHO-3	12.0%	5.8%	FCP 16-16785
MDP-1	7.2%	3.1%	FCP 16-16867

Personal Residential Wind-Only

Policy Form	Uncapped Indication	Recommended Rate Change	Filing Number
HW-2	28.6%	8.6%	FCP 16-16025
HW-4	3.6%	0.9%	FCP 16-16025
HW-6	30.1%	5.3%	FCP 16-16025
DW-2	41.3%	9.3%	FCP 16-16576
MW-2	38.1%	10.3%	FCP 16-16788
MD-1	32.8%	10.5%	FCP 16-16866

Multi-Peril Average Rate Effects Vary by Region Due Primarily to Non-Weather Claims Trends

Multi-Peril HO3 County Average Rate Changes

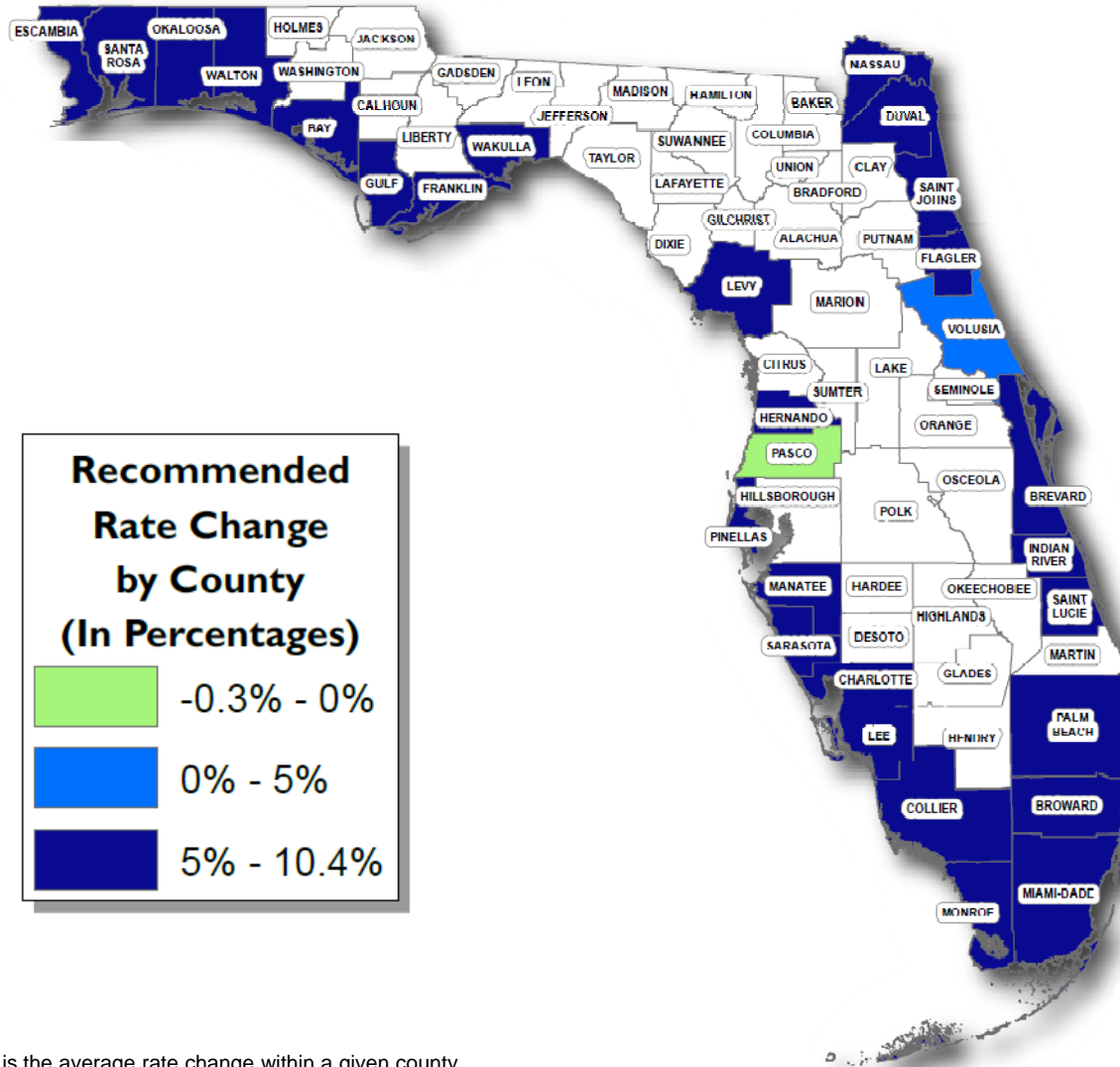


NOTES:

- 1) Percentage of rate change is the average rate change within a given county
- 2) Policy holders within a given county can see a rate change between -10% and 10% excluding effects of the FHCF build-up pass through

Wind-Only Average Rate Effects on Remaining Book Reflect Heavy Depopulation of Adequately-Rated Wind Policies

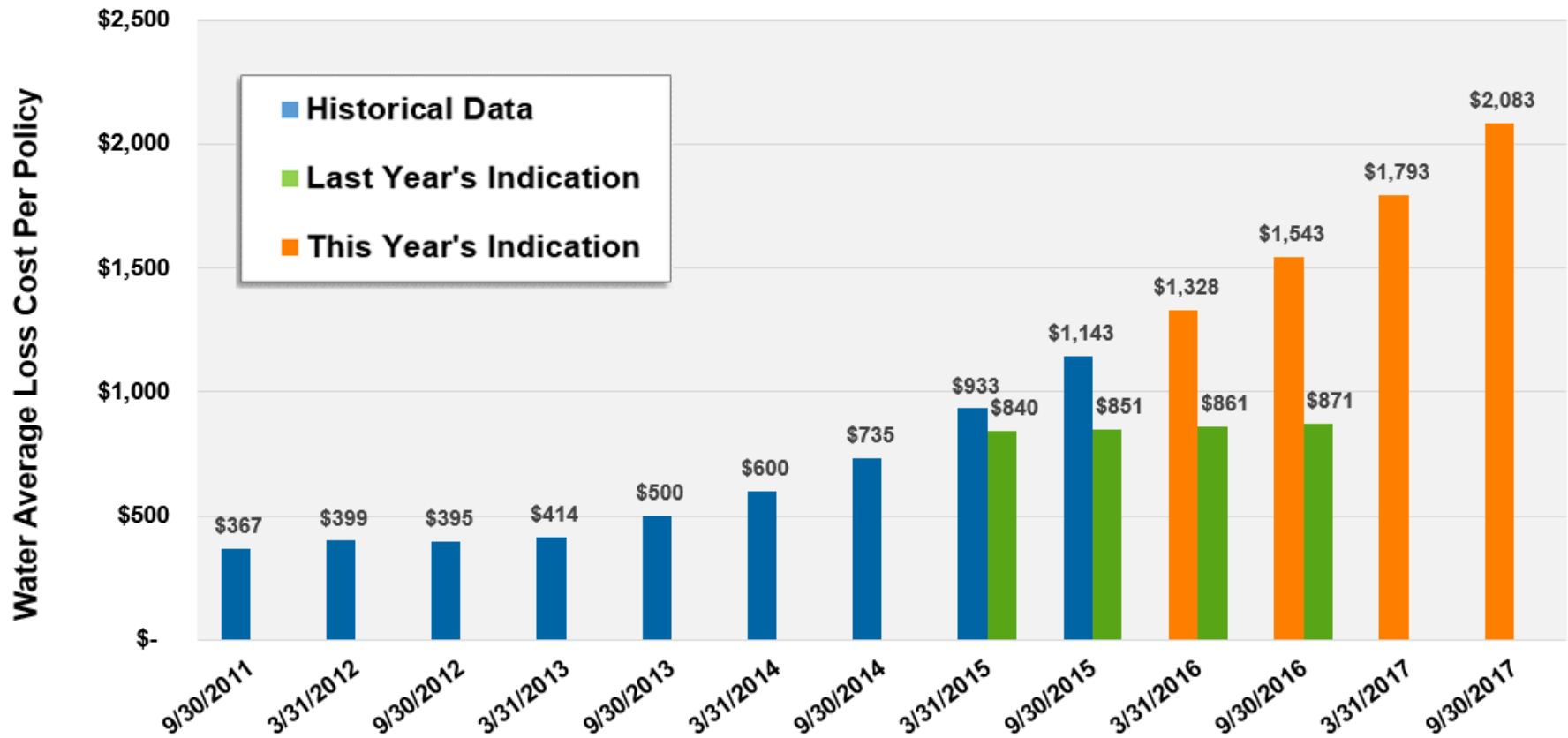
Wind-Only HW2 County Average Rate Changes



NOTES:

- 1) Percentage of rate change is the average rate change within a given county
- 2) Policy holders within a given county can see a rate change between -10% and 10% excluding effects of the FHCF build-up pass through

Water Loss Trends Have Not Stabilized, Driving Higher Rate Needs Across Florida



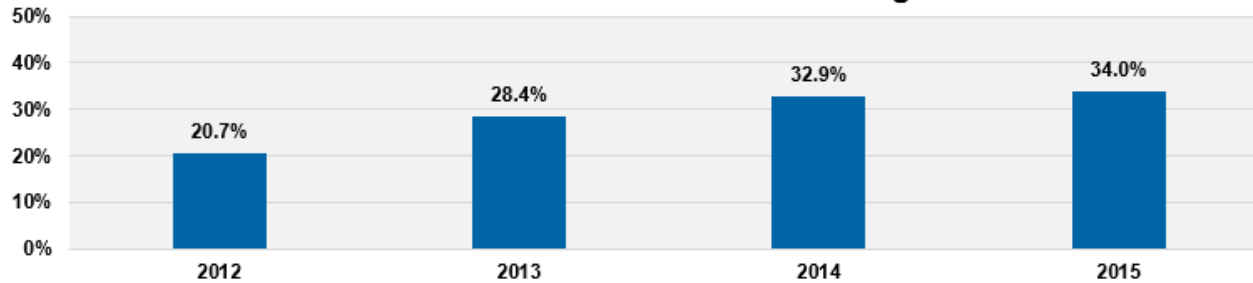
NOTES:

- 1) Figure above shows the average annual loss cost per policy due to water peril for Homeowners policies
- 2) Last Year's Indication uses the 2.4% all other peril loss trend filed last year
- 3) This Year's Indication uses the 35.0% water loss trend filed this year

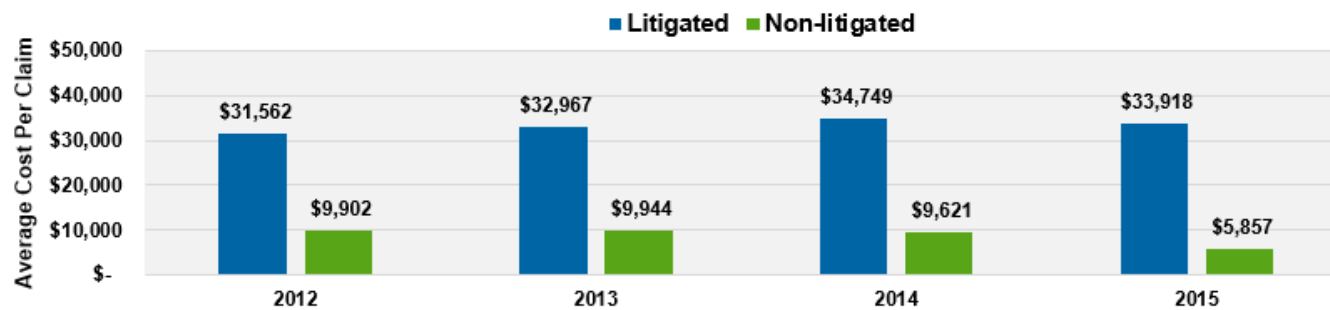


Root Causes Identified in Citizens' White Paper Continue to Drive Water Trends by Report Year

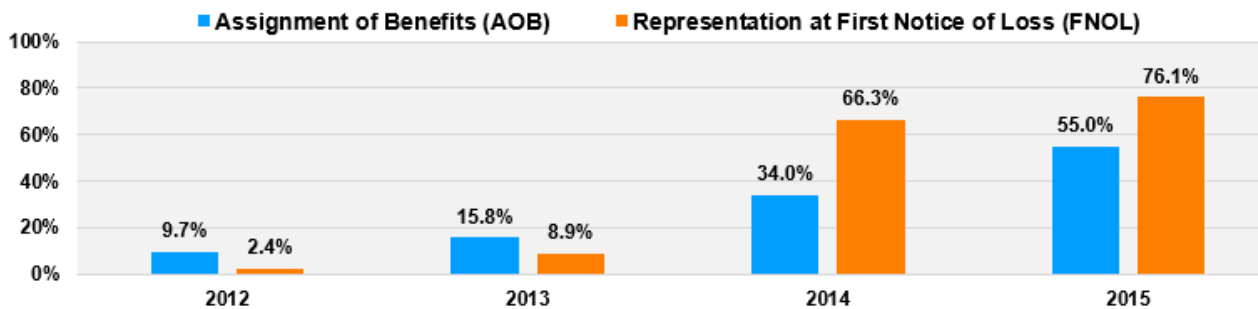
Percent of Water Claims That Are Litigated



Severity of Litigated vs. Non-litigated Water Claims



Percent of Litigated Water Claims with AOB or Representation at FNOL



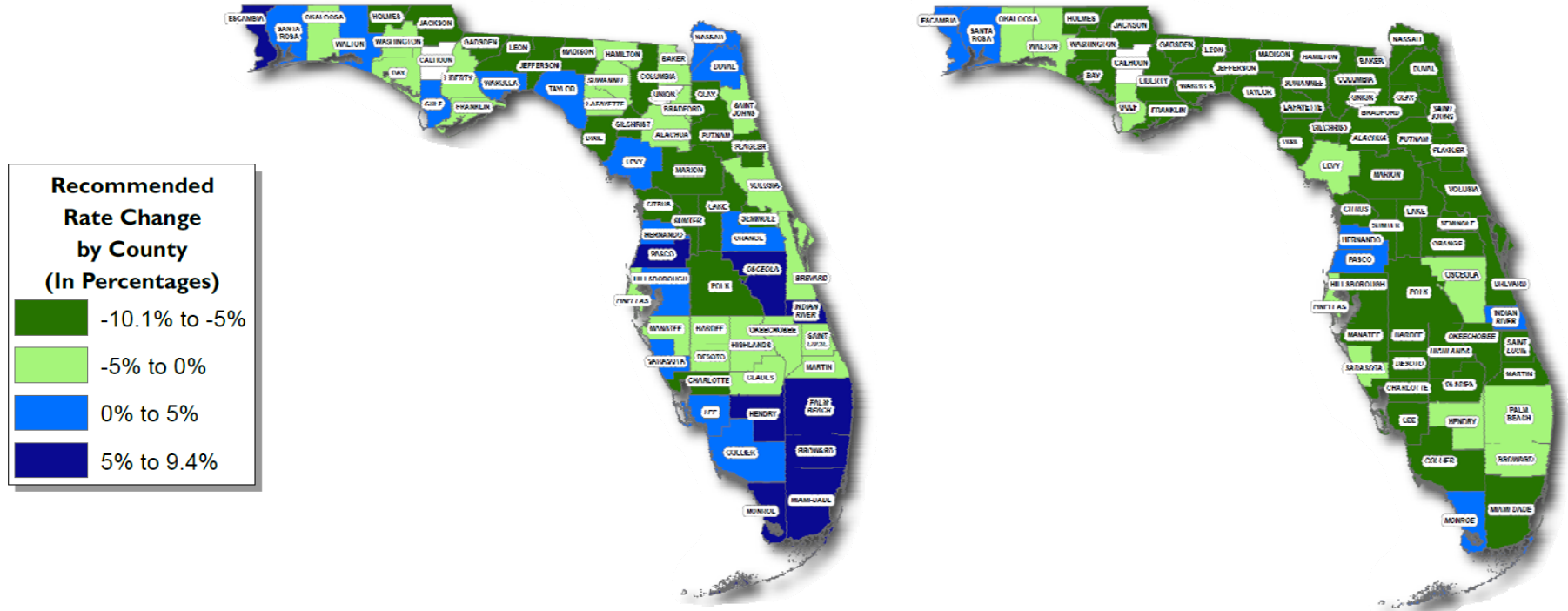
NOTES:

- 1) Claims data is based on non-weather related water claims by report year for Homeowners policies
- 2) Severity of litigated and non-litigated claims are based on undeveloped report year incurred loss and allocated loss adjustment expense (ALAE)

But For Recent Spike in Water Trends, Over Half of Multi-Peril Homeowners Customers Would Swing to Lower, not Higher Rates

Water Loss Trend at Current Level
Multi-Peril HO3 County Average Rate Changes

Water Loss Trends at pre-2013 Levels
Multi-Peril HO3 County Average Rate Changes



Water Loss Levels	Number of HO3 Rate Decreases in 2017
Pre-2013 Base Trend	103,000 out of 142,000
2017 Indication	23,000 out of 142,000

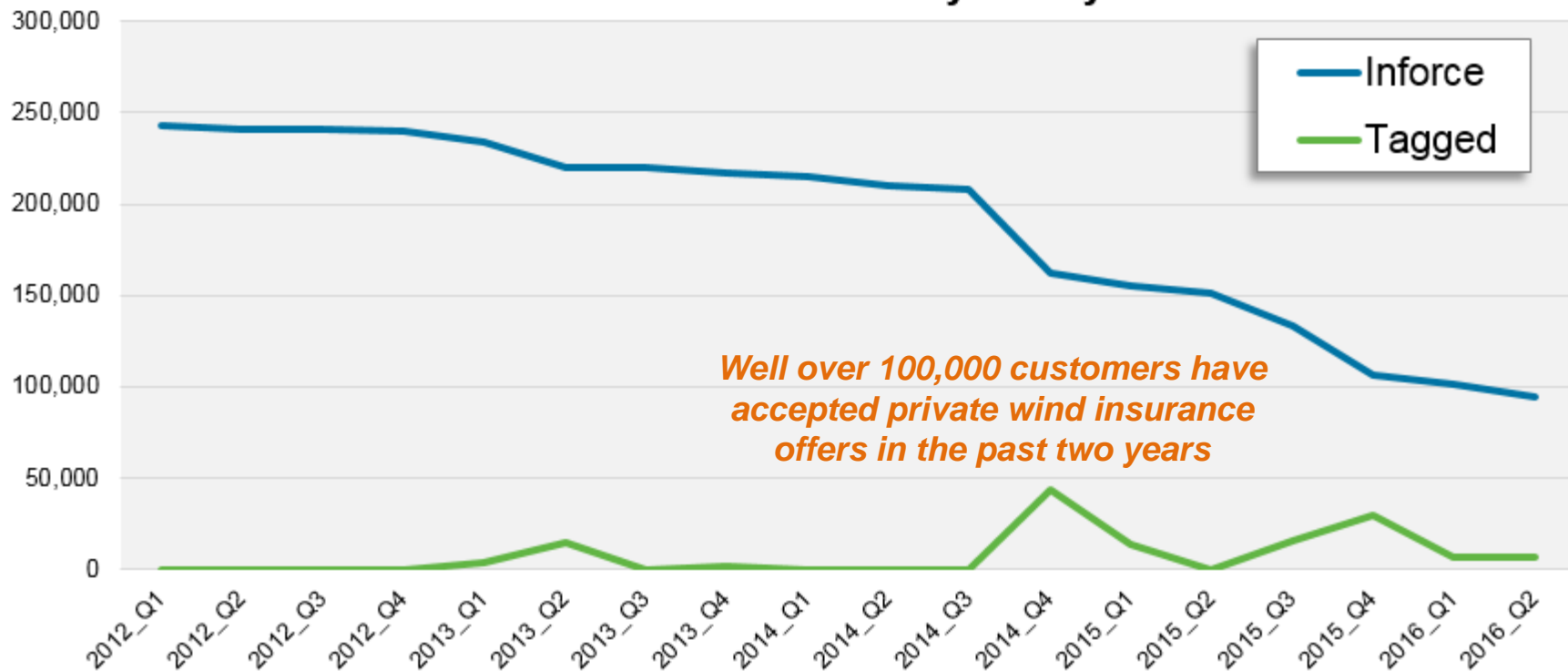
NOTES:

- 1) Percentage of rate change is the average rate change within a given county
- 2) Policy holders within a given county can see a rate change between -10% and 10% excluding effects of the FHCf build-up pass through



Wind-Only Depop Success Leaves Few Adequately Priced Policies, Driving Rate Hikes - But on Much Smaller Group

Personal Residential Wind-Only Policy Count

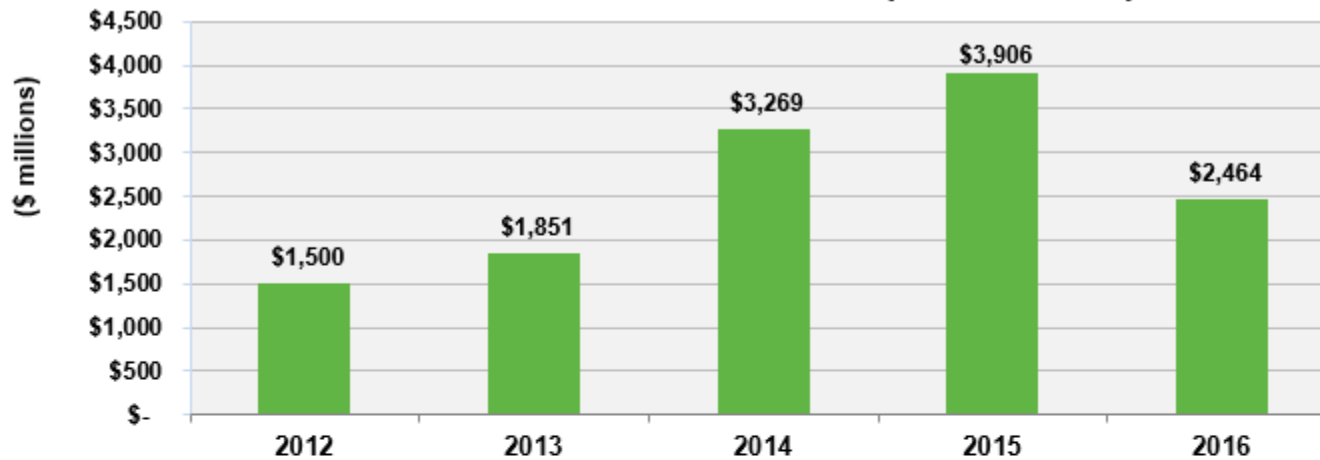


NOTES:

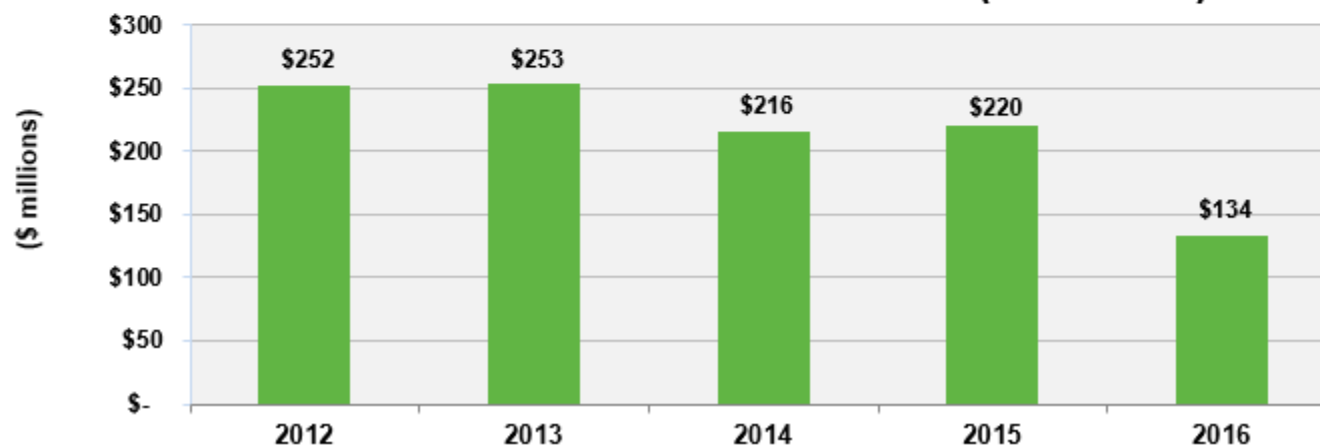
- 1) Inforce policy counts exclude risks tagged for depopulation; quarter end values shown above
- 2) Tagged policy counts are as of the date of assumption and does not include post date of assumption opt outs

Stable Hurricane Models, Abundant Capital, and Depopulation Have Cut Consumer Reinsurance Costs in Half

Total Private Risk Transfer (2012 - 2016)



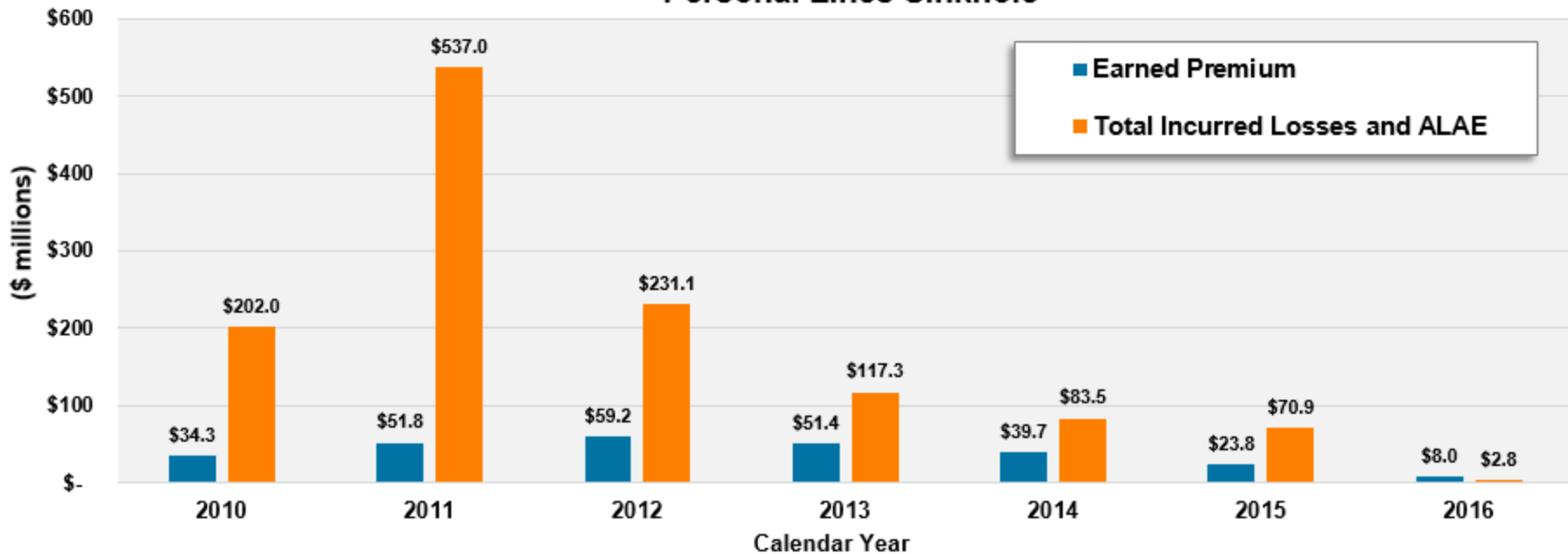
Net Cost of Private Risk Transfer (2012-2016)



This savings has been achieved even as Citizens eliminated its potential assessment in a 100-year storm and protected over 40% of its surplus after the “big one” for future years

Citizens Asks for Sinkhole Rate Stability as Claims Backlog is Resolved, Leveraging Global Settlement Option

Personal Lines Sinkhole



Outstanding Reserves In Settlement	Post SB 408	Pre SB 408	Total
No	17,555,359	95,867,372	113,422,731
Yes	170,223	35,076,689	35,246,912
Total	17,725,582	130,944,062	148,669,643

Pending Sinkhole Claims in Settlement	Post SB 408	Pre SB 408	Total
No	147	538	685
Yes	1	263	264
Total	148	801	949

NOTE: Personal lines sinkhole data is as of 6/30/2016

Rate Indications Were Adjusted for Product Changes – But the Real Hope Is That Changes Restore Historical Trends

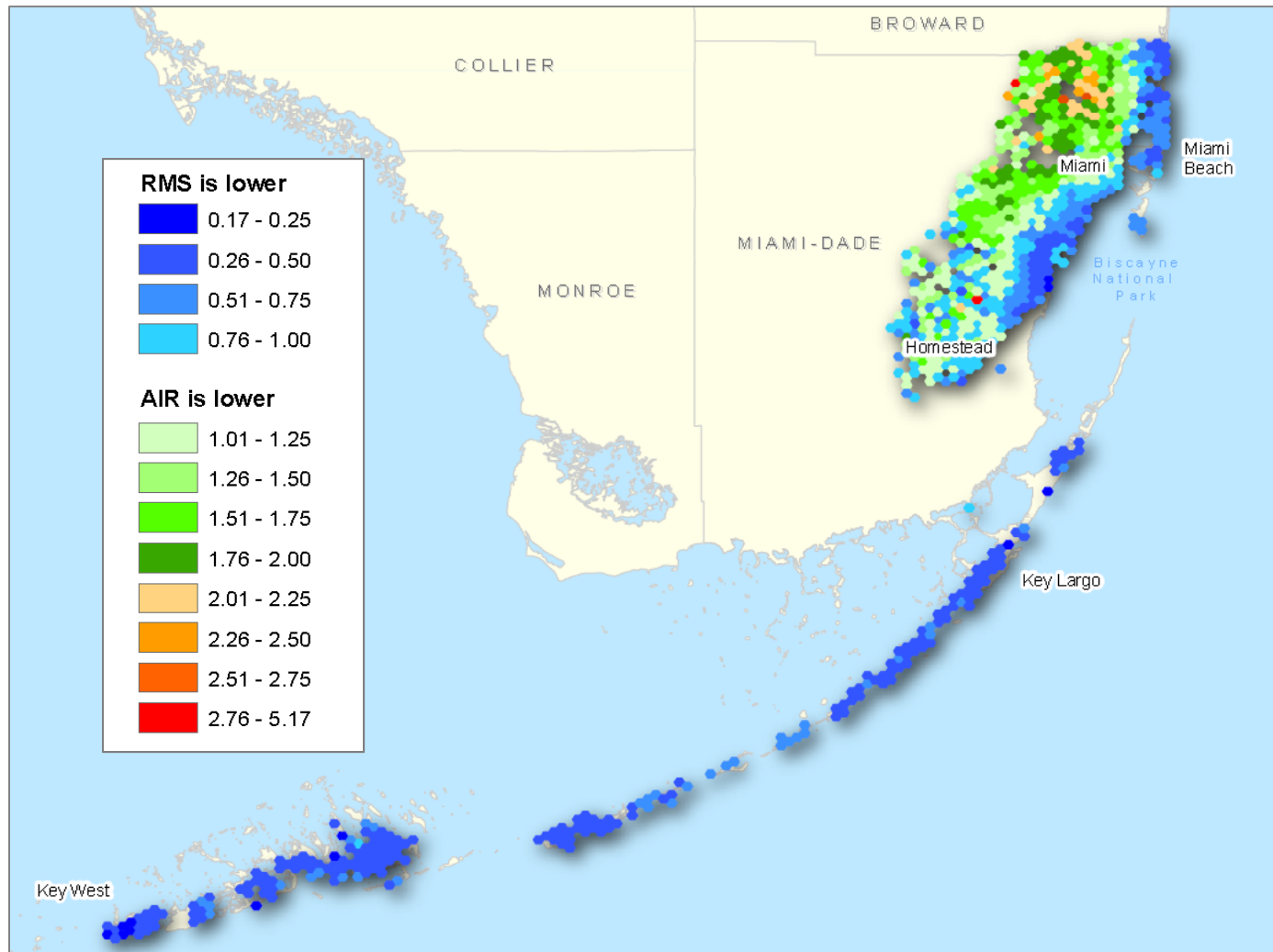
- Reasonable Emergency Measures
 - Not to exceed \$3,000 or 1% of Coverage A unless approved by Citizens
- There may be no coverage for permanent repairs that begin before one of the following occurs:
 - 72 hours after the loss is reported to Citizens
 - Loss is inspected by Citizens
 - Verbal or written approval is provided by Citizens
- Clarification of “access to repair” and “collapse” language to discourage non-covered and excessive repairs
 - Covers the access required to replace only the part or portion of the system that caused the loss, regardless of the condition of the entire system.
 - Collapse coverage language has been revised to state that abrupt collapse of plumbing and other similar systems, from age, deterioration or maintenance, is not covered.
- Expected Impact
 - Lowered the HO-3 Water indication by **7.6%**
 - Long term rationale is to change claims environment and reverse recent water loss trends

Administrative Expenses Are Low and Stable Relative to Policy Count, While Keeping Citizens Ready to Respond

- General expenses make up only 6.5% of the premium dollar
- Citizens is streamlining its infrastructure reflecting smaller customer base
 - Comprehensive strategic review
 - Strategic scenario analysis and related improvements to budgeting process
 - Physical space consolidation to a single building in Jacksonville, Tallahassee, and Tampa
 - Additional scrutiny of filling of vacant positions and creation of new ones
 - Comprehensive review of all vendor contracts
 - Automated underwriting improvements and less reliance on external processing vendors

Monroe County Wind Rate Indications Reflect Significant Divergence in Accepted Hurricane Models

Ratio of Modeled Hurricane Risk RMS/AIR




- Across Monroe, RMS loss costs average less than half of AIR
- But in Miami-Dade, RMS becomes higher than AIR for many home types just a few miles inland

Multi-Faceted Nature of Model Divergence Defies Easy Statewide Answers for Rate Indications

Green shade gets darker as AIR gets lower relative to RMS

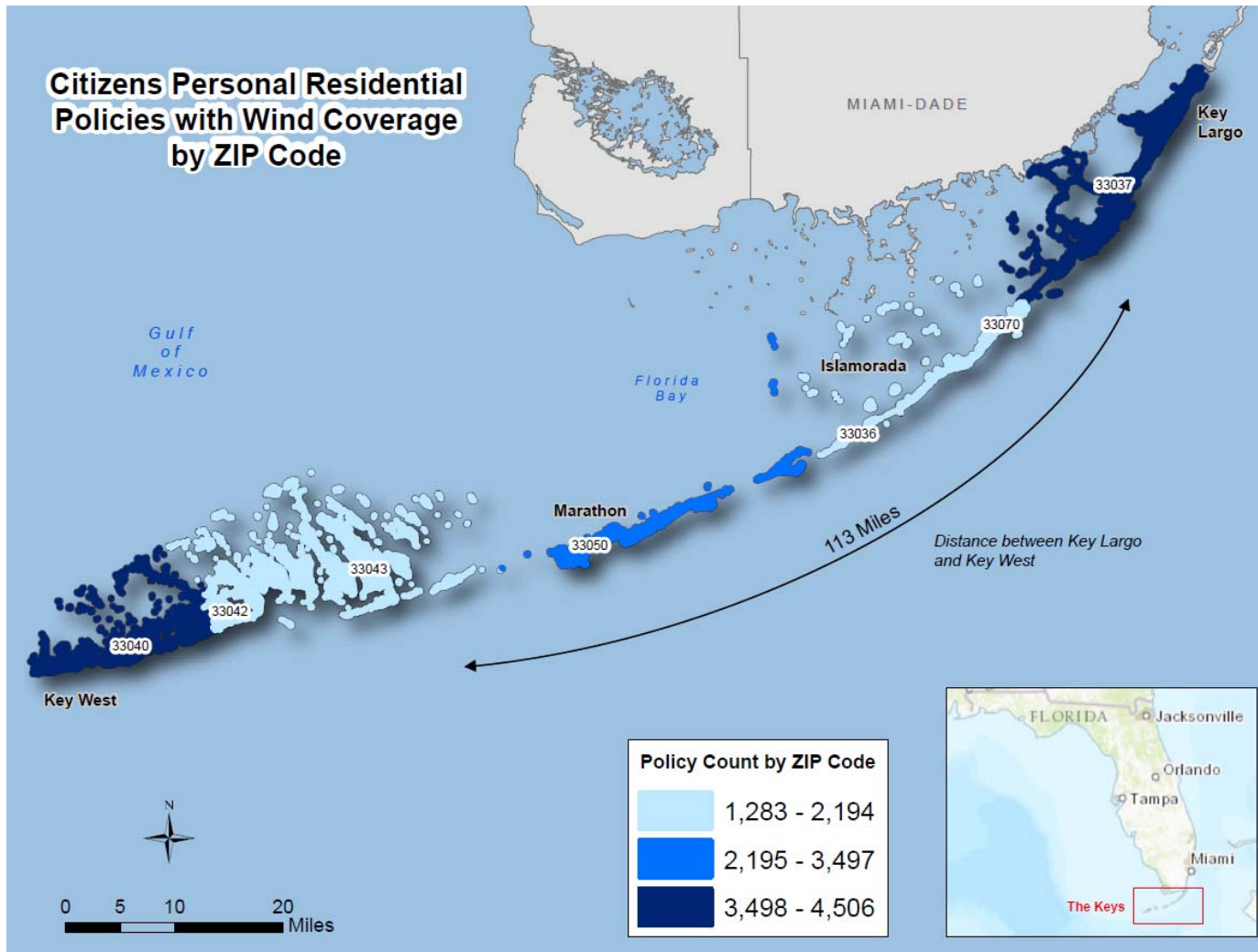
**Miami-Dade County
Masonry Single Family Dwelling
RMS/AIR Loss Cost Relativity**

Square Feet	Year Built	Number of Stories	Distance to Coast (in miles)						
			<1	1-2	2-3	3-4	4-5	5-10	
All	All	All	63%	40%	52%	60%	67%	65%	
<=1,506	1996 - 2001	1	86%	39%	44%	77%	91%	85%	↓ Taller
<=1,506	1996 - 2001	>1	55%	46%	52%	94%	NA	92%	
<=1,506	2006 - 2008	1	107%	87%	72%	94%	115%	107%	↓ Newer
<=1,506	2006 - 2008	>1	99%	52%	69%	91%	125%	123%	
2,508 - 3,000	2006 - 2008	1	38%	46%	44%	50%	NA	81%	↓ Larger
2,508 - 3,000	2006 - 2008	>1	90%	40%	51%	73%	97%	95%	

 Moving Inland

- RMS loss costs are generally less than AIR loss costs for masonry construction but difference narrows or even reverses as one moves inland
- For Citizens' Miami-Dade single family masonry homes less than 2500 square feet, built after 2002 and more than 5 miles inland, RMS loss costs are generally higher than AIR costs
- In inland Miami-Dade, Citizens has over 30,000 policies more than 5 miles from the coast

Monroe Geography Reflects Unique Concentration and Distribution of Hurricane Risk



Questions and Discussion