

2025 Operating Budget

Board of Governors
December 2024



Fiscal Year Comparison – 2020 to 2025

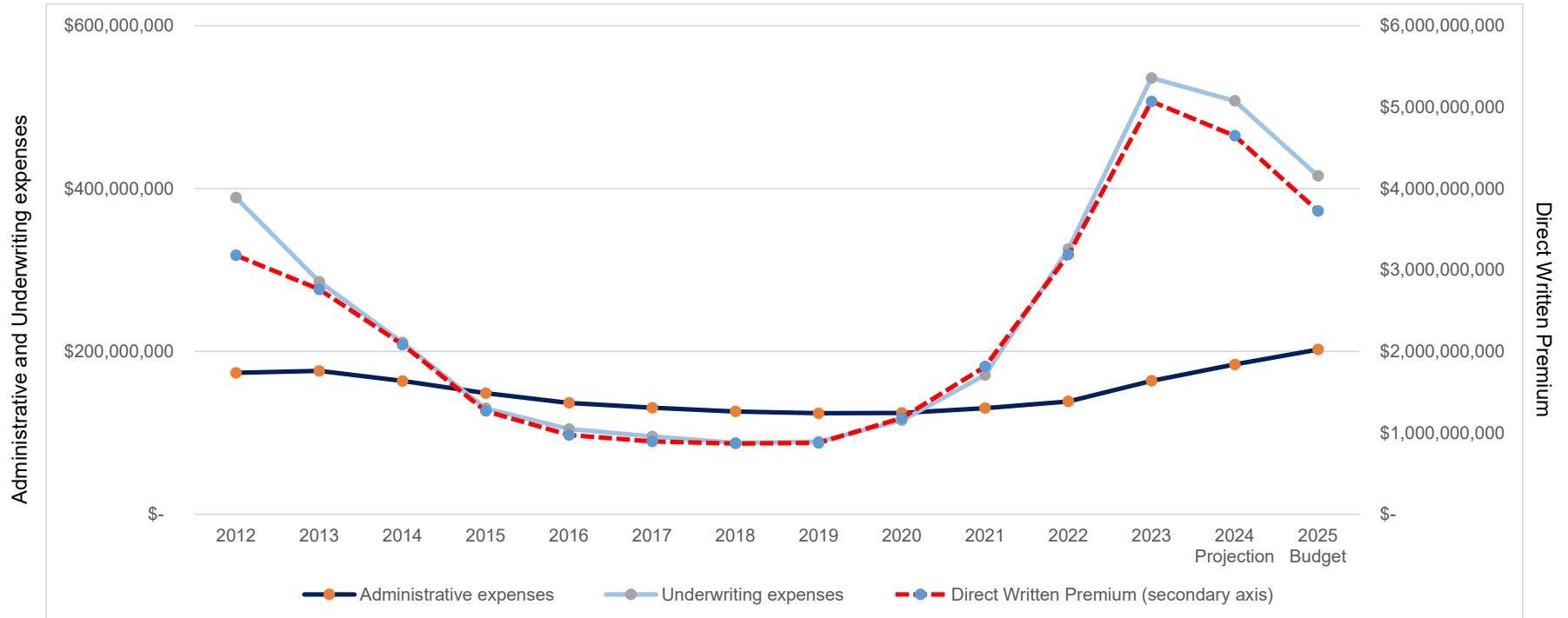
(\$ in millions)	2020	2021	2022	2023	2024 Projection	2025 Budget
Policies inforce	542,739	759,305	1,145,811	1,228,718	907,286	770,819
Policies serviced	548,635	761,149	1,154,980	1,489,901	1,295,891	966,076
Direct written premium	\$ 1,182.1	\$ 1,814.1	\$ 3,190.1	\$ 5,071.0	\$ 4,649.1	\$ 3,725.7
Administrative expenses	\$ 124.5	\$ 130.4	\$ 138.6	\$ 163.8	\$ 184.0	\$ 202.4
Expense ratio	20.3%	16.6%	14.6%	13.8%	14.9%	16.6%
Exposure	\$ 144,798.3	\$ 232,502.3	\$ 422,953.2	\$ 552,760.0	\$ 386,910.4	\$ 326,383.9

2025 Budget Highlights

In comparison to the 2024 year-end projections:

- Premium revenue is expected to decrease \$924 million (20%)
- The number of insured policies is expected to decrease 137,000 (15%)
- The number of policies serviced, which includes policies removed through depopulation, is expected to decrease 330,000 (25%)
- The average number of policies serviced in 2025 is approximately 1,130,000
- Premium removed through depopulation is expected to decrease \$401 million (37%)
- Operating expenses include planned expenditures that reflect the ongoing servicing costs of policies removed through depopulation, a continuation of catastrophe response efforts resulting from 2024 storm activity, and expenditures to further expand and promote initiatives that reduce Citizens' net retained exposure and to implement statutory directives
- Underwriting income and net income of \$532.2 million and \$852.8 million, respectively
- Operating ratios, in particular the expense ratio, is expected to remain below industry averages

Premium and Expenses



Premium and Losses / LAE

- The number of policies serviced by Citizens in 2024 averaged 1,400,000 and was the highest number of policies serviced in more than 10 years
- The number of policies Citizens insures at year-end decreases from 907,000 to 771,000 while the number of policies Citizens will service (due to depopulation activity in 2024 and 2025) decreases from 1,296,000 to 966,000
- The number of new policies written decreases from 369,000 to 276,000 and the number of policies renewing decreases from 1,007,000 to 751,000
- The 2024 rate filing is expected to take effect towards the end of the first quarter of 2025 as the impacts of this rate filing roll onto the underlying book of business
- The number of policies removed through depopulation continues to be significant but decrease from 491,000 to 296,000
- Non-catastrophe loss and loss adjustment expense ratios by line of business reflect a continued downward trend in anticipated litigation rates

Reinsurance and Net Investment Income

- Placeholder of \$650 million for private risk transfer is included in the 2025 Operating Budget
- Estimated \$326 million of ceded premium for coverage from the FHCF, which Citizens is required to purchase
- Budgeted 2025 yield of 3.3% on invested assets:
 - Projected impacts to portfolio balances as a result of significant cash outflows associated with Hurricanes Helene and Milton as well as decreases in premium cash inflows from reductions in revenue
 - Assumes modest declines in reinvestment rates in 2025
 - 2025 budgeted yield does not contemplate any potential realized gains or losses
- No credit facilities or debt issuance is anticipated in 2025 and accordingly no interest expense is budgeted

Administrative and Underwriting Expenses

- Budgeted administrative and other underwriting expenses projected to increase \$19.3 million (8%) in comparison to the 2024 projections
- Included within budgeted administrative and other underwriting expenses are expenditures related to projects and initiatives that total \$56.9 million
- Of the \$56.9 million, the following initiatives and projects total \$51.2 million:
 - \$6.0 million Guidewire (CBIS)
 - \$2.4 million Enterprise Litigation Management System (ELMS)
 - \$5.5 million Citizens Reimagined (CitRe)
 - \$25.9 million Holistic Inspection Program
 - \$11.4 million Real Estate Strategy
- Budgeted administrative and other underwriting expenses also reflect anticipated costs of servicing policies assumed through depopulation in 2024 and 2025, as well as ongoing efforts related to Citizens' catastrophe response

Multi-year Comparison

	2025 Budget	2024 Projection	2024 Budget	2023 Actual
Direct written premium	\$ 3,725,692,643	\$ 4,649,151,006	\$ 7,113,793,719	\$ 5,070,988,859
Depopulation	(673,152,030)	(1,074,111,144)	(809,291,107)	(588,341,223)
FHCF	(326,022,510)	(406,542,865)	(497,606,554)	(479,461,603)
Private risk transfer	(650,000,000)	(477,765,533)	(700,000,000)	(695,512,093)
Net earned premium	\$ 2,294,160,604	\$ 3,112,319,015	\$ 3,986,873,042	\$ 2,881,407,452
Underwriting expenses				
Losses incurred	\$ 880,263,981	\$ 4,184,111,622	\$ 1,513,723,327	\$ 1,261,402,581
Loss adjustment expense incurred	263,754,516	762,769,268	440,307,711	453,802,606
Administrative expense	202,350,854	184,057,485	205,428,891	163,824,322
Underwriting expense	415,629,156	507,876,726	781,882,943	535,834,175
Total	\$ 1,761,998,506	\$ 5,638,815,100	\$ 2,941,342,872	\$ 2,414,863,684
Net underwriting income (loss)	\$ 532,162,098	\$ (2,526,496,085)	\$ 1,045,530,170	\$ 466,543,768
Other Income (expense)				
Investments income	\$ 316,000,000	\$ 371,000,000	\$ 422,181,342	\$ 288,004,243
Interest expense		(1,222,222)	(1,236,111)	(12,061,683)
Other income (expense)	4,641,202	6,558,612	11,346,276	3,966,752
Net income (loss)	\$ 852,803,300	\$ (2,150,159,695)	\$ 1,477,821,677	\$ 746,453,080
Policies in force as of 12/31	770,819	907,286	1,239,892	1,228,718
Expense ratio	16.6%	14.9%	13.9%	13.8%