Attachment A

Audited Financial Statements

FORVIS

Citizens Property Insurance Corporation

Independent Auditor's Report, Statutory Financial Statements, and Supplementary Information

December 31, 2023 and 2022

Contents

FORVIS

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Independent Auditor's Report

Audit Committee
Citizens Property Insurance Corporation
Tallahassee, Florida

Opinions

We have audited the statutory financial statements of Citizens Property Insurance Corporation (Citizens), which comprise the statutory statements of admitted assets, liabilities and accumulated surplus as of December 31, 2023 and 2022, and the related statutory statements of operations, changes in accumulated surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Unmodified Opinion on Statutory of Accounting
In our opinion, the accompanying statutory financial statements present fairly, in all material respects, the admitted assets, liabilities and accumulated surplus of Citizens as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with statutory accounting principles prescribed or permitted by the Florida Department of Financial Services, Office of Insurance Regulation (the Office) described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the statutory financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), the financial position of Citizens as of December 31, 2023 and 2022, or the results of its operations or its cash flows for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Statutory Financial Statements section of our report. We are required to be independent of Citizens, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the statutory financial statements, the statutory financial statements are prepared by the Citizens on the basis of statutory accounting principles prescribed or permitted by the Office, which is a basis of accounting other than U.S. GAAP, to meet the requirements of the Office. The effects on the statutory financial statements of the variances between the statutory of accounting described in Note 2 and U.S. GAAP, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of the statutory financial statements in accordance with statutory accounting principles prescribed or permitted by the Office. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audits of the Statutory Financial Statements

Our objectives are to obtain reasonable assurance about whether the statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statutory financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the statutory financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Citizens' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Citizens' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the statutory financial statements as a whole. The Supplemental Combining Statutory Statements of Admitted Assets, Liabilities and Accumulated Surplus by Account, Supplemental Combining Statutory Statements of Operations by Account, Summary Investment Schedule and Summary Investment Risks Interrogatories (collectively, "Supplementary Information") as of December 31, 2023 on pages 32 through 40 are presented for purposes of additional analysis and is not a required part of the statutory financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the statutory financial statements as a whole.

FORVIS, LLP

Tampa, Florida
May 23, 2024

Citizens Property Insurance Corporation
Statutory Statements of Admitted Assets, Liabilities and Accumulated Surplus
December 31, 2023 and 2022
(Dollars in thousands)

	2023	2022
ADMITTED ASSETS		
Cash and invested assets		
Bonds	$ 7,496,579	$ 8,419,177
Cash, cash equivalents, and short-term investments	2,326,519	455,508
Total cash and invested assets	9,823,098	8,874,685
Investment income due and accrued, net	58,507	60,009
Premiums receivable, net	304,234	221,540
Reinsurance recoverable on paid losses and loss adjustment expenses	65,721	36,083
Other receivables under reinsurance contracts, net	4,152	126
Other assets	43,249	155,164
Total admitted assets	$ 10,298,961	$ 9,347,607
LIABILITIES AND ACCUMULATED SURPLUS		
Liabilities		
Loss reserves, net	$ 1,441,569	$ 1,626,253
Loss adjustment expense reserves, net	907,134	993,452
Retroactive reinsurance ceded	(1,669)	(1,668)
Unearned premiums, net	2,130,986	1,704,720
Reserve for future assessments	140,790	140,790
Reinsurance payable	426,474	107,215
Provision for reinsurance	4,926	3,323
Bonds payable	-	285,973
Interest payable	639	1,146
Advance premiums and suspended cash	68,595	55,790
Return premiums payable	12,720	13,954
Taxes and fees payable	26,743	28,739
Other liabilities	116,587	108,397
Total liabilities	5,275,494	5,068,084
Accumulated surplus		
Restricted	-	-
Unrestricted	5,023,467	4,279,523
Total accumulated surplus	5,023,467	4,279,523
Total liabilities and accumulated surplus	$ 10,298,961	$ 9,347,607

Citizens Property Insurance Corporation
Statutory Statements of Operations
Years Ended December 31, 2023 and 2022
(Dollars in thousands)

	2023	2022
Underwriting income		
Net premiums earned	$ 2,881,408	$ 1,897,813
Underwriting expenses		
Net losses incurred	1,261,402	2,888,917
Net loss adjustment expenses incurred	453,803	990,850
Other underwriting expenses incurred	699,658	464,437
Total underwriting expenses	2,414,863	4,344,204
Net underwriting gain (loss)	466,545	(2,446,391)
Investment income		
Net interest income	304,763	217,696
Net realized capital losses	(16,759)	(5,901)
Net interest expense	(12,062)	(11,983)
Total net investment income	275,942	199,812
Other income	3,967	4,236
Net income (loss)	$ 746,454	$ (2,242,343)

See accompanying notes to the statutory financial statements.

Citizens Property Insurance Corporation
Statutory Statements of Changes in Accumulated Surplus
Years Ended December 31, 2023 and 2022
(Dollars in thousands)

	Restricted	Unrestricted	Total Accumulated Surplus
Balance at December 31, 2021	$ -	$ 6,526,508	$ 6,526,508
Net loss	-	(2,242,343)	(2,242,343)
Change in nonadmitted assets	-	(486)	(486)
Change in provision for reinsurance	-	(3,176)	(3,176)
Other	-	(979)	(979)
Balance at December 31, 2022	-	4,279,524	4,279,524
Net income	-	746,454	746,454
Change in nonadmitted assets	-	(2,265)	(2,265)
Change in provision for reinsurance	-	(1,603)	(1,603)
Other	-	1,357	1,357
Balance at December 31, 2023	$ -	$ 5,023,467	$ 5,023,467

See accompanying notes to the statutory financial statements.

Citizens Property Insurance Corporation
Statutory Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(Dollars in thousands)

	2023	2022
Operating activities		
Premiums collected, net of reinsurance	$ 3,557,273	$ 2,558,158
Loss and loss adjustment expenses paid	(2,008,840)	(2,247,541)
Underwriting expenses paid	(708,880)	(422,179)
Net investment income received	298,912	208,732
Other income received	4,211	4,426
Net cash provided by in operating activities	1,142,676	101,596
Investing activities		
Proceeds from investments sold, matured or repaid	1,122,656	1,052,866
Investments acquired	(122,029)	(1,953,690)
Net cash provided by (used in) investing activities	1,000,628	(900,824)
Financing and miscellaneous activities		
Borrowed funds repaid	(275,000)	(160,000)
Other cash received	2,708	17,665
Net cash used in financing and miscellaneous activities	(272,292)	(142,335)
Net increase (decrease) in cash, cash equivalents, and short-term investments	1,871,011	(941,562)
Cash, cash equivalents, and short-term investments		
Beginning of year	455,508	1,397,070
End of year	$ 2,326,519	$ 455,508

Note 1. Organization and Description of the Company

Citizens Property Insurance Corporation (Citizens) was established on August 1, 2002, pursuant to Section 627.351(6), Florida Statutes (the Act), to provide certain residential and non-residential property insurance coverage to qualified risks in the State of Florida under circumstances specified in the Act. This legislation was enacted such that property insurance be provided through Citizens to applicants who are in good faith entitled to procure insurance through the voluntary market but are unable to do so. Citizens results from a combination of the Florida Residential Property and Casualty Joint Underwriting Association (FRPCJUA) and the Florida Windstorm Underwriting Association (FWUA). The FRPCJUA was renamed Citizens and the FWUA's rights, obligations, assets, liabilities and all insurance policies were transferred to Citizens. Unlike private insurers offering coverage through the admitted market, Citizens is not required to obtain or to hold a certificate of authority issued by the Florida Department of Financial Services, Office of Insurance Regulation (the Office). Likewise, Citizens is not subject to Risk-Based Capital (RBC) requirements or required to have a pledged deposit on file with the State of Florida. For purposes of its tax-exempt status, Citizens is considered a political subdivision and an integral part of the State of Florida. As such, Citizens' operations may be affected by the legislative process.

Citizens operates pursuant to a Plan of Operation (the Plan), under the Act, approved by the Financial Services Commission (the Commission) of the State of Florida. The Commission is composed of the Governor, the Chief Financial Officer, the Attorney General and the Commissioner of Agriculture of the State of Florida.

Citizens is supervised by a Board of Governors (the Board) which consists of nine individuals who reside in the State of Florida. The Governor appoints three members, and the Chief Financial Officer, the President of the Senate and the Speaker of the House of Representatives each appoint two members of the Board. At least one of the members appointed by each appointing officer must have a demonstrated expertise in the insurance industry. The Chief Financial Officer designates one of the appointees as the Board's chair. All Board members serve at the pleasure of their appointing officers.

Citizens' President and Chief Executive Officer (Executive Director) and senior managers are engaged by and serve at the pleasure of the Board. The Executive Director is subject to confirmation by the Florida Senate.

Pursuant to the Act, all revenues, expenses, assets and liabilities of Citizens shall remain divided into three separate accounts: the Personal Lines Account, the Commercial Lines Account and the Coastal Account (collectively, the Accounts). A brief history of each account follows:

Personal Lines Account History - The FRPCJUA began operations on January 21, 1993, after Hurricane Andrew, pursuant to Section 627.351(6), Florida Statutes, to provide certain residential property insurance coverage to qualified risks in the State of Florida for applicants who were in good faith entitled to procure insurance through the private market but were unable to do so. Residential property coverage consists of the types of coverage provided to homeowners, mobile homeowners, tenants, condominium unit owners, and similar policies. The policies provide coverage for all perils covered under a standard residential policy, subject to certain underwriting requirements. Such policies may exclude windstorm coverage on property within eligible areas. This portion of the FRPCJUA's activities became the Personal Lines Account (PLA) under Citizens.

Commercial Lines Account History - The Florida Property and Casualty Joint Underwriting Association (FPCJUA) was activated in early 1994 to provide commercial residential coverage (i.e. coverage for condominium associations, apartment buildings and homeowner associations) to organizations unable to obtain such coverage from a private insurer. During 1995, legislation was enacted to transfer all obligations, rights, assets, and liabilities related to commercial residential coverage from the FPCJUA to the FRPCJUA. The legislation required that the premiums, losses, assets and liabilities be accounted for separately from the FRPCJUA's personal residential business. This portion of the FRPCJUA's activities became the Commercial Lines Account (CLA) under Citizens. In 2006, the FPCJUA was re-activated to provide commercial non-residential wind-only coverage. In 2007, legislation was enacted which resulted in the transfer and assumption of the FPCJUA's commercial non-residential policies by Citizens. These policies were added to the CLA.

Coastal Account History - The FWUA, which was a residual market mechanism for windstorm and hail coverage in select areas of the State of Florida, was created by an act of the Florida Legislature in 1970 pursuant to Section 627.351(2), Florida Statutes. FWUA was a Florida unincorporated association, the members of which were all property insurance companies holding a certificate of authority to provide property insurance coverage in the State of Florida. FWUA provided policies of windstorm insurance for property owners within the eligible areas who were unable to obtain such coverage from private insurers. Insured properties include personal residential, commercial residential and commercial non-residential properties. This portion of the FWUA's activities became the High-Risk Account (HRA) under Citizens. In 2007, Citizens received authority to issue multi-peril policies in the HRA. Pursuant to legislative changes during 2011, the HRA was renamed the Coastal Account.

Note 2. Basis of Presentation

Citizens prepares its statutory financial statements in conformity with Florida statutes and accounting rules prescribed by the Office for insurance companies domiciled in the State of Florida. The statutory financial statements have been prepared in conformity with the Statutory Accounting Principles (SAP) of the National Association of Insurance Commissioners' (the NAIC) Accounting Practices and Procedures Manual, subject to any deviations prescribed or permitted by the Office, as described below.

SAP is a comprehensive basis of accounting other than accounting principles general accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). The significant SAP which differ from GAAP are as follows:

Certain assets are defined under SAP as "nonadmitted." These include furniture and equipment, leasehold improvements, certain prepaid assets, certain computer software, investments over prescribed limits and receivables in the course of collection with balances more than 90 days past due. The net change in such nonadmitted assets during the year is charged or credited directly to accumulated surplus. Conversely, GAAP includes these as assets net of any applicable valuation allowance.

Investments in bonds are reported at amortized cost or fair value based on their NAIC rating; for GAAP, these investments would be reported at fair value with unrealized holding gains and losses reported in the statement of operations.

All single class and multi-class mortgage-backed/asset-backed securities, such as collateralized mortgage obligations (CMOs), when it is determined that a decline in fair value is other-than-temporary, the amortized cost basis is written down to the present value of future cash flows. The difference between the amortized cost basis and the present value of future cash flows is recognized as a realized loss in the statutory statements of operations. For GAAP, all securities held representing beneficial interests in securitized assets, such as CMOs, mortgage-backed securities and other asset-backed securities, excluding high credit quality securities, are written down to fair value if the decline is determined to be other-than-temporary.

Cash, cash equivalents, and short-term investments in the statutory statements of admitted assets, liabilities and accumulated surplus and cash flows represent cash balances and investments with original maturities of one year or less at the date of acquisition. Under GAAP, the corresponding caption of cash and cash equivalents would include cash balances and investments with original maturities of three months or less at the date of acquisition. Also under GAAP, short-term investments are disclosed separately from cash and cash equivalents. The statutory statements of cash flows does not classify cash flows consistent with GAAP.

Lease-related assets and liabilities in the statutory financial statements are classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contracts. Under GAAP, lease accounting is based on the foundational principle that leases are financing arrangements of the right to use an underlying asset, requiring the lessee to recognize a lease liability and an intangible right-to-use lease asset, and the lessor to recognize a lease receivable and a deferred inflow of resources.

Subscription-based information technology arrangements (SBITAs) are contracts that convey control of the right to use another party's information technology software. In the statutory financial statements these contracts are recognized as inflows of resources or outflows of resources based on the payment provisions of the contracts. Under GAAP, SBITAs result in a right-to-use intangible subscription asset and a corresponding subscription liability and are based on the standards established for lease accounting.

Certain other reported amounts in the statutory financial statements prepared on the basis of SAP are classified or presented differently than they would be under GAAP. Statutory requirements include that the statutory financial statements of Citizens be filed with state regulatory authorities. Accordingly, the statutory financial statements are presented in a format similar to the filed annual statement, which differs from the format of financial statements presented under GAAP. Required statutory disclosures that are not applicable to Citizens are not included in the notes to statutory financial statements.

(Dollars in thousands)

Differences between Florida prescribed practices and SAP which affect Citizens are provided in Section 625.305, Florida Statutes. This statute provides limitations on the admission of invested assets as a percentage of total admitted assets, for securities with ratings of 5 and 6 as issued by the Securities Valuation Office (SVO) or equivalent rating agency, among other limitations not applicable to Citizens. Measurement for nonadmitted invested assets under this prescribed practice is performed separately for each of Citizens' Accounts. The effect of the prescribed practice on accumulated surplus is provided below. There is no effect on net income as a result of the prescribed practice.

Description	**State**	**2023**	**2022**
Accumulated surplus, state basis	FL	**$5,023,467**	$ 4,279,523
Effect of state prescribed practices			
F.S. 625.305(4) d. Nonadmitted Invested Assets	FL		-
Accumulated surplus, SAP basis		**$5,023,467**	$ 4,279,523

Citizens has no permitted practices for the year ended December 31, 2023.

Note 3. Significant Accounting Policies

Use of Estimates

The preparation of the statutory financial statements in accordance with SAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Bonds

Bonds, which consist solely of debt securities, are recorded at admitted asset values, as prescribed by the NAIC's valuation procedures and are rated in accordance with current NAIC guidelines.

Bonds designated by the SVO or equivalent as 1 or 2 are reported at amortized cost. Bonds designated as 3 through 6 are reported at the lower of amortized cost or fair value. Debt securities not backed by other loans are stated at amortized cost using the interest method. Loan-backed debt securities and structured securities are stated at amortized cost using the interest method and adjusted retrospectively. Prepayment assumptions were obtained from broker dealer values. Fair values are generally measured using quoted prices in active markets for identical securities or other inputs that are observable either directly or indirectly, such as quoted prices for similar securities.

Declines in the estimated fair value of bonds below amortized cost are evaluated for other-than-temporary impairment (OTTI) losses on a regular basis. Impairment losses for declines in the estimated fair value of bonds below amortized cost attributable to issuer-specific events are evaluated based upon all relevant facts and circumstances for each investment and are recognized when appropriate in accordance with SAP and related guidance. In determining OTTI, Citizens considers many factors, including (1) the length of time and extent to which the fair value has been less than cost; (2) the financial condition and near-term prospects of the issuer; (3) whether the market decline was affected by macroeconomic conditions; (4) the present value of the expected future cash flows associated with the debt security compared to its carrying value; and (5) whether the Company has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery, which may be maturity. The assessment of whether an OTTI decline exists involves a high degree of subjectivity and judgment, and is based on the information available at a point in time. Citizens records an impairment charge to the extent that the amortized cost exceeds the estimated fair value of the securities and the decline in value is determined to be other than temporary. Citizens recognizes OTTI losses on its loan-backed and structured securities measured as the difference between amortized cost and estimated present value of projected future cash flows. OTTI charges are recognized in net realized capital gains (losses).

Cash, Cash Equivalents, and Short-term Investments

Cash and cash equivalents consists of money market mutual funds and highly liquid investments with remaining maturities of three months or less at the date of purchase.

Short-term investments are investments with remaining maturities of one year or less at the date of purchase (excluding those investments classified as cash) and are generally recorded at cost.

Short-term investments include amounts invested in commercial paper, short-term municipal securities, short-term corporate bonds and U.S. government agency short-term notes.

Net Investment Income

Net investment income includes interest income, amortization and accretion, realized gains and losses on sales or maturity of investments that are recognized on the specific identification basis, and interest expense. Gains and losses from call redemptions and repayments are charged or credited to investment income. Net investment income also includes bond interest, bond expenses and investment expenses.

Interest is recognized on the accrual basis and uncollected interest is recorded in investment income due and accrued in the accompanying statutory statements of admitted assets, liabilities and accumulated surplus. Accrual of income is suspended for bonds that are in default or when the receipt of interest payments is in doubt.

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are depreciated using the straight-line method over the assets' estimated useful life. The estimated useful lives, by asset class, are as follows:

Electronic data processing (EDP) equipment:	3 years
Office equipment and automobiles:	5 years
Furniture and equipment:	7 years
Leasehold improvements:	10 years

The cost and accumulated depreciation for EDP equipment was $24,451 and $24,451 at December 31, 2023 and $25,069 and $25,000 at December 31, 2022, respectively.

Depreciation and amortization expense was $169 and $592 for the years ended December 31, 2023 and 2022, respectively, and is included in other underwriting expenses incurred on the accompanying statutory statements of operations. Nonadmitted balances for fixed assets, excluding EDP equipment, at December 31, 2023 and 2022 were $863 and $249, respectively. Net admitted EDP equipment of $0 and $69 at December 31, 2023 and 2022, is included in other assets on the accompanying statutory statements of admitted assets, liabilities and accumulated surplus.

Loss Reserves and Loss Adjustment Expense Reserves

Liabilities for loss reserves and loss adjustment expense (LAE) reserves are estimated based on claims adjusters' evaluations and on actuarial evaluations for incurred but not reported reserves, using Citizens' loss experience and industry statistics. While the ultimate amount of losses and LAE incurred is dependent on future development, in management's opinion, the estimated reserves are adequate to cover the expected future payment of losses and LAE. However, the ultimate settlement of losses may vary significantly from the reserves provided. Adjustments to estimates recorded resulting from subsequent actuarial evaluations or ultimate payments will be reflected in operations in the period in which such adjustments are known or estimable. Citizens does not discount liabilities for loss reserves and LAE reserves. The anticipated effect of inflation is implicitly considered when estimating liabilities for losses and LAE. While anticipated price increases due to inflation are considered in estimating the ultimate claim costs, the increase in average severities of claims is caused by a number of factors that vary with the individual type of policy written. Future average severities are projected based on historical trends adjusted for implemented changes in underwriting standards, policy provisions, and general economic trends. Those anticipated trends are monitored based on actual development and the estimated liabilities are modified, if necessary.

In the event of loss recoveries through reinsurance agreements, loss and LAE reserves are reported net of reinsurance amounts recoverable for unpaid losses and LAE. Losses and LAE ceded through reinsurance are credited against losses and LAE incurred.

Salvage and subrogation recoveries are not recorded until cash is received.

Premiums

Premiums written are recorded on the effective date of the policy and earned using the daily pro rata method over the policy period. The portion of premiums not earned at the end of the reporting period are recorded as unearned premiums. Premiums collected prior to the effective date of the policy are recorded as advance premiums. Premiums collected in excess of amounts due are reported as return premiums payable.

Amounts incurred for ceded reinsurance premiums are deducted from written, earned and unearned premiums. Funds collected that are not readily identifiable with a Citizens' policy, primarily as a result of depopulation, are temporarily recorded as suspended cash until such time as the funds can be settled or returned by Citizens.

If anticipated losses, LAE, commissions and other acquisition costs exceed recorded unearned premium reserve, a premium deficiency is recognized by recording an additional liability for the deficiency. Citizens anticipates investment income as a factor in the premium deficiency calculation. For purposes of determining premium deficiencies, contracts are grouped in a manner consistent with how policies are marketed, serviced, and measured for the profitability of such contracts. Additionally, premium deficiency calculations are performed for each Account separately. At December 31, 2023 and 2022, management determined that no premium deficiency reserve was required.

Premiums receivable includes amounts due from policyholders for billed premiums. Billings are calculated using estimated annual premiums for each policy and are paid either through an installment plan offered by Citizens or in their entirety at the inception of the policy. Citizens nonadmits assets due from insureds for which a portion of the receivable is more than 90 days past due. Premiums receivable are charged to bad debt expense in the period determined uncollectible.

Recoveries received on amounts previously charged off are credited to bad debt expense in the period received. As of December 31, 2023 and 2022, nonadmitted premiums receivable totaled $2,207 and $2,886, respectively.

Premium revenues and associated policy fees and inspection fees are recognized in accordance with the rates, rules, and forms as filed with the Office. Associated policy fees and inspection fees are included within other income.

Underwriting Expenses

Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred.

Guaranty Fund and Other Assessments

Citizens is subject to assessments by the Florida Insurance Guaranty Association (FIGA). For the property lines of insurance, FIGA collects assessments from solvent insurance companies operating in Florida to cover the costs resulting from insolvency or rehabilitation of other insurance companies. Assessments are charged to policyholders and collected by Citizens, and remitted to FIGA on a quarterly basis. Amounts collected from policyholders but not yet remitted to FIGA are reported within Taxes and fees payable on the accompanying statutory statements of admitted assets, liabilities and accumulated surplus until remitted to FIGA.

Citizens is also required to assess insurers and insureds in Florida for deficits incurred by Citizens. Assessments made pursuant to the Act and the Plan are recognized as revenue and recorded as receivable in the period approved by the Board and the Office and levied by Citizens (see Note 15). Assessment receivables are considered to be fully collectible. Under the Plan, amounts collected in excess of the calculated assessment are carried as a liability on the statutory statements of admitted assets, liabilities and accumulated surplus as reserve for future assessments until such time as their permitted use is determined by the Board in accordance with the Plan.

Reinsurance

Premiums ceded under reinsurance agreements are recorded as a reduction of earned premiums. Reinsurance recoverables on unpaid losses and LAE are recorded as a reduction to loss and LAE reserves.

Reinsurance recoverables on paid losses are recorded as receivables. All catastrophe reinsurance premiums are recorded as premiums ceded and are amortized over the life of the Atlantic hurricane season, from June 1 to November 30, for which the premiums apply. Premiums ceded include Florida Hurricane Catastrophe Fund (FHCF), private catastrophe reinsurance purchases and depopulation premiums.

Other receivables under reinsurance contracts represent amounts receivable from reinsurers on depopulation premiums. Reinsurance premiums payable represents amounts due to the FHCF, private reinsurers, and as a result of depopulation, which is presented as a liability. For multi-year treaties, ceded reinsurance is incurred in the treaty year in proportion to the coverage provided and amortized over the life of the hurricane season. Amounts unpaid for the current treaty year are recorded as reinsurance payable under the terms of the treaty.

Retroactive reinsurance ceded on the accompanying statutory statements of admitted assets, liabilities and accumulated surplus represents ceded losses and loss adjustment expenses associated with a 100% quota-share reinsurance agreement that qualified for retroactive treatment in accordance with SSAP No. 62R, *Property and Casualty Reinsurance (*SSAP No. 62R*)*. All policies ceded under the agreement were fully earned as of December 31, 2023 and 2022. Changes in retroactive reinsurance reserves are recognized on the accompanying statutory statements of operations within other income.

In accordance with SSAP No. 62R, a provision for reinsurance is established to offset credit taken in various balance sheet accounts for reinsurance ceded to unauthorized reinsurers in excess of collateral held by the Company.

Income Taxes

Pursuant to a determination letter received from the Internal Revenue Service, Citizens is exempt from federal income tax as a political subdivision and integral part of the State of Florida, and as such, is liable for income taxes only on business income unrelated to the purpose for which it is exempt. No federal or state income tax was incurred during 2023 and 2022.

Significant Concentrations of Risks

Citizens has geographic exposure to catastrophic losses. Catastrophes can be caused by various events including, but not limited to, hurricanes, windstorms, hail and fire. The occurrence and severity of catastrophes are inherently unpredictable. Citizens attempts to mitigate its exposure to losses from catastrophes by purchasing catastrophe reinsurance coverage. Catastrophes, depending on their path and severity, could result in losses exceeding Citizens' reinsurance protection, and could have a material adverse effect on Citizens' financial condition and results of operations.

Citizens' exposure to concentrations of credit risk consists primarily of its cash, investments, and reinsurance balances. Citizens minimizes this risk by maintaining cash at highly rated financial institutions, investing surplus cash in highly rated money market funds, adhering to an investment strategy that emphasizes preservation of principal, and contracting with reinsurance companies that meet certain rating criteria and other qualifications. Financial instruments that potentially subject Citizens to concentrations of credit risk consist principally of cash and cash equivalents, and investments. Citizens' cash management and investment policies restrict investments by type, credit and issuer, and Citizens performs periodic evaluations of the credit standing of the financial institutions with which it deals. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation up to $250 per depositor. Bank deposits at times may exceed federally insured limits. An increased risk of loss occurs as more investments are acquired from one issuer or a group of issuers within one industry which results in a concentration of credit risk.

Excluding securities issued by U.S. Government & Agencies, Citizens does not hold any securities from any single issuer that exceeded 5% of the investment portfolio. Citizens' investment strategy focuses primarily on higher quality, fixed income securities.

Citizens reviews the credit strength of all entities in which it invests, limits its exposure in any one investment, and monitors portfolio quality, taking into account credit ratings assigned by recognized credit rating organizations.

Citizens enters into reinsurance treaties with highly rated reinsurers and has the contractual right to obtain letters of credit from any unauthorized reinsurer and certified reinsurer. As of December 31, 2023, management believes Citizens had no significant concentrations of credit risk.

Citizens is exposed to interest rate risk, which is the risk that interest rates will change and cause a decrease in the value of fixed-rate investments. Citizens mitigates this risk by attempting to match the maturity schedule of its assets with the expected payout of its liabilities.

(Dollars in thousands)

Components of Unrestricted Surplus

Unrestricted surplus for the years ended December 31 was charged with the following items:

	2023	2022
Nonadmitted assets:		
Premiums receivable	$ (2,207)	$ (2,886)
Furniture, fixtures and equipment	(863)	(249)
Prepaid expenses	(11,984)	(9,693)
Other assets	(661)	(622)
Total nonadmitted assets	$ (15,715)	$ (13,450)
Provision for reinsurance	$ (4,926)	$ (3,324)
Other	$ 806	$ (552)

Note 4. Fair Value Measurements

Citizens' estimates of fair value for financial assets and financial liabilities are based on the framework established in the fair value measurements and disclosures accounting guidance under SSAP No. 100R, *Fair Value*. The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect significant market assumptions.

The three levels of the hierarchy are as follows:

- Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market corroborated inputs.
- Level 3 - Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement, and includes broker quotes which are non-binding.

(Dollars in thousands)

The following tables reflect the carrying values and estimated fair values of all admitted assets and liabilities that are financial instruments at December 31, 2023 and 2022. The estimated fair values are categorized into the three-level fair value hierarchy as described below.

	2023				
	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Bonds	$ 7,496,579	$ 6,879,944	$ 1,184,906	$ 5,695,038	$ -
Cash, cash equivalents, and short-term investments	2,326,519	2,327,048	2,316,670	10,378	-
Investment income due and accrued, net	58,507	58,507	-	58,507	-
Total financial assets	$ 9,881,605	$ 9,265,499	$ 3,501,576	$ 5,763,923	$ -
Financial liabilities:					
Bonds payable	-		-		-
Interest payable	639	639	-	639	-
Total financial liabilities	$ 639	$ 639	$ -	$ 639	$ -

	2022				
	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Bonds	$ 8,419,177	$ 7,560,504	$ 1,466,519	$ 6,093,985	$ -
Cash, cash equivalents, and short-term investments	455,508	454,001	410,580	43,421	-
Investment income due and accrued, net	60,009	60,009	-	60,009	-
Total financial assets	$ 8,934,694	$ 8,074,514	$ 1,877,099	$ 6,197,415	$ -
Financial liabilities:					
Bonds payable	285,973	286,784	-	286,784	-
Interest payable	1,146	1,146	-	1,146	-
Total financial liabilities	$ 287,119	$ 287,930	$ -	$ 287,930	$ -

The following describe fair value methodologies that may not be indicative of net realizable value or reflective of future fair values. Furthermore, Citizens believes different methodologies or assumptions used to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Bonds and Short-Term Investments

When available, the estimated fair values are based on quoted prices in active markets that are readily and regularly obtainable. Generally, these investments are classified in Level 1 and are the most liquid of Citizens' securities holdings, and valuation of these securities does not involve management's judgment.

When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies, giving priority to observable inputs. The significant inputs to the market standard valuation methodologies for certain types of securities with reasonable levels of price transparency are inputs that are observable in the market or which can be derived principally from or corroborated by observable market data. Generally, these investments are classified as Level 2.

When observable inputs are not available, the market standard valuation methodologies for determining the estimated fair value of certain types of securities that trade infrequently, and therefore have little or no price transparency, rely on inputs that are significant to the estimated fair value that are not observable in the market or which cannot be derived principally from or corroborated by observable market data. These unobservable inputs can be based in large part on management's judgment or estimation and cannot be supported by reference or market activity. Even though these inputs are unobservable, Citizens believes they are consistent with those which other market participants would use when pricing such securities and are considered appropriate, given the circumstances. Generally, these investments are classified as Level 3.

Cash and Cash Equivalents

The estimated fair value approximates carrying value and are classified as Level 1, given the nature of cash and cash equivalents.

Investment Income Due and Accrued and Interest Payable

The estimated fair value is determined based on significant observable inputs. These amounts are generally classified as Level 2.

Bonds Payable

Citizens' bonds trade on the bond market. The estimated fair value is based on trading activity and closing market prices on December 31.

At the end of each reporting period, Citizens evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred between Levels 1 and 2. This policy also applies to transfers into or out of Level 3. No transfers were made between financial instrument levels during the year end December 31, 2023 and 2022.

Note 5. Investments

Investment Policy and Impairment

Citizens' invested assets are governed by five investment policies, three for taxable operating funds and two for tax-exempt bond proceeds:

- Liquidity Fund (Taxable): generally this policy governs the investment of funds and surplus that, in addition to internally managed cash, are the first monies used to pay claims after an event, and that can be used to pay operating expenses on an ongoing basis.

- Liquidity Fund (Tax-exempt): generally this policy governs the investment of tax-exempt pre-event bond proceeds and other monies required to be invested in tax-exempt instruments. Citizens uses these monies to pay claims after an event or to pay principal and / or interest payments on an as needed basis.

- Claims-Paying Fund (Taxable): generally this policy governs the investment of funds used to pay post-event claims after Citizens has expended all monies in the Liquidity Fund. Only monies eligible for investment in taxable instruments are deposited in this fund.

(Dollars in thousands)

- Claims-Paying Fund (Tax-exempt): generally this policy governs the investment of tax-exempt pre-event bond proceeds and other monies required to be invested in tax-exempt instruments. Citizens uses these monies to pay claims after an event, typically after all funds in the Liquidity Fund have been expended.

- Claims-Paying Long Duration Fund (Taxable): generally this policy governs the investment of funds that will be used to pay post-event claims after Citizens has expended all monies in the Liquidity Funds and Claims-Paying Funds.

Citizens evaluates external indicators, such as issuer credit ratings along with the extent and duration of declines, and internal indicators such as ability and intent with respect to retention of impaired securities in determining whether declines in market value are temporary or other-than-temporary. Citizens recognized other-than-temporary impairments of $1,980 on two fixed income securities for the year ended December 31, 2023. Citizens recorded the other-than-temporary impairment due to its intent to sell the fixed income securities. The Company had no other-than-temporary impairments in 2022.

The investment policies require any repurchase agreement be collateralized to at least 102% with U.S. Government or Agency securities, excluding mortgage-backed securities. Repurchase agreements shall not represent more than 15% of the portfolio's amortized cost and must have a maximum maturity of 30 days or less. Reverse repurchase agreements and securities lending are not permitted investments. Citizens had no investments in agency repurchase agreements as of December 31, 2023 and 2022.

Bonds

The carrying value, gross unrealized gains and losses, and estimated fair value of bonds at December 31, 2023 were as follows:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Bonds:				
U.S. Treasury and U.S. government securities	$ 1,279,816	$ 47	$ (93,218)	$ 1,186,645
States, territories and possessions	98,823	-	(8,164)	90,659
Political subdivisions of states, territories and possessions	110,466	-	(7,424)	103,042
Special revenue	559,477	9	(38,897)	520,589
Industrial and miscellaneous	5,152,285	1,721	(444,376)	4,709,630
Mortgage-backed securities	295,712	72	(26,405)	269,379
Total admitted bonds	$ 7,496,579	$ 1,849	$ (618,484)	$ 6,879,944

(Dollars in thousands)

The carrying value, gross unrealized gains and losses, and estimated fair value of bonds at December 31, 2022 were as follows:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Bonds:				
U.S. Treasury and U.S. government securities	$ 1,594,763	$ -	$ (126,236)	$ 1,468,527
States, territories and possessions	105,437	-	(11,185)	94,252
Political subdivisions of states, territories and possessions	119,028	-	(10,400)	108,628
Special revenue	649,562	35	(55,975)	593,622
Industrial and miscellaneous	5,617,250	44	(622,691)	4,994,603
Mortgage-backed securities	333,137	-	(32,265)	300,872
Total admitted bonds	$ 8,419,177	$ 79	$ (858,752)	$ 7,560,504

The unrealized loss position of bonds at December 31, 2023 was as follows:

	Less than 12 months		More than 12 months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
Bonds:						
U.S. Treasury and U.S. government securities	$ 4,963	$ (5)	$ 1,133,585	$ (93,213)	$ 1,138,548	$ (93,218)
States, territories and possessions	-		90,659	(8,164)	90,659	(8,164)
Political subdivisions of states, territories and possessions	839	(161)	102,202	(7,263)	103,041	(7,424)
Special revenue	-		512,774	(38,897)	512,774	(38,897)
Industrial and miscellaneous	23,052	(1,973)	4,580,989	(442,403)	4,604,041	(444,376)
Mortgage-backed securities	-		255,190	(26,405)	255,190	(26,405)
Total	$ 28,854	$ (2,139)	$ 6,675,399	$ (616,345)	$ 6,704,253	$ (618,484)

(Dollars in thousands)

The unrealized loss position of bonds at December 31, 2022 was as follows:

	Less than 12 months		More than 12 months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
Bonds:						
U.S. Treasury and U.S. government securities	$ 740,292	$ (53,165)	$ 708,189	$ (73,071)	$ 1,448,481	$ (126,236)
States, territories and possessions	38,262	(4,030)	55,989	(7,155)	94,251	(11,185)
Political subdivisions of states, territories and possessions	64,671	(6,964)	43,956	(3,436)	108,627	(10,400)
Special revenue	371,282	(30,984)	201,251	(24,991)	572,533	(55,975)
Industrial and miscellaneous	3,082,113	(292,869)	1,877,520	(329,822)	4,959,633	(622,691)
Mortgage-backed securities	252,825	(21,465)	48,047	(10,800)	300,872	(32,265)
Total	$ 4,549,445	$ (409,477)	$ 2,934,952	$ (449,275)	$ 7,484,397	$ (858,752)

There were 4,554 and 2,057 bond holdings in an unrealized loss position for more than 12 months at December 31, 2023 and 2022, respectively.

Citizens believes there were no fundamental issues such as credit losses or other factors with respect to any of its bond securities that are in an unrealized loss position. The unrealized losses on bonds were primarily caused by interest rate changes. It is expected that the securities would not be settled at a price less than the par value of the bonds. Citizens evaluates U.S. government, corporate, and state and municipal bonds based upon factors such as expected cash flows and the financial condition, and near-term and long-term prospects of the issuer, and evaluates mortgage-backed securities and asset-backed securities based on actual and projected cash flows after considering such factors as the quality of the underlying collateral, expected prepayment speeds, current and forecasted severity, consideration of the payment terms of the underlying assets, and payment priority of the security. Because the decline in fair value is attributable to changes in interest rates or market conditions and not credit quality, and because Citizens has the ability and intent to hold its bond securities until a market price recovery or maturity, Excluding bonds previously disclosed, Citizens does not consider any of its bonds to be other than temporarily impaired at December 31, 2023 and 2022.

Proceeds from maturities and sales of bonds during 2023 were $1,018,249 with gross realized gains of $1 and gross realized losses of $14,832 and during 2022 were $1,208,043 with gross realized gains of $2,779 and gross realized losses of $8,555. Investment dispositions and purchases are measured and recorded in the financial statements using the trade date, which may differ from the date on which settlement of the trade activity occurs. Proceeds related to gains (losses) on cash, cash equivalents, and short-term investments during 2023 and 2022 were $(1,927) and $(125) respectively.

(Dollars in thousands)

The carrying value and estimated fair value of securities at December 31, 2023, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

	Carrying Value	Estimated Fair Value
Maturity:		
In 2024	$ 835,965	$ 824,536
2025 – 2028	3,085,709	2,939,423
2029 – 2033	2,754,828	2,427,389
After 2033	524,365	419,217
Mortgage-backed securities	295,712	269,379
Total	$ 7,496,579	$ 6,879,944

Sources and uses of net investment income for the years ended December 31, were as follows:

	2023	2022
Gross interest income:		
Bonds	$ 203,083	$ 198,437
Cash, cash equivalents, and short-term investments	105,719	23,455
Total gross interest income	308,802	221,892
Investment expenses	(4,039)	(4,196)
Net interest income	304,763	217,696
Net realized loss on sales of invested assets:		
Bonds	(9,325)	(5,776)
Cash, cash equivalents, and short-term investments	(1,927)	(125)
Total net realized gain on sales of invested assets	(11,252)	(5,901)
Loss on defeasance of debt	(5,507)	-
Net realized capital gains	(16,759)	-
Interest expense:		
Bond interest	(12,062)	(11,983)
Net investment income	$ 275,942	$ 199,812

For the year ended December 31, 2023, 93 securities were called, 3 of which included prepayment penalties or acceleration fees of $43 and is included in net interest income.

(Dollars in thousands)

Restricted Assets

Restricted assets pledged as collateral consist of debt sinking funds on deposit with Citizens' Indenture Trustee for the purpose of funding principal and interest obligations associated with outstanding bonds payable. Restricted assets pledged as collateral were $0 and $7,285 at December 31, 2023 and 2022, respectively.

Note 6. Liability for Loss Reserves and Loss Adjustment Expense Reserves

Activity in the liability for loss and LAE reserves for December 31 was as follows:

	2023	2022
Direct loss and loss adjustment expense reserves, beginning of year	$ 3,795,733	$ 1,158,326
Less reinsurance recoverables on reserves	(1,176,028)	(150,749)
Net loss and loss adjustment expense reserves, beginning of year	2,619,705	1,007,577
Incurred related to:		
Current accident year	1,645,821	3,758,005
Prior accident years	69,384	121,762
Total incurred	1,715,205	3,879,767
Paid related to:		
Current accident year	548,251	1,803,556
Prior accident years	1,437,956	464,083
Total paid	1,986,207	2,267,639
Net loss and loss adjustment expense reserves, end of year	2,348,703	2,619,705
Add reinsurance recoverables on reserves	1,022,003	1,176,028
Gross Balance at end of year	$ 3,370,706	$ 3,795,733

As a result of changes in estimates of insured events in prior years, the provision for loss and LAE reserves increased by approximately $69,384 and $121,762 net of reinsurance, in 2023 and 2022, respectively. Increases in the number of litigated claims and related loss severity of claims from Tropical Storm Eta contributed most significantly to the overall increase in the provision for loss and LAE reserves of $69,384.

These adjustments are the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims. On August 30, 2023, Hurricane Idalia made landfall in the Florida panhandle as a Category 3 Hurricane. At December 31, 2023, estimated ultimate losses and LAE attributable to Hurricane Idalia were $83,477. At December 31, 2023, no reinsurance recoverables have been recorded for losses and LAE attributable to Hurricane Idalia. There can be no assurance that the ultimate settlement of losses will not vary significantly from the recorded provision for losses and LAE. However, management believes the provision for losses and LAE is adequate to cover the cost of unpaid claims incurred.

During 2023 and 2022, net recoveries with respect to reinsurance recoverable on paid losses and LAE was $227,196 and $136,184 respectively.

For the years ended December 31, 2023 and 2022, ultimate losses and LAE attributable to Hurricane Irma were $2,550,514 and $2,553,813, respectively, excluding recorded anticipated reinsurance recoveries of $1,120,433 and $1,125,745, respectively. For the years ended December 31, 2023 and 202, ultimate losses and LAE attributable to Hurricane Ian were $3,595,992 and $3,597,442, respectively, excluding estimated reinsurance recoveries of $1,121,566 and $1,026,468, respectively. For the years ended December 31, 2023 and 2022, ultimate losses and LAE attributable to Hurricane Nicole were $100,449 and $96,076, respectively, excluding estimated reinsurance recoveries of $14,656 ($0 at December 31, 2022).

For the years ended December 31, 2023 and 2022, ultimate losses and LAE attributable to Hurricane Michael were $145,178 and $148,400, respectively, with no anticipated reinsurance recoveries. For the years ended December 31, 2023 and 2022, ultimate losses and LAE attributable to Tropical Storm Eta were $351,338 and $237,160, respectively, with no anticipated reinsurance recoveries. For the years ended December 31, 2023, and 2022, ultimate losses and LAE attributable to Hurricane/Tropical Storm Sally were $78,439 and $67,520, respectively, with no anticipated reinsurance recoveries.

For both catastrophic and non-catastrophic claims, the loss adjusting function is performed by Citizens through its employees and through contracted independent adjusting firms. Citizens compensates independent adjusting firms, depending upon the type or nature of the claims, either on a per-day rate or on a graduated fee schedule based on the gross claim amount. Such costs are included as LAE.

Note 7. Reinsurance Agreements

Citizens has entered into various contracts with reinsurers for the purpose of reducing its net exposure to qualifying losses should such losses occur. These contracts provide for the recovery of amounts above specified retention levels, subject to contractual limits, under per occurrence and aggregate catastrophe excess of loss arrangements. Reinsurance coverage is purchased separately for the Coastal Account and combined for the PLA and CLA. As required by statute, Citizens participates in the FHCF. Coverage provided by and premium ceded to the FHCF as respects the Coastal Account is measured and recognized as though the Coastal Account is a separate participating insurer with its own exposures, reimbursement premium and loss reimbursement. Likewise, the PLA and CLA are considered together as a single, separate participating insurer with its own exposures, reimbursement premium and loss reimbursement. Reinsurance coverage purchased through the FHCF was $2,072,418 and $3,315,201 in the Coastal Account and PLA and CLA, respectively, for 2023, and $3,040,179 and $1,849,351 in the Coastal Account and PLA and CLA, respectively, for 2022. Pursuant to the FHCF reinsurance contract, coverage amounts represent the total amount of available coverage available for individual or multiple covered events. Reinsurance coverage purchased in the Coastal Account and PLA through traditional and capital markets totaled $2,461,377 and $2,919,077 for 2023 and $1,565,000 and $942,000 for 2022, respectively. At December 31, 2023, Citizens was party to 7 outstanding insurance-linked securities (ILS) contracts as a ceding insurer that provide aggregate maximum proceeds of $1,125,000 for directly-written insurance risks by Citizens at an attachment level of $3,400,000 in the Coastal Account and aggregate maximum proceeds of $1,275,000 for directly-written insurance risks by Citizens at an attachment level of $5,790,000 in the PLA.

(Dollars in thousands)

The effect of reinsurance on premiums written and earned is as follows:

	2023		2022	
	Written	**Earned**	**Written**	**Earned**
Direct premiums	$ 5,070,989	$ 4,218,128	$ 3,190,080	$ 2,454,333
FHCF ceded premiums	(479,462)	(479,462)	(324,412)	(324,412)
Private ceded premiums	(695,512)	(695,512)	(216,343)	(216,343)
Depopulation ceded premiums	(588,341)	(161,746)	(24,069)	(15,765)
Net premiums	$ 3,307,674	$ 2,881,408	$ 2,625,256	$ 1,897,813

Ceded premiums include premiums ceded to companies that assume policies pursuant to a depopulation program (see Note 11). Ceded losses and LAE incurred were $102,809 and $1,142,044 during 2023 and 2022, respectively. Unearned premiums on the accompanying statutory statements of admitted assets, liabilities and accumulated surplus are net of ceded unearned premiums on depopulation contracts of $436,596 and $10,001 at December 31, 2023 and 2022, respectively. There were no ceded unearned premiums with respect to the FHCF or traditional and capital markets reinsurance agreements at December 31, 2023 and 2022.

Amounts recoverable from reinsurers on unpaid losses and LAE are estimated based on the allocation of estimated unpaid losses and LAE among Citizens' coverage lines. Actual amounts recoverable will depend on the ultimate settlement of losses and LAE. FHCF and private reinsurance contracts do not relieve Citizens from its obligation to policyholders. Citizens remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under their reinsurance agreements. As of December 31, 2023, Citizens reported a net recoverable due from FHCF in the amount of $936,390, or approximately 18.6% of accumulated surplus. As of December 31, 2022, Citizens reported a net recoverable due from FHCF in the amount of $1,032,997, or approximately 24.0% of accumulated surplus. FHCF net recoverable amounts at December 31, 2023 and 2022 are comprised of ceded loss and LAE reserves for claims arising from Hurricane Irma.

As of December 31, 2023 and 2022, Citizens recorded a provision for reinsurance as a liability with a corresponding charge to surplus in the amount of $4,926 and $3,324, respectively, on the statutory statements of admitted assets, liabilities and accumulated surplus as a result of uncollateralized net recoverable balances arising due to anticipated losses and LAE attributed to Hurricane Irma. For 2023, the provision for reinsurance includes $4,926 and $0 for unauthorized and certified reinsurers, respectively. For 2022, the provision for reinsurance includes $3,324 and $0 for unauthorized and certified reinsurers, respectively. Citizens does not believe there to be significant credit risk associated with net recoverable balances under its reinsurance program.

On August 17, 2023, Citizens entered into a commutation agreement with the Florida Hurricane Catastrophe Fund (FHCF) to settle all of the FHCF's Loss and LAE obligations associated with Citizens' 2017 Reimbursement Contract. In connection with this commutation, Citizens recognized a loss of approximately $8,155 resulting from the difference between its estimated outstanding loss and LAE and the amount agreed to in the commutation.

Note 8. Bonds Payable

Citizens has issued multiple Senior Secured Bonds for the purpose of funding losses in the event of a future catastrophe. The bonds are secured by pledged revenues which consist of monies and investments held in accounts established under the trust indenture, proceeds from any surcharges, regular, and emergency assessments, and/or reimbursements received from the FHCF.

On December 4, 2023, Citizens executed a legal defeasance of the remaining outstanding Series 2015A-1 Senior Secured bonds in the amount of $275,000.

The legal defeasance of these bonds resulted in a loss of $5,507 which is included in net realized capital losses within the statutory statements of operations. For the years ending December 31, 2023 and 2022, interest expense incurred was $13,903 and $17,056, respectively.

Interest expense includes net amortization for and accretion of premiums and discounts of $4,060 and $5,073 for the years ended December 31, 2023 and 2022, respectively. Net unamortized premium at December 31, 2023 and 2022 was $0 and $10,973, respectively.

On June 29, 2023, Citizens executed a revolving line of credit in an amount not to exceed $1.25 billion for purposes of providing liquidity for the PLA in the event of a storm or series of storms. This line of credit is secured by pledged revenues which consist of monies and investments held in accounts established under the trust indenture, proceeds from any regular and/or emergency assessments, and/or reimbursements received from the FHCF. Interest on any draws accrues at an applicable rate of 50 basis points over the Daily Simple Secured Overnight Financing Rate (SOFR) and LOC fees are 20 basis points for any unused amount. The applicable rates will increase if Citizens' issuer ratings fall below A / A2 / A from Moody's, Fitch or S&P, respectively. For the year ended December 31, 2023, an unused facility fee of $1,299 was incurred and reported in net interest expense.

Closing costs of $2,219, including commitment fees equal to 13.5 basis points of the total commitment, were incurred and reported in net interest expense. At December 31, 2023, there were no draws against the revolving line of credit. The contractual expiry date of the revolving line of credit is June 26, 2024.

At December 31, 2023 and 2022, bonds payable were $0 and $285,973, respectively.

Note 9. Retirement Plan

Citizens sponsors a 457(b)/401(a) defined contribution employee savings plan for qualified employees (the Savings Plan). The Savings Plan qualifies as a deferred salary arrangement under Section 401(a) of the Internal Revenue Code. Under the Savings Plan, participating eligible employees may defer a portion of their pretax earnings up to the Internal Revenue Service annual contribution limit. Citizens matches 100% of each employee’s contributions up to a maximum of 8% of the employee’s pretax earnings. Citizens’ matching contributions to the Savings Plan were $8,128 and $7,394 for the years ended December 31, 2023 and 2022, respectively.

Note 10. Agent Commissions and Servicing Company Fees

Citizens has contracted with various insurance agents licensed in the State of Florida. These agreements provide for commissions to be paid to the agents at rates established by the Board and calculated as a percentage of direct written premiums, net of certain surcharges and assessments. Agent commissions included in other underwriting expenses incurred were $400,155 and $234,958 during 2023 and 2022, respectively.

Additionally, Citizens is a party to an agreement with a servicing company to provide underwriting and policy management services. The agreement provides for monthly compensation to the servicing company based on a “Per Transaction Fee” applied to the number of transactions processed in a monthly cycle. These services are for both Citizens’ Commercial Lines and Personal Lines business. The amount per transaction ranges from $10.82 to $71.44 (dollars), depending on the complexity and volume of each transaction. Servicing company fees included in other underwriting expenses incurred were $12,870 and $10,268 during 2023 and 2022, respectively. There were no premiums written by service providers which individually are more than 5% of policyholders' surplus.

(Dollars in thousands)

Note 11. Depopulation

Pursuant to the Act, Citizens is authorized to adopt one or more programs, subject to approval by the Office, for the reduction of both new and renewal writings. Policies may be removed from Citizens at policy renewal or as part of a bulk assumption. In an assumption, the assuming insurer (Takeout Company) is responsible for losses occurring from the assumption date through the expiration of the Citizens policy period (the assumption period). Subsequent to the assumption period, the Takeout Company will write the policy directly. In January 2007, Florida law was amended to state that assumed policies are the direct insurance of the Takeout Company, for the purpose of clarifying that FIGA is liable for assumption period losses occurring during the assumption period if a Takeout Company were liquidated and unable to meet its obligation to policyholders.

During 2023 and 2022, Citizens recognized ceded written premiums of $588,341 and $24,069 respectively, as a result of depopulation.

Citizens provides policy administration services with respect to the assumed policies. All agreements provide for the Takeout Company to adjust losses. While Citizens is not liable to cover claims after the assumption, Citizens continues to service policies for items such as policyholder endorsements or cancellation refunds. Should Citizens process and provide a refund to policyholders, such amount is subsequently collected from the Takeout Company. At December 31, 2023 and 2022 net assumed premiums receivable in the amount of $4,153 and $126, respectively, were due from certain Takeout Companies and are reported as other receivables under reinsurance contracts in the accompanying statutory statements of admitted assets, liabilities and accumulated surplus. In addition, premiums due to Takeout Companies of $110,861 and $7,516 at December 31, 2023 and 2022, respectively, are included in reinsurance payable on the accompanying statutory statements of admitted assets, liabilities and accumulated surplus.

Note 12. Operating Leases

Citizens leases office space and certain office equipment under various operating leases. Rental expense on operating leases amounted to $5,804 and $5,846 for the years ended December 31, 2023 and 2022 respectively. There are no contingent rental payments or unusual renewal options, escalation clauses or restrictions and there have been no early terminations of existing leases.

Future minimum payments under operating leases are as follows:

2024	$ 4,796
2025	4,812
2026	2,584
2027	512
Total	$ 12,704

Note 13. Commitments and Contingencies

Citizens is involved in certain litigation and disputes incidental to its operations. In the opinion of management, after consultation with legal counsel, there are substantial defenses to such litigation and disputes and any ultimate liability, in excess of reserves resulting there from, will not have a material adverse effect on the financial condition or results of operations of Citizens.

Pursuant to Immediate Final Order #298695-22, an Agreement to Provide Cut Through Endorsements (the Agreement) was executed between Citizens and a private carrier authorized to conduct business in Florida (the authorized insurer) effective August 3, 2022 and expiring June 1, 2023. As stipulated by the Agreement, Citizens may provide additional claims paying resources for the benefit of policyholders insured by the authorized insurer in the event that the authorized insurer becomes insolvent, and the outstanding claim(s) exceeds the statutory per claim limit of the Florida Insurance Guaranty Fund (FIGA). In March of 2023, the authorized insurer was placed into liquidation by the Florida Department of Financial Services. At December 31, 2023, Citizens has not recorded a liability for potential claims associated with the Agreement.

Multi-Year Reinsurance Treaties

Citizens is party to reinsurance arrangements that provide coverage into 2023, including traditional aggregate catastrophic excess of loss agreements as well as aggregate catastrophe bonds placed in the capital markets. Premiums ceded under multi-year contracts are determined before each contractual reset period and are based upon defined risk parameters within the contracts that may result in increases or decreases to premiums ceded. Such adjustments to premiums ceded are included in the treaty year to which they apply.

Risk Management Programs

In addition to claims under the insurance policies it issues, Citizens is potentially exposed to various risks of loss, including those related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. As a state government entity, Citizens has immunity from certain claims.

For the years ending December 31, 2023 and 2022, Citizens had insurance protection in place from various commercial insurance carriers covering various exposures, including workers’ compensation, property loss, employee liability, general liability, data-breach liability, and directors’ and officers’ liability. Management continuously reviews the limits of coverage and believes that current coverage is adequate. There were minimal changes in insurance coverage, terms or conditions from the previous year.

(Dollars in thousands)

Note 14. Reconciliation of SAP to GAAP

A reconciliation of Citizens' 2023 and 2022 statutory net income (loss) and accumulated surplus to GAAP basis (as determined by the Governmental Accounting Standards Board) change in net position and net position, respectively, is as follows:

	2023	2022 (as restated)
Net income (loss) - statutory basis	$ 746,454	$ (2,242,343)
Adjustments:		
Change in allowance for doubtful accounts	679	(13)
GASB 87	(1,492)	(1,556)
GASB 96	1,712	(224)
Change in net unrealized gain (loss) on investments	245,319	(1,022,508)
Change in net position – GAAP basis	$ 992,672	$ (3,266,644)
Accumulated surplus - statutory basis	$ 5,023,467	$ 4,279,523
Adjustments:		
Nonadmitted assets, net of allowance	11,289	10,565
GASB 87	(1,326)	166
GASB 96	3,705	(224)
Provision for reinsurance	4,926	3,324
Net unrealized gain (loss) on investments	(616,098)	(860,178)
Net position - GAAP basis	$ 4,425,963	$ 3,433,176

Note 15. Assessments and Other Regulatory Matters

Citizens' enabling legislation and the Plan establish a process by which Citizens is required to levy assessments to recover deficits incurred in a given plan year for any of its three accounts. Deficits are calculated separately, and assessments are levied separately, for each of the three accounts. The Plan provides for deficits to be determined in accordance with GASB, adjusted for certain items.

In the event of a Plan Year Deficit in any Account, Citizens must first levy an assessment against the premium of each Citizens policyholder (the Citizens Policyholder Surcharge) in each of Citizens' Accounts, as a uniform percentage of the premium of the policy of up to 15% of such premium.

Citizens Policyholder Surcharges are not subject to commissions, fees, or premium taxes; however, failure to pay a Citizens Policyholder Surcharge is treated as failure to pay premium.

If the Citizens Policyholder Surcharge is insufficient to eliminate a deficit in the Coastal account, Citizens would then levy a "Regular Assessment" on assessable insurers, as defined in Section 627.351(6), Florida Statutes. The assessment is based upon each assessable insurer's share of direct written premium for the Subject Lines of Business in the State of Florida for the calendar year preceding the year in which the deficit occurred, and is applied as a uniform percentage of up to 2% of subject premiums. The Regular Assessment is not available for deficits within the PLA or CLA.

If the deficit in any year in any account is greater than the amount that may be recovered through Citizens' Policyholder Surcharges and Regular Assessments, Citizens is required to levy any remaining Plan Year Deficit as an Emergency Assessment. An Emergency Assessment is to be collected by all assessable insurers, Surplus Lines Agents, and Citizens from policyholders upon the issuance or renewal of policies for Subject Lines of Business for as many years as necessary to cover the Plan Year Deficit in the account.

The primary difference between the assessment base for Regular Assessments and Emergency Assessments is the inclusion of Citizens' direct written premium in the assessment base for Emergency Assessments, in addition to the Regular Assessment being limited to the Coastal account only.

For purposes of Regular Assessments and Emergency Assessments, the "Subject Lines of Business" are all lines of property and casualty insurance, including automobile lines, but excluding accident and health, workers' compensation, and medical malpractice insurance, and also excluding insurance under the National Flood and Federal Crop insurance programs.

Effective March 5, 2015, the 2005 Emergency Assessment was terminated for all policies with effective dates on or after July 1, 2015. The 2005 Emergency Assessment was anticipated to be collected over a ten-year period commencing July 1, 2007. As of December 31, 2023 and 2022, collections in excess of the Emergency Assessment were $140,790. These balances are reported as the reserve for future assessments on the statutory statements of admitted assets, liabilities and accumulated surplus until such time as the Board approves a change to direct these excess collections to be used for any lawful purpose available within the Plan.

FIGA Assessments

On March 11, 2022, the Office approved an assessment levied by FIGA on all FIGA members, pursuant to Order # 293027-22. The assessment will be levied at a rate of 1.3% of direct written premium on policies issued or renewed during the 2022 and 2023 calendar years and shall be remitted to FIGA in four quarterly installments with the first installment due on or before October 31, 2022. At December 31, 2023, a payable to FIGA for amounts collected by Citizens but not yet remitted to FIGA of $(301) is included within Taxes and fees payable on the accompanying statutory statements of admitted assets, liabilities and accumulated surplus.

On August 26, 2022, the Office approved an assessment levied by FIGA on all FIGA members, pursuant to Order # 299727-22. The assessment will be levied at a rate of 0.7% of direct written premium on policies issued or renewed during the 2023 calendar year and shall be remitted to FIGA in four quarterly installments with the first installment due on or before April 30, 2023. At December 31, 2023, a payable to FIGA for amounts collected by Citizens but not yet remitted to FIGA of $7,018 is included within Taxes and fees payable on the accompanying statutory statements of admitted assets, liabilities and accumulated surplus.

On April 10, 2023, the Office approved an assessment levied by FIGA on all FIGA members, pursuant to Order # 308776-23. The assessment will be levied at a rate of 1.0% of direct written premium on policies issued or renewed during the 2023 and 2024 calendar years and shall be remitted to FIGA in four quarterly installments with the first installment due on or before January 31, 2024.

At December 31, 2023, a payable to FIGA for amounts collected by Citizens but not yet remitted to FIGA of $10,534 is included within Taxes and fees payable on the accompanying statutory statements of admitted assets, liabilities and accumulated surplus.

Note 16. Subsequent Events

Subsequent events have been considered through May 23, 2024, the date of issuance of these statutory financial statements.

In January 2024, pursuant to Florida Senate Bill 2-A and upon the extinguishment of all financing obligations, Citizens three operating accounts - the Personal Lines Account, Commercial Lines Account, and the Coastal Account - were combined into a single account. Prior to the account consolidation, each operating account could impose a policyholder surcharge of up to 15% per account, as well as an Emergency Assessment of up to 10% per account, per year on assessable premium.

Following the account consolidation, Citizens may impose a policyholder surcharge of up to 15% and an Emergency Assessment of up to 10% on assessable premium for the combined account only. In addition, the Regular Assessment of up to 2% of state-wide assessable premium previously applicable to the Coastal Account only was eliminated as part of the account consolidation.

There were no events occurring subsequent to the end of the year that merit recognition or disclosure in these statements.

Supplementary Information

Citizens Property Insurance Corporation
Supplemental Combining Statutory Statements of Admitted Assets, Liabilities and Accumulated Surplus by Account
December 31, 2023
(Dollars in thousands)

	Combined	Personal Lines Account	Commercial Lines Account	Coastal Account
ADMITTED ASSETS				
Cash and invested assets				
Bonds	$ 7,496,579	$ 2,573,343	$ 1,837,871	$ 3,085,365
Cash, cash equivalents, and short-term investments	2,326,519	1,092,105	448,797	785,617
Total cash and invested assets	9,823,098	3,665,448	2,286,668	3,870,982
Investment income due and accrued, net	58,507	19,788	13,880	24,839
Premiums receivable, net	304,234	195,214	16,276	92,744
Reinsurance recoverable on paid losses and loss adjustment expenses	65,721	42,246	-	23,475
Other receivables under reinsurance contracts, net	4,152	3,483	-	669
Other assets	43,249	11,214	8,032	24,003
Inter-account receivable (payable)	-	23,464	(15,814)	(7,650)
Total admitted assets	$ 10,298,961	$ 3,960,857	$ 2,309,042	$ 4,029,062
LIABILITIES AND ACCUMULATED SURPLUS				
Liabilities				
Loss reserves, net	$ 1,441,569	$ 1,167,568	$ 28,143	$ 245,858
Loss adjustment expense reserves, net	907,134	779,328	7,848	119,958
Retroactive reinsurance ceded	(1,669)	(1,539)	-	(130)
Unearned premiums, net	2,130,986	1,299,143	151,142	680,701
Reserve for future assessments	140,790	-	-	140,790
Reinsurance payable	426,474	260,204	-	166,270
Provision for reinsurance	4,926	2,373	-	2,553
Bonds payable	-	-	-	-
Interest payable	639	639	-	-
Advance premiums and suspended cash	68,595	40,057	2,593	25,945
Return premiums payable	12,720	8,619	462	3,639
Taxes and fees payable	26,743	19,736	2,223	4,784
Other liabilities	116,587	92,146	3,546	20,895
Total liabilities	5,275,494	3,668,274	195,957	1,411,263
Accumulated surplus				
Restricted	-	-	-	-
Unrestricted	5,023,467	292,583	2,113,085	2,617,799
Total accumulated surplus	5,023,467	292,583	2,113,085	2,617,799
Total liabilities and accumulated surplus	$ 10,298,961	$ 3,960,857	$ 2,309,042	$ 4,029,062

Citizens Property Insurance Corporation

Supplemental Combining Statutory Statements of Operations by Account

Year Ended December 31, 2023

(Dollars in thousands)

	Combined	Personal Lines Account	Commercial Lines Account	Coastal Account
Underwriting income				
Net premiums earned	$ 2,881,408	$ 1,980,115	$ 178,848	$ 722,445
Underwriting expenses				
Net losses incurred	1,261,402	1,113,610	4,598	143,194
Net loss adjustment expenses incurred	453,803	399,867	6,406	47,530
Other underwriting expenses incurred	699,658	426,846	51,514	221,298
Total underwriting expense	2,414,863	1,940,323	62,518	412,022
Net underwriting (loss) gain	466,545	39,792	116,330	310,423
Investment income				
Net interest income	304,763	127,367	58,316	119,080
Net realized capital gains	(16,759)	(5,222)	(885)	(10,652)
Interest expense	(12,062)	(3,518)	-	(8,544)
Total net investment income	275,942	118,627	57,431	99,884
Other (expense) income	3,967	2,189	625	1,153
Net income (loss)	$ 746,454	$ 160,608	$ 174,386	$ 411,460

Citizens Property Insurance Corporation
Summary Investment Schedule
December 31, 2023
(Dollars in thousands)

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	Amount	Percentage	Amount	Percentage
Bonds				
U.S. Governments	$ 1,281,910	13.1%	$ 1,281,910	13.1%
All Other Governments	-	0.0%	-	0.0%
U.S. States, Territories and Possessions, etc. Guaranteed	98,823	1.0%	98,823	1.0%
U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed	110,466	1.1%	110,466	1.1%
U.S. Special Revenue & Special Assessment Obligations, etc. Non-Guaranteed	826,869	8.4%	826,869	8.4%
Industrial and Miscellaneous	5,178,511	52.7%	5,178,511	52.7%
Hybrid Securities	-	0.0%	-	0.0%
Parent, Subsidiaries and Affiliates	-	0.0%	-	0.0%
SVO Identified Funds	-	0.0%	-	0.0%
Unaffiliated Bank Loans	-	0.0%	-	0.0%
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)	-	0.0%	-	0.0%
Parent, Subsidiaries and Affiliates	-	0.0%	-	0.0%
Common Stocks				
Industrial and Misc. Publicly Traded (Unaffiliated)	-	0.0%	-	0.0%
Industrial and Misc. Other (Unaffiliated)	-	0.0%	-	0.0%
Parent, Subsidiaries and Affiliates Publicly Traded	-	0.0%	-	0.0%
Parent, Subsidiaries and Affiliates Other	-	0.0%	-	0.0%
Mutual Funds	-	0.0%	-	0.0%
Unit Investment Trusts	-	0.0%	-	0.0%
Closed-End Funds	-	0.0%	-	0.0%
Mortgage Loans				
Farm Mortgages	-	0.0%	-	0.0%
Residential Mortgages	-	0.0%	-	0.0%
Commercial Mortgages	-	0.0%	-	0.0%
Mezzanine Real Estate Loans	-	0.0%	-	0.0%
Real Estate				
Properties Occupied by Company	-	0.0%	-	0.0%
Properties Held for Production of Income	-	0.0%	-	0.0%
Properties Held for Sale	-	0.0%	-	0.0%
Cash (Schedule E, Part 1)	(188,388)	-1.9%	(188,388)	-1.9%
Cash Equivalents (Schedule E, Part 2)	1,148,196	11.7%	1,148,196	11.7%
Short-Term Investments (Schedule DA)	1,366,711	13.9%	1,366,711	13.9%
Total Invested Assets	$ 9,823,098	100.0%	$ 9,823,098	100.0%

Citizens Property Insurance Corporation
Supplemental Schedule of Investment Risks Interrogatories
December 31, 2023
(Dollars in thousands)

1. Reporting entity's total admitted assets: $ 10,298,961

2. Ten largest exposures to a single issuer/borrower/investment.

	Issuer	Description of Exposure	Carrying Amount	Percentage of Total Admitted Assets
2.01	Fannie Mae	Bonds	$ 280,663	2.7%
2.02	Freddie Mac	Bonds	159,811	1.5%
2.03	Bank of America Corp.	Bonds	131,467	1.2%
2.04	JPMorgan Chase & Co.	Bonds	97,704	0.9%
2.05	Morgan Stanley	Bonds	94,760	0.9%
2.06	Goldman Sachs Group Inc.	Bonds	85,341	0.8%
2.07	Verizon Communications Inc.	Bonds	85,076	0.8%
2.08	Citigroup Inc.	Bonds	73,030	0.7%
2.09	Berkshire Hathaway Inc.	Bonds	71,101	0.6%
2.10	Wells Fargo & Co.	Bonds	65,576	0.6%

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

		Carrying Amount	Percentage of Total Admitted Assets
	Bonds:		
3.01	NAIC-1	$ 6,472,808	62.8%
3.02	NAIC-2	2,449,810	23.7%
3.03	NAIC-3	-	0.0%
3.04	NAIC-4	-	0.0%
3.05	NAIC-5	3,016	0.0%
3.06	NAIC-6	-	0.0%
	Preferred Stocks:		
3.07	P/RP-1	-	0.0%
3.08	P/RP-2	-	0.0%
3.09	P/RP-3	-	0.0%
3.10	P/RP-4	-	0.0%
3.11	P/RP-5	-	0.0%
3.12	P/RP-6	-	0.0%

(Dollars in thousands)

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?

Yes [ ] No [X]

		Carrying Amount	Percentage of Total Admitted Assets
4.02	Total admitted assets held in foreign investments	$ 541,879	5.2%
4.03	Foreign currency-denominated investments	-	0.0%
4.04	Insurance liabilities denominated in that same foreign currency	-	0.0%

If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

		Carrying Amount	Percentage of Total Admitted Assets
5.01	Countries designated NAIC 1	$ 522,150	5.0%
5.02	Countries designated NAIC 2	11,536	0.1%
5.03	Countries designated NAIC-3 or below	8,193	0.0%

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		Carrying Amount	Percentage of Total Admitted Assets
	Countries designated NAIC 1:		
6.01	United Kingdom	$ 156,600	1.5%
6.02	Japan	108,168	1.0%
	Countries designated NAIC 2:		
6.03	Mexico	11,536	0.1%
6.04		-	0.0%
	Countries designated NAIC 3 or below:		
6.05	Multi-National	8,193	0.0%
6.06		-	0.0%

7. Aggregate unhedged foreign currency exposure:

Not applicable.

(Dollars in thousands)

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

Not applicable.

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

Not applicable.

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	Issuer	NAIC Designation	Carrying Amount	Percentage of Total Admitted Assets
10.01	HSBC Holdings PLC	1G	$ 35,053	0.3%
10.02	Mitsubishi UFJ Fin Grp.	1G	32,713	0.3%
10.03	Westpac Banking Corp	1D	31,444	0.3%
10.04	ING Groep NV	1G	28,168	0.2%
10.05	Barclays PLC	2A	26,823	0.2%
10.06	Banco Santander SA	1E, 1F, 1G, 2A	25,578	0.2%
10.07	Deutsche Bank AG	1F, 2A	22.490	0.2%
10.08	Sumitomo Mitsui Finl Grp.	1G	21,488	0.2%
10.09	Takeda Pharmaceutical Co Ltd.	2A	19,467	0.1%
10.10	Nomura Holdings Inc.	2A	19,325	0.1%

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets?
Yes [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

		Carrying Amount	Percentage of Total Admitted Assets
11.02	Total admitted assets held in Canadian investments	-	0.0%
11.03	Canadian-currency-denominated investments	-	0.0%
11.04	Canadian-denominated insurance liabilities	-	0.0%
11.05	Unhedged Canadian Currency exposures	-	0.0%

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?

Yes [ ] No [ ]

If response to 12.01 is yes, detail is not required for the remainder of Interrogatory 12.

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets?

Yes [X] No [ ]

If response to 13.01 is yes, detail is not required for the remainder of Interrogatory 13.

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets?

Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets?

Yes [X] No [ ]

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less 2.5% of the reporting entity's total admitted assets?

Yes [X] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Not applicable.

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets?

Yes [X] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in mezzanine real estate loans.

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's admitted assets?

Yes [X] No [ ]

If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.

(Dollars in thousands)

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

		At Year End		At End of Each Quarter 1st Qtr.	2nd Qtr.	3rd Qtr.
20.01	Securities lending agreements (do not include assets held as collateral for such transactions)	$ -	0.0%	$ -	$ -	$ -
20.02	Repurchase agreements	-	0.0%	-	-	-
20.03	Reverse repurchase agreements	-	0.0%	-	-	-
20.04	Dollar repurchase agreements	-	0.0%	-	-	-
20.05	Dollar reverse repurchase agreements	-	0.0%	-	-	-

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

		Owned		Written	
21.01	Hedging	$ -	0.0%	$ -	0.0%
21.02	Income generation	-	0.0%	-	0.0%
21.03	Other	-	0.0%	-	0.0%

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

		At Year End		At End of Each Quarter 1st Qtr.	2nd Qtr.	3rd Qtr.
22.01	Hedging	$ -	0.0%	$ -	$ -	$ -
22.02	Income generation	-	0.0%	-	-	-
22.03	Replications	-	0.0%	-	-	-
22.04	Other	-	0.0%	-	-	-

23. Amounts and percentages of the reporting entity's total admitted assets of potential for future contracts:

		At Year End		At End of Each Quarter 1st Qtr.	2nd Qtr.	3rd Qtr.
23.01	Hedging	$ -	0.0%	$ -	$ -	$ -
23.02	Income generation	-	0.0%	-	-	-
23.03	Replications	-	0.0%	-	-	-
23.04	Other	-	0.0%	-	-	-

FORVIS™

Citizens Property Insurance Corporation

Independent Auditor's Report, Financial Statements, and Supplementary Information

December 31, 2023 and 2022

Contents

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Independent Auditor's Report

Audit Committee
Citizens Property Insurance Corporation
Tallahassee, Florida

Opinion

We have audited the financial statements of Citizens Property Insurance Corporation (Citizens), an enterprise fund of the State of Florida, which comprise the statements of net position as of December 31, 2023 and 2022 and the related statements of revenues, expenses and changes in net position, and statements of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Citizens as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Citizens and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 – *Summary of Significant Accounting Policies* to the financial statements, during the year ended December 31, 2023, Citizens adopted the new accounting guidance of GASB 96 – *Subscription-Based Information Technology Arrangements (SBITA)* by retroactively restating the 2022 financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Citizens' ability to continue as a going concern for the foreseeable future.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Citizens' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Citizens' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 10 and the Supplemental Revenues, Expenses and Claim Development Information on page 43 to 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information – Supplemental Combining Statements

Our audits were conducted for the purpose of forming an opinion of the basic financial statements as a whole. The supplemental combining statements of net position and supplemental combining statements of revenues, expenses and changes in net position (Supplemental Combining Statements), on pages 41 through 42 as of and for the year ended December 31, 2023, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplemental Combining Statements are the responsibility of Citizens' management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted by the United States of America. In our opinion, the Supplemental Combining Statements are fairly stated, in all material respects, in relation to the basic financial statement as a whole

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated May 23, 2024 on our consideration of Citizens' internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Citizens' internal control over financial reporting and compliance.

FORVIS, LLP

Tampa, Florida
May 23, 2024

Management's Discussion & Analysis

This discussion provides an assessment by management of the current financial position and results of operations for Citizens Property Insurance Corporation (Citizens). Management encourages readers to consider the information presented here in conjunction with additional information included in the accompanying basic financial statements, notes to the financial statements and supplemental financial information.

Note 1. Financial Highlights

- The assets of Citizens exceeded its liabilities at the close of the most recent year by $4,425,964.
- Citizens' total net position increased by $992,670 resulting primarily from a combination of net underwriting gain, interest income and unrealized gains on invested assets.
- The operating gain of $466,762 represents an increase of $2,914,933 for 2023 as compared to the operating loss reported for 2022. No major storm activity in 2023, partially offset by development on prior year storms, contributed most significant to the 2023 operating gain.
- Operating expenses decreased by $1,931,338 during 2023, principally driven by decreases in loss and LAE expenses due to decreased storm activity as compared to 2022.
- Nonoperating gains of $525,908 in 2023 were $1,344,381 more than nonoperating losses of $818,471 in 2022. Nonoperating gains were principally driven by $245,321 of unrealized holding gains on investments and by $288,004 of interest income.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to Citizens' basic financial statements, which consist of the statements of net position, statements of revenues, expenses and changes in net position and the statements of cash flows. This report also contains other supplementary information in addition to the basic financial statements.

The *statements of net position* present information on all of Citizens' assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indication of whether the financial position of Citizens is improving or deteriorating.

The *statements of revenues, expenses and changes in net position* present information illustrating changes to Citizens' net position during the most recent fiscal year as well as the prior year. All changes in net position are reported when the underlying events giving rise to the changes occur, regardless of the timing of related cash flows.

The *statements of cash flows* present information concerning cash receipts and cash payments during the year. The statements illustrate the cash effects of operating, noncapital financing, capital financing and investing activities during the fiscal years presented.

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements immediately follow the statements of cash flows.

In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning Citizens' revenues, expenses and claims development information for the last ten policy years and combining financial statements.

Note 2. Financial Analysis

Cash and invested assets

Citizens employs an investment policy that focuses on principal preservation, competitive returns, and adequate liquidity in order to meet future claim obligations. Citizens' invested assets are governed by five investment policies, three for taxable operating funds and two for tax-exempt bond proceeds: 1) Liquidity Fund (Taxable) – generally this policy will govern the investment of funds and surplus that, in addition to internally managed cash, will be the first monies used to pay claims after an event, and that can be used to pay operating expenses on an ongoing basis; 2) Liquidity Fund (Tax-exempt) – generally this policy will govern the investment of tax-exempt pre-event bond proceeds and other monies required to be invested in tax-exempt instruments. Citizens will use these monies to pay claims after an event or to pay principal and / or interest payments on an as needed basis; 3) Claims-Paying Fund (Taxable) – generally this policy will govern the investment of funds that will be used to pay post-event claims after Citizens has expended all monies in the Liquidity Fund. Only monies eligible for investment in taxable instruments will be deposited in this fund; 4) Claims-Paying Fund (Tax-exempt) – generally this policy will govern the investment of tax-exempt pre-event bond proceeds and other monies required to be invested in tax-exempt instruments. Citizens will use these monies to pay claims after an event, typically after all funds in the Tax-Exempt Liquidity Fund and all taxable Funds have been expended; 5) Claims-Paying Long Duration Fund (Taxable) – generally this policy will govern the investment of funds that will be used to pay post-event claims after Citizens has expended all monies in the Taxable Claims-Paying Fund. Citizens' investment policy requires securities with long-term ratings in the taxable portfolios to have minimum ratings of BBB-/Baa3 and be rated by at least two of Moody's, S&P and/or Fitch at the time of purchase. The policy also requires securities with long-term ratings in the tax-exempt portfolios to be rated by at least two of Moody's, S&P, and/or Fitch and have minimum ratings of A3/A-/A- at the time of purchase. Citizens engages independent investment managers to invest bond proceeds and certain operating cash pursuant to its taxable and tax-exempt investment policies. Citizens' investment portfolio consists of high-quality debt instruments such as US Treasury and Agency securities and money market funds, corporate bonds, commercial paper and certificates of deposit, AAA rated asset backed securities, tax-exempt money market funds, taxable municipal bonds, tax-exempt municipal bonds, tax-exempt variable rate demand notes, and prime money market funds.

Declines in market value of invested assets are continually evaluated to determine whether these declines are temporary or other-than-temporary in nature. In making this determination, Citizens monitors external impairment indicators such as issuer credit ratings as well as the extent and length of the related declines and internal impairment indicators such as Citizens' intent and ability with respect to retention of the impaired securities. These indicators are obtained from both third-party valuation services and internal analyses performed by Citizens.

Cash and the estimated market value of Citizens' invested assets totaled $9,397,291 at December 31, 2023, marking an increase of $926,611 from December 31, 2022.

Reserve for losses and loss adjustment expenses

Reserves for unpaid losses and loss adjustment expenses (LAE) are stated at Citizens' estimate of the ultimate cost of settling all incurred but unpaid claims. Incurred losses and LAE represent a combination of payments for loss and LAE as well as changes in reserves that occur during the calendar year.

Activity with respect to reserves for unpaid losses and loss adjustment expenses for the Years Ended December 31, 2023 and 2022 were as follows:

	2023	2022
Direct loss and loss adjustment expense reserves, beginning of year	$ 3,794,065	$ 1,156,658
Less reinsurance recoverables on reserves	(1,176,028)	(150,749)
Net loss and loss adjustment expense reserves, beginning of year	2,618,037	1,005,909
Incurred related to:		
Current accident year	1,645,821	3,758,005
Prior accident years	69,386	121,762
Total incurred	1,715,207	3,879,767
Paid related to:		
Current accident year	(548,251)	(1,803,556)
Prior accident years	(1,437,958)	(464,083)
Total paid	(1,986,209)	(2,267,639)
Change in retroactive reinsurance reserves ceded	-	-
Net loss and loss adjustment expense reserves, end of year	2,347,035	2,618,037
Add reinsurance recoverables on reserves	1,022,003	1,176,028
Direct loss and loss adjustment expense reserves, end of year	$ 3,369,038	$ 3,794,065

Reserves for unpaid losses, net of amounts ceded under reinsurance contracts, decreased $184,684 and reserves for unpaid LAE reserves, net of amounts ceded under reinsurance contracts, decreased $86,318. Net unpaid losses and LAE reserves related to catastrophes decreased $868,311 largely as a result of the settlement of prior year hurricane losses. Net unpaid losses and LAE reserves not related to hurricanes increased $597,310 primarily as a result of an increase in policies in force.

Long-term debt

Citizens has issued multiple Senior Secured Bonds for the purpose of funding losses in the event of a future catastrophe to ensure that liquidity demands associated with policyholder obligations can be met.

These bonds are secured by pledged revenues which consist of monies and investments held in accounts established under the trust indenture, proceeds from any surcharges, regular and emergency assessments, and/or reimbursements received from the Florida Hurricane Catastrophe Fund (FHCF).

During 2023, cash outflows associated with Citizens' Senior Secured Bonds totaled $275,000 in principal repayments and $12,604 in interest obligations. Net interest expense of $8,544 includes net amortization of bond premiums of $4,060 for the year ended December 31, 2023. On December 4, 2023, Citizens executed a legal defeasance of the remaining outstanding Series 2015A-1 Senior Secured bonds in the amount of $275,000.

Other liabilities

Effective July 1, 2015, Citizens terminated the 2005 Citizens Emergency Assessment that was activated as a result of unprecedented storm activity during 2004 and 2005 during which eight hurricanes made landfall in various southern US states, including Florida. The collection of these assessment funds were used for debt service obligations incurred in connection with the now defeased 2007A post-event bonds that were issued to provide claims paying resources to Citizens. Amounts collected by Citizens in excess of the 2005 Citizens Emergency Assessment levy are held in a reserve account and may be used by Citizens to offset future plan year deficits as approved by Citizens Board of Governors and the Office of Insurance Regulation. At December 31, 2023 and 2022, funds held in this reserve totaled $140,790.

Operating Revenue

A summary of Citizens Statements of Revenues, Expenses and Changes in Net Position and certain key financial ratios are presented below:

	2023	2022 As Restated	2021 As Restated	%Change 2023-2022	%Change 2022-2021
Operating revenue:					
Premiums earned	$ 2,881,408	$ 1,897,813	$ 1,009,120	51.8 %	88.1%
Operating expenses:					
Losses and loss adjustment expenses incurred	1,715,207	3,879,767	874,146	(55.8) %	343.8%
Other underwriting expenses	699,439	466,217	302,835	50.0 %	53.9 %
Total expenses	2,414,646	4,345,984	1,176,981	(44.4) %	269.2 %
Operating gain (loss)	466,762	(2,448,171)	(167,861)	119.1 %	(1,358.3) %
Non-operating income (expense)	525,908	(818,473)	(119,272)	164.0 %	(586.2) %
Change in net position	$ 992,670	$ (3,266,644)	$ (287,133)	130.3 %	(1,037.6) %
Policies in-force (as of year-end)	1,228,718	1,145,809	759,305	7.2 %	50.9 %
Policies serviced (as of year-end)	1,489,901	1,154,978	761,149	29.0 %	51.7 %
Underwriting ratios:					
Net loss and LAE ratio (calendar year)	60%	204%	(70.6)%	117.0 %	117.0 %
Expense ratio (calculated on net premiums earned)	24%	24%	0%	(6.0) %	(6.0)%
Combined ratio	84%	228%	117%	63.2 %	211.0 %

Operating gain

For 2023, the operating gain of $466,763 represents an increase of $2,914,936 for 2023 as compared to the operating loss reported for 2022. No significant catastrophes impacted Citizens during 2023 and development on prior accident years did not significantly influence the 2023 underwriting results. Moreover, annual rate increases coupled with a declining trend in the number of litigated claims also contributed to the operating gain. Additional legislative reform also moved Citizens' rates towards actuarial soundness, with an increase in the glide-path rate cap from 11% to 12%, the inclusion of costs for coverage in a 1-in-100 year event, and updated wind mitigation factors.

Direct Written Premium

During 2023, consolidated direct written premium increased $1,880,909 (56%). By account, increases in direct written premium were $954,655 (42%), $249,481 (384%), and $676,773 (79%) within the PLA, CLA, and Coastal Account, respectively.

Personal Lines Account

At December 31, 2023, the number of policies inforce within the Personal Lines Account was approximately 990,000 reflecting a 8% increase relative to December 31, 2022. Premiums ceded through depopulation during 2023 were $500,932 or $478,066 (2090%) more than in 2022.

Commercial Lines Account

At December 31, 2023, the number of policies inforce within the CLA was approximately 4,500 reflecting a 320% increase. During 2023, the number of new policies written significantly exceeded the number of cancellations and non-renewals. No premiums were ceded through depopulation during 2023.

Coastal Account

At December 31, 2023, the number of policies inforce within the Coastal Account was approximately 234,000 reflecting a 3% increase relative to December 31, 2022. Premiums ceded through depopulation in 2023 were $87,409 or $86,206 more than in 2022.

The next annual rate filings are expected to take effect in January 2025 for both personal and commercial lines. The maximum allowed rate change under the statutory glide-path will be increased from 13% in 2024 to 14% in 2025. This increase will be included in the January 2025 rate filings.

Losses and LAE incurred

Loss and LAE ratios improved in 2023, driven by decreasing litigation rates on non-weather water loss claims from recent accident years. The PLA continues to be the largest segment of Citizens' overall book of business comprising 64% of all premium, down 7 points from 2022 where the PLA comprised 71% of the overall book of business. With this proportional significance, Citizens' consolidated underwriting results will continue to be dominated by underwriting results within the PLA.

Consolidated ultimate direct losses and LAE related to Hurricane Ian were $3,595,992 at December 31, 2023, reflecting $1,450 of favorable development relative to December 31, 2022. Of this, $1,121,566 is recoverable under Citizens' reinsurance contracts, resulting in net losses and LAE of $2,474,426.

Consolidated ultimate direct losses and LAE related to Hurricane Nicole were $100,449 at December 31, 2023, reflecting $4,383 of unfavorable development relative to December 31, 2022. Of this, $14,656 is recoverable under Citizens' reinsurance contracts, resulting in net losses and LAE of $85,793.

Consolidated ultimate direct losses and LAE related to Hurricane Irma were $2,550,514 at December 31, 2023, reflecting $3,299 of favorable development relative to December 31, 2022. Of this, $1,120,433 is recoverable under Citizens' reinsurance contracts, resulting in net losses and LAE of $1,430,081. In 2023, Citizens commuted its reinsurance contract with the FHCF in full and final settlement of all ceded losses and LAE associated with Hurricane Irma.

Consolidated ultimate direct losses and LAE related to Tropical Storm Eta were $351,338 at December 31, 2023, reflecting unfavorable development of $114,178 relative to December 31, 2022. A significant volume of claims were reported four or more months after the date of loss. In addition, the overall litigation rate is approximately 48%. No reinsurance recoveries have been recorded due to loss levels not meeting the retention of Citizens' reinsurance contracts.

Consolidated ultimate direct losses and LAE related to Tropical Storm/Hurricane Sally were $78,439 at December 31, 2023, reflecting unfavorable development of $10,919 relative to December 31, 2022. No reinsurance recoveries have been recorded due to loss levels not meeting the retention of Citizens' reinsurance contracts.

On August 30, 2023, Hurricane Idalia made landfall in the Florida panhandle as a Category 3 Hurricane. Consolidated direct losses and LAE related to Hurricane Idalia were $83,477 at December 31, 2023. No reinsurance recoveries have been recorded due to loss levels not meeting the retention of Citizens' reinsurance contracts.

The 2023 non-catastrophe loss and LAE ratios for the PLA and Coastal account continue to decrease. The dominant driver behind the improvement in loss and LAE over the past several years has been the improvement in litigation rates, which continues to be the single most important factor in non-catastrophe losses and LAE, and which have remained stable for non-catastrophe losses in 2022 and 2023.

It is worth noting that the CLA experienced tremendous growth in 2023, with earned premium increasing from $37,677 in 2022 to $199,254 in 2023. In years prior, the underlying CLA loss and LAE ratios were inherently volatile due to the low premium volume and large potential impact of a few claims.

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.

Note 3. Net investment income and interest expense

Net investment income consists of interest earned on Citizens' invested assets, net realized and unrealized gains on sales of invested assets, and interest expense incurred on senior secured bonds outstanding. Total investment gains for 2023 were $533,325 or $1,344,038 more than 2022. Net realized losses and unrealized gains during 2023 were $11,252 and $245,321, respectively, marking an increase in unrealized gains of $1,267,829 compared to 2022. Average invested assets decreased $322,595 (3.5%) over the same comparable period. The increase in total investment income was principally driven by an overall relative increase in interest rates, specifically yields in money market funds and other short-duration instruments, where a majority of Citizens' cash flow from operations as well as proceeds from maturing securities have been invested. Interest expense incurred on senior secured bonds outstanding were $9,842 during 2023 in comparison to $11,983 in 2022.

Note 4. Subsequent Events

Subsequent events have been considered through May 23, 2024, the date of issuance of these financial statements.

In January 2024, pursuant to Florida Senate Bill 2-A and upon the extinguishment of all financing obligations, Citizens three operating accounts - the Personal Lines Account, Commercial Lines Account, and the Coastal Account - were combined into a single account. Prior to the account consolidation, each operating account could impose a policyholder surcharge of up to 15% per account, as well as an Emergency Assessment of up to 10% per account, per year on assessable premium.

Following the account consolidation, Citizens may impose a policyholder surcharge of up to 15% and an Emergency Assessment of up to 10% on assessable premium for the combined account only. In addition, the Regular Assessment of up to 2% of state-wide assessable premium previously applicable to the Coastal Account only was eliminated as part of the account consolidation.

There were no events occurring subsequent to the end of the year that merit recognition or disclosure in these statements.

Citizens Property Insurance Corporation
Statements of Net Position
December 31, 2023 and 2022
(Dollars in thousands)

	2023	2022 As Restated
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,150,106	$ 599,382
Short-term investments	1,367,240	310,792
Investment income due and accrued	58,507	60,009
Reinsurance recoverable on paid losses and LAE	65,721	36,084
Premiums receivable, net	304,234	221,540
Premiums receivable from assuming companies, net	4,152	126
Other current assets	45,154	150,745
Total current assets	2,995,114	1,378,678
Noncurrent assets		
Long-term investments	6,879,945	7,560,506
Lease Asset (GASB 87)	45,454	49,648
Lease Asset (GASB 96)	33,397	30,103
Capital assets	863	317
Total noncurrent assets	6,959,659	7,640,574
Total assets	$ 9,954,773	$ 9,019,252
LIABILITIES		
Current liabilities		
Loss reserves, net	$ 1,439,901	$ 1,624,585
Loss adjustment expense reserves, net	907,134	993,452
Unearned premiums, net	2,130,987	1,704,720
Reinsurance premiums payable	426,474	107,215
Advance premiums and suspended cash	68,595	55,790
Return premiums payable	12,720	13,954
Interest payable	1,294	1,806
Current portion of lease liability (GASB 87)	3,505	3,374
Current portion of lease liability (GASB 96)	7,728	7,871
Outstanding checks in excess of deposits	190,288	456,173
Other current liabilities	133,277	122,231
Total current liabilities	5,321,903	5,091,171
Noncurrent liabilities		
Long-term debt	-	285,973
Lease Liability (GASB 87)	44,696	48,284
Lease Liability (GASB 96)	21,420	19,858
Reserve for future assessments	140,790	140,790
Total noncurrent liabilities	206,906	494,905
Total liabilities	$ 5,528,809	$ 5,586,076
Net position		
Invested in capital assets	$ 863	$ 317
Unrestricted	4,425,101	3,432,859
Total net position	$ 4,425,964	$ 3,433,176

See accompanying notes.

Citizens Property Insurance Corporation
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2023 and 2022
(Dollars in thousands)

	2023	2022 As Restated
Operating revenue		
Net premiums earned	$ 2,881,408	$ 1,897,813
Operating expenses		
Net losses incurred	1,261,404	2,888,917
Net loss adjustment expenses incurred	453,803	990,850
Service company fees	12,870	10,268
Agent commissions	400,155	234,959
Taxes and fees	77,964	54,059
Other underwriting expenses	208,450	166,931
Total operating expenses	2,414,646	4,345,984
Operating gain (loss)	466,762	(2,448,171)
Nonoperating revenues (expenses)		
Net investment income	533,325	(810,713)
Net interest expense	(9,843)	(11,983)
Assessment income	-	-
Other income	2,426	4,223
Total nonoperating income (loss)	525,908	(818,473)
Change in net position	992,670	(3,266,644)
Net position, beginning of year	3,433,176	6,699,776
Other changes in net position	118	44
Net position, end of year	$ 4,425,964	$ 3,433,176

See accompanying notes.

Citizens Property Insurance Corporation
Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(Dollars in thousands)

	2023	2022 As Restated
Cash flows from operating activities		
Premiums collected, net of reinsurance	$ 3,556,594	$ 2,558,158
Net losses and loss adjustment expenses paid	(2,274,726)	(2,247,541)
Payments to employees for services	(133,439)	(118,960)
Payments for underwriting expenses	(574,430)	154,089
Net cash provided by operating activities	573,999	345,746
Cash flows from noncapital financing activities		
Debt redemption	(275,000)	(160,000)
Interest paid	(23,542)	(17,717)
Other non-operating receipts	6,203	15,984
Assessment income paid	-	-
Net cash used in noncapital financing activities	(292,339)	(161,733)
Cash flows from capital and related financing activities		
Capital assets acquired	(1,852)	1,144
Net cash provided by (used in) capital and related financing activities	(1,852)	1,144
Cash flows from investing activities		
Proceeds from investments sold, matured or repaid	(2,030,912)	1,858,405
Investment acquisition	2,014,434	(2,616,892)
Interest income received	287,394	67,313
Net cash provided by investing activities	270,916	(691,174)
Net change in cash and cash equivalents	550,724	(506,017)
Cash and cash equivalents, beginning of year	599,382	1,105,399
Cash and cash equivalents, end of year	$ 1,150,106	$ 599,382

Citizens Property Insurance Corporation
Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(Dollars in thousands)

(Continued)

	2023	2022 As Restated
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating gain (loss)	$ 466,762	$ (2,448,171)
Adjustments to reconcile net cash used in operating activities		
Depreciation expense	169	580
(Increase) decrease in operating assets:		
Reinsurance recoverable on paid losses and LAE	(29,638)	19,419
Premiums receivable	(82,695)	(85,854)
Premiums receivable from assuming companies	(4,027)	(38)
Other current assets	(6,256)	11,358
Increase (decrease) in operating liabilities		
Loss and loss adjustment expense reserves	(271,003)	1,612,128
Unearned premiums, net	426,266	727,444
Reinsurance premiums payable	319,259	13,744
Advance premiums and suspended cash	12,804	(25,422)
Outstanding checks in excess of deposits	(265,885)	456,173
Other current liabilities	8,243	64,385
Net cash provided by operating activities	$ 573,999	$ 345,746

See accompanying notes.

Notes to Financial Statements

Note 1. Organization and Description of the Company

Citizens Property Insurance Corporation (Citizens) was established on August 1, 2002, pursuant to Section 627.351(6), Florida Statutes (the Act), to provide certain residential and non-residential property insurance coverage to qualified risks in the State of Florida under circumstances specified in the Act. This legislation was enacted such that property insurance be provided through Citizens to applicants who are in good faith entitled to procure insurance through the voluntary market but are unable to do so. Citizens results from a combination of the Florida Residential Property and Casualty Joint Underwriting Association (the FRPCJUA) and the Florida Windstorm Underwriting Association (the FWUA). The FRPCJUA was renamed Citizens and the FWUA's rights, obligations, assets, liabilities and all insurance policies were transferred to Citizens. Unlike private insurers offering coverage through the admitted market, Citizens is not required to obtain or to hold a certificate of authority issued by the Florida Department of Financial Services, Office of Insurance Regulation (the Office). Likewise, Citizens is not subject to Risk-Based Capital (RBC) requirements or required to have a pledged deposit on file with the State of Florida. For purposes of its tax-exempt status, Citizens is considered a political subdivision and an integral part of the State of Florida. As such, Citizens' operations may be affected by the legislative process.

Citizens operates pursuant to a Plan of Operation (the Plan), under the Act, approved by the Financial Services Commission (the Commission) of the State of Florida. The Commission is composed of the Governor, the Chief Financial Officer, the Attorney General and the Commissioner of Agriculture of the State of Florida.

Citizens is supervised by a Board of Governors (the Board) which consists of nine individuals who reside in the State of Florida. The Governor appoints three members, and the Chief Financial Officer, the President of the Senate and the Speaker of the House of Representatives each appoint two members of the Board. At least one of the two members appointed by each appointing officer must have a demonstrated expertise in the insurance industry. The Chief Financial Officer designates one of the appointees as the Board's chair. All Board members serve at the pleasure of their appointing officers.

Citizens' President and Chief Executive Officer (Executive Director) and senior managers are engaged by and serve at the pleasure of the Board. The Executive Director is subject to confirmation by the Florida Senate.

Pursuant to the Act, all revenues, expenses, assets and liabilities of Citizens shall remain divided into three separate accounts: the Personal Lines Account, the Commercial Lines Account and the Coastal Account (collectively, the Accounts). A brief history of each account follows:

- *Personal Lines Account History* - The FRPCJUA began operations on January 21, 1993, after Hurricane Andrew, pursuant to Section 627.351(6), Florida Statutes, to provide certain residential property insurance coverage to qualified risks in the State of Florida for applicants who were in good faith entitled to procure insurance through the private market but were unable to do so. Residential property coverage consists of the types of coverage provided to homeowners, mobile homeowners, tenants, condominium unit owners, and similar policies. The policies provide coverage for all perils covered under a standard residential policy, subject to certain underwriting requirements. Such policies may exclude windstorm coverage on property within eligible areas. This portion of the FRPCJUA's activities became the Personal Lines Account (PLA) under Citizens.

- *Commercial Lines Account History* - The Florida Property and Casualty Joint Underwriting Association (FPCJUA) was activated in early 1994 to provide commercial residential coverage (i.e., coverage for condominium associations, apartment buildings and homeowner associations) to organizations unable to obtain such coverage from a private insurer. During 1995, legislation was enacted to transfer all obligations, rights, assets, and liabilities related to commercial residential coverage from the FPCJUA to the FRPCJUA. The legislation required that the premiums, losses, assets and liabilities be accounted for separately from the FRPCJUA's personal residential business. This portion of the FRPCJUA's activities became the Commercial Lines Account (CLA) under Citizens. In 2006, the FPCJUA was re-activated to provide commercial non-residential wind-only coverage. In 2007, legislation was enacted which resulted in the transfer and assumption of the FPCJUA's commercial non-residential policies by Citizens. These policies were added to the CLA.

- *Coastal Account History* - The FWUA, which was a residual market mechanism for windstorm and hail coverage in select areas of the State of Florida, was created by an act of the Florida Legislature in 1970 pursuant to Section 627.351(2), Florida Statutes. FWUA was a Florida unincorporated association, the members of which were all property insurance companies holding a certificate of authority to provide property insurance coverage in the State of Florida. FWUA provided policies of windstorm insurance for property owners within the eligible areas who were unable to obtain such coverage from private insurers. Insured properties include personal residential, commercial residential and commercial non-residential properties. This portion of the FWUA's activities became the High-Risk Account under Citizens. In 2007, Citizens received authority to issue multi-peril policies in the High-Risk Account. Pursuant to legislative changes during 2011, the High-Risk Account was renamed the Coastal Account.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. Application of these criteria determines potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. Based on the application of these criteria, Citizens is a component unit of the State of Florida, and its financial activity is reported in the state's Comprehensive Annual Financial Report by discrete presentation.

The financial statements presented herein relate solely to the financial position and results of operations of Citizens and are not intended to present the financial position of the State of Florida or the results of its operations or its cash flows.

Citizens has determined that it has no component units that should be included in its separately reported financial statements. However, the Florida Market Assistance Plan (FMAP) is a financially related entity. FMAP is a 501(c)(6) entity created by Section 627.3515, Florida Statutes. FMAP was created for the purpose of assisting in the placement of applicants who are unable to procure property or casualty insurance coverage from authorized insurers when such insurance is otherwise generally available. As provided in FMAP's enabling legislation, each person serving on the Board of Citizens also serves on the Board of FMAP.

In addition, Citizens is required to fund any deficit incurred by FMAP in performing its statutory purpose. No such funding has taken place from FMAP inception through December 31, 2023.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accounting policies and practices of Citizens conform to accounting principles generally accepted in the United States (U.S. GAAP) applicable to a proprietary fund of a government unit. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

GASB Statement No. 34, *Basic Financial Statements - and Management Discussion and Analysis - for State and Local Government,* established standards for financial reporting for all state and local governmental entities, which includes a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. It requires net position to be classified and reported in three components: invested in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. As of December 31, 2023 and 2022, Citizens did not have any outstanding debt that was attributable to capital assets.

- Restricted - This component of net position includes assets subject to external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. Restricted net position on the statements of net position includes funds advanced to Citizens by the Florida Surplus Lines Service Office (FSLSO) for obligations under the 2005 Citizens Emergency Assessment.

- Unrestricted - This component of net position consists of assets that do not meet the definition of “Restricted” or “Invested in capital assets.”

Use of Estimates

The preparation of the financial statements in accordance with U.S GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Measurement Focus

As an enterprise fund, Citizens’ financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operations of Citizens are included in the statements of net position. The statements of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. The statements of cash flows provides information about how Citizens finances and meets the cash flow needs of its activities.

(Dollars in thousands)

Cash, Cash Equivalents, and Investments

Cash and cash equivalents consists of demand deposits held with financial institutions, various highly liquid money market funds, other short-term corporate obligations and agency discount notes. Demand deposits and highly liquid investments with original maturities of three months or less at the time of acquisition are considered to be cash and cash equivalents. Money-market funds, including money-market mutual funds, are included in the statements of net position as cash equivalents.

Short-term investments consist of commercial paper, short-term municipal securities, short-term corporate bonds and U.S. government agency notes. Short-term investments are classified as all securities with original maturities greater than three months and less than twelve months at the time of acquisition.

Long-term investments consist solely of debt securities issued by municipal bodies, U.S. Treasury, U.S. government agencies, asset-backed securities, and corporate bonds with an original maturity greater than twelve months at the time of acquisition.

Such investments are recorded at fair value, which is generally based on independent quoted market prices. If quoted market prices are not available, broker quotes or an estimation of the current liquidation values is determined through a collaborative process among various pricing experts and sources in the marketplace. Changes in fair value are reflected as a component of net investment income.

When, in the opinion of management, a decline in the estimated fair value of an investment is considered to be other than temporary, the investment is written down to its estimated fair value. The determination of an other than temporary decline in estimated fair value includes, in addition to other relevant factors, consideration of the nature of the investments, the severity of the impairments, including the number of securities impaired, and the duration of the impairment.

Net Investment Income

Net investment income includes interest income, amortization and accretion, changes in unrealized gains and losses based on estimated fair value, and realized gains and losses on sales of investments that are recognized on the specific identification basis. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year and included in net investment income in the statements of revenues, expenses and changes in net position. Gains and losses from call redemptions and repayments are charged to investment income.

Capital Assets

Capital assets are depreciated using the straight-line method over the assets' estimated useful life. The estimated useful lives, by asset class, are as follows:

Electronic data processing (EDP) equipment:	3 years
Office equipment and automobiles:	5 years
Furniture and equipment:	7 years
Leasehold improvements:	10 years

The cost and accumulated depreciation for capital assets was $46,237 and $45,374 at December 31, 2023, and $52,122 and $51,805 at December 31, 2022, respectively. Depreciation and amortization expense was $169 and $592 for the years ended December 31, 2023 and 2022, respectively and is included in other underwriting expenses on the accompanying statements of revenues, expenses and changes in net position.

Loss Reserves and Loss Adjustment Expense Reserves

Liabilities for loss reserves and loss adjustment expense (LAE) reserves are estimated based on claims adjusters' evaluations and on actuarial evaluations for incurred but not reported reserves, using Citizens' loss experience and industry statistics. While the ultimate amount of losses and LAE incurred is dependent on future development, in management's opinion, the estimated reserves are adequate to cover the expected future payment of losses. However, the ultimate settlement of losses may vary significantly from the reserves provided. Adjustments to estimates recorded resulting from subsequent actuarial evaluations or ultimate payments will be reflected in operations in the period in which such adjustments are known or estimable. Citizens does not discount liabilities for loss reserves and LAE reserves. The anticipated effect of inflation is implicitly considered when estimating liabilities for losses and LAE. While anticipated price increases due to inflation are considered in estimating the ultimate claim costs, the increase in average severities of claims is caused by a number of factors that vary with the individual type of policy written. Future average severities are projected based on historical trends adjusted for implemented changes in underwriting standards, policy provisions, and general economic trends. Those anticipated trends are monitored based on actual development and the estimated liabilities are modified, if necessary.

In the event of loss recoveries through reinsurance agreements, loss and LAE reserves are reported net of reinsurance amounts recoverable for unpaid losses and LAE. Losses and LAE incurred and ceded through reinsurance are credited against losses and LAE incurred.

Salvage and subrogation recoveries are not recorded until cash is received.

Premiums

Premiums written are recorded on the effective date of the policy and earned using the daily pro rata basis over the policy period. The portion of premiums not earned at the end of the reporting period are recorded as unearned premiums. Premiums collected prior to the effective date of the policy are recorded as advance premiums. Amounts incurred for ceded reinsurance premiums are deducted from written, earned and unearned premiums. Funds collected that are not readily identifiable with a Citizens policy, primarily as a result of depopulation, are temporarily recorded as suspended cash until such time as the funds can be settled or returned by Citizens.

If anticipated losses and LAE exceed Citizens' recorded unearned premium reserve, a premium deficiency is recognized by recording an additional liability for the deficiency. Citizens anticipates investment income as a factor in the premium deficiency calculation. For purposes of determining premium deficiencies, contracts are grouped in a manner consistent with how Citizens' policies are marketed, serviced, and measured for the profitability of such contracts. Additionally, Citizens' premium deficiency calculation is performed separately for the Accounts. At December 31, 2023 and 2022, management determined that no premium deficiency reserve was required.

Premiums receivable includes amounts due from policyholders for billed premiums. Billings are calculated using estimated annual premiums for each policy and are paid either through an installment plan offered by Citizens or in their entirety at the inception of the policy. An allowance for doubtful accounts is recorded for the estimated uncollectible amounts, and amounted to $2,207 and $2,886 at December 31, 2023 and 2022, respectively.

Premium revenues and associated policy fees and inspection fees are recognized in accordance with the rates, rules, and forms as filed with the Office and included within net premiums earned and other income, respectively.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from premiums charged to policyholders. Operating expenses include incurred losses, LAE, policy acquisition costs and necessary costs incurred to provide and administer residential and commercial property insurance coverage and to carry out programs for the reduction of new and renewal writings.

Guaranty Fund and Other Assessments

Citizens is subject to assessments by the Florida Insurance Guaranty Association (FIGA). For the property lines of insurance, FIGA collects assessments from solvent insurance companies operating in Florida to cover the costs resulting from insolvency or rehabilitation of other insurance companies. Assessments are charged to policyholders and collected by Citizens, and remitted to FIGA on a quarterly basis. Amounts collected from policyholders but not yet remitted to FIGA are reported within Taxes and fees payable on the accompanying statements of net position until remitted to FIGA.

Citizens is also required to assess insurers and insureds in Florida for deficits incurred by Citizens. Assessments made pursuant to the Act and the Plan are recognized as revenue and recorded as receivable in the period approved by the Board and the Office and levied by Citizens (see Note 15). Assessment receivables are considered to be fully collectible. Under the Plan, amounts collected in excess of the calculated assessment are carried as a liability on the accompanying statements of net position as reserve for future assessments until such time as their permitted use is determined by the Board in accordance with the Plan.

Reinsurance

Premiums ceded under reinsurance agreements are recorded as a reduction of earned premiums. Reinsurance recoverables on unpaid losses and LAE are recorded as a reduction to loss and LAE reserves.

Reinsurance recoverables on paid losses and LAE are recorded as receivables. All catastrophe reinsurance payments are recorded as premiums ceded and are amortized over the life of the hurricane season for which the payments apply, while depopulation premiums ceded are earned pro-rata over the life of the underlying policies. Premiums ceded include Florida Hurricane Catastrophe Fund (FHCF), private catastrophic reinsurance purchases and depopulation premiums.

Premiums receivable from assuming companies contracts represent amounts receivable from reinsurers on depopulation premiums. Reinsurance premiums payable represent amounts due to reinsurers and are presented as a liability. For multi-year treaties, ceded reinsurance is incurred in the treaty year in proportion to the coverage provided and amortized over the life of the hurricane season. Amounts unpaid for the current treaty year are recorded as reinsurance payable under the terms of the treaty.

Income Taxes

Pursuant to a determination letter received from the Internal Revenue Service, Citizens is exempt from federal income tax as a political subdivision and integral part of the State of Florida and as such, is liable for income taxes only on business income unrelated to the purpose for which it is exempt. No federal or state income tax was incurred in 2023 and 2022.

Significant Concentrations of Risks

Citizens has geographic exposure to catastrophic losses. Catastrophes can be caused by various events including, but not limited to, hurricanes, windstorms, hail and fire. The occurrence and severity of catastrophes are inherently unpredictable. Citizens attempts to mitigate its exposure to losses from catastrophes by purchasing catastrophe reinsurance coverage. Catastrophes, depending on their path and severity, could result in losses exceeding Citizens' reinsurance protection, and could have a material adverse effect on Citizens' financial condition and results of operations.

Citizens' exposure to concentrations of credit risk consists primarily of its cash, investments, and reinsurance balances. Citizens minimizes this risk by maintaining cash at highly rated financial institutions, adhering to an investment strategy that emphasizes preservation of principal and contracting with reinsurance companies that meet certain rating criteria and other qualifications. Financial instruments that potentially subject Citizens to concentrations of credit risk consist principally of cash and cash equivalents, and investments.

Citizens' cash management and investment policies restrict investments by type, credit and issuer, and Citizens performs periodic evaluations of the credit standing of the financial institutions with which it deals. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation up to $250 per depositor. Bank deposits at times may exceed federally insured limits. An increased risk of loss occurs as more investments are acquired from one issuer or a group of issuers within one industry which results in a concentration of credit risk. Excluding securities issued by U.S. Government & Agencies, Citizens does not hold any securities from any single issuer that exceeded 5% of the investment portfolio. Citizens' investment strategy focuses primarily on higher quality, fixed income securities. Citizens reviews the credit strength of all entities in which it invests, limits its exposure in any one investment, and monitors portfolio quality, taking into account credit ratings assigned by recognized credit rating organizations. Citizens enters into reinsurance treaties with highly rated reinsurers and obtains a letter of credit from any unauthorized reinsurer and certain certified reinsurers. As of December 31, 2023, management believes Citizens had no significant concentrations of credit risk.

Citizens is exposed to interest rate risk, which is the risk that interest rates will change and cause a decrease in the value of fixed-rate investments. Citizens mitigates this risk by attempting to match the maturity schedule of its assets with the expected payout of its liabilities.

Application of Recent Accounting Pronouncements

In 2022, Citizens implemented GASB Statement No. 87 – *Leases*, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows, or outflows, of resources based upon the payment provisions of the contract. The new Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under the guidance, lessees are required to recognize lease assets and lease liabilities in the statements of net position, unless the lease is a short-term lease (under twelve months), or it transfers ownership of the underlying asset. The lessee should reduce the lease liability over the lease term as payments are made and recognize an expense for interest on the liability. Citizens has elected the full retrospective implementation method, which requires restatement of all prior period financial information presented.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial assets (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets the definition should be accounted for under the lease guidance, unless specifically excluded in the Statement.

Citizens implemented GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements (SBITA)*, which defines SBITAs and provides uniform guidance for accounting and financial reporting for transactions that meet that definition. Under this statement, an entity is required to recognize a subscription liability and an intangible right-to-use asset for contracts meeting the SBITA definition. SBITAs provide entities with access to vendors' IT software and associated intangible capital assets for subscription payments without granting the entity perpetual license or title to the IT software and associated tangible capital assets. A SBITA differs from a traditional technology arrangement covered by existing guidance in that it allows temporary use that ends when the subscription expires. Examples of SBITAs include Software as a Service (SaaS), Platform as a Service (PaaS), and Infrastructure as a Service (IaaS). Any contract meeting this definition should be accounted for under the SBITA guidance, unless specifically excluded in the Statement. Citizens has elected the full retrospective implementation method, which requires restatement of all prior period financial information presented.

(Dollars in thousands)

The effect of the restatement on the statement of net position for the year ended December 31, 2022, was as follows:

	As Previously Reported	Adjustment	As Restated
Current assets:			
Other current assets (prepaid expenses)	$ 152,684	$ (1,939)	$ 150,745
Total current assets	$ 1,380,616	$ (1,939)	$ 1,378,678
Noncurrent assets:			
Lease asset, net (GASB 96)	$ -	$ 30,103	$ 30,103
Total noncurrent assets	$ 7,610,471	$ 30,103	$ 7,640,574
Total assets	$ 8,991,087	$ 28,165	$ 9,019,252
Current liabilities:			
Current portion of lease liability (GASB 96)	$ -	$ 7,871	$ 7,871
Interest Payable	$ 1,146	$ 660	$ 1,806
Total current liabilities	$ 5,082,640	$ 8,531	$ 5,091,171
Noncurrent liabilities:			
Lease liability (GASB 96)	$ -	$ 19,858	$ 19,858
Total noncurrent liabilities	$ 475,047	$ 19,858	$ 494,905
Total liabilities	$ 5,557,687	$ 28,389	$ 5,586,076
Net position, end of year	$ 3,433,400	$ 224	$ 3,433,176

The effect of the restatement on the statement of activities for the year ended December 31, 2022, was as follows:

	As previously Reported	Adjustment	As Restated
Operating expenses:			
Other underwriting expense	$ 166,709	$ 222	$ 166,931
Total operating expenses	$ 4,345,762	$ 222	$ 4,345,984
Operating loss	$ (2,447,949)	$ (222)	$ (2,448,171)
Change in net position	$ (3,266,420)	$ (224)	$ (3,266,644)
Net position, end of year	$ 3,433,400	$ (224)	$ 3,433,176

(Dollars in thousands)

Note 3. Fair Value Measurements

Citizens' estimates of fair value for financial assets and financial liabilities are based on the framework established in the fair value measurements and disclosures accounting guidance. The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect Citizens' significant market assumptions. The three levels of the hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market corroborated inputs.

- Level 3: Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement, and includes broker quotes which are non-binding.

At December 31, 2023 and 2022, Citizens financial assets measured at estimated fair value on a recurring basis include long-term and short-term investments. Citizens has no financial liabilities measured at estimated fair value on a recurring basis.

The following tables reflect the estimated fair values of all assets and liabilities that are financial instruments at December 31, 2023 and 2022, including those measured at estimated fair value on a recurring basis. The estimated fair values are categorized into the three-level fair value hierarchy as described below.

	2023			
	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:				
Long-term investments	$ 6,879,945	$ 1,184,907	$ 5,695,038	$ -
Short-term investments	1,367,240	1,358,051	9,189	-
Cash and cash equivalents	1,150,106	1,148,916	1,190	-
Investment income due and accrued	58,507	-	58,507	-
Total financial assets	$ 9,455,798	$ 3,691,874	$ 5,763,924	$ -
Financial liabilities:				
Long-term debt	$ -	$ -	$ -	$ -
Interest payable	639	-	639	-
Total financial liabilities	$ 639	$ -	$ 639	$ -

(Dollars in thousands)

	2022			
	Estimated Fair Value	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Long-term investments	$ 7,560,506	$ 1,466,519	$ 6,093,987	$ -
Short-term investments	310,792	299,082	11,710	-
Cash and cash equivalents	599,382	567,671	31,711	-
Investment income due and accrued	60,009	-	60,009	-
Total financial assets	$ 8,530,689	$ 2,333,272	$ 6,197,417	$ -
Financial liabilities:				
Long-term debt	$ 286,784	$ -	$ 286,784	$ -
Interest payable	1,146	-	1,146	-
Total financial liabilities	$ 287,930	$ -	$ 287,930	$ -

The following describes fair value methodologies that may not be indicative of net realizable value or reflective of future fair values. Furthermore, Citizens believes different methodologies or assumptions used to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Long-term and Short-Term Investments

When available, the estimated fair values are based on quoted prices in active markets that are readily and regularly obtainable. Generally, these investments are classified in Level 1 and are the most liquid of Citizens' securities holdings, and valuation of these securities does not involve management's judgment.

When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies, giving priority to observable inputs. The significant inputs to the market standard valuation methodologies for certain types of securities with reasonable levels of price transparency are inputs that are observable in the market or which can be derived principally from or corroborated by observable market data. Generally, these investments are classified as Level 2.

When observable inputs are not available, the market standard valuation methodologies for determining the estimated fair value of certain types of securities that trade infrequently, and therefore have little or no price transparency, rely on inputs that are significant to the estimated fair value that are not observable in the market or which cannot be derived principally from or corroborated by observable market data. These unobservable inputs can be based in large part on management's judgment or estimation and cannot be supported by reference or market activity. Generally, these investments are classified as Level 3.

Cash and Cash Equivalents

The estimated fair value of cash and cash equivalents, including restricted cash and cash equivalents, that represent highly liquid deposits generally approximates carrying value and is classified as Level 1. The estimated fair value of investment securities classified as cash equivalents is determined based on significant observable inputs and is generally classified as Level 2.

Investment Income Due and Accrued and Interest Payable

The estimated fair value is determined based on significant observable inputs. These amounts are generally classified as Level 2.

Long-term Debt

Citizens' bonds trade on the bond market. The estimated fair value is based on trading activity and closing market prices on December 31.

At the end of each reporting period, Citizens evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred between Levels 1 and 2. This policy also applies to transfers into or out of Level 3. No transfers were made between levels during the years ended December 31, 2023 and 2022.

Note 4. Investments

Citizens' invested assets are governed by five investment policies, three for taxable operating funds and two for tax-exempt bond proceeds:

- Liquidity Fund (Taxable): generally this policy governs the investment of funds and surplus that, in addition to internally managed cash, are the first monies used to pay claims after an event, and that can be used to pay operating expenses on an ongoing basis.

- Liquidity Fund (Tax-exempt): generally this policy governs the investment of tax-exempt pre-event bond proceeds and other monies required to be invested in tax-exempt instruments. Citizens uses these monies to pay claims after an event or to pay principal and / or interest payments on an as needed basis.

- Claims-Paying Fund (Taxable): generally this policy governs the investment of funds used to pay post-event claims after Citizens has expended all monies in the Liquidity Fund. Only monies eligible for investment in taxable instruments are deposited in this fund.

- Claims-Paying Fund (Tax-exempt): generally this policy governs the investment of tax-exempt pre-event bond proceeds and other monies required to be invested in tax-exempt instruments. Citizens uses these monies to pay claims after an event, typically after all funds in the Liquidity Fund have been expended.

- Claims-Paying Long Duration Fund (Taxable): generally this policy governs the investment of funds that will be used to pay post-event claims after Citizens has expended all monies in the Liquidity Funds and Claims-Paying Funds.

Citizens did not recognize any other-than-temporary impairments during the year ended December 31, 2023. Citizens evaluates external indicators, such as issuer credit ratings along with the extent and duration of the declines, and internal indicators such as ability and intent with respect to retention of impaired securities in determining whether declines in market value are temporary or other-than-temporary.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, Citizens would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Citizens had no investments with custodial credit risk as of December 31, 2023 and 2022, respectively. All investments were held by Citizens or its agent in Citizens' name.

(Dollars in thousands)

Concentration of Credit Risk - An increased risk of loss occurs as more investments are acquired from one issuer or a group of issuers with one industry which results in a concentration of credit risk. Excluding securities issued by U.S. Government & Agencies, Citizens does not hold any securities from any single issuer that exceeded 3% of the taxable investment portfolios and 5% of the tax-exempt investment portfolios.

Interest Rate Risk - Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Citizens measures this risk by using the weighted average maturity (WAM) method and a set limit on the maximum WAM for each investment policy. Citizens' investment policies require that the WAM of the Liquidity Fund (taxable), Claims Paying Fund (taxable) and Claims Paying Long Duration Fund (taxable) portfolios not exceed 548 days, 6 years and 10 years, respectively, whereas the WAM for the Claims Paying Fund (tax-exempt) portfolios not exceed 3 years and 6 months and 4 years for the Series 2011 and 2012, and Series 2015 portfolios, respectively. This policy takes interest rate reset dates, primarily related to tax-exempt variable rate demand notes and floating rate notes, into consideration.

Foreign Currency Risk - Citizens had no investments with foreign currency risk at December 31, 2023 and 2022, respectively. All investments are settled in U.S. dollars.

Credit Risk Disclosure - Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. All long-term and short-term securities held in the investment portfolio are generally rated by two of the three nationally recognized rating agencies. The following table presents the fair value by rating classification as reported by Moody's at December 31, 2023.

Rating	**Estimated Fair Value**
A1	$ 795,355
A2	611,849
A3	760,571
Aa1	119,820
Aa2	204,895
Aa3	219,936
Aaa	1,685,310
Baa1	927,469
Baa2	937,911
Baa3	167,372
Caa1	3,016
WR	19,064
NR	1,794,617
	$ 8,247,185

(Dollars in thousands)

The following tables provide a summary of investments estimated fair value, amortized cost, and net unrealized gain (loss) by type as of December 31, 2023 and 2022.

	2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Non-asset backed securities:				
U.S. treasury and U.S. government	$ 2,635,208	$ 622	$ (93,247)	$ 2,542,583
State, territories & possessions	98,823	-	(8,164)	90,659
Political subdivisions	110,466	-	(7,424)	103,042
Special revenue	559,477	9	(38,897)	520,589
Industrial and miscellaneous	5,163,604	1,721	(444,392)	4,720,933
Asset-backed securities:				
Residential and commercial mortgage backed	295,712	72	(26,405)	269,379
	$ 8,863,290	$ 2,424	$ (618,529)	$ 8,247,185

	2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Non-asset backed securities:				
U.S. treasury and U.S. government	$ 1,885,504	$ 1	$ (127,610)	$ 1,757,895
State, territories & possessions	105,437	-	(11,185)	94,252
Political subdivisions	119,028	-	(10,400)	108,628
Special revenue	649,562	35	(55,975)	593,622
Industrial and miscellaneous	5,637,807	47	(622,822)	5,015,032
Asset-backed securities:				
Residential and commercial mortgage backed	334,137	-	(32,268)	301,869
	$ 8,731,475	$ 83	$ (860,260)	$ 7,871,298

(Dollars in thousands)

The following tables summarize unrealized losses on investments by the length of time that the securities have continuously been in unrealized loss positions as of December 31, 2023 and 2022.

	2023					
	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. treasury and U.S government	$ 49,628	$ (35)	$ 1,134,875	$ (93,213)	$ 1,184,503	$ (93,248)
States, territories and possessions	-	-	90,659	(8,164)	90,659	(8,164)
Political subdivisions	839	(161)	102,202	(7,263)	103,041	(7,424)
Special revenue	-	-	512,774	(38,897)	512,774	(38,897)
Industrial and miscellaneous	25,820	(1,975)	4,585,416	(442,405)	4,611,236	(444,380)
Asset-backed securities	2,114	(11)	255,190	(26,405)	257,304	(26,416)
Total	$ 78,401	$ (2,182)	$ 6,681,116	$ (616,347)	$ 6,759,517	$ (618,529)

	2022					
	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. treasury and U.S government	$ 1,004,823	$ (54,490)	$ 714,928	$ (73,120)	$ 1,719,751	$ (127,610)
States, territories and possessions	38,262	(4,030)	55,989	(7,155)	94,251	(11,185)
Political subdivisions	64,671	(6,964)	43,956	(3,436)	108,627	(10,400)
Special revenue	371,282	(30,984)	201,251	(24,991)	572,533	(55,975)
Industrial and miscellaneous	3,102,540	(292,999)	1,877,520	(329,823)	4,980,060	(622,822)
Asset-backed securities	253,822	(21,468)	48,047	(10,800)	301,869	(32,268)
Total	$ 4,835,400	$ (410,935)	$ 2,941,691	$ (449,325)	$ 7,777,091	$ (860,260)

Citizens believes there were no fundamental issues such as credit losses or other factors with respect to any of its bond securities that are in an unrealized loss position. The unrealized losses on bonds were primarily caused by interest rate changes. It is expected that the securities would not be settled at a price less than the par value of the bonds. Citizens evaluates U.S. treasury, corporate, and state and municipal bonds based upon factors such as expected cash flows and the financial condition, and near-term and long-term prospects of the issuer, and evaluates mortgage-backed securities and asset-backed securities based on actual and projected cash flows after considering such factors as the quality of the underlying collateral, expected prepayment speeds, current and forecasted severity, consideration of the payment terms of the underlying assets, and payment priority of the security. Because the decline in fair value is attributable to changes in interest rates or market conditions and not credit quality, and because Citizens has the ability and intent to hold its bond securities until a market price recovery or maturity, Citizens does not consider any of its bonds to be other than temporarily impaired at December 31, 2023 and 2022.

(Dollars in thousands)

The estimated fair value and amortized cost of securities at December 31, 2023 by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

	Estimated Fair Value	Amortized Cost
Maturity:		
In 2024	$ 2,191,776	$ 2,202,675
2025 - 2028	2,939,423	3,085,709
2029 - 2033	2,427,389	2,754,828
After 2033	419,218	524,365
Asset-backed securities	269,379	295,712
Total	$ 8,247,185	$ 8,863,289

Sources and uses of net investment income for the years ended December 31 were as follows:

	2023	2022
Gross interest income:		
Bonds	$ 203,803	$ 198,439
Cash, cash equivalents, and short-term investments	105,719	23,455
Total gross interest income	308,802	221,894
Net realized gains (losses):		
Net realized capital gains (losses) on sales		
Bonds	(9,325)	(5,776)
Cash, cash equivalents, and short-term investments	(1,927)	(125)
Total net realized capital gains (losses) on sales	(11,252)	(5,901)
Loss on defeasance of debt	(5,507)	-
Net realized gains (losses)	(16,759)	(5,901)
Net increase (decrease) in the fair value of investments	245,321	(1,022,508)
Investment expenses	(4,039)	(4,196)
Net investment income (loss)	$ 533,325	$ (810,711)

(Dollars in thousands)

Note 5. Liability for Loss Reserves and Loss Adjustment Expense Reserves

Activity in the net liability for loss and LAE reserves for the years ended December 31, 2023 and 2022, were as follows:

	2023	2022
Direct loss and loss adjustment expense reserves, beginning of year	$ 3,794,065	$ 1,156,658
Less reinsurance recoverables on reserves	(1,176,028)	(150,749)
Net loss and loss adjustment expense reserves, beginning of year	2,618,037	1,005,909
Incurred related to:		
Current accident year	1,645,821	3,758,005
Prior accident years	69,386	121,762
Total incurred	1,715,207	3,879,767
Paid related to:		
Current accident year	(548,251)	(1,803,556)
Prior accident years	(1,437,958)	(464,083)
Total paid	(1,986,209)	(2,267,639)
Change in retroactive reinsurance reserves ceded	-	-
Net loss and loss adjustment expense reserves, end of year	2,347,035	2,618,037
Add reinsurance recoverables on reserves	1,022,003	1,176,028
Direct loss and loss adjustment expense reserves, end of year	$ 3,369,038	$ 3,794,065

As a result of changes in estimates of insured events in prior years, the provision for loss and LAE reserves increased by approximately $69,384 and $121,762 net of reinsurance, in 2023 and 2022, respectively. Increases in the number of litigated claims and related loss severity of claims from Tropical Storm Eta contributed most significantly to the overall increase in the provision for loss and LAE reserves of $69,384.

These adjustments are the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims. On August 30, 2023, Hurricane Idalia made landfall in the Florida panhandle as a Category 3 Hurricane. At December 31, 2023, estimated ultimate losses and LAE attributable to Hurricane Idalia were $83,477. At December 31, 2023, no reinsurance recoverables have been recorded for losses and LAE attributable to Hurricane Idalia. There can be no assurance that the ultimate settlement of losses will not vary significantly from the recorded provision for losses and LAE. However, management believes the provision for losses and LAE is adequate to cover the cost of unpaid claims incurred.

During 2023 and 2022, net recoveries with respect to reinsurance recoverable on paid losses and LAE was $227,196 and $136,184 respectively.

(Dollars in thousands)

For the years ended December 31, 2023 and 2022, ultimate losses and LAE attributable to Hurricane Irma were $2,550,514 and $2,553,813, respectively, excluding recorded anticipated reinsurance recoveries of $1,120,433 and $1,125,745, respectively. For the years ended December 31, 2023 and 202, ultimate losses and LAE attributable to Hurricane Ian were $3,595,992 and $3,597,442, respectively, excluding estimated reinsurance recoveries of $1,121,566 and $1,026,468, respectively. For the years ended December 31, 2023 and 2022, ultimate losses and LAE attributable to Hurricane Nicole were $100,449 and $96,076, respectively, excluding estimated reinsurance recoveries of $14,656 ($0 at December 31, 2022). For the years ended December 31, 2023 and 2022, ultimate losses and LAE attributable to Hurricane Michael were $145,178 and $148,400, respectively, with no anticipated reinsurance recoveries. For the years ended December 31, 2023 and 2022, ultimate losses and LAE attributable to Tropical Storm Eta were $351,338 and $237,160, respectively, with no anticipated reinsurance recoveries. For the years ended December 31, 2023, and 2022, ultimate losses and LAE attributable to Hurricane/Tropical Storm Sally were $78,439 and $67,520, respectively, with no anticipated reinsurance recoveries.

For both catastrophic and non-catastrophic claims, the loss adjusting function is performed by Citizens through its employees and through contracted independent adjusting firms. Citizens compensates independent adjusting firms, depending upon the type or nature of the claims, either on a per-day rate or on a graduated fee schedule based on the gross claim amount. Such costs are included as LAE.

Note 6. Reinsurance Agreements

Citizens has entered into various contracts with reinsurers for the purpose of reducing its net exposure to qualifying losses should such losses occur. These contracts provide for the recovery of amounts above specified retention levels, subject to contractual limits, under per occurrence and aggregate catastrophe excess of loss arrangements. Reinsurance coverage is purchased separately for the Coastal Account and combined for the PLA and CLA. As required by statute, Citizens participates in the FHCF. Coverage provided by and premium ceded to the FHCF as respects the Coastal Account is measured and recognized as though the Coastal Account is a separate participating insurer with its own exposures, reimbursement premium and loss reimbursement. Likewise, the PLA and CLA are considered together as a single, separate participating insurer with its own exposures, reimbursement premium and loss reimbursement. Reinsurance coverage purchased through the FHCF was $2,072,418 and $3,315,201 in the Coastal Account and PLA and CLA, respectively, for 2023, and $3,040,179 and $1,849,351, respectively, for 2022. Pursuant to the FHCF reinsurance contract, coverage amounts represent the total amount of available coverage available for individual or multiple covered events. Reinsurance coverage purchased in the Coastal Account and PLA through traditional and capital markets totaled $2,461,377 and $2,919,077 for 2023, respectively, and $1,565,000 and $942,000 for 2022, respectively. At December 31, 2023, Citizens was party to 7 outstanding insurance-linked securities (ILS) contracts as a ceding insurer that provide aggregate maximum proceeds of $1,125,000 for directly-written insurance risks by Citizens at an attachment level of $3,400,000 in the Coastal Account and aggregate maximum proceeds of $1,275,000 for directly-written insurance risks by Citizens at an attachment level of $5,790,000 in the PLA.

The effect of reinsurance on premiums written and earned is as follows:

	2023		2022	
	Written	**Earned**	**Written**	**Earned**
Direct premiums	$ 5,070,989	$ 4,218,128	$ 3,190,080	$ 2,454,333
FHCF ceded premiums	(479,461)	(479,462)	(324,412)	(324,412)
Private ceded premiums	(695,512)	(695,512)	(216,343)	(216,343)
Depopulation ceded premiums	(588,341)	(161,746)	(24,069)	(15,765)
Net premiums	$ 3,307,675	$ 2,881,408	$ 2,625,256	$ 1,897,813

Ceded premiums include premiums ceded to companies that assume policies pursuant to a depopulation program (see Note 10). Ceded losses and LAE incurred were $102,809 and $1,142,044 during 2023 and 2022, respectively. Unearned premiums on the accompanying statutory statements of admitted assets, liabilities and accumulated surplus are net of ceded unearned premiums on depopulation contracts of $436,596 and $10,001 at December 31, 2023 and 2022, respectively. There were no ceded unearned premiums with respect to the FHCF or traditional and capital markets reinsurance agreements at December 31, 2023 and 2022.

Amounts recoverable from reinsurers on unpaid losses and LAE are estimated based on the allocation of estimated unpaid losses and LAE among Citizens' coverage lines. Actual amounts recoverable will depend on the ultimate settlement of losses and LAE. FHCF and private reinsurance contracts do not relieve Citizens from its obligation to policyholders. Citizens remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under their reinsurance agreements. As of December 31, 2023, Citizens reported a net recoverable due from FHCF in the amount of $936,390, or approximately 18.6% of accumulated surplus. As of December 31, 2022, Citizens reported a net recoverable due from FHCF in the amount of $1,032,997, or approximately 24.0% of accumulated surplus. FHCF net recoverable amounts at December 31, 2023 and 2022 are comprised of ceded loss and LAE reserves for claims arising from Hurricane Irma.

On August 17, 2023, Citizens entered into a commutation agreement with the Florida Hurricane Catastrophe Fund (FHCF) to settle all of the FHCF's Loss and LAE obligations associated with Citizens' 2017 Reimbursement Contract. In connection with this commutation, Citizens recognized a loss of approximately $8,155 resulting from the difference between its estimated outstanding loss and LAE and the amount agreed to in the commutation.

Note 7. Long-Term Debt

Citizens has issued multiple Senior Secured Bonds for the purpose of funding losses in the event of a future catastrophe. The bonds are secured by pledged revenues which consist of monies and investments held in accounts established under the trust indenture, proceeds from any surcharges, regular, and emergency assessments, and/or reimbursements received from the FHCF.

On December 4, 2023, Citizens executed a legal defeasance of the remaining outstanding Series 2015A-1 Senior Secured bonds in the amount of $275,000.

The legal defeasance of these bonds resulted in a loss of $5,507 which is included in net investment income within the statements of revenues, expenses, and changes in net position. For the years ending December 31, 2023 and 2022, interest expense incurred was $13,903 and $17,056, respectively.

Interest expense includes net amortization for and accretion of premiums and discounts of $4,060 and $5,073 for the years ended December 31, 2023 and 2022, respectively. Net unamortized premium at December 31, 2023 and 2022 was $0 and $10,973, respectively.

On June 29, 2023, Citizens executed a revolving line of credit in an amount not to exceed $1.25 billion for purposes of providing liquidity for the PLA in the event of a storm or series of storms. This line of credit is secured by pledged revenues which consist of monies and investments held in accounts established under the trust indenture, proceeds from any regular and/or emergency assessments, and/or reimbursements received from the FHCF. Interest on any draws accrues at an applicable rate of 50 basis points over the Daily Simple Secured Overnight Financing Rate (SOFR) and LOC fees are 20 basis points for any unused amount. The applicable rates will increase if Citizens' issuer ratings fall below A / A2 / A from Moody's, Fitch or S&P, respectively. For the year ended December 31, 2023, an unused facility fee of $1,299 was incurred and reported in net interest expense. Closing costs of $2,219, including commitment fees equal to 13.5 basis points of the total commitment, were incurred and reported in net interest expense. At December 31, 2023, there were no draws against the revolving line of credit. The contractual expiry date of the revolving line of credit is June 26, 2024.

At December 31, 2023 and 2022, bonds payable were $0 and $285,973, respectively.

Note 8. Retirement Plan

Citizens sponsors a 457(b)/401(a) defined contribution employee savings plan for qualified employees (the Savings Plan). The Savings Plan qualifies as a deferred salary arrangement under Section 401(a) of the Internal Revenue Code. Under the Savings Plan, participating eligible employees may defer a portion of their pretax earnings, up to the Internal Revenue Service annual contribution limit. Citizens matches 100% of each employee's contributions, up to a maximum of 8% of the employee's pretax earnings. Citizens' matching contributions to the Savings Plan were $8,128 and $7,394 for the years ended December 31, 2023 and 2022, respectively.

Note 9. Agent Commissions and Servicing Company Fees

Citizens has contracted with various insurance agents licensed in the State of Florida. These agreements provide for commissions to be paid to the agents at rates established by the Board and calculated as a percentage of direct written premiums, net of certain surcharges and assessments. Agent commissions were $400,155 and $234,959 during 2023 and 2022 respectively.

Additionally, Citizens is a party to an agreement with a servicing company to provide underwriting and policy management services. The agreement provides for monthly compensation to the servicing company based on a "Per Transaction Fee" applied to the number of transactions processed in a monthly cycle. These services are for both Citizens' Commercial Lines and Personal Lines business. The amount per transaction ranges from $10.82 to $71.44 (dollars), depending on the complexity and volume of each transaction. Service company fees incurred were $12,870 and $10,268, during 2023 and 2022, respectively. There were no premiums written by service providers which individually are more than 5% of policyholders' surplus.

Note 10. Depopulation

Pursuant to the Act, Citizens is authorized to adopt one or more programs, subject to approval by the Office, for the reduction of both new and renewal writings. Policies may be removed from Citizens at policy renewal or as part of a bulk assumption. In an assumption, the assuming insurer (Takeout Company) is responsible for losses occurring from the assumption date through the expiration of the Citizens' policy period (the assumption period). Subsequent to the assumption period, the Takeout Company will write the policy directly. In January 2007, Florida law was amended to state that assumed policies are the direct insurance of the Takeout Company, for the purpose of clarifying that FIGA is liable for assumption period losses occurring during the assumption period if a Takeout Company were liquidated and unable to meet its obligation to policyholders.

During 2023 and 2022, Citizens recognized ceded written premiums of $588,341 and $24,069, respectively as a result of depopulation.

Citizens provides policy administration services with respect to the assumed policies. All agreements provide for the Takeout Company to adjust losses. While Citizens is not liable to cover claims after the assumption Citizens continues to service policies for items such as policyholder endorsements or cancellation refunds. Should Citizens process and provide a refund to policyholders, such amount is subsequently collected from the Takeout Company. At December 31, 2023 and 2022, assumed premiums recoverable in the amount of $4,153 and $126, respectively were due from certain Takeout Companies and are reported as premiums receivable from assuming companies in the statements of net position. In addition, premiums due to Takeout Companies of $110,861 at December 31, 2023 ($7,516 at December 31, 2022) are included in reinsurance premiums payable on the accompanying statements of net position.

(Dollars in thousands)

Note 11. Leases

Citizens has in place multiple leases for offices facilities with agreements expiring through July of 2026. Each facility lease contract contains renewal options which have been factored into the initial measurement and recording of the lease asset and liabilities. The company accounts for its leases under the guidance of GASB 87 – Leases. Leased assets are amortized on a straight-line basis over the life of the lease. Amortization expense incurred for the year ending December 31, 2023 and 2022 were $4,199 and $4,273, respectively. Citizens' implicit borrowing rate used for discounting the future minimum lease payments was 2.75% at the initial measurement date.

The following tables provide a summary of the changes in GASB 87 lease asset receivables as of December 31, 2023 and 2022, respectively.

	January 1, 2023	Increases	Decreases	December 31, 2023
Assets:				
Right of use – facilities	$ 58,045	$ 7	$ -	$ 58,052
Less: Accumulated amortization	(8,397)	(4,199)	(2)	(12,598)
Total lease assets, net	$ 49,648	$ (4,192)	$ (2)	$ 45,454

	January 1, 2022	Increases	Decreases	December 31, 2022
Assets:				
Right of use – facilities	$ 58,231	$ -	$ (186)	$ 58,045
Less: Accumulated amortization	(4,310)	(4,087)	-	(8,397)
Total lease assets, net	$ 53,921	$ (4,087)	$ (186)	$ 49,648

(Dollars in thousands)

The following tables provide a summary of the changes in GASB 87 lease liabilities as of December 31, 2023 and 2022, respectively.

	January 1, 2023	Increases	Decreases	December 31, 2023
Liabilities:				
Lease liability – GASB 87	$ 51,658	$ (96)	$ (3,361)	$ 48,201

	January 1, 2022	Increases	Decreases	December 31, 2022
Liabilities:				
Lease liability – GASB 87	$ 54,907	$ -	$ (3,249)	$ 51,658

Future debt service requirements on lease payables as of December 31, 2023, are as follows:

	Principal	Interest	Total
2024	$ 3,505	$ 1,291	$ 4,796
2025	3,619	1,194	4,812
2026	3,747	1,093	4,840
2027	3,639	989	4,628
2028	3,248	895	4,144
5 Years Ending 2033	19,355	2,972	22,327
5 Years Ending 2038	11,088	382	11,471
Total	$ 48,201	$ 8,816	$ 57,018

Note 12. Subscription Based Information Technology Arrangements (SBITAs)

Citizens has in place multiple subscription-based information technology arrangements (SBITAs) for the use of third-part vendor IT software and related platforms. These agreements, inclusive of anticipated renewal options, have expiration dates that run through 2033. The company accounts for its SBITAs under the guidance of GASB 96 – Subscription Based Information Technology Arrangements. Capitalized assets are amortized on a straight-line basis over the life of the agreement. Amortization and interest expense, net of adjustments for differences in the original amounts capitalized and actual cash outflows, incurred for the years ending December 31, 2023 and 2022 were $7,216 and $6,609, respectively. Citizens' implicit borrowing rate used for discounting the future minimum lease payments upon initial measurement of the contract ranged from 3.14% to 3.78% based upon contract duration plus a spread factor derived from Citizens' long-term credit ratings.

(Dollars in thousands)

The following tables provide a summary of the changes in GASB 96 lease asset receivables as of December 31, 2023 and 2022, respectively.

	January 1, 2023	Increases	Decreases	December 31, 2023
Assets:				
Right of use – SBITAs	$ 37,453	$ 12,965	$ -	$ 50,418
Less: Accumulated amortization	(7,350)	(9,671)	-	(17,021)
Total lease assets, net	$ 30,103	$ 3,294	$ -	$ 33,397

	January 1, 2022	Increases	Decreases	December 31, 2022
Assets:				
Right of use – SBITAs	$ 22,732	$ 14,721	$ -	$ 37,453
Less: Accumulated amortization	-	(7,350)	-	(7,350)
Total lease assets, net	$ 22,732	$ 7,371	$ -	$ 30,103

The following tables provide a summary of the changes in GASB 96 lease liabilities as of December 31, 2023, and 2022, respectively.

	January 1, 2023	Increases	Decreases	December 31, 2023
Liabilities:				
Lease liability – GASB 96	$ 27,728	$ 10,568	$ (9,148)	$ 29,148

	January 1, 2022	Increases	Decreases	December 31, 2022
Liabilities:				
Lease liability – GASB 96	$ 21,240	$ 11,696	$ (5,207)	$ 27,728

Future debt service requirements on SBITA lease payables as of December 31, 2023, are as follows:

	Principal	Interest	Total
2024	$ 7,728	$ 943	$ 8,671
2025	5,252	693	5,945
2026	3,645	524	4,169
2027	3,175	406	3,582
2028	2,815	304	3,119
5 Years Ending 2033	6,533	379	6,912
Total	$ 29,148	$ 3,249	$ 32,397

Note 13. Commitments and Contingencies

Citizens is involved in certain litigation and disputes incidental to its operations. In the opinion of management, after consultation with legal counsel, there are substantial defenses to such litigation and disputes and any ultimate liability, in excess of reserves resulting there from, will not have a material adverse effect on the financial condition or results of operations of Citizens.

Pursuant to Immediate Final Order #298695-22, an Agreement to Provide Cut Through Endorsements (the Agreement) was executed between Citizens and a private carrier authorized to conduct business in Florida (the authorized insurer) effective August 3, 2022 and expiring June 1, 2023. As stipulated by the Agreement, Citizens may provide additional claims paying resources for the benefit of policyholders insured by the authorized insurer in the event that the authorized insurer becomes insolvent, and the outstanding claim(s) exceeds the statutory per claim limit of the Florida Insurance Guaranty Fund (FIGA). In March of 2023, the authorized insurer was placed into liquidation by the Florida Department of Financial Services. At December 31, 2023, Citizens has not recorded a liability for potential claims associated with the Agreement.

Multi-Year Reinsurance Treaties

Citizens is party to reinsurance arrangements that provide coverage into 2023, including a traditional aggregate catastrophic excess of loss agreements as well as aggregate catastrophe bonds placed in the capital markets. Premiums ceded under multi-year contracts are determined before each contractual reset period and are based upon defined risk parameters within the contracts that may result in increases or decreases to premiums ceded. Such adjustments to premiums ceded are included in the treaty year to which they apply.

Risk Management Programs

In addition to claims under the insurance policies it issues, Citizens is potentially exposed to various risks of loss, including those related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. As a state government entity, Citizens has immunity from certain claims.

For the years ending December 31, 2023 and 2022, Citizens had insurance protection in place from various commercial insurance carriers covering various exposures, including workers' compensation, property loss, employee liability, general liability, data-breach liability, and directors' and officers' liability. Management continuously reviews the limits of coverage and believes that current coverage is adequate. There were minimal changes in insurance coverage, terms or conditions from the previous year.

(Dollars in thousands)

Note 14. Reconciliation of U.S. GAAP to SAP

A reconciliation of Citizens' U.S. GAAP basis (as determined by the Governmental Accounting Standards Board) change in net position and net position to statutory net income (loss) and accumulated surplus for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022 (as restated)
Change in net position – U.S. GAAP basis	$ 992,670	$ (3,266,644)
Adjustments:		
Change in allowance for doubtful accounts	(679)	13
Effect of GASB 87	1,492	1,556
Effect of GASB 96	(1,708)	224
Change in net unrealized (gain) loss on investments	(245,321)	1,022,508
Net income (loss) - statutory basis	$ 746,454	$ (2,242,343)

	2023	2022
Net position – U.S. GAAP basis	$ 4,425,964	$ 3,433,176
Adjustments:		
Nonadmitted assets, net of allowance	(11,289)	(10,565)
GASB 87	1,326	(166)
GASB 96	(3,706)	224
Provision for reinsurance	(4,926)	(3,324)
Net unrealized (gain) loss on investments	616,098	860,178
Accumulated surplus - statutory basis	$ 5,023,467	$ 4,279,523

Note 15. Assessments and Other Regulatory Matters

Citizens' enabling legislation and the Plan establish a process by which Citizens is required to levy assessments to recover deficits incurred in a given plan year for any of its three accounts. Deficits are calculated separately, and assessments are levied separately, for each of the three accounts. The Plan provides for deficits to be determined in accordance with GASB, adjusted for certain items.

In the event of a Plan Year Deficit in any Account, Citizens must first levy an assessment against the premium of each Citizens policyholder (the Citizens Policyholder Surcharge) in each of Citizens' Accounts, as a uniform percentage of the premium of the policy of up to 15% of such premium. Citizens Policyholder Surcharges are not subject to commissions, fees, or premium taxes; however, failure to pay a Citizens Policyholder Surcharge will be treated as failure to pay premium.

If the Citizens Policyholder Surcharge is insufficient to eliminate a deficit in the Coastal account, Citizens would then levy a Regular Assessment on assessable insurers, as defined in Section 627.351(6), Florida Statutes. The assessment is based upon each assessable insurer's share of direct written premium for the Subject Lines of Business in the State of Florida for the calendar year preceding the year in which the deficit occurred, and is applied as a uniform percentage of up to 2% of subject premiums. The Regular Assessment is not available for deficits within the PLA or CLA.

If the deficit in any year in any account is greater than the amount that may be recovered through Citizens' Policyholder Surcharges and Regular Assessments, Citizens is required to levy any remaining Plan Year Deficit as an Emergency Assessment. An Emergency Assessment is to be collected by all assessable insurers, Surplus Lines Agents, and Citizens from policyholders upon the issuance or renewal of policies for Subject Lines of Business for as many years as necessary to cover the Plan Year Deficit in the account.

The primary difference between the assessment base for Regular Assessments and Emergency Assessments is the inclusion of Citizens' direct written premium in the assessment base for Emergency Assessments, in addition to the Regular Assessment being limited to the Coastal account only.

For purposes of Regular Assessments and Emergency Assessments, the "Subject Lines of Business" are all lines of property and casualty insurance, including automobile lines, but excluding accident and health, workers' compensation, and medical malpractice insurance, and also excluding insurance under the National Flood and Federal Crop insurance programs.

Effective March 5, 2015, the 2005 Emergency Assessment was terminated for all policies with effective dates on or after July 1, 2015. The 2005 Emergency Assessment was anticipated to be collected over a ten year period commencing July 1, 2007. As of December 31, 2023 and 2022, collections in excess of the Emergency Assessment were $140,790. These balances are reported as the reserve for future assessments on the accompanying statements of net position until such time as the Board approves a change to direct these excess collections to be used for any lawful purpose available within the Plan.

FIGA Assessments

On March 11, 2022, the Office approved an assessment levied by FIGA on all FIGA members, pursuant to Order # 293027-22. The assessment will be levied at a rate of 1.3% of direct written premium on policies issued or renewed during the 2022 and 2023 calendar years and shall be remitted to FIGA in four quarterly installments with the first installment due on or before October 31, 2022. At December 31, 2023, a payable to FIGA for amounts collected by Citizens but not yet remitted to FIGA of ($301) is included within Other current liabilities on the accompanying statements of net position.

On August 26, 2022, the Office approved an assessment levied by the Florida Insurance Guaranty Association (FIGA) on all FIGA members, pursuant to Order # 299727-22. The assessment will be levied at a rate of 0.7% of direct written premium on policies issued or renewed during the 2023 calendar year and shall be remitted to FIGA in four quarterly installments with the first installment due on or before April 30, 2023. At December 31, 2023, a payable to FIGA for amounts collected by Citizens but not yet remitted to FIGA of $7,018 is included within Other current liabilities on the accompanying statements of net position.

On April 10, 2023, the Office approved an assessment levied by FIGA on all FIGA members, pursuant to Order # 308776-23. The assessment will be levied at a rate of 1.0% of direct written premium on policies issued or renewed during the 2023 and 2024 calendar years and shall be remitted to FIGA in four quarterly installments with the first installment due on or before January 31, 2024. At December 31, 2023, a payable to FIGA for amounts collected by Citizens but not yet remitted to FIGA of $10,534 is included within Other current liabilities on the accompanying statements of net position.

Note 16. Subsequent Events

Subsequent events have been considered through May 23, 2024, the date of issuance of these financial statements.

In January 2024, pursuant to Florida Senate Bill 2-A and upon the extinguishment of all financing obligations, Citizens three operating accounts - the Personal Lines Account, Commercial Lines Account, and the Coastal Account - were combined into a single account. Prior to the account consolidation, each operating account could impose a policyholder surcharge of up to 15% per account, as well as an Emergency Assessment of up to 10% per account, per year on assessable premium.

Following the account consolidation, Citizens may impose a policyholder surcharge of up to 15% and an Emergency Assessment of up to 10% on assessable premium for the combined account only. In addition, the Regular Assessment of up to 2% of state-wide assessable premium previously applicable to the Coastal Account only was eliminated as part of the account consolidation.

There were no events occurring subsequent to the end of the year that merit recognition or disclosure in these statements.

Supplementary Information

Citizens Property Insurance Corporation
Supplemental Combining Statements of Net Position
December 31, 2023
(Dollars in thousands)

	Combined	Personal Lines Account	Commercial Lines Account	Coastal Account
ASSETS				
Current assets				
Cash and cash equivalents	1,150,106	$ 549,327	$ 275,499	$ 325,280
Short-term investments	1,367,240	729,738	173,306	464,196
Investment income due and accrued	58,507	19,788	13,880	24,839
Reinsurance recoverable on paid losses and LAE	65,721	42,246	-	23,475
Premiums receivable, net	304,234	195,214	16,276	92,744
Premiums receivable from assuming companies, net	4,152	3,483	-	669
Other current assets	45,154	13,900	7,323	23,931
Inter-account receivable (payable)	-	24,322	(15,867)	(8,455)
Total current assets	2,995,114	1,578,018	470,417	946,679
Noncurrent assets				
Long-term investments	6,879,945	2,353,661	1,674,572	2,851,712
Lease Asset (GASB 87)	45,454	45,454	-	-
Lease Asset (GASB 96)	33,397	33,397	-	-
Capital assets	863	863	-	-
Total noncurrent assets	6,959,659	2,433,375	1,674,572	2,851,712
Total assets	9,954,773	$ 4,011,393	$ 2,144,989	$ 3,798,391
LIABILITIES				
Current liabilities				
Loss reserves, net	1,439,901	$ 1,166,030	$ 28,143	$ 245,728
Loss adjustment expense reserves, net	907,134	779,328	7,848	119,958
Unearned premiums	2,130,987	1,299,143	151,142	680,702
Reinsurance premiums payable	426,474	260,204	-	166,270
Advance premiums and suspended cash	68,595	40,057	2,593	25,945
Return premiums payable	12,720	8,619	462	3,639
Interest payable	1,294	1,294	-	-
Current portion of lease liability (GASB 87)	3,505	3,505	-	-
Current portion of lease liability (GASB 96)	7,728	7,728	-	-
Outstanding checks in excess of deposits	190,288	186,611	-	3,677
Other current liabilities	133,277	103,042	4,935	25,300
Total current liabilities	5,321,903	3,855,561	195,123	1,271,219
Noncurrent liabilities				
Lease liability (GASB 87)	44,696	44,696	-	-
Lease liability (GASB 96)	21,420	21,420	-	-
Reserve for future assessments	140,790	-	-	140,790
Total noncurrent liabilities	206,906	66,116	-	140,790
Total liabilities	5,528,809	3,921,677	195,123	1,412,009
Net position				
Invested in capital assets	863	863	-	-
Restricted	-	-	-	-
Unrestricted	4,425,101	88,853	1,949,866	2,386,382
Total net position	4,425,964	$ 89,716	$ 1,949,866	$ 2,386,382

Citizens Property Insurance Corporation
Supplemental Combining Statements of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2023
(Dollars in thousands)

	Combined	Personal Lines Account	Commercial Lines Account	Coastal Account
Operating revenue				
Net premiums earned	$ 2,881,408	$ 1,980,114	$ 178,849	$ 722,445
Operating expenses				
Net losses incurred	1,261,404	1,113,611	4,599	143,194
Net loss adjustment expenses incurred	453,803	399,868	6,405	47,530
Service company fees	12,870	9,361	321	3,188
Agent commissions	400,155	229,767	34,788	135,600
Taxes and fees	77,964	50,869	5,120	21,975
Other underwriting expenses	208,450	136,676	11,285	60,489
Total operating expenses	2,414,646	1,940,152	62,518	411,976
Operating gain	466,762	39,962	116,331	310,469
Nonoperating revenues (expenses)				
Net investment income	533,325	210,362	118,465	204,498
Net interest expense	(9,843)	(1,299)	-	(8,544)
Other income	2,426	302	624	1,500
Total nonoperating loss	525,908	209,365	119,089	197,454
Change in net position	992,670	249,327	235,420	507,923
Net position, beginning of year	3,433,176	(159,611)	1,714,446	1,878,341
Other changes in net position	118	-	-	118
Net position, end of year	$ 4,425,964	$ 89,716	$ 1,949,866	$ 2,386,382

Citizens Property Insurance Corporation
Supplemental Revenues, Expenses and Claim Development Information
(Unaudited)
(Dollars in thousands)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Gross earned premiums and investment revenue	$ 2,530,077	$ 1,770,837	$ 1,208,796	$ 1,207,544	$ 950,637	$ 1,469,282	$ 1,595,860	$ 1,363,371	$ 1,087,657	$ 3,416,070
Ceded earned premiums	996,252	899,532	479,845	297,406	261,780	244,719	235,419	461,706	557	1,337
Net earned premiums and investment revenue	$ 1,533,825	$ 871,305	$ 728,951	$ 910,138	$ 688,857	$ 1,224,563	$ 1,360,441	$ 901,665	$ 1,087,100	$ 3,414,733
Unallocated expenses	$ 366,261	$ 278,787	$ 241,460	$ 226,317	$ 213,962	$ 213,173	$ 239,844	$ 301,488	$ 466,217	$ 699,439
Gross incurred claims and claims expenses, as originally reported	$ 525,725	$ 356,735	$ 426,236	$ 2,187,505	$ 533,501	$ 405,139	$ 550,877	$ 663,362	$ 4,784,472	$ 1,645,821
Incurred claims and expenses ceded, as originally reported	$ -	$ -	$ -	$ 661,072	$ -	$ -	$ -	$ -	$ 1,026,468	$ -
Net incurred claims and claims expenses, as originally reported	$ 525,725	$ 356,735	$ 426,236	$ 1,526,417	$ 533,501	$ 405,139	$ 550,877	$ 663,362	$ 3,758,004	$ 1,645,821

Citizens Property Insurance Corporation
Supplemental Revenues, Expenses and Claim Development Information
(Unaudited)
(Dollars in thousands)

(Continued)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Paid (cumulative) as of										
End of policy year	431,384	309,997	287,506	1,425,245	401,374	264,684	$ 231,632	$ 251,452	$ 1,803,556	$ 548,251
One year later	477,993	380,930	370,297	1,521,913	468,725	307,662	432,731	422,540	2,949,716	
Two years later	499,597	425,403	414,047	1,625,528	502,191	307,662	582,740	530,050		
Three years later	517,732	447,561	433,976	1,695,071	502,191	340,331	737,364			
Four years later	526,819	458,488	444,432	1,695,071	524,916	363,670				
Five years later	531,567	465,402	444,432	1,761,520	538,571					
Six years later	533,695	465,402	450,218	1,742,148						
Seven years later	533,695	469,346	453,297							
Eight years later	536,147	472,437								
Nine years later	537,238									
Re-estimated incurred claims and claims expenses ceded	$ -	$ -	$ -	$ 1,119,045	$ -	$ -	$ -	$ -	1,136,221	
Re-estimated net incurred claims and expense										
End of policy year	$ 525,725	$ 477,457	$ 426,236	$ 1,526,417	$ 533,501	$ 405,139	$ 550,877	$ 663,362	$ 3,758,004	$ 1,645,821
One year later	594,653	447,773	426,974	1,616,623	547,224	395,702	717,303	661,070	3,668,729	
Two years later	544,336	462,153	454,204	1,696,123	549,460	383,448	790,881	674,098		
Three years later	545,888	469,551	458,339	1,756,624	555,235	392,768	933,443			
Four years later	537,857	471,998	461,822	1,806,580	558,276	397,504				
Five years later	537,427	473,428	462,023	1,852,895	556,653					
Six years later	537,965	474,255	460,220	1,858,873						
Seven years later	538,444	476,323	459,803							
Eight years later	539,785	476,541								
Nine years later	540,057									
Increase (decrease) in estimated incurred claims and expense from end of policy year	$ 14,332	$ (916)	$ 33,567	$ 332,456	$ 23,152	$ (7,635)	$ 382,566	$ 10,736	$ (89,275)	$ -

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Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

Audit Committee
Citizens Property Insurance Corporation
Tallahassee, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Citizens Property Insurance Corporation (Citizens), which comprise the statements of net position as of December 31, 2023, and the related statements of revenue, expenses and changes in net position, and cash flows for the year ended and the related notes to the financial statements, which collectively comprise the Citizens' basic financial statements, and have issued our report thereon dated May 23, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Citizens' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Citizens' internal control. Accordingly, we do not express an opinion on the effectiveness of Citizens' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Citizens' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS, LLP

Tampa, Florida
May 23, 2024