CITIZENS PROPERTY INSURANCE CORPORATION

INVESTMENT POLICY for

Claims-Paying Fund (Tax-Exempt)

INTRODUCTION

Citizens is a government entity whose purpose is to provide property and casualty insurance for those Floridians who cannot obtain affordable coverage in the private market. Citizens strives to pay policyholder claims in a timely manner while maintaining quality customer service and a sound financial posture. Prudent investment of its cash can serve to further these goals.

Citizens will invest its funds according to five separate policies:

(1) Liquidity Fund (Taxable): generally this policy will govern the investment of funds and surplus that will be the first moneys 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 moneys 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 as needed basis.
(3) Claims-Paying Fund (Taxable): generally this policy will govern the investment of funds that are up to the 1-100 year probable maximum loss and will be used to pay claims post-event after Citizens has expended all moneys in the Liquidity Fund. Only moneys eligible for investment in taxable instruments will be deposited in this fund.
(4) Claims-Paying Long Duration Fund (Taxable): generally this policy will govern the investment of funds that are above the 1-100 year probable maximum loss and will be used to pay claims post-event after Citizens has expended all moneys in the Taxable Claims-Paying Fund. Only moneys eligible for investment in taxable instruments will be deposited in this fund.
(5) Claims-Paying Fund (Tax-exempt): generally this policy will govern the investment of tax-exempt pre-event bond proceeds and other moneys required to be invested in tax-exempt instruments. Citizens will use these moneys to pay claims after an event, typically after it has spent all funds in the Tax-Exempt Liquidity Fund and all taxable funds. The funds will also be used to pay principal and / or interest debt service payments.

In addition, Citizens may choose to invest a portion of its portfolio in a separately externally managed account, similar to 2a-7 money market funds, and continue to use its own investment personnel and the investment procedures approved by the Board of Governors in October 2007 (Citizens' "Operating Funds Portfolio"). The Operating Funds Portfolio will consist of the approximate amount funds needed to pay the day-to-day operating expenses of Citizens, as determined by Citizens' Chief Financial Officer. Internally Managed Funds will be invested in Money Market Mutual Funds, Bank Instruments, and Treasury or Agency securities (see Appendix A, "Types of Permitted Securities"). For all other funds, (the "Externally Managed Funds") Citizens will utilize third-party professional Investment Managers selected in a method consistent with applicable law and Citizens' internal procurement policies.

In addition to the restrictions and guidelines contained herein, Citizens' investments must comply with applicable Florida Statutes and bond document restrictions, all of which are incorporated by reference.

Citizens' overall investment strategy will have the following prioritized goals: (i) safety of principal; (ii) liquidity, so that claims can be paid in a timely manner; and (iii) competitive returns. However, each of the policies described above may provide for different portfolio duration, credit quality, and other parameters consistent with these broad goals and the specific purpose of the underlying fund.

INVESTMENT OBJECTIVES

The primary investment objectives of the tax-exempt Claims-Paying Fund are to provide safety of principal and liquidity while achieving a competitive return on invested assets. Cash flow needs for Citizens after a storm are difficult to project, but it is prudent to assume that significant amounts of cash could be needed quickly to pay covered losses. Since paying such losses fully and in a timely manner is a priority for Citizens, liquidity in all portfolios must be paramount. While the moneys invested pursuant to this policy will not be the first funds Citizens uses after a storm to pay claims, the uncertainty of when they will be needed still demands a fixed income portfolio with relatively short to intermediate duration and high credit quality.

INVESTMENT STRATEGIES, COMPLIANCE AND PERFORMANCE MEASUREMENT

Citizens Claims-Paying Fund (tax-exempt) portfolio (the "Portfolio") will be invested only in non-AMT tax-exempt fixed income securities or in money market funds which invest exclusively in non-AMT tax-exempt fixed income securities. *Fixed Income Securities* are securities that pay interest, dividends or distributions at a specified rate. The rate may be a fixed percentage of the principal or adjusted periodically. In addition, the issuer of a short-term fixed income security must repay the principal amount of the security, normally within a specified time. More detailed restrictions are contained below.

It is the responsibility of the Investment Manager(s) to maintain compliance with all aspects of this policy on a daily basis. Citizens will independently verify compliance periodically, and it is therefore required that all Investment Managers supply Citizens with whatever data is needed to perform such verification in a timely manner. However, Citizens' compliance checks do not relieve the Investment Managers of their responsibility to perform such checks on a daily basis.

Citizens will measure the performance of the Portfolio from various perspectives: (i) the Portfolio will be measured regularly for compliance with the Investment Guidelines below and the Investment Objectives above; (ii) the Portfolio's performance will be analyzed for return performance by comparing the various Investment Managers' Claims-Paying Funds (Tax-Exempt) performance to each other on a regular basis; (iii) the Portfolio's performance, and each Investment Manager's share thereof, will be compared to investment benchmarks – or a blend of investment benchmarks– on a monthly basis which Citizens will establish and will communicate to managers periodically The purpose of using any investment benchmark as performance measurement tools is not to guide investment selection – the Investment Managers' professional judgment, operating within the specific Investment Guidelines below, is meant to be the determinant of investment selection. Rather, Citizens will use any investment benchmark to measure the Portfolio's overall performance and as one measure of the relative performance of the Investment Managers. The Investment Managers must provide reports to Citizens on a monthly basis, or more frequently as requested by Citizens, that enable Citizens to understand specifically how the Portfolio is being invested so this performance analysis can be done.

INVESTMENT GUIDELINES

Credit Quality

At the time of purchase, all investments of proceeds from pre-event bond issuances starting in 2010 and thereafter must be rated in accordance with the following (in the event of split ratings, the lower ratings will be used for compliance purposes):

(1) Securities with short-term investment ratings (other than Variable Rate Demand Obligations ("VRDOs"), must be rated from at least two of Moody's, S&P, and/or Fitch and must have minimum ratings of MIG 1 by Moody's, SP-1 by S&P, and /or F1 by Fitch.
(2) Securities with long-term investment ratings, must be rated from at least two of Moody's, S&P, and/or Fitch and must have minimum ratings of A3 by Moody's, A- by S&P, and/or A- by Fitch.
(3) VRDOs must be rated from at least Moody's, S&P, and/or Fitch and be at least rated VMIG 1 by Moody's, A-1 by S&P, and/or F1 by Fitch; in addition, one of the following is required:

i. A direct pay Letter of Credit ("LOC") from a bank with long-term underlying ratings from at least two of Moody's, S&P, and / or Fitch (Minimum ratings - Moody's: A3; S&P: A-; Fitch: A-).

ii. A combination of a liquidity facility with a bank liquidity provider meeting the same ratings requirements as for bank LOC's and credit enhancement from a credit enhancement provider rated by at least two of Moody's S&P and/or Fitch, with minimum ratings of A1 from Moody's and A+ from S&P and/or A+ from Fitch.

iii. Self liquidity by the issuer with a minimum underlying ratings by at least two of Moody's S&P and/or Fitch, with minimum ratings of A1 from Moody's and A+ from S&P and/or A+ from Fitch.

(4) Tax-Exempt Commercial Paper ("TECP"), must be rated from at least two of Moody's, S&P and/or Fitch and must be at least rated P-1 by Moody's, A-1 by S & P, and/or F1 by Fitch.

(5) Tax-exempt money market funds must be rated Aaa by Moody's, or AAA_m by S&P and/or AAA_{mmf} by Fitch.

(6) For pre-refunded bonds, the ratings for the underlying collateral will be used for compliance purposes.

(7) Subordinate obligations must be rated from at least two of Moody's, S&P, and/or Fitch and must have minimum ratings of A3 by Moody's, A- by S&P, and/or A- by Fitch.

If anything occurs which causes an investment in the Portfolio to fall outside the standards described above, the applicable Investment Manager must notify Citizens' investment personnel and CFO in writing via e-mail within one day of the occurrence of such event. The Investment Manager must also prepare a written plan of action for the affected security and present it to Citizens' CFO within five business days of the event. In general, any such affected security should be liquidated in a timely fashion as market conditions warrant, and the manager should provide a written recommendation to Citizens' CFO; however, immediate sale in a temporarily depressed market is not mandated by this policy.

Diversification

It is Citizens' intent to maintain a properly diversified portfolio in order to reduce its risk from changes in the market for various classes of securities and to protect against changes in the financial health of any issuer of securities purchased by or on behalf of Citizens. Each individual Investment Manager should treat its portfolio as a stand-alone entity for purposes of compliance with the diversification restrictions of this policy. With that in mind, the following diversification restrictions apply:

- Securities of a single local municipality or issuer, e.g. State, County, City, or Authority, shall not represent more than 5% of the portfolio. This issuer limit includes VRDOs regardless of the LOC or Liquidity Support provider. The Bloomberg Bond Ticker or an Issuer name for conduit issuer only will be used to verify the issuer limit.
- Investment in an individual money market fund shall be the lesser of 5% of the total individual fund assets or $200 million. Each Investment Manager must check the compliance of this provision with Citizens' CFO prior to investing in any money market fund.
- Tax-exempt commercial paper ("TECP") shall not represent more than 20% of the total portfolio.
- Floating Rate Notes (securities the terms of which provide for the automatic adjustment of their interest rates whenever a specified interest rate changes until the final maturity of the instrument or the period remaining until the principal amount can be recovered through demand) with no external liquidity support from a bank meeting the ratings requirements described above for bank LOCs shall not represent more than 25% of the total portfolio.
- Exposure to banks providing LOC or liquidity support for the underlying securities in Citizens' portfolio should be diversified as well. No bank shall provide such support for underlying securities representing more than 15% of the total portfolio.
- Calculations of a bank or issuer's share of Citizens' overall portfolio should be done without regard to the underlying securities in any money market funds owned by Citizens in this portfolio.

Duration

It is Citizens' intent under this policy to have a portfolio that can provide ready liquidity at a price approximating amortized cost. Each individual Investment Manager should treat its portfolio as a stand-alone entity for purposes of compliance with the duration restrictions of this policy. With that in mind, the following duration restrictions apply:

- The maximum permitted final maturity for any security in the Series 2011 and Series 2012 portfolio is 61 months or five years and one month and for any subsequent Series starting in 2015 is 73 months or six years and one month.
    - For purposes of this calculation, the final maturity of any variable or floating rate obligation (collectively, "VROs") with a Demand Feature (a feature permitting the holder of a security to sell such security within 42 months, or three years and six months at an exercise price equal to the approximate amortized cost of the security at the time of exercise, where such feature is supported by a letter of credit ("LOC") or other liquidity facility from a bank rated as described above) shall be deemed to be the shortest of the time remaining until the Demand Feature could be exercised or the expiration date

of the LOC or liquidity facility that supports such VROs. Any such LOC or liquidity facility must be renewed at least 45 days prior to its expiration to be deemed in effect for purposes of this policy. For VROs without a Demand Feature, the final maturity for purposes of this section is the stated legal maturity.

  - For pre-refunded municipal obligations with an irrevocable escrow funded by Government or Agency securities, the final maturity shall be deemed to be the date on which the escrow will be used to call the underlying bonds. Pre-refunded obligations have no minimum ratings requirements.
  - If a fixed rate security has mandatory put option then the mandatory put date will be used as a final maturity date.
  - If a variable rate security has mandatory put option then the mandatory put date will be used as a final maturity date if the issuer has underlying ratings by at least two of Moody's, S&P and/or Fitch, with minimum ratings of Aa3 from Moody's, AA- from S&P and/or AA- from Fitch.

- The dollar weighted average maturity of the Series 2011 and Series 2012 Portfolio shall not exceed 3 years and 6 months and for any subsequent Series starting Series 2015 Portfolio shall not exceed 4 years, calculated using the interest rate reset period for any VROs without a Demand Feature, and for VROs with a Demand Feature using the longer of the interest rate reset period or the time remaining until the Demand Feature could be exercised.

STRESS TESTING

The Investment Managers will quarterly stress-test the portfolio in order to gauge the ability of the Portfolio to withstand interest rate shifts, credit shocks, and other market changes. Citizens' will provide the stress test conditions two weeks prior to the stress test date.

OTHER RESTRICTIONS

- Auction Rate Securities are not permitted.
- Asset Backed Securities (including Asset-backed Commercial Paper Notes), Mortgage Backed Securities (including Agency MBS), and Collateralized Debt Obligations, are not permitted.
- Commercial Paper Notes issued under Section 4(2) of Securities act of 1933 are not permitted
- Qualified Public Depositories are not permitted
- Derivatives are not permitted.
- Repurchase Agreements, Reverse Repurchase Agreements and Securities Lending are not permitted.

- All securities not explicitly listed as permitted investments are hereby deemed to be prohibited under this policy unless written permission is received from the CFO of Citizens.

This policy was approved by Citizens Property Insurance Corporation's Board of Governors on December 13, 2017.

Appendix A-Types of Permitted Securities

VARIABLE RATE DEMAND OBLIGATION (VRDO)

A bond which bears interest at a variable, or floating, rate established at specified intervals (e.g., flexible, daily, weekly, monthly or annually). It contains a put option permitting the bondholder to tender the bond for purchase when a new interest rate is established. VRDOs are also referred to as VRDNs (N=Notes), VRDBs (B=Bonds) or low floaters.

MUNICIPAL SECURITIES (Tax-Exempt)

A Security issued by a state or local governmental units where the interest on the security is excluded from the gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1954, as amended.

TAX-EXEMPT MONEY MARKET FUND

A Money Market Fund that invests in short-term tax-exempt municipal securities.