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STATE OF FLORIDA

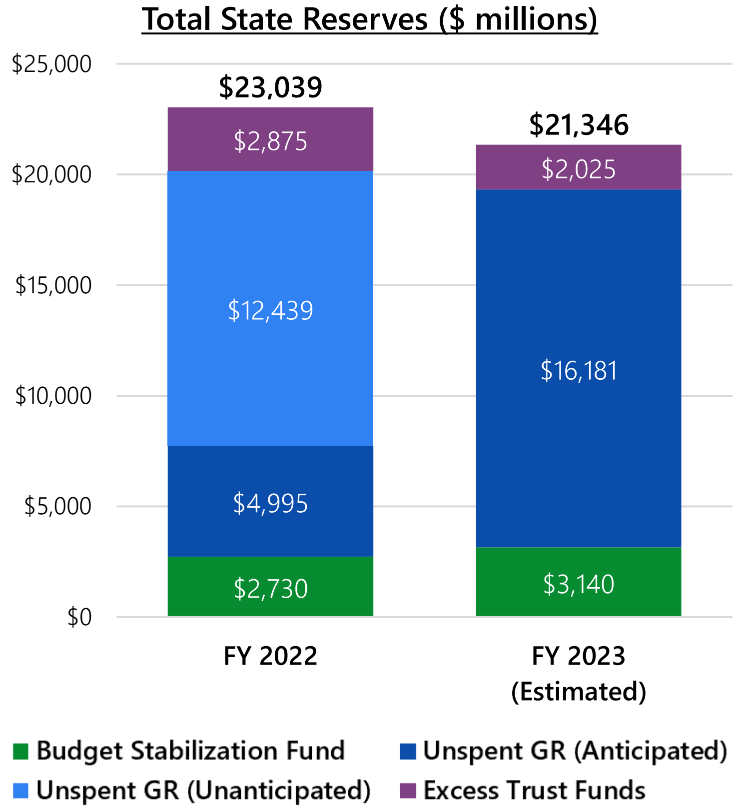
Hurricane Ian Update – October 27, 2022

Hurricane Ian Response

- Hurricane Ian made landfall in southwest Florida on September 28, 2022, as a Category 4 hurricane. In advance of the storm, the Governor declared a state of emergency, providing broad spending authority to meet financial needs resulting from a disaster
- As of October 26, 2022, State agencies estimate that they will spend a total of approximately $1.8 billion in response to Hurricane Ian, but this estimate is preliminary and will continue to develop over time
  - The State continues to monitor this spending and receives daily updates on storm-related expenditures from all State agencies
- State expenses will be submitted to the Federal Emergency Management Agency ("FEMA") for reimbursement
  - The State received approval for 100% FEMA reimbursement for the first 60 days of the disaster period for debris removal and emergency protective measures in response to Hurricane Ian
  - The State will also be responsible for a portion of the storm-related expenses of counties and the costs of certain categories of individual assistance and transitional sheltering provided by FEMA. Estimates for these costs are not yet available
- Additionally, the Governor has announced that he is working with the Legislature to call a special session in December 2022 to address solutions to stabilize Florida's property insurance market

State Reserves and Liquidity

- While the total net fiscal impact is unknown, the State has sufficient reserves to fund the disaster recovery efforts, and has sufficient liquidity to cover expenses in advance of FEMA reimbursements
- Based on the August 2022 estimates, the State was projected to end FY 2023 with $19.3 billion in General Fund reserves and $2.0 billion in trust balances, bringing estimated total State reserves to $21.3 billion or 50.8% of estimated FY 2023 general revenues
  - Unspent GR for FY 2022 and FY 2023 included approximately $499 million in the Emergency Preparedness and Response Fund that was created in FY 2022 to provide dedicated source of funding for the Governor to respond to declared state of emergencies
  - Estimated Unspent GR for FY 2023 included $2 billion reserved for the Reinsurance to Assist Policyholders program
- The State Treasury had $52.9 billion in State funds as of September 30, 2022, available to provide liquidity needed to fund State expenses



Source: General Revenue Fund Financial Outlook Statements and Retrospects. FY 2022 is preliminary; subject to change. FY 2023 is an estimate based on August 16, 2022 General Revenue Outlook Statement. FY 2022 and FY 2023 balances exclude federal ARP moneys.

Florida Property Insurance Market

- Florida has longstanding property insurance entities in place with proven track records of ensuring continued market stability following hurricanes
  - **<u>Florida Hurricane Catastrophe Fund ("FHCF")</u>** – provides stable and recurring source of loss reimbursements for residential property insurers
  - **<u>Citizens Property Insurance Corporation ("Citizens")</u>** – acts as the insurer of last resort, absorbing policies that are not able to be placed in the private market
  - **<u>Florida Office of Insurance Regulation ("OIR")</u>** – provides ongoing monitoring of the financial health of insurers
  - **<u>Florida Insurance Guaranty Association ("FIGA")</u>** – handles the liabilities of insolvent insurance companies, ensuring orderly and timely payment of outstanding claims
- State also created the Reinsurance to Assist Policyholders ("RAP") program, which provides additional $2 billion layer of State-funded reinsurance below the FHCF coverage layer allocated across the 2022 and 2023 hurricane seasons. The program is administered and managed by the FHCF and State Board of Administration of Florida ("SBA")

Florida Hurricane Catastrophe Fund

- FHCF maintains significant estimated total liquid resources of $15.8 billion relative to the statutory maximum liability of $17 billion for the 2022 hurricane season

FHCF Resources for 2022 Hurricane Season *(in billions of dollars)*	
Projected Fund Balance (at December 31, 2022)	$12.3
2020A Pre-Event Bond Proceeds	3.5
Available Resources for 2022 Hurricane Season	**$15.8**
FHCF Statutory Annual Maximum Liability	**$17.0**
Potential Post-Event Bonding	**$1.2**

- FHCF's liquid resources are net of $9.25 billion related to Hurricanes Irma and Michael, consisting of $7.86 billion in paid losses and $1.39 billion in loss reserves as of September 2022
- The current modeled loss estimates from Hurricane Ian range from $4 billion to $12 billion, with a preliminary and conservative point estimate of $10 billion. These preliminary estimates are based on the outputs of multiple models and subject to material change as better data becomes available and insurers begin to pay claims
- FHCF collects reimbursement premiums from participating insurers (over $1.2 billion annually) and also has the ability to levy assessments on most property and casualty lines of insurance in Florida to support FHCF debt. The assessment functions like an insurance premium tax on all assessable policies
  - Current assessment base of $63.3 billion, which would generate $3.8 billion based on 6% assessment (single season limit) and $6.33 billion based on 10% assessment (aggregate limit)
  - FHCF has estimated post-event bonding capacity of $8.4 billion over 12 months based on the October 2022 bonding capacity estimates
- **Based on current modeled losses, FHCF does not anticipate that loss reimbursement payments from Hurricane Ian will require assessment or financing**

Source: Florida Hurricane Catastrophe Fund Claims-Paying Capacity Estimate Report, October 26, 2022. There is significant uncertainty regarding the loss estimates and there is no guarantee that actual losses will fall within the projected range. Undue reliance should not be placed on the loss estimates.

FHCF Liquidity & RAP

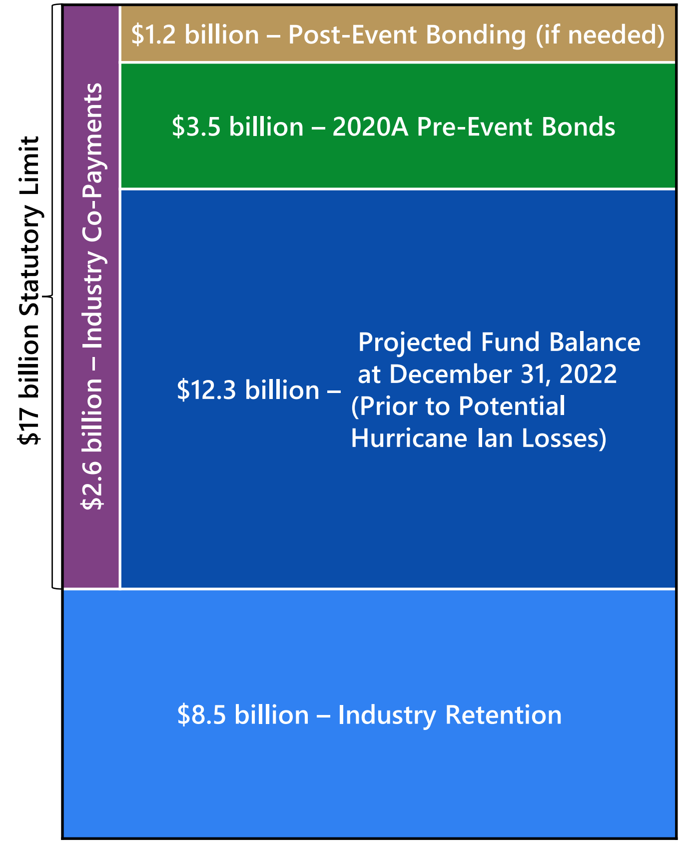
- FHCF can use accumulated fund balance or bond proceeds to pay loss reimbursements, but expects to use its accumulated fund balance prior to drawing down pre-event bond proceeds

- FHCF investment portfolio is managed by the SBA with a conservative investment policy focused on liquidity and safety of principal

- Total $16.0 billion portfolio as of August 31, 2022, is comprised of US Treasury and Agency securities (56%), corporate securities (40%), and CDs (4%), with over 77% of the portfolio in "AA" or "AAA" rated assets
  - $3.5 billion currently held in FHCF's Liquidity Fund, which is the first source of funds for paying reimbursable losses. Amount in Liquidity fund is based on historical analysis of short-term reimbursement payments following storms
  - Remainder is invested in FHCF's Claims-Paying Fund ($9.1 billion), which is next source of funds for reimbursing losses, and the 2020A Pre-Event Fund ($3.4 billion)

- State's $2 billion RAP program provides an additional layer of coverage below the FHCF coverage allocated across the 2022 and 2023 hurricane seasons
  - Approximately $900 million of RAP coverage was selected for 2022 storm season
  - Initial estimates indicate that nearly all coverage elected by insurers for this season is projected to be utilized to pay claims resulting from Hurricane Ian

Projected FHCF Coverage for 2022 Hurricane Season*



* Chart aggregates the relevant data for FHCF participating insurers. In actual practice, each participating insurer has its own retention and coverage limits based upon its actual exposures, and therefore each participating insurer has its own unique probability of triggering its FHCF coverage and reaching its FHCF coverage limit.

Source: Florida Hurricane Catastrophe Fund. Layer chart data from Paragon Strategic Solutions Inc. Numbers may not add due to rounding. Not drawn to scale. Preliminary estimates as of October 2022.

Citizens

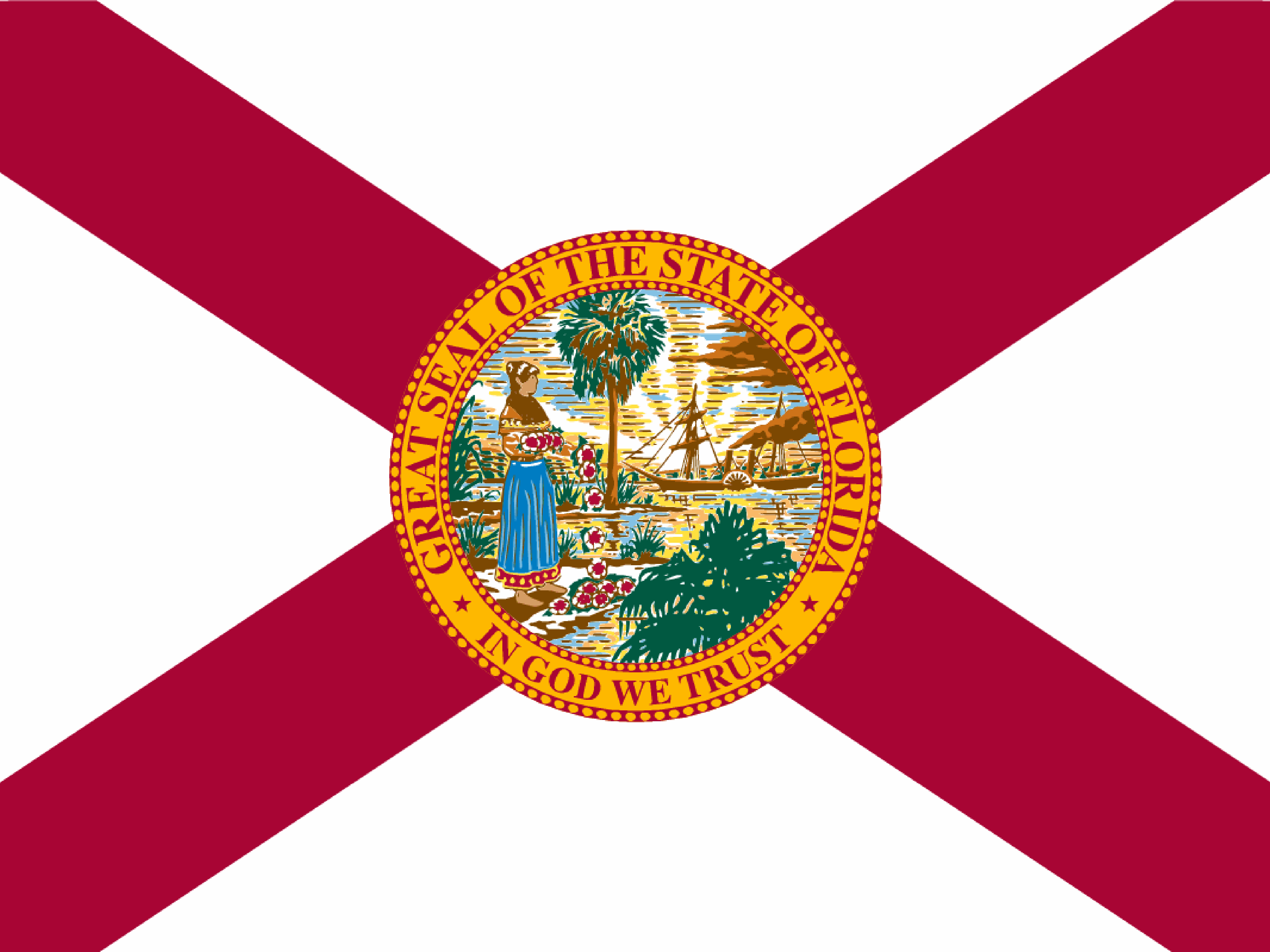
- Citizens remains in a strong financial position with estimated total claims-paying capacity of $13.6 billion for all three accounts (Coastal, Personal Lines, and Commercial Lines)
  - $6.8 billion of surplus, $4.1 billion of FHCF coverage, $2.5 billion of private risk transfer, and $275 million of pre-event bond proceeds
  - Citizens maintains strong liquidity to pay claims, with $9.8 billion in cash and invested assets as of June 2022
  - Citizens' three accounts are financially independent of one another and have separate claims-paying resources and capacities
- Current modeled losses from Hurricane Ian for all three Citizens accounts range from $2.3 billion to $2.6 billion with an estimated 100,000 claims. This estimate is preliminary, based only on models, and is likely to change materially as losses develop
- Citizens collects premiums like a typical insurance company, but also has the authority to levy surcharges on its policyholders as well as assessments on a broad base of property and casualty insurance policies in the State (similar to FHCF)
- Citizens has three assessment tiers. Each additional tier is only charged if the preceding tier is insufficient to eliminate a deficit in a Citizens account
  1. Citizens Policyholder Surcharge: one-time assessment on Citizens policyholders only, up to 15% per account
  2. Regular Assessment: one-time assessment on private-market policyholders, up to 2% of premium. This assessment can only be levied by the Coastal Account
  3. Emergency Assessment: single or multi-year assessment levied on both Citizens and private-market policyholders, up to 10% per account
- **Based on current modeled losses, Citizens projects that no assessments or financing will be required following Hurricane Ian**

Source: Citizens Property Insurance Corporation. There is significant uncertainty regarding the loss estimates and there is no guarantee that actual losses will fall within the projected range. Undue reliance should not be placed on the loss estimates.

OIR & FIGA

- OIR closely monitors financial condition of the property insurance market, with a focus on identifying companies that may face financial difficulties and proactively seeking solutions
  - As of October 26, 2022, OIR preliminary data shows 587,693 total claims (410,251 residential property claims) with total estimated insured losses of $7.6 billion. This data is currently being updated daily and is expected to materially increase as additional claims and losses are reported
- In the event of an insurer insolvency, OIR works with private carriers to secure consumers streamlined replacement coverage in the private market. Policies of insolvent companies are also picked up by Citizens, and liabilities transferred to FIGA for payment of outstanding claims
- FIGA was statutorily created to ensure that insurance contracts are honored after an insurance company fails, with membership mandatory for all insurers that transact business in Florida. FIGA is organized into two separate accounts (Auto and All Other)
- Primary funding sources for each FIGA account are estate distributions, investment income, and assessments on broad range of insurance lines. FHCF reimbursement to insolvent insurers are sent directly to FIGA
- Assessments are charged directly to insurers, not policyholders
  - Regular Assessment: up to 2% per year of each insurer's direct written premium. FIGA is currently levying assessments totaling 2% for the All Other account, with the revenues securing two short-term bank loans totaling $400 million
  - Emergency Assessment: up to 4% per year of each insurer's direct written premium to pay claims of insurers rendered insolvent by the effects of a hurricane. Can only be levied by the All Other account and apply to a broad range of insurance lines (excluding auto). Projected assessment base of $25 billion for 2022, which would generate $1 billion annually based on maximum assessment
- **FIGA's potential for levying emergency assessments is unknown at this time and would be dependent on future insolvencies of property market insurers as a result of Hurricane Ian**

Source: Florida Office of Insurance Regulation and Florida Insurance Guaranty Association. Total claims data based on information filed by insurers and has not been audited or independently verified.


GREAT SEAL OF THE STATE OF FLORIDA
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