



# **Citizens Property Insurance Corporation**

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

**December 31, 2025 and 2024**



**forv/s  
mazars**

**Citizens Property Insurance Corporation**  
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**December 31, 2025 and 2024**

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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, 2025 and 2024 and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Citizens as of December 31, 2025 and 2024, 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, as prescribed by the Governmental Accounting Standards Board.

### ***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 *Auditor's 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.

### ***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 within one year after the date that these financial statements are available to be issued.

### ***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 auditor's 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 9 and the Supplemental Revenues, Expenses and Claim Development Information on pages 36 to 37 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2026 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 Mazars, LLP**

**Tampa, Florida  
May 22, 2026**

## **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.

### **Financial Highlights**

- The assets of Citizens exceeded its liabilities at the close of the most recent year by \$4,841,827.
- Citizens' total net position increased by \$1,214,818 resulting from an inactive Atlantic Hurricane season.
- The operating gain of \$641,650 represents an increase of \$1,863,582 for 2025 as compared to the operating loss reported for 2024.
- Operating expenses decreased by \$3,329,275 during 2025, principally driven by decreases in loss and LAE expenses due to an inactive 2025 Atlantic Hurricane season.
- Nonoperating income of \$573,036 in 2025 was \$150,170 more than nonoperating income of \$422,866 in 2024. Nonoperating income was principally driven by \$232,370 of unrealized holding gains on investments and by \$335,848 of investment 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.

**Citizens Property Insurance Corporation  
Management's Discussion & Analysis  
December 31, 2025 and 2024**

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The *notes to 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.

## **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 \$8,754,405 at December 31, 2025, marking a decrease of \$993,931 from December 31, 2024.

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***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, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Direct loss and loss adjustment expense reserves, beginning of year	<b>\$ 4,560,018</b>	\$ 3,369,038
Less reinsurance recoverables on reserves	<b>(618,729)</b>	(1,022,003)
Net loss and loss adjustment expense reserves, beginning of year	<b>3,941,289</b>	2,347,035
Incurred related to:		
Current accident year	<b>720,982</b>	3,841,368
Prior accident years	<b>(88,683)</b>	(110,293)
Total incurred	<b>632,299</b>	3,731,075
Paid related to:		
Current accident year	<b>(281,270)</b>	(1,294,131)
Prior accident years	<b>(1,384,320)</b>	(842,690)
Total paid	<b>(1,665,590)</b>	(2,136,821)
Change in retroactive reinsurance reserves ceded	-	-
Net loss and loss adjustment expense reserves, end of year	<b>2,907,998</b>	3,941,289
Add reinsurance recoverables on reserves	<b>407,014</b>	618,729
Direct loss and loss adjustment expenses reserves, end of year	<b>\$ 3,315,012</b>	\$ 4,560,018

Reserves for unpaid losses, net of amounts ceded under reinsurance contracts, decreased \$833,359 and reserves for unpaid LAE reserves, net of amounts ceded under reinsurance contracts, decreased \$199,932. Net unpaid losses and LAE reserves related to catastrophes decreased \$852,601 largely as a result of the settlement of prior year hurricane losses. Net unpaid losses and LAE reserves not related to hurricanes decreased \$180,690 primarily as a result of a decrease 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. 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 Florida Hurricane Catastrophe Fund (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.

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At December 31, 2024, 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 year ended December 31, 2024, interest expense incurred was \$1,222. There was no interest expense incurred for the year ended December 31, 2025.

**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 Florida Office of Insurance Regulation. At December 31, 2025 and 2024, 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:

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>% Change 2024 - 2023</u>	<u>% Change 2023 - 2022</u>
Operating revenue:					
Premiums earned	\$ 1,714,788	\$ 3,180,481	\$ 2,881,408	-46.1%	51.8%
Operating expenses:					
Losses and loss adjustment expenses incurred	632,299	3,731,075	1,715,207	-83.1%	-55.8%
Other underwriting expenses	440,839	671,338	699,439	-34.3%	50.0%
Total expenses	1,073,138	4,402,413	2,414,646	-75.6%	-44.4%
Operating gain (loss)	641,650	(1,221,932)	466,762	-152.5%	-119.1%
Non-operating income (expense)	573,036	422,866	525,908	35.5%	-164.3%
Change in net position	\$ 1,214,686	\$ (799,066)	\$ 992,670	-252.0%	-130.4%
Policies in-force (as of year-end)	395,337	936,182	1,228,718	-57.8%	7.2%
Policies serviced (as of year-end)	842,926	1,305,666	1,489,901	-35.4%	29.0%
Underwriting ratios:					
Net loss and LAE ratio (calendar year)	36.9%	117.3%	59.5%	-68.5%	-144.9%
Expense ratio (calculated on net premiums earned)	25.7%	21.1%	24.3%	21.8%	-0.3%
Combined ratio	62.6%	138.4%	83.8%	-54.8%	-145.2%

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Management's Discussion & Analysis  
December 31, 2025 and 2024**

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***Operating gain***

For 2025, the operating gain of \$641,650 represents an increase of \$1,863,582 as compared to the operating loss reported for 2024. A mild 2025 Atlantic Hurricane season contributed significantly to the operating gain. The non-catastrophe results in 2025 continue to improve from prior years due to a decrease in the number of litigated claims, largely attributable to the implementation of Florida Senate Bill 2A ("SB-2A"). SB-2A was enacted in December 2022 and introduced significant property insurance reforms, including limitations on attorney fee recoveries and assignment-of-benefits practices that historically drove elevated litigation frequency and severity.

***Direct Written Premium***

During 2025, direct written premium decreased \$2,010,058 (44%) as compared to the year prior. The overall renewal rate in 2025 was approximately 82%, marking a 1% decrease from the same period a year prior. The number of first-time policies written decreased to 177,000 in comparison to 367,000 during the same period a year prior.

Premiums ceded through the depopulation program in 2025 were \$1,213,259, marking an increase of \$189,694 in comparison to 2024 where \$1,023,565 of premiums were ceded through depopulation.

The next annual rate filings are expected to take effect in July 2026.

***Losses and LAE incurred***

The following table provides the ultimate loss and LAE, and any anticipated reinsurance recoveries, attributable to significant hurricanes and tropical storms as of December 31, 2025 and 2024.

	2025		2024	
	Ultimate Loss and LAE	Ceded Loss and LAE	Ultimate Loss and LAE	Ceded Loss and LAE
Hurricane Milton - 2024	\$ 2,051,628	\$ -	\$ 2,073,125	\$ -
Hurricane Helene - 2024	306,467	-	313,489	-
Hurricane Debby - 2024	72,495	-	76,516	-
Hurricane Idalia - 2023	97,285	-	97,170	-
Hurricane Ian - 2022	3,347,264	850,823	3,421,001	925,613
Hurricane Nicole - 2022	106,544	4,640	106,544	4,640
Tropical Storm Eta - 2020	347,648	-	347,513	-
Hurricane Sally - 2020	70,860	-	70,924	-
Hurricane Irma - 2017	2,562,505	1,118,802	2,561,470	1,117,732

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.

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***Net investment income and interest expense***

Net investment income consists of interest earned on Citizens' invested assets, and net realized and unrealized gains on sales of invested assets. Total investment gains for 2025 were \$568,218 or \$151,738 more than 2024. Net realized losses and unrealized gains during 2025 were \$2,821 and \$232,370, respectively, marking an increase in unrealized gains of \$180,992 compared to 2024. Average invested assets decreased \$825,470 (8%) 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 decreased by \$1,222 from the year prior due to the absence of any interest expense incurred on Citizens revolving line of credit, which expired in 2024.

***Subsequent Events***

Subsequent events have been considered through May 22, 2026, the date of issuance of these statutory financial statements. The following events occurred subsequent to the end of the year that merit recognition or disclosure in these statements.

On May 13, 2026, Citizens exercised its option to call the outstanding Everglades II Series 2024-1 catastrophe bonds at par value subject to a call premium of 0.50% of the outstanding par value. The total par value of the redemption totaled \$1,100,000 and optional call premiums paid by Citizens related to this redemption were \$5,500.

**Citizens Property Insurance Corporation**  
**Statements of Net Position**  
**December 31, 2025 and 2024**  
**(Dollars in thousands)**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,278,180	\$ 1,641,043
Short-term investments	1,027,734	1,235,227
Investment income due and accrued	52,560	61,350
Reinsurance recoverable on paid losses and LAE	56,824	49,730
Premiums receivable, net	140,591	260,396
Premiums receivable from assuming companies, net	10,654	12,634
Other current assets	63,528	33,002
Total current assets	<u>2,630,071</u>	<u>3,293,385</u>
Noncurrent assets		
Long-term investments	6,448,491	6,872,066
Lease Asset (GASB 87)	6,636	41,255
Lease Asset (GASB 96)	103,491	113,399
Capital assets	893	901
Total noncurrent assets	<u>6,559,511</u>	<u>7,027,621</u>
Total assets	<u>\$ 9,189,582</u>	<u>\$ 10,321,006</u>
<b>LIABILITIES</b>		
Current liabilities		
Loss reserves, net	\$ 1,887,258	\$ 2,270,617
Loss adjustment expense reserves, net	1,020,740	1,220,672
Unearned premiums, net	582,501	1,664,526
Reinsurance premiums payable	297,700	302,514
Advance premiums and suspended cash	49,348	57,159
Return premiums payable	6,709	20,088
Interest payable	3,461	3,265
Current portion of lease liability (GASB 87)	2,799	3,619
Current portion of lease liability (GASB 96)	13,954	16,447
Outstanding checks in excess of deposits	118,766	280,034
Other current liabilities	131,604	128,096
Total current liabilities	<u>4,114,840</u>	<u>6,417,037</u>
Noncurrent liabilities		
Lease Liability (GASB 87)	5,756	41,078
Lease Liability (GASB 96)	86,369	95,092
Reserve for future assessments	140,790	140,790
Total noncurrent liabilities	<u>232,915</u>	<u>276,960</u>
Total liabilities	<u>\$ 4,347,755</u>	<u>\$ 6,693,997</u>
Net position		
Invested in capital assets	\$ 893	\$ 901
Unrestricted	4,840,934	3,626,108
Total net position	<u>\$ 4,841,827</u>	<u>\$ 3,627,009</u>

See accompanying notes.

**Citizens Property Insurance Corporation**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended December 31, 2025 and 2024**  
**(Dollars in thousands)**

	<u>2025</u>	<u>2024</u>
Operating revenue		
Net premiums earned	\$ 1,714,788	\$ 3,180,481
Operating expenses		
Net losses incurred	328,755	2,859,228
Net loss adjustment expenses incurred	303,544	871,847
Service company fees	7,399	12,547
Agent commissions	199,740	367,680
Taxes and fees	(6,311)	51,534
Other underwriting expenses	240,011	239,577
Total operating expenses	<u>1,073,138</u>	<u>4,402,413</u>
Operating gain (loss)	<u>641,650</u>	<u>(1,221,932)</u>
Nonoperating revenues (expenses)		
Net investment income	568,218	416,480
Net interest expense	-	(1,222)
Other income	4,818	7,608
Total nonoperating income	<u>573,036</u>	<u>422,866</u>
Change in net position	1,214,686	(799,066)
Net position, beginning of year	3,627,009	4,425,964
Other changes in net position	132	111
Net position, end of year	<u>\$ 4,841,827</u>	<u>\$ 3,627,009</u>

**Citizens Property Insurance Corporation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**  
**(Dollars in thousands)**

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Premiums collected, net of reinsurance	\$ 735,758	\$ 2,628,615
Net losses and loss adjustment expenses paid	(1,828,807)	(2,023,970)
Payments to employees for services	(141,437)	(144,417)
Payments for underwriting expenses	(343,299)	(558,317)
Net cash used in operating activities	<u>(1,577,785)</u>	<u>(98,089)</u>
Cash flows from noncapital financing activities		
Interest paid	-	(1,861)
Other non-operating receipts	381	3,737
Net cash provided by noncapital financing activities	<u>381</u>	<u>1,876</u>
Cash flows from capital and related financing activities		
Capital assets (acquired) sold, net	(2,973)	5,426
Net cash (used in) provided by capital and related financing activities	<u>(2,973)</u>	<u>5,426</u>
Cash flows from investing activities		
Proceeds from investments sold, matured or repaid	4,953,990	(4,412,481)
Investment acquisition	(4,034,793)	4,705,170
Interest income received	298,318	289,035
Net cash provided by investing activities	<u>1,217,515</u>	<u>581,724</u>
Net change in cash and cash equivalents	(362,862)	490,937
Cash and cash equivalents, beginning of year	<u>1,641,043</u>	<u>1,150,106</u>
Cash and cash equivalents, end of year	<u>\$ 1,278,180</u>	<u>\$ 1,641,043</u>

**Citizens Property Insurance Corporation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**  
**(Dollars in thousands)**

**(Continued)**

	<u>2025</u>	<u>2024</u>
Reconciliation of operating gain (loss) to net cash (used in) operating activities		
Operating gain (loss)	\$ 641,650	\$ (1,221,932)
Adjustments to reconcile net cash used in operating activities		
Depreciation expense	456	280
(Increase) decrease in operating assets		
Reinsurance recoverable on paid losses and LAE	(7,094)	15,992
Premiums receivable	119,805	43,838
Premiums receivable from assuming companies	1,980	(8,481)
Other current assets	(30,526)	(21,066)
Increase (decrease) in operating liabilities		
Loss and loss adjustment expense reserves	(1,033,291)	1,594,254
Unearned premiums, net	(1,082,025)	(466,460)
Reinsurance premiums payable	(4,814)	(123,960)
Advance premiums and suspended cash	(7,811)	(11,436)
Outstanding checks in excess of deposits	(161,268)	89,747
Other current liabilities	(14,847)	11,135
	<u>                    </u>	<u>                    </u>
Net cash used in operating activities	<u>\$ (1,577,785)</u>	<u>\$ (98,089)</u>

**Citizens Property Insurance Corporation**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**  
**(Dollars in thousands)**

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**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.

In January 2024, pursuant to Florida Senate Bill 2-1 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.

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.

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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, 2025.

## **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, 2025 and 2024, 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.
- Unrestricted - This component of net position consists of assets that do not meet the definition of "Restricted" or "Invested in capital assets."

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***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.

***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.

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***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 \$14,250 and \$13,357 at December 31, 2025, and \$45,989 and \$45,088 at December 31, 2024, respectively. Depreciation and amortization expense was \$456 and \$280 for the years ended December 31, 2025 and 2024, 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 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. At December 31, 2025 and 2024, management determined that no premium deficiency reserve was required.

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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 \$886 and \$1,639 at December 31, 2025 and 2024, 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 other liabilities 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 company 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 2025 and 2024.

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***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, 2025, 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.

***Adoption of New Accounting Standards***

***Compensated Absences***

On January 1, 2024, Citizens adopted the provisions of GASB Statement No. 101 – *Compensated Absences*. This statement provides updated guidance to the recognition and measurement of liabilities for compensated absences for various forms of leave accumulated by employees. The adoption of this statement did not have any material impact on Citizens' financial statements.

***Certain Risk Disclosures***

On January 1, 2025 Citizens adopted the provisions of GASB Statement No. 102 – *Certain Risk Disclosures*. This statement enhances existing disclosure requirements by requiring entities to provide additional information about concentrations or constraints that could make them vulnerable to the risk of a substantial impact, including exposures related to geographic concentration of insured risks, reliance on reinsurance, and investment concentrations. The adoption of this statement did not have any material impact on Citizens' financial statements; however, it may result in expanded risk-related disclosures within the notes to the financial statements.

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**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, 2025 and 2024, 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 that are financial instruments at December 31, 2025 and 2024, 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.

	<b>2025</b>			
	<b>Estimated Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets:				
Long-term investments	\$ 6,448,491	\$ 1,031,086	\$ 5,417,405	\$ -
Short-term investments	1,027,734	934,657	93,077	-
Cash and cash equivalents	1,278,180	614,595	663,585	-
Investment income due and accrued	52,560	-	52,560	-
	<u>52,560</u>	<u>-</u>	<u>52,560</u>	<u>-</u>
Total financial assets	<u>\$ 8,806,965</u>	<u>\$ 2,580,338</u>	<u>\$ 6,226,627</u>	<u>\$ -</u>

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	<b>2024</b>			
	<b>Estimated Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets:				
Long-term investments	\$ 6,872,066	\$ 1,357,773	\$ 5,514,293	\$ -
Short-term investments	1,235,227	1,082,285	152,942	-
Cash and cash equivalents	1,641,043	602,157	1,038,886	-
Investment income due and accrued	61,350	-	61,350	-
Total financial assets	<u>\$ 9,809,686</u>	<u>\$ 3,042,215</u>	<u>\$ 6,767,471</u>	<u>\$ -</u>

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***

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

**Note 4. Investments**

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

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- 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 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. For the years ended December 31, 2025 and 2024, Citizens did not recognize any other-than-temporary impairments.

*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, 2025 and 2024, respectively. All investments were held by Citizens or its agent in Citizens' name.

*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, 2025 and 2024, respectively. All investments are settled in U.S. dollars.

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*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, 2025.

<u>Rating</u>	<u>Estimated Fair Value</u>
A1	\$ 729,636
A2	687,346
A3	1,036,858
Aa1	890,447
Aa2	290,528
Aa3	303,590
Aaa	546,318
Baa1	955,243
Baa2	1,126,982
Baa3	175,541
Ba1	2,003
Ba2	5,013
Not rated	699,679
WR	27,041
<b>Total</b>	<b><u><u>\$ 7,476,225</u></u></b>

The following tables provide a summary of investments estimated fair value, amortized cost, and net unrealized gain (loss) by type as of December 31, 2025 and 2024.

	<u>2025</u>			
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
U.S. Treasury securities	\$ 2,110,278	\$ 2,279	\$ (53,646)	\$ 2,058,911
Municipal bonds	316,734	19	(22,490)	294,263
Corporate debt securities	4,579,366	3,908	(248,456)	4,334,818
Assets-back securities	801,776	2,883	(16,426)	788,233
Total admitted bonds	<b><u><u>\$ 7,808,154</u></u></b>	<b><u><u>\$ 9,089</u></u></b>	<b><u><u>\$ (341,018)</u></u></b>	<b><u><u>\$ 7,476,225</u></u></b>

	<u>2024</u>			
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
U.S. Treasury securities	\$ 2,457,412	\$ 3,125	\$ (83,515)	\$ 2,377,022
Municipal bonds	588,392	23	(45,133)	543,282
Corporate debt securities	5,306,182	3,599	(415,733)	4,894,048
Assets-back securities	319,888	293	(27,240)	292,941
Total admitted bonds	<b><u><u>\$ 8,671,874</u></u></b>	<b><u><u>\$ 7,040</u></u></b>	<b><u><u>\$ (571,621)</u></u></b>	<b><u><u>\$ 8,107,293</u></u></b>

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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, 2025 and 2024.

	2025					
	Less than 12 months		More than 12 months		Total	
	Gross		Gross		Gross	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
U.S. Treasury securities	\$ 5,021	\$ (1)	\$ 783,083	\$ (53,645)	\$ 788,104	\$ (53,646)
Municipal bonds	10,605	(125)	287,075	(22,365)	297,680	(22,490)
Corporate debt securities	63,960	(1,432)	3,496,830	(247,024)	3,560,790	(248,456)
Asset-backed securities	36,352	(36)	218,838	(16,390)	255,190	(16,426)
Total admitted bonds	<u>\$ 115,938</u>	<u>\$ (1,594)</u>	<u>\$ 4,785,826</u>	<u>\$ (339,424)</u>	<u>\$ 4,901,764</u>	<u>\$ (341,018)</u>

	2024					
	Less than 12 months		More than 12 months		Total	
	Gross		Gross		Gross	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
U.S. Treasury securities	\$1,482,061	\$ (800)	\$ 894,963	\$ (82,715)	\$ 2,377,024	\$ (83,515)
Municipal bonds	16,849	(163)	526,432	(44,970)	543,281	(45,133)
Corporate debt securities	736,427	(1,482)	4,157,620	(414,251)	4,894,047	(415,733)
Asset-backed securities	69,407	(299)	223,534	(26,941)	292,941	(27,240)
Total admitted bonds	<u>\$2,304,744</u>	<u>\$ (2,744)</u>	<u>\$ 5,802,549</u>	<u>\$ (568,877)</u>	<u>\$ 8,107,293</u>	<u>\$ (571,621)</u>

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, 2025 and 2024.

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The estimated fair value and amortized cost of securities at December 31, 2025 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.

	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>
Maturity:		
In 2026	\$ 2,005,645	\$ 2,009,715
2027-2030	3,086,149	3,179,411
2031-2035	1,282,212	1,408,992
After 2035	313,986	408,260
Mortgage-backed securities	788,233	801,776
	<u>\$ 7,476,225</u>	<u>\$ 7,808,154</u>

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

	<u>2025</u>	<u>2024</u>
Gross interest income:		
Bonds	\$ 207,695	\$ 215,526
Cash, cash equivalents, and short-term investments	<u>134,789</u>	<u>157,062</u>
Total gross interest income	<u>342,484</u>	<u>372,588</u>
Net realized gains (losses):		
Net realized capital gains (losses) on sales		
Bonds	(2,909)	(5,905)
Cash, cash equivalents, and short-term investments	<u>88</u>	<u>2,248</u>
Total net realized capital losses on sales	<u>(2,821)</u>	<u>(3,657)</u>
Loss on defeasance of debt	<u>-</u>	<u>-</u>
Net realized losses	<u>(2,821)</u>	<u>(3,657)</u>
Net increase in the fair value of investments	<u>232,370</u>	<u>51,378</u>
Investment expenses	<u>(3,815)</u>	<u>(3,829)</u>
Net investment income	<u>\$ 568,218</u>	<u>\$ 416,480</u>

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**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, 2025 and 2024, were as follows:

	<u>2025</u>	<u>2024</u>
Direct loss and loss adjustment expense reserves, beginning of year	<b>\$4,560,018</b>	\$3,369,038
Less reinsurance recoverables on reserves	<u>(618,729)</u>	<u>(1,022,003)</u>
Net loss and loss adjustment expense reserves, beginning of year	<u>3,941,289</u>	2,347,035
Incurred related to:		
Current accident year	<b>720,982</b>	3,841,368
Prior accident years	<u>(88,683)</u>	<u>(110,293)</u>
Total incurred	<u>632,299</u>	3,731,075
Paid related to:		
Current accident year	<b>(281,270)</b>	(1,294,131)
Prior accident years	<u>(1,384,320)</u>	<u>(842,690)</u>
Total paid	<u>(1,665,590)</u>	(2,136,821)
Net loss and loss adjustment expense reserves, end of year	<b>2,907,998</b>	3,941,289
Add reinsurance recoverables on reserves	<u>407,014</u>	618,729
Direct loss and loss adjustment expenses reserves, end of year	<u><b>\$3,315,012</b></u>	<u>\$4,560,018</u>

As a result of changes in estimates of insured events in prior years, the provision for net loss and LAE reserves decreased by approximately \$88,683 and \$110,293 in 2025 and 2024, respectively. The overall decrease in the provision for loss and LAE reserves was driven by lower than expected reported claim counts for the 2024 storms and a decrease in the projected ultimate severity for Hurricane Ian.

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. 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 2025 and 2024, net recoveries with respect to reinsurance recoverable on paid losses and LAE was \$66,626 and \$223,028, respectively.

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For the years ended December 31, 2025 and 2024, ultimate losses and LAE attributable to significant hurricanes and tropical storms were as follows:

	2025		2024	
	Ultimate Loss and LAE	Ceded Loss and LAE	Ultimate Loss and LAE	Ceded Loss and LAE
Hurricane Milton - 2024	\$ 1,649,904	\$ -	\$ 2,073,125	\$ -
Hurricane Helene - 2024	229,723	-	313,489	-
Hurricane Debby - 2024	51,848	-	76,516	-
Hurricane Idalia - 2023	63,562	-	97,170	-
Hurricane Ian - 2022	2,889,110	850,823	3,421,001	925,613
Hurricane Nicole - 2022	78,755	4,640	106,544	4,640
Tropical Storm Eta - 2020	187,086	-	347,513	-
Hurricane Sally - 2020	59,610	-	70,924	-
Hurricane Michael - 2018	145,197	-	145,158	-
Hurricane Irma - 2017	1,940,649	1,118,802	2,561,470	1,117,732

**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. Prior to the combining of accounts (see Note 1), reinsurance coverage was purchased separately for the Coastal Account and combined for the PLA and CLA. As required by statute, Citizens participates in the FHCF. Reinsurance coverage purchased through the FHCF was \$3,281,644 for 2025 and \$4,821,414 for 2024. 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 through traditional and capital markets totaled \$4,494,003 for 2025 and \$3,563,739 for 2024. At December 31, 2025, Citizens was party to eight outstanding insurance-linked securities (ILS) contracts as a ceding insurer that provide aggregate maximum proceeds of \$3,125,000 for directly-written insurance risks by Citizens at an attachment level of \$6,489,000.

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

	2025		2024	
	Written	Earned	Written	Earned
Direct premiums	\$ 2,587,837	\$ 3,567,529	\$ 4,597,895	\$ 4,953,198
FHCF ceded premiums	(248,248)	(248,248)	(406,543)	(406,543)
Private ceded premiums	(493,567)	(493,567)	(453,766)	(453,766)
Depopulation ceded premiums	(1,213,259)	(1,110,926)	(1,023,565)	(912,408)
Net premiums	<u>\$ 632,763</u>	<u>\$ 1,714,788</u>	<u>\$ 2,714,021</u>	<u>\$ 3,180,481</u>

Ceded premiums include premiums ceded to companies that assume policies pursuant to a depopulation program (see Note 10). Ceded losses and LAE incurred were \$73,721 and \$207,036 during 2025 and 2024, respectively.

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Unearned premiums on the accompanying statements of net position are net of ceded unearned premiums on depopulation contracts of \$650,086 and \$547,753 at December 31, 2025 and 2024, respectively. There were no ceded unearned premiums with respect to the FHCF or traditional and capital markets reinsurance agreements at December 31, 2025 and 2024.

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, 2025, Citizens reported a net recoverable due from FHCF in the amount of \$387,680, or approximately 7.5% of accumulated surplus. As of December 31, 2024, Citizens reported a net recoverable due from FHCF in the amount of \$590,796, or approximately 14.1% of accumulated surplus. FHCF net recoverable amounts at December 31, 2025 and 2024 are comprised of ceded loss and LAE reserves for claims arising from Hurricane Ian.

## **Note 7. Financing**

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 \$1,222 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 for the year ending December 31, 2024. At December 31, 2025, there were no draws against the revolving line of credit. The contractual expiry date of the revolving line of credit is June 26, 2024.

There were no bonds payable outstanding at December 31, 2025 and 2024.

## **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 \$9,386 and \$9,372 for the years ended December 31, 2025 and 2024, 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 \$199,740 and \$367,680 during 2025 and 2024 respectively.

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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. The amount per transaction ranges from \$7.88 to \$74.33 (dollars), depending on the complexity and volume of each transaction. Service company fees incurred were \$7,399 and \$12,547, during 2025 and 2024, 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 2025 and 2024, Citizens recognized ceded written premiums of \$1,213,259 and \$1,023,565, 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, 2025 and 2024, assumed premiums recoverable in the amount of \$10,654 and \$12,634, 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 \$110,273 and \$113,158 at December 31, 2025 and 2024, respectively, are included in reinsurance premiums payable on the accompanying statements of net position.

## **Note 11. Leases**

Citizens has in place multiple leases for offices facilities with terms and optional renewals expiring through August of 2038. 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, 2025 and 2024 were \$2,659 and \$4,199, respectively. Citizens' implicit borrowing rate used for discounting the future minimum lease payments ranged from 2.38% to 4.03% as the initial measurement date of each contract.

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The following tables provide a summary of the changes in GASB 87 lease assets as of December 31, 2025 and 2024:

	<u>January 1, 2025</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2025</u>
Assets:				
Right of use - facilities	\$ 58,052	\$ 5,540	\$ (37,500)	\$ 26,092
Less: accumulated amortization	<u>(16,797)</u>	<u>(2,659)</u>	<u>-</u>	<u>(19,456)</u>
Total lease assets, net	<u>\$ 41,255</u>	<u>\$ 2,881</u>	<u>\$ (37,500)</u>	<u>\$ 6,636</u>

	<u>January 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2024</u>
Assets:				
Right of use - facilities	\$ 58,052	\$ -	\$ -	\$ 58,052
Less: accumulated amortization	<u>(12,598)</u>	<u>(4,199)</u>	<u>-</u>	<u>(16,797)</u>
Total lease assets, net	<u>\$ 45,454</u>	<u>\$ (4,199)</u>	<u>\$ -</u>	<u>\$ 41,255</u>

The following tables provide a summary of the changes in GASB 87 lease liabilities as of December 31, 2025 and 2024, respectively

	<u>January 1, 2025</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2025</u>
Liabilities:				
Lease liability - GASB 87	<u>\$ 44,697</u>	<u>\$ 5,510</u>	<u>\$ (41,652)</u>	<u>\$ 8,555</u>

	<u>January 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2024</u>
Liabilities:				
Lease liability - GASB 87	<u>\$ 48,201</u>	<u>\$ -</u>	<u>\$ (3,504)</u>	<u>\$ 44,697</u>

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Future debt service requirements on lease payables as of December 31, 2025, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 2,799	\$ 246	\$ 3,045
2027	855	207	1,062
2028	301	191	492
2029	329	178	507
2030	358	164	522
5 Years ending 2035	2,287	569	2,856
5 Years ending 2040	<u>1,626</u>	<u>88</u>	<u>1,714</u>
Total	<u>\$ 8,555</u>	<u>\$ 1,643</u>	<u>\$ 10,198</u>

**Note 12. Subscription-Based Information Technology Arrangements**

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 2042. 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, 2025 and 2024 were \$19,329 and \$20,547, respectively. Citizens' implicit borrowing rate used for discounting the future minimum lease payments upon initial measurement of the contract ranged from 2.84% to 4.42% based upon contract duration plus a spread factor derived from Citizens' long-term credit ratings.

The following tables provide a summary of the changes in GASB 96 lease assets as of December 31, 2025 and 2024:

	<u>January 1, 2025</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2025</u>
Assets:				
Right of use - SBITAs	\$ 143,244	\$ 7,703	\$ (4,123)	\$ 146,824
Less: accumulated amortization	<u>(29,845)</u>	<u>(17,611)</u>	<u>4,123</u>	<u>(43,333)</u>
Total lease assets, net	<u>\$ 113,399</u>	<u>\$ (9,908)</u>	<u>\$ -</u>	<u>\$ 103,491</u>

	<u>January 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2024</u>
Assets:				
Right of use - SBITAs	\$ 50,418	\$ 97,902	\$ (5,076)	\$ 143,244
Less: accumulated amortization	<u>(17,021)</u>	<u>(16,477)</u>	<u>3,653</u>	<u>(29,845)</u>
Total lease assets, net	<u>\$ 33,397</u>	<u>\$ 81,425</u>	<u>\$ (1,423)</u>	<u>\$ 113,399</u>

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The following tables provide a summary of the changes in GASB 96 lease liabilities as of December 31, 2025 and 2024:

	<u>January 1, 2025</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2025</u>
Liabilities:				
Lease liability - GASB 96	<u>\$ 111,539</u>	<u>\$ 6,930</u>	<u>\$(18,146)</u>	<u>\$ 100,323</u>

	<u>January 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2024</u>
Liabilities:				
Lease liability - GASB 96	<u>\$ 29,148</u>	<u>\$ 90,119</u>	<u>\$(7,728)</u>	<u>\$ 111,539</u>

Future debt service requirements on SBITA lease payables as of December 31, 2025, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 13,954	\$ 3,258	\$ 17,212
2027	14,327	2,747	17,074
2028	12,989	2,285	15,274
2029	11,600	1,868	13,468
2030	10,092	1,512	11,604
5 Years ending 2035	29,021	3,345	32,366
5 Years ending 2040	5,535	1,401	6,936
5 Years ending 2045	2,805	177	2,982
Total	<u>\$ 100,323</u>	<u>\$ 16,593</u>	<u>\$ 116,916</u>

**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.

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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 FIGA. In March of 2023, the authorized insurer was placed into liquidation by the Florida Department of Financial Services. At December 31, 2025, 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 2026, 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, 2025 and 2024, 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.

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**Note 14. Reconciliation of U.S. GAAP to Statutory**

A reconciliation of Citizens' U.S. GAAP basis change in net position and net position to statutory net income (loss) and accumulated surplus for the years ended December 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Change in net position - U.S. GAAP basis	\$ 1,214,686	\$ (799,066)
Adjustments:		
Change in allowance for doubtful accounts	(753)	(568)
GASB 87	(905)	1,391
GASB 96	(1,494)	4,869
Change in net unrealized gain (loss) on investments	<u>(232,372)</u>	<u>(51,379)</u>
Net income (loss) - statutory basis	<u>\$ 979,162</u>	<u>\$ (844,753)</u>
Net position - U.S. GAAP basis	\$ 4,841,827	\$ 3,627,009
Adjustments:		
Nonadmitted assets, net of allowance	(10,797)	(10,908)
GASB 87	1,800	2,669
GASB 96	268	1,302
Provision for reinsurance	(5,242)	(1,295)
Net unrealized gain on investments	<u>331,904</u>	<u>564,580</u>
Accumulated surplus - statutory basis	<u>\$ 5,159,760</u>	<u>\$ 4,183,357</u>

**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. The Plan provides for deficits to be determined in accordance with U.S. GAAP, adjusted for certain items.

In the event of a Plan Year Deficit, Citizens must first levy an assessment against the premium of each Citizens policyholder (the Citizens Policyholder Surcharge), 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 deficit in any year is greater than the amount that may be recovered through Citizens' Policyholder Surcharges, 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 .

For purposes of 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.

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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, 2025 and 2024, 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, 2025, there were no amounts payable to FIGA for amounts collected by Citizens but not yet remitted to FIGA.

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, 2025, there were no amounts payable to FIGA for amounts collected by Citizens but not yet remitted to FIGA.

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, 2025, a payable to FIGA for amounts collected by Citizens but not yet remitted to FIGA of \$4,364 is included within other current liabilities on the accompanying statements of net position.

Pursuant to Rule 69OER24-1, insurers must provide discounts to their policyholders for policies that provide residential coverage on a dwelling for a 12-month period with an effective date beginning between October 1, 2024, and September 30, 2025, of 1.75% of the premium and a discount for the amount charged for the State Fire Marshal Regulatory Assessment. These discounts are passthroughs and will be reflected as a tax credit for the total amount of the discounts provided by the Company to its policyholders. For the years ending December 31, 2025 and 2024, discounts totaling \$40,205 and \$15,661 were provided by the Company.

**Note 16. Subsequent Events**

Subsequent events have been considered through May 21, 2026, the date of issuance of these statutory financial statements. The following events occurred subsequent to the end of the year that merit recognition or disclosure in these statements.

On May 13, 2026, Citizens exercised its option to call the outstanding Everglades II Series 2024-1 catastrophe bonds at par value subject to a call premium of 0.50% of the outstanding par value. The total par value of the redemption totaled \$1,100,000 and optional call premiums paid by Citizens related to this redemption were \$5,500.

***Supplementary Information***

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Gross earned premiums and investment revenue	\$ 1,208,796	\$ 1,207,544	\$ 950,637	\$ 1,469,282	\$ 1,595,860	\$ 1,363,371	\$ 1,643,622	\$ 4,751,452	\$ 5,369,678	\$ 4,135,746
Ceded earned premiums	479,845	297,406	261,780	244,719	235,419	461,706	556,520	1,336,719	1,772,717	1,852,741
Net earned premiums and investment revenue	\$ 728,951	\$ 910,138	\$ 688,857	\$ 1,224,563	\$ 1,360,441	\$ 901,665	\$ 1,087,102	\$ 3,414,733	\$ 3,596,962	\$ 2,283,005
Unallocated expenses	\$ 241,460	\$ 226,317	\$ 213,962	\$ 213,173	\$ 239,844	\$ 301,488	\$ 465,995	\$ 699,439	\$ 671,338	\$ 440,840
Gross incurred claims and claims expenses, as originally reported	\$ 426,236	\$ 2,187,489	\$ 533,501	\$ 405,139	\$ 550,877	\$ 663,362	\$ 4,784,472	\$ 1,645,820	\$ 3,841,368	\$ 720,982
Incurred claims and expenses ceded, as originally reported	\$ -	\$ 661,072	\$ -	\$ -	\$ -	\$ -	\$ 1,026,468	\$ -	\$ -	\$ -
Net incurred claims and claims expenses, as originally reported	\$ 426,236	\$ 1,526,417	\$ 533,501	\$ 405,139	\$ 550,877	\$ 663,362	\$ 3,758,004	\$ 1,645,820	\$ 3,841,368	\$ 720,982

See independent auditors' report on the supplementary information.

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

**(Continued)**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Paid (cumulative) as of:										
End of policy year	287,506	1,425,245	401,374	264,684	\$ 231,632	\$ 251,452	\$ 1,803,556	\$ 548,251	\$ 1,294,131	\$ 281,270
One year later	370,297	1,521,913	468,725	307,662	432,731	422,540	2,949,716	899,673	2,170,448	
Two years later	414,047	1,625,528	502,191	307,662	582,740	530,050	3,216,949	1,086,017		
Three years later	433,976	1,695,071	502,191	340,331	737,364	588,288	3,393,875			
Four years later	444,432	1,695,071	524,916	363,670	820,250	620,993				
Five years later	444,432	1,761,520	538,571	374,997	876,762					
Six years later	450,218	1,742,148	544,239	381,503						
Seven years later	453,297	1,801,450	551,456							
Eight years later	456,102	1,832,936								
Nine years later	457,230									
Re-estimated incurred claims and claims expenses ceded										
	\$ -	\$ 1,119,047	\$ -	\$ -	\$ -	\$ -	\$ 855,463	\$ -	\$ -	\$ -
Re-estimated net incurred claims and expense:										
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
End of policy year	\$ 426,236	\$ 1,526,417	\$ 533,501	\$ 405,139	\$ 550,877	\$ 663,362	\$ 3,758,004	\$ 1,645,820	\$ 3,841,368	\$ 720,982
One year later	426,974	1,616,623	547,224	395,702	717,303	661,070	3,668,729	1,488,303	3,761,762	
Two years later	454,204	1,696,123	549,460	383,448	790,881	674,098	3,695,156	1,477,739		
Three years later	458,339	1,756,624	555,235	392,768	933,443	680,018	3,690,179			
Four years later	461,822	1,806,580	558,276	397,504	928,664	674,908				
Five years later	462,023	1,852,895	556,653	397,893	927,512					
Six years later	460,220	1,858,873	558,873	398,423						
Seven years later	459,803	1,871,314	562,786							
Eight years later	460,343	1,870,634								
Nine years later	459,936									
Increase (decrease) in estimated incurred claims and expense from end of policy year										
	\$ 33,700	\$ 344,217	\$ 29,285	\$ (6,716)	\$ 376,635	\$ 11,546	\$ (67,825)	\$ (168,081)	\$ (79,606)	\$ -

See independent auditors' report on the supplementary information.

## **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, 2025, 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 22, 2026.

### ***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 Mazars, LLP***

**Tampa, Florida  
May 22, 2026**