CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE
SPECIAL BOARD OF GOVERNORS MEETING
Wednesday, April 30, 2025

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened via Zoom on Wednesday, April 30, 2025, at 3:00 p.m. (EDT).

The following members of the Board were present:

Carlos Beruff, Chair
Josh Becksmith
Jason Butts
Erin Knight
Jamie Shelton
LeAnna Cumber
Robert Spottswood
Frank White

The following Citizens' staff members were present:

Tim Cerio
Jennifer Montero
Barbara Walker
Bonnie Gilliland
Raina Harrison
Jay Adams
Joe Martins
Jeremy Pope
Mark Kagy

Kapil Bhatia

Call Meeting to Order

Barbara Walker: Good afternoon, and welcome to Citizens' April 30, 2025, Special Board of Governors meeting that is publicly noticed in the Florida Administrative Register to convene at 3:00 pm and is recorded with transcribed minutes available on our website. For those attending today's session through the public link, you're automatically in listen only mode. Chair Beruff, we have no speaker requests for today's meeting. I'll proceed with the official roll call.

Chair Carlos Beruff, Vice Chair Jamie Shelton, Josh Becksmith, Jason Butts, LeAnna Cumber, Erin Knight, Governor Shelton, (Charles Lydecker was unable to attend today), Robert Spottswood, Governor White. Chairman, you have a quorum.

Chairman Carlos Beruff: Thank you, please proceed.

Jennifer Montero: The first agenda item is 2025 Risk Transfer Program. Would you like me to move forward on that?

Chairman Beruff: Please

Jennifer Montero: Prior to 2024, hardening conditions in the risk transfer markets were a result of macro-economic market factors post-COVID, constrained capacity, adverse loss development primarily due to litigation abuse, and the adverse impact on investment income due to historically low interest rates.

2024 marked a turning point in the Florida risk transfer marketplace as evidenced by the effects of the 2022 and 2023 litigation reforms, which took time to make their way through the marketplace and show meaningful and positive changes within the Florida insurance market.

The risk transfer market benefitted in 2024 and continues to benefit in 2025 from an increase in interest rates, which has increased investment income and investor risk-free returns in the catastrophe bond market.

In addition, losses from Hurricanes Helene and Milton in 2024 were manageable for the insurance and reinsurance risk markets – this is due to the breadth and depth of reinsurance capital and improved earnings position for writers in 2024 as well as an increase in capital as mark-to-market losses have improved.

The June 1, 2025, renewal has positive momentum for cedents due to the previously stated factors. Depending on the placement and cedent, overall rate reductions are expected to be in the range of approximately 5% for the layer below the FHCF and north of 10% for layers above the FHCF. Demand for risk transfer below the FHCF attachment point has only grown as the FHCF retention increased by almost $1.3 billion. Pricing conditions below the FHCF attachment point do not affect Citizens as it is not currently cost-efficient for Citizens to purchase risk transfer below the FHCF attachment point.

For the risk transfer layers beginning at the FHCF attachment point, there is ample capacity from reinsurers due to healthy capital levels, and the catastrophe bond market has seen significant capital inflows outpacing the traditional reinsurance market, which will further encourage competitiveness within the traditional market.

Citizens Proposed 2025 Risk Transfer Program

Citizens aims to secure private reinsurance coverage of approximately $4.49 billion. This would be comprised of $1.6 billion of existing private risk transfer remaining from 2023 and 2024, and $2.89 billion of new private risk transfer. Under this scenario, Citizens would expose all of its surplus for a 1-in-100-year event and would have a potential Citizens policyholder surcharge of $42 million for a 1-in-100-year event, which would attach at the 1-in-95-year event.

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The proposed 2025 risk transfer layers are as follows:

The Sliver Layer will sit alongside the FHCF. It provides approximately $394 million, in excess of $2.55 billion, of annual per occurrence coverage which covers personal residential and commercial residential losses. This layer, placed in the traditional market, would work in tandem with the mandatory coverage provided by the FHCF.

Layer 1 will sit above the Sliver Layer and the FHCF. This layer will provide $4.1 billion of coverage for personal residential and commercial residential losses from the capital and traditional reinsurance markets, as follows:

A 2023 capital markets renewal risk transfer placement of $500 million through Lightning Re. This is the third year for these multi-year Notes (originally placed in 2023) which provide aggregate coverage.

A 2024 capital markets renewal risk transfer placement of $1.1 billion through Everglades Re II. This is the second year for these multi-year Notes (originally placed in 2024) which provide aggregate coverage.

As well as approximately $2.5 billion of occurrence and annual aggregate coverage from the traditional and capital markets.

I'll pause, Mr. Chairman, to see if there are any questions before I read the recommendation.

Chair Beruff: Are there any questions from the governors?

Governor Spottswood: I have a question, if I may?

Chair Beruff: Of course.

Governor Spottswood: So, just to make sure I'm understanding the chart, Jennifer. Before the reinsurance coverage that we're proposing to purchase on top of what we had before… before it kicks in and we can make a claim against it, we would go through approximately $2.5B of surplus. A little bit more, maybe closer to $2.75B of our surplus and $3.5B of the FHCF coverage? Is that correct?

Jennifer Montero: The approximately $2.5B surplus is correct. The traditional reinsurance kicks in at the same time as the Cat Fund. The Cat Fund is a 90% placement which is that dark blue and then the 10% is private reinsurance alongside that. So, we recoup that at the same time as it goes up. If you had a $100 claim, 90 of it would be from the Cat Fund and 10 would be from the private reinsurance.

Governor Spottswood: But would that only be the $394M of that coverage that would kick in?

Jennifer Montero: Yes, the $394M goes alongside with the Cat Fund and then the rest of the program that I explained would be above that. You'd have to go through the Cat Fund and the

Sliver Layer and then the others would kick in. Except for the Cat Bond. The Cat bonds are aggregate, so if you had multiple storms in one year, you may attach to the Cat Bond and not the Cat Fund or the Sliver Layer.

Governor Spottswood: So, in our prep call for this meeting, Jennifer and I had a pretty interesting conversation and looked back at prior years, the number of times we've called on the reinsurance. I believe it went back to Irma in 2017. It covered some pretty significant storms, and I don't recall the total amount of claims that were made against the reinsurance that we had purchased over the years, but the cost of the reinsurance significantly exceeded the amount of claims made against it. I'm no suggesting that this is not a good idea… It's something we have to do to avoid the risk and avoid getting to the surcharge, but it is costly. And if you look at the cost over a period of years, I know in private business we look at… on a pretty conservative basis, we look at ways of providing a reserve that we reserve for ourself and just wandering if there are any alternatives to building up this kind of coverage without … we're talking about spending a lot of money. I'm not saying it's not worth it, but it is expensive when you look at it overtime. Anyway, just a thought or comment, Mr. Chairman. That's all for me.

Chair Beruff: No, you're preaching to the choir as far as I'm concerned Governor Spottswood. It is a lot of money, but we also have to listen to the other voices that say we want to make sure that in case of a really bad storm hitting the wrong place in Florida that we have all the liquidity we need to make people whole as fast as possible with legitimate claims of course. So, it's a bit of a… for me… and I've made this clear to Jennifer and the ELT staff is if the pricing of the product that we're buying… if it doesn't make sense, just walk away. So, I wish… if every governor has that same opinion, it sends a very clear signal to the market that we're just not buying unless the price makes sense. And if it doesn't make sense, we'll go without buying like this organization has done in prior years.

Tim Cerio: We heard you loud and clear on that, Mr. Chairman and the board obviously feels likewise. We have walked away when we felt like the prices got to the point… I hate to use the word gouge, but we have used it informally; we have walked away. And as you all know, the statute does say we need to buy up to 1 in 100-year event coverage and use best efforts and we do not think best efforts include unreasonable pricing. We've been mindful of that, and the entire team has. Jennifer's been all over this as has Kapil and our reinsurance brokers. We talked about it before, but I just wanted to reemphasize that we've heard you loud and clear on that point.

Chairman Beruff: To state the obvious, you team has put together a great company that does a great job and mitigates our risk and makes sure that we've got better testing vehicles when we take on new policyholders. So, I think in the last four years it's become a better company that reduces the risk to the reinsurance market, and we should reduce the premiums they charge us by the amount of risk that we produce their liabilities. As long as everybody's on board then they'll have very clear instructions and if the numbers don't make sense, we just walk.

Jennifer Montero: Would you like for me to read the recommendation, Mr. Chair?

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Chairman Beruff: Yes, unless there are anymore questions from any of the board members… nobody is raising their hand, so, yes please read the recommendation.

Jennifer Montero: Staff recommends that the Board of Governors take the following actions: Approve the recommendation to purchase traditional and capital markets risk transfer for the entire 2025 program, not to exceed the amount of $550 million; and authorize staff to take any appropriate or necessary action consistent with this Action Item.

Governor Spottswood: Mr. Chairman, if I could I just want to clarify and I believe it's clear, but that $550M includes the existing insurance that we have so it's a total of $4.5B, correct?

Jennifer Montero: Yes, you're correct; it is the premium that's due on the 2023 and the 2024 program, it's all included in that 550. It's inclusive of the entire private program. It's not the CAT Fund but everything else.

Governor Spottswood: I'll make a motion to approve the aforementioned recommendation, Mr. Chairman.

Chair Beruff: Is there a second?

Governor Knight: Second.

The motion was made by Governor Spottswood and seconded by Governor Knight. All were in favor of the 2025 Risk Transfer Program. Motion Carried.

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