

CITIZENS PROPERTY INSURANCE CORPORATION

**MINUTES OF THE
AUDIT COMMITTEE MEETING
Wednesday, September 24, 2025**

The Audit Committee of Citizens Property Insurance Corporation (“Citizens”) was convened at 8:30 a.m. on Wednesday, September 24, 2025.

The following members of the Audit Committee were present:

Chair Jamie Shelton Governor Robert Spottswood Board Chairman Carlos Beruff

The following Board members were present:

Governor White Governor Knight Governor Becksmith
Governor Butts Governor Lydecker Governor Cumber

The following Citizens Staff were present:

Tim Cerio Jennifer Montero Jeremy Pope
Joe Martins Jay Adams Carl Rockman
Michael Peltier Andrew Woodward Aditya Gavvala
Mark Kagy Michael Wickersheim Brian Newman
Sudheer Kondabrolu Ravi Tadiparthi Barbara Walker
Bonnie Gilliland Eric Addison John Schmitt
Ray Norris

The following were present:

Dave Newell, FAIA
Sasha Stipanovich, Raymond James
Jim Cook, J.P. Morgan
Kapil Bhatia, Raymond James
Adam Schwebach, Gallagher Re
Trevor Hillier, Gallagher Re
Nathaniel Johnson, B of A
Sam Wishard, Forvis Mazars
Jonathan Zacham, FAPIA
Francis M. Altieri, FAPIA

Barbara Walker: Good morning, and welcome to Citizens' September 24, 2025, Audit Committee Meeting, which is publicly noticed in the Florida Administrative Register to convene at 8:30 a.m. This meeting is recorded, with transcribed minutes available on our website.

For those attending today's meeting through the public link, you are automatically in listen-only mode, with presentations appearing in the webinar.

Chair Shelton, we have no guest speakers for today. Panelists, thank you for identifying yourself prior to addressing the committee. May I proceed with roll call?

The roll was called, and the quorum met.

Chair Shelton: Thank you, Barbara. The first order of business is the approval of the prior minutes from the June 25, 2025, Audit Committee. We'll entertain a motion to approve.

Unanimously approved.

Chair Shelton: Mr. Joe Martins, from the office of Internal Audit, you are recognized to give us your brief report this morning.

Joe Martins: Thank you, Mr. Chairman, and good morning, Governors. Today, I'll cover what we have completed this quarter, the audit observations, relevant departmental performance metrics, the work already in motion for next quarter, and, for consideration, the plan we have queued up for the first quarter next year. Next slide, please.

Thank you. This quarter, we closed five engagements: the Claims IA Invoice Processing, Enterprise Risk Management, Printmail, Purchasing Card Advisory, Third Party Risk Management System, and Organization Controls Process review. Each one can affect operational cost, data protection and vendor discipline. Quick highlights include the following for the Claims IA Invoice Processing: Two medium observations were agreed with management to tighten the end-to-end approval and monitoring process. For the Third-Party Management review, there is one medium observation that we are tracking with the Vendor Management Team, and they're working on that diligently. For Printmail, we've added a new invoice monitoring control for preventing billing variances as they design the processes. We evaluated the ERM framework's design and effectiveness for Enterprise Risk Management to confirm that it supports risk-informed decisions and regulatory expectations throughout the organization. Ernst & Young performed the detailed review on behalf of the Internal Audit function for this.

Looking ahead in progress for Q4 this year, we have the Software Asset Management, Escheatment Audit, Backup & Recovery of Critical Applications, Corporate Insurance Coverage, CBIS Segregation of Duties Audit, Agency Compliance, Personal Lines Underwriting, and our Artificial Intelligence Advisory. These engagements touch technical hygiene, financial stewardship, resilience, governance, and responsible use of AI and align with our current risk profile.

For Q1 2026, planned engagements include IT General Controls, Premium Invoicing, Refunds & Suspense Account, Ethics, Customer Experience & Advocacy, BPO Vendors, and Claims Vendor Management. These choices have been made to deepen the assurance of foundational IT, strengthen customer-facing processes, and reinforce third-party performance where scale matters. Next slide, please.

Our plan is rolling and risk-based, focusing on the organization's top risks as they evolve. Internal Audit realigns its focus quarterly to ensure that our work aligns with the organization's changing view of risks. This page references the strategic risks defined by the Executive Leadership Team, with the support of the Enterprise Risk function. The Internal Audit's work touches the focus areas within the risk mitigation efforts. Next slide, please.

For the moment, we focus on three simple metrics for our performance. Plan completion is 100% for the quarter, issue closure is 100% of the agreed timelines, and productivity target is 80%. It is currently at 78% year to date, which is mainly driven by required training and is expected to normalize during the rest of the year. The bottom line is that deliveries are tracked, remediations are timely, and capacities are appropriately focused. Next slide, please.

As mentioned, there are no high-impact findings this period. The Open Observations by Engagement chart shows where items sit for visibility. The point is that there's sufficient traction, and management ensures efficient focus and timely closure.

Thank you, Mr. Chairman. My presentation has concluded. I am happy to answer any questions from the committee.

Chair Shelton: Thank you, Mr. Martins. Committee Members, Governors, are there any questions on the Audit Committee Report from Joe?

I want to point out that when Joe and I meet, at least quarterly, we go through his plan, what is being completed and what is in progress. The most important thing about the Audit Committee process is the cooperation and support from management. There are no confrontations or significant push-back on any issues uncovered, seen by Joe and his team. Good for both sides. Thank you, Joe.

Chair Shelton: Next up is Ms. Montero. Good morning. For a brief financial overview.

Jennifer Montero: Good morning. For your reference, the material I'll be covering is the second quarter 2025 results of operations and financial position, which provides an overview of Citizens' unaudited financial position, including cash flows and invested assets in surplus, as well as the operational results for the quarter ending June 30, 2025. The document that follows it is the commentary, and that is what I will be discussing.

At June 30, 2025, cash and invested assets totaled \$9.85 billion, or approximately \$191 million less than December 31st, 2024. As a result of net cash flows used in operations of approximately the same amount.

Surplus at June 30, was \$4.92 billion, reflecting an increase of approximately \$736 million in comparison to December 31st. The increase in surplus was driven by net income from the first half of 2025 of approximately the same amount.

Direct written premium in the first half of 2025 was \$1.5 billion, or approximately \$1.1 billion less premium in the same period a year prior. The number of new policies written for the first 6 months decreased to 109,000 in comparison to the 214,000 new policies written during the same period last year. In addition, the renewal rate of 84% reflects an increase of 2% compared to the renewal rate last year.

Premiums ceded through depopulation during the first half of 2025 were \$403.6 million, which is an increase of \$96.7 million more than premium ceded during the first half of 2024.

Premiums ceded for private re-insurance and for the coverage in the CAT fund totaled \$791.6 million, which is a decrease of \$188.9 million.

A decrease in reinsured exposures in the CAT fund was partially offset by an increase in the reinsured exposure through private reinsurance, driving the year-over-year reduction in premium ceded.

At June 30, 8 named storms had significant losses and LAE reserving outstanding. From prior years, outstanding liabilities remain for Hurricane Irma for 2017, Tropical Storm Ida for 2020, Hurricanes Ian and Nicole for 2022, Hurricane Idalia for 2023, and Hurricanes Debby, Helene and Milton for 2024. For each of these storms, there have been no changes to the ultimate losses and LAE from December 31, 2024.

Continuing the trend from the past few years, the non-catastrophe loss and LAE ratio continue to show improvement. The primary contributor to the improvement is the lower litigation rate related to the non-cat claims.

Administrative expenses during the first half of 2025 of \$91.7 million were \$2.7 million less than during the same period in 2024, and \$14.9 million less than budget.

Citizens' expense ratio for the period ending June 30 was 18.2% marking a 3.7% increase from the same period a year prior, and a 2.2% increase compared to budget.

Through June 30, total investment income was \$175.9 million or \$3.2 million more than the same period last year, while the average invested assets decreased \$391.9 million.

Included in the 2025 investment income is \$10.1 million related to the defeasance of the 2015 Series A-1 bonds payable that was recorded as investment income in 2025. Excluding the impact of that transaction, net investment income decreased \$5.8 million for the first half of 2025 compared to the first half of 2024. This decrease is largely the result of a reduction in invested assets along with a reduction in market rates in money market funds and other short-term securities.

I'm happy to answer any questions that you may have, but if not, that concludes my report.

Chair Shelton: Very good report. I think one of the things that I picked up on and think is important to note that I picked up on is the decrease in litigation expense due to non-cat items is very significant. And we all know, we've all seen that it is attributable to our process of going through DOAH. We will hear more about it later. It is a great process, it's working, it's the way it should be, and hopefully, the next step in the legal system will put us back on track with that. With that, fellow committee members and other Governors, are there any questions? Go ahead, Mr. Lydecker.

Governor Lydecker: Thank you, thank you for the report, and it's a good news report. It seems like I was sitting here for one or two years, where it was extremely painful to listen to a fund, in this case a company, that was growing by leaps and bounds at the ultimate expense of taxpayers. So, I think the job that has been done by the team at Citizens, and the support of the legislature and the regulating bodies, has been extraordinary. Would you mind giving us a little bit of your own narration on how, notwithstanding the fact that the news is good, but we predicted a lot of the positive trends that you've reported on in terms of depop. We predicted that, and particularly as it relates to tort reform. Do you have any color or narration around expectations, where we are today vs. this time last year and what your expectations were for 2025? Any commentary, we're doing as well as we expected to be doing, we could do even better if we were thinking about the following, or?

Jennifer Montero: Sure. I can tell you that our forecast from July to August changed on depopulation. We increased our depopulation by more than 100,000 for the forecast to the end of the year. Due to the interest, we are finding that companies are taking more policies. We didn't think we would reach the number. Last year was the all-time high; 477,000 policies were depopulated, and we are forecasting over 460,000 for this year. Each time we have a forecast meeting, that number seems to grow. A lot of it has to do with the rule that says if you are given a take out offer that is within 20% of Citizens premium and you're not eligible to stay with Citizens, we can't make you go to that company, but the agent has to work with you to place you somewhere else and you'll be set up for nonrenewal. We're finding a lot of positive depopulation happening because the offers are being made, and they don't have a choice; they can't stay. So

that's been very helpful when we predict the numbers. We're predicting almost 190,000 policies for October, and then another 38k and 15k for the rest of the year. Last year was great, the jumpstart, and this year I thought we would kind of wind down. It's good news that we seem to be doing just as well as we were last year.

Governor Lydecker: Even though this is not your bailiwick when you're reporting on the numbers, the CFO has a global perspective in a sense, and that's why I asked. We can save the same question for Tim or Jeremy. If you have any additional color, this would be a great time for you to make predictions for what you see for 2026.

Jennifer Montero: Hopefully, we will get so small that we will be at our true residual market and can stay there for a while.

Chair Shelton: Any predictions on the weather, just to add on to the other request? There are lots of unknown variables in what we do. Good report. Mr. Chairman, Governor Spottswood, do you have any questions? Go ahead, Governor.

Governor Spottswood: I was planning to save this for the next committee, but since we are talking about it. Is there something going on, in the private sector, on the companies that are taking out policies, that's incenting them or causing them to take them out sooner than you had forecast and are there incentives that we can build in, for instance the question I wanted to ask also, what's the average term remaining on the policies that have been taken out.

Jennifer Montero: The average term is, there is a black-out period, so there is at least 3-9 months, we don't have them taken out if they are going to renew within the next 3-9 months. So it's an average between renewing average of the 3 months to the 12, so it's about a 9-month range.

Governor Spottswood: At least three months and maybe nine months on the policies that have been taken out?

Jennifer Montero: As for the reason, there are a lot of new ones, and the best way to get business when you're brand new is to take a chunk from Citizens, that's in a lot of business plans that they right. How they pick and choose, I think we get a run on the bank because they've stayed back and not done any over the hurricane season due to reinsurance, etc., so I think they race to get the best policies first. I think that's why October is so large or has been the last couple of years. But how they pick and choose depends on their business plan. Some choose to write along the coast, especially with the rates getting better, like in the Miami-Dade area, that is starting to open up. Our market share in Miami-Dade is going down. It used to be that most of our business we wrote was in Miami-Dade, and we're not seeing that. There are other companies that are voluntarily writing there because of the litigation, tort reform, and the rates are coming down.

Governor Spottswood: Certainly, for them, if they pick and choose wisely, as you say, it benefits them to take them out earlier because they have more terms left and more premium to gain. And this is something I'll just pose to think about, is there some incentive we can build in for companies to take out policies earlier in the season rather than later to transfer more risk to them from us?

Jennifer Montero: The issue is reinsurance. They all have a budget of what they can spend and how much exposure they want to have at that point in time. And we had some depot activity in August, which was rare. The companies that participated obviously had a surplus of reinsurance, and they could afford to increase their exposure. But a lot of companies have locked in their private reinsurance. The way that the CAT fund works, whoever has that policy on June 30th gets the CAT fund exposure. So, if they do a depop in July, August or September, and there's a storm,

Citizens still gets the reinsurance from the CAT fund on those policies because we owned it on June 30th. So they lose that incentive to have that coverage. And they also have to have enough private coverage, or the office is not going to let them take out after June 30th.

Governor Lydecker: I think part of the incentive that you are talking about is, and I don't know if this works, because with the point you just made about the timing of the reinsurance marketplace, but would there be an incentive provided Citizens to figure all of that out earlier in the year to, like an extra fee or dollar amount that a take out company would receive on a per-policy basis. A specific incentive within control of what we can do vs market forces.

Jennifer Montero: And we've done that in the past under bonus programs and things like that, where they have to take out the policies, keep them for three years or a set number of years, and they have to have me-too filings and not increase our rates, and at the end of 3 years, we would give a bonus to them. Some of that is by statute that allows us to do that, but it's pretty narrow. That program does not help them on the front-end; it helps at the back-end, like an award for keeping the policy. The incentive on taking it is something that we could definitely get together and brainstorm that, and what would be reasonable to do. Right now, I don't think there is anything we can do. We are still so popular that they are going to take it anyway, right now. That would be something to look at as we slow down with depopulation.

Governor Spottswood: Just a thought or example, for instance, if you took it earlier in the season, you get the full premium going forward, but if you take it later in the season, you get a lesser amount of the premiums going forward. Create some kind of financial incentive that's obvious to encourage the private market to take them out sooner rather than later.

Jennifer Montero: Currently, part of the issue is that when we give them the unearned premium, it is an unearned premium for them, as well; it's not revenue. It's liability, and they have to earn it out before they can use it to buy reinsurance. So they have to get the policies, that's why they like to do it in October, and they can earn that out, up through June, to buy reinsurance. That's another part of it, is the money we give them is all considered unearned.

Chair Shelton: Good question and answer. Any other questions from any other Committee Members or Governors?

Jennifer Montero: Thank you.

Chair Shelton: Next, we have Brian Newman with some information on some insurance renewals. You are recognized.

Brian Newman: Good morning, and thank you. I have two items. First is the renewal of our D&O policy. We have a premium decrease this year, a little over 2% premium decrease this year, a premium of \$265,585, and also our Cyber Insurance policy, that is even better news. We are recommending going with AIG to continue that coverage for us, and it is a 20% reduction in premium, for \$220,000. It is essentially the same coverage that we had last year for both. If you have any questions, I'm happy to answer. We are asking you to approve both of those.

Chair Shelton: The question I had, in the discussion, is regarding the significant reduction on the cyber policy and was there any changes in the policy form or underlying conditions that made it so much difference, and the answer was no, it is the same.

Brian Newman: I think it's a recognition of two things, Governor Shelton. First, I think the market is improving in that space, and it is recognition of some enhancements we have made in our Cyber Security unit and programs here at Citizens.

Chair Shelton: The program we were on before, was it a multi-year program? Was it a single year renewal?

Brian Newman: I believe it was a single year.

Chair Shelton: My mistake, I'm thinking of something else. Do you have anything else? Any questions for Brian from the Committee? Thank you, Brian.

Chair Shelton: Next, the report from the Office of Inspector General has been provided. With that, are there any other questions or comments from the Governors here? And with that, Mr. Chairman, we are adjourned.

Whereupon the meeting was adjourned.

F E N N A L