Approval of Prior Finance & Investment Committee Meeting Minutes

Summary	Review of September 24, 2025, Finance and Investment Committee Meeting Minutes to provide opportunity for corrections and historical accuracy.			
Approval Type	☐	**New Initiative**	☐	**Amending Ongoing Contract**
	☐	**Replacing Expiring Contract**	☒	**Other (Explain in Summary)**
Awarded Vendor(s)	N/A			
Contract Term Length	N/A			
Contract Estimated Spend	N/A			
Procurement Method	☐	**Competitive Solicitation**	☐	**Single Source**
	☐	**DMS Approved Contract**	☐	**Emergency Procurement**
	☐	**Statutory Exemption**	☒	**Other (Explain in Summary)**
Committee Consent	Staff recommends that the Committee approve the September 24, 2025 Finance and Investment Committee minutes.			
Board Consent	N/A			
Executive Sponsor(s)	Jennifer Montero, Chief Financial Officer			

CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE
FINANCE AND INVESTMENT COMMITTEE MEETING
Wednesday, September 24, 2025

The Finance and Investment Committee (FIC) of Citizens Property Insurance Corporation (Citizens) convened at The Westin Lake Mary, Lake Mary Wednesday, September 24, 2025.

The following members of the FIC were present:

Chair Erin Knight
Carlos Beruff (Board Chair)
Charlie Lydecker
LeAnna Cumber

The following members of the Borad were present:

Jamie Shelton
Josh Becksmith

The following Citizens' staff members were present:

Jennifer Montero	Micheal Peltier
Tim Cerio	Michael Wickersheim
Joe Marins	Andrew Woodward
Mark Kagy	Barabar Walker
Bonnie Gilliland	Brian Donovan
Jay Adams	
Jeremy Pope	
Aditya Gavvala	
Brian Newman	

The following people were present:

Kapil Bhatia	Raymond James
Sasha Stipanovich	Raymond James
Bryan Friedshuh	Gallagher Re
Trevor Hillier	Gallagher Re
Dave Newell	FAIA
Mark Weinberg	JP Morgan
John Generalli	Wells Fargo

Call Meeting to Order

Barbara Walker: Good afternoon, and welcome to Citizens' September 24, 2025, Finance and Investment Committee Meeting that is publicly noticed in the Florida Administrative Register to convene immediately following the Audit Committee Meeting and will be recorded with transcribed minutes available on our website. For those attending today's session through the public link, you are automatically in listen-only mode. Panelists, thank you for identifying yourself prior to addressing the Committee. Chair Knight, we have no speaker requests. May I proceed with a roll call?

Chair Knight: Please.

Roll was called and quorum established with Chair Knight, Board Chair Beruff, Governor Lydecker and Governor Cumber.

Barbara Walker: Chair Knight, you have a quorum.

1. **Approval of Prior Meeting's Minutes**

Chair Knight: Thank you. I'd like to call the September 24th 2025, FIC meeting to order. Our first item of business is approval of the June 25th 2025 meeting minutes.

Governor Lydecker: Lydecker moves.

Governor Cumber: Second.

Chair Knight: All in favor?

(Chorus of ayes.)

Chair Knight: Minutes will be adopted. Welcome, Ms. Montero and Mr. Bhatia.

2. **Raymond James Financial Adviser**

Market Update:

Kapil Bhatia: Thank you.. Good morning, Madam Chair, Mr. Chairman, Board of Governors. For the record, Kapil Bhatia from Raymond James and Associates. We are your financial adviser and investment consultant. I'll briefly go through the market update, but please stop me at any time for any questions or additional clarifications. Consumer prices increased by 0.4% in August, pushing annual inflation to 2.9%, the highest since January of 2025. At the same time, initial unemployment claims surged to the highest level over the last four years, with about 263,000 people filing for benefits in the first week of September. Job growth averages have slowed down significantly to around just 35,000 per month over the last quarter, down from approximately 150,000 in 2024. Even though those numbers were overstated, after the adjustment, those numbers are expected to come down to around 110,000 per month for 2024. The current unemployment rate of 4.3% has changed little since April. There are currently 7.4 million unemployed people, and we expect unemployment rate to increase to 4.5% by the end of first quarter of 2026 after increasing to 4.4% by the end of 2025. However, the labor force participation rate has remained unchanged at 62.3%.

The weakness in the labor market is a combination of lower supply of labor force, as well as weakening demand for workers. Both of these factors are keeping the labor force participation rate at a full employment level, even though the economy is weakening to some extent. On September 17th, 2025, the Fed cut its benchmark rate for the first time in nine months to the current range of 4.00% to 4.25%. The decision was almost unanimous, 11 to 1 in favor, a rare and unexpected exhibition of consensus from the federal of board governors. The Fed has delayed cutting rates since December 2024 until the job market had shown enough cracks and the risk of weakening economy has increased. The Fed's dot plot shows how divided the governors are. Thinking of how divided the governors are, that's where the consensus was kind of unexpected. The governors are very undivided about where the path of interest rate is or the future path. Nine of the 19 members indicated just one more reduction this year, while 10 saw two reductions this year, and one saw no reductions, and one saw a reduction of five or 1.25%. So, the Fed is divided, but we expect the Fed to cut rates two times, once in October and once in December, before going to 2026, and that will bring down the neutral rate closer to 3.5% for this year before cutting twice next year to the neutral rate of 3%. But at the same time, we expect inflation to increase to 3.2% because of the tariffs, impact of tariffs, even though it is moving slowly, before stabilizing next year to closer to 2.7% to 2.8%.

The yield curve is changing from inverted to flat to slightly upward sloping as a result of the Fed policy, which I just mentioned, with the spread between two and ten-year currently at 0.57% compared to negative 0.77% two years ago. That's a swing of 134 basis points or 1.34%, and that is what's reflected in the reduction in the interest rates, 75 basis points in September and December of last year, and then 25 basis points this year and another 50 basis points expected. We expect 10 years to remain in relatively bound range, 4% plus/minus 25 basis points. Currently, we are at 4.11%. With two-year rates coming down to somewhere in the range of 3.5%, currently we are at 3.6%. So that we expect two to ten years' spread to be closer to 75 basis points by the end of this year. Since the beginning of the year, the one to five-year rates has been down 50 to 70 basis points because the expectation of inflation is coming down and the weakening economy. However, if we look at last September or over a 12-month period, rates are relatively unchanged. That is all reflected in our portfolio. Our investment income is marginally down because the short-term rates are down and our invested assets are down, but overall portfolio is stable. And Jennifer will go through more detail of our portfolio. Moving on to the risk transfer market. In 2025, the first half insured losses were $80 billion and were primarily driven by California wildfires in January, which were approximately $40 billion. This is the second highest first-half losses since 2011 when there were Japanese earthquake and tsunami losses. While these losses are significant, it should not have any impact on the risk transfer market. It will really depend on what happens over the next two months of the remaining hurricane season. Hopefully there will be no event, and we should see a much softer pricing in the reinsurance market. Reinsurance industry continues to benefit from the increased investment income from continued above average interest rates as compared to the last few years and a reduction in unrealized losses as they continue to evaporate over time. The rating agency view of the reinsurance industry is also stable because the capital levels are strong, operating profits are strong, the underwriting discipline is there, and increased reassurance demand. And, lastly, 2025 year-to-date is a record issuance for the CAT bonds with approximately $18 billion in issuance so far. The record issuance is primarily driven by increased global exposure, increased property values, higher inflation over the last couple of years, lower interest rates, and high investor demand, record returns because of the higher interest rate, and risk-free interest rates over the last couple of years. I'll stop and happy to answer any questions.

Board Chair Beruff: What is our exposure now based on the lowering of the interest rates on our portfolio? If we had to liquidate it, what are our losses, (inaudible) losses?

Kapil Bhatia: In September -- in June, if you remember, it was $447 million. Since that point of time, it's down to $350 million as of this Friday. We expect that to continue to come down, and at this time next year, we should see that number to be closer to $150 million, if not anymore, based on our expectation of the interest rates.

Board Chair Beruff: Thank you.

Kapil Bhatia: Thank you.

Chair Knight: Any other questions?

Kapil Bhatia: Thank you.

Chair Knight: Thank you. Ms. Montero.

3. Chief Financial Report

2025 Risk Transfer Program Update:

Jennifer Montero: Thank you. Behind the next tab are the updated layer charts. So, the layer charts that were presented at the June 2025 board meeting used December 31st, 2024, in-force data for exposure and CAT modeling results that were then projected to September 30th, 2025. These updated layer charts used June 30th, 2025, in-force data for exposure and CAT modeling results projected to September 30th. So, it's newer data that we're showing -- that we're shrinking, et cetera. So, the updated results in the following changes: The probable maximum loss, the PML, decreased $1.76 billion from $13.34 billion to

$11.58 billion, and as a result, the Citizens policyholder surcharge was eliminated for a 1-in-100 year event from $300 million down to zero. The Florida Hurricane Catastrophe Fund coverage decreased $330 million from $3.55 billion to $3.22 billion. And then the surplus exposed in a 1-in-100 year event decreased $1.13 billion from $5 billion, which was exposing 100% of the surplus, to $3.87 billion, which exposes only 76% of the surplus. The surplus remaining after the 1-in-100 year event is projected to fund a 1-in-8 year event or additional LAE or multiple storms -- smaller storms for this year or subsequent years. A single 1-in-117 year event would exhaust all surplus before triggering the policyholder surcharge, and a single 1-in-125 year event would exhaust surplus and the Citizens policyholder surcharge before the emergency assessment was triggered. That's my update to the changes of the layer charts. Any questions on that?

Governor Lydecker: May I ask a question, please? I think you said this, and so I'm sorry, because the acoustics are a little bit such that I -- or I'm a little bit such that I can't hear correctly, which might be the case, but I know that you said that approximately 76% of the surplus is exposed in a 1-in-100-year event, and I think you gave some context to that, but would you mind repeating it? How is that relative to last year or the last couple of years? Where are we? Because you used a 1-in-100 and a 1-in-8-year.

Jennifer Montero: So, this chart goes up to 1-in-100, and for the last two years, we have run out of surplus before we've gotten to the top of that chart and we have had some sort of assessment that fills in once we run out of the surplus.

Governor Lydecker: So, we have had some sort of assessment?

Jennifer Montero: On the 1-in-100-year for our --

Governor Lydecker: The last two years?

Jennifer Montero: -- Capital tower, yes.

Governor Lydecker: Okay.

Jennifer Montero: We've had -- in fact, in June, when I presented the financials, there was a $300 million Citizens policyholder surcharge up at the very tip-top. That green line -- or that purple line right there, that's $300 million, and that's been pushed up higher. So, if this chart were to extend even higher than 100, at the 117 is where the Citizens policyholder surcharge would kick in and the 125 is where the emergency assessment would kick in.

Governor Lydecker: Okay. And so, what I'm trying to get a sense of just at a macro level is how are we doing year over year? I know it's an improvement, but year over year. You're describing our ability to sustain bigger impact on hurricanes, either one large hurricane or a number of smaller hurricanes. I'm actually -- what's going through my mind is actually how do we lower rates? When do we lower rates? And that's not today's meeting, I think it's down the road, but that's really the context of it. Not how do we absorb more, but how do we create a lower rate environment? That's -- so whether or not we should have lower rates or not have lower rates, I'm not trying to open that can of worms right now, but that's what I'm trying to understand on the reinsurance placement.

Jennifer Montero: This occurred because we shrunk. So, as our exposure got smaller, the surplus and the reinsurance that we have in place is expanded. So that's why we go up so high in the tower. After 2004 and 2005, with 10 years with no storms, we had a lot of surplus built up and we also had a surplus up above the 1-in-100 until -- Irma I think is when -- was it Irma?

Governor Lydecker: Yeah.

Jennifer Montero: Ian. Ian is when that started to dwindle, because if you remember.

Governor Lydecker: -- But this is the storm that hits southwest Florida?

Jennifer Montero: In 2022.

Governor Lydecker: Yeah.

Jennifer Montero: If you recall, when you look at our investment policies, we have liquidity fund, which is pretty much the retention below the CAT fund, that's our liquidity investment policy, then you have the claims paying that goes from that point to the one in 100, and then we had a long duration because we had funds that were above the 1-in-100 that could go out longer and we could earn more. Right now, we don't have any funds in that. We still have the long-duration investment policy. We just don't have any funds in it because we didn't have any long-term funds that we do now for the first time since 2022. So that is good, but it's because we shrunk. And if we were to grow, we'd have to stretch the current surplus that we have to -- if we grew super-fast. Same thing, the revenue comes in, but you have to earn it out over 12 months. We're not going to get all the surplus on Day 1. It would be stretching it the other way.

Governor Lydecker: May I ask another question? So, thank you for that. And I appreciate the need to sort of expand our reinsurance holding so as not to put at risk the existing surplus and therefore create an environment where we're having to come up with tax asse- -- or assessing taxpayers. So, you know, I got that one, and I think that's really important. But as I said, you know, I'm actually really -- my question is really around like when do rates flatten and/or come down? And I know that the reinsurance placement isn't really the vehicle to necessarily have that conversation, but I was wondering, do you have a sense of the reinsurance marketplace for this next year, notwithstanding the fact that we have a third of the hurricane season still left? So maybe that just makes the question foolhardy. But, you know, it's coming down, and it ought to continue coming down. Is that your read?

Jennifer Montero: Yes.

Kapil Bhatia: Governor Lydecker, as I said in the market update, so far, the first half losses are in the global market around $80 billion. Half of those came in January from the California wildfires. If we are fortunate enough, no hurricanes over the next 60 days, that's what really will determine. Assuming if it is a small enough event and everything else, we expect reinsurance market to soften, and the rates should be down around 10%. We have seen in the recent placements that the rates are down. So, it really comes down to what happens in the next 60 days but considering -- if not a large enough event, then we should see much better pricing in the reinsurance market.

Governor Lydecker: Ultimately, my question is going to be -- again, not for today -- is our priority has been depopulation correctly, I think, my opinion, correctly, and we want to depop, we don't want to expose taxpayers – Florida taxpayers. But we also want to not -- or at least I don't want to see rates going up unnecessarily, but I'm going to be asking down the road and thinking about if rates stop rising and/or go down, what impact does that have on depopulation and what's more important to Florida taxpayers? I think depop is, you know, and so this is at least a component piece of it. That's why I asked the questions.

Jennifer Montero: Yes. And so, we are going to have a special board meeting in November for our rates, and I think you'll see the rates are coming down. The positive for depop with rates coming down is that means all rates come down means reinsurance is coming down. That means the takeout companies can afford to buy more reinsurance to take out Citizens policies. So I think lower rates would actually be a positive in the market in general, lowering all costs, including reinsurance, which is what the big cost is for takeout companies to take our business because we don't really have any acquisition costs, but they do have to come up with enough money to buy the reinsurance for whatever exposure they remove from Citizens. So that's -- and if prices in general, rates are coming down, then reinsurance rates are coming down, it would be more affordable for them.

Governor Becksmith: Madam Chair, can I ask a question?

Chair Knight: Yes.

Governor Becksmith: Jennifer, what is our renewal data on our reinsurance?

Jennifer Montero: It's 6/1 through May 31st.

Governor Becksmith: Okay. And is there a mechanism -- and I think I know the answer to this in our current program -- that as we continue to depopulate -- in my opinion, we've probably bought excess reinsurance, right, based on a value that has now shrunken considerably -- is there a mechanism in this program that we're going to get effectively money back to Citizens, and if so, what -- do we have an expectation of what that could or would look like?

Jennifer Montero: So how it works is on the traditional side, there are premium adjustments. We have typically a 10% collar that if we grow or shrink within 10%, nothing happens. We don't exchange, we don't pay more, we don't get any refund. If we shrink more than 10%, get smaller, up to -- it's a 10% -- goes up to 10%, so from 10 to 20%, then we get a premium adjustment, which means the reinsurers will have to refund some of our premium back to us because we shrunk a certain amount. If we were to grow, in the other direction, we would owe premium. And most companies can control their growth and their shrinkage, so they don't really have much of an adjustment. Ours is a bigger deal because, as you know, we can't control how many policies come in here and, you know, we want to get them out. So, in this case, we will definitely see a premium adjustment.

Governor Becksmith: And what is the measurement date, I guess is what I would say?

Jennifer Montero: September 30th. Everything is -- everything -- that's why all these layer charts, no matter when we start them, they are always forecasted to September 30th, and then it's based off actual September 30th exposure. That is the number that this is what we say our exposure is going to be, this is what we pay for, and then we wait till -- and we'll have it usually the end of October-ish, we usually know for sure, because we usually want to wait a month or two for cancellations or anything to work their way through the September 30th number till it's pretty solid, but before year-end, we'll have it and we'll know exactly how much –

Governor Becksmith: So, then I guess back to Governor Spottswood's comment earlier about incentives, right? And so, if in our mind as Citizens, as we move forward, it seems like September 30th would be a logical date, if not sooner, obviously, to be able to get people to depopulate, not only from a depopulation standpoint, but also from a credit on our reinsurance purchase. Is that a fair statement?

Jennifer Montero: It is. But, again, because of the reinsurance is why most of them won't do it. And at least when they do October, November, December, January, and February, it still is keeping it out of the next year's program.

Governor Lydecker: They won't do it in the absence of an incentive to figure it out. In other words, instinctively, it feels to me like we have an opportunity to push the market at a time when we have wind on our sails, and, heretofore, we were always reacting and it was a do or die world that we were living in for five years, it seemed like. And today we're in a much stronger position and a healthier financial position. And so, I'm not trying to declare something because I don't know the answer. I'm just simply saying, like, it just feels like, you know, you're right, Governor Becksmith is right, that maybe we -- you know, we should have that conversation around -- not -- post-September, seeing what we can do to help create more depopulation, incentivize more depopulation. Just a thought.

Kapil Bhatia: It goes the other way around, Governors, because to have a depopulation by September 30th, they will really have to start the process much earlier, and that's what they're planning for. So, their reinsurance towers are also kind of locked, but that's where October and November are the ones, they have a longer time horizon to earn the premiums, and the capital cost is coming down, which is encouraging more private companies to come in. All of that is working. So, we do have a tailwind on a -- kind of on our side, but any additional incentives really are the pricing and all of that stuff. The overall market gets better. The pricing comes down. That's an additional incentive overall in the market. So, I think the legislative changes have already given the incentive to the marketplace to do it, and you can see the result. Now if they have to absorb that and then take more, you just can't take all of that in your risk profile on day one. So, think you should see the numbers getting better naturally without any incentives simply because of -- they will have more capital earned if there is no event. So, we'll see the better results as the time –

Governor Lydecker: Well, one thing I just want to reiterate, though, is that we do not want to be on the reaction side to issues that come before Citizens on the takeout programs. And it was only about six months ago I heard that rates from our broker are going to be, you know, in the plus 4 to plus 10 range or plus 12 range, and that was not consistent with the marketplace. The marketplace was showing signs of being well below that. I think you all did an amazing job and, you know, it came in below that. But I just want to make sure that we're continuing to project and you're continuing to project our need as an organization to be aggressive, to be thinking outside the box for continued depopulation, and to thinking outside the box for continuing to make sure that we're getting priced as competitively as possible in the marketplace because, otherwise, we're going to get taken advantage of.

Governor Shelton: Madam Chair, may I make a comment?

Chair Knight: Yes.

Governor Shelton: Thank you so much. I think it's important to remember that starting in September, I believe, it's not just depopulation, right? So, these companies that have come in and asked for 20, 30, you know, 40,000 policies at once, but we're on the front foot now in terms of the clearinghouse. So, every policy that's coming up for renewal, if that policy was not identified in a takeout, those policies are automatically being shopped before they're offered a renewal with all of the carriers that that agent has. So not only are you having the carriers identify which ones they want to take out, but now we're also pushing all of those policies that maybe were not identified as a takeout into the clearinghouse. So, I think that you're going to continue to see the snowball effect of, again, carriers being very, very aggressive in taking them out through the depopulation process, as well as Citizens' team, who has done an extraordinary job of saying, "We are going to start shopping these to make sure that there is no other company out there that wants these policies," and that's really going to push it. So, I just wanted to just kind of say that it's not just depop, but this new process went into effect, I believe, in September. Is that right, Carl? Thanks.

Chair Knight: Thank you. Any other questions? And, also, so that I'm clear, if we have a large depopulation in late October more than 15%, or 15%, we will not receive the credit for the amount over 10%?

Jennifer Montero: No, it's as of the -- we look at the exposure as of September 30th. That's how it's priced.

Chair Knight: Right.

Jennifer Montero: And that's industry standard, so that's what we would look at. So, yes -- so when we do our year-end projections, they're always lower than our September 30th, you know, projections because of that big takeout that last quarter, but, yeah, it's -- September's what they price on, whatever the exposure is then.

Chair Knight: Okay. Continue with your –

Jennifer Montero: And I have the investment report following that if we have no more questions on the layer charts. Should I go ahead and start?

Chair Knight: Yes.

Investment Portfolio Update:

Jennifer Montero: Okay. So, this is the June 2025 investment report. The total portfolio is $9.6billion, with approximately $7.48 billion, or 78%, externally managed by nine investment managers. The remaining $2.1 billion, or approximately 22%, is internally managed and primarily consists of liquidity for claims and operating funds... Internally managed funds are invested in short-term U.S. Treasury securities or money market funds. The portfolio is very conservative and stable with sufficient liquidity to pay all operating expenses, as well as all current and any potential future claims. The total portfolio average duration is stable and is currently just over 2.22 years.

As of July 2025, the one-year net income and total income return are 3.45% and 5.13%, respectively. As of year-to-date July 2025, or for seven months, the net income and total income return are 1.6% and 3.48%, respectively. On Slide 2, the current fed fund rate after the recent cut is 4 to 4.25%. The Fed is expected to further cut rates by 50 basis points in 2025, depending upon economic conditions, before reaching its terminal rate of approximately 3.25% to 3.5% in early 2026. The yield curve is now sloping upward, starting with two-year maturities with two to ten-year spread of approximately 55 basis points. The yield curve is expected to continue to increase its upward slope as the short-term rates come down and the long-term rates remain unchanged, primarily due to the large fiscal deficit and increased treasury issuance. On Slide 3, the portfolios have very strong credit quality. Approximately 80% of the portfolios in money market funds are rated A or higher. Approximately 47% of the total portfolio is in treasury and agency securities or in money market funds. And Slide 4, please. The portfolio income return is stable and the 2025 net income and total income return are expected to be approximately 3.75% and 5.25%, respectively. The incremental interest income continues to come in from higher interest rates with increased investment in shorter duration securities. And, lastly, the portfolio still has a negative mark-to-market value, but it has decreased over the last three months and is declining at a faster pace as interest rates decrease and the portfolio matures. That concludes my report.

Chair Knight: Thank you. Any other questions? Thank you. Well, that concludes our FIC meeting for September 2025.

(End of proceedings.)