

CITIZENS PROPERTY INSURANCE CORPORATION

**MINUTES OF THE
AUDIT COMMITTEE MEETING
Wednesday, March 4, 2026**

The Audit Committee of Citizens Property Insurance Corporation (“Citizens”) was convened at 8:30 a.m. on Wednesday, March 4, 2026.

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 Butts Governor Becksmith
Governor Cumber Governor Knight

The following Citizens Staff were present:

Tim Cerio Jennifer Montero Jeremy Pope
Joe Martins Jay Adams Carl Rockman
Michael Peltier Michael Wickersheim Aditya Gavvala
Mark Kagy Brian Donovan Barbara Walker
Bonnie Gilliland Ray Norris

The following were present:

Dave Newell, FAIA
Sasha Stipanovich, Raymond James
Kapil Bhatia, Raymond James
Matt Church, Forvis Mazars
Sam Wishard, Forvis Mazars

Barbara Walker: Good morning, and welcome to Citizens' March 4, 2026, 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 December 10, 2025, Audit Committee. We'll entertain a motion to approve.

Unanimously approved.

Chair Shelton: Approved. We move right into Mr. Joe Martins from the Office of Internal Audit. Joe, you are recognized.

Joe Martins: Good morning, Mr. Chairman, Members of the Committee and Governors. Today, I will walk you through a few items, which include the Internal Audit progress, performance metrics for the quarter, key audit observations and what they mean, and updates to the Enterprise Risk and Internal Control programs. Slide 2, please.

For the 12-month period from quarter 4, 2025, through quarter 3, 2026, we have completed 12 of the 26 engagements in the plan, with 7 engagements currently in progress and 7 scheduled to commence soon.

Completed this quarter were the Artificial Intelligence Governance Advisory engagement, CBIS Segregation of Duties audit, Claims Check Processing, Commissions audit, Employee Expense Review, and the Office of Internal Audit Quality Assurance Program Review.

For Artificial Intelligence, we focused on how we define, govern, and measure the use of artificial intelligence in decision-making and support across the organization. We provided advisory guidance, governance workflow design, and model oversight practices to support responsible use.

The CBIS Segregations of Duties audit reviewed access and monitoring controls in the Guidewire cloud environment. We noted continued improvement following the SaaS transition and the adoption of myldentity, and identified additional opportunities to strengthen least-privilege and segregation-of-duty governance.

With the Claims Check Processing audit, we found the process operating as intended with no exceptions noted.

The Commission's audit found controls generally effective, and management has begun actions to further strengthen security and access over commission payment files.

The Employee Expense review found the process effective but resource-intensive for low-value expenses. We identified efficiency opportunities through thresholds, system-based controls, and stronger management accountability.

The Quality Assurance Improvement Program noted that the Internal Audit function is following the internal audit standards, and we are in conformance with their requirements.

In progress this quarter are CAT Readiness, Ethics, IT General Controls, Premium Invoicing, Refunds & Suspense Accounts, Secondary Employment, Underwriting, and the 2026 Data Analytics program, which we continuously improve and try to build continuous reviews.

Looking ahead, scheduled engagements include Automated Underwriting, Claims Vendor Management, E-Payments Platform, EZLynx (our clearinghouse), Patching & Vulnerability

Management, Predictive Model Governance, and Technology Governance Remediation follow-up.

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On performance, we continue to track a small set of clear measures. Our audit plan completion was 100% for the quarter, issue closure is at 89% with agreed timelines, and remaining items are expected to close within the agreed timeframes. One open item, the Agency Compliance IT-related findings, was overdue as of December 31 and remains under active follow-up. Auditor productivity remains at 80%, aligning with our annual target and IAA-recognized targets. The average engagement cycle time for quarter 1 deliverables was approximately 110 days, or 14 weeks, including non-working hours and time during that period. Overall, deliveries are on track, and we are managing capacity well. We are staying focused on the areas of high stress and value within the organization.

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During the reported period, we identified two high-impact observations. The first one relates to commissions. Access to confidential payment files was not sufficiently restricted during the review. This is a security and fraud prevention concern, and management has initiated measures to strengthen access controls. Second, in the CBIS, segregation of duties is not yet holistically embedded within the cloud environment. Management has agreed to evaluate the items and, as appropriate, define remediation actions and risk acceptance decisions. All observations are actively monitored, and we will continue to provide visibility to the status and closure of these observations.

Next slide, please.

For Enterprise Risk, we continue to partner with management to identify, assess, and manage risks that may affect strategic and operational objectives. In quarter 4, the 2025 risk assessment plan was completed, totaling 78 risk assessments across strategic, operational, and project risks. Results indicate exposure remains well managed with resilient risks rated low and 89% operating within tolerance. As of December, 24% of the resilient risks were rated medium or high. One high-rated resilient risk remains within the ELMS implementation program with mitigation in progress. Current monitoring indicates no material concerns.

For Q1, Enterprise Risk plans to complete 20 operational risk assessments, implement self-service capabilities to improve effectiveness and efficiency, and partner with the business areas to integrate risk appetite and establish key risk indicators that provide measurable insights into changes and exposure.

Regarding Internal Control, the 2025 management control self-assessments showed a strong overall control environment, with no material concerns identified. 87% of primary controls operate effectively, and 8% identify minor process improvements, and 5% require redesign to keep pace with process changes. Internal Control and compliance also strengthen compliance assurance through joint integrity reviews in high-risk laws, rules and regulations with the compliance function.

For Q1, Internal Control will expand integrity reviews and control self-assessment coverage across high-rated requirements and partner with the Office of Internal Audit Data Analytics Team to implement a continuous monitoring program that improves coverage, efficiency and risk identification. Will focus on KPIs and Key Risk Indicators.

That concludes my presentation, if there are no questions.

Chair Shelton: Thank you, Mr. Martins. A couple of things that I want to put on the record. When you look at page 4 in the report, which shows the high-risk as it relates to the Commissions and

the Segregation of Duties, those are critical controls and Joe and his team have been working through that, but it's important to point out there was no data compromised or any type of information that was inappropriately reached into or hacked into. Working with management, Joe and his team are addressing those things. And second, Joe and I always talk about: management has been very forthcoming in working with OIA, and there are no issues between management and OIA, so good report, Joe. I have nothing else to add. Are there any questions from Governor Spottswood, Chair Beruff?

Thank you, Joe.

Next, Ms. Montero, Chief Financial Officer, you are recognized to present your report.

Jennifer Montero:

Good morning. Behind tab 3, you'll find the materials I'll discuss. The 2025 results of operations and financial position provide an overview of Citizens' unaudited financial position, including cash flows, invested assets, and surplus, as well as operational results for the fiscal year ending December 31, 2025. The document that follows provides commentary, discussion and analysis of those operating results and the financial position. I'll provide a summary of the information in the commentary document.

December 31, 2025, cash and invested assets totaled \$8.98 billion, approximately \$1.07 billion less than December 31, 2024, due to net cash flows used in operations of approximately the same amount. Surplus at December 31 was \$5.16 billion, reflecting an increase of approximately \$976 million in comparison to December 31, 2024. The increase in surplus was driven by net income of approximately the same amount.

Direct premiums written in 2025 were \$2.6 billion, approximately \$2 billion less than what was written in 2024. The number of new policies written has decreased to 177,000 in comparison to the 367,000 in 2024. In addition, the renewal rate of 82% reflects a decrease of 1% compared to the renewal rate during 2024.

Premiums ceded through depopulation in 2025 were \$1.21 billion, which is \$189.7 million more than premiums ceded in 2024. Premiums ceded for private reinsurance and through coverage through the CAT fund for the 2025 risk transfer program totaled \$741.8 million, which is \$118.5 million less than 2024. A decrease in reinsured exposures through the CAT fund was partially offset by an increase in reinsured exposures through private reinsurance, driving the year over year reduction in premiums ceded.

At December 31 there were eight named storms that had significant loss and LAE reserves outstanding. There remain outstanding liabilities for Hurricane Irma for 2017, Tropical Storm Eta for 2020, Hurricanes Ian and Nicole for 2022, Hurricane Idalia for 2023, and Hurricanes Debby, Helene and Milton for 2024. I'm going to hit on two of the larger, more recent storms: Milton and Ian. Hurricane Milton, which made landfall on October 10, 2024, has projected ultimate direct losses and LAE of \$2.052 billion as of December 31, 2025. This is a reduction of \$21.5 billion from December 31, 2024. No reinsurance recoveries have been recorded due to the levels not meeting the retention of Citizens' reinsurance contracts. Hurricane Ian, which made landfall on September 28, 2022, had projected ultimate losses and LAE of \$3.35 billion at December 31, 2025. This is a reduction of \$73.7 million from the projected ultimate losses of \$3.42 billion as of December 31, 2024. Of the \$3.35 billion of direct losses and LAE, \$850.8 million is recoverable under Citizens' reinsurance contracts, resulting in net losses and LAE of \$2.5 billion.

The year-end underlying non-CAT loss and LAE ratio for calendar year 2025 has improved by 4.8 percentage points as compared to calendar year 2024. This improvement is driven by both a reduction in overall frequency coupled with a reduction in litigation.

Administrative expenses incurred for the year ending December 31, 2025, of \$175.5 million were \$900,000 less than the administrative expenses incurred during the same period in 2024 and \$26.8 million less than the budget.

Citizens' 2025 year-end expense ratio is 17.1%, reflecting a 2.6% increase from the same period year prior, and a 0.5% increase compared to the budget.

For 2025, total investment income was \$335.9 million, or \$27.9 million less than the same period in 2024, while average invested assets decreased by \$825.5 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 this transaction, net investment income decreased to \$38 million in 2025 compared to the same period in 2024. This decrease is largely the result of a reduction in investment assets alongside with the reduction of market rates in money market funds and other short-term securities.

That completes my report, and I'll pause for any questions.

Chair Shelton:

Thank you, I have three questions. The number of policies in force of 395,337, is that the lowest in the history of Citizens?

Jennifer Montero:

It is the lowest by far. Before that, it was in 2018, we had 427,000.

Chair Shelton:

Thank you. That's great.

Number two, I read this on the legal expenses for the year, twice what they were last year, and your explanation is that \$2.2 million was due to expenditures related to DOAH, as well as training expenses. When we were going to DOAH, my understanding was that we would see far less than what we were doing the old way. Are the costs from the old litigation that we were paying out, or is it somewhere else?

Jennifer Montero:

The costs for DOAH are the fees we have to pay upfront to fund that. So, at the time we were paying that, we weren't quite using DOAH yet. We were still paying the old way, which is what we were using at the time, plus we were having to fund DOAH.

Chair Shelton:

So, with the old way going away, that's going to go down. We should see that number coming down next year.

Jennifer Montero:

Absolutely.

Chair Shelton:

Mr. Cerio?

Tim Cerio:

If I may, Chairman, I just want to clarify something. What Jennifer said is correct, but there has been a little bit of misinformation out there. Governmental entities that utilize DOAH, pay for DOAH's services. They pay the Division of Administrative Hearings. They do not pay the judges. There has been a narrative out there that Citizens pays them. That is not how it works. Whether it is a city government or an entity of state government, when you utilize the services of DOAH, you pay the Division, and the judges themselves have employment protections, so there is no pressure on them to rule one way or another. They have civil service-type protection, and I just wanted to make that clear.

Chair Shelton:

That is a very good point. That concludes my questions. Governor Spottswood or Chair Beruff, do you have any questions?

Chair Beruff:

When do you see the savings materialize in our change of how we are processing litigation?

Jay Adams:

Good morning, my name is Jay Adams, Chief Insurance Officer. To answer both questions. We reported to Claims Committee that we are starting to see a significant decrease in our legal expenses. We have been reporting to the Board through our legal billing that when we have to come back and ask for that \$50 million tranche a couple of times a year, since August of last year, we have been averaging about \$12 million per month in our defense fees. Keep in mind that most of what is still pending on the defense side is older claims, older CAT claims, and they represent in excess of 50% of what is sitting in litigation. Beginning in August, we went from \$12 million down to \$11, in September it dropped to \$10, in October it dropped to \$8, and we are continuing to see those reductions, and we believe that we will still be able to bring in the legal defense cost under what this Board has already approved through the remainder of the contract. We are starting to see a significant increase in activity going through the DOAH program. And the things that do go through that program are significantly less cost from a defense piece, because they don't pend for 2, 3 or 4 years, and that is where we are getting that significant savings.

Chair Beruff:

So, we should see the results at the end of this year? We should be able to say we are finally below the total because of the timing issue we have with the previous way of doing things as opposed to this new way?

Jay Adams:

Yes, I believe absolutely we will see that by the end of the year, because we started seeing it in August of last year.

Chair Beruff:

Thank you.

Jay Adams:

You're welcome.

Chair Shelton:

Thank you, Ms. Montero.

Thank you, Jay.

Next, we have our representatives from Forvis Mazars to give us a very brief update on the status of the audit that will be forthcoming. Gentlemen, welcome. You are recognized.

Matt Church:

My name is Matt Church; I am the new Engagement Partner for Citizens. Brian Smith served in this role for the previous 5 years, and the previous 5 years before that, I was the engagement partner. We rotate every 5 years. Sam is with us and has been on this engagement for the duration of his career with us. He will walk us through the audit plan and give a quick status update.

Sam Wishard:

Good morning, Governors. Sam Wishard, Senior Manager with Forvis Mazars. I'm going to cover a few deliverables first. We have three reports to issue this year: the Citizens STAT Report, the Citizens GASP Report, and the FMAP GAAP Report. In terms of communications with you, I will communicate our Audit Plan today, and then we will communicate the results of the audit at the completion. Other letters we will provide include an internal control letter, an acknowledgement letter, a qualification letter, and any reporting requested by you.

For timing this year, we have wrapped up our interim field work. We are communicating our planning with you today, our final field work will begin mid-April, and we anticipate audit report issuance on May 15th.

Quickly cover audit strategy, we have a risk-based approach that we focus on areas with the highest risk of material misstatements, we will perform walkthroughs of internal controls, we will also focus on significant and nonrecurring transactions, and we will also communicate with you frequently and in a timely manner as needed.

Significant risk areas this year, the first one is IBNR reserves. We will perform the valuation with our external actuary. Second is the risk of Premium Recognition, which we will do through tests of policy cancellations and cut off those cancellations. The final significant risk will cover the management of Override of controls, including performing journal entry testing.

The last two here are just estimates we want to cover. In the financial statements, we have the Investment Impairment, which we will utilize our Business Valuation Group internally. And we have any adjustments, modifications to reinsurance contracts and risk transfer.

In terms of our subject matter professionals this year, we use Matthew Smith for IT, for valuation we use the Business Valuation Group internally, and for our external actuary, we will use Tom Vasey with Davies.

The team here, as Matt mentioned, is Matt Church as the Engagement Partner, Matthew Smith is the IT Partner, and I will be the Audit Senior Manager.

Chair Shelton:

Thank you. Any questions for the external auditor from the committee? I would still like to make my annual objection to the need for two reports on the same entity, but I think that's falling on fruitless grounds. Thank you, we will be in touch, I'm sure. We appreciate your work here today.

Next, the Office of Inspector General report has been provided for information only. It is in your Board packets and the Audit Committee packets. If there are no questions on that we have had no discussions prior. I have no new business to bring before the committee. Is there anything the committee members would like to bring forward? Hearing none, the meeting is adjourned.

Whereupon the meeting was adjourned.