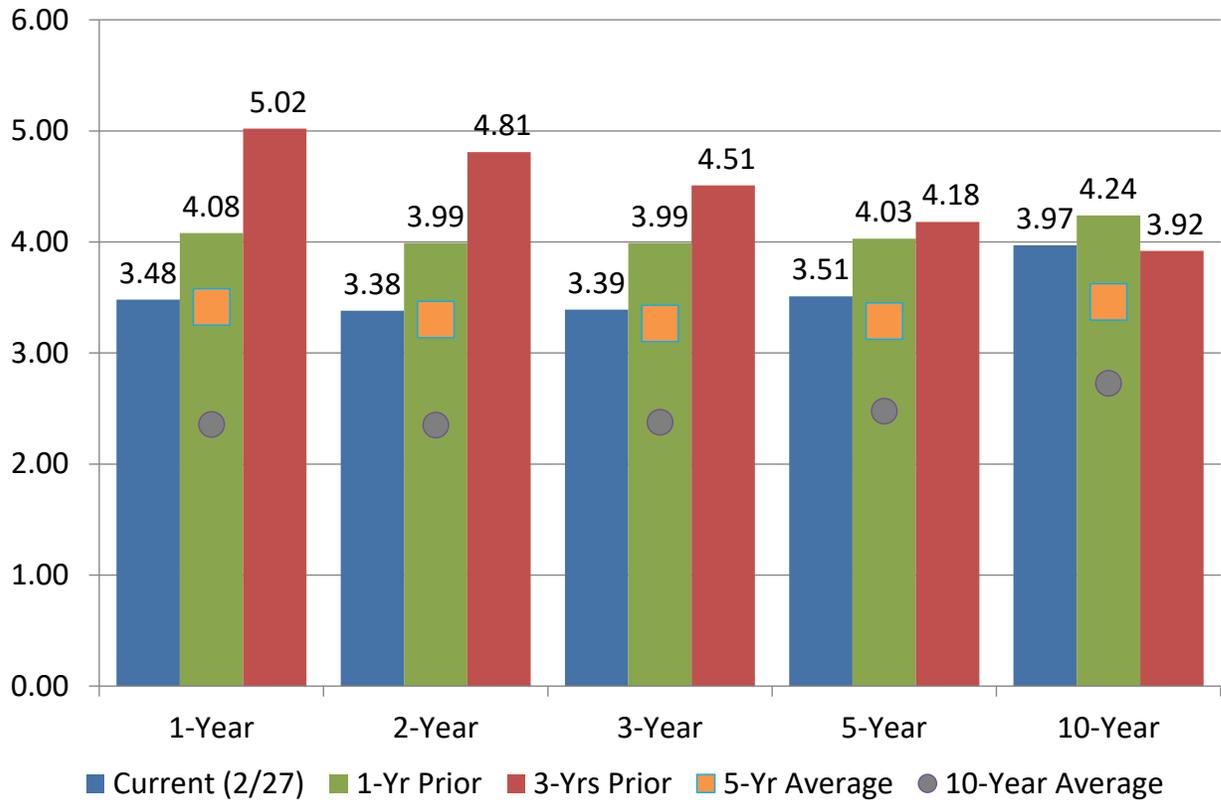


## Citizens Market Update

March 4, 2026

- Consumer prices increased by 0.2% in January and 2.4% for the last twelve months – this is a decrease compared to December where the index was 2.7% for the past twelve months. Part of the reasons for the decreases in January were energy prices which fell 1.5% in January (gas decreased by 3.2%). The core CPI rose by 0.3% in January and 2.5% over the last twelve months with shelter rising 3.0% over the last year.
- Total nonfarm payroll employment rose by 130,000 in January but has shown little change since April. The current unemployment rate of 4.3% has also changed little since April. There are currently 7.4 million people unemployed, and we expect it to increase marginally to a range between 4.4%-4.6% for 2026. The labor force participation rate has also remained relatively flat at approximately 62.5%.
- The weakness in the labor market is a combination of lower supply of labor as well as weakening demand for workers. Both of these factors are keeping the labor force participation rate level near “full employment” but in a weakening economy.
- Real GDP increased at an annual rate of 1.4% in the fourth quarter of 2025 after increasing by 4.4% in the third quarter. Real GDP increased by 2.2% in 2025 after increasing by 2.8% in 2024. We believe GDP will grow by 2.4% in 2026 after factoring in the effects of the 2025 reconciliation act, federal spending shifts, higher tariffs, and slower labor force growth.
- In September 2025, the Fed cut its benchmark rate for the first time in 9 months and again in October and December by 25 basis points each time to the current range of 3.50%-3.75%. The market is fully expecting one to two rate cuts in the second quarter of 2026.
- The yield curve is slightly inverted to flat for 1-5 years and slightly upward sloping from 5-10 years with the spread between the 2-year and 10-year Treasury at approximately 0.59% as compared to negative 0.89% three years ago. We expect the 10-year Treasury to remain relatively range bound around 4.25%+/- 25 bps while 2-year Treasury rates remain range bound at 3.25%-3.50% due to Fed rate decreases.

## Current and Historical Treasury Curves (%)



U.S. Treasury Rates						
	1-Year	2-Year	3-Year	5-Year	10-Year	2-10 Yr Spread
<b>Current (2/27)</b>	3.48	3.38	3.39	3.51	3.97	0.59
Beginning of 2025 (1/2)	4.17	4.25	4.29	4.38	4.57	0.32
1-Yr Prior	4.08	3.99	3.99	4.03	4.24	0.25
2-Yrs Prior	5.03	4.69	4.48	4.29	4.28	(0.41)
3-Yrs Prior	-	-	-	-	-	-
5-Yrs Prior	0.08	0.14	0.32	0.79	1.56	1.42
<b>5-Yr Average</b>	3.42	3.30	3.27	3.29	3.46	0.16
10-Yr Average	2.36	2.35	2.38	2.48	2.73	0.38
15-Yr Average	1.64	1.71	1.82	2.09	2.58	0.77
Current as % Above / Below 5-Yr Average	2%	2%	4%	7%	15%	274%
Current as % Above / Below 10-Yr Average	48%	44%	43%	42%	45%	57%
Current as % Above / Below 15-Yr Average	113%	97%	86%	68%	54%	-23%

## **Reinsurance Market Talking Points**

- Total industry insured losses from natural catastrophes exceeded \$100 billion for the sixth consecutive year in 2026. Aside from California wildfires in the first quarter, the profile of individual catastrophe loss events were not great enough to impact reinsurance underwriting results – this partly due to higher attachment points and strategic portfolio rebalancing
- Reinsurers are also benefitting from increased interest rates, which has a positive effect on mark-to-market in their portfolios as well as generating additional investment income
- As a result, reinsurers are set to produce yet another year of strong results in 2025 with returns exceeding cost of capital for the industry for the third consecutive year
- This has led to record levels of capital dedicated to reinsurance with \$540 billion in the traditional market and \$120 billion in the capital markets
- Risk transfer pricing for the 6/1 renewal is expected to decrease again in 2026 by approximately 15%+ for aggregate price decreases of 20%-30% from 2024 to 2026 (projected). The 1/1 renewal saw price decreases of 10%-20% with the largest decreases in non-loss layers. This brings pricing closer to pre-2023 levels
- Pricing and capacity in Florida have continued to improve due to tangible improvements in the Florida P&C marketplace as a result of the historic legislative reforms enacted in 2023 that has led to significant decreases in litigation expenses and loss costs, as a result Florida P&C insurers recording underwriting profits for 2024 and 2025 after eight loss years from 2015 through 2023