CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE
FINANCE AND INVESTMENT COMMITTEE MEETING
Wednesday, March 4, 2026

The Finance and Investment Committee (FIC) of Citizens Property Insurance Corporation (Citizens) convened at Beachside, Key West, Wednesday, March 4, 2026.

The following members of the FIC were present:

Chair Erin Knight
Carlos Beruff (Board Chair)
LeAnna Cumber

The following members of the Board were also present:

Jason Butts
Jamie Shelton
Robert Spottswood
Josh Becksmith
Frank White

The following Citizens' staff members were present:

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

The following people were present:

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

Call Meeting to Order

BARBARA WALKER: Well, good morning and welcome to Citizens' March 4th, 2026, Finance and Investment Committee meeting that is publicly noticed in the *Florida Administrative Register* to convene immediately following the Audit Committee meeting. Our meeting will be recorded with transcribed minutes available on our website. For those attending today's meeting through the public link, you're automatically in listen-only mode. Thank you for identifying yourself prior to addressing the committee for those panelists. Chair Knight, we have no speaker requests for today's meeting. May I proceed with the official roll call?

CHAIR KNIGHT: Yes.

BARBARA WALKER: Chair Knight?

CHAIR KNIGHT: Present.

BARBARA WALKER: Chairman Beruff?

MR. BERUFF: Here.

BARBARA WALKER: Governor Cumber?

MS. CUMBER: Here.

BARBARA WALKER: Charlie Lydecker? Governor Lydecker is unable to attend today. Chairman, you have a quorum.

CHAIR KNIGHT: Thank you. I'd like to call the March 4th, 2026, FIC meeting to order with the first order of business approval of the December 10th, 2025, meeting minutes.

MS. CUMBER: Move the minutes.

MR. BERUFF: Second.

CHAIR KNIGHT: Okay. All those in favor? (Chorus of ayes.)

CHAIR KNIGHT: Okay. Minutes are adopted. Mr. Bhatia, welcome.

MR. BHATIA: Thank you, Madam Chair. Good morning, Madam Chair, Mr. Chairman, Board Members. For the record, Kapil Bhatia from Raymond James and Associate. We are your financial advisor. I'll briefly go through the market update, but please stop me at any point in time. Consumer prices increased by .2% in January and 2.4% for the last 12 months. This is marginally less than where we were last month when the consumer prices increased by 2.7% for the prior 12 months. Part of the reason for this decrease in January was the oil prices, which went down by 1.5% in January. However, Operation Epic Fury is going to add something to the inflation as we have seen with the energy prices, even though they have stabilized. But that is going to add, again, something to the inflation numbers at least next month. And I'll go through a little bit more of Operation Epic Fury little later. Total non-farm payroll employment increased by 130,000 in January but has shown little change since April. The current unemployment rate is 4.3%, and it is stable for the last 10 months. We expect unemployment rate to increase to somewhere in the range of 4.5 to 4.6 percent by the end of 2026. The labor force participation rate is expected to remain unchanged at 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 near the full employment level but with marginally expected higher rate of unemployment. AI is also changing at least the equation for recent college graduates. The hiring is slow with lots of uncertainty as it comes to tariffs and other economic factors, as well as AI, and that is one of the reasons we expect unemployment rate to increase to 4.5 to 4.6 percent.

Real GDP increased at an annual rate of 1.4% in the fourth quarter after a significant increase in the third quarter of 4.4%. Overall GDP increase in 2025 was 2.2%, which was slower than 2024. We believe GDP to slow down marginally to 2.3 to 2.4 percent in 2026 after factoring in the effects of 2025 Reconciliation Act, federal spending shifts, higher tariffs, slower labor force growth, and the positive impact coming from One Big Beautiful Act. In September of 2025, Fed cuts its benchmark rate by 25 basis points for the first time in nine months, but then they cut twice again in October and December to the current range of 3.5% to 3.75%. The market is fully expecting one- to-two rate cuts. We expect two rate cuts in 2026 to the neutral rate of 3 to 3.25percent by the end of 2026 or by the third quarter of 2026. The yield curve is slightly inverted to flat for one to five years and upward sloping for five to ten years with the spread between two and ten-year treasury is at approximately 59 basis points as compared to negative 89 basis points three years ago. We expect treasury rates to remain range-bound where it is largely because of large debt issuance by the federal government, we expect 4.25% +/- 25 basis point for 10 years and two years to remain range-bound from 3.25 to 3.5 percent.

Operation Epic Fury is going to add something to the inflation at least in the short run and may change the path of the fed funds rate, depending on how long this last. But the market will remain volatile until we have some certainty in terms of what's happening, and overall, the inflation is going to be an issue. If it's really short as everybody is talking about, five to six weeks, then it should have no impact on the markets, no impact on the interest rates, and no impact on all of the numbers. However, if it lasts longer, the oil prices can create more pressure globally, and global recession is possible. With that, I'll go into the reinsurance market unless there are any questions. So, on the positive side, reinsurance markets are stable. Total industry insured losses from natural CAT exceeded 100 billion for the sixth consecutive year, or from 2019 through 2025. Aside from California wildfires in the first quarter, the profiles of individual CAT loss or CAT events were not great enough to have any impact on reinsurance underwriting. That's partly due to higher attachment points, as well as strategic portfolio rebalancing over the last couple of years by the reinsurers. Reinsurers also are getting benefit from the higher interest rates and that had a positive effect on their mark-to-market position. Most of the market positions have more or less evaporated, except there are few small, large, longer duration securities in the portfolio for some of the reinsurers, and that still has some impact, but overall, most of the mark-to-market losses have evaporated. As a result, we expect reinsurers to have a really strong year once they report the 2025 numbers with returns exceeding cost of capital for the industry for the third consecutive year. This has led to a record level of capital dedicated to the reinsurance sector with more money coming in, especially by pension funds and large sovereign wealth funds. The total capital at this point of time in the traditional markets is around $540 billion and around $120 billion in the capital market. There is a strong demand for reinsurance because of the type of risk return profile it provides . Risk transfer pricing for the June 1 renewal is expected to decrease again in 2026 by approximately north of 15% for aggregate price decrease, and that will lead us to almost 25 to 30 percent decrease over the last three years or from 2024 to 2026, which includes the projected numbers. The 1/1 renewal, especially it's more European and U.S. earthquake and wildfires, saw a price decrease of 10 to 20 percent, with the largest decrease in upper layers. This bring pricing closer to the 2023 levels when the interest rates were really low and after a couple of events. So, we are getting into the stable market. Pricing and capacity in Florida have continued to improve due to tangible improvements in the Florida marketplace as a result of historic legislative reforms enacted in 2023. Of course, Citizens' policy count shows that, and that has led to significant decrease in litigation expenses, loss costs. As a result, Florida property insurers recorded an underwriting profit for second year in a row in 2025 after eight loss years from 2015 through 2023. All of this is positive for our reinsurance placement as we expect relatively low rates going back to '23, as I said. Our investment portfolio's mark-to-market is coming down. It is approximately $300 million on a $9 billion portfolio, and it continues to evaporate. I'll stop and happy to answer any questions.

CHAIR KNIGHT: Any questions?

MR. SPOTTSWOOD: Sure, if I could. Could I ask a question? So, I'd just like to confirm what I think I heard. You expect the risk transfer and reinsurance markets to be improving based upon the conditions that you've just described, correct?

MR. BHATIA: Yes, Mr. Spottswood.

MR. SPOTTSWOOD: How do you track that through to underlying premiums for insurance in general? Is that having a positive downward impact on insurance premiums going forward?

MR. BHATIA: It should if the reinsurance market does comes down by, let's say, 20 percent. That's one of the highest input costs effectively for the insurers. So, it will take some time, so -- because the reinsurance rate will be effective June 1, that's when the cover really starts. So, it will have some lag when the policies renew that should translate into over the next 12 months, the impact of reinsurance. Just like when the reinsurance rates increased, the insurance rates were increasing, and vice versa.

MR. SPOTTSWOOD: What do you expect the lag time to be between the decreasing cost of risk transfer and reinsurance and the impact to be on rates that policyholders are seeing?

MR. BHATIA: The primary insurers have to submit their rates to the OIR and OIR approves it. So, they actually include that number in there, and what their cost of doing business is effectively.

So, there is some lag in the sense of when it translates into it, it's in projections, and as the policies renew, it shows up. Jennifer, do you want to add?

MS. MONTERO: Well, I was just speaking to Brian. They can do a supplemental filing if they find out reinsurance was a lot less than anticipated and it goes down. We can do another filing to help bring rates down, but it's supplement -- supplement filing.

MR. SPOTTSWOOD: In the past couple of years, we've actually experienced cost of risk transfer and reinsurance to be less than what we had anticipated upfront. So, this is a trend that's started a while back and it's continuing. Based upon conditions you're seeing, do you expect this to continue into the future?

MR. BHATIA: Depends on the events and losses. So, we have seen this trend from '24, '25, and it's continuing in 2026. More capital, lower losses, less events. If there is a 1 in 100-year event, whether in Florida, hurricanes or wildfires or earthquake, that can have a significant impact, so it's a direct function of how much capital is there. So, it's hard to predict unless you know where the events are. It's projected that losses are going to be larger with the recent inflation as the replacement cost is higher. So, hopefully, there is no large enough event. The insurance market is stable for up to $100 billion of losses. That's how they -- anything over north of $150 billion will have impact. Anything less than $100 billion is uneventful.

MR. SPOTTSWOOD: Thank you.

MS. MONTERO: And I would also state that 2025 was probably the first year that we saw significant savings with reinsurance from the reinsurance market.

GOVERNOR BECKSMITH: Madam Chair, can I make a comment -- or question for that matter?

CHAIR KNIGHT: Yes.

GOVERNOR BECKSMITH: And thank you for letting me sit in on the committee, even though I'm not a committee member on this. Great report. Kind of further on what Governor Spottswood was just discussing, obviously, I think you and I had a brief conversation about alternatives in the marketplace from reinsurance and bonding and things of that nature and the capacity that is out there now. Do you have a number in mind as we're going through our reinsurance? And, obviously, the board is authorized up to a certain amount of spend and/or limit, but do we have an idea -- a true idea of where we think we're going to purchase at, No. 1; No. 2, what we're looking at from an approximate rate reduction overall on that?

MS. MONTERO: Yeah -- yes, that's the next section. We'll go over the layer charts in the reinsurance update.

GOVERNOR BECKSMITH: I'm sorry, I didn't read the -- I'm sorry, I did not read the agenda. But I guess back to your point though, Kapil, because I think to your point, there's huge capacity in the marketplace right now, right? The earnings are good, the interest is good, knock on wood, right? We haven't had a large number of disasters out there. We're seeing new carriers into the marketplace, right, come in as evidenced. I think by what we heard from Ms. Montero earlier, that we have 395,000 policies, which is the least amount of policies out there, right? And so, what we're doing is working. I just question some of the carriers -- and, again, this is more of an OIR issue than anything is, are we making sure that they're fully funded correctly and getting that reinsurance that they should be? And you would think that with some of the things that are going out in the marketplace, with the reinsurance marketplace, that that should be an easy yes, but I would just kind of ask you because I know you see a broader spectrum than maybe what I see, and so just kind of your take on that.

MR. BHATIA: Yes, we had a number of conversations. Certainly, OIR looks at it. Most of the insurers, even the new carriers who are coming into the marketplace, should not have any problem funding 1 in 100 years based on where the markets are. Suddenly, there's a huge demand. So, they may have to pay a little bit more price in premium because of reinsurent not knowing them, but some of them are not really new. They are just expansion of existing with different brand names, et cetera, et cetera. Overall, there is enough capacity available. I think for the first 1 in 100 years and then for the second event, 1 in 50 or 1 in 30 years, they should be in a sufficient position. The only constraint to the marketplace is basically if we have 1 in 200-year event or 1 in 150-year event or number of very small events, that could dislocate the market. But looking at last 20 years, we are -- even going back to Andrew, we haven't had that, even including '04 and '05. Market should be stable. And '04 and '05, as you may remember, some of you may remember, we had eight events fall back-to-back. They were all small, relatively speaking.

GOVERNOR BECKSMITH: It's not so much about severity. It's more about the frequency is what I'm hearing you say.

MR. BHATIA: Correct. Especially the CAT –

GOVERNOR BECKSMITH: And in that instance, we could have some concerns if we had crisscrossed, to your point, '04, '05, where we had multiple –

MR. BHATIA: Correct.

GOVERNOR BECKSMITH: -- storms throughout the system. Okay, good. Thank you.

MR. BHATIA: The structure of CAT fund has changed because CAT fund used to attach for each event. Now for the third event, it comes down to a lower. So, there is some hedging around that. So, I think it should be better. So, overall, I would say it's very positive as compared to what we have seen it over the last 10 years.

GOVERNOR BECKSMITH: Thank you for the update.

MR. BHATIA: Thank you. No questions? Thank you.

CHAIR KNIGHT: Thank you. Ms. Montero, perfect lead-in to the risk transfer program preliminary update.

MS. MONTERO: Good morning. I'm going to actually start backwards with the redemption first because that takes into effect when we go through the risk transfer program. So, in 2024, Everglades Re, $1.1 billion Series 2024-1 bonds were issued across three different tranches and with the three-year maturity with a weighted gross rate online of approximately 11.4%. The bonds were issued with a callable premium after the first two years, and that's determined on basically what the TIV is as of February 28th. So, they're callable on May 13th and they're subject to the TIV on February 28th for a call premium of .50%. As of February 27th, Citizens' TIV -- total insured value, by the way -- is $104.61 billion, which is in that lowest quadrant or the lowest level of the call premium. So since, basically, our exposure has gone from way down from over $500 billion down to $104 billion. This is something that -- and the fact that the risk transfer pricing in Florida is decreasing by approximately 25%, as Kapil mentioned, the improvements in the risk transfer market, and because of the legislature and the marketplace, it's to our benefit, we think, to call these bonds, and, actually, we'll have the flexibility for the structure for 2026, we'll be able to call them, and we could issue less than half and still come out ahead. We would save approximately $67 million. And I'm not saying all this very clearly, but it's in here. Basically, it's to call the bonds, and because they're up high now and because we have shrunk, we paid a much higher price for them. Pricing is down 30%. So, we would like to call them so that we could issue a smaller amount, lower down at a cheaper price, and save $67 million. That's the gist of that.

CARLOS BERUFF: You had me at saving 67 million.

MS. MONTERO: Right.

CARLOS BERUFF: Pretty simple.

CHAIR KNIGHT: I don't see it as an action item.

MS. MONTERO: There's not an action item for this. It's more to let you guys know it's just a financial transaction that we're going to just -- part of risk transfer.

CHAIR KNIGHT: Yes.

CARLOS BERUFF: I've got a comment. Jennifer, I've heard different numbers. What is our policy count now?

MS. MONTERO: Our policy count as of last Friday is in my book. I have it.

CARLOS BERUFF: I know you do. That's why I waited for you. I'm a little confused.

MS. MONTERO: Here it is. As of Friday, February 27th, the policy count was 336,461.

CARLOS BERUFF: Okay. Because just for the board, we've been hearing numbers of three hundred ninety some thousand policies. So, we're actually at 336,000 policies, down from 1.425 million, thereabouts?

MS. MONTERO: Correct. The 395 was prior to the February takeout. That was 55,000 policies.

CARLOS BERUFF: Correct.

GOVERNOR BECKSMITH: How much of that is commercial versus personal –

MS. MONTERO: Commercial? Oh, I have the exact number. Commercial is 5,535. Perfect size for a clearinghouse.

GOVERNOR BECKSMITH: Good. Thank you.

MS. MONTERO: That was my sarcasm.

CARLOS BERUFF: So, the refinance that you're doing of the bond issue is -- the maturity isn't getting extended. The maturity is just -- the maturity is 36 months?

MS. MONTERO: Yes.

CARLOS BERUFF: Okay. So -- and then do they have a provision where you could refinance those after 24 months and -- and liquidate them?

MR. BHATIA: Yes. We'll make sure to include that at no call this time because we don't expect –

CARLOS BERUFF: At no cost -- at no cost this time instead of the half-point premium?

MR. BHATIA: Correct.

CARLOS BERUFF: Okay. But even so, we've saved $67 million, so...

MR. BHATIA: There are two factors in savings. One, it's the reduced size. The second is, as I said earlier, reinsurance pricing is down 30%, so we get advantage of that.

CARLOS BERUFF: Got it.

MR. BHATIA: So, a combination of both factors.

CARLOS BERUF: Well, that's a good thing to do.

MS. MONTERO: And in addition to that, Lightning Re also goes away. Their contract ends at the –

MR. BHATIA: They mature.

MS. MONTERO: Yeah, they mature. So, they'll be -- they'll be gone before June 1st. So those will also be off the program.

CARLOS BERUFF: Great.

CHAIR KNIGHT: Thank you. Governor Spottswood, did you have a question or comment?

MR. SPOTTSWOOD: So just to say it again because I want to hear it, so with the reinsurance that you're proposing to purchase, which is a whole lot less than we purchased in prior years, even with a probable maximum loss for a 100-year storm, we would only go through 26% of our existing surplus?

MS. MONTERO: Yes, that is -- we haven't gotten to the layer charts yet, but that is correct.

MR. SPOTTSWOOD: Is that -- is that the strongest position that you've been in since I've been on this board?

MS. MONTERO: Probably since you've been on this board, yes.

MR. BHATIA: In 2014. I was really going back – way back when it was 20%, but very close to strongest ever.

MR. SPOTTSWOOD: Yeah, I recall going through all the surplus and not being able to fully cover and having to go out for assessments in order to cover the last 4 or 5 percent of probable loss. So, is that a direct result of reducing the number of policies and total exposure?

MS. MONTERO: A lot of it is based on that, the fact that we've gotten smaller and our surplus is still $5.14 billion. So, you'll see if the – if the layer chart went past the 1 in 100 year, you'd see a lot of green above that before you see the Citizens policyholder surcharge kick in.

MR. SPOTTSWOOD: So I guess what that sets up for me is Citizens has accomplished its goal of reducing its exposure -- total exposure, it's well capitalized, it can cover a probable loss for a 100-year storm, and it puts this board in a different position when it's looking at setting rates and premiums and being actuarially sound going forward, I'd like to think. Anyway, I'm not really expecting you to tell me yes, but that's what I'm looking for.

MS. MONTERO: Kapil's going, "Yes, yes."

CHAIR KNIGHT: Continue with –

MS. MONTERO: Okay. So, the second thing here, or I guess it was the first thing, is actually the executive summary and the layer charts, and we can walk through those quickly. And as I mentioned, you're not going to see -- 2024 bonds are not on here, the Lightning Re is not on here. That's why I wanted to cover those first to explain why all you see is last year's $1.525 billion CAT bonds. And then we had $1.369 billion of private reinsurance, but that was a single year deal, so we have to go back to market. So, in total, we've got about $1.525 billion of reinsurance on here. We're looking to have new coverage of about $1.45 to total almost $3 billion to give us full coverage to protect the surplus in a 1 in 100-year event on the layer chart. Specifically, and to Governor Spottswood's point, we would only be exposing 26% of the surplus in this scenario. The proposed program would have a sliver layer alongside the CAT fund, which would provide about $170 million in excess of $1.14 billion of annual per occurrence coverage that would cover personal residential and commercial residential losses. The layer would be placed in the traditional market, and it would work in tandem with the mandatory coverage provided by the CAT fund. Layer 1 would sit right above that in the yellow, and that would -- I guess it would be all -- everything above that in yellow, and that would be above the sliver layer. The layer would provide $2.81 billion of coverage for personal residential and commercial residential losses from the capital markets and the traditional markets as follows: Approximately $1.28 billion of occurrence in annual aggregate coverage from the traditional and capital markets and then a capital markets renewal, which is in the light blue, of risk transfer placement through Everglades Re, and that's the 2025-1 program that we issued last year. And so basically our next steps are to continue to work with the markets, as well as our financial advisor, and evaluate available options relating to the structured terms pricing and other relevant matters as regards to 2026 program. This layer chart is -- it is -- the PML on there is at $5.648 billion. That is projected from 12/31 and we project that out to September 30th, and you can see at the top of that it includes 10% LAE and it is a reduction of about 8.5% of the personal and commercial residential and about 26.8% reduction for the commercial non-residential growth adjustment for both of those. So, we do take into effect the fact that we have depop going on and that we're going to also have summer months that won't have depop. So that's the big -- big – big question is getting it to the right number projected out to September 30th.

CHAIR KNIGHT: Questions? Thank you.

GOVERNOR BECKSMITH: Can I ask one just quick question? I hope it's quick, sorry. Should we be thinking about anything other than traditional reinsurance and bonding for reinsurance? Is there something else in the marketplace from an alternative funding standpoint?

MS. MONTERO: Do a captive.

GOVERNOR BECKSMITH: Captive? Okay. Do we have any -- and I don't disagree, by the way. I'm just -- this is probably kind of a loaded question for myself just to kind of understand and kind of think where our heads are. Do we have any data on other states and/or city -- well, probably more state-run pools of some sorts of when and where they formed it, why they formed it, and approximate savings and things of that? Because, ultimately, obviously, if we're trying to depopulate Citizens, right, we want to get folks out and get them good coverage. To Governor Spottswood's point, I think with the way the marketplace is, at least in my opinion, it leads us to, as a board, that we should be thinking about exploring alternative funding options, right, to buy what I would consider traditional reinsurance and things of that nature that could ultimately benefit the policyholders, right, in the state of Florida. Do you, Kapil, or do you, Jennifer, have any idea of what other states are starting to do this type of stuff?

MS. MONTERO: And you're talking about, like, residuals markets with other states?

GOVERNOR BECKSMITH: Yeah, either residual markets or just –

MS. MONTERO: We're by far the hugest – the most large one. I don't know that they –

MR. BHATIA: We're getting smaller.

MS. MONTERO: Yeah, we're getting smaller.

MR. BHATIA: We are still one of the big ones just because we are (inaudible).

GOVERNOR BECKSMITH: Sure. Yeah, yeah.

MR. BHATIA: And Texas is growing. California market is completely dislocated. So, Texas recently -- Texas windstorm recently restructured its program. They have been one of the largest buyer of reinsurance. None of the states' residual programs -- they only look at it traditional market and CAT models because captive does not provide the tax savings and most of the state entities are tax-exempt. So most of our clients, which we work with earthquake, wildfire, different states, the only entity -- public entity which have created in a captive for a specific reason -- and I can go through it if you are interested -- is MTA New York because they have different business pieces from a subway system to a railroad to metro north to the bridges. So, they have created a captive as they do a cost allocation among ell business entities, and they get a significant amount of FEMA funding. So, they have different reasons to buy it. Just because we don't have a tax savings captives but it can still provide us some benefits, especially if we are in a stronger position. We'll evaluate it after this year is done, and hopefully we can place it effectively and efficiently and take advantage of the market and do the economic analysis, and if we decide if it's efficient mechanism for us to come back to the board with more details, that makes sense. Until now it wasn't inappropriate because of the tax play what we have, but we'll come back to the –

GOVERNOR BECKSMITH: I would be -- from a board standpoint, I would be in favor of us coming -- not today, obviously, but coming back to the board with an analysis of this of looking at a potential alternative funding, a/k/a captive arrangement, to see if it makes sense. We'll trust, obviously, you and your experience on that, but just something as a takeaway. So, yeah, I appreciate that. Obviously, it can't be done by 6/1, I got that. So...

MR. BHATIA: And the markets are good, so we want to take complete advantage of it and we are buying significantly less, but we want to create -- especially it would be helpful below the CAT fund because that's where we expose most of our capital effectively. As you can see it in the layer charts, 26%, but almost 20% of that is below the CAT fund. If somehow, we can optimize that program -- we have never been in a position because we never had significant capital, but, hopefully, one more year and then we can circle back and see economic analysis and a cost-benefit analysis.

GOVERNOR BECKSMITH: Thank you.

MR. BHATIA: Thank you.

CHAIR KNIGHT: Thank you for that.

GOVERNOR WHITE: Just to echo that, I'm the new guy on the board. I'm not in the industry. But one of the things I have picked up is that, obviously, this is one -- reinsurance market stability is one of the most important things to our ability to continue on a fiscally sound basis. And so, I would encourage, yeah, anything you can do to come up creatively that can detach us from that instability in the reinsurance market would be a very productive exercise worth us looking at.

MR. BHATIA: I think legislative have done their part and that has stabilized the reinsurance market because if you can model it, they can price it. If you cannot model it, you cannot price anything effectively. That's where we were. And the loss models had been very comfortable with what -- the numbers coming in. If you could take out the litigation expenses, I think the reinsurance market will remain there until there is something else. Losses, you can see it, that may have an impact, but that impact is not as large because you can plan for it and you can -- you know exactly the events are going to happen. It's insurance and reinsurance. You expect losses to happen as long as you can plan and project it and the models reflect that. So, I think we're in a good position at this point in time. It was self-inflicted problem. We knew it was happening for years. Now we have solved the problem, the legislative has, and suddenly it's helpful for everybody.

GOVERNOR WHITE: Thank you.

CHAIR KNIGHT: Thank you. Yes.

GOVERNOR SPOTTSWOOD: So, it just strikes me that one of the most important things we can do -- and I don't know how to accomplish this. The result would seem terrific. But if we can maintain our size and not grow back to a huge company again, it would certainly make it easier for us to accomplish that objective. And so what we start thinking about doing in order not to grow again in the future to the size we were, that we struggled to buy so much reinsurance, it cost us so much money in prior years and to have so much exposure, to be in a position today where for a probable maximum loss that we've got more than enough surplus to cover and still have surplus leftover is an enviable position for us to be in since I started on this board. And it's based in large part just on size of the company. So, we need to figure out what to do to keep from growing as we have in the past.

MS. MONTERO: Keep the market healthy and we won't grow. That's what really triggers us growing is when the outside market, something happens to it and it becomes broken. Then policies come to Citizens. They start -- if reinsurance rates, for example, go through the roof, companies will start shedding their exposure because they won't be able to afford it and they won't have anywhere else to go but to here. So, we typically grow because of outside market conditions.

GOVERNOR SPOTTSWOOD: And the other thing that I was kind of alluding to, but didn't want to say it directly, is the focus on those portions of the state where this entity is really set up to serve those markets where others can't, and just going into every single market in the state, competing against a private market, I don't think is a place for us to be.

CHAIR KNIGHT: Thank you.

MS. MONTERO: I have one more section.

CHAIR KNIGHT: Yes. Investment portfolio update?

MS. MONTERO: Yeah, the investment portfolio update. Thank you. So Slide 1. The total portfolio is $8.84 billion with approximately $7.58 billion externally managed by nine investment managers. The remaining $1.6 billion 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 or any potential future claims. The total portfolio average duration is stable and currently just over 2.23 years. As of December 31st, 2025, the one-year total income and net income total are 6.07% and 3.36%, respectively. As of year-to-date February 2026, or for two months, the net income and total income return are .54% and 1%, respectively. Slide 2, please. The current fed fund rate after the recent cut is 3.5 to 3.75 percent. One to two rate cuts are expected in 2026 before reaching its terminal rate of 3 to 3.25 percent by mid-year. The yield curve is now upward sloping, starting with two-year maturities with 2 to 10-year spreads 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 large fiscal deficit and the increased treasury issuance. Slide 3, please. The portfolios have strong -- have very strong credit quality. Approximately 79% of the portfolio is in money market funds or rated A or higher, and approximately 42% of the total portfolio is in treasury and agency securities or in money market funds. And the last slide. The portfolio income return is stable and the 2026 income return and total income return are expected to be approximately 3.2% and 5.7%, 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 it's declining at a faster pace as interest rates decrease and the portfolio duration shortens. And that completes my report.

CHAIR KNIGHT: Thank you.

CARLOS BERUFF: I have a question, Madam Chair. What is the difference between the internally managed funds on a return compared to the externally managed funds?

MR. BHATIA: The returns are very similar. Internally managed fund is relatively very, very short duration, like zero to six months, because we want to pay all the claims.

CARLOS BERUFF: Yeah, I understand. I just want to know how many basis points we're closing on the internal management as opposed to the external management.

MR. BHATIA: So, I'll just go through the income return because that's more relevant. So, for the last one year, the internally managed return was 4.21% and the externally managed return was closed at 3.75.

CARLOS BERUFF: So, the internally managed –

MR. BHATIA: (Inaudible) higher.

CARLOS BERUFF: -- has actually exceeded the external management?

MR. BHATIA: And the reason for that is when the yield curve was inverted and the short-term rates were significantly higher, and as the Fed has started to cut the funds rate, it is going to be less than that. But we expect almost to be equal as the older portfolio matures and becomes shorter. But the total return on externally managed portfolio is higher, as Jennifer said, because some of the mark-to-markets continues to evaporate–

CARLOS BERUFF: And since I know that you've become a mind reader, my next question, you know the question is going to be if we liquidated our portfolio, how big a loss would we have to take?

MR. BHATIA: As of end of February, the last day of February, 2026, $293 million.

CARLOS BERUFF: I'm sorry?

MR. BHATIA: $ 293 million on a –

CARLOS BERUFF: $ 293 million?

MR. BHATIA: Correct. And it's a $9 billion portfolio. However, each month that -- even if the interest rates remain where they are, ignoring the duration factor, it's evaporating by $8 to $10 million dollars a month.

CASRLOS BERUFF: Eight to 10 million now?

MR. BHATIA: A month. With no change, keeping everything else constant.

CARLOS BERUFF: So, it's got a long way to bleed off because the interest rates have not come down as we had anticipated a year ago?

MR. BHATIA: That is correct. However, the short-term interest rates are coming down. So, as our portfolio matures, the interest rates automatically come down because the yield curve is becoming normal. So that piece will be faster. We expect almost 24 months before it comes down to zero.

CARLOS BERUFF: Thank you.

CHAIR KNIGHT: Okay. There's no new business that I'm aware of.

(End of proceedings.)