Approval of Prior Audit Committee Meeting Minutes

Choose an item.	Review of the June 23, 2026 Audit 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 March 4, 2026 Audit Committee minutes			
Board Consent	N/A			
Executive Sponsor(s)	Joe Martins, Chief of Internal Audit			

CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE
AUDIT COMMITTEE MEETING
Tuesday, June 23, 2026

The Audit Committee of Citizens Property Insurance Corporation ("Citizens") was convened at 8:30 a.m. on Tuesday, June 23, 2026.

The following members of the Audit Committee were present:

Chair Jamie Shelton
Governor Robert Spottswood
Board Chair Carlos Beruff

The following Board Members were present:

Governor Erin Knight
Governor Frank White
Governor Jason Butts
Governor Josh Becksmith
Governor LeAnna Cumber

The following Citizens Staff were present:

Adam Marmelstein
Aditya Gavvala
Barbara Walker
Bonnie Gilliland
Brian Donovan
Brian Newman
Carl Rockman
Jay Adams
Jennifer Montero
Jeremy Pope
Joe Martins
Kapil Bhatia
Ken Tinkham
Ray Norris
Sarai Roszelle
Stephen Mostella
Tim Cerio

The following were present:

Dave Newell, FAIA
Matt Church, Forvis Mazars
Sam Wishard, Forvis Mazars

Barbara Walker: Chair Shelton, we have no speaker requests for today. May I proceed with roll call?

The roll was called, and a quorum was met.

The Committee briefly awaited Governor Spottswood, who was joining the meeting via Zoom; a quorum being present, Chair Shelton elected to proceed. Governor Spottswood joined shortly thereafter.

Chair Shelton: Welcome, Chair Beruff, and Committee member Spottswood. Turning to the consent agenda, we have the approval of the prior meeting's minutes from March 4, 2026, and we'll entertain a motion to approve.

A motion to approve the March 4, 2026, minutes was made and approved.

Chair Shelton: We have several items on the agenda this morning. Mr. Martins with his report, Ms. Montero with the quarterly CFO report, Mr. Tinkham with an update on our annual ethics report, and the engagement partner and manager from Forvis Mazars, who have issued the financial statements. We'll jump right in. Mr. Martins, you are recognized to present your reports.

Joe Martins: Thank you, Mr. Chairman, Members of the Committee. Today I will cover the Internal Audit progress, performance metrics, key observations, and updates on Enterprise Risk and Internal Control. The theme of quarter two is simple: the audit plan remains on track, risk remains within tolerance, and our focus is timely remediation on technology and access-related items.

For the 2026 reporting period, we have completed 11 engagements, five of which were completed in the second quarter, and 16 engagements are in progress or planned for the third and fourth quarters.

Among the Q2 completions: for CAT Readiness, we found the project to be generally on track with no immediate showstoppers. For Ethics, we found an established program with opportunities to better align governing documents, continue building a formal ethics framework, strengthen training and attestation enforcement, and clarify the ethics officer's access to executive leadership and the Audit Committee. The suggestion was that the ethics officer have the authority to communicate directly with the CEO and the Audit Committee when circumstances require. Identity Governance and Access Management identified opportunities to strengthen enforcement, communication, and monitoring of governance requirements. Premium Invoicing, Refunds, and Suspense Accounts identified one improvement opportunity related to tracking refund mail dates. The Secondary Employment engagement identified improvement opportunities in how the program is applied and how the Code of Ethics and disclosure controls are managed; potential breaches of the policy identified through our data analytics and review program were shared with the Office of the Inspector General for further consideration.

On the metrics, engagement completion is at 100% for planned Q2 work, and the issue closure rate is 81%. Auditor productivity was 77% against the 80% rolling-year target, largely driven by the organizational change during quarter two. Budget-to-actual hours were favorable by 90 hours.

The one high-risk open observation remains the CBIS segregation of duties issue. In recent discussion with management, we agreed that further work is needed to complete remediation, and an additional three-month extension was approved. We continue to monitor the item closely. The in-progress and planned work is concentrated in areas that matter to the organization, including cybersecurity, claims, underwriting, and regulatory support.

No high-impact observations were issued in Q2. There are 12 open observations currently, 11 medium risk and one high risk, the high-risk item being the CBIS segregation-of-duties observation already mentioned. Two medium-risk observations are overdue and remain under active follow-up: the Auditor General / IT access-management findings originally due December 31, 2025, and the IT Security Technology Governance NIST framework item due March 31, 2026. Consideration of corrective implementation for these observations has been reviewed, and an extension of the completion date appears reasonable. The Identity Governance and Access Management observations related to enforcement, monitoring, and communication awareness; Premium Invoicing, Suspense, and Refunds included one observation related to tracking refund mail dates; and Secondary Employment highlighted disclosure and potential-conflict considerations warranting stronger workflows, training, and oversight. The takeaway is positive, no new high-impact observations, but remediation discipline remains important, especially for overdue technology and access-related items.

Turning to Enterprise Risk and Internal Control: the overall risk message is positive. Risk remains within established tolerance levels, and there are no significant risks requiring escalation to the

Committee at this time. Operational risk assessments are underway and are 35% complete, using expanded self-service capabilities that make the process more efficient and broaden coverage. Emerging-risk monitoring continues through structured assessments and risk-sensing discussions with senior leaders, intended to identify shifts in the operating environment early. The team has developed key risk indicators (KRIs) to strengthen data-driven monitoring and early detection. This should give management a better view of changes and exposure over time.

On Internal Control, the control environment remains effective. Evidence collection for 82 higher-risk laws, rules, and regulations has been embedded into the ICF management control self-assessment process, connecting compliance requirements to management control and ownership. Continuous process enhancements and collaboration with business areas, supported by the OIA data analytics team, are expected to improve the efficiency and timeliness of risk identification. In summary, audit execution is on track, the budget position is favorable, risk remains within targets, and the control environment remains effective. This quarter's focus remains on remediation discipline, cybersecurity and access governance, regulatory support, and better monitoring through data and KRIs. Thank you, Mr. Chairman; I'm happy to answer any questions.

Chair Shelton: Joe, I have a couple of follow-ups. First, on what I'll term the delinquency in completing the segregation-of-duties item. It was supposed to be addressed by the end of last year, was extended to June 30 of this year, and it's still not complete. As we discussed, I'd like to charge you to circle back with me at the end of July on where the management group stands on completing their response and remediation. My recollection is they were hoping to complete it perhaps by the end of August. Let's put it on our calendars to touch base this month and make sure we're progressing toward completion by the end of August; if after that it appears we're not, you can advise me and I can have conversations with senior management as needed.

Second, on the ethics audit, you mentioned the ethics officer, and I know you're not recommending changing the reporting lines. I want to make clear that the ethics officer does have a direct line to the Audit Committee Chair, me, or whoever may sit in this chair in the future, should that person deem it necessary. I don't think we need a vote on this; I believe that's within the Chair's purview. I'd like it noted and communicated in the records that I welcome it and think it's a good recommendation to put in place. With that, I have no further questions. Chair Beruff, Committee member Spottswood, or any other Governors, any questions for Joe?

Governor Spottswood: Just one, Chairman. What duties are not presently segregated that is creating the issues?

Joe Martins: I don't think we can go into great detail in this discussion, but briefly: within the Guidewire operational system, which includes PolicyCenter and ClaimCenter, the segregation of duties was not clearly defined when the system was implemented last year. Further work is needed, and a team has been created to better define the work being performed and to ensure the segregation of duties between claims and underwriting is properly managed, defined, and executed, with a monitoring program so that no person in claims has the opportunity to create an underwriting task and no person in underwriting has the opportunity to create a task in claims. It is a big task, and the team is working on developing and implementing that change in the near future.

Governor Spottswood: Okay, thank you.

Chair Shelton: Thank you, Governor Spottswood. Any other questions? Thank you, Joe, nice report. You and I will talk in a month. Next, CFO Montero, you are recognized to present the quarterly update on the results of operations.

Jennifer Montero: Good morning. The materials I'll discuss are the First Quarter 2026 Results of Operations and Financial Position, which provides an overview of Citizens' unaudited financial position, including cash flows, invested assets, and surplus, as well as operational results for the quarter ending March 31, 2026. The document that follows provides commentary and analysis; I'll summarize the information contained within the commentary document.

At March 31, 2026, cash and invested assets totaled $8.7 billion, approximately $295 million less than at December 31, 2025, as a result of net cash flows used in operations of approximately the same amount. Surplus at March 31, 2026 was approximately $5.34 billion, an increase of approximately $177 million compared to December 31, 2025, driven by the first quarter's net income.

Direct written premium in the first quarter of 2026 was $268 million, approximately $422 million less than was written in the same quarter a year prior. The number of new policies written in the first quarter decreased to 19,000, compared to 55,000 a year prior. The renewal rate of 74% reflects a decrease of 10 percentage points compared to the first quarter of 2025. Premium ceded through depopulation during the first quarter was $157.4 million, which is $84.4 million less than the premium ceded during the first quarter of 2025. Through the first quarters of both 2026 and 2025, no premium ceded for private reinsurance or for coverage from the Florida Hurricane Catastrophe Fund (FHCF) was recognized; such premium is recognized at the inception of the Atlantic hurricane season, which is June 1.

At March 31, there were eight named storms with significant loss and LAE reserves outstanding from prior years, Irma (2017), Ada (2020), Ian and Nicole (2022), Idalia (2023), and Debby, Helene and Milton (2024). The projected ultimate loss and LAE associated with these storms are unchanged from December 31, 2025. The non-catastrophe loss and LAE continue to perform as expected, remaining mostly flat from year end and reflective of comparatively lower litigation rates.

Administrative expenses incurred during the first quarter of 2026 were $48.8 million, unchanged in comparison to the same period in 2025 and $1.2 million less than budgeted. Citizens' expense ratio for the period ending March 31 was 28.1%, an 8.9% increase from the same period a year prior and a 5.3% increase compared to budget.

Chair Shelton: Jennifer, I don't like to interrupt, but that was one of my questions. We all understand why it's up, and it's a bit more than planned. Going forward, do you see that coming back down, and what do you expect as a run rate given the number of policies we're servicing?

Jennifer Montero: Mr. Chairman, the expense ratio jumped because our policy count dropped and the denominator of the ratio is direct written premium. When direct written premium took a big hit, we were writing roughly 75% less business, and with a mix of fixed and variable expenses, a large reduction in the denominator produces a large jump in the ratio. It's not that expenses are going up; it's that direct written premium is going down.

Chair Shelton: I understand the math; my question is whether, going forward, as we ratchet down fixed and variable expenses, you see it coming back in line with budget, or staying somewhat above where we planned.

Jennifer Montero: I think over time, in 2027, it will start to even out. The industry expense ratio is closer to 25%; we've always run lower because we have fewer expenses than the private market and had much more direct written premium. We have extra expenses in 2026 as we shrink and make building and employee changes, and I think once we reach 2027 you'll see a more normal-looking expense ratio.

Chair Shelton: We'll look forward to that. Sorry to interrupt, please continue.

Jennifer Montero: Through March 31, 2026, total investment income was $68.1 million, or $24.9 million less than the same period in 2025, while average invested assets decreased $1.13 billion. Included in first-quarter 2025 investment income was $10.1 million related to the defeasance of the 2015 Series A-1 bonds payable, recorded as investment income in January 2025. Excluding the impact of that transaction, net investment income decreased $14.8 million in 2026 compared to the prior-year period. This decrease is largely the result of a reduction in investment assets, driven principally by cash outflows from the 2024 storms, along with a reduction in market rates in money market funds and other short-term securities. That completes my report, and I'm happy to answer any questions.

Chair Shelton: One additional question. In the detail of administrative expenses, salaries year-to-date are on plan, but employee benefits are about a half-million dollars over plan. Is that related to the early call to leave and the benefits related to the voluntary separation program?

Jennifer Montero: Yes, that's related to the voluntary separation program, it includes severance and the payout of earned but unused vacation and sick time. The program is closed; the option was made available, and it ended in March. There is a time lag, however: an employee has 45 days to sign all the documents, and that period does not end until early-to-mid August, so there may be some additional dollars, but participation is closed.

Governor Spottswood: I have two questions, Mr. Chairman. Jennifer, what was the total reduction in force, by number or percentage, related to that program?

Jeremy Pope: Governor Spottswood, we are at 876 employees, and we have concluded our voluntary separation program as well as an involuntary separation program.

Chairman Beruff: What was the FTE count at the top of the curve, before the program?

Jeremy Pope: We started with 1,354.

Governor Spottswood: That answers it, thank you. One more quick question, when you were going through the statement of position, do I recall our surplus at the end of last year being just over $5 billion?

Jennifer Montero: It was $5.159 billion at December 31, 2025, and it is $5.336 billion as of March 31, 2026.

Chair Shelton: Thank you. Any other questions for Jennifer? Thank you, Ms. Montero. We'll move on to Ken Tinkham, VP, Deputy General Counsel, Corporate Legal, who will give a brief presentation on ethics and compliance. Mr. Tinkham, you are recognized.

Ken Tinkham: Thank you, Mr. Chairman. I'll be brief. As of last year, we have a new ethics officer, Lacey Cantor, who is also senior counsel and handles HR and employment law matters. The ethics program has not substantially changed and has the same goals it has always had: to protect the public interest and integrity, maintain Citizens as a trustworthy corporation, ensure that employees and members of the Board do not use their positions for personal gain, and ensure compliance with applicable state laws.

As noted by Mr. Martins, we do want to update the ethics framework. We are in the process of doing that now and have a draft; I anticipate we'll have it finalized by Q3. One of the points made concerned access to the Board and committee, and we are making sure that is articulated and formalized in the framework.

On compliance, which is part of the overall ethics and compliance framework, we maintain a robust program. We maintain a catalog of nearly 600 laws, rules, and regulations that we monitor, sorted into two buckets: those we maintain organizational awareness of, and those we routinely certify using a team of compliance champions throughout the organization. For reasonable assurance of compliance, the compliance champions annually certify compliance for the laws, rules, and regulations affecting their business units. For a smaller bucket of higher-impact laws, rules, and regulations, we perform a deeper compliance integrity review, in which the compliance team works with Enterprise Risk and Internal Controls to build out the necessary controls and confirm they are operating as intended. I'm happy to take any questions, and always happy to speak with anyone individually offline.

Chair Shelton: Thanks for the presentation. Is it a fair statement that your overall assessment of the compliance and ethics program is satisfactory and that things are well overall?

Ken Tinkham: Yes, Mr. Chairman. I can say with a great degree of confidence that we have a very compliance-oriented and ethical culture here at Citizens.

Chair Shelton: Good to hear. Chair Beruff, Committee member Spottswood, any questions for Ken? Thank you, Ken. Next, we have our engagement partner and engagement manager from Forvis Mazars, who have issued two sets of financial statements. They are here to give a brief presentation and overview of the audit and the results. You are recognized.

Matt Church: Thank you, Chairman, and good morning, everybody. For the record, I am Matt Church, the audit partner with Forvis Mazars, and with me this morning is Senior Manager Sam Wishard. Our plan is to provide a quick overview of our audit scope and the adjustments identified during the audit, of which there were none in the current year, which Sam will address, and then to cover certain required communications.

To recap, we were engaged to provide audit opinions over the statutory and GAAP financial statements of Citizens. We issued unmodified opinions on both on May 22, 2026. Our opinions are on the financial statements only; we do not provide an opinion on Citizens' internal controls. One item to point out: we had a slight change to our audit approach with regard to premiums. We had identified a significant risk related to policy cancellations, which was communicated to the Committee during our planning presentation; however, during fieldwork we determined that it was no longer a significant risk, and we removed it as such. I'll turn it over to Sam to cover the required communications around accounting policies and estimates.

Sam Wishard: Good morning, Governors. On adjustments this year: we are not aware of any material weaknesses or significant deficiencies in the internal controls over financial reporting. There were no corrected adjustments; however, you will see adjustments in the management representation letter this year. These are all related to prior-year adjustments that were identified and that reverse and impact the current year, and they are all immaterial.

On significant and new accounting policies: GASB Statement 102 was adopted by the company on January 1, 2025; its main provisions enhance existing disclosure requirements around risk concentrations, and adoption did not have a material impact on the financial statements, it was a presentation and disclosure change. Separately, the NAIC implemented the principles-based bond definition, effective January 1, 2025, introducing a principles-based framework to determine whether a debt security qualifies as a bond, focusing on the credit relationship and defined cash flows and whether it is classified as an issuer obligation or an asset-backed security. For the company, this implementation did not have a material financial statement impact, and the primary impact was limited to presentation changes within the investment footnote.

On significant estimates: first, loss and LAE reserves, we engaged Davies to evaluate management's actuarial estimates and noted they are reasonable this year. Second, the fair value of investments, we engaged internal pricing specialists to audit the fair value of the securities, noting that other-than-temporary impairment was not necessary this year. Third, reinsurance, we evaluated the key factors and assumptions related to the reinsurance contracts and noted that all reinsurance balances are reasonable. I'll send it back to Matt for the remaining required communications.

Matt Church: Thanks, Sam. Lastly, there were no disagreements with management, no difficulties encountered during the audit, and no consultations outside of the engagement team. That concludes our presentation.

Chair Shelton: Very good presentation; we appreciate it. For the Committee and the rest of the Governors: between Joe and myself, we stay in contact with our external auditors during the process, so there are no surprises when we come to this meeting, these are required disclosures and transparency for the entire Board. With that, the Inspector General's quarterly report is included in the package for information only. I ask Chair Beruff and Committee member Spottswood, is there any new business you'd like to bring forward?

Chair Beruff: Not for me, thank you.

Governor Spottswood: Not for me either, thank you.

Chair Shelton: Then we will adjourn this meeting and turn it back to you, Barbara. Thank you, everyone.

Whereupon the meeting was adjourned.