Citizens Property Insurance Corporation

Minutes of the
Finance and Investment Committee Meeting
Tuesday, June 23, 2026

The Finance and Investment Committee of Citizens Property Insurance Corporation (Citizens) convened via Zoom webinar on Tuesday, June 23, 2026, immediately following the Audit Committee meeting.

The following members were present:
Erin Knight, Chair
Carlos Beruff, Board Chair
LeAnna Cumber

The following board members were present:
Jamie Shelton, Vice Chair
Josh Becksmith
Jason Butts
Frank White
Robert Spottswood

The following staff were present:

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

The following external attendees were present:

Kapil Bhatia – Raymond James
Dave Newell – FAIA
Matt Church
Sama Wishard

Call Meeting to Order

Barbara Walker: Thank you very much and good morning. You are dialed into Citizens' Finance and Investment Committee meeting webinar scheduled to convene immediately following the Audit Committee meeting. Panelists, thank you for identifying yourself prior to addressing the committee. Chair Knight, we have no speaker requests for today. May I proceed with official roll call?

Chair Knight: Yes.

Barbara Walker: Chair Knight?

Chair Knight: Present.

Barbara Walker: Board Chair Beruff?

Chair Beruff: Present.

Barbara Walker: Governor Cumber?

Ms. Cumber: Present.

Barbara Walker: And Governor Lydecker is not attending today's meeting. Chairman, you have a quorum.

Approval of Prior Meeting Minutes

Chair Knight: Thank you. Welcome to the June 23rd, 2026, FIC meeting. I'd like to open the meeting with our first agenda item, approval of the March 4, 2026, meeting minutes.

Chair Beruff: So moved.

Chair Knight: Any discussion?

Ms. Cumber: Second.

Chair Knight: Okay. All those in favor?

(Chorus of ayes.)

Market Update

Chair Knight: We will adopt the meeting minutes. Turn it over to Mr. Bhatia for our financial update, market update.

Mr. Bhatia: Good morning, Madam Chair, Mr. Chairman, board members, and the committee members. I'll go briefly over the market update and answer any questions, but please stop me at any time. Consumer prices increased by .5% in May and 4.2% for the last 12 months. This is a significant increase from April when the consumer price increase for the last 12 months was 3.8%. And part of the reason for this increase in May is the energy prices, which has increased by 23.5% over the last 12 months.

Mr. Bhatia: The core CPI is still stable, only increased by .2%, and for the last 12 months, it's 2.9%. Non-farm payroll employment rose by 172,000 in May, and the current unemployment rate is 4.3%, which is range bound between 4.3% to 4.5%. We expect that rate to increase to 4.6% by the end of 2026. There are currently 7.3 million people unemployed, and the labor force participation rate is 61.8% and that rate is coming down. It was 62.4% at the end of 2025 as more people are retiring, and, therefore, the labor participation rate is coming down.

Mr. Bhatia: 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 at the near full employment level of around 62% plus/minus. Real GDP increased by 2% in the first quarter of 2026 after a sluggish .5% in the fourth quarter of 2025. The GDP increase in 2025 was 2.1%. We expect GDP growth to be 2.4% in 2026 primarily because of the investments in digital infrastructure, 2025 Reconciliation Act, and federal spending shifts.

Mr. Bhatia: Fed funds rate is still stable at 3.5 to 3.75 percent. Market is expecting no more additional cuts this year; however, we believe there will be one cut in the fourth quarter or towards the end of 2026. The yield curve is slightly upward sloping as the rates have stabilized, but the two-year rates have increased because no fed funds rate cut. There is a difference of 27 basis point between the two-year and a ten-year treasury curve.

Mr. Bhatia: And we expect long-term rates to remain where they are primarily due to large fiscal deficit and debt-to-GDP ratio, which now exceeds 120%. So we don't expect rates to come down anytime soon. Our investment portfolio is (audio skip) smaller than where we were last year. If there are any questions, I'll stop here about the market update before moving on to the reinsurance market briefly.

Chair Knight: Are there any questions from -- okay. Go ahead.

Mr. Bhatia: Thank you. The reinsurance market is -- overall, the market is very stable. 2025 was effectively an uneventful year, even though we had 100 billion of losses, which has become norm over the last five to six years. As a result, reinsurers are set to produce another year of strong results, and (inaudible) are significantly going to be above cost of capital, which has put pricing pressure on the reinsurance pricing.

Mr. Bhatia: We expect 2026 reinsurance -- the June 1 renewal pricing decreased by approximately 15 to 20 percent, and over the last two years, the reinsurance pricing has decreased to 20 to 30 percent, depends on the layer and where it attaches in the capital structure. And that brings reinsurance pricing closer to 2022-2023 levels.

Mr. Bhatia: On the very positive side, the pricing and capacity in Florida have continued to improve due to tangible improvements in Florida P&C marketplace, and, overall, the rates have been significantly down this year, and Jennifer will go through more details, but, overall, the Florida market is down approximately 20% this year. And, lastly, in 2025, Florida domicile record -- companies recorded nearly one billion in underwriting gains compared to 235 million in 2024, and a negative losses for prior to that for five years in a row.

Mr. Bhatia: In 2020, the negative losses were $1 billion. So, overall, Florida market is in a stable position, insurance companies are doing great, reinsurance market is stable, and rates are low. With that, I'll stop and happy to answer any questions.

Chair Knight: Thank you. Do we have any questions from the committee?

Ms. Cumber: No questions.

Chair Knight: Okay. All right.

Mr. Bhatia: Thank you.

Chair Knight: Thank you. Ms. Montero?

Ms. Montero: Good morning. I'm going to go over the results of the 2026 risk transfer program. 2026 further solidified the impact of the 2022 and 2023 litigation reforms on the Florida risk transfer marketplace. After a year of development from Hurricanes Helene and Milton and no Florida hurricane landfall for the first time in a decade, reinsurers entered 2026 with a desire to build on the 2025 price increases. Both the catastrophe bond market and the traditional reinsurance market have ample capacity due to the increased capital, improved earnings, and the renewed confidence in the Florida market.

This is reflected in Citizens' new 2026 placement of approximately half in the capital markets and the other half in traditional markets. Depending on the placement and the seed and overall rate reductions in Florida, June 1st renewals are in the range of approximately 15 to 20 percent for layers above the CAT fund.

As approved by the Board of Governors at its May 8th, 2026, board meeting, Citizens sought authorization for a total of 2.82 billion of coverage with a cost not to exceed $280 million. Thanks to favorable market conditions, Citizens was able to place its target risk transfer program of 2.82 billion, which includes 1.29 billion of new placement and 1.53 billion of a multiyear coverage from 2025, at a net rate online of 9.52% and total cost of 276.5 million.

The new risk transfer program placement for 2026 of 1.29 billion includes 691 million in the traditional market and 600 million in the capital markets and has a net rate online of 8.46%, which is 29.2% lower than the net rate online for the new risk transfer program placed in 2025 of 11.95%. A portion of Citizens' cost savings for the 2026 program is attributable to the early redemption of the three tranches of notes through Everglades Re II issued in 2024.

This option, available since Citizens' exposure decreased by more than 75% over two years, enabled replacement of coverage in favorable market conditions as the prices have decreased significantly. Nonetheless, even after paying an optional redemption premium of 5.5 million, the resulting savings are significant. The cost to retain the coverage through Everglades Re 2024-1 notes for the third and final year would have been 124.8 million as compared to the Everglades 2026-1 cost of 46.6 million for a net savings of 72.7 million. The savings are the result of reduced coverage, as well as reduced rate online.

The 2026 risk transfer layers are as follows: The sliver layer will sit alongside the FHCF. It provides $160 million of coverage in excess of 1.05 billion of annual per occurrence coverage, which covers personal residential and commercial residential losses. This layer is placed in the traditional market and would work in tandem with the mandatory coverage provided by the Florida Hurricane Catastrophe Fund.

Layer 1 will sit above the sliver layer and the CAT fund. This layer is in the capital market's renewal risk transfer placement of 225 million of coverage for the personal residential and commercial residential losses through Everglades Re II. This is the second year for this multi-year note originally placed in 2025, which provides aggregate coverage.

Layer 2 will sit above Layer 1. This layer will provide 850 million of coverage for personal residential and commercial residential losses from the capital and traditional reinsurance markets as follows: 250 million of occurrence coverage from the traditional market, 25 million of new, multi-year, annual IREIT coverage from the capital markets placed through Everglades Re II -- this is the first year of this three-year coverage -- and a capital markets renewal risk transfer placement of 375 million through Everglades Re II.

This is the second year for these multi-year notes originally placed in 2025, which provide aggregate coverage. Layer 3 will sit above Layer 2. This layer will provide 850 million of coverage for personal residential/commercial residential losses from the capital and traditional reinsurance markets as follows: 175 million of occurrence coverage from the traditional market, 200 million of new, multi-year, annual IREIT coverage from the capital markets placed through Everglades Re -- this is the first year of the three-year coverage -- and then a capital markets renewal risk transfer placement of 475 million through Everglades Re.

This is the second year for these multi-year notes originally placed in 2025, and they provide aggregate coverage. And Layer 4 will sit above Layer 3. This layer will provide 731 million of coverage for personal residential and commercial residential losses from the capital markets and the traditional reinsurance markets as follows: 106 million of occurrence coverage from the traditional market, 175 million of new, multi-year, annual IREIT coverage from the capital markets placed through Everglades Re -- this is the first year of that three-year coverage -- and then a capital markets renewal risk transfer placement of 450 million through Everglades Re.

This is the second year for these multi-year notes originally placed in 2025, which provide aggregate coverage. In summary, the 2026 private risk transfer program totals 2.82 billion of coverage with approximately 691 million of coverage in the global traditional reinsurance market and 2.13 billion of global capital markets coverage, with an overall weighted average net rate online of 9.52%.

The 2026 risk-adjusted price reflects substantial improvement in market conditions. For the total program, including existing coverage, the price is approximately 20% lower than the 2025 program. And for the new coverage placed in 2026, the price is approximately 30% lower than it would have cost for similar coverage in 2025. Only 23% of surplus is exposed in the one to 100-year event. And I think it's noteworthy to mention that the emergency assessment does not kick in until the one in 360-year event. And that concludes my report and I'll pause for any questions.

Chair Knight: Thank you.

Mr. Spottswood: Chair, I've got a question, if I may.

Chair Knight: Yes, Governor Spottswood.

Mr. Spottswood: So with only 23% of surplus being exposed in a one in 100-year event, why do we say that surplus remaining after a one in 100-year event is only able to cover a one in 62-year event? Seems like there should be more.

Ms. Montero: That would be a second event. So, Governor, what would happen is we would go through the one to 100 and we would use up all of our reinsurance. There would be nothing there.

Mr. Spottswood: I see.

Ms. Montero: So, the second time around, it's up to a one in 62 because we have -- all pure cash would be paying -- we'd be paying all the losses out of pure surplus.

Mr. Spottswood: And would there not be a way of obtaining additional reinsurance --

Ms. Montero: Yeah, we could --

Mr. Spottswood: -- following an event to provide for a larger event, or is that not something we would typically do?

Ms. Montero: We have not done that in the past simply for budgetary purposes, but we definitely can look at buying reinstatements for those lower layers. We do -- and if we don't blow through it, we -- in the past, we've had mechanisms that would come down when we -- as we ate through the stuff at the bottom, the higher levels would drop down. But as the market got harder, we lost some of those bells and whistles. The market's getting softer. So, we did try to add some things.

For example, to the sliver layer, we had capped all the LAE, the loss adjustment expense, to a factor of .1, and it used to be unlimited and we negotiated to get the unlimited back into the sliver layer so that it will also catch any loss adjustment expense that is not.

But, yes, those are things that we can look at, we do look at. It comes down to cov- -- the kind of -- which -- getting coverage, and then the bells and whistles of what that coverage includes. But if you'd like, we're happy to look at that and come back to you with a recommendation for next time.

Mr. Spottswood: I was just thinking with regard to contingency planning or disaster planning, if we did have a large event and we went through 23% of our surplus and we're depending on the balance of our surplus to cover a one in 62-year event and we didn't have any additional coverage, after that second event, we would be completely out of surplus with no additional coverage and that wouldn't be a good place to be.

Ms. Montero: That's very right. And I'll say that also -- first of all, having a storm at the one to 100-year event would destroy most of Florida. Hurricane Andrew was -- for us was only like a one in 40 something. It was less than a 1 in 50-year event. So just to get to a hundred -storm that's one in 100-year, and then followed up by 1 in 62, again, that would be extremely catastrophic.

Mr. Spottswood: Yeah. Okay.

Ms. Montero: But I hear what you're saying.

Mr. Spottswood: Okay. Thank you.

Ms. Montero: Sure.

Chair Knight: Thank you.

Ms. Montero: Okay. Next is the investment report.

Chair Knight: No other questions?

Mr. Spottswood: Unless there's more questions.

Chair Knight: I don't think so. Go ahead.

Ms. Montero: Sure. So it's -- yeah, it's on the screen, okay. So on Slide 1, the total portfolio is 8.4 billion, with approximately 7.73 billion, or 92%, externally managed by 10 investment managers. The remaining 677 million, or approximately 8%, is internally managed and primarily consists of liquidity for claims and operating funds. Internally-managed funds are invested in short-term U.S. Treasuries, securities, or money market funds.

The portfolio is very conservative and stable, with sufficient liquidity to pay all operating expenses, as well as current or any potential future claims. The total portfolio average duration is stable and is currently just over 2.37 years. As of April 2026, the one-year total income and net income return were 4.4% and 3.3%, respectively. As of year-to-date April 2026, the net income return is 1.11%.

On Slide 2, the current fed funds rate after the recent cut is 3.5% to 3.75%. One rate cut is expected in 2026, as Kapil mentioned, before reaching its terminal rate of 3.25% to 3.5% by the end of 2026. The yield curve is slightly upward sloping, starting with the two-year maturities with a two-to-ten-year spread of approximately 27 basis points.

The yield curve is expected to remain slightly upward, sloping to flat, as the rates are expected to remain unchanged primarily due to high inflation, large fiscal debt -- large fiscal deficit, and increased treasury issuance.

On Slide 3, the portfolios have very strong credit quality. Approximately 77% of the portfolio is in money market funds or rated A or higher. Approximately 36% of the total portfolio is in treasury and agency securities or in money market funds. And, finally, Slide 4, the portfolio's income return is stable, and the 2026 net income and total income return are expected to be approximately 3.25% and 5.5%, respectively.

The incremental interest income continues to come in from higher interest rates with increased investment in shorter-duration securities. Lastly, the portfolio still has a negative mark-to-mark value, but has decreased over the last three months, and it is declining at a faster pace as interest rates decrease and the portfolio duration shortens.

And that completes my report and I'll pause for any questions.

Chair Beruff: Chairman Knight, can I ask a question?

Chair Knight: Yes, (inaudible).

Chair Beruff: Ms. Montero, what is the mark-to-mark? What do we -- if we had to sell our portfolio, what's our negative today?

Ms. Montero: I knew you were going to ask me that question.

Chair Beruff: I let Kapil off the hook.

Chair Knight: We might as well make it an agenda item.

Ms. Montero: I know. I need to -- I'm going to ask my (inaudible).

Mr. Bhatia: I can just answer it. I have it in front of me.

Ms. Montero: Oh, okay. You have it in front of you, Kapil?

Mr. Bhatia: Yes, I do. Mr. Chairman, as of -- at the end of April (inaudible) was negative 365, so we were significantly improving it, but since the Iran conflict, as the rates have stabilized, we are more or less not moving in either direction, even though portfolio is short -- portfolio duration is being shortened.

Chair Beruff: Thank you. Ms. Montero, I have another question for you, which we discussed offline. We are operationally not losing money without inclusion of investment income from the funds we have in -- earning income?

Ms. Montero: That's correct.

Chair Beruff: Okay. And you anticipate that we will continue to be operationally profitable, even as our policy count continues to diminish? And then my second question -- or third question is this program, when we take policies out of our portfolio, we've been taking care of managing them, how is that coming and what is our policy count going to be by the end of 2026?

Ms. Montero: In the first part, the underwriting gain for the first quarter was 111.7 million. So, we're definitely not spending any money out of surplus. That's coming all out of our underwriting --

Chair Beruff: Premiums.

Ms. Montero: Yes, out of the premiums. It's before net investment income. And I apologize, can you repeat the second -I missed part of the second question.

Chair Beruff: The second question is when we sell these policies -- we don't sell them -- when we have the policies taken out of our portfolio, we have an obligation under our agreements with the insureds that are taking the policies to maintain them for 12 months or something, right?

Ms. Montero: Until they -- until they non-renew.

Chair Beruff: Right. Or until -- right, until they non-renew. And so, if they renew for four years, we've got to take care of them for four years?

Ms. Montero: No, it's their expiration date. They're all only one-year terms. So, whatever the individual expiration date is, that's when it gets written onto the paper of the depop company.

Chair Beruff: And what do you anticipate that -- because that's a cost to us. It costs us to maintain these policies that actually someone else is receiving the premiums for, right?

Ms. Montero: That is correct.

Chair Beruff: Okay. So, my question is, at the end of the year, what do you project that that count will be? If you don't have the answer for this meeting, you can have it for me and send it to me in an email, okay?

Ms. Montero: Okay. And you want to know how much that cost would be?

Tim Cerio: What number are we still managing like for --

Chair Beruff: What number we're managing by the end of the year to see how close it comes - how close it comes -- we're at 290,000 policies in force, I think, roughly, and I want to know how many policies we have that we still have to take care of that we're no longer collecting premiums on.

Ms. Montero: As of today, that number is 295,000.

Chair Beruff: Okay. Okay. 295,000.

Ms. Montero: I'm pretty sure. Tim is telling me it's 270, but I just gave him this number yesterday, so I --

Tim Cerio: Yeah, Chairman, this might be interesting. So, we have some updated numbers that I was going to talk about our actual PIF count, but the number that we're still managing because they've been depopped, and then I'm sure we can follow up with you and project out what that managed number is going to be by the end of the year.

Ms. Montero: It's -- as of the 19th, as of Friday, it was 296,518 are the policies that we are still servicing --

Tim Cerio: Okay.

Ms. Montero: -- that have been depopped.

Tim Cerio: Okay.

Chair Beruff: Yeah, that includes policies that we're putting out every month, so I understand.

Ms. Montero: And then our PIF count is 278,662. So, overall, the amount serviced in general is 575,180 --

Chair Beruff: Yeah, right.

Ms. Montero: -- including that are in force for us.

Chair Beruff: All right. So --

Ms. Montero: And would you like me to have that forecasted to year-end of what that number would be --

Chair Beruff: Yeah, forecast it to year-end because you can predict how many policies are going to term out by then. That would be great.

Ms. Montero: Okay. Sure.

Chair Beruff: Thank you, Chairman.

Robert Spottswood: Just to comment on that, if I may, I'm surprised that number's as small as it is. That seems like a low amount to service that number of policies. I mean, that's servicing a lot of policies that have been taken out. That seems like a low number.

Ms. Montero: Well, so, Governor, there's a blackout period when you do a depop. So it's - the depop -- the most it can be with us on our books is the nine months because of when it's about to non-renew or whatever. It goes -- you can't depop a policy that has a renewal date in the next three months, I think is what it is. So, you have only nine months remaining.

So as big as those takeouts were, you have to think about it over the nine months is -- the next nine months is what's going to cancel for each one of those as they go out. So it is -- and you think about the majority of the policies that come out are the 2024 policies. Those would be -- those should be all gone by now.

You're servicing those on top of the -- and that was a big takeout of 278,000. And then you were servicing those on top of the 585,000 that we depopped in 2020 (inaudible) five, so that made the number that we were servicing huge, but then they'd fall off. As those big assumptions happen, they start to fall off in that same timeframe.

So, as they've slowed down, you'll see that the numbers we're servicing will slow down about six to nine months following that time period. So, it's still more than we actually have in force. It's -- the 296 is higher than the 278 that we have in force, so we're still servicing more than we have.

Chair Beruff: Understood.

Robert Spottswood: Okay. Thank you.

Ms. Montero: Sure.

Chair Knight: Thank you. I believe that concludes our agenda.

Chair Beruff: Motion to adjourn.

Chair Knight: Thank you. So second?

Robert Spottswood: I'll second.

Ms. Cumber: I'll second.

Robert Spottswood: I'm not sure I can. I'm not sure -

Ms. Cumber: No, I seconded. I was just trying to get off mute.

Chair Knight: Perfect. We will adjourn. Thank you.

(End of proceedings.)