

Memorandum

To: The Board of Directors of Connecticut Foundation Solutions Indemnity Company, Inc. ("CFSIC")

From: Michael Maglaras, Superintendent

Date: October 31, 2025

Re: **Annual Report**

I am pleased to provide you, in my firm's capacity as Superintendent of CFSIC, with CFSIC's sixth Annual Report summarizing our impact on the crumbling foundations natural disaster.

Date Range of Data

Most of the data in this report is valid as of September 30, 2025, with the addition of data effective October 31, 2025.

Revenue to Date

To date, from the inception of the program, CFSIC has taken in revenue of \$273,409,128. (I have employed rounding.) This is derived from the following sources:

- \$200,000,000 of allotment approved by the Connecticut Bond Commission from our first and second tranches of funding from that source
- \$66,183,484 in Healthy Homes Fund allotment
- \$7,211,719 in interest income
- \$13,925 in charitable donations

Total Anticipated Additional Funding

As a result of the passage of Public Act 25-174, CFSIC anticipates receipt of an additional \$100,000,000 in CT bond allotment in four annual installments of \$25,000,000 each, beginning after July 1, 2026 and ending on or after July 1, 2029. In addition to that, we should receive approximately \$55,000,000 of Healthy Homes surcharge funds between now and June 30, 2030. With respect to the remaining Healthy Homes surcharge funds, a misinterpretation of the difference between the collection period of these funds and the remittance period when these funds are made available to CFSIC resulted last year in a misstatement of the total of Healthy Homes remaining. All indications are that CFSIC is to receive a total of approximately \$55,000,000 between now and June 30, 2030.



With this approximately \$155,000,000 in expected revenues, and allowing for the cost of the management and operation of CFSIC given current average remediation costs, we should be able to assist approximately 1,000 new claimants over that period.

Current Financial Status

CFSIC is on a July 1 through June 30 fiscal year basis. As of CFSIC's 9/30/25 unaudited financials, CFSIC carried shareholder's equity of \$1,438,069. This positive balance sheet development is not expected to be anything except temporary given the fact that CFSIC carries significant unfunded claim reserves on its balance sheet for expected future losses, and, as a result, for GAAP accounting purposes, CFSIC is not considered a going concern.

However, from the standpoint of available cash within CFSIC's accounts at any given time, versus outstanding written commitments to construction and reimbursement expense (signed Participation Agreements) and general expense, CFSIC continues to maintain, as of the date of this writing, a positive cash balance and has done so since inception.

Under my watch, CFSIC will never be cash-negative. This means that we will never undertake a contractual obligation for which we do not have cash in the bank.

CFSIC has accomplished what it has by rationing its available cash through the use of periodic restrictions imposed on the countersigning of homeowner Participation Agreements by the Superintendent. As of October 31, 2025, CFSIC has provided \$189,340,903 in claim payments for construction and reimbursement to its claimants through the action of the Superintendent's countersigning of Participation Agreements. CFSIC has gone into suspension periodically in order to ration its cash or to enable staff to manage the flow of application information correctly.

During the fiscal year commencing July 1, 2025, it is unlikely that CFSIC will suspend the issuance of Participation Agreements, because of the current flow of funds from the State of Connecticut. If management decides to suspend the issuance of PAs, it is more than likely that the suspension would last only a matter of weeks rather than months as has been the case in the past.

Booked unfunded claim liabilities carried on CFSIC's balance sheet can greatly exceed CFSIC's assets at any fixed point in time. Booked liabilities consist of insurance company claim reserves, which are potential commitments to individual homeowners for remediation or reimbursement when cash becomes available. Once cash is available, based on the way CFSIC's funds are received, Participation Agreements can be signed with those homeowners. These reserves are substantiated by individual applications from homeowners, accompanied by verifiable points of written and photographic evidence.

We maintain reserved claim liabilities on CFSIC's balance sheet for all Active and Inactive Severity Class 3 and 2 claimants. (We also maintain modest initial claim reserves on Severity Class 1 foundations given the historical expectation that a number



of these claims will further deteriorate and thus become potentially eligible for assistance; however, CFSIC does not replace a foundation with a Severity Class code of 1.) CFSIC does not permit and does not recognize a written assigned Severity Class code of “zero.” Such a designation cannot be assigned to a foundation. We do all of this so that when funding is received in any given fiscal year, we can allocate funding to claimants with existing reserves who are also in the Participation Agreement line. (Claimants are not eligible to have their claims paid if they are in Active status but not yet in the Participation Agreement line.) At almost every point in CFSIC’s operational life as an insurance company, the total of our booked reserve liabilities has greatly exceeded our assets on hand at the same point in time. As indicated earlier, however, the total of CFSIC’s actual signed Participation Agreements (commitments to fund remediation) plus its operating expense and capital requirements have never exceeded the amount of cash on hand, and that is important for the public to be aware of.

At all times, CFSIC must maintain a cash balance in excess of cash commitments to construction and reimbursement, in order to provide for unencumbered statutory capital and surplus of a minimum of \$225,000, and to provide for the payment of applicable operating expenses in order to secure a continual flow of services so that if, at any point, further funding is not forthcoming, service providers can be terminated quickly and effectively, CFSIC’s license as an insurer surrendered, and its operations terminated. Should CFSIC’s operations be terminated, CFSIC would go into receivership, coming under the direct control of the Connecticut Insurance Department.

It is important to point out that with the new pledges of funding CFSIC has received, it is highly unlikely that CFSIC will, in the foreseeable future, need to permanently terminate its operations before its announced sunset date. I have committed to Insurance Commissioner Mais that the total amount of funded claim liability outstanding, plus operational expenses and statutory capital, will at no point exceed the amount of cash in CFSIC’s bank accounts.

Operations

CFSIC is regulated by the Connecticut Insurance Department, to which it is directly answerable for adherence to its original business plan and for its conduct as a licensed insurer.

CFSIC is managed on a day-to-day basis by outsourced service providers who carry out their duties directly under the supervision and management of CFSIC’s Superintendent, with the exception of CFSIC’s auditors, which report directly to CFSIC’s board.

Expenses

CFSIC’s cost of operations includes the cost of claim adjustment, administrative services, legal services, actuarial services, accounting services, public outreach activities, audit fees, and liability insurance expense. CFSIC has no employees, as is traditional under the structure of a captive insurance company.



Its directors are volunteers who have agreed to contribute time to this effort as a public service.

CFSIC tracks its expenses on a calendar year basis, based on the advice of counsel with respect to the interpretation of the limitation contained in the original enabling legislation that CFSIC cannot expend more than 10% of all revenues received in any calendar year on administrative and operational expenses.

Since inception of operations, as of September 30, 2025, CFSIC has operated on a cash and accrual basis at an average of 4.4% of revenues on a calendar year basis.

Claimant Activity; Total Claim Payments to Date; Total Outstanding Claim Liability

What follows provides information as to the extent of application activity, paid claim liability to date, and outstanding claim liability valued as of 9/30/25:

Town*	Total Active/Inactive/Pending Claimants Identified	Total Claim Payments to Date	Total Outstanding Claim Liability
Amston	6	\$619,539	\$0
Andover	14	1,501,720	312,321
Ashford	60	5,034,631	2,624,041
Berlin	1	0	0
Bloomfield	4	174,984	0
Bolton	29	2,882,771	697,588
Branford	1	0	0
Bridgeport	1	0	0
Bristol	3	0	0
Broad Brook	15	1,032,810	714,206
Burlington	1	0	0
Chaplin	1	0	128,256
Columbia	11	848,515	296,057
Coventry	128	10,973,287	4,251,315
Darien	1	75,327	31,143
Deep River	1	0	0
Derby	1	0	0
Durham	1	0	0
East Hartford	6	424,379	190,000
East Windsor	74	998,999	360,997
Eastford	2	40,956	176,604



Town*	Total Active/Inactive/Pending Claimants Identified	Total Claim Payments to Date	Total Outstanding Claim Liability
Ellington	174	\$13,030,818	\$5,856,782
Enfield	62	3,381,412	2,205,862
Glastonbury	4	357,093	57,000
Granby	1	175,000	0
Hamden	3	0	0
Hampton	1	18,997	170,969
Hartford	5	0	0
Hebron	7	157,271	266,218
Lebanon	1	18,998	170,990
Manchester	256	20,620,333	7,798,925
Mansfield	24	1,173,227	1,524,231
Marlborough	2	189,580	0
Meriden	1	0	0
Middletown	1	0	0
Milford	2	0	0
Monroe	1	0	0
Naugatuck	3	0	0
New Britain	4	0	0
New Haven	7	0	0
Newington	1	0	0
Norwalk	1	0	0
Norwich	1	0	0
Somers	72	5,339,308	3,566,009
S. Glastonbury	1	19,000	171,000
South Windsor	237	21,946,173	9,617,918
Stafford/Stafford Springs	229	20,738,626	6,647,151
Staffordville	1	0	0
Stamford	1	0	0
Storrs	17	1,468,717	595,000
Suffield	10	882,741	550,999
Thomaston	1	0	0
Tolland	371	30,213,795	15,328,257
Union	18	1,422,426	680,382



Town*	Total Active/Inactive/Pending Claimants Identified	Total Claim Payments to Date	Total Outstanding Claim Liability
Vernon	416	\$24,791,189	\$6,915,108
Waterbury	2	0	0
Watertown	1	0	20,000
West Hartford	1	0	0
West Haven	1	0	0
West Suffield	2	364,978	0
Willimantic	1	0	0
Willington	158	14,697,108	3,287,688
Windsor	3	0	0
Winsted	1	0	0
Woodstock	3	347,300	190,000
TOTAL	2,470	\$185,962,007	\$75,403,016

* Claimants are required to complete the application question identifying the “town” they live in. From time to time, claimants indicate a town location that may essentially be an unincorporated neighborhood/division of an existing town noted elsewhere in this report. Any totals shown above reflect available data as of 9/30/25, supplemented elsewhere in this report by 10/31/25 data.

Commentary:

1. The data in the CFSIC program changes daily, in fact in some cases hourly. This data is valid as of close of business on September 30, 2025.
2. Reserves are not held for Pending claimants; statutory reserves are posted for Active and Inactive claimants holding valid severity class codes.
3. Both booked and paid claim liabilities are reflective of claim activity for Type 1 and Type 2 claimants.
4. It is important to note that CFSIC has registered claimants in towns where it is highly unlikely that those claimants will prove to have verifiable crumbling foundations once the full claim adjustment process begins. It is therefore inadvisable to assume that the crumbling foundations crisis extends well beyond the area generally recognized as the extent of the crisis if, over a period of time, no claim payments have been indicated in the last column shown above.

The Participation Agreement Process

CFSIC holds Connecticut captive insurance license #29. Its charter and its operations are reflective of those of a licensed insurance company; however, CFSIC does not collect any premium and does not issue an insurance contract in the form of an insurance policy. As a result, CFSIC’s operations resemble those of a captive insurer in some respects, and not at all in others.



What eventually binds CFSIC and an individual homeowner contractually is a Participation Agreement, which outlines both the homeowner's and CFSIC's responsibilities, contractor or reimbursement payment schedules, and contractual commitments. Participation Agreements have been signed on a regular basis, permitting foundation remediation to be scheduled, and foundation reimbursements to be made, for approximately the past six years, except on those occasions during which PA suspensions occurred.

It is important to note that the actual schedule of remediation is up to the homeowner and the contractor in question in each case. When the Superintendent countersigns a Participation Agreement, this can literally mean that in some cases the remediation can commence in a few days, or in a few years, depending upon contractor and homeowner schedules. Once the Superintendent countersigns a Participation Agreement, CFSIC has in effect made a promise to make payment, but only subject at all times to adherence to CFSIC's Underwriting and Claims Management Guidelines.

As of October 31, 2025, the Superintendent had countersigned Participation Agreements for 1,582 claimants, and 1,171 families had been put back in their homes with new foundations in place.

Application Process

CFSIC's Underwriting and Claims Management Guidelines permit two types of claim activity.

A "Type 1" claim is a claim requesting assistance with the replacement of a foundation verifiably determined to be impaired through visual evidence of the manifestation of the presence of reactive pyrrhotite in the original aggregate used in the concrete composing that foundation, and where the homeowner has made, through the completion of an application and the provision of points of evidence, a valid claim for payment of enumerated allowable costs.

There are three classes of severity class code employed to reflect the degree of foundation impairment. These class codes provide a basic prioritization for the use of funds, beginning with Severity Class 3, which is a class code reflective of a severely impacted foundation.

A "Type 2" claim is a claim requesting assistance with reimbursement by CFSIC to a homeowner for the replacement of a foundation verifiably determined to have been impaired through evidence of the presence of reactive pyrrhotite in the original aggregate used in the concrete composing that foundation, but where that homeowner used personal resources to originally repair/replace such an impaired foundation prior to making application to CFSIC; and where the homeowner has subsequently made, through the completion of an application and the provision of points of evidence, a valid claim for reimbursement of enumerated allowable costs.



CFSIC's Board of Directors has authorized a total of 125 such Type 2 paid claim reimbursements to be made during CFSIC's statutory lifetime. As of October 31, 2025, CFSIC had engaged with 126 Type 2 claimants, where CFSIC had either completed or may complete the reimbursement process for those families.

The application process gathers information for purposes of underwriting, claim prioritization, and eventual potential payment. On average, more than 150 pages of supporting documentation are collected with each application. The average time to process an application varies significantly, based on the ability and willingness of individual claimants to provide CFSIC with quantifiable and verifiable data, either at the precise point of application to the program or at some point thereafter.

CFSIC claimants are categorized as "Active," "Inactive" or "Pending" with respect to both Type 1 and Type 2 claims. On January 13, 2020, the Superintendent announced the launch of the "Pending" class of claimant in order to permit claimants to register the existence of a verifiable impaired foundation...but with the clear understanding, repeated consistently on CFSIC's website, that existing budgeted financial resources might be insufficient to respond to any Pending claimant at any point in the future.

On August 16, 2021, CFSIC put a plan in place that segregated the existing group of Pending claimants from those who applied after that date. We did this in order to allocate funding fairly and equitably to the first group of Pending claimants.

CFSIC is doing its part to assist in a revitalization of the Northeast Corner real estate market. We have instituted a one-time claim transfer process enabling Type 1 claimants who are registered with us as Active, Inactive, or Pending claimants, and where no remediation work has been done or started, to transfer their claim to the buyer of their home...where that buyer can assume the exact position of the original claimant in CFSIC's register of claimants with no penalty. We are very pleased to report that there is robust activity in this transfer process and that we are doing our part in a logical and fair way to help victims sell their homes if they are our claimants.

On September 23, 2025, the Superintendent determined that he would permit condominium associations with a mix of Severity Class coded 3 and 2 foundations platforms, to the extent the association wishes to, to engage with a contractor to remediate all such valid crumbling foundations, regardless of severity class code, during one remediation process. This determination is the first such time that the Superintendent has permitted any foundation rated a Severity Class 2 to supersede a Severity Class 3 foundation elsewhere in CFSIC's system. By permitting, where possible and applicable, a condominium association to remediate all of its platforms during the same construction cycle, we expect economies of scale to prevail and a more rapid remediation process to be the result.

CFSIC's Effect on the Towns with Recorded Claimants

CFSIC's operations are having a direct and positive effect on the existing property tax abatement crisis in CT's Northeast Corner.



The top ten towns of Ashford, Coventry, Ellington, Manchester, Somers, South Windsor, Stafford/Stafford Springs, Tolland, Vernon, and Willington represent the significant majority of the total of our existing data on this crisis.

CFSIC has been, for the past six years, improving the economies of the ten hardest hit communities, literally one home at a time, by identifying affected homes and beginning the process of restoring those homes, through foundation remediation, to original assessed value. By twelve months from the date of this writing we project that CFSIC will have restored as much as 94% of the total of the current tax abatements for residential dwellings in these top ten hardest hit Connecticut communities.

The Extent of the Crisis

In the past five years, CFSIC has collected a significant amount of data through the application and remediation processes. None of the data collected to date suggests that the crumbling foundations crisis currently or potentially affects as many as 35,000 homes in the 65 communities where CFSIC has applicants. Similarly, no data in CFSIC's possession provides evidence of a crisis on the magnitude of \$1 billion to \$2 billion, as has been widely reported.

However, the crumbling foundations crisis is a devastating economic and human crisis.

We believe that this crisis involves most probably 3,500 to 4,000 homes in total, which will require remediation between the date of this writing and the end of 2030 in two distinct waves of remediation activity, as described below. To be clear, the negative economic impact on the communities and the citizens of the Northeast Corner of Connecticut is quantifiable, verifiable, and cannot be disputed.

CFSIC's database is the only credible database in existence on the extent of this crisis.

As a result of what CFSIC's data now suggests, we maintain that this crisis is now and will continue to be a crisis that is manageable in what we project is two potential "waves" of impairment manifestation: the first one that began on January 10, 2019 and runs through approximately June 30, 2024...and a second one, which began then and will end at some point during the calendar year 2030, will result in the need for a total of as many as 3,500 to 4,000 potential total foundation replacements from inception.

CFSIC's Sunset Date

CFSIC will cease taking application for crumbling foundations assistance on June 30, 2030 at 5:00 PM.

The insurance company will go into technical run-off. What this means is that CFSIC will, to the extent it receives all of the anticipated funding due, as indicated earlier, pay valid allowable costs for crumbling foundations claims reported to CFSIC prior to that sunset date.



These claims will be paid utilizing our current Participation Agreement process and subject at all times to the actual receipt of funding from the State of Connecticut due us, as well as the existence of sufficient funding to pay claims made with CFSIC where those claims are valid and applicable.

If at any point CFSIC's management calculates that, for whatever reason, its anticipated flow of funds is going to be insufficient to honor its expected funded claim liabilities, it will go into technical run-off at a date prior to June 30, 2030.

To the extent CFSIC remains open for new applications until the June 30, 2030 sunset date, it is anticipated that CFSIC will remain operational, honoring claims the date of the applications for which precede June 30, 2030 at 5:00 PM, most likely for approximately two years after the sunset date, at which time it will cease all operations.

Outreach

CFSIC has continued its efforts in the area of public outreach in the past twelve months. Among many outreach initiatives, the Superintendent has:

- met with more condominium associations in the affected area and other claimant groups to promote the program and educate claimants as to the extent of the crisis and the CFSIC solution; the Superintendent has also been pleased to receive more than fifty phone calls and emails from registered claimants with helpful and constructive suggestions about how to improve and streamline the claims management process as well as reach citizens who may not be fully aware of the extent of the crisis; in addition, the Superintendent has focused strong efforts at educating the real estate agent community about the extent of the crisis and how real estate agents can be better informed about ways in which they can assist prospective buyers and sellers;
- continued to maintain an active Facebook page;
- completed a new video interview highlighting the successes of the program, which has been published on CFSIC's website; other videos highlighting CFSIC's operations and the foundation visual inspection process remain in CFSIC's website as continuously available through the "Useful Links" section of the site;
- continued to retain and work with Kevin Miller, a well-respected concrete specialist, to assist CFSIC in the visual inspection education process; in addition, in December 2025 we will require mandatory retraining of all CFSIC-certified home inspectors, with such training conducted by Kevin, in order to redouble our efforts to provide timely visual inspections to affected homeowners;
- continued our tradition of weekly website updates informing the public of the status of the CFSIC program.

Offering Thanks

I would like to close by acknowledging that what we have achieved in six years is as a result of a team effort.



The ESIS ProClaim staff are the life blood of this program, and they deserve all the praise we can give them, because they are on the front lines of what needs to be done every day.

I want to thank Governor Lamont, Insurance Commissioner Mais, DOH Commissioner Mosquera-Bruno, Treasurer Erick Russell, and Secretary of OPM Jeffrey Beckham, for their staunch and trusting support of this program. They all recognize that we celebrate our victories at CFSIC one family at a time.

Lastly, I thank Steve Werbner and my Board of Directors for their unwavering support. CFSIC is not a branch of state government. It is an independent corporation, and policy is overseen and directed by its board. I am grateful for the wisdom and understanding of all my directors.

Respectfully submitted,

Michael Maglaras, Principal
Michael Maglaras & Company, Superintendent of CFSIC

Sources of Data:

CFSIC September 30, 2025 Incurred Loss Run

CFSIC September 30, 2025 Unaudited Financials

CFSIC October 31, 2025 Internal Construction Tracking Data Reports