

| <p><b>CONTRACT ID:</b></p>  | <p><b>2021 Risk Transfer Program – Coastal Account and Personal Lines Account</b></p>   |         |                       |        |               |                     |       |       |                     |                |       |       |                     |                |       |       |                    |                |       |       |                    |                |       |       |                    |                        |       |         |                       |                    |                |  |  |
|-----------------------------|---|---------|-----------------------|--------|---------------|---------------------|-------|-------|---------------------|----------------|-------|-------|---------------------|----------------|-------|-------|--------------------|----------------|-------|-------|--------------------|----------------|-------|-------|--------------------|------------------------|-------|---------|-----------------------|--------------------|----------------|--|--|
| <p><b>BUDGETED ITEM</b></p> | <p><b>COASTAL ACCOUNT</b></p> <p>The total 2021 Coastal Account risk transfer coverage of \$1.704 billion includes six layers of new coverage as depicted in the layer charts, summarized as follows (in millions):</p> <table border="1" data-bbox="464 590 1401 1079"> <thead> <tr> <th></th> <th>Cover</th> <th>Attach</th> <th>Coverage Type</th> </tr> </thead> <tbody> <tr> <td><b>Sliver Layer</b></td> <td>\$133</td> <td>\$601</td> <td>Occurrence, inuring</td> </tr> <tr> <td><b>Layer 1</b></td> <td>\$100</td> <td>\$734</td> <td>Occurrence, inuring</td> </tr> <tr> <td><b>Layer 2</b></td> <td>\$250</td> <td>\$834</td> <td>Aggregate, inuring</td> </tr> <tr> <td><b>Layer 3</b></td> <td>\$250</td> <td>\$601</td> <td>Aggregate, inuring</td> </tr> <tr> <td><b>Layer 4</b></td> <td>\$371</td> <td>\$834</td> <td>Aggregate, inuring</td> </tr> <tr> <td><b>Capital Markets</b></td> <td>\$600</td> <td>\$2,035</td> <td>Aggregate, no inuring</td> </tr> <tr> <td><b>Grand Total</b></td> <td><b>\$1,704</b></td> <td></td> <td></td> </tr> </tbody> </table> <p>The Sliver Layer of this program would provide annual, per occurrence coverage and would work in tandem with the mandatory coverage provided by the FHCF to include the 10% of losses not covered by the FHCF. <i>(Traditional Market)</i></p> <p>Layer 1 of this program would provide annual, per occurrence loss coverage. <i>(Traditional Market)</i></p> <p>Layer 2 of this program would provide annual aggregate loss coverage, protecting Citizens against multiple storms in a single season. <i>(Traditional Market)</i></p> <p>Layer 3 of this program would provide annual aggregate loss coverage, protecting Citizens against multiple storms in a single season. <i>(Traditional Market)</i></p> <p>Layer 4 of this program would provide annual aggregate loss coverage, protecting Citizens against multiple storms in a single season. <i>(Traditional Market)</i></p> <p>Capital Markets Layer of this program would provide annual aggregate loss coverage, protecting Citizens against multiple storms in a single season. This Capital Markets Layer may also provide coverage for 2 or 3 seasons. <i>(Capital Market)</i></p> |         | Cover                 | Attach | Coverage Type | <b>Sliver Layer</b> | \$133 | \$601 | Occurrence, inuring | <b>Layer 1</b> | \$100 | \$734 | Occurrence, inuring | <b>Layer 2</b> | \$250 | \$834 | Aggregate, inuring | <b>Layer 3</b> | \$250 | \$601 | Aggregate, inuring | <b>Layer 4</b> | \$371 | \$834 | Aggregate, inuring | <b>Capital Markets</b> | \$600 | \$2,035 | Aggregate, no inuring | <b>Grand Total</b> | <b>\$1,704</b> |  |  |
|                             | Cover   | Attach  | Coverage Type         |        |               |                     |       |       |                     |                |       |       |                     |                |       |       |                    |                |       |       |                    |                |       |       |                    |                        |       |         |                       |                    |                |  |  |
| <b>Sliver Layer</b>         | \$133   | \$601   | Occurrence, inuring   |        |               |                     |       |       |                     |                |       |       |                     |                |       |       |                    |                |       |       |                    |                |       |       |                    |                        |       |         |                       |                    |                |  |  |
| <b>Layer 1</b>              | \$100   | \$734   | Occurrence, inuring   |        |               |                     |       |       |                     |                |       |       |                     |                |       |       |                    |                |       |       |                    |                |       |       |                    |                        |       |         |                       |                    |                |  |  |
| <b>Layer 2</b>              | \$250   | \$834   | Aggregate, inuring    |        |               |                     |       |       |                     |                |       |       |                     |                |       |       |                    |                |       |       |                    |                |       |       |                    |                        |       |         |                       |                    |                |  |  |
| <b>Layer 3</b>              | \$250   | \$601   | Aggregate, inuring    |        |               |                     |       |       |                     |                |       |       |                     |                |       |       |                    |                |       |       |                    |                |       |       |                    |                        |       |         |                       |                    |                |  |  |
| <b>Layer 4</b>              | \$371   | \$834   | Aggregate, inuring    |        |               |                     |       |       |                     |                |       |       |                     |                |       |       |                    |                |       |       |                    |                |       |       |                    |                        |       |         |                       |                    |                |  |  |
| <b>Capital Markets</b>      | \$600   | \$2,035 | Aggregate, no inuring |        |               |                     |       |       |                     |                |       |       |                     |                |       |       |                    |                |       |       |                    |                |       |       |                    |                        |       |         |                       |                    |                |  |  |
| <b>Grand Total</b>          | <b>\$1,704</b>  |         |                       |        |               |                     |       |       |                     |                |       |       |                     |                |       |       |                    |                |       |       |                    |                |       |       |                    |                        |       |         |                       |                    |                |  |  |

## PERSONAL LINES ACCOUNT

Multiple layers of new coverage in the total amount of approximately \$816 million. The total 2021 Personal Lines Account risk transfer coverage of \$926 million includes the multi-year placement from 2020 as depicted in the layer charts, summarized as follows (in millions):

|                     | Cover        | Attach  | Coverage Type         |
|---------------------|--------------|---------|-----------------------|
| <b>Sliver Layer</b> | \$166        | \$749   | Occurrence, inuring   |
| <b>Layer 2</b>      |              |         |                       |
| 2020 Capital Mkts.  | \$110        | \$2,000 | Aggregate, no inuring |
| Capital Markets     | \$250        | \$2,412 | Aggregate, no inuring |
| Trad Occ SY         | \$250        | \$749   | Occurrence, inuring   |
| Trad Agg SY         | \$150        | \$749   | Aggregate, inuring    |
| <b>Grand Total</b>  | <b>\$926</b> |         |                       |

The Sliver Layer of this program would provide annual, per occurrence coverage and would work in tandem with the mandatory coverage provided by the FHCF to include the 10% of losses not covered by the FHCF. *(Traditional Market)*

### Layer 2

- The 2020 Capital Markets renewal layer will provide multi-year, aggregate coverage, protecting Citizens against multiple storms in a single season. This Capital Markets Layer also provides coverage for multiple seasons. *(Capital Markets)*
- The Capital Markets Layer would provide multi-year, aggregate coverage, protecting Citizens against multiple storms in a single season. This Capital markets Layer may also provide coverage for 2 or 3 seasons. *(Capital Markets)*
- The Trad Occ SY Layer of this program would provide annual, per occurrence loss coverage. *(Traditional Market)*
- The Trad Agg SY Layer of this program would provide annual aggregate loss coverage, protecting Citizens against multiple storms in a single season. *(Traditional Market)*

### CONTRACT AMOUNT

The 2021 cost to Citizens for this traditional and capital markets risk transfer program will not exceed \$240 million

### PURPOSE / SCOPE

Florida Statutes provide that Citizens must make its best efforts to procure catastrophe reinsurance at reasonable rates to cover its projected 100-year probable maximum loss. Citizens' Board of Governors, at its December 2020 meeting, approved in concept that a portion of the risk transfer program for the Coastal Account and the Personal Lines Account will be in the form of coverage provided through the traditional and capital markets.

# ACTION ITEM

Board of Governors Meeting, May 11, 2021

| <b>CONTRACT TERM(S)</b>   | The contract terms vary from one to three years.  |
|---------------------------|---|
| <b>PROCUREMENT METHOD</b> | N/A   |
| <b>RECOMMENDATION</b>     | <p>It is recommended that Citizens' Board of Governors:</p> <ul style="list-style-type: none"><li>a) Approve the recommendation to purchase traditional and capital markets risk transfer at a cost not to exceed the amount of \$240 million in the Coastal Account and the Personal Lines Account; and</li><li>b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.</li></ul> |
| <b>CONTACTS</b>           | Jennifer Montero, Chief Financial Officer   |