

2022 Risk Transfer Program

 ACTION ITEM
 New Contract
 Contract Amendment
 Other _____

 CONSENT ITEM
 Contract Amendment
 Existing Contract Extension
 Existing Contract Additional Spend
 Previous Board Approval _____

 Other _____

Action Items: Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

- Move forward as Consent:** This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

Consent Items: Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

Item Description	2022 Risk Transfer Program
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 2021 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.
Contract ID	2022 Risk Transfer Program – Coastal Account and Personal Lines Account Contract number, if applicable Recommended vendor, if applicable
Budgeted Item	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

2022 Risk Transfer Program

Coastal Account

The total 2022 Coastal Account risk transfer coverage of \$1.869 billion includes five layers of new coverage in the traditional market and two layers of renewal coverage in the capital markets as depicted in the layer charts, summarized as follows (in millions):

	Cover	Attach	Coverage Type
Sliver Layer	\$169	\$801	Occurrence, inuring
Layer 1	\$100	\$970	Occurrence, inuring
Layer 2	\$325	\$1,070	Aggregate, inuring
Layer 3	\$325	\$801	Aggregate, inuring
Layer 4	\$325	\$1,070	Aggregate, inuring
Capital Markets 1B	\$275	\$2,592	Aggregate, no inuring
Capital Markets 1A	\$350	\$3,584	Aggregate, no inuring
Grand Total	\$1,869		

- 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 1 of this program would provide annual, per occurrence loss coverage. *(Traditional Market)*
- Layer 2 of this program would provide annual aggregate loss coverage, protecting Citizens against multiple storms in a single season. *(Traditional Market)*
- Layer 3 of this program would provide annual aggregate loss coverage, protecting Citizens against multiple storms in a single season. *(Traditional Market)*
- Layer 4 of this program would provide annual aggregate loss coverage, protecting Citizens against multiple storms in a single season. *(Traditional Market)*
- Capital Markets 1B and 1A Renewal Layers of this program will provide annual aggregate loss coverage, protecting Citizens against multiple storms in a single season. The Capital Markets Layers may provide coverage for one additional season (this is the second of three years). *(Capital Market)*

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Personal Lines Account

The total 2022 Personal Lines Account risk transfer coverage of \$2.828 billion includes multiple layers of new coverage in the traditional and capital markets and two layers of renewal coverage in the capital markets as depicted in the layer charts, summarized as follows (in millions):

	Cover	Attach	Coverage Type
Sliver Layer	\$280	\$1,327	Occurrence, inuring
Capital Markets 2020	\$110	\$4,115	Aggregate, no inuring
Capital Markets 2021	\$325	\$4,128	Aggregate, no inuring
Layer 1 (Cap Market)	\$1,225	\$4,563	Aggregate, no inuring
Layer 1 (Trad Market)	(Shared)	\$1,327	Occur/Agg, inuring
Layer 2	\$444	\$1,327	Occurrence, inuring
Layer 2	\$444	\$1,327	Aggregate, inuring
Grand Total	\$2,828		

- 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 co-payment of the 10% of losses not covered by the FHCF. (*Traditional Market*)
- The Capital Markets 2020 and 2021 Renewal Layers will provide multi-year, aggregate coverage, protecting Citizens against multiple storms in a single season. These Capital Market Renewal Layers also provides coverage for multiple seasons. (*Capital Markets*)
- Layer 1 would provide coverage from the capital markets and traditional markets. The Capital Markets risk transfer placement provides multi-year, annual aggregate coverage and the traditional reinsurance market placement provides single year occurrence/aggregate coverage. (*Traditional and Capital Markets*)
- Layer 2 of this program would provide single year, per occurrence and aggregate coverage. (*Traditional Market*)

Procurement Method N/A

Contract Amount The 2022 cost to Citizens for this traditional and capital markets risk transfer program will not exceed \$400 million.

Contract Terms The contract terms vary from one to three years.

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Board Recommendation (DOES NOT go through Committee)	Citizens' Staff proposes that the Board of Governors: a) Approve the recommendation to purchase traditional and capital markets risk transfer at a cost not to exceed the amount of \$400 million in the Coastal Account and the Personal Lines Account, as set forth in this Action Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.
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