

2023 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	2023 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 2022 meeting, approved in concept that a portion of the risk transfer program for will be in the form of coverage provided through the traditional and capital markets.
Contract ID	2023 Risk Transfer Program – Coastal Account, Personal Lines Account, and Commercial Lines Account Contract number, if applicable Recommended vendor, if applicable
Budgeted Item	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

2023 Risk Transfer Program

	<p>Citizens plans to transfer exposure to the capital markets through a new special purpose vehicle, Lightning Re. These Class A Notes range in size from \$400 million to \$500 million, attaching at \$51.5 billion and exhausting at \$66 billion of total Florida personal and commercial insured residential losses, with price guidance equal to investment yield plus 11.0%-11.5%. The Notes provide multi-year collateralized excess of loss protection on an annual aggregate basis. They cover personal and commercial residential losses across all three accounts utilizing an industry loss index trigger based on PCS published insured residential losses in the State of Florida for Florida named storms.</p> <p>This transaction is part one of a two-part reinsurance placement strategy, with the second part to include the traditional placement and the indemnity trigger capital markets placement, if any, which will come before the board for approval during its regular reinsurance board meeting in early May.</p>
Procurement Method	N/A
Contract Amount	The 2023 cost to Citizens for this capital markets risk industry loss index trigger placement will not exceed investment yield plus 11.0% to 11.5%.
Contract Terms	The contract term is three years.

<p>Board Recommendation (DOES NOT go through Committee)</p>	<p>Citizens' Staff proposes that the Board of Governors:</p> <ol style="list-style-type: none"> a) Approve the recommendation to purchase a capital markets industry loss index trigger placement of \$400 million to \$500 million at a cost not to exceed investment yield plus 11.0% to 11.5%, as set forth in this Action Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.
CONTACTS	Jennifer Montero, Chief Financial Officer