

## 2023 Risk Transfer Program - Part B

 **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.

<b>Item Description</b>	<b>2023 Risk Transfer Program</b>
<b>Purpose/Scope</b>	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 will be in the form of coverage provided through the traditional and capital markets.
<b>Contract ID</b>	2023 Risk Transfer Program – Coastal Account, Personal Lines Account, and Commercial Lines Account Contract number, if applicable Recommended vendor, if applicable
<b>Budgeted Item</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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In 2023, Citizens is utilizing a two-phase reinsurance placement strategy. At the March 17, 2023 Board of Governors meeting, Citizens received approval to purchase \$500 million in coverage across all three Citizens' accounts through a new special purpose vehicle, Lightning Re. These Class A Notes provide multi-year collateralized excess of loss protection on an annual aggregate basis.

The second phase of the strategy is placement in the traditional and capital markets, as outlined below:

### **Coastal Account**

The total 2023 Coastal Account risk transfer coverage of \$2.725 billion includes 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	\$225	\$1,152	Occurrence
Layer 1:			
Traditional Markets	\$335	\$1,377	Occurrence
Capital Markets 2021-1B	\$275	\$3,400	Aggregate
Layer 2:			
Traditional/Capital Markets	\$1,540	\$1,152	Aggregate
Capital Markets 2021-1A	\$350	\$4,010	Aggregate
<b>Grand Total</b>	<b>\$2,725</b>		

- The Sliver Layer of this program would provide annual, per occurrence coverage. (*Traditional Market*)
- Layer 1 of this program would provide annual per occurrence and aggregate loss coverage. (*Traditional and Capital Markets*)
- Layer 2 of this program would provide annual aggregate loss coverage, protecting Citizens against multiple storms in a single season. (*Traditional and Capital Markets*)

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### Personal Lines Account

The total 2023 Personal Lines Account risk transfer coverage of \$2.919 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	\$394	\$2,020	Occurrence
Layer 2:			
Capital Markets 2021-2A	\$325	\$5,961	Aggregate
Capital Markets 2022-1A	\$200	\$5,961	Aggregate
Layer 3:			
Traditional/Capital Markets	\$2,000	\$2,020	Occurrence/Aggregate
<u>Grand Total</u>	<u>\$2,919</u>		

- The Sliver Layer of this program would provide annual, per occurrence coverage. (*Traditional Market*)
- The Capital Markets 2021-2A and 2022-1A renewals provide multi-year, aggregate coverage, protecting Citizens against multiple storms in a single season. This is the final year for the 2021 Notes. (*Capital Markets*)
- Layer 3 would provide coverage from the capital and traditional markets. The Capital Markets risk transfer placement provides single year, aggregate coverage and the traditional reinsurance market placement provides single year occurrence/aggregate coverage. (*Traditional and Capital Markets*)

<b>Procurement Method</b>	N/A
<b>Contract Amount</b>	The cost to Citizens for the entire 2023 traditional and capital markets risk transfer program will not exceed \$675 million.
<b>Contract Terms</b>	The contract terms are for one year.

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<b>Board Recommendation</b> (DOES NOT go through Committee)	Citizens' Staff proposes that the Board of Governors: <ul style="list-style-type: none"><li>a) Approve the recommendation to purchase traditional and capital markets risk transfer in the Coastal and Personal Lines Accounts, for the entire 2023 program, not to exceed the amount of \$675 million; and</li><li>b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.</li></ul>
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