

Executive Summary

Board of Governors Meeting, May 8, 2026

2026 Risk Transfer Program

Background

Citizens' enabling statute requires it to make its best effort to procure catastrophe reinsurance in the private market at reasonable rates. The analysis and decision to purchase catastrophe reinsurance coverage is evaluated by staff each year and a recommendation is made to the Board of Governors.

Citizens' Board of Governors and staff recognize that the event most likely to trigger assessments would be a catastrophic hurricane or series of hurricanes striking Florida. Transferring risk through the use of catastrophe reinsurance offers an effective means to reduce or eliminate the amount and likelihood of assessments after such an event or multiple events.

Central to Citizens' goal of reducing exposure and, by extension, reducing or eliminating the amount and likelihood of its assessment burden on Florida taxpayers, is the transfer of risk through reinsurance mechanisms, traditionally accomplished via participation in the Florida Hurricane Catastrophe Fund (FHCF) reimbursement program, traditional reinsurance markets and in the capital markets. Citizens' participation in the reinsurance markets reduces the potential assessments that result from losses reducing or exhausting Citizens' surplus and FHCF coverage.

Citizens' risk transfer program is structured to provide liquidity by allowing Citizens to obtain reinsurance recoveries in advance of the payment of claims after a triggering event while reducing or eliminating the probabilities of assessments and preserving surplus for multiple events and/or subsequent seasons.

Proposed 2026 Risk Transfer Program

The proposed 2026 risk transfer program was part of Citizens' operating budget presented at the December 2025 Board of Governors meeting.

Citizens aims to secure private reinsurance coverage of approximately \$2.82 billion. This coverage would be comprised of \$1.53 billion of existing private risk transfer remaining from 2025, and \$1.29 billion of new private risk transfer, with budgeted premiums of approximately \$280 million. Under this scenario, Citizens would expose 24% of its surplus for a 1-in-100-year event. Surplus remaining after a 1-in-100-year storm is projected to fund a 1-in-60-year event, additional LAEs, or multiple smaller storms in this or subsequent years.

The proposed 2026 risk transfer layers are as follows:

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- The Sliver Layer will sit alongside the FHCF. It provides approximately \$160 million, in excess of \$1.05 billion, of annual, per occurrence coverage which covers personal residential and commercial residential losses. This layer, placed in the traditional market, would work in tandem with the mandatory coverage provided by the FHCF.
- Layer 1 will sit above the Sliver Layer and the FHCF. This layer is a capital markets renewal risk transfer placement of \$225 million of coverage for personal residential and commercial residential losses through Everglades Re II. This is the second year for this multi-year Note (originally placed in 2025) which provides aggregate coverage.
- Layer 2 will sit above Layer 1. This layer will provide \$2.43 billion of coverage for personal residential and commercial residential losses from the capital and traditional reinsurance markets, as follows:
 - Approximately \$1.13 billion of occurrence and annual aggregate coverage from the traditional and capital markets, and
 - A capital markets renewal risk transfer placement of \$1.30 billion through Everglades Re II. This is the second year for these multi-year Notes (originally placed in 2025) which provide aggregate coverage.

Recommendation

Staff recommends that the Board of Governors take the following actions:

- 1) Approve the recommendation to purchase traditional and capital markets risk transfer for the entire 2026 program, not to exceed the amount of \$280 million; and
- 2) Authorize staff to take any appropriate or necessary action consistent with this Action Item.

2026 Preliminary Risk Transfer Program



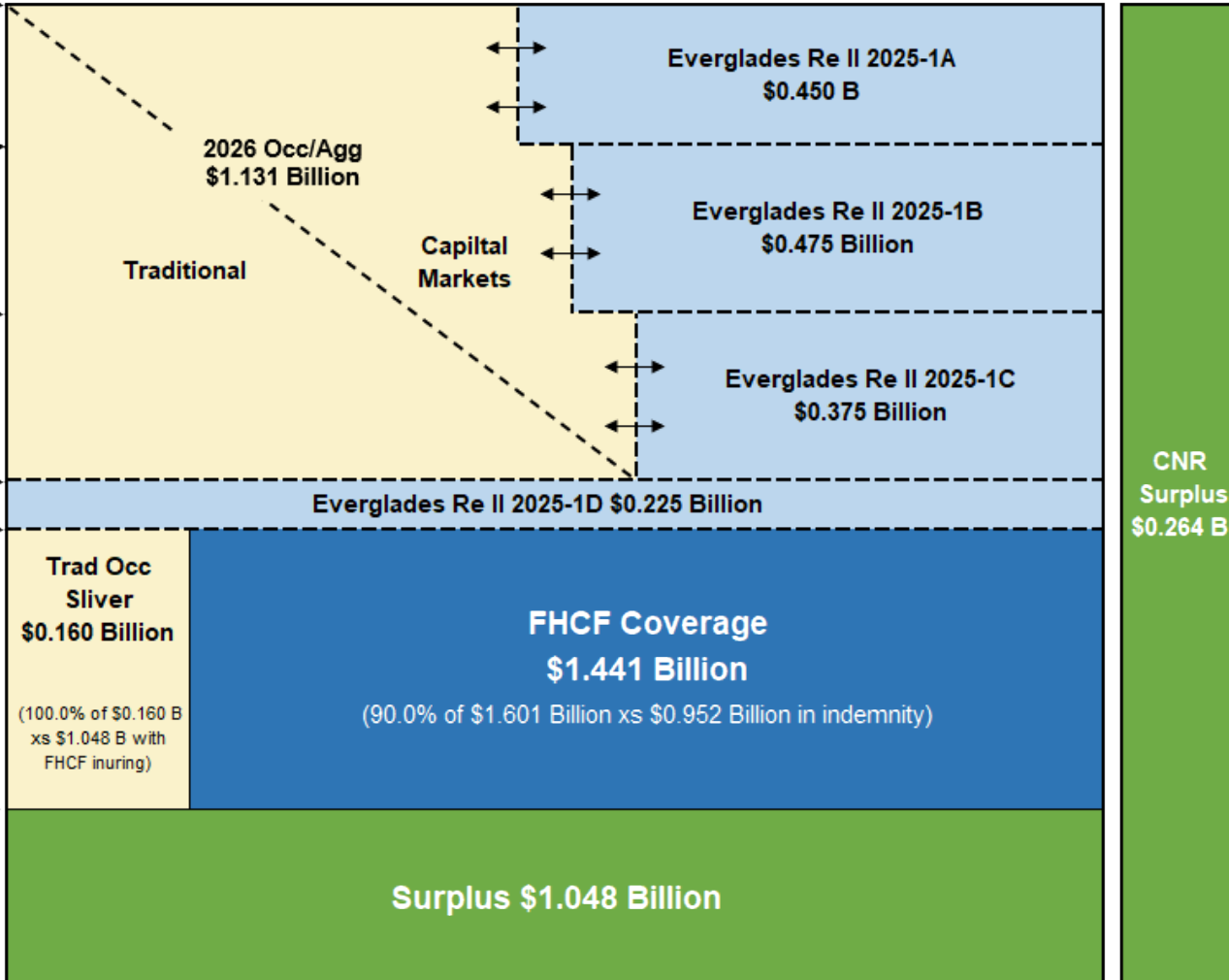
May 8, 2026

2026 Preliminary Layer Chart

(Not to scale)

Residential Loss & LAE	PML Return Time		OEP	AEP
	Single	Agg		
\$5.305 B	100	89	1.00%	1.13%
\$4.574 B	76	69	1.32%	1.46%
\$3.724 B	54	48	1.86%	2.09%
\$2.874 B	37	32	2.73%	3.09%
\$2.649 B	33	29	3.01%	3.42%
\$1.048 B	12	11	8.12%	8.81%

02/28/2026 PML with 10% LAE and -2.9% PR/CR, -20.4% CNR Growth Adjustment



CNR Loss + LAE	Res + CNR Loss + LAE
\$0.264 B	\$5.570 B

	(\$ Billions)
Surplus Used for 1-in-100	\$1.31
FHCF Coverage	\$1.44
New Risk Transfer Coverage	\$1.29
Existing Risk Transfer Coverage	\$1.53
Total Private Risk Transfer Program	\$2.82
Citizens Policyholder Surcharge	\$0.00
Emergency Assessment	\$0.00

Approximately 24% of surplus is exposed in a 1-in-100 year event. Surplus remaining after a 1-in-100 year storm is projected to fund a 1-in-60 year event, additional LAEs, or multiple smaller storms in this or subsequent years.



Notes and Assumptions - 2026 Storm Season

ASSUMPTIONS

- Citizens' 2026 Budget Projected DWP \$1.4 Billion
- Citizens' Policyholder Surcharge Maximum 15%
- 2025 Emergency Assessment Base (based on 2024 DWP) \$92.8 Billion
- PMLs are based on modeled losses as of February 28, 2026, Verisk Hurricane Model for the United States Version 3.0.0 as implemented in Touchstone (version 13.2.0). All PMLs reflect the 50K US Hurricane - Florida Regulatory Event Set including Demand Surge, excluding Storm Surge, and include 10% of loss to account for loss adjustment expense (LAE). Data is projected to September 30, 2026 using growth adjustment factors of -2.9% for PR/CR and -20.4% for CNR policy types. Interim Return Periods are derived by linear interpolation between 5-year intervals.
- 2026 Projected Surplus = Year end 2025 surplus + 2026 budget projected net income +/- adjustment for differences between budget and updated forecast FHCF premium
- FHCF pays 10% of reimbursed loss for loss adjustment expense
- Citizens' 2026 FHCF coverage is based on preliminary retention and coverage estimates. Actual Citizens' FHCF attachment and limits of coverage could differ significantly from estimates.

NOTES

These charts are imperfect! They attempt to show projected claims-paying resources, but they are approximations only. Three significant complicating factors are described below:

- 1) PR/CR PML vs. CNR PML: An actual 100-year PML event in the Residential portion of the book (PR/CR) may not be a 100-year PML event for the Non-Residential (CNR) portion of the book. The relative magnitude of actual losses for the Residential and Non-Residential portions will depend on the storm size and path.
- 2) Non-residential exposure: Commercial non-residential (CNR) exposures are not reinsured by FHCF. CNR losses are shown in a stand-alone chart and correspond to the actual CNR's PML and return periods.
- 3) Liquidity: These charts do not show liquidity. Ample PML resources may still require liquidity as many of the resources are not available immediately following a major hurricane. The timing and magnitude of receivables such as FHCF recoveries and assessments are unknown.

Risk Transfer Program

Summary	<p>The 2026 Risk Transfer Program includes private reinsurance coverage of approximately \$2.82 billion. This coverage would be comprised of \$1.53 billion of existing private risk transfer from 2025, and \$1.29 billion of new coverage in the traditional market and capital markets as depicted in the layer charts, summarized as follows (in millions):</p>			
		<u>Cover</u>	<u>Attach</u>	<u>Coverage Type</u>
	Sliver Layer	\$ 160	\$1,048	Occurrence
	Layer 1:			
	Everglades Re II 2025-1D	\$ 225	\$2,649	Aggregate
	Layer 2:			
	Traditional/Capital Markets	\$1,131	\$2,874	Occurrence/Aggregate
	Capital Markets 2025-1C	\$ 375	\$2,874	Aggregate
	Capital Markets 2025-1B	\$ 475	\$3,724	Aggregate
	Capital Markets 2025-1A	\$ 450	\$4,574	Aggregate
Grand Total	\$2,816			
	<ul style="list-style-type: none"> • The Sliver Layer of this program would provide annual, per occurrence coverage. <i>(Traditional Market)</i> • Layer 1 is a capital markets 2025-1D renewal that provides multi-year aggregate coverage, protecting Citizens against multiple storms in a single season. This is the second of three years for this multi-year Note (originally placed in 2025). <i>(Capital Markets)</i> • Layer 2 would provide coverage from the capital and traditional markets. The capital markets risk transfer placement provides multiple year aggregate coverage, and the traditional reinsurance market placement provides single year occurrence/aggregate coverage. <i>(Traditional and Capital Markets)</i> <ul style="list-style-type: none"> ○ The capital markets 2025-1C, 2025-1B and 2025-1A renewals provide multi-year aggregate coverage, protecting Citizens against multiple storms in a single season. This is the second year for these multi-year Notes (originally placed in 2025). <i>(Capital Markets)</i> 			

Approval Type	<input type="checkbox"/>	New Initiative	<input type="checkbox"/>	Amending Ongoing Contract
	<input type="checkbox"/>	Replacing Expiring Contract	<input checked="" type="checkbox"/>	Other (Explain in Summary)
Awarded Vendor(s)	N/A			
Contract Term Length	The contract terms are for one year in the Traditional Market, and three years in the Capital Markets.			
Estimated Spend	\$280 million			
Procurement Method	<input type="checkbox"/>	Competitive Solicitation	<input type="checkbox"/>	Single Source
	<input type="checkbox"/>	DMS Approved Contract	<input type="checkbox"/>	Emergency Procurement
	<input type="checkbox"/>	Statutory Exemption	<input checked="" type="checkbox"/>	Other (Explain in Summary)
Committee Consent	N/A			
Board Consent	<p>Risk Transfer Program</p> <p>The Board authorizes Citizens staff to purchase Traditional and Capital Markets risk transfer for the entire 2026 program, not to exceed the amount of \$280 million and take any appropriate or necessary action consistent with this Consent Item.</p>			
Executive Sponsor(s)	Jennifer Montero, Chief Financial Officer			