

Executive Summary

Finance and Investment Committee, June 23, 2026

Board of Governors Meeting, June 23, 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.

Market Overview

2026 further solidified the impact of the 2022 and 2023 litigation reforms on the Florida risk transfer marketplace. After a year of development from Hurricanes Helene and Milton, and no Florida hurricane landfall for the first time in a decade, reinsurers entered 2026 with a desire to build on the 2025 price decreases.

Both the catastrophe bond market and the traditional reinsurance market have ample capacity due to increased capital, improved earnings, and renewed confidence in the Florida market. This is reflected in Citizens' new 2026 placement of approximately half in capital markets and the other half in traditional markets. Depending on the placement and cedent, overall rate reductions in Florida at the June 1 renewal are in the range of approximately 15-20% for layers above the FHCF.

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Citizens' staff worked extensively with its traditional reinsurance broker, Gallagher Re, and its capital markets co-underwriting team of Aon Securities and GC Securities, as well as its financial advisor, Raymond James, to market its traditional and capital markets risk transfer program via roadshows and one-on-one meetings with reinsurers and investors.

2026 Risk Transfer Program

As approved by the Board of Governors at its May 8, 2026 board meeting, Citizens sought authorization for a total of \$2.82 billion of coverage, with a cost not to exceed \$280 million. Thanks to favorable market conditions, Citizens was able to place its target risk transfer program of \$2.82 billion which includes \$1.29 billion of new placement and \$1.53 billion of multi-year coverage from 2025; at a net ROL of 9.52%, and total cost of \$276.5 million.

The new risk transfer program placement for 2026 of \$1.29 billion includes \$691 million in the traditional market and \$600 million in the capital markets, and has a net ROL of 8.46%, which is 29.2% lower than the net ROL line for the new risk transfer program placed in 2025 of 11.95%.

A portion of Citizens' cost savings for the 2026 program is attributed to the early redemption of three tranches of notes through Everglades Re II issued in 2024. This option, available since Citizens' exposure decreased by more than 75% over two years, enabled replacement of coverage in favorable market conditions as the prices have decreased significantly. Nonetheless, even after paying an optional redemption premium of \$5.5 million, the resulting savings are significant. The cost to retain the coverage through Everglades 2024-1 notes for the third and final year would have been \$124.8 million as compared to the Everglades 2026-1 cost of \$46.6 million for net savings of \$72.7 million. The savings are a result of reduced coverage as well as reduced rate-on-line.

The 2026 risk transfer program incorporates strategic elements from prior risk transfer programs, which include: transferring risk alongside the FHCF and transferring single occurrence and annual aggregate risk to protect a portion of surplus for most catastrophic events and thereby eliminates the probability of a Citizens' policyholder surcharge and emergency assessments to the citizens of Florida for a 1-in-100-year event.

The 2026 risk transfer layers are as follows:

- The Sliver Layer will sit alongside the FHCF. It provides \$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

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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 \$850 million of coverage for personal residential and commercial residential losses from the capital and traditional reinsurance markets, as follows:
 - \$250 million of occurrence coverage from the traditional market.
 - \$225 million of new multi-year, annual aggregate coverage from the capital markets placed through Everglades Re II. This is the first year of this three-year coverage.
 - A capital markets renewal risk transfer placement of \$375 million through Everglades Re II. This is the second year for these multi-year Notes (originally placed in 2025) which provide aggregate coverage.
- Layer 3 will sit above Layer 2. This layer will provide \$850 million of coverage for personal residential and commercial residential losses from the capital and traditional reinsurance markets, as follows:
 - \$175 million of occurrence coverage from the traditional market.
 - \$200 million of new multi-year, annual aggregate coverage from the capital markets placed through Everglades Re II. This is the first year of this three-year coverage.
 - A capital markets renewal risk transfer placement of \$475 million through Everglades Re II. This is the second year for these multi-year Notes (originally placed in 2025) which provide aggregate coverage.
- Layer 4 will sit above Layer 3. This layer will provide \$731 million of coverage for personal residential and commercial residential losses from the capital and traditional reinsurance markets, as follows:
 - \$106 million of occurrence coverage from the traditional market.
 - \$175 million of new multi-year, annual aggregate coverage from the capital markets placed through Everglades Re II. This is the first year of this three-year coverage.
 - A capital markets renewal risk transfer placement of \$450 million through Everglades Re II. This is the second year for these multi-year Notes (originally placed in 2025) which provide aggregate coverage.

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In summary, the 2026 private risk transfer program totals \$2.82 billion of coverage, with approximately \$691 million of coverage in the global traditional reinsurance market and \$2.13 billion of global capital markets coverage, with an overall weighted average net ROL of 9.52%. The 2026 risk adjusted price reflects substantial improvement in market conditions. For the total program including existing coverage, the price is approximately 20% lower than the 2025 program and for new coverage placed in 2026, the price is approximately 30% lower than it would have cost for similar coverage in 2025.