



Reinsurance to Assist Policyholders Program

**Administered by the
State Board of Administration of Florida**

**Report to the Executive Office of the Governor, the
President of the Senate, and the Speaker of the House of
Representatives**

January 31, 2023

Reinsurance to Assist Policyholders Program

Purpose and Scope

Section 215.5551(13)(c), Florida Statutes, requires the State Board of Administration to submit a report to the Executive Office of the Governor, the President of the Senate, and the Speaker of the House of Representatives by January 31, 2023, and quarterly thereafter, detailing any reimbursements of the Reinsurance to Assist Policyholders program, all loss development projections, the amount of reimbursement coverage deferred until 2023-2024 contract year, and detailed information about administrative and post-event examination expenditures.

Introduction

The Reinsurance to Assist Policyholders (“RAP”) program, administered by the State Board of Administration (“SBA” or “Board”), was created by the Florida Legislature under s. 215.5551, F.S. and became effective on May 26, 2022. The RAP program provides a \$2 billion reimbursement layer of reinsurance coverage directly below the industry retention for the Florida Hurricane Catastrophe Fund (FHCF). Although the RAP program is created separately from the FHCF, aspects of the program are related to the FHCF. Insurers eligible for RAP coverage include insurers participating in the FHCF on June 1, 2022. Citizens Property Insurance Corporation and any insurer the Office of Insurance Regulation (OIR) certifies is in an unsound financial condition are excluded from participation. Eligible insurers are required to participate in the RAP program in the 2022-2023 contract year unless an insurer has private reinsurance that duplicates the RAP coverage. In that instance, insurers are required to defer coverage to the 2023-2024 contract year.

Coverage in the RAP program is provided at no cost to the insurer and is an aggregate limit for a single season for the two covered events with the largest losses for the insurer. Insurers are reimbursed 90% of covered losses exceeding their RAP retention, plus a 10% loss adjustment expense allowance, not to exceed their maximum RAP payout. If a covered event occurs, an insurer can request reimbursements up to 60 months after the end of a contract year. Subsequently, the SBA will commute losses, finalizing all reimbursements due an insurer.

Funding for reimbursements, when needed, is provided from a \$2 billion non-recurring appropriation from General Revenue. In addition, the statute provides the SBA with up to \$5 million from General Revenue funds for expenses to the administer the RAP program, including post-event examinations. All monies not expended under the program will be returned to the General Revenue Fund by July 1, 2029.

Participation in the RAP Program

RAP insurers were required to notify the SBA by June 30, 2022, if the insurer had any private reinsurance that duplicated the RAP coverage. If so, the insurer was required to defer coverage to the 2023-2024 contract year. Insurers participating in the program in the 2022-2023 contract year were required to execute a RAP reimbursement contract by July 15, 2022. Insurers required to defer coverage to the 2023-2024 contract year, are required to execute a 2023-2024 contract year RAP reimbursement contract by March 1, 2023, unless OIR notifies the SBA by February 1,

2023, that an insurer is in an unsound financial condition. If an insurer fails to submit an executed reimbursement contract by the due date, the contract is deemed executed by the insurer.

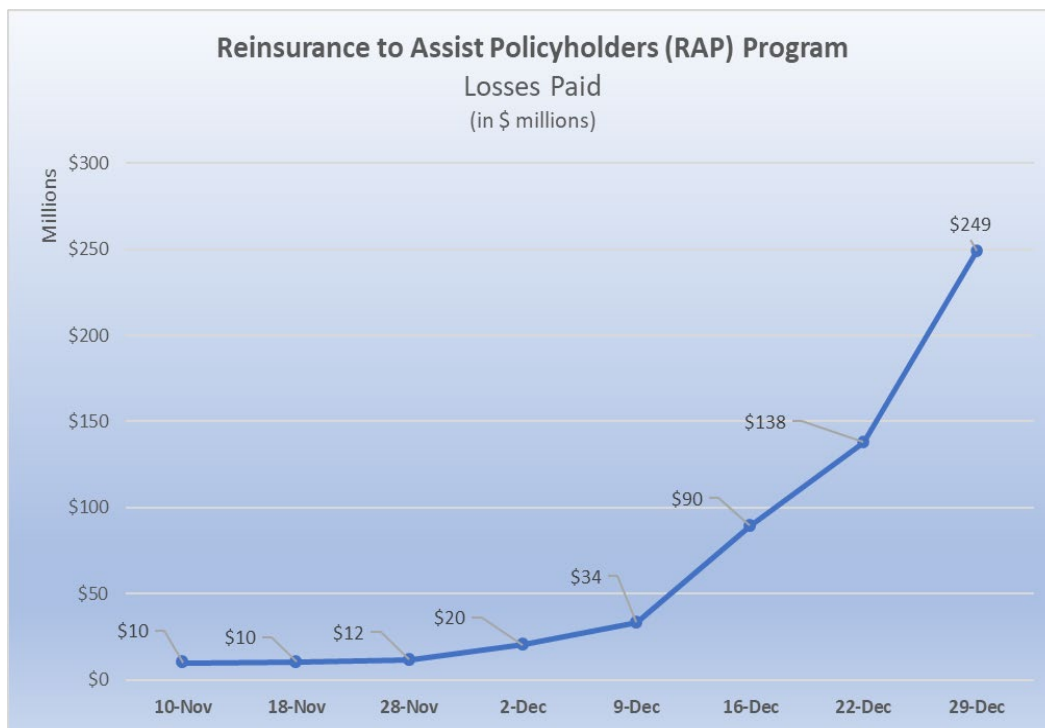
As of June 30, 2022, a total of 147 companies were eligible for RAP coverage. For the 2022-2023 contract year, 69 companies were required to participate, and 78 companies were required to defer coverage to the 2023-2024 contract year.

The projected maximum payout available to the 69 RAP insurers for the 2022-2023 contract year is approximately \$885 million. The projected maximum payout available to the 78 companies required to defer to the 2023-2024 year is approximately \$1.115 billion. All amounts are funded from the General Revenue funds appropriation of \$2 billion.

RAP Program Reimbursements

Hurricane Ian

On September 28, 2022, Hurricane Ian made landfall near Cayo Costa, Florida, as a category 4 hurricane. Considering the substantial damage from the hurricane and the anticipated reimbursements that could be forthcoming, the SBA requested \$400 million from General Revenue for reimbursements as early estimates indicated the losses could exceed \$800 million. This would allow the SBA to be prepared to reimburse insurers as requests were received. The first request for reimbursement from an insurer was received on November 3, 2022. As the SBA continued to monitor the frequency and amount of reimbursements requested from insurers, a request for an additional \$400 million was made and received in December 2022. The chart below shows the current trajectory of losses paid under the RAP program through December 31, 2022.



As of December 31, 2022, 20 RAP insurers have been reimbursed a total of \$249,096,893 for losses from Hurricane Ian. Of those 20 insurers, 15 have received their maximum RAP payout. Ultimately, 43 companies are expected to receive their maximum RAP payout which is projected to exceed \$800 million. Insurers requesting reimbursements for the 2022-2023 contract year will file a final report requesting reimbursements no later than June 1, 2028, and the SBA will negotiate a final settlement through a commutation process.

Hurricane Nicole

On November 10, 2022, Hurricane Nicole made landfall south of Vero Beach, Florida, as a category 1 hurricane. Actuarial estimates based on modeled losses for the RAP program indicate that RAP reimbursements will not be necessary for Hurricane Nicole.

**Funds Transferred from General Revenue
and Loss Reimbursements Paid**

TABLE 1

Date	Transferred from General Revenue	Loss Reimbursements	Number of Companies	Remaining General Revenue Funds*
10/7/2022	\$400,000,000			\$400,000,000.00
11/10/2022		\$10,098,208.57	3	\$389,901,791.43
11/18/2022		\$323,863.66	1	\$389,577,927.77
11/28/2022		\$1,497,890.51	3	\$388,080,037.26
12/2/2022		\$8,424,929.28	2	\$379,655,107.98
12/9/2022		\$13,250,986.20	4	\$366,404,121.78
12/16/2022		\$56,002,431.89	8	\$310,401,689.89
12/22/2022		\$48,543,173.56	8	\$261,858,516.33
12/27/2022	\$400,000,000			\$661,858,516.33
12/29/2022		\$110,955,408.94	9	\$550,903,107.39
TOTAL		\$249,096,892.61		

*The remaining General Revenue Funds listed do not include any investment income earned prior to payout.

Administrative Expenses

The Board entered into a five-year contract for administrative and actuarial services for the implementation and administration of the RAP program with Paragon Strategic Solutions Inc. Fees under the contract are paid on a quarterly basis and are scalable to allow for any variability in expenses, which depend on the occurrence of hurricanes. As of December 31, 2022, approximately \$157,000 has been paid for administrative and actuarial services and the following table provides a breakdown of the costs.

TABLE 2

Date	Transferred from General Revenue	Description	Expense Amount	Remaining General Revenue Funds
7/11/2022		Administrative expense for program setup	\$15,000.00	(\$15,000.00)
12/14/2022		October 2022 bank fees	\$32.58	(\$15,032.58)
12/14/2022		November 2022 bank fees	\$80.69	(\$15,113.27)
12/27/2022	\$515,051.00			\$499,937.73
12/27/2022		Administrative services	\$86,111.62	\$413,826.11
12/27/2022		Actuarial services	\$55,686.17	\$358,139.94

The SBA anticipates upcoming costs under the program, including costs for claims examinations as well as approximately \$120,000 for systems programming.