



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, 2025

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 the 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) certified as being in an unsound financial condition were excluded from participation. Eligible insurers were required to participate in the RAP program in the 2022-2023 contract year unless an insurer had private reinsurance that duplicated the RAP coverage. In that instance, insurers were 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 subject to an aggregate limit for each contract year. Insurers are reimbursed 90% of covered losses exceeding their RAP retention for the two covered events with the largest losses for the contract year, 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 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 that deferred coverage to the 2023-2024 contract year were required to execute a 2023-2024 contract

year RAP reimbursement contract by March 1, 2023. If an insurer failed to submit an executed reimbursement contract by the due date, the contract was deemed executed by the insurer.

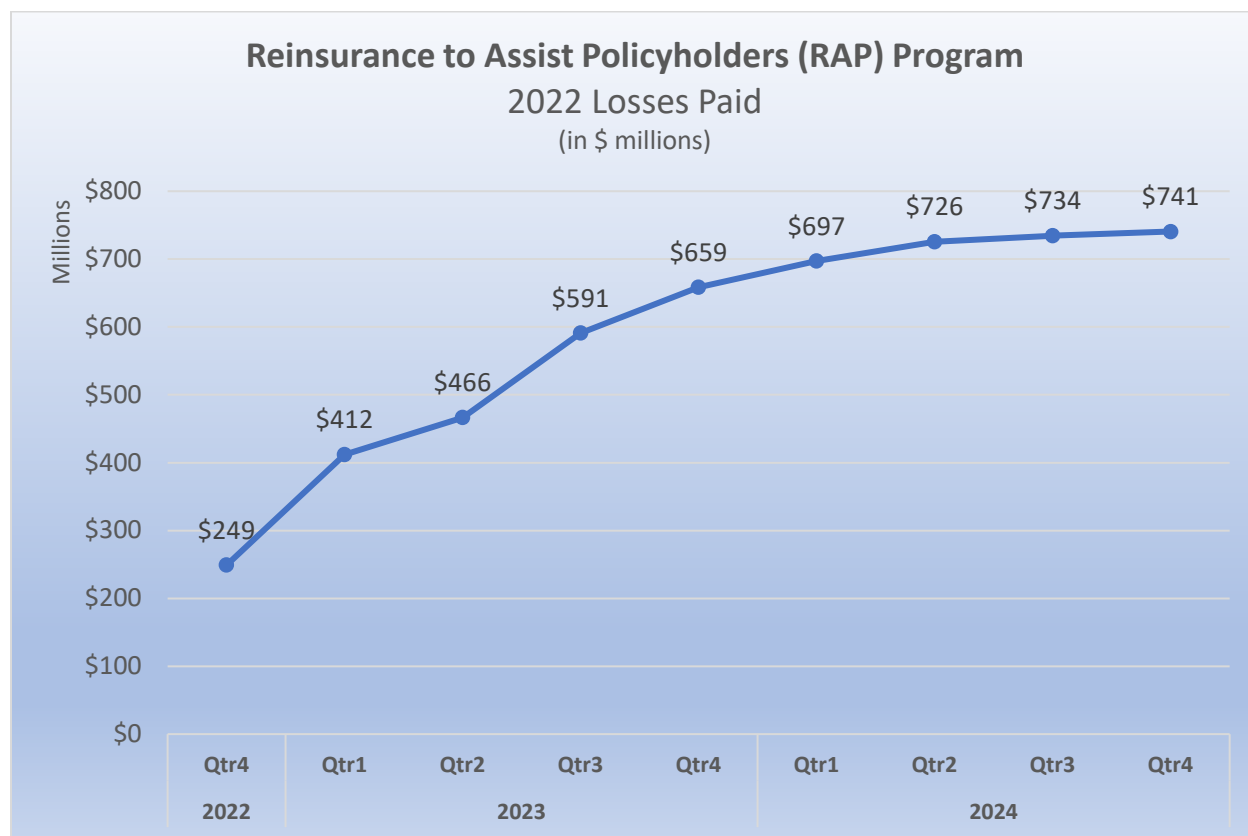
A total of 146 companies were eligible for RAP coverage. For the 2022-2023 contract year, 69 companies were required to participate, and 77 companies were required to defer coverage to the 2023-2024 contract year.

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 77 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 – Contract Year 2022

On September 28, 2022, Hurricane Ian made landfall near Cayo Costa, Florida, as a category 4 hurricane. To date, the SBA has received a total of \$800 million from General Revenue in response to losses for this storm. The chart below shows the current trajectory of losses paid for Hurricane Ian under the RAP program through December 31, 2024.



The remaining balance of General Revenue funds being held for payment of Hurricane Ian reimbursements is approximately \$59.4 million. This does not include any investment income being held on the funds prior to payout.

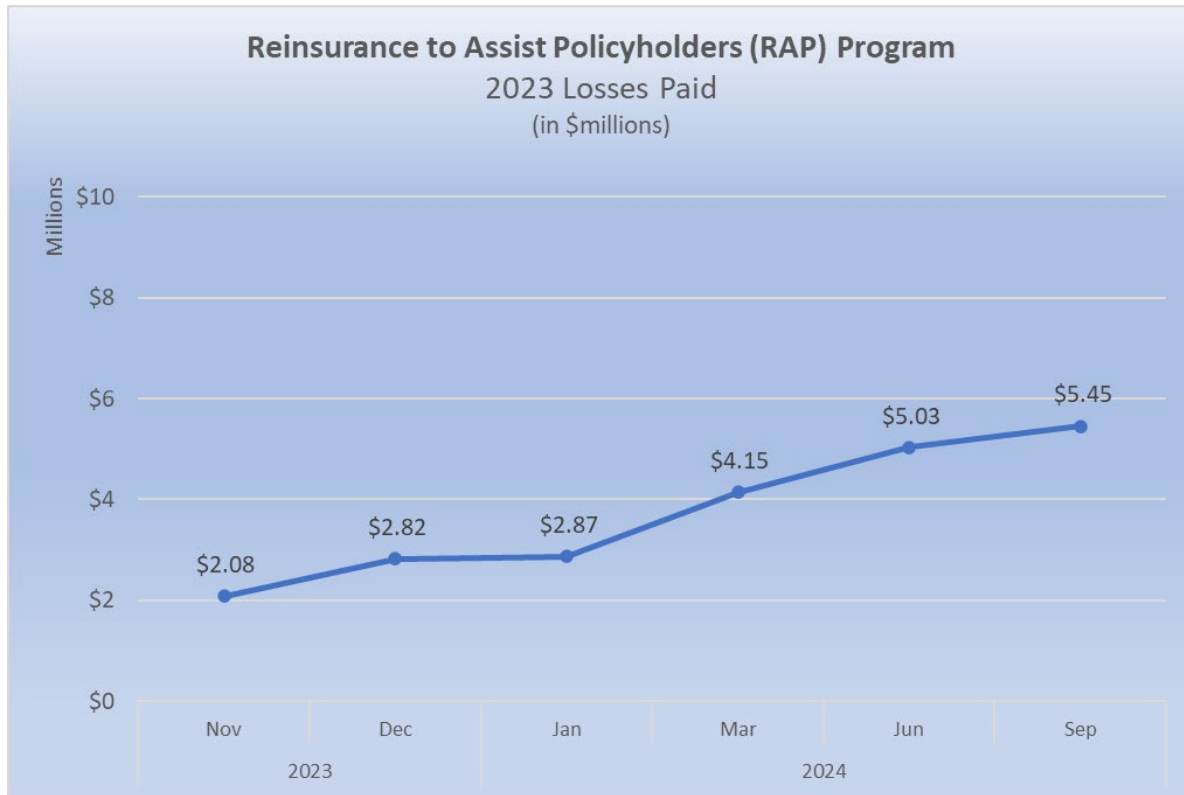
As of December 31, 2024, 48 RAP insurers have been reimbursed a total of \$740,567,098.41 for losses from Hurricane Ian. Of those 48 insurers, 39 have received their maximum RAP payout. Ultimately, 50 companies are currently expected to receive their maximum RAP payout which is projected to exceed \$800 million. Insurers requesting reimbursements for the 2022-2023 contract year will file a final proof of loss requesting reimbursements no later than June 1, 2028, and the SBA will negotiate a final settlement through a commutation process unless commuted earlier.

Hurricane Nicole – Contract Year 2022

On November 10, 2022, Hurricane Nicole made landfall south of Vero Beach, Florida, as a category 1 hurricane. Actuarial estimates based on losses reported by RAP insurers indicate that RAP reimbursements will not be necessary for Hurricane Nicole. However, RAP insurers can request reimbursements through June 1, 2028, unless commuted earlier.

Hurricane Idalia – Contract Year 2023

On August 30, 2023, Hurricane Idalia made landfall near Keaton Beach, Florida, as a category 3 hurricane. Current loss development reported by RAP insurers indicates that the impact to the RAP program will be approximately \$10.1 million. Based on initial actuarial estimates, the SBA requested and received \$15 million from General Revenue to fund these losses. We will continue to monitor the actuarial estimates as losses develop. The chart below shows the current trajectory of losses paid for Hurricane Idalia under the RAP program through December 31, 2024.



The remaining balance of General Revenue funds being held for payment of Hurricane Idalia reimbursements is approximately \$9.5 million. This does not include any investment income being held on the funds prior to payout.

As of December 31, 2024, two RAP insurers have been reimbursed a total of \$5,454,280.34 for losses from Hurricane Idalia. Ultimately, four companies are expected to receive RAP reimbursements for this storm. Insurers requesting reimbursements for the 2023-2024 contract year will file a final proof of loss requesting reimbursements no later than June 1, 2028, and the SBA will negotiate a final settlement through a commutation process unless commuted earlier.

Administrative Expenses

The SBA executed a five-year contract for administrative and actuarial services for the implementation and administration of the RAP program with Paragon Strategic Solutions Inc. Fees are paid on a quarterly basis and are scalable to allow for variability in expenses, depending on the occurrence of hurricanes. The SBA has received a total of \$3.9 million for administrative expenses from General Revenue. This is projected to be sufficient to cover all remaining expenses over the life of the program including costs for claims examinations. As of December 31, 2024, an aggregate of approximately \$1.52 million has been paid for expenses under the RAP program, as detailed in the following chart.

RAP Program Expenses

