



# **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**

**October 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) certified as 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 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 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 is deemed executed by the insurer.

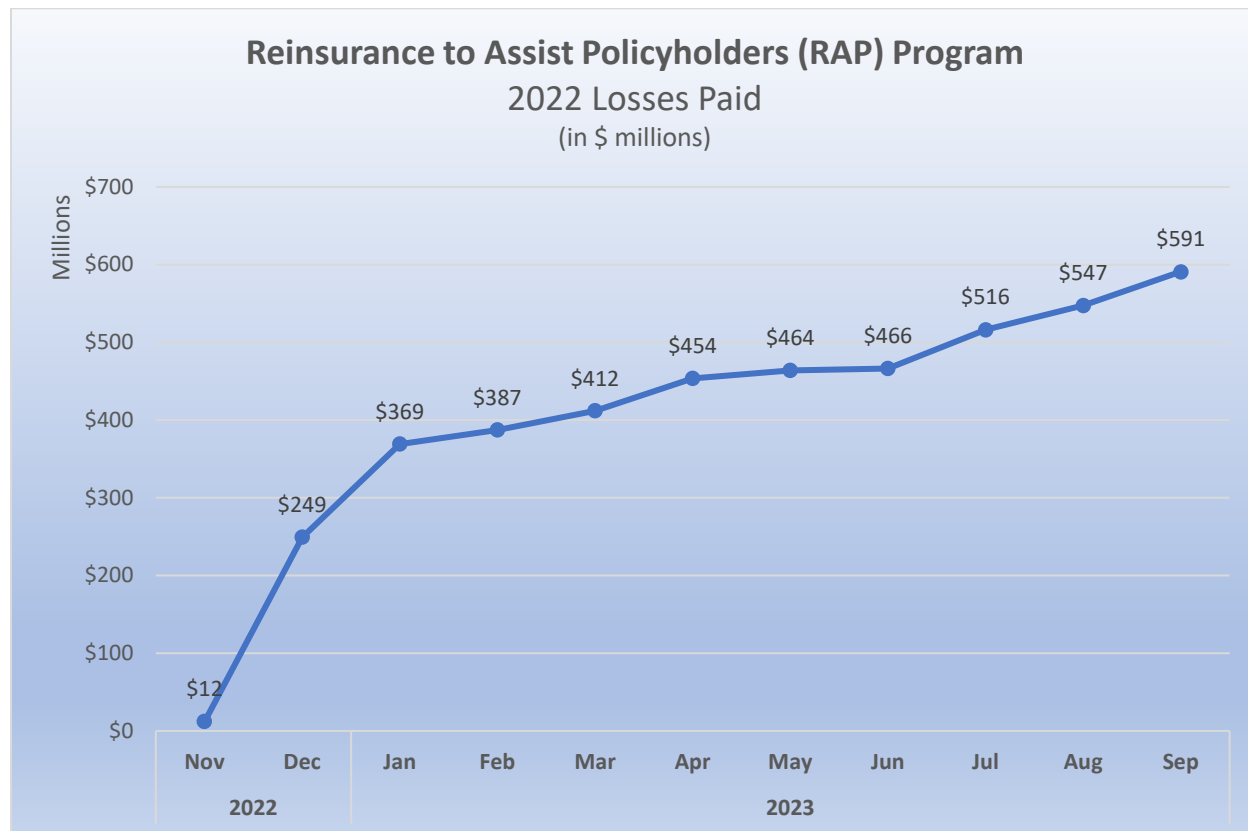
A total of 146 companies are eligible for RAP coverage. For the 2022-2023 contract year, 69 companies were required to participate, and 77 companies were required to defer coverage to the 2023-2024 contract year.

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

On September 28, 2022, Hurricane Ian made landfall near Cayo Costa, Florida, as a category 4 hurricane. The SBA received \$400 million for loss reimbursement from General Revenue in October 2022 based on early actuarial estimates, and an additional \$400 million was requested and received in December 2022. The chart below shows the current trajectory of losses paid for Hurricane Ian under the RAP program through September 30, 2023.



As of September 30, 2023, 39 RAP insurers have been reimbursed a total of \$590,993,588.62 for losses from Hurricane Ian. Of those 39 insurers, 32 have received their maximum RAP payout. Ultimately, 52 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.

#### Hurricane Idalia

On August 30, 2023, Hurricane Idalia made landfall near Keaton Beach, Florida, as a category 3 hurricane. Based on early actuarial estimates it appears that the impact to the RAP program will be approximately \$15 million, and the SBA has requested \$15 million from General Revenue to fund these losses. We will continue to monitor the actuarial estimates as losses develop.

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

**TABLE 1**

| <i>Date</i>           | <i>Transferred from<br/>General Revenue</i> | <i>Loss<br/>Reimbursements</i> | <i>Remaining<br/>General Revenue Funds*</i> |
|-----------------------|---|--------------------------------|---|
| <i>October 2022</i>   | \$400,000,000                               |                                | \$400,000,000.00                            |
| <i>November 2022</i>  |   | \$11,919,962.74                | \$388,080,037.26                            |
| <i>December 2022</i>  | \$400,000,000                               | \$237,176,929.87               | \$550,903,107.39                            |
| <i>January 2023</i>   |   | \$119,969,305.85               | \$430,933,801.54                            |
| <i>February 2023</i>  |   | \$18,159,587.98                | \$412,774,213.56                            |
| <i>March 2023</i>     |   | \$24,650,699.46                | \$388,123,514.10                            |
| <i>April 2023</i>     |   | \$41,722,157.94                | \$346,401,356.16                            |
| <i>May 2023</i>       |   | \$10,276,775.81                | \$336,124,580.35                            |
| <i>June 2023</i>      |   | \$2,431,487.22                 | \$333,693,093.13                            |
| <i>July 2023</i>      |   | \$50,023,210.29                | \$283,669,882.84                            |
| <i>August 2023</i>    |   | \$31,095,671.95                | \$252,574,210.89                            |
| <i>September 2023</i> |   | \$43,567,799.51                | \$209,001,751.45                            |
| <b><i>TOTAL</i></b>   |   | <b>\$590,993,588.62</b>        |   |

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

## Administrative Expenses

The Board 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 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 September 30, 2023, approximately \$614,000 has been paid for administrative and actuarial services and the following table provides a breakdown of all paid expenses under the RAP program.

**TABLE 2**

| <i>Date</i> | <i>Transferred<br/>from<br/>General<br/>Revenue</i> | <i>Description</i>                       | <i>Expense<br/>Amount</i> | <i>Remaining General<br/>Revenue Funds</i> |
|-------------|---|--|---------------------------|--|
| 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                               |
| 2/24/2023   |   | December 2022 bank fees                  | \$247.93                  | \$357,892.01                               |
| 2/24/2023   |   | January 2023 bank fees                   | \$128.60                  | \$357,763.41                               |
| 3/14/2023   |   | February 2023 bank fees                  | \$155.69                  | \$357,607.72                               |
| 4/21/2023   |   | March 2023 bank fees                     | \$160.78                  | \$357,446.94                               |
| 5/22/2023   |   | April 2023 bank fees                     | \$93.15                   | \$357,353.79                               |
| 5/24/2023   |   | Administrative services                  | \$139,977.13              | \$217,376.66                               |
| 5/24/2023   |   | RAP system integrations                  | \$119,040.00              | \$98,336.66                                |
| 6/22/2023   |   | May 2023 bank fees                       | \$73.56                   | \$98,263.10                                |
| 6/30/2023   |   | June 2023 bank fees                      | \$76.32                   | \$98,186.78                                |
| 7/18/2023   | \$391,787.00  |  |                           | \$489,973.78                               |
| 8/7/2023    |   | Administrative services                  | \$104,236.34              | \$385,737.44                               |
| 8/16/2023   |   | July 2023 bank fees                      | \$82.60                   | \$385,654.84                               |
| 9/19/2023   |   | August 2023 bank fees                    | \$89.50                   | \$385,565.34                               |
| 9/25/2023   |   | Administrative services                  | \$92,754.77               | \$292,810.57                               |

The SBA anticipates additional costs under the program, including costs for claims examinations.