

CitizensAdvisor



Citizens Board Approves Upcoming Bond Issue

TALLAHASSEE, FL – Citizens Property Insurance Corporation's Board of Governors has approved the issuance of up to \$1 billion in pre-event bonds to provide Citizens with readily available cash flow for the 2015 hurricane season and beyond.

By unanimous vote, board members on April 7 approved a recommendation by Citizens Chief Financial Officer Jennifer Montero to continue Citizens' ongoing liquidity financing program and replace coverage from similar bonds that begin to expire in June.

The vote allows Montero to pursue such pre-event financing, which bolsters Citizens' immediate claims-paying resources even in the event of a 1-in-100 year scenario or a second or subsequent relatively smaller events, similar to the 2004 and 2005 events.

Citizens now has access to approximately \$2.6 billion from such pre-event bonds, but most of that will mature over the next three years, with \$490 million expiring in June 2015, and \$1.7 billion expiring over the next two years.

"This financing program provides a necessary cash 'bridge' to certain claims-paying resources, especially reimbursements from the Florida Hurricane Catastrophe Fund," Montero said.

Over the last three years, Citizens has dramatically reduced its exposure and policy count. Citizens' policy count has fallen from nearly 1.5 million in October 2012, to fewer than 600,000 as of March 2015. Exposure has fallen from a peak of more than half a trillion dollars in 2011 to less than \$200 billion.

"We will continue to take advantage of cost-effective ways to protect our policyholders," said Barry Gilway, Citizens' President/CEO and Executive Director. "We owe it to them to ensure we are in the best financial shape possible."

April 14, 2015

Events

June 24 @ 9 a.m.
[Board of Governors](#)

Spotlight



John Rollins
Chief Risk Officer

[Bio](#)

Policies in Force

598,888
as of March 27, 2015.

Citizens Wins Model Insurer Award for Clearinghouse Program

TALLAHASSEE, FL – Citizens Property Insurance Corporation continues to receive national attention and accolades for its Property Insurance Clearinghouse after receiving another industry award for innovation and best business practices.

On March 23, Citizens was recognized by Celent, an international firm focusing on information technology in the financial services industry, as a Model Insurer for its creation and successful launch of the Property Insurance Clearinghouse. The computer-based platform provides consumer and agent access to private insurers offering comparable coverage at competitive rates.



Launched in January 2014, the clearinghouse has resulted in greater insurance choice for Florida homeowners as well as reduced financial risk to the state's insurer of last resort. The program is directly responsible for reducing Citizens exposure by more than \$600 million by steering thousands of new and existing policyholders to private market alternatives. Citizens was among 15 companies to be honored by Celent for a variety of information technology initiatives.

“Strong best practices such as optimization of infrastructure, planned reuse and the improved use of distribution channels were factors in Celent choosing Citizens as a winner,” said Karen Monks, a Celent analyst and author of the report.

The award is the latest accolade received by Citizens for the clearinghouse program, a partnership with Bolt Solutions Inc. that is now in its second year. In November, Insurance Networking News awarded Citizens its 2014 Best Practices Award.

“We are thrilled to win yet another award for our clearinghouse project,” said Steve Bitar, Citizens Chief of Consumer and Agent Services. “The success of this program is the result of a true team effort from a dedicated and skilled group. Our thanks to Celent for sponsoring the Model Insurer awards and for giving us an opportunity to share our story.”

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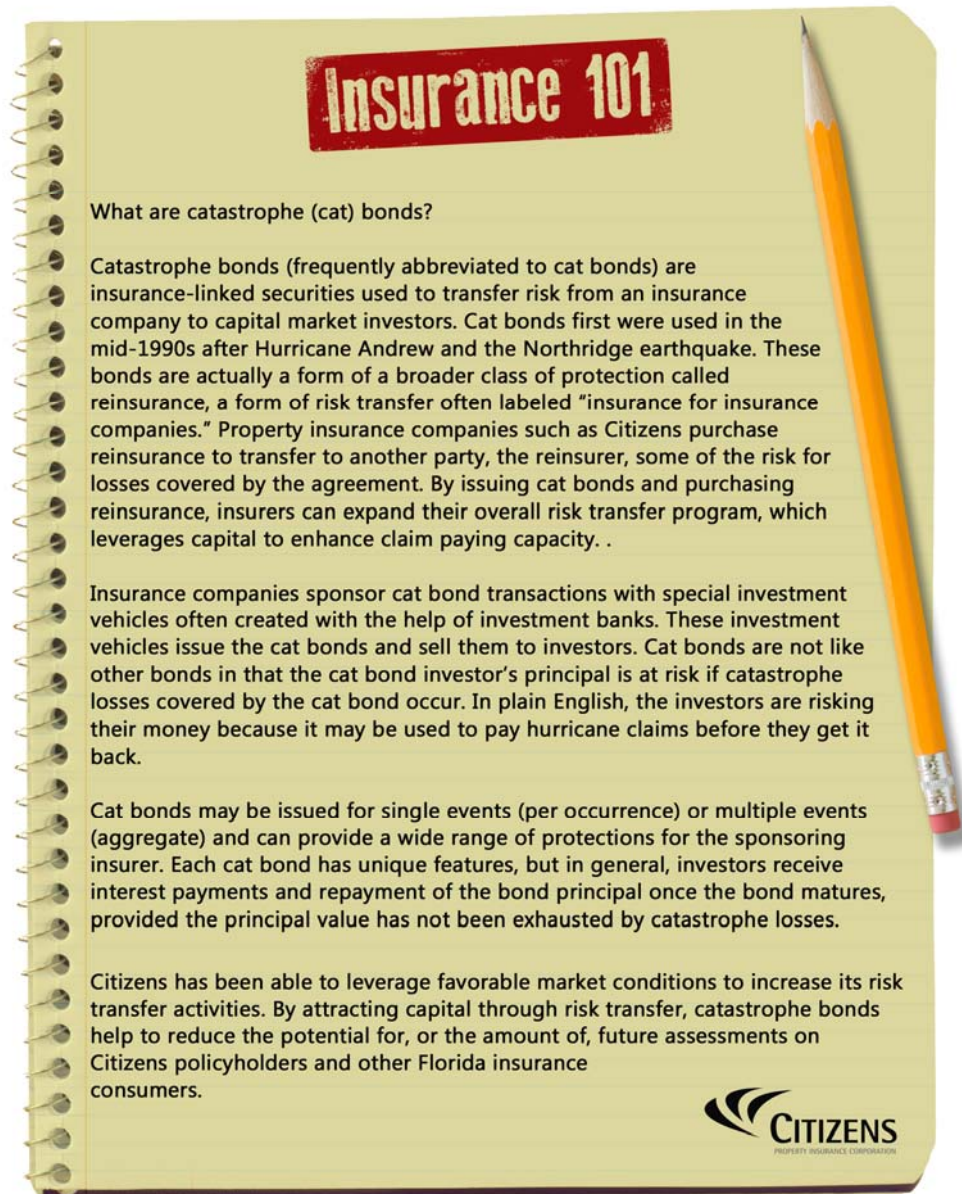
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What are catastrophe (cat) bonds?

Catastrophe bonds (frequently abbreviated to cat bonds) are insurance-linked securities used to transfer risk from an insurance company to capital market investors. Cat bonds first were used in the mid-1990s after Hurricane Andrew and the Northridge earthquake. These bonds are actually a form of a broader class of protection called reinsurance, a form of risk transfer often labeled "insurance for insurance companies." Property insurance companies such as Citizens purchase reinsurance to transfer to another party, the reinsurer, some of the risk for losses covered by the agreement. By issuing cat bonds and purchasing reinsurance, insurers can expand their overall risk transfer program, which leverages capital to enhance claim paying capacity. .

Insurance companies sponsor cat bond transactions with special investment vehicles often created with the help of investment banks. These investment vehicles issue the cat bonds and sell them to investors. Cat bonds are not like other bonds in that the cat bond investor's principal is at risk if catastrophe losses covered by the cat bond occur. In plain English, the investors are risking their money because it may be used to pay hurricane claims before they get it back.

Cat bonds may be issued for single events (per occurrence) or multiple events (aggregate) and can provide a wide range of protections for the sponsoring insurer. Each cat bond has unique features, but in general, investors receive interest payments and repayment of the bond principal once the bond matures, provided the principal value has not been exhausted by catastrophe losses.

Citizens has been able to leverage favorable market conditions to increase its risk transfer activities. By attracting capital through risk transfer, catastrophe bonds help to reduce the potential for, or the amount of, future assessments on Citizens policyholders and other Florida insurance consumers.



News Links

[OIR Approves Removal of up to 45,000 Citizens Policies](#)
Property Casualty 360

[Citizens Board Approves up to \\$1 Billion in Pre-Event Bonds for 2015 Hurricane Season](#)
Insurance Journal

[National Hurricane Center will test storm surge watches, warnings this year](#)
The Washington Post

[Catastrophic Risk: Citizens Property Insurance/Everglades Re cat bond](#)
Environmental Finance

[2015 Hurricane Season One of the Least Active in Decades?](#)
The Weather Channel