

Board of Governors Teleconference Meeting, May 14, 2020

CONTRACT ID	2020 Risk Transfer Program – Coastal Account and Personal Lines Account																																																						
BUDGETED ITEM	<p data-bbox="475 447 760 478">COASTAL ACCOUNT</p> <p data-bbox="475 495 1542 617">Multiple layers of new coverage in the total amount of approximately \$1.0 billion. The total 2020 Coastal Account risk transfer coverage of \$1.4 billion includes the multi-year placements from 2018 as depicted in the layer charts, summarized as follows (in millions):</p> <table border="1" data-bbox="464 621 1471 991"> <thead> <tr> <th></th> <th>Cover</th> <th>Attach</th> <th>Coverage Type</th> </tr> </thead> <tbody> <tr> <td>Layer 1</td> <td>\$102</td> <td>\$428</td> <td>Occurrence (ex-CNR)</td> </tr> <tr> <td>Layer 2</td> <td>\$500</td> <td>\$1,446</td> <td>Aggregate (ex-CNR), no inuring</td> </tr> <tr> <td></td> <td></td> <td>\$428</td> <td>Aggregate (ex-CNR), inuring</td> </tr> <tr> <td>Layer 3</td> <td>\$350</td> <td>\$530</td> <td>Aggregate (ex-CNR), inuring</td> </tr> <tr> <td>Layer 4</td> <td>\$54</td> <td>\$58</td> <td>Occurrence (CNR only)</td> </tr> <tr> <td>Total 2020</td> <td>\$1,006</td> <td></td> <td></td> </tr> <tr> <td>Existing 2018</td> <td>\$400</td> <td></td> <td></td> </tr> <tr> <td>Grand Total</td> <td>\$1,406</td> <td></td> <td></td> </tr> </tbody> </table> <p data-bbox="475 1058 1542 1119">Layer 1 of this program would work in tandem with the mandatory coverage provided by the FHCF to include the 10% of losses not covered by the FHCF. <i>(Traditional Market)</i></p> <p data-bbox="475 1136 1542 1232">Layer 2 of this program would provide annual aggregate loss coverage, protecting Citizens against multiple storms in a single season. Layer 2 may also provide coverage for 2 or 3 seasons. <i>(Traditional Market and Capital Market)</i></p> <p data-bbox="475 1249 1542 1310">Layer 3 of this program would provide annual aggregate loss coverage, protecting Citizens against multiple storms in a single season. <i>(Traditional Market)</i></p> <p data-bbox="475 1327 1542 1388">Layer 4 of this program would provide coverage for CNR losses not covered by other layers of the program and for which Citizens has no FHCF coverage. <i>(Traditional Market)</i></p> <p data-bbox="475 1404 1542 1535">In addition to the 2020 placement layers, there is \$400 million in existing risk transfer from the 2018 season that will remain in place for the 2020 season - \$150 million in multi-year coverage in the traditional market and \$250 million in capital markets risk transfer through Everglades Re.</p> <p data-bbox="475 1602 867 1633">PERSONAL LINES ACCOUNT</p> <p data-bbox="475 1650 1542 1747">The total 2020 Personal Lines Account risk transfer coverage of \$300 million includes two layers of new coverage as depicted in the layer charts, summarized as follows (in millions):</p> <table border="1" data-bbox="464 1751 1471 1955"> <thead> <tr> <th></th> <th>Cover</th> <th>Attach</th> <th>Coverage Type</th> </tr> </thead> <tbody> <tr> <td>Layer 1</td> <td>\$175</td> <td>\$467</td> <td>Occurrence (ex-CNR)</td> </tr> <tr> <td>Layer 2</td> <td>\$125</td> <td>\$1,641</td> <td>Aggregate (ex-CNR), no inuring</td> </tr> <tr> <td>Grand Total</td> <td>\$300</td> <td></td> <td></td> </tr> </tbody> </table>				Cover	Attach	Coverage Type	Layer 1	\$102	\$428	Occurrence (ex-CNR)	Layer 2	\$500	\$1,446	Aggregate (ex-CNR), no inuring			\$428	Aggregate (ex-CNR), inuring	Layer 3	\$350	\$530	Aggregate (ex-CNR), inuring	Layer 4	\$54	\$58	Occurrence (CNR only)	Total 2020	\$1,006			Existing 2018	\$400			Grand Total	\$1,406				Cover	Attach	Coverage Type	Layer 1	\$175	\$467	Occurrence (ex-CNR)	Layer 2	\$125	\$1,641	Aggregate (ex-CNR), no inuring	Grand Total	\$300		
	Cover	Attach	Coverage Type																																																				
Layer 1	\$102	\$428	Occurrence (ex-CNR)																																																				
Layer 2	\$500	\$1,446	Aggregate (ex-CNR), no inuring																																																				
		\$428	Aggregate (ex-CNR), inuring																																																				
Layer 3	\$350	\$530	Aggregate (ex-CNR), inuring																																																				
Layer 4	\$54	\$58	Occurrence (CNR only)																																																				
Total 2020	\$1,006																																																						
Existing 2018	\$400																																																						
Grand Total	\$1,406																																																						
	Cover	Attach	Coverage Type																																																				
Layer 1	\$175	\$467	Occurrence (ex-CNR)																																																				
Layer 2	\$125	\$1,641	Aggregate (ex-CNR), no inuring																																																				
Grand Total	\$300																																																						

ACTION ITEM

Board of Governors Teleconference Meeting, May 14, 2020

	<p>Layer 1 of this program would work in tandem with the mandatory coverage provided by the FHCF to include the 10% of losses not covered by the FHCF. (<i>Traditional Market</i>)</p> <p>Layer 2 of this program would provide annual aggregate loss coverage, protecting Citizens against multiple storms in a single season. Layer 2 may also provide coverage for 2 or 3 seasons. (<i>Capital Market</i>).</p>
CONTRACT AMOUNT	The 2020 cost to Citizens for this traditional and capital markets risk transfer program will not exceed \$145 million.
PURPOSE / SCOPE	Florida Statutes provide that Citizens must make its best efforts to procure catastrophe reinsurance at reasonable rates to cover its projected 100-year probable maximum loss. Citizens' Board of Governors, at its December 2019 meeting, approved in concept that a portion of the risk transfer program for the Coastal Account and the Personal Lines Account will be in the form of coverage provided through the traditional and capital markets.
CONTRACT TERM(S)	The contract terms vary from one to three years.
PROCUREMENT METHOD	N/A
RECOMMENDATION	<p>It is recommended that Citizens' Board of Governors:</p> <ul style="list-style-type: none">a) Approve the 2020 Risk Transfer Program recommendation to purchase traditional and capital markets risk transfer at a cost not to exceed the amount of \$145 million in the Coastal Account and the Personal Lines Account; andb) Authorize staff to take any appropriate or necessary action consistent with this Action Item.
CONTACTS	Jennifer Montero, Chief Financial Officer