

ACTION ITEM

CONTRACT ID:	2016 TRADITIONAL RISK TRANSFER COASTAL ACCOUNT																
BUDGETED ITEM:	Yes																
CONTRACT AMOUNT:	<p>Multiple layers of coverage in the total amount of \$664.3 million as illustrated in the layer charts, summarized as follows (in millions):</p> <table border="1"> <thead> <tr> <th></th> <th>Cover</th> <th>Attach</th> <th>Coverage Type</th> </tr> </thead> <tbody> <tr> <td>Layer 1</td> <td>\$ 443.3</td> <td>\$670</td> <td>Occurrence (ex-CNR)</td> </tr> <tr> <td>Layer 2</td> <td>\$ 221.0</td> <td>\$517</td> <td>Occurrence (CNR only)</td> </tr> <tr> <td>TOTAL</td> <td>\$ 664.3</td> <td></td> <td></td> </tr> </tbody> </table> <p>Layer 1 of this program would work in tandem with the mandatory coverage provided by the FHCF to include 1) the 10% of losses not covered by the FHCF (note that the FHCF reimburses 90% of covered losses), and 2) coverage of losses in excess of the FHCF limit. Layer 2 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. The 2016 cost to Citizens for this traditional risk transfer program together with the capital markets risk transfer program will not exceed \$204 million.</p>		Cover	Attach	Coverage Type	Layer 1	\$ 443.3	\$670	Occurrence (ex-CNR)	Layer 2	\$ 221.0	\$517	Occurrence (CNR only)	TOTAL	\$ 664.3		
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TOTAL	\$ 664.3																
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.																
CONTRACT TERM(S):	One-year contract for private risk transfer at a 2016 cost which together with the 2016 cost of the capital markets risk transfer program will not exceed \$204 million.																
PROCUREMENT METHOD:	The procurement of insurance is not a good or service under Citizens' purchasing policy; therefore a competitive solicitation is not required.																
RECOMMENDATION:	<p>Citizens' staff recommends that Citizens Board of Governors approve:</p> <ul style="list-style-type: none"> a) Approve the recommendation to reallocate the \$443.3 million of 2014 and 2015 multi-year traditional reinsurance alongside and above the FHCF coverage (Layer 1) b) Approve the recommendation to enter into a one-year contract for risk transfer of \$221 million in excess of \$517 million of CNR losses through traditional markets (Layer 2); and c) Authorize staff to take any appropriate or necessary action consistent with this Action Item. 																
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