

**CITIZENS PROPERTY INSURANCE CORPORATION**

**MINUTES OF THE  
BOARD OF GOVERNORS MEETING TELECONFERENCE  
Tuesday, May 24, 2016**

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened via teleconference on Tuesday, May 24, 2016 at 10:00 a.m. (EST).

**The following members of the Board were present:**

Christopher Gardner, Chairman  
Bette Brown  
Gary Aubuchon  
Juan Cocuy  
Don Glisson  
Jim Henderson  
James Holton  
Freddie Schinz

**The following Citizens staff members were present:**

Barry Gilway  
Barbara Walker  
Dan Sumner  
Jennifer Montero

**Call Meeting to Order**

**Barbara Walker:** Good morning and welcome to Citizens May 24, 2016 Board of Governors Teleconference. This meeting is publically noticed in the *Florida Administrative Register* to convene at 10:00 am this morning (EST). Please press \*6 to mute your line and #6 to unmute your line. We Request that you do not place this call on hold. Citizens Board meetings are recorded and transcribed minutes are available on our website. Thank you for your patience. We are still on hold for a few moments and will convene as soon as possible. Thank you for your patience.

**Chris Gardner:** Good morning, it's Chris Gardner.

**Barbara Walker:** Good morning. Chairman, would you like for me to begin with a roll call?

**Chris Gardner:** Let's give it another minute.

**Barbara Walker:** (Roll was called: Chairman Gardner, Governor Don Glisson, Governor Bette Brown, Governor Juan Cocuy (joined late), Governor Jim Holton, Governor Jim Henderson, Governor Freddie Schinz, Gary Aubuchon were present.) Chairman, you have a quorum.

## **1. Chairman's Report**

**Chairman Gardner:** Good morning members, I appreciate you all making time in your busy schedules to attend this important call. Just a couple of brief comments. First of all, hats off to our very capable staff as well to Kapil Bhatia with Raymond James and Rick Patterson and our counsel and reinsurance brokers, Willis & Guy Carpenter for a great job in a very fluid, turbulent time right now. There's a lot of moving pieces and parts and a lot of credit goes to our team and the excellent result they achieved...so with that said, I'm going to recognize Jennifer Montero to take us through the reinsurance program for 2016. Jennifer, you're recognized.

## **2. 2016 Reinsurance Program Traditional Risk Transfer (Coastal Account)**

**Jennifer Montero:** Thank you, Mr. Chairman. Good morning Governors. As you know Citizens Statute requires that the Board makes its best effort to procure catastrophe reinsurance to cover up to a 100-year storm at reasonable rates. The analysis to purchase reinsurance is evaluated by staff each year and a recommendation is made to the Board of Governors. If you'll turn to the second tab labeled Proposed Risk Transfer Program Layer Charts behind the Executive Summary, you'll find the Coastal Account Layer Charts which I will reference as I walk you through our recommended Risk Transfer Program. As you may recall, we have approximately \$2.2 billion of coverage carrying over from 2015 which includes \$1.5 billion from the 2014 Everglades Re Cat Bond, \$300 million from the 2015 Everglades Re II Cat Bond; \$202 million from the 2014 multi-year traditional reinsurance program and \$241.3 million from the 2015 multi-year traditional reinsurance program. All of this carryover reinsurance is annual aggregate. As mentioned in prior meetings, 2016 has been a transition year for Citizens reinsurance program. Staff has worked extensively with our co-brokers and our financial advisors to evaluate available options relating to the structure, term, pricing and other relevant matters in structuring the 2016 Risk Transfer Program. The team met with a number of global traditional reinsurers over the past few months to discuss reallocating the \$443.3 million of its 2014 and 2015 multi-year aggregate reinsurance coverage to a layer that will wrap alongside and above the coverage provided by the Florida Hurricane Catastrophe Fund (FHCF). This will shift the multi-year aggregate reinsurance coverage to its single-year per occurrence wrap layer that will work in tandem with the mandatory coverage provided by the Cat Fund. In addition staff proposes placing \$221 million of commercial non-residential coverage in the global reinsurance market. This layer would provide coverage for 50% of CNR loss in excess of \$517 million. This program would provide coverage for CNR losses not covered by other layers of the program and for which Citizens has no Cat Fund coverage. In addition to this proposed Traditional Market Risk Transfer Program of \$664.3 million, Citizens also has the \$1.8 billion in the capital markets through the 2014 and 2015 Cat Bond. These together will provide Citizens with more than \$2.24 billion of risk transfer coverage for the upcoming 2016 storm season. Although this is a decrease of more than \$1.4 billion of coverage as compared to last year, our surplus exposed in a 1-100 year continuous remain less than 60%. Total program cost for the private risk transfer program are expected to be approximately 10% less than the budget amount of \$204 million...and I'll pause for any questions.

Chairman Gardner: Members, any questions for Jennifer? Please proceed Jennifer.

Jennifer Montero: Thank you Mr. Chairman. If you will please turn to the Traditional Risk Transfer Action Item behind the third tab. This is a one year contract for private risk transfer at a 2016 cost which together with the 2015 Capital Markets Risk Transfer Program will not exceed the \$204 million budgeted amount. It is a budgeted item. *(Juan Cocuy joins the call at this point.)* The procurement of insurance is not a good or service under Citizens purchasing policy; therefore, a competitive solicitation was not required. The formal recommendation is as follows:

Citizens' staff recommends that Citizens Board of Governors approve:

- a) the recommendation to reallocate the \$443.3 million of the 2014 and 2015 multi-year traditional reinsurance alongside and above the FHCF coverage (Layer1); and
- b) 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.

**Chairman Gardner:** Members, any questions for Jennifer? Any discussion? Is there a motion?

Freddie Schinz made the motion to approve, Juan Cocuy seconded the motion. Roll was called and vote was unanimous to approve the 2016 Traditional Risk Transfer (Coastal Account).

**Chairman Gardner:** Jennifer, do you have anything else?

**Jennifer Montero:** I do. I have one other Action Item. Turn to the fourth tab, this is for the Cat Fund. This is a mandatory layer as required by the Statute. Citizens purchases the mandatory layer of 90% coverage available from the Cat Fund for all three accounts. The Cat Fund provides approximately \$983 million of coverage for the PLA/CLA Account for approximately \$67 million of premium and the Cat Fund provides \$1.754 billion of coverage for the Coastal Account for approximately \$119 million of premium. If there are not questions, I will move to the Action Item.

**Chairman Gardner:** Members, any questions for Jennifer? Go ahead Jennifer.

**Jennifer Montero:** Thank you. This is a one-year contract with the Cat Fund, it is a budgeted item. There is no competitive solicitation required and the formal recommendation is as follows:

Citizens' staff recommends that Citizens Board of Governors:

- a) Approve the purchase of the mandatory layer of FHCF coverage; and
- b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.

Chairman Gardner: Members, any questions for Jennifer? Is there a motion?

Jim Henderson made the motion to approve the FHCF mandatory layer of coverage and Don Glisson seconded the motion. All were in favor, motion approved.

**New Business** *(none)*

**Chairman Gardner:** Barbara, would you remind the group when the next Board of Governors Meeting is.

**Barbara Walker:** Yes, sir. Our next Board of Governors Meeting is June 21-22, 2016, with the 21<sup>st</sup> having Committee Meetings and on the 22<sup>nd</sup> our 9:00 am meeting will convene.

Meeting adjourned.