

CITIZENS PROPERTY INSURANCE CORPORATION

**MINUTES OF THE
BOARD OF GOVERNORS MEETING TELECONFERENCE
Thursday, April 27, 2017**

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened via teleconference on Thursday, April 27, 2017 at 10:00 a.m. (EST).

The following members of the Board were present:

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

The following Citizens staff members were present:

Barry Gilway
Barbara Walker
Dan Sumner
Christine Ashburn
Kelly Booten
Violet Bloom
Joe Martins
Steve Bitar
Jay Adams
Jennifer Montero

Call Meeting to Order

Barbara Walker: Good morning and welcome to Citizens April 27, 2017 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. Citizens Board meetings are recorded and transcribed minutes are available on our website. Our meeting will convene with a roll call. Chairman, would you like for me to proceed with roll call?

Chris Gardner: Please Barbara.

Barbara Walker: Thank you. (Roll was called: Chairman Gardner, Governor Don Glisson, Governor Bette Brown, Governor Juan Cocuy, Governor Jim Holton, Governor Jim Henderson, Governor Freddie Schinz, and Governor Aubuchon.) Chairman, you have a full quorum.

Chairman Gardner: Great, thank you we'll call the meeting to order. Thank you everyone for making time this morning, the purpose of today's call is to approve our reinsurance program for 2017. Before I recognize Jennifer, I want to congratulate the entire reinsurance team. We had exceptional guidance from Kapil Bhatia at Raymond James. Thank you to our partners at Guy Carpenter and Willis Re and thank you to Citigroup and Bank of America Merrill Lynch. I would also like to recognize Jennifer Montero for her lead as well as Mark Fisher who did a phenomenal job with our data and analytics. Everyone's efforts have been crucial and critical to a great result. With that I would like to recognize Jennifer Montoro.

Jennifer Montero: Thank you Mr. Chairman. Good morning Board Members. As you know Citizens statute requires that the Board make its best effort to procure catastrophe reinsurance to cover a 1 in 100 year storm at reasonable rates. The analysis to purchase reinsurance is evaluated by staff each year and the recommendation is made to the board. Citizens reinsurance strategy has been to eliminate the potential of an assessment in a 1 in 100 year storm, which was accomplished in 2015, protect surplus, use aggregate coverage to address the impact of multiple storms, protect the commercial non-residential exposure, which does not have any CAT fund coverage, use multiyear coverage when available, and to optimize the use of both the traditional and the capital markets. The risk transfer program that we are proposing today accomplishes all of the goals set forth in our strategy. The PLA/CLA exposes 32% of its surplus with only CAT fund coverage and no private reinsurance. Whereas the Coastal Account exposes 88% of its surplus, with only CAT fund coverage and no private reinsurance placement. Therefore this proposal for risk transfer focuses on the Coastal Account only. With the proposed Coastal Account risk transfer placement, 50% of the surplus would be protected which is a 25% increase in protected surplus from last year. Staff has worked extensively with both Citizens' co-brokers, Willis Re and Guy Carpenter, and Citizens financial advisor Raymond James, to evaluate available options relating to the structure, terms, pricing and other relevant matters in structuring 2017 traditional risk transfer program. We convened with a number of global traditional reinsurance markets over the last four months to market Citizens risk transfer program. Additionally, we worked with the capital markets transaction team: Citibank, Bank of America Merrill Lynch and Raymond James to obtain improved terms based upon market conditions and the continued evolution of the capital markets risk transfer space. In your materials you should have a PowerPoint of the 2017 proposed layer chart. So, please turn to the Coastal Account layer chart and I will walk you through our recommended risk transfer program. As you recall in March we exercised our option to call the 2015 CAT bond and accordingly it will be received on May 3rd. In addition, the 2014 CAT bond is scheduled to mature on April 28th. We also have \$654 million of traditional coverage that will expire before the start of the 2017 wind season. The 1st layer would work in tandem with the mandatory coverage provided by the CAT fund. The placement consists of approximately \$350 million of coverage that wraps alongside and above the CAT fund. This layer is a single shot per occurrence. The second layer provides \$880 million of coverage. This annual aggregate loss layer is divided between the traditional and capital markets. The placement consists of single year and

multi-year traditional coverage and a three year Everglades Re CAT bond. In addition, we also have \$100 million of single shot per occurrence coverage for the Commercial Non-Residential losses. This proposed risk transfer program will result in a combined 2017 traditional reinsurance and capital markets risk transfer program of approximately \$1.3 billion which is \$1.1 billion less than the \$2.4 billion of risk transfer that was purchased last year at a cost not to exceed \$94 million which is 48% less than the \$181 million spent in 2016. I'll pause now for any questions.

Chairman Gardner: Members, any questions for Jennifer?

Jim Henderson: I think they've been very diligent in terms of buying the optimum level of reinsurance and done a good job with it. There's more out there but I think their recommendation in terms of this level given the exposure, I think it's a good recommendation from the staff.

Chairman Gardner: Thank you for those comments. Members, any other questions/comments? (No comments) Great, thank you. Jennifer?

Jennifer Montero: May I read the action item?

Chairman Gardner: Please.

Jennifer Montero: It is recommended that Citizens' Board:

- 1) Approve the recommendation to purchase traditional and capital markets risk transfer in the Coastal Account at a cost not to exceed the amount of \$94 million; and Authorize staff to take any appropriate or necessary action consistent with this Action Item.

Chairman Gardner: Is there a motion?

Governor Schinz made a motion to approve and Governor Henderson seconded.

Chairman Gardner: We have a motion and a second. Barbara, we're going to do a roll call vote please?

Vice Chair Glisson? Aye
Governor Aubuchon? Aye
Governor Brown? Aye
Governor Cocuy? Aye
Governor Holton? Aye
Governor Henderson? Aye
Governor Schinz? Aye
Chairman Gardner? Aye

Chairman, the vote is unanimous.

Chairman Gardner: Thank you very much members. Jennifer is there anything else you'd like to discuss today?

Jennifer Montero: No, that's all I have Mr. Chairman.

Chairman Gardner: Thank you members. I'll accept a motion to adjourn.

Motion and second were received to adjourn.

Chairman Gardner: We have a motion and a second. Is there an objection to the motion? This meeting is adjourned. Thank you everyone for your time and staff thank you a job well done.