

CONTRACT ID:	2019 Risk Transfer Program – Coastal Account and Personal Lines Account																												
BUDGETED ITEM	<p>COASTAL ACCOUNT</p> <p>Multiple layers of new coverage in the traditional reinsurance market total approximately \$503 million. The total 2019 risk transfer coverage of \$1.38 billion includes the multi-year placements from 2017 and 2018 as depicted in the layer charts, summarized as follows (in millions):</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>Cover</th> <th>Attach</th> <th>Coverage Type</th> </tr> </thead> <tbody> <tr> <td>Layer 1</td> <td>\$ 100</td> <td>\$ 393</td> <td>Occurrence (ex-CNR)</td> </tr> <tr> <td>Layer 2</td> <td>\$ 350</td> <td>\$ 493</td> <td>Aggregate (ex-CNR), no inuring</td> </tr> <tr> <td>Layer 3</td> <td>\$ 53</td> <td>\$ 54</td> <td>Occurrence (CNR only)</td> </tr> <tr> <td>New 2019</td> <td>\$ 503</td> <td></td> <td></td> </tr> <tr> <td>Existing</td> <td>\$ 880</td> <td></td> <td></td> </tr> <tr> <td>Total 2019</td> <td>\$ 1,383</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 the 10% of losses not covered by the FHCF (note that the FHCF reimburses 90% of covered losses).</p> <p>Layer 2 of this program would provide annual aggregate loss coverage, protecting Citizens against multiple storms in a single season.</p> <p>Layer 3 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.</p> <p>In addition to the 2019 placement layers, there is \$880 million in existing risk transfer from the 2017 and 2018 seasons that will remain in place for the 2019 season - \$330 million in multi-year coverage in the traditional market and \$550 million in capital markets risk transfer through Everglades Re.</p> <p>PERSONAL LINES ACCOUNT</p> <p>Citizens' strategic risk transfer plan for PLA, similar to the Coastal Account, considers the transfer of a relatively marginal amount of risk in the amount of \$200 million in excess of \$415 million in the traditional reinsurance market and would work in tandem with the mandatory coverage provided by the FHCF to include the 10% of losses not covered by the FHCF (note that the FHCF reimburses 90% of covered losses) and losses marginally above the FHCF layer.</p>		Cover	Attach	Coverage Type	Layer 1	\$ 100	\$ 393	Occurrence (ex-CNR)	Layer 2	\$ 350	\$ 493	Aggregate (ex-CNR), no inuring	Layer 3	\$ 53	\$ 54	Occurrence (CNR only)	New 2019	\$ 503			Existing	\$ 880			Total 2019	\$ 1,383		
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CONTRACT AMOUNT	The 2019 cost to Citizens for this risk transfer program will not exceed \$110 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 2018 meeting, approved in concept that a portion of the risk transfer program for the Coastal Account and PLA will be in the form of coverage provided through the traditional reinsurance market.																												
CONTRACT TERM(S)	[The contract terms vary from one to two years.] / [The contract term is for one year.]																												
PROCUREMENT METHOD	N/A																												

RECOMMENDATION	It is recommended that Citizens' Board: <ol style="list-style-type: none">1) Approve the recommendation to purchase risk transfer in the Coastal Account and PLA at a cost not to exceed the amount of \$110 million; and2) Authorize staff to take any appropriate or necessary action consistent with this Action Item.
CONTACTS	Jennifer Montero, Chief Financial Officer