

# Citizens prices traditional reinsurance cover

**Florida Citizens has increased its traditional reinsurance limit by \$370mn this year as it pared back its cat bond coverage, sister publication *The Insurance Insider* revealed.**

This was despite the fact that pricing on the cat bond cover came in significantly cheaper than the equivalent traditional reinsurance layer.

Firm order terms were sent to the market for a final structure that would provide \$1.33bn of limit – down from the \$1.34bn indicated in the state-backed insurer's initial submission, sources told *The Insurance Insider*.

Citizens has cut back its programme after shrinking its exposure. Last year it bought \$2.46bn of limit, with the \$1.8bn of cat bond cover making up almost three-quarters of the programme.

But with only \$300mn of Everglades Re II 2017 cat bond cover in the 2017 placement, traditional reinsurance cover purchased is set to grow year-on-year by more than 50 percent to just over \$1bn, providing four-fifths of this year's total limit.

The final structure of the carrier's 2017 programme trims back the commercial non-residential cover from 50 percent of a \$301mn layer proposed in the carrier's original submission to 50 percent of a \$200mn layer, at a rate-on-line (RoL) of 5.0 percent.

The core 2017 wrap that fits around the insurer's Florida Hurricane Catastrophe Fund layer is priced at an RoL of 9.0 percent.

An \$880mn aggregate reinsurance layer is split between traditional reinsurers and multi-year cat bond cover through the latest Everglades Re bond.

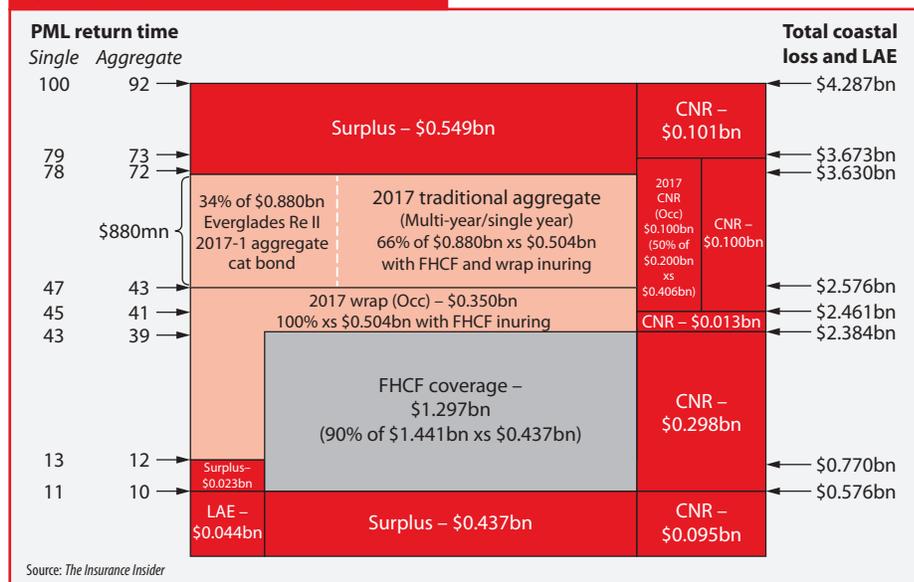
The share written by reinsurers carries a 7.0 percent RoL, meaning carriers would

receive around a 6.3 percent yield after deducting 10 percent brokerage from the rate paid by Citizens.

This compares to just a 5.0 percent spread received by investors on the new Everglades Re which forms part of this layer.

The budgeted cost of \$94mn, approved at a Citizens board meeting on 27 April, is well down on the \$204mn spent last year.

## Citizens firm order terms



# Lottoland offers ILS-backed solutions to peers

**Gaming company Lottoland has launched a business that takes on risk from its peers and cedes it on in turn to ILS investors.**

"ILS has significantly changed our business," said Nigel Birrel, CEO of Lottoland Solutions.

"It has increased coverage, provided massive flexibility and greater confidence in us and enhanced our risk management, so we are now going out and selling that to other gaming companies," he added.

Set up last year, the new Lottoland Solutions division offers other gambling platforms access to the firm's betting software and provides bookmaking services to stand behind player winnings.

"The latter part is crucial, as it is the same tried and tested risk management infrastructure, including the ILS, that gives operators such comfort to work with us,"

Birrel continued.

Lottoland Solutions has completed a number of deals with gaming companies and is now in the testing phase with several operators.

Mike Bogie, who was previously at Gibraltar gaming and casino company bwin, is in charge of the day-to-day running of Lottoland Solutions.

Established in 2013, Lottoland is a synthetic lottery offering bets on lotteries around the world to online gamers.

It initially sourced insurance from Lloyd's but added a EUR100mn collateralised reinsurance cover in April 2015, which was renewed last August.

The ILS cover added another level of flexibility, Birrel said, which enabled the firm to offer other jackpots and games that it previously been unable to.

Investors have welcomed lottery risk, as

it is uncorrelated with both the financial markets and other ILS, such as catastrophe bonds. The odds on the risk are also calculable.

All the investors in the original 2015 Lottoland deal renewed their stakes last year, despite the company paying out EUR14mn to cover a German jackpot win in March 2016.

Structured by the German firm Inea, the Lottoland transaction was the first to be done in Gibraltar.

Somewhere between 70 and 80 percent of online gaming in the UK is serviced by Gibraltar gaming companies, according to Michael Ashton, senior executive of Gibraltar Finance.

"If there is more opportunity for those gaming companies to look at risk transfer, then it's worth looking at Gibraltar in more detail," he added.