

Executive Summary

Finance and Investment Committee Meeting, December 10, 2019

Board of Governors Meeting, December 11, 2019

COASTAL ACCOUNT SERIES 2015A BONDS OPTIONAL REDEMPTION SERIES 2015A-1 JUNE 1, 2020 MATURITY

History

Citizens' pre-event financings serve as an external liquidity financing program that supplements Citizens' internal resources by providing a cash "bridge" to certain claims-paying resources, particularly potential reimbursements from the Florida Hurricane Catastrophe Fund. Currently, Citizens has \$825 million of pre-event bonds outstanding for the Coastal Account. The following table summarizes the maturity schedule and outstanding amount for the Coastal Account bonds.

| Citizens Property Insurance Corporation - Maturity Schedule by Series (\$ in MM) | | | |
|---|----------------------|----------------------|---------------|
| Maturity Date (June 1) | Coastal Series 2011A | Coastal Series 2015A | Coastal Total |
| 2020 | \$175 | \$150 | \$325 |
| 2021 | | | |
| 2022 | | \$225 | \$225 |
| 2023 | | | |
| 2024 | | | |
| 2025 | | \$275 | \$275 |
| Total | \$175 | \$650 | \$825 |

Dollars in millions

| Citizens Property Insurance Corporation - Outstanding Amount by Series | | | |
|---|----------------------|----------------------|---------------|
| Outstanding as of (9/30) | Coastal Series 2011A | Coastal Series 2015A | Coastal Total |
| 2019 | \$175 | \$650 | \$825 |
| 2020 | | \$500 | \$500 |
| 2021 | | \$500 | \$500 |
| 2022 | | \$275 | \$275 |
| 2023 | | \$275 | \$275 |
| 2024 | | \$275 | \$275 |
| 2025 | | \$0 | \$0 |

Coastal Account, Series 2015A Financing

In 2015, Citizens issued \$1 billion of Series 2015A pre-event bonds for the Coastal Account (\$700 million of Series 2015A-1 Bonds are fixed rate bonds with maturities on June 1, 2018, 2020, 2022, and 2025; \$300 million of Series 2015A-2 are floating rate bonds with maturities on June 1, 2018 and 2020).

The Series 2015A-1 Bonds are callable six months prior to their respective June 1 maturities, or on December 1 of the calendar year immediately preceding the maturity date of the particular Series 2015A-1 bonds to be redeemed, at par, or with no additional premium. This was the first time that Citizens included an optional redemption feature for its pre-event financings. The purpose of the six month optional redemption feature was to proactively plan to minimize interest expenses in the event that Citizens does not need to draw upon the pre-event bonds at the end of the hurricane season. Citizens can optionally redeem the upcoming bond maturity at par on, or after, December 1 and save up to six months of interest that would

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be due for the period from the end of hurricane season on December 1 to the June 1 scheduled maturity date. This call option also provides flexibility, if needed, to call the bonds and issue long-term post-event bonds after an event.

The same optional redemption was used in December 2017 for the \$150 million Series 2015A-2 Bonds maturing on June 1, 2018 with the additional flexibility of calling the \$150 million Series 2015A-2 Bonds maturing on June 1, 2020. The inclusion of the June 1, 2020 maturity in the optional redemption feature in December 2017 for the Series 2015A-2 Bonds was for a scenario in which Citizens did not require the additional liquidity or if the Federal Reserve started to increase the short-term interest rates.

In December 2017, Citizens utilized the optional redemption feature to redeem the \$50 million Series 2015A-1 Bonds and redeem the \$300 million Series 2015A-2 Bonds due to rising short-term interest rates that increased the associated interest cost on the Series 2015A-2 Bonds.

Optional Redemption – Interest Savings:

By utilizing the optional redemption feature for the \$150 million Series 2015A-1 Bonds maturing on June 1, 2020, Citizens will save over \$2.8 million in gross interest costs and \$1.7 million in net interest expenses after adjusting for interest income.

Recommendation

Staff recommends that the Board of Governors take the following action:

Approve the redemption documents and authorize staff to utilize the optional redemption feature for the \$150 million Coastal Account Series 2015A-1 Bonds maturing on June 1, 2020