

Executive Summary

Finance and Investment Meeting, September 21, 2021
Board of Governors Meeting, September 22, 2021

Optional Redemption of Coastal Account Series 2015A-1 Bonds June 1, 2022 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 \$500 million of pre-event bonds outstanding for the Coastal Account (\$225 million maturing on June 1, 2022, and \$275 million maturing on June 1, 2025) and \$160 million of pre-event bonds outstanding for PLA/CLA which mature on June 1, 2022.

Coastal Account Series 2015A Financing

Background

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 Bonds 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 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.

Citizens previously exercised the optional redemption in December 2017 in order to redeem its \$50 million Series 2015A-1 June 1, 2018 maturity and its \$300 million Series 2015A-2 bonds with maturities on June 1, 2018 and June 1, 2020 that were callable on December 1, 2017. The inclusion of the June 1, 2020 maturity in the optional redemption

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feature in December 2017 for the Series 2015A-2 Bonds was due to rising short-term interest rates that increased the associated interest costs on the Series 2015A-2 Bonds. The optional redemption was again exercised in December 2019 to redeem its \$150 million Series 2015A-1 June 1, 2020 maturity that was callable on December 1, 2019. By exercising the optional redemptions of these maturities, Citizens has saved approximately \$11.8 million in gross interest costs.

Optional Redemption Process

Notice to the investors of redemption of the bonds must be issued within 30-60 days prior to the December 1, 2021 redemption date (or between October 1 and November 1). Citizens plans to issue the redemption notice on October [4], 2021. The notice of redemption is to be given by Citizens or Citizens' indenture trustee in the name of Citizens. Bond Counsel has prepared the Board Resolution and Notice of Redemption for the bonds to be redeemed.

Optional Redemption – Interest Savings

By utilizing the optional redemption feature for the \$225 million Series 2015A-1 Bonds maturing on June 1, 2022, Citizens will save approximately \$5.6 million in gross interest costs over the six-month period.

Recommendation

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

- a) Approve the redemption documents and authorize staff to utilize the optional redemption feature on December 1, 2021 for the \$225 million Coastal Account Series 2015A-1 Bonds maturing on June 1, 2022; and
- b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.

ACTION ITEM

New Contract

Contract Amendment

Other _____

CONSENT ITEM

Contract Amendment

Existing Contract Extension

Existing Contract Additional Spend

Previous Board Approval _____

Other _____

Action Items: Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

Move forward as Consent: This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

Consent Items: Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

Item Description	Optional Redemption of Coastal Account Series 2015A-1 Bonds, June 1, 2022, Maturity
<p>Purpose/Scope</p>	<p>This Action Item seeks Board approval to utilize the optional redemption feature on December 1, 2021 for the \$225 million Coastal Account Series 2015A-1 Bonds maturing on June 1, 2022.</p> <p>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 Bonds are floating rate bonds with maturities on June 1, 2018, and 2020).</p> <p>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. 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.</p> <p>By utilizing the optional redemption feature for the \$225 million Series 2015A-1 Bonds maturing on June 1, 2022, Citizens will save approximately \$5.6 million in gross interest costs over the six-month period.</p> <p>Bond Counsel has prepared the attached Board Resolution and Notice of Redemption to execute the redemption of the callable bonds.</p>

Contract ID	N/A
Budgeted Item	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No N/A
Procurement Method	N/A.
Contract Amount	N/A
Contract Terms	N/A
Committee Recommendation	<p>Staff proposes that the Finance & Investments Committee review, and if approved recommend the Board of Governors:</p> <ul style="list-style-type: none"> a) Approve the redemption documents and authorize Citizens to utilize the optional redemption feature on December 1, 2021 for the \$225 million Coastal Account Series 2015A-1 Bonds maturing on June 1, 2022; and b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.
Board Recommendation from Committee	<p>If approved at its September 21, 2021 meeting, the Finance & Investment Committee recommends that the Board of Governors:</p> <ul style="list-style-type: none"> a) Approve the redemption documents and authorize Citizens to utilize the optional redemption feature on December 1, 2021 for the \$225 million Coastal Account Series 2015A-1 Bonds maturing on June 1, 2022; and b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.
Contacts	Jennifer Montero, Chief Financial Officer

A RESOLUTION OF THE BOARD OF GOVERNORS OF CITIZENS PROPERTY INSURANCE CORPORATION (“CITIZENS”), AUTHORIZING THE APPLICATION OF CERTAIN AVAILABLE MONEYS DESCRIBED HEREIN TO OPTIONALLY REDEEM CERTAIN OUTSTANDING BONDS PREVIOUSLY ISSUED BY CITIZENS FOR ITS COASTAL ACCOUNT; AUTHORIZING THE REDEMPTION OF SUCH BONDS AS PROVIDED HEREIN; APPROVING THE FORM OF THE APPLICABLE REDEMPTION NOTICE; INSTRUCTING THE TRUSTEE TO PROVIDE NOTICE OF REDEMPTION; AUTHORIZING OFFICERS AND AGENTS OF CITIZENS TO DO ALL THINGS DEEMED NECESSARY IN CONNECTION WITH THE OPTIONAL REDEMPTION OF SAID BONDS; PROVIDING FOR SEVERABILITY; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, Citizens Property Insurance Corporation (hereinafter referred to as the “Issuer” or “Citizens”) is a statutorily created corporation established pursuant to Chapter 627, Part I, section 627.351(6), Florida Statutes, as amended (the “Act”);

WHEREAS, pursuant to that certain Trust Indenture, dated as of August 6, 1997, as amended and supplemented, particularly as amended and supplemented by that certain Tenth Supplemental Indenture (the “Tenth Supplemental Indenture”), dated as of June 1, 2015 (collectively, the “Original Indenture”), by and between the Issuer and Regions Bank, as successor indenture trustee, the Issuer has previously issued its (i) \$700,000,000 original aggregate principal amount of Coastal Account Senior Secured Bonds, Series 2015A-1, \$500,000,000 aggregate principal amount of which is currently outstanding (the “Series 2015A-1 Bonds”); and

WHEREAS, the Original Indenture has been amended and restated in its entirety by that certain Master Trust Indenture dated as of August 3, 2020 (the “Master Indenture” and, together with the Original Indenture, the “Indenture”) entered into by and between the Issuer and Regions Bank, as trustee (the “Trustee”); and

WHEREAS, pursuant to the terms of the Original Indenture, certain provisions of the Tenth Supplemental Indenture, including, among others, the redemption provisions contained in Section 301 thereof and the provisions governing the funds, accounts and subaccounts established for the Series 2015A-1 Bonds contained in Article IV thereof, survived the amendment and restatement of the Original Indenture by the Master Indenture; and

WHEREAS, the Issuer desires to apply certain moneys available in the Series 2015A Bonds Proceeds Subaccount within the Proceeds Account, established pursuant to the Indenture (the “Available Moneys”), to optionally redeem a portion of the outstanding Series 2015A-1 Bonds, as described in more detail below, and thereby allow the Issuer to achieve interest cost savings with respect to the portion of the outstanding Series 2015A-1 Bonds to be redeemed; and

WHEREAS, the Board of Governors of the Issuer (the “Board”) finds and determines that it is in the Issuer’s best interests to transfer the Available Moneys from the Series 2015A Bonds Proceeds Subaccount to the Series 2015A Bonds Interest Sub-subaccount within the Interest Subaccount in the Debt Service Account and the Series 2015A Bonds Principal Sub-subaccount within the Principal Subaccount in the Debt Service Account, to redeem the portion of the Series 2015A-1 Bonds to be redeemed, all in accordance with the provisions of the Indenture and this Resolution;

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED BY THE BOARD OF GOVERNORS OF CITIZENS PROPERTY INSURANCE CORPORATION, AS FOLLOWS:

Section 1. Authority for Resolution. This Resolution is adopted pursuant to the constitution and laws of the State of Florida, including, particularly, the Act.

Section 2. Recitals as Findings. The recitals in the “Whereas” clauses above are incorporated herein as findings of the Board.

Section 3. Definitions. Terms not defined herein shall have the meanings assigned to such terms in the Indenture. In addition to words and terms defined in the recitals above, the Indenture or elsewhere defined in this Resolution, the following words and terms as used in this Resolution shall have the following meanings, unless some other meaning is plainly intended:

“Available Moneys” means amounts on deposit to the credit of the Series 2015A Bonds Proceeds Subaccount in the Proceeds Account which are authorized pursuant to Section 4 of this Resolution, and the proviso of Section 201(a), clause (i) of the Tenth Supplemental Indenture, to be transferred to the Series 2015A Bonds Principal Sub-subaccount and the Series 2015A Bonds Interest Sub-subaccount to redeem the Series 2015A-1 Redeemed Bonds.

“Authorized Citizens Representative” or “Authorized Issuer Representative” means, in connection with the redemption of the Series 2015A-1 Redeemed Bonds, (a) the Chairman, or (b) the Executive Director of the Issuer, or (c) the Chief Financial Officer of the Issuer, or (d) such other officers, employees or agents of the Issuer as shall be from time to time designated by a certificate executed by the Chairman or the Executive Director.

“Board” means the Board of Governors of the Issuer.

“Bond Counsel” means a firm of nationally recognized bond counsel knowledgeable in matters of municipal finance. Currently, the Issuer’s Bond Counsel is the law firm of Greenberg Traurig, P.A.

“Chairman” means the Chairman or, in the Chairman’s absence or inability to act, the Vice Chairman of the Board.

“Chief Financial Officer” means the Chief Financial Officer of the Issuer or, in the Chief Financial Officer’s absence or inability to act, the interim or acting Chief Financial Officer of the Issuer.

“Executive Director” means the President, Chief Executive Officer and Executive Director of the Issuer or, in the President, Chief Executive Officer and Executive Director’s absence or inability to act, the interim or acting President, Chief Executive Officer and Executive Director of the Issuer.

“Financial Advisor” means an entity of favorable reputation knowledgeable in matters of municipal finance, selected by the Board to serve as the Issuer’s financial advisor. Currently, the Issuer’s Financial Advisor is Raymond James & Associates, Inc.

“General Counsel” means the General Counsel of the Issuer or, in the General Counsel’s absence or inability to act, the interim or acting General Counsel of the Issuer.

“Resolution” means this Resolution, duly adopted by the Board on September 22, 2021.

“Series 2015A Bonds Interest Sub-subaccount” means the sub-subaccount by such name established in the Interest Subaccount of the Debt Service Account pursuant to the Indenture in connection with the issuance of the Series 2015A-1 Bonds.

“Series 2015A Bonds Principal Sub-subaccount” means the sub-subaccount by such name established in the Principal Subaccount of the Debt Service Account pursuant to the Indenture in connection with the issuance of the Series 2015A-1 Bonds.

“Series 2015A Bonds Proceeds Subaccount” means the subaccount by such name established within the Proceeds Account pursuant to the Indenture in connection with the issuance of the Series 2015A-1 Bonds.

“Series 2015A-1 Redeemed Bonds” has the meaning ascribed thereto in Section 5 of this Resolution.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words used herein shall include the plural as well as the singular number.

The captions and headings in this Resolution are for convenience of reference and in no way define, limit or describe the scope or intent of any provision or Sections of this Resolution.

Section 4. Authorization of Available Moneys to Redeem Series 2015A-1 Redeemed Bonds. The Board hereby authorizes and approves the application of the Available Moneys to redeem the Series 2015A-1 Redeemed Bonds, all as more specifically described and provided for in Section 5 hereof. Any Authorized Citizens Representative is hereby authorized and directed to provide written instructions to the Trustee to withdraw from the Series 2015A Bonds Proceeds Subaccount, on or prior to the redemption date specified in Section 5 hereof, and deposit into the Series 2015A Bonds Principal Sub-subaccount and the Series 2015A Bonds Interest Sub-subaccount the amounts required to pay the principal of and interest on the Series 2015A-1 Redeemed Bonds on the redemption date specified in Section 5 hereof.

Section 5. Description of Series 2015A-1 Redeemed Bonds; Designation of Redemption Date. The Board hereby authorizes and approves the optional redemption of a portion of the outstanding Series 2015A-1 Bonds, as follows: \$5,000,000 maturing on June 1, 2022 and bearing interest at 4.0% and \$220,000,000 maturing on June 1, 2022 and bearing interest at 5.0% (collectively, the “Series 2015A-1 Redeemed Bonds”), shall be redeemed on December 1, 2021 or as soon thereafter as reasonably practicable taking into account the need to provide to bondholders notice of redemption as provided in the Indenture.

Section 6. Notice of Redemption. The Board hereby authorizes and approves the giving of notice of redemption of the Series 2015A-1 Redeemed Bonds and directs the Trustee to give the required notice of redemption in accordance with the requirements of the Indenture. The notice of redemption of the Series 2015A-1 Redeemed Bonds shall be substantially in the form thereof set forth as Exhibit “A” hereto, with such changes, additions or deletions as approved by an Authorized Citizens Representative.

Section 7. Payment of Fees and Costs. The Board hereby approves the payment of all fees and costs required to be paid in connection with the redemption of the Series 2015A-1 Redeemed Bonds.

Section 8. Additional Assurances and Actions. The Issuer shall at any and all times cause to be done all further acts and things and cause to be executed and delivered all such further instruments as may be necessary to carry out the purpose of this Resolution and the redemption of the Series 2015A-1 Redeemed Bonds.

The Chairman, the Executive Director, the Chief Financial Officer, General Counsel, Bond Counsel, the Financial Advisor, and the other officers, agents and employees of the Issuer are hereby authorized and directed to do all acts and things necessary to carry into effect the provisions of this Resolution and to redeem the Series 2015A-1 Redeemed Bonds. All of the acts and doings of the Chairman, Executive Director, Chief Financial Officer, General Counsel, Bond Counsel, Financial Advisor or any other officer, agent or employee of the Issuer which are in conformity with the intent and purpose of this Resolution and the redemption of the Series 2015A-1 Redeemed Bonds, whether heretofore or hereafter taken or done, shall be and the same are hereby ratified, confirmed and approved.

Section 9. Severability. In case any one or more of the provisions of this Resolution shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Resolution and this Resolution shall be construed and enforced as if such illegal or invalid provisions had not been contained herein.

Section 10. Compliance with Open Meeting Requirements. It is hereby found and determined that all formal actions of the Issuer and this Board concerning and relating to the adoption of this Resolution were adopted in an open meeting of this Board, and that all deliberations of this Board, and of any of its committees that resulted in such formal action were in meetings open to the public, in compliance with all legal requirements.

Section 11. Repealing Clause. All resolutions or parts thereof in conflict with the provisions hereof are, to the extent of such conflict, hereby superseded and repealed.

Section 12. Effective Date. This Resolution shall take effect and be in force immediately upon its adoption.

Passed this 22nd day of September, 2021.

[SEAL]

Chairman
Board of Governors
Citizens Property Insurance Corporation

ATTEST: _____
Executive Director
Citizens Property Insurance Corporation

EXHIBIT "A"

FORM OF REDEMPTION NOTICE FOR
SERIES 2015A-1 REDEEMED BONDS

NOTICE OF REDEMPTION

**Citizens Property Insurance Corporation
Coastal Account Senior Secured Bonds, Series 2015A-1
dated June 2, 2015**

NOTICE IS HEREBY GIVEN that the Citizens Property Insurance Corporation Coastal Account Senior Secured Bonds, Series 2015A-1, dated June 2, 2015 (the "Series 2015A-1 Bonds"), maturing on June 1, 2022, outstanding in the aggregate principal amount of \$225,000,000, which are redeemable on or after December 1, 2021 at the option of Citizens Property Insurance Corporation (the "Issuer") at a redemption price equal to 100% of the principal amount of such Series 2015A-1 Bonds to be redeemed plus interest accrued to the date of redemption, have been irrevocably called for redemption on December 1, 2021. The Series 2015A-1 Bonds were issued and are outstanding pursuant to the terms of a Trust Indenture dated as of August 6, 1997, as amended and supplemented, particularly as amended and supplemented by that certain Tenth Supplemental Indenture dated as of June 1, 2015, by and between the Issuer and Regions Bank, as successor Indenture Trustee, as the same have been amended and restated in their entirety by that certain Master Trust Indenture, dated as of August 3, 2020, by and between the Issuer and Regions Bank, as Trustee.

The maturity dates, CUSIP numbers, principal amounts and interest rates on the Series 2015A-1 Bonds to be redeemed are as set forth below.

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP Number*</u>
06/01/2022	\$ 5,000,000	4.000%	176553GX7
06/01/2022	220,000,000	5.000	176553HA6

*The Issuer and the Trustee shall not be responsible for the CUSIP numbers referenced herein, nor is any representation made as to their correctness indicated in the notice or as printed on any Series 2015A-1 Bond. They are included solely for the convenience of the holders.

Payment of the redemption price (as described above) will be made on or after said redemption date of December 1, 2021 upon the presentation of said Series 2015A-1 Bonds to be redeemed at the offices of Regions Bank, as the Paying Agent for the Series 2015A-1 Bonds, at Regions Bank, Corporate Trust, 250 Riverchase Parkway E., 4th Floor, Birmingham, Alabama 35244. Unless the Issuer defaults in paying the redemption price, interest on the Series 2015A-1 Bonds to be redeemed will cease to accrue from and after December 1, 2021.

Notice

Federal law requires the payor to withhold at the current rate of withholding from the payment if a certified taxpayer (social security) number is not provided. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your securities.

Regions Bank
as Trustee

Date: October __, 2021**

** Notice must be dated and sent no later than October 31, 2021.

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