

Executive Summary

Board of Governors Meeting, May 16, 2023

2023 Tax-Exempt Line of Credit (LOC) Facility

Background

Citizens' projections for the 2023 storm season indicate the Personal Lines Account (PLA) lacks sufficient funds to meet the Florida Hurricane Catastrophe Fund (FHCF) retention (currently estimated at \$1.8 billion). To cover potential losses up to the FHCF attachment point, the Citizens Policyholder Surcharge and an Emergency Assessment may be utilized. These funding mechanisms require some time for the flow of funds to be realized. Therefore, Citizens has structured a liquidity facility through a 364-day revolving line of credit (LOC) that will provide funds to pay claims prior to the collection of surcharges, assessments, and FHCF reimbursements.

Proposed PLA 2023 LOC

The PLA 2023 LOC provides liquidity for an amount not to exceed \$1.25 billion and will augment liquidity beyond the estimated PLA surplus of approximately \$420 million. The PLA 2023 LOC will be structured as a typical revolving line of credit with two providers: Bank of America is providing an LOC in an amount of up to \$750 million and Wells Fargo is providing an LOC in an amount up to \$500 million. These LOCs will be available for Citizens to draw upon should it need money to pay PLA claims up to a total amount of \$1.25 billion. Should draws be made, Citizens would likely repay the money from the Citizens Policyholder Surcharge and an Emergency Assessment while FHCF reimbursements are also pledged if losses reach the FHCF attachment point. In addition, net premiums of the PLA are pledged in the event of a Citizens default.

Post-Draw Costs

While outstanding, any draws on the facility would bear interest based on a spread of 50 basis points plus 80% of the Secured Overnight Financing Rate (SOFR). Once draws are repaid, Citizens will have the ability to draw down on the LOC again for one year from the date of execution, through approximately June 30, 2024. Any draws must be repaid in full no later than two years after the date of execution, approximately June 30, 2025.

Pre-Draw Costs

There is a commitment fee that is payable at closing and an unused facility fee payable quarterly in arrears in a total amount of 33.5 basis points. Other pre-draw costs, including legal, trustee, and financial advisory fees, total an amount not to exceed 5 basis points.

Next Steps

In accordance with Citizens' statute and Plan of Operation, the Board will need to take certain action at the May 16th, 2023 board meeting to complete the process for the PLA 2023 LOC.