

2023 NCSL Summit: Don't Let Disasters Break the Bank!

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S&P Global
Ratings

Agenda

- Bond Banks and State Revolving Funds
- Catastrophe Bonds
- Insurance Trends

PLEASE ASK QUESTIONS THROUGHOUT

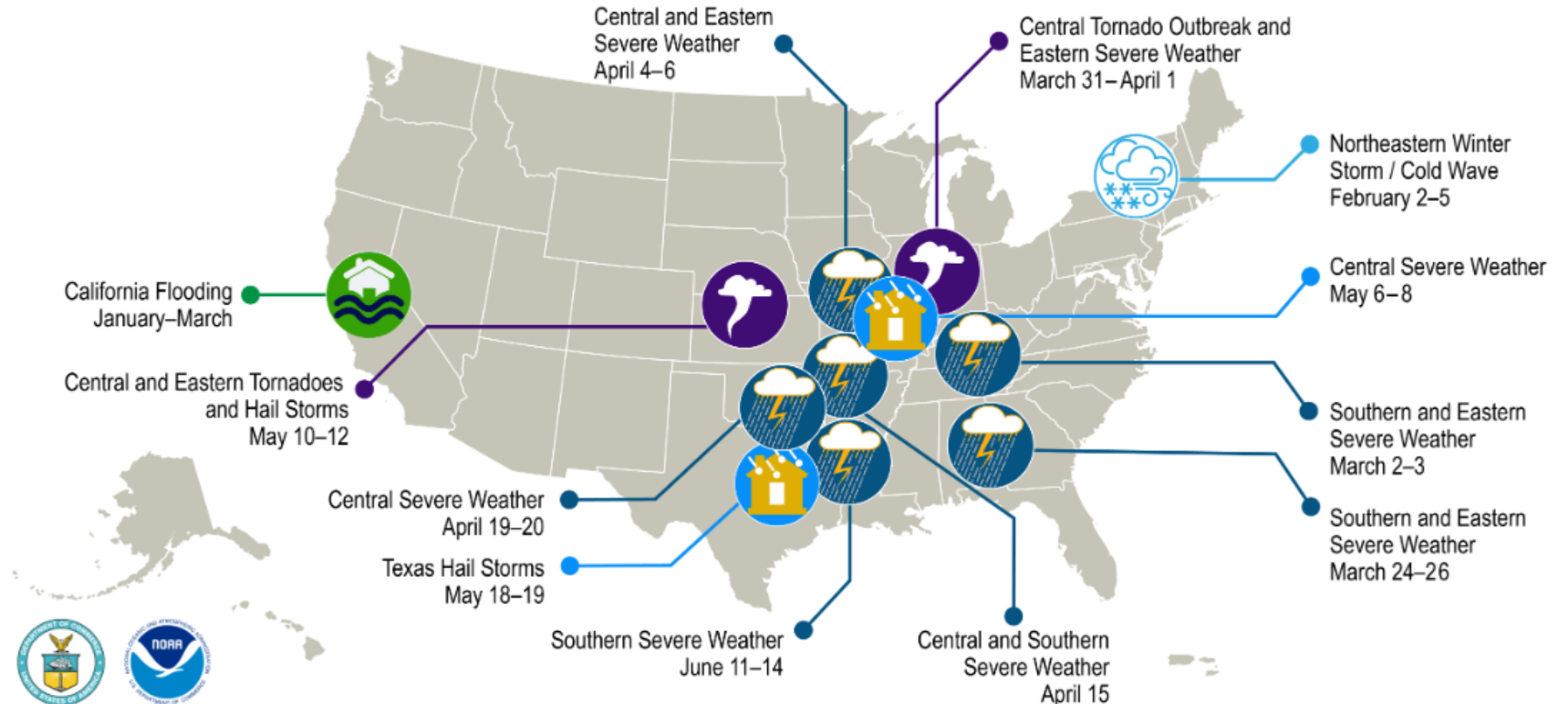
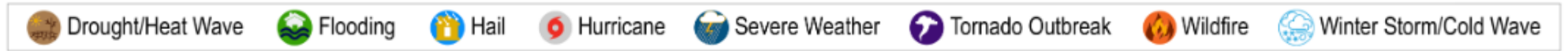
Understanding S&P Global's Ratings

- An issuer's **ability** and **willingness** to pay debt in a **timely** manner
- Credit ratings are **forward looking**
- S&P Global ratings are **opinions**, not guarantees of credit quality or exact measures of the probability that a particular issuer or particular debt issue will default
- The Ratings scale **is relative** and based on the creditworthiness of an issuer or credit quality of an individual debt issue, from strongest to weakest, within a universe of credit risk
- Criteria provide the analytic framework to derive the rating opinion

[Understanding Credit Ratings | S&P Global Ratings \(spglobal.com\)](https://www.spglobal.com)

Extreme Weather: Key Risk

U.S. 2023 Billion-Dollar Weather and Climate Disasters



This map denotes the approximate location for each of the **12 separate billion-dollar weather and climate disasters that impacted the United States through June 2023.**

Bond Banks and SRFs

U.S. long-term municipal pools: by the numbers



82

rated borrowers

96%



of ratings have stable outlooks, with three positive

93%



of rated pools had no underlying loan defaults or delinquencies over the last 12 months

Ratings in

34

states



Average of

\$2.1 billion

in total debt outstanding per pool



Source: S&P Global Ratings.

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Catastrophe Funds/Bonds

- **Florida Hurricane Catastrophe Fund (AA/Stable)**
 - Purpose: Loss Reimbursements for Residential Property and Auto Insurers
- **Citizens Property Insurance Corp (FL) (A+/Stable)**
 - Purpose: Residual Market Insurer (both Property & Auto)
- **Florida Insurance Guaranty Association (FIGA) (A/Stable)**
 - Purpose: Pay Covered Claims of Insolvent Insurers (Property only)
- **Louisiana Insurance Guaranty Association (LIGA)**
 - Purpose: Pay Covered Claims of Insolvent Insurers (both Property & Auto)
- **California Earthquake Authority (CEA)**
 - Purpose: Loss Reimbursement for Earthquake Claims

Credit Impact of Insurance Trends

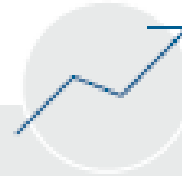
What We're Watching



Affordability of
insurance
premium costs



Reduced
competition from
lack of insurance
providers



Long-term social
and economic
composition of
communities



Infrastructure
resiliency and
adaptation efforts

Extreme Weather Events | Select Commentaries

- “Western U.S. Wildfires Challenge Local Governments, But Experience In The Past Year Points To Resilience,” Aug 22, 2018
- “California Wildfires Could Hurt Local Government Credit This Time,” Nov 13, 2018
- “Western U.S. Drought: Declining Supply, Rising Challenges,” Aug. 16, 2022
- “Hurricane Ian: Most Municipal Utility Ratings, Bolstered By Significant Liquidity, Are Expected To Be Unaffected,” Sep 30, 2022
- “Hurricane Ian: What Comes Next For Government And Related Credits In The Storm’s Broad Path?,” Oct 03, 2022
- “California’s Atmospheric River Brings Widespread Damage But Has Limited Credit Impact To Date,” Jan 26, 2023
- “The Importance Of Contingent Liabilities: Low Probabilities But High Impacts,” Mar 23, 2023

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