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/ratings)
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
• “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