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Fitch: Storms Test Florida Cat Fund, Citizens Ins., Eroding Liquidity

Fitch Ratings-New York-11 November 2022: Florida's state-owned property insurer, Florida Citizens Property Insurance Corp. (Citizens, bonds rated 'AA'), and reinsurer Florida Hurricane Catastrophe Fund (FHCF, bonds rated 'AA'), do not face near-term risks to their capacity to service debt as a result of expected losses from Hurricane Ian, Fitch Rating says. However, increasing storm frequency and severity will erode liquidity and may place a greater burden on the assessment base that supports the debt issuance of each of these entities.

Ample liquidity, built partially through the issuance of pre-event bonds during a period of limited storm activity in the 11 years prior to Hurricane Irma in 2017, will likely allow both Citizens and FHCF to cover Hurricane Ian claims and reimbursements without needing to issue bonds and/or levy an emergency assessment. However, additional claims as a result of Tropical Storm Nicole that made landfall in Florida late Wednesday as a Category 1 Hurricane, or other storms through the end of the season, will further reduce liquidity and could potentially necessitate borrowing.

Citizens and FHCF are obligated to levy emergency assessments or issue bonds if claims and reimbursements exceed liquid resources, including reserves and premium collections, until obligations are fully met. Even if FHCF and Citizens do not need to tap the market this year, they will have exhausted much of their liquidity, leaving them more likely to have to borrow in the future to rebuild liquidity.

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