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Fitch: Ratings Reflect Issuers' Resiliency to Hazardous Events.

NEW YORK–(BUSINESS WIRE)–Fitch's ratings incorporate an assessment of an entity's credit characteristics which speak to overall resiliency to manage unexpected events, according to a Fitch Ratings report.

Under a disaster scenario, those issuers which possess revenue diversity as well as an ample supply of reserves and liquid assets are afforded the ability to quickly restore operating capabilities, as well as finance the clean-up and recovery effort, until private insurance and state and/or federal disaster reimbursement funds are received, according to Fitch's report.

Issuers with small geographies, limited liquid financial resources or limited assets, such as some higher education institutions or health care facilities and utilities, may be more vulnerable to credit deterioration following an event.

The diversity of state revenues and large geographic service areas position state ratings favorably with regard to event risk. Fitch does not see event risk rise to the level of a key rating driver in any of its state general obligation ratings. Similar to states, most local government issuers demonstrate a level of revenue and geographic diversity that limits Fitch's concerns regarding the impact to bondholders from event risk.

Event risk for electric utilities is a limited concern, primarily for utilities with very small service areas in regions prone to natural disasters or those with single generation asset risk. As a result of the essentiality of the service provided, electric utilities have emergency response plans in place and perform periodic drills to test the plans and response times as a standard industry practice.

Water utilities are less likely than electric utilities to experience single event weather-related destruction of their distribution pipelines, given their underground nature. The damage to underground pipelines has more to do with aging infrastructure and the lack of routine repair and replacement programs.

Healthcare issuers are also typically not prone to hazard risk but there are limited cases where the issue rises to a level of credit consideration in Fitch's ratings. Healthcare issuers can be more vulnerable to event risk in instances where there are significant levels of single asset risk and concentrated revenues.

Higher education obligors can be vulnerable to event risk due to their concentrated asset base and high level of tuition dependence. The likely frequency of recurrence of any natural event may be tied to its location, making them more vulnerable to such events.

Housing agencies across the 50 states have built up large reserves over their 30 to 40 year history and therefore are capable of handling many unknown risks. Mortgage insurance, property insurance and Federal Emergency Management Agency for flood insurance and catastrophic losses tend to make this sector rather stable.

For more information, a special report titled 'Event Risk and Overall Credit Resiliency' is available on the Fitch Ratings web site at www.fitchratings.com.

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