

OIR Develops Unprecedented Solution and Establishes Temporary Reinsurance Arrangement for Insurers Facing Potential Downgrades

By [Kyle Ulrich](#) posted 22 hours ago

Earlier today, the Florida Office of Insurance Regulation (OIR) announced its plan to establish a temporary reinsurance arrangement through Citizens Property Insurance Corporation (Citizens). This innovative reinsurance program would be available to insurers facing a rating downgrade from Demotech, and it would allow such insurers to meet an exception offered by Fannie Mae and Freddie Mac, thus avoiding a situation where lenders would require policyholders insured by these downgraded insurers to find replacement coverage.

This unprecedented action by the OIR allows Florida's insurance consumers to maintain their insurance coverage, and it should put agents' minds at ease, knowing that they will not be required to move policies during the current hurricane season. FAIA would like to sincerely thank Governor Ron DeSantis, Chief Financial Officer Jimmy Patronis, and Insurance Commissioner David Altmaier for their swift response and leadership on this issue.

For more detailed information on the temporary reinsurance program, please read the [OIR news release](#) below:

Florida Establishes Temporary Reinsurance Arrangement for Insurers Facing Potential Financial Stability Rating Downgrades

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Tallahassee, Fla. - Today, the Florida Office of Insurance Regulation (OIR) announced a plan to establish a temporary reinsurance arrangement through Citizens Property Insurance Corporation (Citizens) in the event of disruptive financial rating downgrades from Demotech, Inc. This unprecedented solution would allow insurers to meet an exception offered by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) and ensures Floridians can maintain coverage during hurricane season.

"OIR's greatest priority is ensuring consumers have access to insurance, especially during hurricane season; and because of the uncertainty with the status of Demotech's ratings, we've been forced to take extraordinary steps to protect millions of consumers," said Insurance Commissioner David Altmaier. "This innovative arrangement satisfies requirements set by the secondary mortgage market. In the event we need to implement this temporary solution, consumers will not need to seek coverage elsewhere, agents will not need to move policies, and lenders can have confidence that these insurers continue to meet the mortgage qualifications."

Fannie Mae and Freddie Mac require that property insurance policies for properties with a mortgage backed by Fannie Mae or Freddie Mac must be written by an insurer meeting financial rating requirements.

Fannie Mae and Freddie Mac each offer an exception to the financial rating requirements for an insurer that is covered by a reinsurer who assumes, by endorsement, 100 percent of the insurer's liability for any covered loss payable, but unpaid by the insurer, by reason of insolvency. In the event that a participating insurer is declared insolvent, the Florida Insurance Guaranty Association shall carry out its statutory duties under Part II of Chapter 631, Florida Statutes, and pay claims as set forth in the statute.

As a result, OIR, in conjunction with Citizens, has formed a program that meets the exceptions to the Fannie Mae or Freddie Mac guidelines. Therefore, there should be no reason for lenders to require a replacement policy, or force place coverage based solely on the ratings downgrades. This temporary arrangement would allow insurers to remain viable, to continue providing coverage for Floridians and helps keep policies out of Citizens.

Last week, OIR [requested that Demotech](#) provide additional information regarding their rating methodology to justify these downgrades. OIR [received a response from Demotech](#), however, the response did not provide a timeline for ratings. The sudden loss of an acceptable Financial Strength Rating would have a significant and adverse impact on Florida's insurance consumers, insurers, agents and property insurance market. OIR is remaining committed to protecting Floridians and the property insurance market under this plan.

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