

Florida Announces Temporary Reinsurance Arrangement for Insurers in Light of Potential Rating Downgrades

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The Florida Office of Insurance Regulation today [announced](#) a plan to develop a temporary reinsurance arrangement through Citizens Property Insurance Corp. in light of recent comments from [Demotech Inc.](#) regarding possible widespread financial rating downgrades. Sudden downgrades of this nature would result in significant disruption to the Florida property insurance market.

OIR notes:

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.

Please contact the author of this alert or any member of Carlton Fields' Insurance Regulatory Practice for additional information or assistance.

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