

July 26, 2022

The Honorable Sandra Thompson
Director
Federal Housing Finance Agency
400 7th Street SW
Washington, D.C. 20219

Dear Director Thompson:

I write in support of the State of Florida's request for the Federal Housing Finance Agency (FHFA) to review its dependence on Demotech, Inc. (Demotech) to assess insurers in the state, and to provide time and flexibility for the state to find alternatives. Should Demotech's alleged plans to downgrade insurers' Financial Stability Ratings advance in the coming weeks, the financial well-being of millions of Floridians would be in jeopardy.

As you know, in recent days, numerous insurers operating in Florida received letters from Demotech notifying them of the ratings agency's impending plans to downgrade their Financial Stability Ratings. As noted in the state's request, such a move would diminish these ratings to a level below what is needed for Fannie Mae and Freddie Mac to underwrite the properties they insure. This comes despite the fact that, as the state attests:

- 1) Demotech's ratings appear to be dubiously based on the expectation of future policy change rather than current evidence;
- 2) The Florida legislature has taken several meaningful steps to strengthen the property insurance market in recent months; and
- 3) The State of Florida has numerous safeguards in place to stabilize Florida's property insurance market, ensure solvency, and limit liability for lenders and policyholders should a property insurance company become insolvent.

Though Demotech has since paused its new ratings announcement, noting that the firm would "not take any rating action including affirmation, downgrade, or withdrawal until further notice," it is deeply troubling that a single ratings agency could potentially undermine the financial well-being of millions of Floridians on the basis of a seemingly unaccountable decision-making process. While understanding your duty to safeguard taxpayer dollars, I join the State of Florida in urging you to consider the particularities of this case, review and reassess your reliance on Demotech, and ensure that any action taken by the agency considers the impact on Floridians. I also request what steps the agency plans to take to ensure Floridians' interests are protected in this process.

Thank you for your prompt attention to this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read 'M. Rubio', with a stylized flourish at the end.

Marco Rubio
U.S. Senator