KBRA Assigns Insurance Financial Strength Rating to Trident Reciprocal Exchange

New York (August 29, 2024)

KBRA assigns a BBB Insurance Financial Strength Rating (IFSR) to Trident Reciprocal Exchange. The Outlook for the rating is Stable.

Key Credit Considerations

Trident Reciprocal Exchange ("Trident" or "the Reciprocal") is a de novo reciprocal exchange recently established to write homeowners' insurance in Florida.

The rating reflects Trident's low underwriting leverage and significant surplus relative to projected premiums written. The rating also reflects a favorable market opportunity due to the company entering a sector with improved pricing and lower litigation exposure following legislative reforms in recent years. Additionally, as a start-up insurer, Trident has no legacy liabilities. Trident will have manageable start-up expenses due to an organizational structure whereby the Attorney-in-Fact (AIF) will incur the majority of start-up costs. Further, KBRA views the company's business plan as reasonable, with a management team that has considerable experience in the Florida homeowners' insurance market.

Balancing these strengths is Trident's high financial leverage due to its entire surplus base consisting of a $27 million surplus note. Furthermore, as a Florida homeowners' writer, the Reciprocal will have product and geographic concentration, natural catastrophe exposure due to hurricanes, and a high reliance on reinsurance that, depending on availability and affordability, could materially impact results. Lastly, as a de novo insurer, Trident's future profitability is uncertain and dependent upon management executing its business plan.

Rating Sensitivities

Execution of the business plan above forecasts provided to KBRA, including organic surplus growth that reduces financial leverage faster than expected, improved financial flexibility and a favorable change in risk profile could result in positive rating action.

Results materially below forecasts provided to KBRA, significant weather events that materially impact earnings and capital, an inability to obtain reinsurance on acceptable terms and pricing and an unfavorable change in risk profile could result in negative rating action.

To access rating and relevant documents, click here.

Click here to view the report.

Methodologies

- Insurance: Insurer & Insurance Holding Company Global Rating Methodology
- ESG Global Rating Methodology

Analytical Contacts

Lewis Delosa, Director (Lead Analyst)
+1 646-731-2312
lewis.delosa@kbra.com

Jonathan Harris, Senior Director
+1 646-731-1235
jonathan.harris@kbra.com

Sean Campbell, Senior Analyst
+1 646-731-3361
sean.campbell@kbra.com

Peter Giacone, Senior Managing Director (Rating Committee Chair)
+1 646-731-2407
peter.giacone@kbra.com

Business Development Contact

Tina Bukow, Managing Director
+1 646-731-2368
tina.bukow@kbra.com

Disclosures

Further information on key credit considerations, sensitivity analyses that consider what factors can affect these credit ratings and how they could lead to an upgrade or a downgrade, and ESG factors (where they are a key driver behind the change to the credit rating or rating outlook) can be found in the full rating report referenced above.

A description of all substantially material sources that were used to prepare the credit rating and information on the methodology(ies) (inclusive of any material models and sensitivity analyses of the relevant key rating assumptions, as applicable) used in determining the credit rating is available in the Information Disclosure Form(s) located here.

Information on the meaning of each rating category can be located here.

Further disclosures relating to this rating action are available in the Information Disclosure Form(s) referenced above. Additional information regarding KBRA policies, methodologies, rating scales and disclosures are available at www.kbra.com.

About KBRA

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