

## Florida homeowners hunt for insurance after State Farm bombshell

by *MiamiHerald.com*

The shopping has begun.

Some Florida residents aren't waiting for State Farm Florida Insurance to tell them their policies won't be renewed. They've started calling agents and insurers to check if other companies are willing to provide the coverage they're about to lose from State Farm.

The insurer Tuesday announced plans to discontinue writing property insurance in Florida in about two years. That's 1.2 million policies, including 933,000 that cover single-family homes, condo and rental units and mobile homes needing new insurers.

State officials say Florida's insurance market can absorb most, if not all, of the policies that State Farm will drop. But not all insurers will sell windstorm coverage in risky coastal areas or take on older homes that are now on State Farm's books.

That inevitably means the state-run insurer, Citizens Property Insurance, will get even larger. Citizens now has nearly 1.1 million policies, about half in South Florida.

"There's going to be a mad scramble for coverage," said Michael Letcher, whose online subscription service that helps homeowners shop for insurance saw traffic more than quadruple Tuesday.

Of the 200 consumers that signed up on [homeinsurancebuyers.org](http://homeinsurancebuyers.org) Tuesday, 175 were State Farm customers. About 40 percent of new subscribers in the last few months have been among the 50,000 State Farm policyholders the company began not renewing in late fall.

Letcher's survey found that about 40 companies are writing homeowners policies currently in Florida, with 25 companies generally per county. However, the number dwindles in coastal counties such as Miami-Dade and Broward. Most insurers have restrictive underwriting rules, he found. Many want homes built after 1995 and about two miles from the water.

A few insurers, like Hollywood-based Coral Insurance, are willing to cover older homes if they have been completely upgraded.

"Many clients are thinking it's best to get out of Dodge before they get stuck in Citizens," said Phil Lyons, an agent with InSource, an agency in Dadeland. He said several clients began approaching him Wednesday, asking about new coverage.

Robert Ritchie, president of American Integrity Insurance Group, said his company can grow about 25 percent this year, which is more than his original plan of a 15-percent increase. He added that his current surplus fund of \$25 million can support up to 150,000 policies.

American Integrity has written 100,000 policies in about two years, with about 23 percent of that total in South Florida and another 18 percent in the Tampa Bay area. It is one of the few Florida-based companies that cover mobile homes.

He contends taking on more policies for both American Integrity and other insurers is doable because "we will have time to prepare."

The Office of Insurance Regulation has 90 days to review the withdrawal plan that State Farm submitted Tuesday. If approved, State Farm must give policyholders 180 days notice of the non-renewal.

OIR Spokesman Ed Domansky said regulators can ask State Farm to amend its plan if they believe the dropping all these policies will cause major disruptions in the state's insurance market.

At a November meeting of a task force studying ways to shrink Citizens, Belinda Miller, the deputy insurance commissioner, said private insurers had the financial wherewithal to take on as many as 1.2 million new policies.

"You have to figure time in your equation," said Locke Burt, a former state senator who runs two insurers, Security First Insurance based in Ormond Beach.

Burt said with \$20 million in surplus and 60,000 policies on Security First's books, the company could double in size and still meet state capital guidelines. "If it looked like business was pouring in, we could raise more capital."

American Integrity is writing policies with wind coverage but will exclude in coastal counties if its exposure is already too high in those areas. Security First said it's writing new policies with hurricane coverage.

State Farm's departure from the Florida market will accentuate a trend that started in more than 16 years ago

after Hurricane Andrew swiped South Florida in 1992. Back then, State Farm and Allstate Insurance dominated the insurance scene, controlling as much as 75 percent of the market.

But several major national insurers have bailed from Florida, claiming too much hurricane risk, inconsistent and intrusive state regulation and inadequate rates. Among the first to leave right after Andrew was Prudential. Since the 2004 and 2005 hurricane seasons, many national companies have reduced their policy counts in Florida as well. Allstate and Nationwide have shed policies aggressively in the past four years.

Right now, the bulk of Florida's insurance market is in the hands of small local companies, with many opening their doors in recent years. Some new companies like Security First took advantage of a program that matches private capital with state dollars.

Some homeowners like Robyn Greene, a retired attorney who now lives in Punta Vedra Beach and has been insured by State Farm since Chubb dropped him after Hurricane Andrew in 1992, is contemplating going without hurricane coverage after the policy is dropped.

Many State Farm agents are expected to steer clients to Citizens. That's because State Farm agents aren't allowed to write policies for another other home insurer except Citizens, so that allows them to hold onto customers.

The withdrawal plan State Farm submitted to OIR Tuesday states company agents will lose 37 percent of their revenue once they can no longer write homeowners policies.

These agents can offer clients a "multi-line discount" if they keep auto insurance policies with State Farm and place a homeowners policy with Citizens.

Other agents complain that State Farm's ability to offer those auto insurance discounts gives them a competitive edge in cultivating automobile insurance business.

"I think [State Farm agents] have been misleading their policyholders and very much promoting going into Citizens," said Ray Blacklidge, general counsel for American Traditions Insurance Company and Modern USA Insurance Company, which are looking to take over some State Farm policies.

"That may benefit State Farm, but it doesn't really benefit the citizens of Florida."

State Farm spokesman Chris Neal denied that agents steer policyholders and said they just point out who the best insurer is for the customer. "Our agents are insurance professionals and they counsel their clients on the best options," Neal said. "If they think Citizens is the best option, they will certainly recommend that. That's what I'd expect them to do."

The Citizens Mission Review Task Force, which is due to present recommendations on how to shrink Citizens at the end of the month, plans to suggest that lawmakers repeal the law passed last year that allows the auto insurance discounts for State Farm customers who buy Citizens policies.

Besides the urgency to shop for a new insurer, many long-time State Farm policyholders, like Linda Gonzalez of Pembroke Pines, feel betrayed. She has been a 40-year customer and never made a claim.

"If they leave Florida homeowners high and dry, we will take all our other policies -- auto, etc. elsewhere. No way will we continue to 'support' them with premiums!"

Herald/Times Bureau reporter Jennifer Liberto contributed to this report.

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