

Florida homeowners hunt for insurance after State Farm bombshell

BY BEATRICE E. GARCIA
BGARCIA@MIAMIHERALD.COM

January 29, 2009

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 www.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.