

Florida Action Stymies Non-Renewals

BY DANIEL HAYS

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Florida has effectively forestalled any immediate exodus by carriers from the state's homeowners insurance market in the wake of last week's tornado catastrophe, a government spokesman said.

But a consulting expert said the upshot of moves by officials and lawmakers is to discourage insurer involvement in the state.

Florida's state cabinet passed an emergency regulation that prohibits insurers from non-renewing policies until they make a new rate filing that includes expected savings on reinsurance costs.

Florida's new property insurance law, enacted last week, includes a provision to allow primary insurers to purchase additional reinsurance from the state catastrophe fund at cheaper prices than they would see from a private reinsurer.

Robert Lotane, a spokesman for the Florida Office of Insurance Regulation, said the office is currently at work figuring out how much rates should be reduced for every territory in the state, with a schedule to be published by March 15.

"It would be a percentage saying X-type of company in Y-territory should be able to reduce their rates" by a certain amount, he explained.

He said the cabinet's emergency rule was promulgated because Republican Gov. Charlie Crist feared companies might undertake mass non-renewals or sharply raise rates.

He said The Hartford, prior to enactment of the emergency rule, had notified the state that starting this summer they will be nonrenewing 38,000 policies, but that customers would be able to renew for one more year and in some cases nearly two years.

The Hartford said it would be ending its relationship with agents selling personal and commercial lines in Florida, but will continue selling commercial insurance.

The process of discontinuing personal lines business with agents could begin in August, but the carrier said agents can renew existing customers through Aug. 2, 2008, giving them 18-to-30 months to secure coverage elsewhere.

The Hartford called Florida "one of the most challenging markets for insurance companies to do business."

David Siesko, a principal with Siesko partners, a risk management consulting firm, said the state's actions give insurers "no incentive to stay there."

After 2006—the industry's most profitable year in the last 50—insurers will be looking to invest in locations where they could try out new products, not "where there has been state intervention on the type of risks that you write."

Mr. Lotane said that while The Hartford is leaving, a new company--American Integrity--had recently been licensed to do business in Florida, and would be taking on 100,000 homeowners policies from Citizens Property Insurance Corp., the state's property insurer of last resort.