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Editorial: Too much hot air in inflated homeowners market assessment

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Nearly a decade after Florida's mean season of hurricanes, the state's insurance commissioner, Kevin McCarty, says things are looking up for the homeowners insurance market. He cites more choices, healthier companies, less rate volatility and increased consumer protections, including a policyholder bill of rights.

That's mostly true, thanks largely to luck — more than eight years have passed without a major hurricane. It's also thanks to declining "reinsurance" rates, that have allowed double-digit premium increases to stabilize. But if you take a closer look at the health of the Florida property insurance marketplace, relative to the rest of the country, it's still an ugly picture. Consumers are still largely at the mercy of forces beyond their control.

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Florida consumers are still paying twice the national average for their homeowner policies. They are significantly more likely to wind up with a shaky, untested insurer that can't be relied upon to pay a claim — or even stay in business — after a big storm. And the brand-name, more established national companies still haven't come back in the water.

Exhibit A is State Farm Insurance. As The Post's Charles Elmore reported, State Farm announced this year that it was writing new policies in Florida, widely hailed as welcome news. But then State Farm did something odd. It declared "trade secret" the number of policies it was writing, and where it was writing them. When Elmore pressed the company to release this information, he found State Farm actually had fewer Florida customers in June — just over 381,000 — than it had in January — 389,000. Five years ago, State Farm had more than 850,000 homeowner customers in Florida.

The state's Office of Insurance Regulation also touts as good news the fact that new insurers and products are speeding into the Florida marketplace to fill the vacuum left by the departure of State Farm, Allstate and Nationwide.

But is this such good news?

Weiss Ratings, the Jupiter-based financial and insurance firm watchdog, assesses the financial health and stability of property and casualty insurance companies. It rated 37.5 percent of firms headquartered in Florida as "weak" or "very weak," compared with 26.9 percent nationally.

“If there were a hurricane to strike Florida in the next few months, the chances of failures are very high,” said Weiss Ratings senior analyst Gavin Magor.

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In 2012, Citizens insured a record high 1.5 million Florida customers. Under pressure to reduce the state’s exposure in case of a storm, Citizens has been releasing tens of thousands of its customers to “takeout” insurance companies. The problem is, many of these “takeout” companies have been undercapitalized. Since the state began pushing consumers out of Citizens and into private firms, eight companies have flat-out failed.

Regardless, the Florida Legislature has decided that all Citizens customers renewing policies after November will be moved into a “clearinghouse” where takeout companies will cherry-pick the best customers. The customers won’t be able to refuse if the price and coverage are comparable to Citizens.

So, are things really looking up for the homeowners insurance market? Perhaps it depends on your vantage point. Citizens spokesman Michael Peltier may have put it best:

“The real test is going to come when the wind blows.”