

Mayo: How to research 'takeout' insurance companies

By [Michael Mayo](#), Sun Sentinel Columnist

So, you've gotten a notice that a private insurer is set to take over your Citizens policy in the next few weeks. Now what?

I wrote about my personal experience and overall thoughts about the so-called '[takeout' process for my Sunday print column](#), and I've gotten a lot of feedback from homeowners. My conclusion: It's better to be "cleared-out" through the new clearinghouse system than "taken out" through this process, so I decided to "opt out," that is, I declined the latest takeout offer.

You have to send in an opt-out form if you want to stay with Citizens. Otherwise, you will automatically get switched to the new firm. You have until 30 days after the "takeout/assumption date" to opt out.

Those who want to make an informed choice should do some research about the new company.

Among the relevant questions: How big is the new company (policies, premium collected, overall loss exposure); how much does it have in reserves/surplus; how much reinsurance does it have, when was it founded and has it been through any storms; how does its coverage differ from Citizens; and what will your premium/price be upon the policy renewal?

Keep reading for some useful links and websites to help you in your research. Better yet, you can just try calling the new company directly, at the phone numbers included in your takeout letter, and ask. If you can't get clear answers to those questions, then maybe you should be leery of switching.

The takeout letter should have included an opt-out form. If you mistakenly threw that letter away and learned about the takeout from a follow-up letter from Citizens (which doesn't include opt-out forms), you can go to [the depopulation page on the Citizens website](#) to print out the appropriate opt-out form. (Just find the company that's taking over over your policy, and the takeover date.)

If you want to find out more about the specific company that's set to take over your policy, go to [this takeout company page on the state Office of Insurance Regulation site](#).

When you scroll toward the bottom and find your company, you'll want to click on the link that says "key financial statement pages." This should bring up the company's latest annual report filed with the state. This will give you some company basics, like the annual revenues/premiums

collected and how much surplus/reserve the company has, and how much reinsurance the company has in the event of a big storm.

There's also a generic coverage comparison link that will show how a basic policy from this company differs (or doesn't) from a Citizens policy. In general, private insurers cover screened-in enclosures (Citizens doesn't) and have higher coverage limits available for mold/fungus (\$50,000 maximum to Citizens' \$10,000).

If you want to see what the overall loss exposure of your company is, [check out this list from the OIR site.](#)

If you want to see the top 25 companies in terms of [number of policies, check out this list.](#)

If you want to see the top 25 companies in terms of [premium collected, check out this list.](#)

For companies that are publicly traded, you can also find out more (like executive pay and annual reports geared toward investors) through SEC filings. These are readily available on major finance sites by doing a simple Google search.

Also, much is always made about the potential 45 percent surcharge that Citizens policyholders face in the event of major storms. [To read the full picture about surcharges and assessments that all insurance holders in Florida face](#) -- which can be triggered when big storms bankrupt private firms and deplete Citizens' reserves and the Florida Hurricane Catastrophe Fund (which provides a backstop for private firms and Citizens), check out this report.

An interesting nugget from that report: The 45-percent surcharge would apply only under extreme scenarios, if ALL THREE of Citizens' three distinct coverage pools (coastal accounts, personal lines, commercial lines) are in deficit situations. If only one of the accounts/pools is in a deficit (let's say coastal, which is what happened about the 2004 and 2005 storm seasons), then it would be only a 15-percent surcharge. It's a 15-percent surcharge for each pool that's in deficit, up to the maximum three.

Confusing? You bet.

Some basic facts about Citizens. After nine storm-free seasons, it has built up reserves/surplus of \$7.6 billion. It now has 930,000 policies (down from a peak of nearly 1.5 million a few years ago) and has total written premium of \$2 billion. It has total exposure of \$274 billion.

With surplus, the Cat Fund and bonding capacity, Citizens can absorb about \$18 billion in storm losses before surcharges/assessments kick in. For every dollar in reserve/surplus, Citizens has \$36 in exposure. (In contrast, the firm that wanted to take out my policy, Homeowners Choice of Tampa, has \$352 in exposure for every dollar in reserve.)

Citizens is the only Florida-based insurer to get an A rating (actually A-plus) from the stringent Weiss Ratings firm of Jupiter. All the other Florida-based insurers, including the dozen that are doing takeouts, are rated weakly (below B-minus).

If you're among those who are going through a takeout, or who have submitted to a takeout in the past couple of years and left Citizens, I want to hear about your experiences. Feel free to email me at **mmayo@sunsentinel.com** or call 954-356-4508. Good luck to us all.

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