

# Tens Of Thousands Of Florida Homeowners To Be Shifted To Different Insurers

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TALLAHASSEE (CBSMiami/NSF) — In a new sign of problems in Florida’s property insurance industry, tens of thousands of homeowners will be shifted to a different insurer this spring because of a company’s financial troubles.

Regulators late Monday announced an agreement to shift 43,000 policyholders, most of the homeowners, from Anchor Property and Casualty Insurance Co. to Homeowners Choice Property and Casualty Insurance Co. effective April 1. The move came after Anchor was the subject of a downgrade in a financial-stability rating.

Such a downgrade could lead to the possibility that Anchor’s policies would no longer be acceptable to mortgage companies, according to the agreement between the state Office of Insurance Regulation and the two companies. Mortgage companies require homeowners to have adequate property insurance as part of loans.

“The Office (of Insurance Regulation) finds approval of the agreement is in the best interest of policyholders because it provides continuous uninterrupted coverage for Anchor policyholders and is in the best interest of the public since it minimizes market disruption and provides a private market solution,” the agreement, known as a consent order, said.

The announcement came after a series of indications of problems in the property insurance industry — and debate in the Legislature about whether to make changes.

Other indications have included warnings in December from a rating agency about downgrades for Florida insurers and at least three recent filings with the state seeking homeowners’ rate increases of more than 20 percent. Meanwhile, industry critics continue to point to claims disputes after Hurricane Michael devastated parts of Northwest Florida in October 2018.

Sen. Jeff Brandes, a St. Petersburg Republican who is a frequent ally of the industry, raised the possibility last week of having to hold a special legislative session this year on insurance issues.

“I think the insurance market in many ways, it has the coronavirus and is not healthy at all,” Brandes said during a Banking and Insurance Committee meeting “As we’ve seen a variety of companies go under in 2019 largely because of roof claims or other lawsuits. We’re seeing a rapid increase in the amount of litigation going on. And understand, we had no storms in 2019. We’ve also seen insurers file for a number of rate increases. We’ve had rate increases between 22 percent and a 40 percent or 45 percent have been filed and have had rate hearings in the last few weeks. So, I think it’s important to notice that the market is not healthy at all, and it is struggling to find its footing in this space.”

During the 2019 legislative session, lawmakers passed a controversial measure that placed more restrictions on the longstanding insurance practice known as “assignment of benefits.” Insurers contended that litigation and abuses surrounding the practice drove up insurance rates, particularly because of claims for water damage in homes.

But it is clear that the financial issues in the industry are broader, including increased costs for reinsurance, which is essentially backup coverage for insurers.

The Office of Insurance Regulation on Friday held a hearing Friday on a proposed 28.1 percent average rate increase for homeowners who have multi-peril policies with National Specialty Insurance Co. Representatives of the company focused heavily during the hearing on reinsurance costs and wind risks — not the types of claims at the heart of the assignment of benefits debate.

Regulators have not decided on the National Specialty Insurance Co. proposal, but last month they approved a proposed 21.9 percent rate hike by Edison Insurance Co. Also pending is a proposed hefty increase for Capitol Preferred Insurance Co.

The consent agreement for Anchor Property and Casualty said the company had reported net losses of \$29.8 million, \$22.7 million and \$5.7 million in financial statements filed with the Office of Insurance Regulation for 2017, 2018 and 2019, respectively.

Under the transition plan, Homeowners Choice will provide replacement policies for Anchor customers, with premiums that had been paid to Anchor transferring to Homeowners Choice. When the policies expire, the customers will be able to renew with Homeowners Choice, though coverage terms could change at that point.

“OIR thoughtfully and carefully reviews these agreements to ensure policyholders are protected,” state Insurance Commissioner David Altmaier said in a prepared statement Monday. “I am committed to ensuring policyholders have continuous coverage throughout this process and have directed insurers to communicate clearly and use every resource to help them navigate this change.”

A Dec. 20 letter from the rating agency Demotech, Inc. to Citizens Property Insurance Corp. President and CEO Barry Gilway indicated that other Florida insurers also face the possibility of rating downgrades. The state-backed Citizens is a key player in the industry, serving as something of a last-resort insurer for many policyholders.

In the letter, Demotech President Joseph Petrelli cited a series of issues affecting the industry, including reinsurance costs, insurance holding-company debt and insurer investor capital that “appears to be exiting rather than entering Florida.”

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