

Some insurers restricting renewals, new business in South Florida



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Some property insurance companies are not taking on new business in ZIP codes with high claims rates in South Florida and canceling or deciding not to renew customers in high-risk areas.

The action is a result of rising water damage claims in the region, the same problem that is leading to higher premiums for many customers.

Newly released data from the state Office of Insurance Regulation do not yet show the full effects of insurance companies' efforts to defend themselves against what they call "bad actors" who use state law and the courts to extract inflated settlements from the not-for-profit, government-run Citizens Property Insurance Corp. and other companies. But they show a handful of large insurance companies writing fewer policies in the tri-county region, and some are increasing cancellations and non-renewals of South Florida policies.

Warning in March about abuses threatening the vitality of the overall insurance market in South Florida, Citizens President and CEO Barry Gilway said he knew of three insurance companies seeking to drop thousands of policies.

One "is attempting to cancel 9,000 policies mid-term," Gilway said. "A second company has identified 8,000 policies it wants to eliminate. A third company, 7,500." Several companies are restricting new and renewal business in the marketplace, and one has stopped writing policies in 12 tri-county ZIP codes "indicating they threw their hands up and said, 'We can't do business there anymore.'"

Gilway did not identify the companies, a Citizens spokesman said, because he was given the information in a private meeting. But he warned that the trends, along with rate increases, could result in homeowners having no choice but to return to Citizens, again increasing the size of the so-called insurer of last resort.

Data released this week measuring personal residential homeowner policies do not yet show a mass effort by insurers to drop South Florida policies. Among 92 insurers, 1,002 fewer "non-renewals" took place in the first three months of 2016 compared with the same period in 2015. And 1,924 fewer policies were canceled in the first quarter of 2016.

One possible reason an uptick was not reflected is that companies are required to give 120 days notice of non-renewal, and targeted policies won't show up in the data until a customers' policy term expires, which will

happen throughout the year, said Paresh Patel, CEO of Homeowners Choice, a Tampa-based insurer with 35,996 personal residential homeowners policies in the tri-county region.

"If I want to get rid of you on Jan. 1, I have to wait until the end of April," he said.

Tower Hill Insurance's decision to reduce coverage in South Florida is reflected in the first-quarter data, showing the company canceled 2,477 policies and declined to renew 2,712 policies.

Tower Hill Insurance CEO Charles Williamson said in an interview Friday that the company began identifying policies to not renew late in 2015 and that the rate of non-renewals "probably skewed heavier" in Southeast Florida, where the company has sustained heavier claims losses than in other parts of the state.

Asked whether the company was freezing ZIP codes, Williamson said there are "very few we're not writing in, if at all."

Still, the company revised its underwriting criteria in the tri-county area in a way that ensures fewer South Florida residents qualify to buy insurance. According to a recent announcement to agents, the company now accepts only new residential multiperil customers in Broward and Miami-Dade with minimum coverage of \$300,000 for homes less than six years old. For homes over five years old, minimum coverage is \$500,000.

That means customers with homes over five years old that aren't worth at least \$500,000 aren't eligible.

Insurance agent Dulce Suarez-Resnick said her office in Miami is surrounded by neighborhoods with ineligible homes.

She said the agency is beginning to see several companies declining to write new business in specific areas or specific ZIP codes in Miami-Dade and Broward and changing guidelines to exclude older and less expensive homes. Some also won't sell insurance to customers who have filed water loss claims or lawsuits against insurers over the past three years, she said.

Heritage Property & Casualty recently increased its minimum coverage value to \$250,000, Suarez-Resnick said, while People's Trust and Element recently set \$200,000 as its minimum eligible coverage.

People's Trust Insurance canceled 2,044 policies and declined to renew 791 in the first quarter of 2016, exceeding its 2015 first-quarter total by 670.

The company issued a statement that said "cancellations and non-renewals are part of the normal, daily business of underwriting" and added, "Most cancellations are customer driven."

"At the same time, we have a fiduciary responsibility to all our policyholders to be diligent and conservative in reducing losses and exposure to risk," the statement said. "To that end, we are reducing our exposure in areas that have extremely high losses, in part driven by the proliferation of water claims."

Prepared Insurance Co. notified agents by email on March 14 that it would "be closed for business" in Broward, Miami-Dade and Palm Beach counties. The company, which has just 9,212 policies in the tri-county area, declined to renew 191 policies in the region in the first quarter of the year — 44 more than the same period in 2015.

Although Florida Peninsula's cancellations and non-renewals declined by 1,749 for the quarter compared with 2015, the company reported 32,383 policies for the most recent quarter — 8,424 fewer than the first quarter of 2015.

Florida Peninsula CEO Roger Desjadon said by email that it would be incorrect to attribute the decline to an unwillingness to write policies in the area without considering critical components such as "the competitive environment, new companies writing in the area, quoted rates and agent incentives, to name a few."

Yet, CEOs of Heritage and Homeowner's Choice said they are taking steps to eliminate policyholders responsible for increases of expensive lawsuits and claims losses.

Homeowner's Choice has identified 1,000 policyholders out of 26,000 in South Florida that have been with the company five years or more. Claims and lawsuits filed by the 1,000 increased policy costs by \$250 for each of the other 25,000. At a forum on assignment of benefits abuses in Boca Raton last week, Patel called that "morally wrong."

This week, he said, "We're trying to not be the insurance company for people who want to file all these crazy claims and want a new kitchen."

Heritage president Rich Widdicombe said his company is looking at ways it can eliminate its most costly risks, including identifying ZIP codes with high claims, agents representing high-risk homeowners and common causes of loss. It might involve more thorough home inspections, photographing interiors and looking for problems with pipes, ice makers and washing machine homes.

"We're not dropping policies all over the area," he said.

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