

South Florida Sun-Sentinel.com

Florida homeowners catching a rate break on property insurance

By Julie Patel

South Florida Sun-Sentinel

June 21, 2008

When Ron Wise learned Nationwide Insurance dropped the coverage on his Palm Beach Gardens home this year, he figured he'd be lucky to find another insurer.

Not only did he find another carrier, he's now saving 26 percent on his annual premium.

Nine of 10 local insurance agents who spoke with the *South Florida Sun-Sentinel* recently said most of their customers' yearly property insurance premiums have dropped 15 percent to 40 percent this year. Customers who have bolstered their homes to better withstand hurricanes are getting the biggest breaks.

It's too early to tell whether the tide is finally turning on the state's property insurance crisis, but industry experts say lower rates — and 23 new private insurers since 2006 offering homeowner coverage — are good signs. In some cases, the new insurers' cheaper prices are forcing the larger, established insurers to cut rates to stay competitive.

Overall, property insurance prices have "gone way down," said Pat McNamara, the business development manager of Burke, Bogart & Brownell, a [Boca Raton](#)-based insurance agency. "I think rates are probably down below where they were prior to the hurricanes" of 2004 and 2005.

But new private insurers carry risks, insurance industry observers say. The cheaper premiums mean insurers have less money to pay customer claims. And the upstart carriers haven't been through a storm, so property owners don't know how reliable they'll be.

Some owners of older homes near the coast said they're sticking with the Citizens Property Insurance Corp., which the state formed to be the insurer of last resort but has grown to be the state's largest property insurer.

"There's a lot of competition right now. People have choices," said Anita Byer, president of Plantation-based Setnor Byer Insurance & Risk. "Whether they want a startup that hasn't experienced a storm and that we can't verify how well they'll weather a storm ... that's something to think about."

According to Florida Office of Insurance Regulation data, rate increases the state blocked last year helped bring insurance prices down by a statewide average of 16 percent.

"We can't tell you where these new companies' rates fall on a scale of 'high or low' because we have no baseline. We can say that all the new companies formed to take policies out of Citizens must, by law, charge the same or lower rates than Citizens charges," Tom Zutell, a spokesman for the insurance regulation office, said in an e-mail.

"Also, the sheer number of new insurers since 2006 would lead one to believe there is plenty of competition out there, enough to deter any one company from veering from the herd as far as the rates it charges."

Home upgrades to withstand hurricanes go a long way toward reducing premiums.

Coral Springs resident Steve Golub had his home inspected last fall to document its storm-resistant features. His insurer, Northern Capital Insurance, offered to renew his insurance for \$3,500, or \$1,600 less than he paid last year.

And two other insurers offered even cheaper rates. He said he took the \$3,200 premium Tower Hill offered over a cheaper deal because it provides the same coverage he had last year.

Christine Dawkins, an accountant who owns a three-bedroom townhouse in Lauderhill, was dreading opening her renewal letter from Gulfstream Property and Casualty Insurance Co. The company's annual premium of \$1,500 was \$366 less than what she paid last year.

"I was surprised," Dawkins said. "I thought it would go up because that's what I've been hearing happens every year."

And Wise, of Palm Beach Gardens, saw his coverage drop from \$5,700 last year to \$4,200 with his new Tower Hill policy.

If prices continue to drop and stabilize the next few years, it may signal a shift in Florida's property insurance market from an oligopoly to a vibrant, competitive one. That's something state political leaders are banking on, especially as big national insurers such as State Farm, Allstate and Nationwide scale back in Florida.

"We have relied too much on the big companies and the state-operated Citizens," House Speaker Marco Rubio said earlier this year. "We need 20 or 30 companies writing relatively small amounts of business, rather than a few companies with huge risks."

That's why the state legislature set aside \$250 million in 2006 for low-interest loans for private insurers that agree to take policies from state-backed Citizens.

Some of the new insurers the state approved since last year overlap with the dozen insurers approved to take policies from Citizens, including Magnolia Insurance Co., of Key Biscayne, and Homeowners Choice Property & Casualty Insurance Co. of Port St. Lucie.

Former State Sen. Locke Burt helped form two new insurers: Fort Lauderdale-based Security First Insurance Co. in 2005, which took policies from Citizens, and Royal Palm Insurance Co. in 2006, which took many former Allstate policies.

People's Trust Chief Executive Officer Mike Gold said newer companies like his can offer cheaper rates because they've learned how to be more competitive. For example, his company offers to eliminate unnecessary coverage — such as for "additional structures" — that's often automatically included in most policies.

Jeff Grady, president of Florida Association of Insurance Agents, made up of about 1,700 agencies, said: "I'm hearing a lot from agents who are seeing tremendous declines in their revenue," Grady said. "It's not just because of a general slowdown in the economy but also because of rate decreases that are substantial in some cases."

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