

MANAGING YOUR FORTUNE

Brace now for wind insurance rate hike

By [GAIL LIBERMAN](#), Special to the Daily News

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By the time Citizens Property Insurance begins phasing in its whopping windstorm insurance increase in March 2007, some say surplus lines insurance could be cheaper.

By then, however, you might not find surplus lines windstorm coverage. Surplus lines companies insure property with more unique risk, often at negotiated rates. You may already have surplus lines coverage on your 10-carat diamond ring, yacht or art collection.

Be aware that by the time you really need windstorm coverage to protect your home or condo against hurricanes, surplus lines windstorm coverage could dry up. That could happen as soon as next March, when Citizens windstorm rates are due to skyrocket, says Gary Pullen, executive director for the Florida Surplus Lines Service Office.

Also, if your home or condo has a structural value of at least \$1 million and you can't get surplus lines coverage by July 1, 2008, you might not get windstorm coverage. Citizens, on that date, plans to stop insuring those high-value properties.

If your condo association fails to investigate surplus lines windstorm coverage now, he adds, buildings ultimately could find themselves unprotected.

Are your windstorm rates currently cheaper than those of either Citizens Property Insurance or surplus lines windstorm insurance? In that case, it may be tough to switch. Who knows? Maybe we'll have no hurricanes, or windstorm rates won't rise.

Even so, you'd be wise to at least establish another relationship with a surplus lines company just in case, Pullen says. See if you might insure some jewelry through one of these companies. "If I'm a surplus lines agent, and I've got capacity to write two windstorm policies in Palm Beach County, wouldn't I prefer to write policies with the people I'm already doing business with?"

Surplus lines coverage is intended to be a market of last resort. It is prohibited from competing with traditional insurance companies, known as "admitted insurers," which the state more strongly regulates.

To be approved as a surplus lines insurer, a company must submit a request to Pullen's Florida Surplus Lines Service Office, a nonprofit agency created under state law. The state's Office of Insurance Regulation reviews its financial statements. You typically can obtain surplus lines coverage through an insurance agent, Pullen says.

Chief drawbacks of surplus lines insurance:

- Surplus lines providers are not subject to Florida contract or rate regulation.
- Surplus lines insurers are not covered by the state guarantee fund. If your surplus lines insurer goes belly up, you're out of luck. That's why the company's financial strength is critical.

Pullen says surplus lines coverage availability constantly changes and is limited by region. Once a company has written all its "capacity" for an area, it stops. Capacity is apt to dry up further, he believes, as reinsurers "companies paid to insure part of an insurance company's risk "become scarcer.

"Since the beginning of the year, there has been a constriction of the amount of (windstorm) coverage available in the surplus lines market," Pullen said. "Most is being driven by the reinsurance market. A number of those contracts came up on June 1. A number are not renewed or are done so at less capacity."

Citizens Property Insurance windstorm rates historically have been lower than those issued by surplus lines companies. But Pullen expects that to change next March.

For the first quarter of this year, Florida's largest surplus lines writers for homeowners policies, including windstorm protection, were:

- USF&G Specialty, St. Paul, Minn., an affiliate of GeoVera Insurance Group, Hunt Valley, Md. USF&G has an A- financial strength rating out of a potential high of A++ by A.M. Best.
- Underwriters at Lloyds, London, which is unrated.

- Lexington Insurance Co., Boston, Mass., an affiliate of American International Group Inc. (AIG), New York. Lexington has an A.M. Best financial strength rating of A+ out of a high of A++. But Lexington, according to A.M. Best, was placed "under review" following the announcement that AIG Chairman Maurice Greenburg would retire.

You can find other approved surplus lines writers at www.fslso.com or call 800-562-4496.

The Web site also lists insurance agents who sell surplus lines coverage as well as financial data on surplus lines companies.

What can you do now to make sure you keep the most cost-effective windstorm protection for hurricane season? Pullen suggests:

Evaluate surplus lines windstorm coverage now. Don't wait.

If your current windstorm coverage is significantly cheaper, at least try to establish another insurance relationship with a surplus lines company.

When you need surplus lines windstorm coverage, search for it significantly before the months of January or June. That's when insurers' reinsurance coverage comes up for renewal.