


Your Credit Score	Your Interest Rate	Do you know YOUR S
Excellent 551 - 950	5.66%	<a href="#">Find Out Instantly!</a>
Fair 351 - 550	7.47%	
Poor 150 - 350	9.29%	

**CNNMoney.com**

 **PRII**

Powered by 

## Opportunity lurks in Florida market

Insurers in hurricane-prone Florida may find opportunity to gain market share as some leave market.

August 1, 2005: 4:04 PM EDT

By Shaheen Pasha, CNN/Money Staff Writer

**NEW YORK (CNN/Money) - Another wicked hurricane season this way comes.**

And for insurers in the hard-hit Florida market, the threat of increasingly severe hurricane activity is cause enough to start mulling an eventual pullout from a state that has been little more than a money drain in recent years.

But where some are cautious, others may find opportunity..

Last year's spate of four destructive hurricanes, which caused more than \$22.9 billion in insurable damage, may be only the beginning, scientists say. A recent study by Massachusetts Institute of Technology professor Kerry Emanuel that was published in the online edition of the journal *Nature* said that the intensity of hurricanes in the North Atlantic has tripled since 1970 while their power has doubled in the western North Pacific.

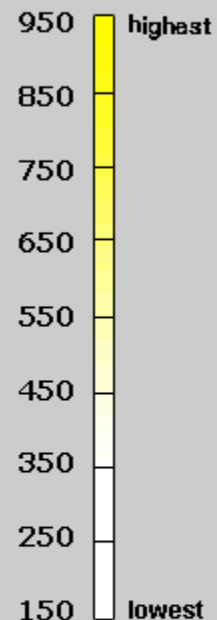
The study blamed global warming for the new trend and warned that the storms' length and severity would only increase in the years to come.

That spells bad news for insurers still reeling from the damages they've absorbed due to hurricanes over the last 12 years.

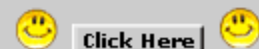
Hurricane Andrew in 1992 marked the most destructive one-time hurricane event in the state of Florida for the insurance industry in history. Despite major changes to legislation and better building codes, Florida has continued to be an unprofitable market for insurers.

Homeowner insurers alone cumulatively lost \$8.6 billion from 1992 to 2004, said Robert Hartwig, chief economist at the Insurance Information Institute.

Know what your  
Credit Score is?



**Find out!**



**FREE!**

"Unless there is some rationalization of the price of insurance relative to the risk assumed, there will be continued problems of availability," Hartwig said, adding that big name insurer [Allstate \(Research\)](#) has already pared back the exposure of its Florida subsidiary, Allstate Floridian, while [Safeco \(Research\)](#) has announced plans to exit the state altogether.

Eric Trott, a spokesman for Safeco, said the company's decision to leave Florida "came after several months of careful consideration." He said its relatively small market share -- the company covers only about 0.6 percent of the Florida market -- combined with the stringent state regulatory guidelines and the increasingly bad weather, made it in the company's best interest to pull out of the homeowner's insurance market in favor of auto, small commercial and its specialty lines of business. He added that the company was working with its agents to ensure its policyholders make a smooth transition.

Allstate Floridian -- which has the largest market share in the state of any publicly traded firm with 10.5 percent -- went one step further when the company decided to stop renewing some wind-damage homeowner policies in high-risk areas. To accommodate its policyholders, the company negotiated an agreement with Universal Insurance Company of North America.

Policyholders were left with a choice: Go with Universal or find an alternative to provide windstorm coverage. In many Florida counties, that leaves only Citizens Property Insurance Corp. -- a state-regulated association that provides property insurance when it is unavailable from the regular market.

As the insurer of last resort, the company's rates are by definition the highest possible rate in a given county, said Citizens spokesman Justin Glover. For those in high-risk coastal areas, who have the most difficulty finding insurance, the average premium for a homeowner's wind-insurance alone is about \$1,700. Tack on other basic coverage, such as fire and theft, and policyholders may have to hand over quite a bit of cash.

But Glover said there have been a number of smaller players emerging on the market ready to take out high-risk policies from Citizens and insure those who other insurers aren't willing to touch.

Florida Peninsula Insurance Company, for instance, was formed this year and has already taken 30,000 high-risk coastal wind policies from Citizens, Glover said.

Seaside Property Insurance Company and First Home Insurance Company also received permits in April by the Florida Office of Insurance Regulation to write homeowners' policies in the state.

"Despite the unprecedented string of catastrophic hurricanes, it is reassuring to see a continued interest from new investors," said Florida Insurance Regulation Commissioner Kevin McCarty in a statement.

But analysts are worried that an onslaught of inexperienced players willing to take on high-risk policies may prove dangerous as hurricane season reaches its peak in September.

"Unfortunately, you have some smaller companies there that are willing to pick up the slack, but they'll be taking on a big risk and may in some cases put their franchises at risk," said Michael Paisan, principle at Legg Mason Wood Walker. "They're the people that think they can

do it better than the big guys can."

But Paisan said it's unlikely that a large wave of companies will come in to take market share, and whatever capacity is left from companies paring back exposure will still fall on Citizens shoulders.

But some large players aren't averse to grabbing at market share if it becomes available.

Privately held State Farm, which is the largest homeowner insurer in Florida with a 23 percent market share, may have some interest, said spokesman Dick Luedke.

"Assuming that the business meets our underwriting guidelines, we're open to writing new business in most areas," he said, adding that the company hasn't reduced its own exposure despite significant losses from last year's swath of destruction.

And Nancy Baily, president and chief executive at St. Paul Traveler's subsidiary First Floridian, indicated the company has no plans to lower its exposure. She said in a statement that First Floridian, which holds 3.8 percent of the Florida market, welcomes "new opportunities that fit within our business plans to grow our personal lines market share in Florida."

To be fair, there hasn't been a massive pullout since last year's barrage of hurricanes. Following the devastation of Hurricane Andrew, the state passed a number of mitigation initiatives, including increased premiums, deductibles of between 1 and 5 percent of the total value of a policyholder's home, and the creation of Citizens and the Florida Hurricane Catastrophe Fund, a reinsurance-type entity for the insurance industry.

Samuel Miller, executive vice president at Florida Insurance Council, an insurance company trade association, said unlike the mass exodus experienced after Hurricane Andrew, insurers aren't running for cover this time around. Not yet, at least.

"The insurance industry can't handle \$20 billion plus hurricane seasons year after year," he said. "If we have another major season, then companies may seriously start to reconsider their exposure to Florida."