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Strapped insurers flee coastal areas

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By Marilyn Adams, USA TODAY

With the 2006 hurricane season starting in just five weeks, many home insurers from Texas to Florida to New York are canceling policies along the coast or refusing to sell new ones out of fear of another catastrophic storm.

In the widest insurance retreat from coastal property since Hurricane Andrew slammed Florida in 1992, insurers as far north as Long Island, N.Y., and Cape Cod, Mass., are shedding coastal homeowners policies to reduce their exposure.

In Florida alone, insurers that are undercapitalized or fearful of losses have notified the state of plans to cancel more than 500,000 homeowners policies. With \$2 trillion each in coastal property, Florida and New York lead the USA in coastal exposure, followed by Texas and Massachusetts.

Companies including Allstate, the USA's second-biggest property insurer, say forecasts of more major hurricanes combined with soaring coastal real estate development have created unacceptable risk in some areas.

Last year's hurricanes cost insurers a record \$60 billion in claims payouts. Now Allstate, which paid out a record \$5 billion in hurricane claims last year, is canceling 95,000 policies in Florida and 28,000 in New York.

"We're examining our risk up and down the East Coast and Gulf Coast, given the changes that have occurred," says Allstate spokesman Mike Trevino.

It isn't the only one. Insurers "are paring back their coastal exposure everywhere," says Robert Hartwig, the Insurance Information Institute's economist.

Their caution is hitting home in:

- Florida.** Amid mass policy cancellations, state officials are declaring a crisis. Because mortgage lenders require home insurance, affected policyholders must find other insurance, probably at higher cost. Near the coast, annual premiums of several thousand dollars now rival a mortgage's cost. Florida's state-run insurer of last resort, which must provide insurance if no other company will, has a record 815,000 policies and a \$1.7 billion deficit. At the urging of state Chief Financial Officer Tom Gallagher, a judge Tuesday began placing Florida's No. 3 home insurer, Poe Financial, into receivership because it lacks adequate reserves.

- Texas.** Allstate just announced it won't write any new homeowners policies in 14 coastal Texas counties. Texas' insurer of last resort, the Texas Windstorm Insurance Association, has only \$1.2 billion in cash and reserves going into the new hurricane season. The association wants to raise rates 19% on homes and 24% on businesses.

- New York.** Allstate says it won't write any new homeowners policies in New York City, Long Island or Westchester

County. Although Long Island hasn't been struck by a major hurricane since 1938, "The probability exists for New York to be hit," says Trevino. MetLife also is cutting back on new homeowners policies near the coast. New York's legislature is considering a bill to create a permanent, state-run insurer of last resort to provide wind and fire insurance for coastal homes.

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