

Coastal insurance market failure and collapse

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State: Linking home insurance to auto policies is illegal

By Keith Herbert and Carl MacGowan, Newsday

Insurance

companies are breaking the law when they take into account auto insurance while deciding whether to drop customers' home insurance policies, New York's top insurance regulator said Tuesday.

Two major

insurance companies, Allstate and Liberty Mutual, were named by Eric Dinallo, superintendent of the state Insurance Department, as engaging in the process of tying auto insurance to homeowner's insurance. Citing fears over hurricane wind damage, insurance companies have decided not to renew homeowner's policies for thousands of Long Island residents over the past 18 months. "The Insurance Department has determined it is illegal," Dinallo said at a Manhattan news conference. "We are moving to protect consumers."

Between March 2006 and this month, more than 760 New York residents -- nearly half of them from Nassau and Suffolk counties -- filed complaints with the insurance department, records show. The uptick in complaints followed Allstate's January 2006 announcement that it was no longer offering new policies on Long Island, New York City or Westchester County, to limit its exposure to intense storms predicted to hit coastal areas.

MetLife and Travelers also have said they plan to cut the number of homeowner's policies they will write in New York.

Since

March 2006, thousands of Long Islanders -- more than 9,000 homeowners in Suffolk County and more than 6,500 in Nassau -- have been told their homeowner's insurance policies would not be renewed.

FAIR Plan hike probed

By Sarah Shemkus, Cape Cod Times

BOSTON

- In a detailed, technical, and sometimes tense hearing yesterday, representatives from the state attorney general's office tried to gain insight into the closely guarded computer models used to set homeowners insurance rates.

The exchanges were sometimes confusing and occasionally contentious as Martin Simons, an actuarial consultant with extensive experience in hurricane modeling, sat for six hours of questions by assistant attorneys general Monica Brookman and Peter Leight.

The session was part of a series of Division of Insurance hearings in which state officials can quiz witnesses, who provided testimony supporting the FAIR Plan's most recent rate-increase request.

In that filing, the state's insurer of last resort calls for an average statewide rate hike of 13.6 percent; for the Cape and other parts of Southeastern Massachusetts the requested increase is 25 percent.

As property insurers have fled coastal areas over the past few years, the FAIR Plan has become the Cape and Island's largest home insurer, covering 40 percent of the market. A rate increase last fall left the average FAIR Plan premium in the region at about \$1,600.

Attorney General Martha Coakley has expressed opposition to the latest proposed increases.

Nationwide to cut nearly 40,000 homeowners policies

By Urvaksh Karkaria, Florida Times-Union

For nearly 40,000 Florida homeowners, Nationwide soon won't be on their side. The property insurer will jettison 39,000 homeowners policies and 1,600 commercial property policies, according to an internal memo obtained by the Times-Union. Nationwide, which left the door for further policy cuts, said it is switching its distribution model.

The carrier will stop selling policies through exclusive agents, who only sell the company's products, to independent agents who can market policies from different insurers. Some see this as a harbinger of further reductions by the carrier.

Catastrophe coverage needn't be a disaster

Guest Opinion: Rick Diamond, Southwest Florida News Press

If Ben Franklin had been living in the 21st century, he would have added "property insurance" to his oft-quoted statement that "nothing in this world is certain but death and taxes".

Here in Lee County, property insurance premiums are proving to be the straw that broke the camel's back in so many foreclosure proceedings. A mortgage is in default if insurance premiums are not paid. These high premiums, coupled with escalating adjustable mortgages, are the main reasons there were more than 1,000 foreclosures in July with no end in sight.