

# Rating agency blasts small Florida insurers

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**A**s Florida seeks to revive its private home insurance market after almost a decade without a hurricane, homeowners are pouring \$6 billion a year in premiums into a new generation of small, in-state insurance companies with an unproven record of withstanding a major hurricane.

A consumer-oriented rating agency, Weiss Ratings, recently awarded the companies a median grade of C-minus. And even without a major storm to drive up claims, 11 of them have already failed in Florida since 2006, according to state records.

"This is an accident waiting to happen," said Gavin Magor, senior financial analyst with Weiss, a national agency with a reputation for tough ratings based in Jupiter.

The new in-state companies emerged after major national carriers pulled out of the market after a series of costly hurricanes in 1992, 2004 and 2005.

Robert Hartwig, president of the Insurance Information Institute, a trade association, said all the companies meet state regulations, noting that other rating agencies gave higher grades.

"Things are moving in the right direction for Florida in attracting private capital. The risk has been diversified and there's clearly an appetite for this new risk," Hartwig said.

Almost 80 percent of Florida's insured residential and commercial property, valued at about \$3 trillion, lies in coastal areas vulnerable to both wind damage and flooding, according to risk modeling experts.

State officials have encouraged the growth of the private market in recent years, seeking to downsize the overloaded state-run Citizens Property Insurance, which ballooned as it took on policies after the major companies withdrew.

Many major insurers have stayed away from Florida, saying state regulators require rates that are too low to make the risk of doing business profitable.

Citizens remains the single largest carrier in the state, with 14.5 percent market share.

Weiss rated 48 Florida-based private companies that collectively take in two-thirds of all comprehensive homeowners property insurance premiums paid by Florida homeowners. Of those, 19 received ratings of D-plus or worse on the Weiss report card, reflecting high risk to customers.

Kevin McCarty, Florida's insurance commissioner, was not available for comment, according to his office.

A handful of other companies offer specialty insurance such as windstorm and flood insurance, and were not included in Weiss's ratings.

Another 70 out-of-state companies offer homeowner policies in Florida, and have a total 19 percent market share.

Those companies, which are held to different regulatory standards imposed by their home states, achieved a median grade by Weiss of B minus.

Two other rating agencies, A.M. Best and Demotech, operate in Florida. Demotech President Joe Petrelli said his company only issues A ratings, choosing not to rate companies that warrant a lesser score.

A.M. Best issued only A and B grades to Florida insurers that it rated, according to data from the Florida Office of Insurance Regulation.

A.M. Best Vice President Rich Attanasio said fewer than half of Florida's in-state insurers chose to obtain a rating from the company, and one of them fell into A.M. Best's "vulnerable" category with a B, according to data from the state.

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