

Maine to probe homeowners, small business insurance issues

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AUGUSTA — Maine insurance regulators and lawmakers have been getting an earful from consumers about homeowners insurance rate hikes and policy non-renewals, problems that have resulted in government intervention in other states.

In Maine, the complaints have prompted the Legislature to demand a study to shed light on the scope of the problem and whether any further action is necessary.

Public Forums

The Insurance Bureau will conduct public forums later this month to gather information from homeowners and small-business owners about premium rises, non-renewals they have experienced, problems getting coverage for some properties and coverage changes not requested by policy holders.

In 2002 alone, the bureau heard from nearly 500 Mainers who wanted to appeal their insurers' decision not to renew their policies, Insurance Superintendent Alessandro Iuppa said.

A range of factors appear to be at play in the homeowners' premium rises.

"The insurance market generally is a cyclical business," said Iuppa. "You'll go through about three years with soft prices, where pricing is very competitive. Then you'll move into a time when they're trying to balance that out and the market will harden."

Between 1990 to 2001, prices were generally competitive in Maine, with some companies using homeowners policies as a "loss leader" to attract other business, Iuppa said.

As investment yields dropped in 2001, the picture changed and losses couldn't be offset with investment income. Then, after Sept. 11, major shrinkage in the reinsurance industry made it more expensive for insurers to protect themselves, said Iuppa.

Industry Projections

The industry projects homeowners rates nationally will rise by 7 percent this year. Costs are expected to rise by 8 percent in 2004, due to rising construction costs and increasingly expensive natural disasters, according to the Insurance Information Institute. The average cost for home insurance nationwide for 2004 is projected to be \$615, an increase of \$46 for the average homeowner over this year's figure, the insurance group said.

Maine officials will also look into complaints of denial of policies, which has been an issue in other states.

Through the scheduled forums in Maine, the Insurance Bureau hopes to get more precise numbers on what's happening in the Maine market as well as other states. A report is to be turned over to lawmakers on Jan. 4. □