

Maine takes rising complaints about home insurance seriously

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InsuranceTimes

AUGUSTA — Complaints to the Maine Bureau of Insurance about homeowners policies have more than doubled, prompting the Bureau to hold public forums to learn first hand about the situation. The Bureau has also sent out surveys to agents and companies asking for their input.

Superintendent of Insurance Alexander Iuppa points out, as do Maine insurance agents, that the homeowner market has been tight for more than 18 months, made more difficult by reinsurance issues and more stringent underwriting standards.

The litany of issues include increased premiums, increased non-renewals, unavailability of coverage in some instances, and reduced coverages coupled with increased premium. Iuppa confirms the Bureau is seeing many more non-renewals.

Under Maine law, when a company non-renews a policy it has to notify the policyholder, to explain why and inform the insured of the right for a hearing on that non-renewal before the Superintendent of Insurance.

"In 2001 we saw about 200 hearings and about half of these were homeowners and half auto," Iuppa said. "In 2002 we saw more than 500 hearings and 65 percent of them were homeowners insurance."

Iuppa and agents both maintain that for years, homeowners coverage was under-priced, particularly in the sense that companies reduced premium while adding coverages. Jim Caron, United Insurance Group, with agencies throughout the state said, "premiums had to go up because for so long companies reduced prices while increasing coverages."

The Legislature has a bill before it to introduce a FAIR PLAN for Maine property insurance. In addition, the Legislature has directed the Bureau to perform a study of the homeowners marketplace by January.

"We are also looking at rates and forms and rules that have been filed for changes to that market in the last few years to see what impact these things have had on the marketplace," Iuppa said.

He added that the study would also look at what is happening in this market regionally, nationally and internationally, since all have an impact on the market.

Components of the study will include in-depth surveys distributed to agents throughout the state and to the top writers in Maine.

"We want greater insight into company practices and we want to know from agents how they see the problem and what they are finding is hard to place business and where it is difficult," Iuppa said. "We have also engaged a market research firm to do some polling in order to get context. We want to see if what we are seeing represents the whole marketplace or just a portion of it."

According to Iuppa, coastal and island properties are difficult as are rural classes 9 and 10 properties from a fire protection perspective. In northern Maine there appears to be a problem with insuring older (more than 30 or 40 years old) homes for actual structure replacement value – companies will only cover these homes for more money given the more expensive to replace interior work.

Executive Director of the Maine Independent Insurance Agents John Clark confirmed that it is coastal and island properties appear to be the main areas that are troublesome.

"We hear there are some issues with personal choice items such as certain breeds of dogs, trampolines and pools with diving boards," he said. "We've been trying to get companies to file exclusions for these types of issues. Other than those, it seems we're ok."

Caron believes the coastal and island property situations are largely driven by reinsurance, resulting in policy restrictions or elimination of coverage altogether on properties near the water.

"The issue here is pricing primarily," he said. "There is availability if the property is good, but the premium increases in double and triple and homeowners are shocked. The hard market has forced these increases. I think we will see this begin to quiet down some and this market become a little more competitive. Companies have become much more conscious of their exposure. The increased development of coastal and island properties are not simple fishermen's homes but million dollar and multi-million dollar buildings. In addition, property values have risen, and these factors dramatically increase carriers' exposure to loss."

Looking at territories 9 and 10 rural properties, he sees similar forces at work. Here, however, the question of availability as well as affordability has surfaced. Again, many people have moved beyond built-up communities where there is a lack of adequate fire protection, often with a lack of easy water access, especially in winter.

"Some agents," he said, "don't have broad enough markets and are finding it difficult to place some of these properties."

In addition to the surveys, the Bureau is holding public forums in Ellsworth, Presque Isle, Gardiner and South Portland to hear first-hand from policyholders. □