

Insurance Times: Homeowners Insurance Market

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Despite trampolines, canines and coastlines, homeowners market mostly stable

by Mark Hollmer

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This year, dogs continue to breed apprehension among some homeowners insurers. Trampolines are upsetting others. Certain regions are seeing rising prices, but stable pricing and a soft market are the norm elsewhere.

In short, what seems clear about the homeowners insurance market in 2001 is that while there are some common threads, the New England/New York homeowners market lacks a consistent overall regional pattern.

InsuranceTimes interviews with agents in Connecticut, New York and Massachusetts revealed the regional differences. For example, some agents said they see a hardening market with rising prices. But others disagreed, insisting that the market is soft and relatively stable and would be in the future.

Case in point:

In Massachusetts, insurance agent Glenn Niinimaki, of D. F. Murphy Insurance in Marlborough, said he sees the state's homeowners market as "relatively stable" with rate increases lingering around three percent.

Paul Jones, a Norwalk, Conn. agent, agreed, saying he saw minor price increases on the horizon at best.

But David Bauer, an Albany, New York agent, said he saw the market hardening all around the metropolitan upstate New York market in which he does business.

"Pricing is definitely going up," he said, "anywhere from 8 to 15 percent."

Bauer said he's seeing the market harden tremendously in suburban Albany. "Many insurers are focusing on insurance to value, Making sure that they have the appropriate coverage homeowners coverage on the dwelling," said Bauer, an owner of the Robert F. Bauer Insurance Agency.

And "on renewal underwriting," he said, they are scrutinizing the risk very closely, both in regards to claims frequency and severity, and in certain cases either increasing the deductible and moving (risky insureds) either from preferred pricing to standard pricing or non-renewing the risk if appropriate."

Bauer said the World Trade Center bombing on Sept. 11 will likely accelerate the market hardening, preventing "any type of pricing relief over the next several years."

Not Been Profitable

The reason the market is hardening, Bauer said, is that homeowners insurance simply hasn't been profitable for most carriers.

Multi-line carriers, he said, used lower, attractive homeowners rates to get the more profitable auto business. But with automobile insurance becoming unprofitable, too, he said, homeowners prices will have to jump up to 25-30 percent over time to get adequate pricing.

Jones, president of the John H. Leonard Agency, said that aside from minor price increases, the market in his part of Connecticut – wealthy Fairfield County – is a solid one.

Companies, he said, even seem to be showing interest in coastal coverage as well in recent years after problems in the mid 1990s, "but it is at a higher premium."

"Many carriers have come in," he said, "and due to market pressure they have come up with other ways to do (coastal) coverage as opposed to just letting the business go away."

Spencer Houldin, vice president for personal lines at the Ericson Agency in Washington Depot, Conn., said he's seeing homeowners rates jump from 4 to 10 percent depending on the territory or insurance company.

"It's a noticeable increase to a homeowner," said Houldin, who handles business in both Connecticut and New York City.

On the other hand, Houldin said, availability doesn't seem to have "changed at all.

What's more, he said, "the underwriting guidelines for shoreline properties are starting to loosen slightly" compared to the dry times of a few years ago..

"We're starting to see a little more comfort level on the side of the insureds with shoreline companies," he said.

"I don't want to overstate it because it's still a serious problem ... (but) insurance companies were running scared from the shoreline (and)_ now they're starting to walk back."

Garret Ratcliffe, an agent and owner of Jones, Raphael & Oulundsen Insurance in New Britain, Conn., said regional companies "are still very open to markets" compared to the higher prices of some national counterparts.

"By comparing them to some of the national companies," he said, "they tend to be even 10 to 20 percent lower and in some cases more in terms of pricing."

Ratcliffe said he's seen regional rate increases fewer than 10 percent and national carriers hiking rates between 8 and 15 percent.

Coastal coverage, Ratcliffe said, has been an infrequent part of his business, and he hasn't much request for coastal properties within the last six months."

Even so, he said, coastal issues have opened up versus the tighter times of a few years ago.

"However," he said, some companies still have tough coastal requirements such as higher deductibles if you don't have storm shutter protection.

Companies also try to spread the risk of an insurer through a community, he said.

Dogs, Trampolines and More

What hasn't changed is the hesitancy by homeowners insurers to write coverage for dogs.

Jones, in Norwalk, Conn., said dogs are still a major concern with insurers he deals with, particularly pit bulls, and Akitas.

Some companies, he said, used to informally restrict coverage for dogs but at least one company now formally adds the restriction to its underwriting.

Over in New Britain, Conn., Ratcliffe said the market for dog coverage is getting noticeably tighter, "especially if you fit dogs into certain types of breeds."

Rottweilers, pit bulls and German shepherds are on the warning list, he said.

In Massachusetts, Niinimaki said insurers are increasingly concerned about dogs, with Dobermans among the warning breeds on the list.

In New York, Bauer said, some carriers aren't worried but others won't write the risk if they find out a dog like a Rottweiler is in the house.

Still, dogs aren't the only concern homeowners insurers face, and many are adding new exclusions and/or additional coverage to address perceived needs in the face of changing times and updated experience.

For example, new coverage to address backup of water and sewer "has become a popular endorsement added onto policies," said Jones in Norwalk, Conn.

Trampolines continue to cause concern with many carriers, according to Houldin, in Washington Depot, Conn.

"I had a risk just a months ago that was non-renewed by a carrier because they had a trampoline without sides," he said.

Expanding Coverage

Houldin added that homeowners coverage is expanding to areas including identity theft and cellular phones, reflecting changing high-tech times.

On the exclusion side, companies are beginning to limit sump pump failure and sewer backup coverage, said Bauer, in New York. He added that "there's been significant water damage claims" in both areas over the last few years.

Aside from new coverage or restrictions, Niinimaki in Massachusetts said agents must "work hard" to make sure customers have the right amount of insurance for their homes, particularly as construction costs increase.

"We have just found that when we had claims," he said, "that with labor costs being as high as they are, that's where" some coverage problems crept up.

Business-at home insurance is something that Houldin said his agency is looking at more closely.

"We're paying much more attention right now to in-home business endorsements," he said.

"It's an area that many agents overlook but yet a larger percentage of the population are telecommuters and work out of their home."

As a result, Houldin said, companies over the last year have enhanced their endorsements to offer some in home business coverage.

Jones said his agency tries to sell a separate business policy rather than extending it off their homeowners policy, though both are offered.

"Coverage is broader under the business side of it," he said.

Other agents, like Ratcliffe, in New Britain, Conn., said business-at-home coverage is a slowing trend in his coverage area.

"I haven't seen a widespread transference to home offices we were seeing last year," he said.

Irene Morrill is teaching MAIA members the new ISO Homeowners 2000 form -- which will likely be adopted over time by a number of companies as states sign off on the document. Massachusetts and Rhode Island are among the

states that have

Morrill, the Massachusetts Association of Independent Agents' technical department director, said the new form contains "some new endorsements that make sense in today's society."

New Endorsements

Among the new endorsements: coverage for household domestic partners who aren't married, assisted living care coverage, and an expansion of tenant coverage to let tenants have all risk perils rather than just open peril coverage. New exclusions or riders would offer restrictions such as covering a homeowner's lawnmower or snow blower if it is used on the homeowners' property.

Host liquor coverage may also be reduced because of a reduced definition for motor vehicle liability and watercraft liability in certain cases, Morrill said.

For example, she said, if you come to a home, drink alcohol and get in your car, the updated homeowners' policy may not cover the claim as easily as before if an accident happens.

In other changes, freezing peril coverage and coverage for frozen pipes would also apply to any building and not just unoccupied ones, Morrill said.

Tenant Insurance

Tenant insurance remains a small part of the homeowners insurance market, agents say.

"It's flat. Rates are basically the same and it is not a big part of our business," Jones said.

"It's a growing part of the business," said Houldin, "but ... we don't have a lot of apartment buildings and such."

Houldin added that apartment coverage is more common in urban areas like Hartford.

Ratcliffe said demand for tenant coverage is stable, as did Niinimaki in Massachusetts. Both add that tenants must be reminded that it is necessary to have because landlords only provide coverage for their own exposure.

In New York, Bauer said many apartment complex-owners in metro-Albany and other places require tenants to have the coverage automatically.

Looking ahead, nearly all the agents interviewed said they expect some price increases but they disagreed about the degree.

"We will continue to see increases in premium but I don't think in double digit" levels, Jones said.

On the other hand, Ratcliffe predicts a continued hardening market because of deteriorating experience through increased fires and freeze/thaw damage in recent winters.

Bauer, in New York, said he expects some price increases in a hardening market, made more necessary because of the catastrophic damages during the Sept. 11 terrorist attacks.