Distressing homeowners' insurance stories galore on Treasure Coast

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Treasure Coast residents as well as businesses have been getting hit by a triple whammy in the current homeowners' insurance crisis.

Not only are many residents facing whopping increases of as much as 100 percent or more in premiums – if they can get a policy at all – but others live in a development that has a homeowners association to take care of common areas. The HOAs are also being hit with huge increases that will inevitably be passed through to the residents in higher maintenance fees and or hefty special assessments. On top of that, the current real estate boom that has sharply increased home prices in many areas may be a boon to people's net worth, but the additional coverage they now need to buy to insure their higher-valued properties may come as an unexpected shock.

Don't be fooled by that flood of insurance company TV commercials offering good prices on "bundles" of homeowners and car insurance policies, perhaps including boats, RVs and motorcycles. That cute gecko, the emu, Flo, Mayhem and the other national insurance company icons may still be aggressively competing for market share in the "easy" homeowners' insurance market in Ohio or some other Midwestern State.

But there's something these TV commercials are NOT saying: "If you live in Florida or California, we don't want you. You have too many hurricanes, floods, wildfires and other natural disasters. Your business is too risky for us and we don't want it."

The situation is not unique to Vero Beach, or even to Florida, but horror stories abound in this Treasure Coast locale. The HOA of a 72-unit condo complex built more than 40 years ago on North A1A in Indian River Shores – which asked not to be identified – was unable to get any company to write a new insurance policy when the old policy with Frontline expired on July 1st.

The HOA offered Frontline an increase in the annual premiums from $77,000 to $300,000, but Frontline wasn't interested – at any price. Frontline only offered a 26-day extension for $9,271, and the HOA board felt it had no alternative but to accept it so the property would remain covered while it continues to look.

One broker offered a new policy at $168,266 per year, still more than double what the HOA had been paying, but that policy would have excluded coverage for hurricanes, hail or wind. Since these are the main risks on the barrier island, that offer wasn't seen as much of an alternative.

The HOA's only option may be the state-owned insurer of last resort, Citizens, which could write a new policy for around $400,000 per year, but only after the complex would jump through lots of hoops and pass five rigorous sets of inspections. Citizens is no panacea, either, because it is able to increase rates by up to 45 percent during an emergency and the company is infamous for poor customer service and claim handling.

So the condo complex is looking at an immediate special assessment of about $2,200 per unit and large increases in HOA monthly fees next year because of rising insurance costs.

On the mainland in Vero's Timber Ridge development, a recently widowed resident saw her insurance premium increase by 45 percent this year, supposedly to cover a 35 percent increase in the liability limit. "I had not requested any such increase but I was told I had no choice, so I just had to pay it," she said.

At Cambridge Park, wedged between Interstate-95 and the south side of State Route 60, the HOA had to split its insurance among three companies because none would insure the entire amount. Even so, HOA fees had to be drastically increased because total insurance costs rose 251 percent. One resident saw her own separate homeowners' insurance premium jump from $1,458 to $5,129 – an almost four-fold increase.

Citizens Property Insurance Corp. – Florida's insurer of last resort – is not much of an alternative for residents with pricey homes, because the company does not offer more than $750,000 in coverage for any single home, and insists on flood coverage in addition to windstorm.

Former Vero Beach Mayor and independent insurance broker Harry Howle said he hears horror stories every day as he tries to renew policies for longtime customers or find alternatives for newcomer clients.

One beachside homeowner saw the cost of his policy jump from $26,000 per year to $43,000, and another has his premium doubled from $26,000 to $52,000. Yet another customer, who Howle said admittedly had benefited from a low rate for years, was unable to get a renewal at any price. He'll have to pay at least five times what he was paying, if he can get any coverage at all.

When a retired executive living in Vero Beach for 16 years moved from Orchid to Central Beach last year, the Electric insurance company that had for years insured his family's three homes and three cars, with excess liability and an extra collectibles rider, suddenly would not write a new policy for the new home. Even the threat to move all of the family's insurance elsewhere didn't get the company to budge. This story did have a temporary happy ending when another company was willing to take on this "bundle" at competitive rates, but not all insurance dramas end that well.

Commercial properties aren't faring much better. Retired Progressive executive Dick Haverland, a resident of John's Island, says he knows of a large commercial account which had $125 million worth of buildings insured for an annual premium of $1.5 million a year ago. At renewal time, no company was able to offer more than $80 million in coverage – and the rate jumped to over $2 million for the annual premium.

"In the end, if you look hard enough and are willing to jump through all sorts of hoops, you can probably still find the homeowners insurance you're looking for, but it'll be at a price that not everyone can afford," said Howle. "And that affects the real estate business and has a huge boomerang effect on our whole community. It's a tough business to be in these days."

How did things get this bad in the insurance field? The experts point to two factors. An unusually high number of natural disasters and catastrophes, including major Florida hurricanes like Ian and Nicole, slapped insurance companies with billions of dollars in claims to the point that no insurance company made any money in Florida over the past couple of years. The situation was aggravated by the phenomenon of "claims assignment," in which claims were assigned to attorneys who were then able to force higher settlement amounts.

This practice has now been outlawed by Florida's new insurance reform law passed last December, but it will take some time for old, grandfathered cases to wind their way through the system, at the end of which insurance companies may start seeing light at the end of the tunnel.

The second – and perhaps principal – reason for the crisis lies in the reinsurance business. No insurance company wants to go belly-up as a result of a single event like a storm, so they offload some amount of the risk they've taken on to a reinsurance company, for which they pay a premium.

Insurance companies dealing with the public are regulated at the state level, but reinsurance companies tend to be transnational giants registered in the Bahamas, Bermuda, St. Kitts or the Cayman Islands, and are not subject to any state or federal regulation. Reinsurance rates have skyrocketed because of large losses, and re-insurance capacity has been severely limited, hampering local agents and companies trying to write or renew policies.

As a result of being forced to be more selective about whom they will insure, some companies have now adopted policies where they won't insure any home built before 2001 or some other arbitrary cutoff date. Or they won't insure any home with a roof that's more than 15 years old.

"As a result of the crisis in the insurance business with less competition, we're seeing rising prices, more restrictions, unattractive deductible options and severe coverage limitations," said Dave Collins of the Tom Collins independent insurance brokerage agency. ■

City obtains missing link for completion of Crosstown Pkwy.

Port St. Lucie will be able to connect Crosstown Parkway to Rangeline Road on the city's western boundary thanks to Florida Power & Light Company.

FPL consented to the city using the parts of the electric utility's right-of-way to the east of Rangeline Road to construct and maintain the extension of Crosstown Parkway at Range Line Road.

The road project will include sidewalks, street lighting, drainage, utility mains and fiber optic conduits, city records show.

The City Council voted unanimously July 10 to approve a right-of-way consent agreement, as required by FPL, to allow the maintenance of the new roadway. ■