

Insurers reducing, eliminating discounts for storm fortifications

Homeowners who got insurance discounts after fortifying their homes with shutters are facing new inspections that could lead to their discounts being slashed or eliminated.

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If you got a discount from your windstorm insurance company for installing shutters and other hurricane protections on your home, you might soon have to give some or all of it back. Nearly a dozen insurance companies -- although not yet for the state's biggest insurer, Citizens -- are dispatching inspectors to the homes of recipients of wind mitigation discounts to ensure that the discounts, often in excess of \$1,000 a year, are deserved.

In many cases they are not, the insurers say. Rather, they resulted from faulty prior inspections -- in some cases, fraudulent ones. In hundreds of cases so far -- a precise number is not available -- discounts are being reduced or eliminated. That's what's about to happen to Cari Pouso, a West Kendall homeowner who paid more than \$20,000 to install impact-resistant windows and doors at her house. Magnolia Insurance sent an inspector to her home unannounced on an afternoon when her 14-year-old son was home alone.

She said the inspector promised he would be back a few days later when she could be home, but never did. A few weeks later, she got a letter from Magnolia saying her mitigation discounts were being rolled back because she had one door unprotected. Now Magnolia is asking her to pay \$100 for another inspection. The previous inspections to certify that homes had been hardened to withstand a windstorm were paid for by homeowners or a state program that expired this past summer. In some cases, insurance companies believe, inspectors promised to save the homeowner enough money to cover the cost of the inspection -- ranging from \$100 to \$300 -- and did so, even if it meant fudging their report.

This latest round of inspections is being done on the insurers' dime. Nestor Rivero, who got an \$888 reduction in his windstorm premiums after installing impact-resistant windows, thinks the reinspections represent a bad-faith effort by insurers to avoid paying discounts, for which hundreds of thousands of homeowners have qualified. Insurers ``are trying to find little holes wherever they can in these inspections," said Rivero, himself an independent agent who works with various home insurance companies. ``I'm sorry, [but] that's what they're trying to do so they don't have to [apply] the credits."

Insurers who will discuss the strategy say it is not a case of sending inspectors on a mission to torpedo discounts to protect the industry's bottom line. "We are required by law to give the discounts," said Lockwood Burt, chief executive officer of Security First Insurance in Ormond Beach. "The problem is that we might be giving discounts to people who aren't entitled to them."

Burt said the company has reviewed 500 policies with discounts. Mistakes were found in 59 percent of the inspections that were a basis for a cut in premiums. He said correcting those mistakes has resulted in higher premiums -- an average of \$302 higher. As evidence of the company's good faith, he noted that one in every 10 cases has resulted in the homeowner getting a larger discount -- \$140 on average.

GAUGING DISCOUNTS

Wind mitigation discounts have been around since 2003, but became wildly popular when insurance rates spiked after the hurricanes of 2004 and 2005. In 2006, the credits were doubled. The idea was that homeowners and insurers both benefit when homes are better fortified to withstand a storm. Inspections were needed to verify that homeowners had installed shutters, reinforced garage doors and made the other improvements that make a home safer in a storm.

Although the inspection might cost as much as \$300, the rewards were much higher. So many homeowners qualified for the credits -- including some 392,466, or nearly 50 percent, of all the homeowners, condo and rental unit policies held by state-run Citizens Property Insurance customers -- that insurers began complaining about lost revenue. They have asked the state -- unsuccessfully, so far -- to recalibrate the discounts to make them less generous.

Now comes the wave of reinspections. Citizens, the largest insurer of homes, condos and rental units in the state, hasn't reinspected any of its policyholders' properties to date, but plans to start next month. Initially, the company will review 500 policies as a test to see if there are widespread problems with the initial inspections. Citizens said that when mistakes are found, premiums will not be adjusted until the policies come up for renewal.

The reinspections are taking policyholders by surprise, with inspectors often showing up without an appointment, said Jeff Grady, president of the Florida Association of Independent Agents. "Consumers are confused. Often, they find out a reinspection has been ordered by their insurer when an inspector shows up at their door and wants to check out their attic or crawl space," Grady said. He said some insurers refuse to share the results of the reinspections with policyholders or independent agents.

The manner in which reinspections are taking place has varied from company to company. For instance, Southern Oak Insurance will share the reinspection results with agents and won't make premium increases retroactive if the policy is more than three months old, in effect giving the policyholder a reprieve. Homeowners would also have a chance to fix problems to reinstate their discounts. Citizens said it also won't make charges retroactive. Some others are bumping the premiums immediately if they find mistakes that, when corrected, favor the company.

Northern Capital, which has some 50,000 policies, is in the process of finalizing its plan for reinspections and will begin them Dec. 1. Other companies doing the reinspections include American Integrity and Federated Insurance. State Farm, which has said it is withdrawing from Florida, said it is not doing reinspections and has not seen evidence of widespread problems with wind mitigation inspections.

INSPECTING AGENTS

Grady, with the association of independent agents, said agents would like insurers to share the results of the mitigation reinspections, as well as adopt uniform guidelines for doing the reinspections. His association is drafting a set of suggested guidelines for insurers to follow.

Alan Penchansky of Magnolia Insurance said the company is in the process of reinspecting 10,000 homes that qualified for the discounts. So far, it has found inaccuracies in at least 80 percent of the inspections reviewed.

Ted Nelson, president of Skye Tec, a Jacksonville-based company that does home inspections throughout the state, said his company is reviewing batches of original inspections for eight insurance companies. "We've found a 35 percent to 80 percent error rate," depending on the company, said Nelson. He said about "10 to 15 percent" involve improperly classified roofs, including gable roofs misclassified as sturdier hip roofs. He said Skye Tec recently reported one of its inspectors to the state after it was determined he had defrauded insurance companies by submitting the same set of interior photos for every house he inspected.