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## **Texans to scramble for home insurance**

### **Farmers exit will put pinch on market**

By **BILL HENSEL JR.**

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If you are in the market for homeowners insurance, you better have good credit and a near spotless claims record.

The competition to find an affordable policy is going to get tough as roughly 58,000 people a month will begin flooding the Texas homeowners insurance market when Farmers Insurance Group pulls out on Nov. 11.

The state's second-largest insurer of homes announced Wednesday it could no longer sell policies in the state, facing allegations that it overcharges its customers, potential fines of up to \$1 billion and restitution claims of \$150 million.

"It is not going to be easy," said Bob Macey, a Farmers Insurance agent in Houston. "That is a lot of policies to replace each month, believe me. I just don't know if the availability is there, to be quite honest with you."

Add into the mix at least another 16,600 Texans -- 5,000 in Houston alone -- who buy homes each month, and a blueprint for disaster quickly begins to emerge.

Already, some of the biggest insurance companies in the state have restricted the number of policies they will allow their agents to sell, if at all. State Farm Insurance Co., for example, has quit writing new policies.

Other agents may be able to take on new customers, if they appear to be good prospects -- meaning have a good credit history and few if any claims in their past -- but many of them have limited capacity.

"People are caught between a rock and a hard place," Macey noted.

Farmers covers 20 percent of the market, or about 700,000 households.

But those who face nonrenewal notices in the coming months aren't the only ones who'll be affected by Farmers' pullout.

Families seeking insurance for new and used homes will face a sellers market.

At Home Mortgages Co. in Houston, for example, prospective home buyers are being advised of the need to secure homeowners insurance early in the buying process, loan officer Belinda Large said.

That in itself is new. Home buyers for years were just reminded on the eve of closing or some other time about the need to get insurance, but times have changed.

"We usually let them try to go through their own sources, but that has pretty much dried up by now," Large said. "So we are referring more and more of our insurance business than ever before."

The situation "is going to get pretty hairy with Farmers gone," she added.

One mortgage company underwriter, who did not want to be identified, said she has Farmers policies on her home, a business and four rental properties. She said she has been told the policies likely will not be renewed, so she expects to switch to another company.

The underwriter said she already switched one policy from Farmers to another company. She has not seen major insurance problems crop up yet with prospective home buyers at closing, but fully expects that will begin to occur soon.

"I think what is going to happen is you will see everything bottleneck all at once and people are going to be scrambling for coverage," she said.

Dan Lambe of the consumer group Texas Watch said he, too, expects that homeowners may have trouble getting insurance.

"There is no question it is going to be a strain on the system as to whether or not the remaining insurers can fill the void by Farmers," Lambe said.

Tom Morgan, a lawyer for the Texas Association of Realtors, said it will make it more difficult to close a transaction if it is harder for homeowners to get insurance. The association is a nonprofit professional membership organization with 60,000 Texas Realtors.

As if finding a policy won't be difficult enough, homeowners insurance rates have increased for some Texas consumers by as much as 200 percent.

Insurance companies say the higher premiums are tied to the rising cost of water and mold claims and other factors.

Tom Blakeman, real estate broker and owner of Blakeman Properties in Houston, said several of his clients have had trouble finding an insurer. Some of his clients have been forced to go to two or three companies before finding an insurer.

"With the bigger providers going away, so to speak, I think it's going to be a little bit difficult," Blakeman said. "The hassle factor is just going to be increased dramatically."

Before now, consumers in Texas have not had to shop for homeowner's insurance, said John Marlow, assistant vice president of the American Insurance Association. The AIA is a trade organization that represents 412 property and casualty insurers.

"It is a different day in Texas," Marlow said. "There are products out there that are available and at competitive prices but in the current environment you may need to be making more than one call."

He suggests consumers contact independent agents, who represent a variety of insurers.

The insurance association is hopeful that the Legislature and the Texas Department of Insurance will take a moderate approach in making any changes at the state level affecting the industry, he said.

"Companies are a bit wary of what the future holds in Texas from a regulation standpoint," Marlow said.



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