

Insurer backs off isle homes

Zephyr Insurance will no longer issue new policies for certain homes in Hawaii

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In what one local real estate executive called a worrisome development with implications for thousands of homeowners, Hawaii's largest residential hurricane insurer has said it will quit selling policies for many older homes in the Aloha State.

According to Zephyr Insurance Co. Inc.'s new guidelines, single-wall construction homes are "not acceptable," and homes built before 1981 are not eligible unless they have been retrofitted with hurricane clips to meet 1993 or 1994 building codes.

Also, homes located within 2,500 feet of the ocean require proof of flood insurance before Zephyr will insure them -- even if they are not in a flood zone.

The underwriting criteria apply only to new policies, not existing ones.

Zephyr said the changes are a response to market changes following the fierce Atlantic storms of recent years, which have devastated parts of Florida, Alabama, Mississippi and Louisiana, causing billions of dollars in insurance losses.

"Within the last few years, and especially since the impact of Hurricane Katrina, the global reinsurance markets have raised prices for hurricane insurance and have less available hurricane insurance," a spokeswoman for Zephyr said in written statement.

As of September, Zephyr had 70,000 policyholders in Hawaii and projected gross premiums of about \$50 million for 2005, making it the state's largest hurricane insurer. The company is owned by Kingsway Financial Services Inc. of Toronto, which is one of North America's largest insurers of cars and trucks.

Insurance regulators and real estate executives were still trying late yesterday to assess the significance of Zephyr's criteria change, which is outlined in an interoffice memo obtained by the Star-Bulletin.

Hawaii Insurance Commissioner P.J. Schmidt was not available for comment yesterday, and Deputy Insurance Commissioner Gordon Ito said his agency was determining whether the gap created by Zephyr's change would be filled by other companies.

Although the change in underwriting criteria will not affect existing policies, it will affect people seeking new ones, including home buyers who need hurricane insurance in order to get a mortgage. That could seriously affect the residential market, not just for buyers, but also people trying to sell older homes, said Mary Begier, a Honolulu Realtor.

"It is worrisome," said Begier, who was involved in the establishment of the state's Hurricane Relief Fund to provide hurricane insurance after big companies shied away from the Hawaii market following Hurricane Iniki.

Particularly troubling, she said, is that homes with single-wall construction, including the older, plantation-style cottages that represent some of Hawaii's more charming residential architecture, are identified as completely unacceptable to Zephyr.

"Part of our charm is single-wall," Begier said.

Zephyr noted that other companies in the state would continue to insure single-wall homes and others that Zephyr no longer will insure. State Farm Insurance Cos. spokeswoman Carolyn Fujioka, for example, said that State Farm will continue to insure homes with single-wall construction. And Fujioka said she believed other insurers would do so as well.

"I'm not aware of any crisis at this point," Fujioka said.