

TALLAHASSEE - A state decision to keep Florida's third-largest property insurer afloat means more than 300,000 Floridians will go through hurricane season insured by companies that potentially can't pay claims.

State regulators bent rules on cash-reserve requirements and allowed Atlantic Preferred and Southern Family Insurance, subsidiaries of the Poe Financial Group, to drop 186,000 home and condominium policies as they come up for renewal in the next year.

A third subsidiary, Florida Preferred with 145,000 policies, has a freeze on new business as it hunts for new investors.

According to financial reports, none of the insurers meets state financial requirements.

Consumer advocates were appalled.

"It is patently wrong to knowingly make these people be insured with an insolvent company," said Jeff Grady, president and CEO of the Florida Association of Insurance Agents.

In Brevard and Indian River counties, more than 7,000 policyholders are insured by Florida Preferred, Southern Family and Atlantic Preferred.

The largest percentage -- 40 percent -- of those local policyholders are covered by Florida Preferred.

Harry Charles, president of the Space Coast Condominium Association -- an organization that includes 19,000 residential units -- has received calls from worried homeowners.

"I don't know what to do about it," Charles said. His own insurance provider, Allstate, threatened to drop his coverage, but extended it for another year.

Dutch Van Norren, project manager for the Vista Royale condominium association in Vero Beach, has fought Southern Family in court over unpaid claims. Now he must find a new insurer for 1,512 units -- some still damaged -- by June 1, the first day of hurricane season.

"It's not fun to get insurance in Florida these days," Van Norren said. Though state regulators haven't used the full force of their regulatory power and haven't gone public with the companies' financial situation, one official suggests Poe's customers get new coverage.

That could be tough. Dropped customers will likely end up with state-run Citizens Property Insurance, the insurer of last resort. However, it frowns on insuring

damaged property.

Few companies are writing new policies in Florida.

Citizens will only accept customers after they are turned down by private insurers.

Poe's remaining policyholders who have not yet to received non-renewal notices are excluded from the state insurance pool.

Poe Vice President David Gough did not respond to repeated calls, but public records show how badly hurricanes hit the South Florida insurer.

Annual financial statements show all three Poe subsidiaries as of Dec. 31, 2005, failed to meet Florida's financial standards, despite a \$24 million bailout from their parent corporation.

In letters to agents and regulators, company officials say \$2 billion in losses and 125,000 claims from 2004 and 2005 drained cash reserves.

Atlantic Preferred got state permission to balance its books with \$31 million it doesn't have -- a bonus that hasn't yet been paid for taking 101,000 policies from the state-run Citizens Property Insurance. Only \$8.5 million of that would become available this year.

Two other subsidiaries, Florida Preferred Property and Southern Family Insurance, reported less than half the assets required for the risk they insure.

State standards could trigger regulators to seize control, but Florida's Office of Insurance Regulation has not done so.

The agency Florida's Office of Insurance Regulation will not discuss what action it has taken against the Poe companies, but the insurers disclose in financial statements they have been placed under capital management plans.

In the face of similar cash shortages last year, records show, regulators allowed the Poe companies to expand, including taking over an additional 14,000 policies out of from Citizens Property Insurance.

Required to protect policyholders, state regulators are wary of killing a company that's still viable. They are hesitant to act too quickly, or too publicly.

Patience is typical in insurance regulation, said Robert Hunter, director of insurance for the Consumer Federation of America, and the former insurance commissioner of Texas.

"Part of it is they don't want a run on the bank," he said.