

## ***State Farm Florida Announces Its Intent To Stop Writing Property Insurance In Florida***

Tuesday, January 27, 2009, State Farm made the announcement of its intent to cease writing property insurance in the state of Florida. We hope that the following summary provides you a candid and neutral explanation about the factors driving State Farm's decision, the current state of Florida's property insurance industry and options available to State Farm clients and general purchasers of homeowners insurance.

Floridians should be deeply concerned about the factors that are influencing Florida's largest private insurer to make this decision. Florida's Catastrophe Fund likely cannot meet its obligations, the insurer of last resort, Citizens, would have to levy an assessment in its High Risk Account for just a one in six year storm and now thousands of Florida's citizens and families are facing potential challenges in finding ways to protect their assets.

### **FACT:**

- Effectively, State Farm Florida is handing in its Certificate of Authority, which includes homeowners, renters, condominium unit owners, personal liability, boats, personal articles, and business property and liability policies. The company anticipates no impact on the availability of State Farm auto insurance for Florida residents – nor the availability of life insurance, health insurance, and other financial services offered by agents of State Farm Mutual and its other affiliates.
- State Farm asserts current rates are insufficient to safely protect property insurance customers – a factor directly related to its inability to obtain regulatory approval of what it believes to be adequate property insurance rates. In July 2008, it filed for an overall statewide homeowners insurance rate increase of 47.1%. This filing was disapproved January 12, 2009 by the Office of Insurance Regulation.
- The company states that it will utilize a two year withdrawal strategy to minimize disruption to the market and to its policyholders. This requires regulatory review and no action will be taken until this process is complete.
- Even without a hurricane in the past season, State Farm's operating costs have risen as day – to – day claims have increased both in number and severity. State mandated discounts have further eroded revenue. During the first three quarters of 2008, even with no hurricanes, State Farm Florida announced a loss of \$201 million in surplus.
- State Farm Florida is a domestic carrier established in 1998 as a stand – alone company. After billions of losses in 2004, it borrowed \$750 million from State Farm Mutual, but it has been unable to repay the note.
- State Farm Florida currently serves approximately 1.2 million residential insurance and other related property insurance policies.
- State Farm Insurance Companies are represented by 826 agents and 4,479 agency staff members in Florida.

**Policyholder Option:**

As stated, State Farm Florida intends to begin non renewing property insurance over the course of the next couple of years. Thankfully, Florida has seen an influx of domestic companies willing to write many of these policies. In fact, many of them are responsible for the “takeout” of over 400,000 policies from Citizens in 2008. But 600,000 new policies were absorbed by Citizens during this same period. It is likely that many of the current State Farm Florida policies may be placed with Citizens as well.

As stated above, many of Florida’s domestic carriers currently have capacity to entertain additional risk. As market conditions evolve and another hurricane season approaches both reinsurers’ and carriers’ appetites may constrict. With the true likelihood of a transfer of 1 million policies in the next couple of years, a carrier’s capacity to absorb additional risks may be in question.

Inform yourself regarding the domestic carriers who are currently accepting new policies. Many of the carriers have formed in the last several years and may not be recognizable to you. Understand their financial condition and Best or Dimotech ratings.

By contacting Insurance Services of Central Florida, ISCF’s “automatic agent” can review your current situation and find the most suitable options for you and your property.



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