

Allstate goes to state with rate increase request

by *The-Charlotte-Observer*

TALLAHASSEE, Fla. - Insurance companies say they know how you feel. They're paying too much for insurance too.

Allstate officials told state regulators Thursday that the increasing cost of reinsurance, backup coverage for insurers, makes it impossible for them to do business in Florida without raising premiums substantially. That would mean more than 20 percent on average for many customers, more than 30 percent for some.

In a hearing before the Office of Insurance Regulation, representatives of Allstate Floridian Insurance Company and Allstate Floridian Indemnity Company explained that the bulk of their requested rate increase is to pay for higher reinsurance costs.

The rate increases would average 22.5 percent statewide for Allstate Floridian customers and 33.2 percent for customers of the indemnity company.

The company fielded questions from a clearly skeptical regulatory panel, but Allstate Floridian executive vice president George Grawe said reinsurance rates have undisputedly gone up more than 200 percent. He pointed out that those rates are unregulated, meaning reinsurers don't have to explain their rates to regulators.

Without a corresponding increase for homeowners, the company won't be able to continue writing policies here, he said.

State insurance officials questioned several elements in the filing, and said the company didn't provide enough support for some of their claims. No decision on the filing was expected Thursday, and the company said it would address some of the regulators' concerns.

Florida simply isn't an attractive place right now to sell policies because of the high reinsurance costs and because of forecasts for a series of more active hurricane seasons, Grawe said.

He acknowledged the company is getting a break this year, with no hurricanes hitting the state so far.

"But one mild hurricane season does not change the outlook," Grawe said. Insurance loss models are based on long-term projections. "These rate increases are essential."

Homeowners in Florida have been hit with increases in insurance rates by a number of companies, and Allstate and others have sought to drop some of their policies or shift them to other insurers.

Grawe said he knows many people don't understand how large national insurance companies can be making huge profits, but not be making money in Florida. He said Allstate's national parent company has bailed out the Florida subsidiary, but if losses here are too great such national companies simply would drop Florida subsidiaries. And, other states don't want to help.

Grawe said it may not be legal for other states to have to help bail Florida out. He argued that Florida regulators would be unlikely to approve a rate increase for Allstate in Florida if its justification was higher earthquake and wildfire losses on the West Coast.

DAVID ROYSE/Associated Press

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