

State Farm plans to drop 50,000 policies

by Biz-Journal-SF

State Farm Florida Insurance Co. said it will not renew about 50,000 Florida homeowner policies, starting Jan. 1.

But some or all of those cancellations might not happen because the Florida Office of Insurance Regulation said it "is in the process of reviewing these [State Farm] filings to ensure they are consistent with Florida law."

State Farm has about 1 million Florida homeowner's policies, for owners and renters of single-family homes and condominiums, said Justin Glover, the company's Florida spokesman.

In a filing with the OIR on Thursday, State Farm said it is planning non-renewals for "areas with high propensity for hurricane losses, based on factors such as distance to open water, wind risk, claim experience and other factors."

State Farm's filing did not list an estimated number of policies it would not renew.

Glover said that number probably will be about 50,000. State Farm anticipates its reduction of policies in what it considers high-risk areas will reduce its potential claims losses.

State Farm has developed a formula under which it will not write new homeowner's policies and will not renew numerous policies in areas within close proximity to water, such as oceans or intracoastal waterways, Glover said.

In most cases, that distance, in what State Farm calls a "setback zone," will be 2 miles from water, he said.

Homeowners who have an auto policy with State Farm as of July 12 will receive favored treatment.

For homeowners in that zone who do not have a State Farm auto policy, the company will not renew their entire property policy. State Farm will notify customers at least 125 days prior to the non-renewal date, Glover said.

Those customers will be able to keep State Farm coverage until the 2008 date their policies were scheduled for annual renewal.

That will enable them to seek policies from other private insurance companies. They also will be eligible for policies from state-run Citizens Property Insurance Corp.

For policy holders in the setback zone who have a State Farm auto policy, the company will continue to offer homeowner's policies for damages other than windstorm.

State Farm will discontinue its windstorm coverage. Those policies will be eligible for Citizens coverage.

Unlike some other insurance companies that have not renewed policies, State Farm does not have an agreement with a private carrier that would offer replacement coverage.

State Farm will remain the state's second-largest homeowners insurer. Citizens has about 1.3 million policies.

Florida Insurance Commissioner Kevin McCarty released a statement saying the Office of Insurance Regulation is "concerned" by the State Farm filings and planned to examine them. The regulatory agency did not announce a timetable for its review of State Farm's plan.

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