

## Let State Farm Agents Act As Independents, Says Fla. CFO

by National-Underwriter

State Farm has rejected a pitch by Florida's chief financial officer, Alex Sink, to let their captive agents find coverage for customers with rival carriers, since they plan on leaving the state's property market. Currently, 826 State Farm Florida Insurance agents function as captive or dedicated agents, who under their contract can only place insurance with State Farm or the state-run property insurer, Citizens Property Insurance Corp.

Ms. Sink, who asked that State Farm producers basically be allowed to function as independent agents, made her request in a letter dated yesterday to State Farm Florida's president, Jim Thompson.

"Given State Farm Florida's projected insolvency within the next two years and intended withdrawal, I find it inappropriate to limit your agents' ability to help your customers find the best possible property insurance coverage," Ms. Sink wrote.

However, State Farm rejected the proposal. "We appreciate CFO Sink's concerns, but at this time we are not considering any option to allow any of our agents to become brokers," said a company representative, Chris Neal.

On Jan. 27, two weeks after its request for an average homeowners rate increase of 47.1 percent was turned down, the insurer announced it had applied to withdraw from the state within two years and end its coverage of more than 1.2 million home and condominium policies.

State Farm, in making its announcement, said it faced deteriorating financial conditions. Ms. Sink's letter said she understood that the company "is projecting it will become insolvent in 2011, assuming no hurricane losses occur during the next two hurricane seasons."

"The plan also indicates that merely \$175 million in hurricane losses will accelerate this insolvency to the second half of 2010," she added. "This indicates a more severe hurricane during the 2009 hurricane season could accelerate State Farm Florida's anticipated insolvency to an even earlier date."

Ms. Sink--who noted that her department has been inundated with calls from worried State Farm customers--wrote that the current State Farm contract with its agents forces them to forego giving customers alternative private coverage and to put them in that actuarially unsound Citizens, meaning that most insureds are forced to find an agent with another company.

"These choices hardly seem fair to your 826 agents and 4,479 agent staff members, who rely on their customer base for their livelihood. It is also unfair to the customers who may have a decades-long relationship with their State Farm agent," she wrote.

Ms. Sink added that she believes the company owes it "both to your agents and policyholders to withdraw from the market in the fairest manner possible. I urge you to immediately allow your agents to obtain insurance appointments from other property insurance companies."

State Farm was turned down on its rate increase application after an administrative law judge found it had not shown evidence the rate filing was not "excessive, inadequate, or unfairly discriminatory."

Last week, the Florida Office of Insurance Regulation--which has 90 days to review the company's withdrawal plan and approve or deny it--hit the company with a subpoena, answerable next Monday, for computerized data with names, addresses, policy types, policy limits and premium information for each of State Farm's Florida policyholders.

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