

Orlando Sentinel

Guest Column: State Farm did what it had to do

By Barney T. Bishop, III – Special to the Sentinel

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The *Orlando Sentinel's* editorial criticizing State Farm Florida for its recent rate filing to modify discounts for homeowners was off the mark ("Poor State Farm," July 30). Insurers need to have adequate funds to pay their customers' claims. State Farm Florida's filing will help ensure the company has enough cash to pay its claims if a major storm strikes this year or next.

State Farm Florida is a Florida company that sells only homeowners insurance and related lines. Unfortunately, the company's financial strength recently was downgraded by A.M. Best due to overregulation and market conditions. That has happened to several other property insurers doing business in our state, as well.

Filing to modify some of its discounts was an action State Farm Florida was forced to take to ensure its solvency and protect policyholders. Even though it has announced its intention to withdraw from the property insurance business in Florida over a two-year period, it still must protect its customers through at least two more hurricane seasons.

This is not an effort to "skirt the law." In fact, state law demands that insurers make an annual filing if they believe their current rates aren't adequate to cover their claims and expenses.

But there are larger issues here.

If we continue to chase away the large private insurers, we are left with the state-run Citizens Property Insurance and the Florida Hurricane Catastrophe Fund — which are woefully underfunded — and a group of small, unproven start-up insurers for our homeowners market. If a big storm hits, Floridians could face billions of dollars in assessments to bail out this fragile system. Worse, the businesses that employ Floridians will end up paying 40 percent of all taxes, or assessments, to cover the costs of hurricane damage.

For years, Associated Industries of Florida has advocated for changes to restore a competitive property insurance market in our state. This spring, we had a chance to do just that through the Consumer Choice Act (House Bill 1171). Although it eventually was vetoed, this bill would have allowed consumers to decide for themselves whether they were willing to pay the premiums charged by financially strong insurers to assure their claims would be paid. Government shouldn't make consumers' choices for them; it's the people's money, and they should be able to spend it as they see fit.

In many ways, State Farm Florida's filing is also about consumer choice. The Office of Insurance Regulation should approve the company's filing so customers can decide for themselves if they want to keep their insurance with State Farm Florida or shop for other coverage.

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