



SEAN MICHAEL SHAW, ESQ.
INSURANCE CONSUMER ADVOCATE

August 14, 2009

Insurance Commissioner Kevin McCarty
Florida Office of Insurance Regulation
200 E. Gaines Street
Tallahassee, Florida 32399-0300

RE: State Farm Rate Filing

Dear Commissioner McCarty:

On July 24, 2009, State Farm requested a change in their rating plan for homeowners' insurance from the Office of Insurance Regulation (OIR). Less than two weeks later, your office gave them approval for changes that will result, by your own estimates, in a 28.4% increase in policyholders' premiums. This is obviously a significant increase for Florida's consumers and as Florida's Insurance Consumer Advocate I would like to be assured that your Office gave adequate study and consideration to State Farm's request. To this end, I have the following questions regarding your office's decision-making process:

1. Florida Statutes require that "premium credits or discount schedules, and surcharge schedules, and changes thereto, shall be filed with the office" and that "upon receiving a rate filing, the office shall review the rate filing to determine if a rate is excessive, inadequate, or unfairly discriminatory" (F.S. 627.062(2)). Did OIR review the elimination of discounts and determine that it was not unfairly discriminatory?
2. Florida Statutes also state "A rate shall be deemed unfairly discriminatory as to a risk or group of risks if the application of premium discounts, credits, or surcharges among such risks does not bear a reasonable relationship to the expected loss and expense experience among the various risks" (F.S. 627.062(2)(e)6).
 - a. Does OIR's approval of State Farm's request to eliminate its Home Alert Discount indicate that there are no loss savings from having a home alert system?
 - b. Does OIR's approval of State Farm's request to eliminate its Claim Free Discount indicate that there are no loss savings related to insuring homeowners who have not had any claims?

REPRESENTING ALEX SINK, CHIEF FINANCIAL OFFICER, STATE OF FLORIDA
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- c. Does OIR's approval of State Farm's request to eliminate its Multi-Policy Discount indicate that there are no loss or expense savings related to insuring homeowners who have multiple policies with State Farm?
3. Will OIR's approval of State Farm's request to eliminate its Multi-Policy Discount for homeowners who also insure their automobiles with State Farm result in an increase in the auto insurance premium? If so, what is the expected increase?
4. Did State Farm offer any justification for its request to revise these discounts other than its "deteriorating financial condition?" If not, does Section 627.062, Florida Statutes allow for "deteriorating financial condition" to serve as sole justification in a request such as this?
5. Did State Farm provide any actuarial justification for eliminating the discounts? Does Section 627.062, Florida Statutes, require State Farm to provide actuarial justification in a request such as this?

I am aware that the discounts discussed in State Farm's request to OIR are not legally required. However, due to the estimated premium impact of this change to the rating plan, State Farm's request should be submitted to the same scrutiny as a filing to increase base rates.

Florida's insurance consumers should be confident that any change to their insurance premiums is done in a thorough and responsible manner, with careful consideration given to all statutory requirements. I hope that your responses to my questions will address these concerns and I am happy to discuss this issue further if you have any questions.

Sincerely,

Sean Michael Shaw, Esq.
Insurance Consumer Advocate