

State Farm's customers scramble for new insurers

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JUPITER FARMS — For 20 years, Mary Wilkinson believed in State Farm's famous "Like a good neighbor" slogan.

The state's largest private insurer covered not only her home, but also her three automobiles.

"I entrusted everything to this company, and they totally sold out the people of Florida," the Jupiter Farms resident said.

She's not alone in those sentiments.

More than 1 million State Farm Florida policyholders awoke Wednesday morning to the reality that their homeowners insurer is dropping that line of coverage - and them along with it.

State Farm, Florida's second-largest homeowners insurer after state-sponsored Citizens Property Insurance Corp., said Tuesday that it couldn't continue losing millions of dollars selling homeowners insurance in a state prone to hurricanes.

A final rejection this month of a 47.1 percent rate increase by state regulators sealed the deal, the company said.

So, while it would continue to write profitable lines such as auto, life and health, State Farm said it was forced to drop homeowners over a two-year period, probably beginning in November.

But the insurer's explanation seemed to fall on the deaf ears of hundreds of thousands of irate, confused and desperate customers Wednesday.

Wilkinson, for one, called a new insurance agent Wednesday morning about switching her homeowners coverage. Her policy doesn't expire until October - meaning State Farm wouldn't be dropping her under its withdrawal plan until the fall of 2010 - but Wilkinson said she did not want to waste time.

"I'm concerned about finding a new policy," she said.

Area insurance agents said they were swamped Wednesday with phone calls from concerned State Farm policyholders.

"People are panicking," said Kenn Nornberg, president of the Independent Insurance Agents of Palm Beach County and owner of Arden Insurance Associates in Lantana. "The consumer is very concerned that they won't be able to get coverage."

The Celedinas Insurance Group in Palm Beach Gardens reported a 25 percent spike in calls. The state Office of Insurance Regulation's insurance shopping Web site received 3,809 visitors on Wednesday, compared with an average of 250 to 300 a day, spokesman Tom Zutell said.

A private consumer insurance Web site (www.homeinsurancebuyers.org), Home Insurance Buyers Guide LLC, reported that it received 2,000 visitors on Wednesday compared with about 300 on a normal day.

"People aren't going to wait until November when State Farm starts dropping policies," said Michael Letcher, president of Lake Worth-based Home Insurance Buyers Guide. "They want out now."

The question on everyone's mind: Just how hard will it be for State Farm homeowners policyholders to find replacement coverage?

Wilkinson, for example, said she was concerned because her house in Jupiter Farms has a wood frame and is 25 years old.

Although she was relieved that the agent she contacted said he could place her home with another company without a problem, Wilkinson said she still plans to drop her State Farm auto coverage.

"Like a good neighbor" doesn't apply anymore, she said.

Many homeowners with older residences may not be as lucky as Wilkinson. Private insurers have been increasingly reluctant to insure older structures because they are more susceptible to damage, Palm Beach Gardens insurance agent Ray Celedinas said.

He said companies probably will toughen eligibility requirements to cherry-pick the least risky State Farm policyholders.

"People with older homes will probably end up in Citizens," he said.

Sean Michael Shaw, the state's consumer insurance advocate, said he was concerned that undercapitalized private insurers will drop existing customers and replace them with State Farm policyholders who own newer homes, all in an effort to lessen the chances of losses.

"State Farm leaving could cause a huge disruption to the market," he said.

John Auer, chief executive of ASI property insurance group, said if the state doesn't want large numbers of State Farm policyholders ending up in Citizens, it must allow private insurers to raise rates.

Auer, whose ASI includes American Strategic Insurance Co., referred to State Farm's claim that it was losing \$20 million a month insuring homes in Florida.

"The only way companies can absorb (State Farm's) customers is to charge higher rates," he said, adding that insurance regulators have been reluctant to grant rate increases.

But not all insurers were as pessimistic.

Security First Insurance Co. President Locke Burt posted a rate comparison on his Web site showing that State Farm policyholders could save more than half on their premiums by switching to his company.

Security First insures 60,000 policyholders but has the capital to double its customers immediately, he said.