

State Farm Seeks Rate 27.7% Rate Hike

State Farm of Florida is requesting a statewide average 27.7 percent homeowners insurance rate increase citing the rising costs of sinkhole claims. The request comes as Florida lawmakers are trying to broker a deal over how to address the rise cost of sinkholes.

State Farm spokesperson Chris Neal said that the key driver behind the rate request is the rise in the insurer's non-catastrophe losses, which have increased by 94 percent over the last three years. By far, he said, the majority of that increase is due to the rise in sinkhole losses. In 2007, the carrier paid out just \$47 million in sinkhole claims, a figure that has increased steadily with the carrier paying out over \$119 million in the first three quarters of 2010.

"The way things are going we may have to consider sinkholes a catastrophic loss," said Neal.

The rate filing is the latest move by State Farm after it reached a deal with regulators to keep the insurer in the state. In 2009, State Farm threatened to pull out of the market entirely after regulators rejected a 47 percent rate increase. Faced with the prospect of the insurer dumping 800,000 policyholders on the market, regulator's signed-off on a deal that allowed the insurer to drop 125,000 policyholders, eliminate or reduce certain policyholder discounts and receive a flat 14.8 percent rate increase.

Neal said the agreement accomplished its purpose in stabilizing the carrier's finances. "It gave us some rate relief and allowed us a way to manage our expenses that was critical at the time," he said.