



NEWS FROM SCDCA
South Carolina Department of Consumer Affairs
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FOR IMMEDIATE RELEASE

STATE CONSUMER ADVOCATE TO CHALLENGE STATE FARM RATE INCREASE

Columbia, S.C. --- The state Consumer Advocate's office will challenge State Farm Fire and Casualty Company's ("State Farm" or "Company") request for an overall increase of 26.8% in its homeowners insurance rates at a hearing scheduled to begin Monday, October 13, 2003 at 10:00 a.m. before the South Carolina Administrative Law Judge Division.

If the full request is approved, State Farm could see an overall annual increase in premiums of approximately \$40 million. The actual size of an increase may vary among individual policyholders. While the overall increase is 26.8% statewide, there are policyholders in Cherokee, Spartanburg and Greenville counties that may receive increases of more than 520% over a period of years. There are also State Farm policyholders in Beaufort, Lexington, Chester, Chesterfield, Fairfield, Kershaw, Lancaster, Newberry, Union, Oconee and Pickens counties that may receive increases in excess of 330%. In fact, some policyholders in each county in South Carolina may receive increases well in excess of 100%. Individual increases over 25% are proposed to be phased in on an annual basis until the full premium is realized. State Farm also proposes to increase the basic deductible from \$500 to 1% of the value of the policyholder's home.

Acting Consumer Advocate Elliott Elam expressed his concerns about the impact of the request of this magnitude on the citizens and the overall economy of South Carolina. “This request was filed less than a year after State Farm was granted an increase of 15.5%, which was preceded by an increase of 9% in 2001. Approximately one out of every four South Carolina homeowners are insured with State Farm and will be directly affected by the results of this proceeding.”

The Consumer Advocate will present the testimony of his consulting actuary, Mr. Martin M. Simons. He will recommend that the filing should be disapproved for the following reasons:

- I. The filing proposes the use of hurricane models that have not been analyzed for their appropriate use in developing rates in South Carolina. While the Consumer Advocate does not oppose the use of hurricane models in ratemaking, he strongly believes that the models should reflect as accurately as possible our state’s experience and characteristics.
- II. State Farm’s request does not give a proper credit for substantial reductions in the number of claims filed by the homeowners it insures.
- III. In recent years, State Farm made changes in what is or is not covered by its basic homeowners policy. These and other underwriting changes are not accounted for in the current filing.
- IV. Policyholders affected by the phase-in of the large increases mentioned above should be informed that their premiums will increase on an annual basis if they remain insured with State Farm even if State Farm’s experience improves in the future.

The Consumer Advocate maintains that only after these issues are appropriately addressed, would anybody be in a position to analyze whether the proposed rates are appropriate or how should they be modified.

For further information, please contact Elliott Elam, Acting Consumer Advocate (803) 734-4189 or Hana Williamson, Staff Attorney for the Department of Consumer Affairs (803) 734-4188.

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