



OFFICE OF INSURANCE REGULATION

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NOTICE OF INTENT TO DISAPPROVE

August 25, 2008

CERTIFIED MAIL

Mr. Adam Swope
Pricing Manager
State Farm Florida Insurance Company
One State Farm Plaza
D4
Bloomington, IL 61710

RE: State Farm Florida Insurance Company
Homeowners Multi-Peril
OIR File Number: FCP 08-14703
Filing Received: 7/16/2008

PLEASE REFER TO THE OIR FILE NUMBER WHEN CORRESPONDING

Dear Mr. Swope:

You are hereby notified that pursuant to the provisions of Section 627.062, Florida Statutes, the Office has completed its review of the above-referenced filing.

The Office points out that it is the company's burden to demonstrate by its filing and any information contained in its filing, that the rate(s) being requested are not excessive, inadequate, or unfairly discriminatory. The company is required to submit all the information and data it wishes the Office to consider in support of its filing and such additional information as the Office requests.

Having reviewed the information submitted, the Office finds that this filing does not provide sufficient documentation or justification to demonstrate that the proposed rate(s) comply with the standards of the appropriate statute(s) and rule(s), including demonstrating that the proposed rate(s) are not excessive, inadequate, or unfairly discriminatory. The deficiencies include but are not limited to:

1. The rate filing and requested rate fail to reflect a reduction in policyholder premiums consistent with the expansion of the Florida Hurricane Catastrophe Fund coverage contrary to the intent and requirements of HB 1A.
2. Company has not provided sufficient support that the reinsurance cost in the filing reflecting

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- reinsurance premium amounts and expected recoveries does not result in excessive reinsurance cost related to services rendered not permitted per Section 627.062,F.S.
3. Company has not provided sufficient support for the Retained Hurricane Risk Provision reflecting requirements of Section 627.062,F.S.
 4. Company has not provided sufficient support for reflecting in Expected Hurricane Losses an adjustment to results of model accepted by Florida Commission on Hurricane Loss Methodology meets requirement of Section 627.0628,F.S.
 5. Company has not provided sufficient support that use of average of three models meets requirements of Section 627.062,F.S. that this be from a model or method accepted by the Commission on Hurricane Loss Methodology.
 6. Company has not provided sufficient support for Profit and Contingency provision reflecting requirements of Rule 69O-170.003,F.A.C.
 7. Company has not provided sufficient support in rate of return derivation of profit and contingency for the Policyholder Protection Fund amounts shown.
 8. Company has not provided sufficient support in rate of return derivation of profit and contingency for rate of return reflecting application of the profit and contingency factor to reinsurance cost.
 9. Company has not provided sufficient support for reflection of agent commission without any adjustment for reinsurance cost changes does not result in expenses unreasonably high relative to services rendered not permitted per Section 627.062,F.S.
 10. Company has not provided sufficient support for reflection of other acquisition expense without adjusting for current acquisition activities does not result in expenses unreasonably high relative to services rendered not permitted per Section 627.062,F.S.
 11. Company has not provided sufficient support for loss adjustment factor used for expected hurricane loss adjustment expense.
 12. Company has not adjusted for all prospective policies to be renewed excluding wind and provided insufficient support that results is not excessive wind rates filed.
 13. Company has not provided sufficient support for sinkhole presumed factor adjustment.
 14. Company has not provided sufficient support for reinsurance premium for external reinsurance cost including providing contract for the external reinsurance.
 15. Company has not provided sufficient support in rate indications for prospective average premium estimated.
 16. Company has not provided sufficient support for how credibility by territory was reflected in territory rate support.

17. Company has not provided sufficient support for in territorial support reflecting for policies that exclude wind assuming wind was covered and result is fully credible does not result in unreasonable territory rates filed not consistent with policy provisions.
18. Company has not provided all information required by Rule 69O-170.0135,F.A.C.
19. Company has not provided for reinsurance cost in rate indications as expense provision as required by Rule 69O-170.014,F.A.C.
20. The filing fails to reflect reasonable judgement as required by Section 627.062(2)(b)5, Florida Statutes.
21. The filing fails to respond completely to Office questions relative to information underlying Catastrophe Models used in the filing for Hurricane losses and PML's.
22. The filing fails to sufficiently support failure to reflect required higher discounts for wind mitigation required by Rule 69O-170.017,F.A.C. in models used for expected hurricane losses and PML's in filing.
23. Filing fails to reflect impact of wind mitigation efforts of policyholder as required by Section 627.062,F.S.

As a result of the deficiencies set forth above, the Office finds that this filing does not provide sufficient documentation or justification to demonstrate that the proposed rates(s) comply with the standards of the appropriate statute(s) and rules(s) and therefore, the Office intends to disapprove the above referenced filing.

You are of course free to make a new filing for our review that incorporates any additional information you believe justifies the rate requested.

Please be advised that this decision regarding this rate filing affects your company's substantial interests and that you are entitled to request a hearing pursuant to Chapter 120, Florida Statutes. The attached Notice of Rights outlines the procedures you must follow to preserve your right to a hearing and should be carefully reviewed. Failure to follow those procedures will waive your company's rights to a hearing.

Sincerely,

Office of Insurance Regulation

Attachment: Notice of Rights



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NOTICE OF RIGHTS

Pursuant to Sections 120.569 and 120.57, Florida Statutes and Rule Chapter 28-106, Florida Administrative Code (F.A.C.), you may have a right to request a proceeding to contest this action by the Office of Insurance Regulation (hereinafter the "Office"). You may request a proceeding by filing a Petition. Your Petition for a proceeding must be in writing and must be filed with the General Counsel acting as the Agency Clerk, Office of Insurance Regulation. If served by U.S. Mail the Petition should be addressed to the Florida Office of Insurance Regulation at 612 Larson Building, Tallahassee, Florida 32399-4206. If Express Mail or hand-delivery is utilized, the Petition should be delivered to 612 Larson Building, 200 East Gaines Street, Tallahassee, Florida 32399-0300. The written Petition must be received by, and filed in the Office no later than 5:00 p.m. on the twenty-first (21) day after your receipt of this notice. Unless your Petition challenging this action is received by the Office within twenty-one (21) days from the date of the receipt of this notice, the right to a proceeding shall be deemed waived. Mailing the response on the twenty-first day will not preserve your right to a hearing.

If a proceeding is requested and there is no dispute of material fact the provisions of Section 120.57(2), Florida Statutes may apply. In this regard you may submit oral or written evidence in opposition to the action taken by this agency or a written statement challenging the grounds upon which the agency has relied. While a hearing is normally not required in the absence of a dispute of fact, if you feel that a hearing is necessary one may be conducted in Tallahassee, Florida or by telephonic conference call upon your request.

If you dispute material facts which are the basis for this agency's action you may request a formal adversarial proceeding pursuant to Sections 120.569 and 120.57(1), Florida Statutes. If you request this type of proceeding, the request must comply with all of the requirements of Rule Chapter 28-106.201, F.A.C., must demonstrate that your substantial interests have been affected by this agency's action, and contain:

- a) A statement of all disputed issues of material fact. If there are none, the petition must so indicate;
- b) A concise statement of the ultimate facts alleged, including the specific facts the petitioner contends warrant reversal or modification of the agency's proposed action;
- c) A statement of the specific rules or statutes the petitioner contends require reversal or modification of the agency's proposed action; and
- d) A statement of the relief sought by the petitioner, stating precisely the action petitioner wishes the agency to take with respect to the agency's proposed action.

In some instances you may have additional statutory rights than the ones described herein.

Failure to follow the procedure outlined with regard to your response to this notice may result in the request being denied. Any request for an administrative proceeding received prior to the date of this notice shall be deemed abandoned unless timely renewed in compliance with the guidelines as set out above.