

REGULATOR RILED

Allstate Move Shakes Up Calif. Market

Carrier, third-biggest in the state, won't write new property insurance accounts

BY STEVE TUCKEY

ALLSTATE INSURANCE has targeted California in its latest effort to shed some of its catastrophe exposure following record disaster losses in 2004 and 2005, announcing it will not write new property insurance policies in the state.

Industry and regulatory officials in the state said the market will pick up whatever slack comes from the move, and they do not predict any Florida-like shortages that have overloaded that state's property insurer of last resort.

California Insurance Commissioner Steve Poizner termed Allstate's decision "shortsighted" and ordered the carrier to prove it is not charging excessive rates.

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insurance companies that will be more than happy to compete to serve more than one million Allstate customers," he said in a statement.



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Commissioner Poizner added that companies such as Farmers, Safeco, State Farm, AAA, and The Hartford have reduced insurance rates for California customers by more than \$1 billion, in direct contrast to

Allstate's actions.

"Allstate's decision not to accept new business does not entitle them to charge excessive rates," he said.

He said that in the coming weeks, his department will be watching Allstate's actions very closely to ensure that consumers are protected and Allstate fulfills its contractual obligations.

Robert Barge, California field vice president for the Northbrook, Ill.-based Allstate, said in a statement that the carrier made the move "to be in a strong position to

help protect customers in California and across the country."

Mr. Barge said Allstate has developed a program in which more than 1,200 agen-

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MARKET BAROMETER

P-C Insurance Price Declines Stabilize, But For How Long?

U.S. property and casualty insurance price declines stabilized last month, averaging the same 12 percent cut as in March, while the softening market continued to impact some lines more heavily than others, according to MarketScout's "barometer" survey.

However, the Dallas-based insurance exchange said it is far from clear whether the softening market has hit bottom. "Insurers continue to aggressively seek new business by broadening coverages and decreasing premium," said Richard Kerr, MarketScout's chairman and chief executive officer.

"Only the most disciplined, mature companies are maintaining a moderate approach," he said. "Many new insurers don't have that luxury because they raised capital based upon pro-forma business models, which

assumed certain levels of premium to amortize the expenses related to staffing, automation, rating and claims systems."

Mr. Kerr said the firms that counted on certain premium levels "are forced to price aggressively in order to write enough business to justify their fixed processing and administration expenses. If they don't write the business, they will certainly make a loss."

Those companies, he said, "justify their low rates by assuming the premium volume will at least help amortize their expenses, and perhaps they will even get lucky and generate a profit—a very dangerous game indeed."

By coverage class, workers' compensation reported the steepest drop at 13 percent. Commercial property (12 percent), general liability (12 percent), business interruption (11 percent), umbrella/excess (11 percent) and employment practices liability (11 percent) saw double-digit drops as well.

The MarketScout exchange platform is available online at <http://www.marketscout.com>. ■

