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COASTAL INSURANCE CRISIS

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A group of us used to play poker every Friday night until the wee hours. Supposedly, it was a friendly game, a way to blow off steam at the end of the work week and have a few laughs.

I'd like to say our winnings and losses evened out over the long run, except that one of the regulars nicknamed "Mumpsy" — so-called because of his bulging red cheeks — usually ended up with most of our money.

Mumpsy did not cheat. But unlike the rest of the gang, he played only to win and would quit while he was ahead.

The reason nobody called him on his lack of sportsmanship is that we did not notice him hiding the bulk of his winnings in his coat pocket, leaving only a short stack of money on the table.

And then he'd slip out early, saying something like, "This game is too rich for me," leaving us oblivious losers to fight and grub over the meager leftovers.

Mumpsy's system is apparently similar to what State Farm Insurance has been doing in Florida, according to recent news out of our neighboring Sunshine State. After State Farm was denied its request to raise house insurance premiums there, it petulantly announced that it would get out of the game and cancel all homeowner policies in Florida, while poor-mouthing about its \$20 million monthly losses for doing business in the hurricane-vulnerable state.

But according to the Sarasota Herald Tribune, state and federal insurance regulators have found that for the last 10-year period, "State Farm Florida collected \$2.6 billion more in premiums than it paid out in claims," showing that it has been hugely profitable, even in the face of worse-than-average hurricane damage.

What, then, were these so-called losses they were citing to justify higher rates?

The answer, though not technically illegal, is closer to what might be called "cooking the books."

State Farm Florida had been using a scheme similar to Mumpsy's system, clandestinely shifting huge sums to its national State Farm parent company — \$2 billion in the last four years — so that it appears to be operating at a loss, in order to get approval from regulators for jacking up the insurance bill of Joe the Homeowner....

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