

[Allstate selling policies again along Alabama coast through lightly regulated company](#)

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Allstate Corp., which has been dropping wind coverage from home insurance policies in Mobile and Baldwin counties, began in April to sell homeowner policies through a new unit called North Light Specialty Insurance Co.

Because North Light is a lightly regulated surplus lines company, it doesn't have to get state approval to boost rates. Illinois-based Allstate blamed the Alabama Insurance Department's refusal to allow some desired rate increases when it ended wind coverage for up to 9,150 homes in Mobile and Baldwin counties starting in September 2008. The state said its actuaries couldn't justify what Allstate, Alabama's No. 3 home insurer, wanted to charge. North Light's appearance gives some homeowners another coverage option. But it raises questions about the future of the traditional insurance market in coastal areas. If companies can set up surplus lines and charge what they want, why would they remain under state oversight?

Surplus lines policies are written by companies not licensed by the state. Besides not regulating their rates, the state doesn't review policy forms of surplus carriers, and the state guaranty fund won't bail out policyholders if a surplus lines insurer goes bust.

Homeowners typically turn to surplus lines policies, which are often more expensive, when they can't find coverage from regulated carriers. Under state law, two regulated carriers must refuse an applicant before an agent can offer the surplus line, although state regulators don't routinely monitor that requirement.

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Allstate spokesman Shane Robinson said that the company launched North Light to write more “hard risks.”

Amy Bach, the executive director of United Policyholders, a consumer advocacy group based in Berkeley, Calif., said it seemed a “pretty obvious ploy” by Allstate to herd consumers to more expensive policies. Companies suffered big losses on bad investments over the past year, and may be trying to make up the money, Bach said. “The carriers are on a full-court press with the regulatory bodies to try to get relief from rate control,” she said.

Robinson said Allstate’s first choice would be to write a traditional policy. North Light, he said, “was set up to offer an alternative.”

Insurance Commissioner Jim Ridling said that Allstate told him it’s not trying to move all its hurricane-prone business into North Light.

“They didn’t say that as their long-range plan,” he said. “But Allstate does want to cut its risk on the coast.”

Allstate still retains wind coverage on some policies in Mobile and Baldwin counties, but won’t say how many.

It’s not hard for a homeowner to find two rejections when looking for coverage in Mobile and Baldwin. Here, State Farm Mutual Automobile Insurance Co. is the only large regulated carrier writing new policies for homes.

“The excess and surplus carriers are going to be part of the Gulf Coast for your and my lifetimes,” Ridling said.

Allstate incorporated North Light last year, putting in \$22.5 million.

The company began doing business in South Carolina.

At first, North Light could not do business in Alabama as it was less than five years old and was not a direct subsidiary of an insurer licensed here. But on March 30, Allstate filed a letter in Illinois saying it was transferring ownership of North Light from Allstate Insurance Holdings to Allstate Insurance Co., which is licensed in Alabama. Having met state law, North Light entered Alabama two days later.

Ridling has been working to recruit carriers, and pushed an unsuccessful bill this year in the Legislature to empower him to bring in insurers that don't meet all current regulations. But Ridling said he didn't recruit North Light.

Bruce White, chief executive officer of Whitehaven Insurance in Gulf Shores, said that more competition, no matter by whom, is helpful. "It's good to see another market open up here," said White, whose company mainly sells surplus lines policies.

Independent agents say that North Light's prices appear comparable to those charged by other surplus lines companies. Those amounts are usually higher than what regulated insurers charge, but less than what is charged by the Alabama Insurance Underwriting Association, the insurer of last resort known as the beach pool.

"The price is going to vary from location to location and house to house," Robinson said.