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February 21, 2013

The Honorable Dennis Egan
Alaska Senator
Alaska State Senate
Room 105, Thomas Stewart Building
Juneau, Alaska 99801

Re: State Farm Support for SB 58 — Cancellation of Insurance on Abandoned Property

Dear Senator Egan:

State Farm, the largest insurer of homes in Alaska and the U.S., strongly supports SB 58. This legislation protects the typical Alaska homeowner by making it clear that abandoned property can be eliminated from the risk pool that the typical homeowner participates in, thereby helping to keep insurance costs down.

Homeowners purchase insurance under the premise it will be occupied and thus reasonably maintained. Unoccupied property contains risks that are outside the typical homeowner risk pool and thus are not insurable under the typical homeowner's policy. So too, if property originally occupied later is abandoned, the hazards increase so dramatically that it does not and should not fit within the risk pool. To allow it to stay within the risk pool increases the costs for all other consumers. Accordingly, throughout the country insurers are allowed to cancel insurance on abandoned property. Unfortunately, a question has arisen whether Alaska's cancellation statute, AS 21.36.420, technically allows for cancellation when the property is abandoned. SB 58 simply clarifies that cancellation for this reason should be allowed in Alaska, but notably with the most restrictive conditions in the country.

We have worked hard over the past year and half with you, the Division of Insurance, the Legislature and stakeholders to arrive at legislation that is fair and reasonable yet necessary for all concerned. Thank you for sponsoring SB 58 and your hard work in moving it forward.

Sincerely,



Sheldon E. Winters

For State Farm Insurance Companies

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Senate L & C letter in support.doc