



LEGISLATIVE POSITION

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PIANY supports repeal of anti-arson applications

Memorandum in support of: S.7502—by Sen. Seward
**On Senate Insurance Committee Agenda
Tuesday, May 20, 2008, immediately
following session**

An act to repeal Section 3403 of the Insurance Law, relating to requiring the use of the anti-arson applications for all property insurance policies covering fire or explosion

PIANY supports this proposal that would repeal Section 3403 of the Insurance Law which requires the use of anti-arson applications in relation to the sale of property insurance policies.

In the late 1970s, an increase in arson activity in some major cities prompted the Legislature to create Section 3403 of the Insurance Law which directed the insurance superintendent to create an "anti-arson application." Certain persons seeking property insurance to cover damage caused by fire or explosion have to annually complete this application.

The implications associated with noncompliance are severe. Should an agent, broker or insurer fail to receive the completed and signed application, the law requires the insurer to cancel the policy. Many insureds either forget or simply fail to complete the form in time, forcing the insurance company to cancel the policy. Generally, this is not due to any fraudulent activity by the property owner, but simply an administrative lapse. Subsequently, the requirement of canceling the policy when the application is not completed creates a significant unnecessary expense for the already burdened New York citizens.

It is estimated that insurer costs range from \$150 to \$400 per file, when a policy must be re-written after it has been rescinded or nonrenewed due to late receipt of a completed application. As 1) insurance companies, over the past two decades, have taken substantial steps toward preventing insuring "arson risks"; 2) there is little data to suggest the application has in any way prevented arson; and 3) today, insurers and state agencies work together, sharing data and are no longer hampered by old confidentiality rules that prevented the earlier exchange of information, there is simply no reason to continue to use this form.

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Moreover, the form was made irrelevant by legislation enacted in 1996, requiring insurers to subsequently file plans with the department regarding how the company intends to detect, investigate and prevent fraudulent insurance activities. Since then, insurers have actively engaged in fraud prevention methods that are far more effective than the application form.

For all of these reasons, PIANY supports the repeal of Section 3403 of the Insurance Law and urges favorable consideration of this bill.

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