



LEGISLATIVE POSITION

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Coastal insurance availability PIANY recommendations

Legislation

Apply 4 percent nonrenewal cap by rating territory; support S.2069 (LaValle)/A.2678 (Sweeney)

Make NYPIUA permanent; support A.10001 (Morelle) and S.3681 (Seward)

Annual flood notice law, Chapter 21 of 2008

Discussion: Some steps to improve conditions for coastal homeowners will require legislation. PIANY supports legislation, such as the New York State Insurance Department's program bill (S.3681). Seward's as well as Assemblyman Morelle's proposals to do the same, A.10001, to make NYPIUA permanent. We also support a legislative change that would provide the New York State Insurance Department with more opportunities to hear from companies before they undertake a program involving significant numbers of nonrenewals. A.2678-A (Sweeney)/S.2069-A (LaValle) would require NYSID's approval of a plan to nonrenew more than 4 percent of homeowners annually, by rating territory. It passed the Assembly on March 4 and was not acted on by the Senate. Finally, we appreciate your successful efforts to require annual notice to policyholders about flood insurance. S.4097-A/ A.6344 was signed into law, Chapter 21 of the Laws of 2008 on March 4, 2008.

Regulatory action

New York Property Insurance Underwriting Association

Make available: \$1 million coverage upon application

Make available: property coverage modified to be compatible with CMAP wrap-around policies

Make available: replacement cost coverage with or without a CMAP wrap-around policy

Allow NYPIUA to impose hurricane deductibles

- more -

Discussion: The superintendent may request the NYPIUA board to make changes to the NYPIUA Plan of Operation; NYPIUA currently is authorized to write limits “not in excess of \$1.5 million for the insurable real property or the tangible personal property thereon” [Insurance Law Section 5402(d), (e)]. In practice, few brokers use the appeal process to request limits above the \$600,000 for the dwelling and \$250,000 for contents which can be obtained without a special appeal process. The appeal requires a monitored alarm system and hurricane-resistant installations to be confirmed by physical inspection. When needed for a closing, PIANY believes coverage of up to \$1 million should be available immediately.

The superintendent has the authority to require NYPIUA to provide homeowners coverage [Section 5412(b)]. PIANY does not recommend this step at this time; however, evidence is mounting that there may be an unavailability of meaningful coverage in the voluntary market for some homeowners. However, this ultimate authority could prove persuasive in effecting other, more moderate improvements in NYPIUA’s coverage. To the extent NYPIUA’s exposure is increased in coastal areas, it could be mitigated by hurricane deductibles; this step also would prevent the residual market from potentially becoming a more attractive alternative than the voluntary market.

Coastal Market Assistance Program

- Recruit additional companies’ participation
- determine barriers to participation and possible incentives

- Encourage HO-3 (all-perils) wrap-around policies

- Advocate legislation (if necessary) letting NYPIUA issue broad-form coverage in conjunction with a CMAP wrap-around

Discussion: Efficacy of an applicable market assistance program is one factor to be considered in triggering NYPIUA to write homeowners coverage. Moreover, coastal-area homeowners whose coverage is terminated, and those insured by NYPIUA, as of Nov. 23, 2006, must receive notice regarding the program, creating an expectation that people will be helped to find coverage. Every effort should be made to improve participation.

Other regulatory actions for consideration

- Review variety of hurricane deductible provisions; consider requiring insurers to re-file to standardize triggers and definitions (amounts/percentages could still vary)

- Consider pricing buy-back options for hurricane deductibles to encourage their availability

Consider coastal area rate component reflecting reinsurance costs, cat exposure and capital risk; seek market commitment if granted

Consider adding coastal homeowners to Regulation 41 export list

Discussion: One of agents' greatest concerns is the possibility of a storm that will impact policyholders differently depending on the terms of their windstorm deductibles. Legislation/regulation does require annual disclosure/explanation of the amounts and triggers annually [Section 3445; Regulation 159]. However, the wide variation in triggers could result in a post-storm situation where the public perceives an inequity that was perpetrated by discrepancies between companies.

Also, companies tell PIANY that the one most effective incentive for them to write in coastal areas would be adequate pricing. Nonadmitted companies charge at least double what the regulated market does. Anecdotally, we hear from members that companies are getting more rate but that this does not necessarily translate into more availability.

Finally, although the nonadmitted market is not the preferred option for our members, if trends continue it may make sense for the New York State Insurance Department to add coastal homeowners to the Regulation 41 export list. Figures from ELANY show that volume in the nonadmitted market, where pricing and coverage forms are not regulated, is up significantly in 2007 over 2006 (see attached chart).

**Homeowners Insurance Premiums Transactions
In the New York E&S Market**

Month	2008	2007	2006
January	\$2,843,003	\$2,383,451	\$1,354,927
February		\$1,822,695	\$1,160,904
March		\$2,236,129	\$1,538,142
April		\$2,250,682	\$1,292,186
May		\$2,106,966	\$1,680,103
June		\$2,496,013	\$1,922,615
July		\$2,532,583	\$1,637,439
August		\$3,037,372	\$1,924,388
September		\$2,567,499	\$2,254,610
October		\$3,388,866	\$2,322,056
November		\$2,927,434	\$2,016,672
December		\$2,709,027	\$1,883,284
YTD	\$2,843,003	\$5,226,454	\$18,154,180
Year-end		\$30,458,717	\$20,987,326

**Homeowners Policy Transactions
In the New York E&S Market**

	Total	Total	Total	New	New	New
January	1,328	837	479	545	433	164
February		733	437		399	158
March		975	565		459	204
April		837	432		416	171
May		821	594		461	219
June		984	684		533	277
July		1061	655		620	231
August		1208	673		659	285
September		1066	788		538	403
October		1479	887		754	493
November		1302	743		608	379
December		1162	752		506	431
YTD	1,328	2165	7689	545	978	15880
Year-end		12465	7689		6386	15880