



LEGISLATIVE POSITION

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Support the NYPIUA permanency/auto flex proposal, which includes:

- eliminating expiration provisions of NYPIUA;
- enacting flexible rating for nonbusiness automobile insurance policies;
- offer incentives to insurers to write residential property insurance;
- codify provisions establishing the Coastal Market Assistance Program (C-MAP) to improve the availability of homeowners insurance in coastal areas; and
- reinstate the Special Advisory Panel on Homeowners Insurance/Catastrophe Coverage to examine and assess problems affecting the availability and affordability of homeowners insurance coverage in New York state.

Memorandum in support of: S.8624—by Sen. Seward A.11693—by M. of A. Morelle

An act to extend certain provisions of law relating to the New York Property Insurance Underwriting Association (NYPIUA) and of certain powers of such association; to extend or make permanent several important provisions of the Insurance Law to promote the stability of the property/casualty insurance market and to enact provisions to ensure the availability of property insurance in New York's coastal areas and throughout the state.

This legislation includes a number of important measures which will promote the availability and affordability of property/casualty insurance and the stability of the property/casualty insurance market in New York state. Among such provisions, are provisions to make NYPIUA permanent and to authorize NYPIUA to offer more expansive coverage in coastal and other areas of the state where property and homeowners insurance availability problems may exist. This bill also would direct NYPIUA to develop an incentive plan to encourage private insurers to write homeowners insurance coverage in coastal areas and would reinstitute the Special Advisory Panel on Homeowners Insurance/Catastrophe Coverage to study issues affecting the availability and affordability of homeowners insurance in coastal and other areas of the state. For all of these reasons, PIANY supports this proposal and urges its favorable consideration.

Permanent legal status for NYPIUA

The current legislative authorization for NYPIUA is subject to periodic "sunsets," requiring the Legislature to reauthorize NYPIUA from time to time. NYPIUA is set to expire again June 30, 2008. NYPIUA's authority expired in 1997 for 20 days, in 1998

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for five days, in 2003 for 58 days and in 2004 for 60 days. When this happens, people who currently have coverage through NYPIUA start getting nonrenewal notices as their policies approach their expiration dates. People who want to acquire property, but can't find insurance, no longer have access to NYPIUA coverage. These real estate transactions may be held up or even prevented from closing, affecting sellers as well as buyers.

New York's comparable insurance plans for those who cannot buy automobile insurance or workers' compensation do not have "sunsets" and due to this anomaly, NYPIUA is unable to function properly with the same type of stability. **PIANY supports the elimination of the sunset provisions of Insurance Law Section 5411.**

Enact flexible rating for nonbusiness automobile insurance policies

Following the successful introduction of "flex-rating" for commercial lines insurance a decade earlier, New York first allowed flex-rating for personal auto insurance in 1995. Like many rating law provisions, flex-rating was subject to a sunset provision. In 2001, the flex-rating law for personal auto was permitted to sunset. PIANY believes the time has come for the flex-rating provision to be restored. With flex-rating, insurers may raise or lower rates only within defined bands, in this case 5 percent. For rate changes outside the bands, they must get the approval of the superintendent of insurance. Thus, flex-rating encourages responsible competition, while minimizing wide pricing swings. **PIANY believes that this provision balances flexibility with appropriate oversight and, therefore, should be enacted.**

Reinstate the Special Advisory Panel on Homeowners Insurance/Catastrophe Coverage

This proposal also would reinstate the Special Advisory Panel on Homeowners Insurance/Catastrophe Coverage to examine and assess problems affecting the availability and affordability of homeowners insurance coverage in New York state. **PIANY supports the continued attention on the problems associated with cost and availability of coastal property insurance coverage that this proposal would provide.**

Require NYPIUA to create the Coastal Market Assistance Program.

This proposal requires NYPIUA to create a Coastal Market Assistance Program to provide a voluntary mechanism whereby insurers and insurance agents and brokers facilitate efficient access to participating private market insurance companies for those personal property risks located in coastal areas. Moreover, the proposal would create a C-MAP agents advisory council to provide the association with advice and assistance. PIANY believes the benefits of the existing C-MAP are obvious and, therefore, supports formal statutory authority for this program and council.

Offer incentives to insurers to write residential property insurance

PIANY supports the intent of this legislation, which is to upgrade the coverage typically provided to applicants for homeowners insurance through the Coastal Market Assistance Program (C-MAP) and provide greater incentives for more insurers to participate in C-MAP and/or write coastal risks voluntarily outside the C-MAP program. Created over a decade ago, the C-MAP is a voluntary market solution to match willing insurers with homeowners whose coverage has been terminated through no fault of their own or who need a new policy to protect a newly acquired home.

Homeowners insurance protections

Certain provisions of Section 3425 of the Insurance Law also historically “sunset” on the same schedule as NYPIUA. These provisions are equally important to provide the Insurance Department with authority to oversee homeowners insurers’ plans to withdraw from writing coverage in the state or in certain areas. Likewise, a provision allowing “tiered” rating systems that respond to a home’s various risk characteristics should be made permanent, providing stability and assurance to the homeowners insurance market. The current uncertainty about the ongoing status of these rules is a negative factor for New York’s property insurance market. **PIA supports the extension of these critically important protections.**