



25 Chamberlain St.  
P.O. Box 997  
Glenmont, NY  
12077-0997  
(518) 434-3111

**LEGISLATIVE  
REPRESENTATIVES**  
Patricia Lynch  
Allison Lee

**ASSISTANT  
EXECUTIVE DIRECTOR  
for Government/Industry  
Affairs**  
Ellen D. Kiehl, Ph.D., CAE

**EXECUTIVE  
DIRECTOR**  
Diane F. Kattrein, CAE

# LEGISLATIVE POSITION

**Professional Insurance Agents of New York State Inc.**

## **Coastal insurance availability PIANY recommendations**

### **Legislation**

Require annual notice of flood insurance availability; support S.4097-a/A.6344-b  
Apply 4% nonrenewal cap by rating territory; support S.2069/A.2678  
Make NYPIUA permanent

**Discussion:** Some steps to improve conditions for coastal homeowners will require legislation. PIANY supports legislation, such as the NYSID's program bill (S.3681), to make NYPIUA permanent. We also support a legislative change that would provide the NYSID with more opportunities to hear from companies before they undertake a program involving significant numbers of nonrenewals. A.2678 would require NYSID's approval of a plan to nonrenew more than 4% of homeowners annually, by rating territory. It passed the Assembly on March 26 and was not acted on by the Senate. Finally, we support requiring annual notice to policyholders about flood insurance. S.4097-a passed the Senate on June 6 but was not acted on in the Assembly.

### **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

**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 Sect. 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 would also 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 of 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 [Sect. 3445; Reg.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.

Coastal insurance availability PIANY recommendations

October 2007

Page 3

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 NYSID 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).

10/07