



LEGISLATIVE POSITION

PROFESSIONAL INSURANCE AGENTS OF NEW YORK STATE INC.

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TO: Assembly Standing Committee on Insurance and
Assembly Standing Committee on Environmental
Conservation

BY: Professional Insurance Agents of New York State Inc.

**LEGISLATIVE
REPRESENTATIVE**
The Roffe Group P.C.

**STATEMENT RE: EXAMINING THE IMPACT OF EXTREME WEATHER
EVENTS ON THE RESILIENCY OF THE PROPERTY AND
CASUALTY INSURANCE MARKET IN NEW YORK STATE**

**DIRECTOR OF
GOVERNMENT &
INDUSTRY AFFAIRS**
Bradford J. Lachut, Esq.

Good morning, Chairperson Weprin, Chairperson Glick, and members of the standing committees on Insurance and Environmental Conservation.

**EXECUTIVE
DIRECTOR**
Kelly K. Norris, CAE

My name is Bradford Lachut, and I am the director of government & industry affairs for the Professional Insurance Agents of New York, a state trade association representing independent insurance agents and brokers. PIA members are business owners who employ more than 27,000 insurance professionals. They provide insurance for more than two million households and more than one million businesses, governmental units, and other organizations throughout New York state.

The Professional Insurance Agents of New York is a trade association made up of independent insurance agents across the state. As the middleman of the insurance world, independent insurance agents serve as a vital link between consumers and insurance companies. Agents work to place their clients with the insurance company that best fits the risk profile of a particular client. As extreme weather events become both more frequent and more severe, risk profiles are changing. This has resulted in affordability and availability issues in the insurance marketplace. Reversing that trend and ensuring an affordable and vibrant property-and-casualty marketplace in New York, will require a partnership between consumers, insurance companies, and government from the federal level to the local level.

Insurance at its simplest form is the transfer of risk from one party to another. Through the purchase of an insurance policy a policyholder is transferring the risk, and expense, of a potential loss to an insurance company. In exchange for accepting the risk, the policyholder pays a premium to the insurance company. Generally speaking the more risk a consumer decides to transfer to an insurance company the higher the policy premium will be. Conversely, the less

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risk that is transferred, the lower the premium. The increase in frequency and severity of extreme weather has made many risks in New York state more challenging to insure. That is reflected in increasing premiums and, in some cases, availability issues.

For consumers looking to reverse that trend and find premium relief, there are two options. One option is for a consumer to simply purchase less insurance or even no insurance at all. This can be an effective way to reduce costs in the short-term. But as a long-term strategy this is not advisable or viable. Purchasing less insurance makes a consumer less prepared for extreme weather, and less able to handle any loss associated with extreme weather events. It is in the best interest of everyone that consumers are properly insured.

The second option in controlling premiums is to reduce the risk of a loss. It is this second option that is a critical component of ensuring the resiliency of the property-and-casualty insurance market in New York state. Taking steps to mitigate the likelihood and severity of a loss is the best method for simultaneously protecting New Yorkers from extreme weather, ensuring a robust and attractive insurance market, and increasing community resilience. Achieving resiliency requires cooperation and partnership between consumers, government from the federal level to the municipal level, and insurance companies.

The two most common losses associated with extreme weather are water and wind damage. Mitigating the damage from wind and water is crucial to maintaining affordability. When dealing with flood water, preparedness is key. Preventing a loss from occurring by preventing flooding in the first place is the ideal outcome. This protects both persons and property across the state. There are myriad steps that governments and individuals can take to help protect communities and individual properties from flooding. The first step in preventing flooding is to decrease the infiltration of excess water. This can be achieved through improving stormwater drainage systems, especially in urban areas.

As the state is battered by more intense rainstorms, many of the state's stormwater drainage systems are inadequate to carry away the volume of water that falls during an extreme rainfall event. New York City provides an example. The New York City Mayor's Office of Climate & Environmental Justice defines extreme rainfall to be when more than 1.74 inches of rain falls in Central Park during a one-hour period. The city's storm drainage system was designed to accommodate roughly that volume of rainfall. However, during Hurricane Ida in 2021, the peak rainfall intensity in Central Park was 3.15 inches per hour, nearly twice as much as the city's system is designed to carry. The city's storm drainage system was not equipped to handle that much water. The result was the devastating flooding that occurred around New York City during that storm.

Better water infiltration can be achieved through increasing use of green infrastructure. Green infrastructure relates to the practice of using both natural and man-made features that use or mimic natural systems to manage storm runoff water. Examples of green infrastructure include things like rain gardens, infiltration basins, and green roofs. All these features are designed to be interwoven into the natural topography of the city and, in fact, are already being used today. Green infrastructure serves as an example of the partnership that needs to exist between the state and private sector to help address extreme weather. Many green infrastructure improvements exist on private property like the mentioned green roofs. Municipalities encourage private use of green infrastructure by offering financial incentives for consumers who incorporate green infrastructure into their properties.

Losses related to wind damage are very real for New Yorkers as well. Addressing extreme winds and protecting New Yorkers again requires a partnership between the state and private sector. Here, green infrastructure again comes into play. Perhaps the most common form of green infrastructure is the planting of trees. This has the effect of both increasing water drainage while creating natural barriers for the wind. Increased use of wind-resistant materials for roofs is vital to preventing damage from high winds. Many roofs and current homes throughout New York state were not built to withstand the high winds that we see during extreme storms now. To decrease the chance of a loss of life and property there needs to be increased investment in wind-resistant roofing materials. Unfortunately, these materials can often be cost-prohibitive for many private individuals. For that reason, grants at the federal, state, and local level are extremely important in helping private individuals to mitigate the risk of wind damage. New York state has already taken steps to address this issue. Just last year the New York State Homes and Community Renewal Program administered close to \$21 million in grants to support repairs and modifications, including storm-mitigation features, to almost 800 homes across the state. Further investment is needed at all levels of the government to ensure citizens are properly protected.

Coupled with the need for mitigation is the need to educate consumers as well as simplify insurance products to help consumers better understand what they're buying and when their insurance policies will respond. Flood insurance serves as a perfect example. Consumer education is lacking. Standard homeowners policies do not cover flooding caused by extreme rain or wind. Instead flood insurance is traditionally purchased as a stand-alone product, most frequently through the federal National Flood Insurance Program. While almost 90% of all natural disasters in the U.S. involve flooding, only about 30% of homes in the highest risk areas have flood insurance. Increased education about flood insurance and what it covers and does not cover could help in increasing the percentages of individuals with a flood policy. Of course, there are certainly consumers who do not buy flood insurance because of the costs associated with doing so. Some of the mitigation steps discussed earlier in this testimony would help to make the risk more attractive and the rates more affordable. A large step in addressing affordability and sustainability though would be for the federal government to reauthorize the National Flood Insurance Program on a long-term basis. The NFIP has been in dire need of reforms for years. Despite that, Congress has failed to pass a long-term reauthorization with necessary reforms. Instead, the program has only been reauthorized on a short-term basis over 20 times since 2017. Without a long-term reauthorization, mitigation, education, and flood insurance management become much more difficult.

On the state level, the PIANY supports legislation (A.2866/S.4199), which would direct the superintendent of the New York State Department of Financial Services to draft a uniform definition for hurricane windstorm. The goal is to create a homeowners product that is easier to understand. This measure passed the Assembly in May of this year but has yet to be considered in the Senate.

Many insurance companies include hurricane windstorm deductibles in homeowners policies, especially in coastal areas of the state. These deductibles are higher than the standard deductible and usually a percentage of the home's replacement cost. Instead of the standard \$1,000 deductible, the hurricane windstorm is usually 5% of the home's replacement cost. For a \$500,000 home, that would be a \$25,000 deductible following hurricane windstorm damage instead of the normal \$1,000 deductible that would otherwise apply. Insurance companies have been allowed to include these clauses as a necessary step to protect the insurance markets in coastal areas. However, despite the

financial implications, New York state does not have a single definition of what a windstorm is. In fact, there are over 100 definitions of windstorm filed with the New York State Department of Financial Services currently. The recorded windspeed, the time frame of the recorded windspeed, and the location of the recorded windspeed may vary between these definitions. The variances have the effect of making it unnecessarily complicated to know when the windstorm deductible would apply.

When selecting their insurance, a homeowner may unknowingly leave themselves more exposed to the costs of a hurricane based solely on the differences in definitions. The practical effect of so many definitions is that the next time that a windstorm sweeps through parts of New York, different homes in the same community may face very different financial situations when rebuilding, all due to variances in the definition of hurricane windstorm.

This legislation would require a uniform definition of hurricane windstorm when insurance companies include the hurricane windstorm deductible in a policy. Standardizing the definition would ensure consumer clarity regarding the increased exposure to the risk of a hurricane. It would bring New York closer in line with neighboring states like New Jersey and Connecticut, who already have a standard definition. Simplifying the definition of windstorm allows homeowners to focus on comparing premiums and deductibles, not trying to assess the definitions for hurricane windstorm, when purchasing protection for their homes. Insurance agents, companies, and even local leaders would be better positioned to understand the situation after a hurricane without reviewing each individual policy definition. PIANY continues to believe that companies should have discretion over deductible amounts, but that there needs to be greater standardization in their triggers. Passage of this legislation would achieve this standardization. PIA encourages the Senate to take up this measure that takes a small, but vital, step toward demystifying insurance for consumers.