

Alaska State Legislature  
Senate Committee on Labor and Commerce

February 14, 2025

*Submitted electronically to:* [Senate.Labor.And.Commerce@akleg.gov](mailto:Senate.Labor.And.Commerce@akleg.gov)

**RE: SB 11, Flood Insurance - NAMIC's Written Testimony in Opposition**

Thank you for affording the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to the Senate Committee on Labor and Commerce for the public hearing on SB 11, Flood Insurance.

NAMIC is the largest property/casualty insurance trade association in the country, with more than 1,400 member companies representing 40 percent of the total market. NAMIC supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers. NAMIC member companies serve more than 170 million policyholders and write nearly \$225 billion in annual premiums.

NAMIC's members appreciate and share the bill sponsor's concern about making sure that citizens in the state are personally and financially protected against flood damage exposure. Insuring against flood damages is a very complex issue, which is why the National Flood Insurance Program (NFIP) was created back in the 1960s and has continually been reauthorized and periodically reviewed/updated. Conventional wisdom has been and continues to be that flood risk is best addressed by a collaborative program between states and the federal government. NAMIC believes that this approach makes sense, in spite of its limitations, so that states can properly focus their efforts upon improving NFIP consumer take-up rates and reducing the underlying flood risk. Consequently, we offer the following comments for consideration:

**1) NAMIC is concerned that the proposed coverage mandate is unnecessary and unlikely to be an effective solution to the flood risk for certain communities and individuals in the state**

Flood insurance is currently available through the NFIP and certain private insurers, so coverage for the peril is available for those who need it. If a geographic area in the state is not a participant in the NFIP, we recommend addressing the issue of expanding NFIP participation in the state before creating a costly new insurance coverage mandate for insurers and their policyholders. NAMIC appreciates the concerns that the NFIP isn't a perfect solution and that it is currently being reviewed and possibly revised at the federal level, but the creation of a separate state-run program to write flood insurance in Alaska will also have its share of challenges and inherent limitations,



including securing consumer compliance with personal risk mitigation to make homes eligible for the state-run program. As with wildfire risk, insurers will have to require certain personal risk mitigation activities from consumers to make their home eligible for the risk sharing and transfer that insurance is as a legal and financial arrangement. Otherwise, the insurance product would not be feasible from an actuarial science standpoint and affordable for consumers. Therefore, a state-created program may not have a significant consumer take-up rate which will be necessary for the program to have long-term financial viability.

As our society has learned from wildfire risk and other catastrophic perils, mitigation and prevention is truly the key to reducing catastrophic loss and protecting the lives and property of citizens of the state. The state plays a vital role in leading and facilitating risk mitigation efforts through coordination and collaboration with communities. NAMIC recommends that the legislature focus its efforts upon assisting individuals, communities, and tribes on appropriate flood mitigation projects, which include flood mitigation planning and land use management, and the adoption of building codes and zoning regulations designed to reduce flood risk.

The proposed legislation would require \$10 million of state funds to be used to pay for flood losses if the premiums are not adequate to address losses. This begs the question, would citizens of the state be better served by having that state money invested into reducing flood risk and assisting communities in their participation in the NFIP so that flood insurance would be more widely available throughout the state?

**2) The proposed legislation is likely to create a new financial burden for consumers that many cannot afford**

With many people struggling with the inflationary costs of life and the challenge of balancing competing household costs like food and medicine, transportation, utilities, and health care, does it make sense to create a new insurance rate cost-driver that could further financially burden consumers?

**3) The proposed legislation would create a coverage mandate that many insurers are not set-up to handle in their business model**

SB 11 would establish mandatory property insurance company participation in a state-run residual market for flood insurance that many insurers are not prepared to handle as a new insurance liability exposure. The proposed mandatory insurance program does NOT currently exist in ANY state in the



country, so national insurers would have to invest significant internal resources and capital to address all the requisite costs (IT, admin, product development and marketing, legal and claims adjusting) necessary to comply with a coverage mandate that would *only* be required in one small insurance market in the nation. This is financially prohibitive and could have an adverse impact upon insurers' ability to offer insurance products in the state.

**4) The proposed legislation could adversely impact the overall health of the property and casualty insurance market to the detriment of all consumers**

Risk based pricing is a cornerstone of a healthy insurance marketplace. Insurers have spent decades improving their ability to provide consumers with what they want and need – rates that fairly and accurately reflect the consumer's personal risk of loss exposure.

The proposed legislation replaces the word "shall" with "may" in Alaska's rating law that currently reads, "rates shall not be excessive, inadequate, or unfairly discriminatory", which is the legal standard used throughout the country to make sure that rates are actuarially justified. This proposed change in a foundational insurance principle on rate-setting could lead to serious rate inadequacy, forced rate subsidization of high flood risk consumers by low flood risk consumers, and potentially unhealthy financial exposure for insurers. This approach could destabilize the entire property and casualty marketplace in the state.

We are also concerned with the emphasis this proposal places on the use “actual historical flood and damage data.” With rapid advances in technology and access to large volumes of data, insurers are able to utilize sophisticated predictive analytic models. The use of this predictive modeling allows insurers to match premium to risk, using a combination of factors. This limitation may have unintended consequences.

As insurance consumers and policymakers have recently come to painfully learn in California, insurance rate inadequacy, impractical coverage mandates, and over-regulation of the marketplace is a recipe for an insurance crisis which is detrimental to consumer safety and the vitality of the state's economy. Consequently, NAMIC recommends that this legislature invest in flood mitigation and prevention, and endeavor to improve the participation rate in the already established NFIP, because utilizing a well-established flood risk insurance program currently in place is the most practical, affordable and pragmatic approach to addressing the flood insurance needs of insurance consumers in the great state of Alaska.

**For the aforementioned reasons, NAMIC respectfully requests your No Vote on SB 11.**



Thank you for your time and consideration. Please feel free to contact me at 303.907.0587 or at [crataj@namic.org](mailto:crataj@namic.org), if you would like to discuss NAMIC's written testimony.

Respectfully,

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