

May 10, 2019

Senator Lora Reinbold, Chair
Senator Mia Costello, Vice-Chair
Senate Labor and Commerce Committee
State Capitol Room 125
Juneau AK, 99801

Hand delivered

Re: Senate Bill 106, Homeowners' and Renters' Insurance Renewal– NAMIC's letter of opposition to proposed amendment #1

Thank you for affording the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony for the public hearing on SB 106. 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. Our members write a substantial percentage of the workers' compensation insurance in the state of Alaska.

NAMIC and its members share the state legislature's concern about the rise of crime in the state and the impact property crime has on insurance consumers. We fully support legislation designed to prevent, deter and punish criminal activities. Since crime reduction is an important public policy issue being addressed this legislative session, NAMIC and its members want to work with policymakers to address this issue in a thoughtful and collaborative manner.

In the spirit of cooperation, the property and casualty insurance industry has been working with Senator Begich on amendments to the proposed legislation to reduce the adverse underwriting implications of the proposed homeowners' and renter' insurance legislation on policyholders. Although we are committed to doing our part to reduce crime, our primary responsibility is to make sure that new laws are not passed that will act as unnecessary insurance rate cost-drivers that could adversely impact the cost of insurance for consumers.

When insurers are restricted in their ability to comprehensively match insurance rates to a consumer's particular risk of loss exposure, insurers are forced to spread this risk out among all policyholders, even lower risk of loss exposure consumers. This results in insurance rate cross-subsidization between high risk of loss exposure and low risk of loss exposure consumers, which the general public considers to be unfair from a public policy standpoint. Consumers want their rates to be based upon *their personal* risk of loss exposure. A consumer's claims history is an important rating and underwriting variable used by insurers to select and disqualify certain risk of loss profiles and match consumer rates to risk and make underwriting decisions that impact the insurer's entire book of business. In other words, underwriting and rating go hand in hand. If an insurer is limited in its ability to properly underwrite their aggregate book of business, insurance consumer rates are impacted.

NAMIC and its members have been willing to work with the sponsors of this bill to address homeowners' and renters' insurance underwriting practices, even though there is no data to support the contention that there is any need for the proposed underwriting restrictions or any actuarial justification for changing how insurers consider claims history in their underwriting activities. However, we are opposed to the expansion of this legislation to include commercial property insurance and insurance cancellations, because commercial property insurance entails a far more complicated underwriting process than homeowners'/renters' insurance, and commercial policyholders are more professionally sophisticated insurance consumers. NAMIC is concerned that the proposed amendment #1 will needlessly increase the cost of insurance underwriting, create administrative burdens that will be insurance rate cost-drivers, and hinder insurers in their ability to provide cost-effective insurance coverage for small businesses or businesses with a higher risk of loss exposure.



NAMIC is also concerned that the proposed legislation may actually be contrary to the very purpose of the legislation, i.e. to address the adverse impact of crime on insurance consumers. Specifically, the proposed legislation could incentivize and facilitate insurance fraud by allowing commercial property insurance policyholders or their employees with a “one free pass” on submission of a fraudulent insurance claim every three years. Further, we are concerned that the proposed amendment #1 will provide a disincentive to commercial policyholders to be vigilant in their professional risk management practices, because they will get one free claim every three years. NAMIC believes that the proposed amendment goes too far and should be rejected as unnecessary and rife with unintended adverse consequences for insurance consumers.

Although we are inclined to oppose the entire bill as being unrelated to preventing crime and an improper limitation on insurance underwriting, we are willing to work with the sponsors as the bill relates to homeowners’ and renters’ insurance non-renewals. However, the commercial property amendment would create concerning underwriting implications for consumers that we cannot support as responsible stewards for our policyholders

For the aforementioned reasons, **NAMIC respectfully requests a NO VOTE ON AMENDMENT #1 on Commercial Property.**

Thank you for your time and consideration. Please feel free to contact me at 303.907.0587 or at crataj@namic.org, if you would like to discuss NAMIC’s written testimony.

Respectfully,

A handwritten signature in black ink, appearing to read "Christian John Rataj".

Christian John Rataj, Esq.
NAMIC Senior Regional Vice President
State Government Affairs, Western Region