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PIANY seeks to improve alternative insurance markets for downstate homeowners

GLENMONT, N.Y.—A membership survey conducted by the Professional Insurance Agents of New York State Inc. in June 2007, finds downstate insurance agents seeking alternative sources of coverage, as many of their regular homeowners insurance companies continue steps to reduce exposure in downstate New York.

“With fewer companies and more underwriting restrictions, agents are turning to alternative markets to write homes close to the water,” said PIANY President David Dickson. “PIANY is proposing steps to improve the usefulness of each type of alternative market for its members and spread the word about flood insurance.”

Use of the state’s official last-resort market to insure coastal homes is climbing, with 51 percent of agents saying they sometimes use the New York Property Insurance Underwriting Association this year, compared to 47 percent last year and 41 percent in February 2006. PIANY members say NYPIUA would be more useful if it provided better coverage.

Use of the excess line market is growing even faster, with 76 percent using it this year, vs. 67 percent last year and 61 percent in February 2006. Prices and coverage forms in this market, comprised of companies not licensed in New York state, are not regulated by the state. Annual premiums for a homeowners policy in this market average more than \$2,500, according to PIANY. Still, for some coastal homeowners, it now is the only source of adequate coverage, so PIANY seeks changes making it easier to access.

Most agents say they aren’t using the state’s Coastal Market Assistance Program. CMAP encourages regular homeowners companies to waive distance-to-shore restrictions and accept coastal homeowners they otherwise would not write, while using NYPIUA to assume much of the property risk. Only about one in 10 agents (12 percent) uses CMAP. PIANY believes this program could be more successful if the state could recruit more company participation and address certain coverage issues.

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PIANY began surveying downstate members in February 2006, a month after the Allstate Group stopped accepting new customers and began nonrenewing more policyholders in eight counties, including Long Island, Westchester and the five boroughs of New York City.

This year, 90 agents in these counties responded to PIANY's survey, up from 70 a year ago and 66 who took a similar survey in February 2006. Last June, agents were asked about certain company actions restricting markets since Allstate's campaign began (Jan. 1, 2006). This June, agents were asked about actions in the past year.

In June 2007, 57 percent of respondents said at least one of their companies has increased its nonrenewals in the past year—more than double the minority (24 percent) reporting more nonrenewals last year. In all counties except New York City's boroughs, two out of three agents now say "yes" to this question. Because extra nonrenewals by traditional homeowners carriers strain an already difficult market, this increase may be the most significant figure in the 2007 survey.

This year, seven out of 10 agents (69 percent) say at least one of their companies has stopped accepting any new homeowners business. In Suffolk County, the figure is 92 percent. Nine agencies (10 percent) now have no companies willing to write new homeowners policies. All but one is located in Suffolk County.

The average number of companies that will write new business for the 2007 respondents is 3.2; last year it was 3.8. The average Suffolk agency has only 2.5 homeowners companies—down from 3.5 last year. Nine out of ten Suffolk agencies (89 percent) have fewer homeowners markets this year.

Insurers continue adding other restrictions as well. Agencies saying one or more companies have stricter guidelines on distance to water: 84 percent this year, 71 percent last year. More or larger windstorm deductibles: 59 percent this year, 43 percent last year.

For agents throughout the downstate area, the toughest homes to insure are the ones built closest to the shore. For "coastal homeowners," the survey shows a small improvement in the average "market score." As a quick way to assess market conditions, PIANY routinely has members rate availability on a 1-to-5 scale. On this scale, 1 means "highly competitive" and 5 means "impossible to place (except in a state-provided residual market)." For coastal homes, last year's survey produced a score of 4.2; this year it's 3.9.

Only Nassau County agents rated this year's coastal market tougher than last year. In Nassau, 77 percent of agents also said their homeowners markets in general are less competitive than a

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year ago. It appears Nassau County agents may have seen the biggest change in their ability to place coastal homes with their regular companies. This year, 55 percent say they “never” can do so, compared to 41 percent last year and 21 percent in February 2006.

“It is an extremely difficult market for homeowners insurance,” writes a Suffolk County agent in the survey’s comments section. “We need some assistance.”

PIANY advocates a number of steps to improve conditions for its downstate members. On the legislative front, PIANY wants to increase the New York State Insurance Department’s review of companies’ nonrenewal plans (A.2678/S.2069). PIANY also supports an annual policyholder notice about flood insurance (A.6344-b/S.4097-a). Homeowners policies exclude coverage for storm surge and other types of flood conditions but the federal government makes such coverage available through a special program.

PIANY wants permanent legal status for NYPIUA. To make NYPIUA more useful, PIANY recommends making available property insurance limits up to \$1 million and offering replacement cost coverage, which some mortgage lenders require. To offset the increased exposure, PIANY thinks NYPIUA should have hurricane deductibles like those used by insurance companies.

To improve the success of CMAP, PIANY advocates securing participation by more companies, encouraging CMAP companies to write HO-3 “all perils” wraparound policies and letting NYPIUA provide broader coverage in conjunction with CMAP policies to lessen the potential for coverage gaps.

“Recognizing that the best alternative for some coastal homes is the excess line market, PIANY is recommending that the NYSID recognize coastal homeowners as a class of risk for which significant restrictions in the licensed market exist,” said Dickson. “Placing coastal homeowners on the state’s ‘special risks list’ would make it easier and quicker for agents to place these homes in the excess line market.”

Other steps recommended by PIANY include: reviewing the current variety of hurricane deductibles in use, aimed at standardizing the provisions that activate them (amounts/percentages could vary); encouraging companies to price and offer buy-back options to reduce hurricane deductibles; and, in return for greater market commitment, allowing licensed companies to include a coastal area rate component reflecting their reinsurance costs, catastrophe exposure and capital risk.

PIANY is a trade association representing professional, independent insurance agencies, brokerages and their employees throughout the state.