



PIANY downstate members endorse ideas to improve property markets

PIANY members recently rated 14 proposals to improve their coastal property insurance markets. PIANY will use results of the January 2007 survey to shape policy and achieve better coverage access.

Members voted support for most of the steps the survey listed. (Regarding CMAP, members split among: 1) scrap CMAP; 2) improve CMAP; and 3) not familiar with CMAP.)

The majority (percentages shown) approved:

Voluntary homeowners market

- Hurricane deductible buy-backs (78 percent)
- Hurricane deductibles—standardize (73 percent)
- Surcharge for CAT exposure/reinsurance (61 percent)
- Limit nonrenewals to 4 percent/year by rating territory (75 percent)

NYPIUA

- Raise maximum limits (92 percent)
- Replacement cost option if owner-occupied, primary home (92 percent)
- Replacement cost option for all, including second homes (75 percent)
- Let NYPIUA use hurricane deductibles (84 percent)
- Let NYPIUA offer full homeowners policy (73 percent)

CMAP

- Let NYPIUA offer broad-form coverage with HO-4 wrap (67 percent)
- All CMAP wraps should be HO-3 (56 percent)

Excess line market

- Add coastal homeowners to Regulation 86 'special risk' export list (67 percent)

See full survey results

Fifty-one members responded to the survey. To see their responses—and their comments—[click here](#).



January 2007

What should happen to improve coastal property insurance markets?

Returns:

Suffolk County	20
Nassau County	14
NYC 5 Boroughs	13
Undeclared/other	4
Total	51

(Note: Not all respondents answered every question. Percentages represent only the respondents who answered the questions.)

Standard, admitted-market homeowners policies

1) Companies should offer buy-back of hurricane deductibles:

	Yes	No	Unsure/depends
Suffolk County	14	4	1
Nassau County	12	1	1
NYC	10	3	0
Undeclared/other	2	1	0
Total	38 (78%)	9 (18%)	2 (4%)

Comments (Suffolk):

- Unsure. Won't this decrease capacity?
- No. Hurricane deductibles are here to stay.
- May be expensive, but that puts agent out of E&O: "My neighbor had 'X' deductible and mine was ___."
- High home values cause unrealistic deductibles.
- No. Not necessary. Need to reduce exposure to write business.
- A separate policy for the buy-back.

Comments (Nassau):

- People may not have money to meet cost of repairs with high deductibles.
- At a reasonable cost. Hurricane exposure isn't the same on Long Island as it is in the south.
- Building codes are stricter, water is colder, less trailer parks. Long Island runs east to west, not north to south.

Comments (NYC):

- Customers should have that option.
- But I think the cost would be too high.

Comments (Undeclared/other):

- Whatever the price is, at least give the option.

2) Hurricane deductibles should be standard throughout industry:

	Yes	No	Unsure/depends
Suffolk County	15	4	0
Nassau County	10	3	1
NYC	8	3	2
Undeclared/other	3	0	0
Total	36 (73%)	10 (20%)	3 (6%)

Comments (Suffolk):

The trigger for the hurricane deductible should be standard.
Consumer should have options 1 percent to 10 percent.
Deductibles and triggers and points of measurement used (e.g., wind at Islip, Long Island MacArthur Airport really not valid for Montauk).
No. USA too diverse for one standard.
5 percent OK, but trigger should be CAT 2, not CAT 1.
In areas where there is high wind exposure.
Flat \$10,000 "hurricane" CAT 1 or more.
Equal playing field for all.

Comments (Nassau):

More importantly, triggers should be standard.
Big E&O exposure.
Standard deductibles would be easier for consumers and regulators to understand.

Comments (NYC):

No. Not standard, but optional.
No. Triggers should be standard.
No. Each company knows its own CAT limit limitation.

Comments (Undeclared/other):

E&O exposure for agents. If hurricane does hit, we will have neighbors sharing experiences and questioning why we placed them with companies with high deductibles.

3) Companies should be able to add identifiable surcharge for catastrophe reinsurance/exposure:

	Yes	No	Unsure/depends
Suffolk County	11	4	4
Nassau County	8	5	1
NYC	9	1	3
Undeclared/other	2	1	0
Total	30 (61%)	11 (22%)	8 (16%)

Comments (Suffolk):

To every policy?
After 3-5 years of favorable CAT loss experience the consumer should be entitled to a loss-free credit.
This is a MUST. With this, all companies will compete.
Modelers can use ZIP but aren't we forgetting ISO and spread-of-risk? (Note: Floridians' EC rates include snow!)
Depends. What states?
Flat charge across the board if they stay in the market.
Need to pay for added cost.

Comments (Nassau):

No. Build it in rate.
No. They should first have to have a catastrophe. How long has it been since companies lost money on Long Island due to a catastrophe? They were even profitable in homeowners the year Hurricane Gloria hit.

Comments (NYC):

In that way, the people with the higher risk will pay higher price.

Comments (Undeclared/other):

The Insurance Department needs to allow this—makes sense.

4) Homeowners nonrenewals should be limited to 4 percent annually by rating territory:

	Yes	No	Unsure/depends
Suffolk County	13	5	1
Nassau County	11	1	1
NYC	10	3	0
Undeclared/other	2	1	0
Total	36 (75%)	10 (21%)	2 (4%)

Comments (Suffolk):

I need to think about this.

No. It should be done by region, i.e., downstate/upstate, etc. If they don't want to write downstate, then they should be nonrenewing risks that don't meet new business guidelines first.

Should be by ZIP code. Modeler companies do by ZIP—so do reinsurers—so should law!

Prevent current pull-out by Allstate/Encompass.

Comments (Nassau):

Nonrenewing by territory in auto hasn't hurt their ability to write new auto, has it?

Comments (NYC):

It should ask if nonrenewing over 2 percent.

No. Do you want to kill the market (e.g., NJ auto in the '90s)?

Comments (Undeclared/other):

Absolutely. And NYSID needs to monitor actions, like mandatory hurricane deductibles in non-CAT areas that push agents to move business for company, which get around the 4 percent rule.

NYPIUA policies (even when NOT part of CMAP “wraparound” package)

5) NYPIUA should (again) raise maximum

dwelling/contents limits:	Yes	No	Unsure/depends
Suffolk County	16	2	1
Nassau County	14	0	0
NYC	12	1	0
Undeclared/other	2	0	0
Total	44 (92%)	3 (6%)	1 (2%)

Comments (If yes, how much?) (Suffolk):

More and more business is going here. The dwelling values are much higher.

Yes—\$600,000 dwelling limit is fast becoming inadequate.

\$1 million before requiring XXX?

\$800,000+.

Uncouple building and additional living expense, since current need for additional living expense restricts building to under \$600,000—NYPIUA Board looks at PML!

Up to \$1,000,000/\$500,000.

No. \$600,000 OK for last-resort market.

\$1,000,000 even when the “wrap” applies.

Comments (Nassau):

\$750,000 total dwelling.

Even high-value homes can wind up in NYPIUA.

\$1,000,000.

Comments (NYC):

\$2,000,000.

Dwelling to \$1,000,000.

Up to \$1,000,000.

Adequate to satisfy mortgage.

Real estate has gone up since the last increase. Keep up with inflation.

Comments (Undeclared/other):

\$600,000 is way too low. Can get wraparound but not when NYPIUA is capped.

6) NYPIUA should offer replacement cost if owner-occupied, primary dwelling:

	Yes	No	Unsure/depends
Suffolk County	18	1	0
Nassau County	14	0	0
NYC	11	2	0
Undeclared/other	2	1	0
Total	45 (92%)	4 (8%)	0 (0%)

Comments (Suffolk):

Charge for it; cap it as the voluntary carriers do.
 Definitely. This alone would solve a major problem because banks are not accepting actual cash value policies. They are forcing consumers to insure mortgage value, which exceeds replacement cost.
 They already do for wraps—flat charge \$25!
 Similar to flood.
 Make the coverages the same as an HO-3.

Comments (Nassau):

YES, YES, YES.

7) NYPIUA should provide replacement cost option for all, including second homes:

	Yes	No	Unsure/depends
Suffolk County	15	4	0
Nassau County	12	0	2
NYC	8	2	2
Undeclared/other	1	1	1
Total	36 (75%)	7 (15%)	5 (10%)

Comments (Suffolk):

Absolutely.
 Would allow us to meet banks' requirements.
 If values are replacement value and they pay A/P, what ethical reason not to provide unless they want to screw the insured out of coverage on legitimate claim? Control by underwriting—available if updates within 25 years, etc.
 If they are maintained.

Comments (Nassau):

Depends on whether or not it's an income-producing property.

Comments (Undeclared/other):

No. Secondary homeowners should not be given same priority as primary homeowners.

8) NYPIUA should be able to use hurricane deductibles like standard market:

	Yes	No	Unsure/depends
Suffolk County	15	1	3
Nassau County	13	1	0
NYC	11	1	1
Undeclared/other	3	1	0
Total	42 (84%)	4 (8%)	4 (8%)

Comments (Suffolk):

Why not?
 It should be an option.
 As long as it is consistent.

Comments (Nassau):

Again, standardized triggers.

9) NYPIUA should offer full HO-3 policy:	Yes	No	Unsure/depends
Suffolk County	13	3	3
Nassau County	12	2	0
NYC	8	3	1
Undeclared/other	3	1	0
Total	36 (73%)	9 (18%)	4 (8%)

Comments (Suffolk):

This may be the only affordable game in town, especially if New York continues in this vein. That would be great!
 Unsure. I don't think NYPIUA is prepared to offer liability coverages. Let's solve the property issues first. Admitted carriers should offer a reasonably priced commercial property liability policy. Unsure. If they do, it might affect other carriers by having them close down their markets. Definitely.
 HO-1 or HO-2—this is, after all, distressed business.
 DP-1 is not protection! (Agent enclosed coverage chart showing “the shortfalls of the DP-1 dwelling coverage form.”)

Comments (Nassau):

No. DP-3 or DP-2.
 Long overdue.

CMAF program

10) Forget CMAF—it's worthless:	Yes	No	Unsure/depends
Suffolk County	10	4	5
Nassau County	4	7	2
NYC	4	4	5
Undeclared/other	1	1	2
Total	19 (39%)	16 (33%)	14 (29%)

Comments (Suffolk):

Unsure. I've never written a CMAF policy.
 Unsure. Worthless as it is now, but could become a viable option.
 Yes. We still write several—an E&O waiting to happen!

Comments (Nassau):

Unsure. Never used CMAF—not familiar with it.
 Let NYPIUA write homeowners policies.
 Couldn't have worded it better myself.
 No. We should publicize CMAF in a continuing education class.
 Never been a clear-cut, easy-to-place program.

Comments (NYC):

No. Agents must be better educated on how to use.

**11) Try to improve CMAF—
 it has its place:**

	Yes	No	Unsure/depends
Suffolk County	6	6	2
Nassau County	8	0	4
NYC	3	4	1
Undeclared/other	1	1	2
Total	18 (47%)	11 (29%)	9 (24%)

Comments (If yes, how?) (Suffolk):

The CMAF program should be administered by NYPIUA just like NYAIP.
 The companies should participate and not be asked to write business they cannot get reasonable reinsurance on.
 Regular market writes HO-3 excluding wind, like Utica National Insurance Group, with NYPIUA

picking up windstorm.
 Require carriers to write CMAP exposures, similar to NYAIP.
 Push for true wrap-around. CMAP creates building gaps in the broad-form area.

Comments (Nassau):

If NYPIUA issues HO-3s, no need for CMAP.
 Extremely time-consuming and difficult to process.
 With a binding program, similar to NYPIUA for autos.

Comments (NYC):

Unsure. Not used often enough to make a decision.

12) NYPIUA should offer broad-form coverage if issued with an HO-4 tenants policy in CMAP:

	Yes	No	Unsure/depends
Suffolk County	9	2	3
Nassau County	10	0	3
NYC	8	2	1
Undeclared/other	1	1	2
Total	28 (67%)	5 (12%)	9 (21%)

Comments (Suffolk):

What?
 NYPIUA should be able to offer same coverage as the admitted carriers at competitive rates.

Comments (Nassau):

Long overdue.

Comments (NYC):

We need broad perils for dwelling.

13) All CMAP wrap-around policies should be HO-3s with carve-out:

	Yes	No	Unsure/depends
Suffolk County	9	3	3
Nassau County	9	0	4
NYC	5	2	4
Undeclared/other	1	1	2
Total	24 (56%)	6 (14%)	13 (30%)

Comments (Suffolk):

No. Since this would make coverage = there should be another way of writing—additional market instead of safety net.
 Otherwise, E&S market provides better coverage.
 Even with HO-2 or HO-3, not an HO-4 “wrap-around,” this program will not work unless all carriers are included and it adds more confusion and problems.

Excess line market

14) Coastal homeowners should be added to Regulation 86 export list— not require declinations:

	Yes	No	Unsure depends
Suffolk County	10	3	4
Nassau County	10	2	1
NYC	9	2	2
Undeclared/other	2	0	1
Total	31 (67%)	7 (15%)	8 (17%)

Comments (Suffolk):

No. Underwriting changes frequently. You never know when a risk will be accepted. Always try to replace in the voluntary market.

This will help brokers/agents to cover E&O gaps.

Your additional proposals, thoughts or comments:**Suffolk:**

In my opinion, New York will soon be another Florida relative to the property insurance situation. It will be virtually unaffordable to all but the super-rich. We are on our way. There are not enough carriers willing to insure Long Island risks and the market is continually shrinking. We are populating the excess market. I also feel that the voluntary carriers are fast beginning to properly price their product.

NYPIUA should be allowed to write CMAP policies in conjunction with nonadmitted policies. Nothing works until NYPIUA is authorized permanently without the annual legislative circus. I would be very interested in pursuing this further.

Exclude windstorm from homeowners policy. Require separate policy for windstorm.

Allow NYPIUA to exclude windstorm loss to fences and unscheduled 10 percent of building, outbuildings in CAT 1+ storms. Having been in the Northeast quadrant track of Hurricane Gloria, I can attest that the vast majority of loss is not the main dwelling but out buildings and fences. If they are excluded, loss ratio will be much better. I suspect industry would follow.

Would like to see CAT/Reinsurance charge on policy, probably noncommissionable. Should be regulated with reinsurance costs provided to NYSID and adjusted up or down each year. Do not add to any windfall. Also, FEMA rules must be changed to allow low-interest loans to satisfy 5 percent deductibles—it could be \$20,000 or more.

(Agent attached 4-21-06 memo to former Supt. Howard Mills, with attached nonrenewal from Allstate citing no supporting auto business. "Maybe a case could be argued for discrimination, redlining or extortion that thousands of 'monoline' homeowners would appreciate as the 'Good Hands' company opens their hands and selectively drops them.")

Clearly, to attract and retain companies they need the flexibility to price the risk as needed (price = exposure + reinsurance), add a charge for a state CAT wind fund and use simple, flat \$ hurricane and/ or wind deductibles.

A CAT fund needs to be established for all insurance companies, including CMAP.

Nassau:

PIA should hold an education seminar on CMAP to familiarize agents not understanding its use.

Very few carriers participate in CMAP. New York Central Mutual wrote several, continues to renew. However, no new wrap policies.

NYPIUA should be permanent before any coverage enhancements are done except adding replacement cost.

Companies should have to take the good with the bad. If companies like Allstate stop writing on Long Island they should not be allowed to write in the rest of the state. PIA and the state legislators should be tougher on these companies.

NYC:

The state needs to implement a CAT fund for the coastal market. Add wind deductibles as well to HO-3. With a CAT fund will reduce exposures for carriers.

Insurance Department should have more oversight on reinsurance companies (they are driving the market).

Undeclared/other:

Westchester should not be included as coastal exposure except villages on Long Island Sound. Including upper Westchester is unfair. We need a level playing field with all companies offering the same hurricane deductibles and same definition of hurricane. Definition of hurricane says, makes landfall in New York State. There are coastal areas of New Jersey that are within 15-20 miles of Long Island Coast. If it makes landfall on the New Jersey coast, hurricane deductible does not apply to New York territories. Yet, if it makes landfall on Long Island, Westchester County, which is 40 miles away, has hurricane deductible apply. Doesn't make sense. Definition should be by radius, not state.

PIA—your best source of information