Bill as Introduced

SB 201 – AS INTRODUCED

2003 SESSION

03-1170
01/10

SENATE BILL ***201***

AN ACT establishing a committee to study insurance practices relative to homeowner's insurance.

SPONSORS: Sen. Larsen, Dist. 15; Sen. Estabrook, Dist 21; Sen. Below, Dist 5; Sen. Cohen, Dist 24; Sen. Foster, Dist 13; Sen. Roberge, Dist 9; Rep. Francoeur, Rock 85; Rep. DeStefano, Merr 41; Rep. Kathleen Taylor, Straf 70

COMMITTEE: Insurance

ANALYSIS

This bill establishes a committee to study insurance practices relative to homeowner's insurance.

Explanation: Matter added to current law appears in ***bold italics.***
Matter removed from current law appears [~~in brackets and struckthrough.~~]
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

SB 201 – AS INTRODUCED

03-1170
01/10

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Three

AN ACT establishing a committee to study insurance practices relative to homeowner's insurance.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 Committee Established. There is established a committee to study insurance practices relative to homeowner's insurance.

2 Membership and Compensation.

I. The members of the committee shall be as follows:

(a) Three members of the senate, appointed by the president of the senate.

(b) Three members of the house of representatives, appointed by the speaker of the house.

II. Members of the committee shall receive mileage at the legislative rate when attending to the duties of the committee.

3 Duties. The committee shall study insurance practices relative to homeowner's insurance. The committee shall specifically include in its study the practice of canceling or not renewing policies where a claim was made or where multiple small claims were made within a specified time period.

4 Chairperson; Quorum. The members of the study committee shall elect a chairperson from among the members. The first meeting of the committee shall be called by the first-named senate member. The first meeting of the committee shall be held within 45 days of the effective date of this section. Four members of the committee shall constitute a quorum.

5 Report. The committee shall report its findings and any recommendations for proposed legislation to the senate president, the speaker of the house of representatives, the senate clerk, the house clerk, the governor, and the state library on or before November 1, 2003.

6 Effective Date. This act shall take effect upon its passage.

Committee Minutes

Date: March 25, 2003
Time: 8:30 AM
Room: 101, LOB

The Senate Committee on Insurance held a hearing on the following:

SB 201 establishing a committee to study insurance practices relative to homeowner's insurance.

Members of Committee present: Senator Flanders
Senator Prescott
Senator Cohen
Senator Martel
Senator Roberge

The Chair, Senator Robert B. Flanders, opened the hearing.

Senator Robert B. Flanders, D. 7: It is 8:30 AM and we will open the hearing on SB 201, a couple of reasons why: 1) Is because we have someone that wants to testify first and he has to be somewhere at 9 o'clock and 2) Since Senator Larsen is not here, so I will recognize Roger Sevigny from the NH Insurance Department.

Roger Sevigny, NH Insurance Department: Thank you Mr. Chairman, committee members. I am Roger Sevigny with the insurance department and am here to talk about Senate Bill 201. I will give you an overview as to what the Department's activity has been with regard to the availability of homeowners and any complaints related to non-renewals and the issue that the study committee is looking to study.

What I'll do is handout a copy of the report that the Department issued in September. As a result of the study that the Department itself did on the availability of homeowner's coverage and commercial property coverage as well, but a lot of the focus was on homeowner's coverage.

You can see that the Department held public hearings in two different venues and in addition to that had two other meetings with the citizens of New Hampshire. They looked at the issue and attempted to make some sense of it to see if intervention was warranted at the time. Having said that, I can tell you that most recently, the Department has started to have a flurry of

activity on complaints and concerns regarding non-renewal and that's not necessarily surprising. We have had a very tough winter and homeowner's are putting in claims and the company underwriting is getting stricter and companies are looking more closely at reliefs available under the law.

The law currently allows a company to non-renew if a homeowner has had more than one claim in any given policy period. What the Department has done since doing its own study is to meet with industry on a number of occasions to talk about alternatives to simply non-renewing. That is to say, are there ways that companies could come up with probably more innovative products or charges that would better reflect the exposure that they are seeing?

The Department has also put together a market assistance plan that it has not rolled out yet because it is not finalized. The Market Assistance Plan would be designed to assist the consumer that has been either non-renewed or refused coverage for homeowners insurance. It's a mechanism that would not mandate that coverage be written, but would provide greater availability to all companies writing homeowners in the state under this particular plan. The department is also working with ISO (Insurance Service Offices) to develop some products that industry could use that will hopefully help the marketplace.

One example of what ISO has developed and is being looked at the Department right now is the issue that deals with dogs, and the availability of insurance with regard to owning a dog. ISO has developed a form that would exclude dogs with buy-back provisions at supplements. The homeowner would be able to purchase the coverage but would have to pay some additional premium if they owned dogs of certain breeds. That would at least give the homeowner the availability currently not with all companies, but with some companies, if you owned a particular breed of dog they will not provide you with insurance or they will non-renew you. Not all companies do this; some companies don't have, as they call them, dog lists. Those are some of the efforts that the Department has been involved in.

We also met with both the Professional Insurance Agent's Association and the Independent Insurance Agent's Association of New Hampshire on a number of occasions to get a pulse on what's going on. Where the rubber meets the road, those are the folks, the agents who feel the impact of having a homeowner either non-renewed or not being able to find appropriate coverage for their home.

They are currently two house bills that have been retained, House Bill 115, and House Bill 174. Those two bills deal with homeowners insurance and the ability to non-renew. One has to do with dogs, and the other has to do with non-renewal as a result of the numbers of claims. I testified on both those bills, and both those bills have been retained. I continue to work with the House and with industry, and those bills will be further reviewed this fall to see if any further action needs to be taken.

The Department's hope is that working with industry, we will be able to come to a resolution without legislative intervention. I would suggest that possibly this bill here when it gets to the House be combined with those two, it's very pertinent topic is very much the same. Thank you.

Senator Robert B. Flanders, D. 7: Any questions of this witness? If not, thank you for your testimony.

Senator Larsen, I went and took Mr. Seviny first because he has to be in another meeting. So now I recognize the prime sponsor of the bill, Senator Larsen.

Senator Sylvia B. Larsen, D. 15: Good morning. I understand you have already started on the bill and I think that is appropriate. In Senate Bill 201, I am the prime sponsor of it; my name is Sylvia Larsen, state senator for District 15.

I introduced this bill at the request of a constituent and since introducing it in December, have received numerous other calls from people who are expressing a similar concern. Obviously this bill is a study committee, to study insurance practices relative to homeowners insurance. You heard that the House has been discussing this issue, as well. Clearly it is an issue of concern to people in New Hampshire, as many representatives and senators know the need for such a study.

What we have for mostly anecdotal information, and we need in the study to begin to look at the exact situation in New Hampshire. Current homeowners insurance in the State of New Hampshire is where homeowners are finding that if they file more small claims in the period of a term, they are not being allowed to renew their homeowners insurance. Often times, once they have been denied that homeowners insurance from their original insurer. They then find as they shop around for someone else to cover their plan, that there is no one else who will cover it, or that their premiums, are as such, that they are sky high.

I think all of us who have homeowners insurance know that we pay thousands of dollars every year for that unexpected occurrence in our house, whether it's a pipe breaking, electricity storms hitting our computers. We have many things of value in our home, which we wish to cover, and we pay very significant sums of money to cover those kinds of situations. When we find that the very insurance which we are carrying refuses to cover it, then you begin to wonder why you are paying all those thousands of dollars.

What hopefully will come out of a study of this sort is some recognition that there maybe more than one claim in a period of a term. In fact, people who are caring and paying for coverage should be able to assume that coverage will be there and that they will not be biased against when they go into the market for a later purchase

I think you will find from the people who carry homeowners insurance they are doing that to be responsible for coverage of their property and they expect the insurance companies to be equally as responsible. I think you will hear perhaps from some constituents who have this concern and if it means that we need to merge our study, and make it a joint study with the House, perhaps that's a solution. As I say it's not something, which we want to tuck under the rug and ignore. Thank you.

Senator Robert B. Flanders, D. 7: Any questions of this witness? Yes, Senator Martel.

Senator Andre Martel, D. 18: Senator Larsen did you recognize this when they were passing the bill, that there was a study that the criminal investigator would look into different practices of coverage. Like dog coverage, liability coverage for homeowners who live within their own premises?

Senator Sylvia B. Larsen, D. 15: I think any situation that a homeowner might find themselves when they take insurance and its in a policy that it should be covered that the fair expectation is that it will be covered. If animal damage is an issue and not within the contract that should be a recognized use and paying coverage of a damage, it comes with a curse, because of that. I think people need to trust that the contracts they sign are reasonable and that payment will be made.

Senator Robert B. Flanders, D. 7: I'm not opposed to the study committee, but I would just like report things that I have seen happen in the past. There are people out there who stand out in a year's time to get their premium back, and those are the one's you have to watch out for because they have put in enough money to get their premium back. I'm sure this is one of the

reasons the company is saying one or two claims. I seen it, I've seen it happen, we watched it, we did some studies (inaudible) back in New Hampshire, and the company has to protect themselves from this type of person also.

Senator Sylvia B. Larsen, D. 15: Shouldn't they look at an insurers history for example, I for example in twenty years of home owning, have almost no claims. In a period of two years, I had two significant electrical storm damages to expensive equipment, which my insurance did cover, and they have not given me problems to continue coverage.

If you had a pattern of someone trying to recoup their premiums annually that is a different kind of customer than one who may have three incidences in a period of three years, but not have had anything for twenty. I think you need to look at the whole picture, and that is what I hope some of this study discussion will result in.

Senator Robert B. Flanders, D. 7: Any other questions? Thank you. Is there anyone else who wishes to speak in reference to Senate Bill 201? I only have to call Nash who has signed up opposed and does not wish to speak. Is there anyone else who wishes to speak? If not, I am going to close the hearing on...

Senator Sylvia B. Larsen, D. 15: I'm sorry they weren't aware that they should sign up, but they do wish to speak.

Senator Robert B. Flanders, D. 7: You wish to speak?

John Aldrich, Citizen: Good morning, my name is John Aldrich, I live here in Concord, I have not had this happen to me. I personally have had homeowners insurance since about 1965, and have never filed a claim. I have heard of instances, and I have a personal friend that filed a couple of small claims in a year's time and their insurance was dropped. I think everybody understands that any company or any business no matter what we are in, we need to make money, that is how every business survives.

A business needs to price its products so that it can make a fair profit, but it also needs to understand that for that product, it needs to provide that product and not cancel for frivolous reasons. I think as Senator Larsen said, we need to look at the person's history, and if they need to adjust premiums accordingly so that they can provide better insurance, maybe they could do

something like the automobile insurance does. If you got some claims or accidents or speeding tickets you adjust the rates upwards accordingly. Then after a period of two or three years, bring the rates back down into whatever the base rate is...

I have heard and read in the newspaper where people are so called, blackballed, so if they get refused by one insurance company they can't get insurance anywhere.

Senator Robert B. Flanders, D. 7: Any questions of this witness? I thank you for your testimony. Please sign the sheet so we have reference.

Dr. Henry Munroe, Citizen, Pembroke, NH: Mr. Chairman for the record my name is Dr. Henry Munroe and I am from Pembroke. I did run into a situation, I had the same carrier since 1943, and in 1993, I had a pick-up truck burn up in my yard, and my insurance was cancelled.

I thought it was not only an outrageous but its almost one of the givens I think in our society that we will be protected. The insurance company that I had all of those years, I was rather irritated with, in fact, I was outraged. I wrote some letters, did some calling, came to the insurance department here in Concord and found that I had no recourse. In the legislature in their wisdom has provided for a fact, if you are cancelled you're not completely blackballed, so you can find an insurance carrier. No one has any concern about the fact that when the homeowner or the person losses it, he looks over the particular record and determines how much the payments were over a period of time. My pick-up truck probably cost $15,000.

My assumption was that over the years I probably paid just about that amount of money, and I realize that the insurance company is in the business, sort of a sought out banking organization that has to make their money. It is almost, I think, a given at least in my generation, and my age that you are protected by the insurance company in a rather honorable way.

I found this not as I said, it is not only disconcerting. I think it's something that most of us who have spent our lives in either developing our homes, or accumulating what small treasures we can and hoping that it is protected by those individuals who run the insurance company.

I would urge you to form this study committee, as I said, especially having gone through the situation myself. I thank you for your time.

Senator Robert B. Flanders, D. 7: Any questions of this witness? Thank you for your testimony.

Dr. Munroe: Certainly.

Senator Robert B. Flanders, D. 7: Please sign the sheet. Anybody else wishes to speak in reference to Senate Bill 201? If not, I will close the hearing on SB 201.

The hearing on Senate Bill 201 closed at 8:50 AM

Respectfully submitted

Livia Acdan

Livia Acdan
Senate Secretary

Attachment "A"

ATTACHMENT 'A'

REPORT of the NEW HAMPSHIRE INSURANCE DEPARTMENT
RELATIVE to the AVAILABILITY of
HOMEOWNERS COVERAGE & COMMERCIAL PROPERTY COVERAGE
September 20, 2002

Background:

Over the last six months the Department has received numerous consumer and producer calls regarding the availability and cost of homeowners coverage and commercial property coverage, especially in the Seacoast Area and in the North Country. The Department has also received calls from concerned Legislators and Executive Councilors that have heard complaints from constituents.

At the end of May 2002, the Department met with representatives of the Professional Insurance Agents of New Hampshire (PIANH) and representatives of the Independent Insurance Agents of New Hampshire (IIANH) to discuss market conditions in the area of property coverage in New Hampshire. On June 19, 2002 Commissioner Rogers and Assistant Commissioner Sevigny were invited to and attended a meeting in Hampton sponsored by the Hampton Beach Chamber of Commerce. They heard from individuals having difficulty obtaining coverage, and from individuals rejected for coverage in the admitted market. A number of those consumers were able to obtain coverage in the surplus lines market, but at a significantly higher premium with reduced coverage. At the end of June 2002, the Department issued a memorandum to insurer and producer trade and professional associations asking those associations to survey their membership regarding market conditions for property coverage in New Hampshire. On July 2, 2002, Assistant Commissioner Sevigny met with representatives of the Independent Insurance Agents of New Hampshire (IIANH) to discuss the results of their survey, and to hear about a program initiated by IIANH to broker personal lines property coverage in the surplus lines market. To provide broader public comment, the Department scheduled and publicized two (2) hearings to obtain information from the public, insurers, and producers. Those hearings were held on August 5, 2002 in Hampton and on August 6, 2002 in Carroll.

The following is intended as a synopsis of information collected by the Department from the various consumers, insurers, producers and associations.

Insurers:

The industry has experienced growth in both personal and commercial lines during the past decade. As a function of a very competitive market, premiums for property coverages have been artificially low for a number of years. Insurers were able to withstand the underwriting losses because of favorable investment market conditions. Investment market conditions have changed. Adverse insurer loss-cost experiences have been substantial. Emerging coverage issues involving terrorism, mold, and wind have compounded the problem. Larger legal settlements and awards have continued to impact insurers. As a consequence of these trends, the insurance market has hardened with tighter underwriting and higher premium costs. Capacity issues exist for a number of carriers. Certain carriers have withdrawn from the personal lines market in the State over the past eighteen months to two years because of adverse business experience. Others are placing restrictions on new business or seeking to address excessive risk concentration.

While companies are instituting stricter adherence to underwriting standards, the majority of companies report that they have not reduced their market share or changed

underwriting criteria, although a significant number of insurers have chosen not to write commercial properties within 500 to 1000 feet of the shoreline or tidal waters

Reinsurers:

Discussions with the Reinsurance Association of America confirm a very active reinsurance market. Market observers note that the rate increases in the primary market were felt very quickly, after September 11, while reinsurers in some instances have effected their first rate increases in July of 2002. While the reinsurance markets, particularly Bermuda, have experienced an influx of money over the past year, the reinsurance markets will be focusing on underwriting profits. Property catastrophe reinsurance is abundant and available for both homeowners and the small to mid-size commercial lines property market; however, the cost of reinsurance is up.

Producers:

Insurance producers (agents, brokers) have uniformly reported a tightening of the personal lines and commercial lines markets. Some companies have not renewed agency contracts and some are not interested in new business. Producers unable to place certain risks in the admitted market have had to look to the surplus lines market for coverage, at substantially increased rates with reduced protection. Producers indicated that the surplus lines market was at risk of being overbooked and that timely response was sometimes a problem.

The results of an IIANH poll of their members showed that of seventy-two agencies reporting, thirty-five had experienced a termination and sixty-two had experienced coverage refusal of one type or another. Prime coverage denials exist for dogs, trampolines, wind exposure, coast exposure and proximity to inland waters.

Some producers suggested that carriers should be allowed to offer Department approved sublimits for certain risks as a possible ease to market conditions. Other producers expressed concerns over sublimits that they believed would expose producers to errors & omissions claims.

Consumers:

Seacoast consumers reported an array of issues at the August 5th public hearing, including insurer withdrawal from the market, insurer underwriting restrictions on properties with proximity to coastal waters and insurer underwriting restrictions on properties within close proximity to each other. Wind damage exclusions in the surplus lines market were of particular concern. Commercial property owners expressed similar concerns.

At the August 6th hearing in the North Country, consumers expressed concerns about insurer withdrawal from the market and tighter underwriting restrictions. Coverage for second homes (condominiums held for rent) was nearly unavailable in the standard personal lines market with new carrier requirements that these risks be written as commercial lines coverages. Also, older properties and properties in remote areas away from fire protection were not meeting tight underwriting standards and, therefore, were being refused coverage in the standard market.

Nationwide Trends and Indicators:

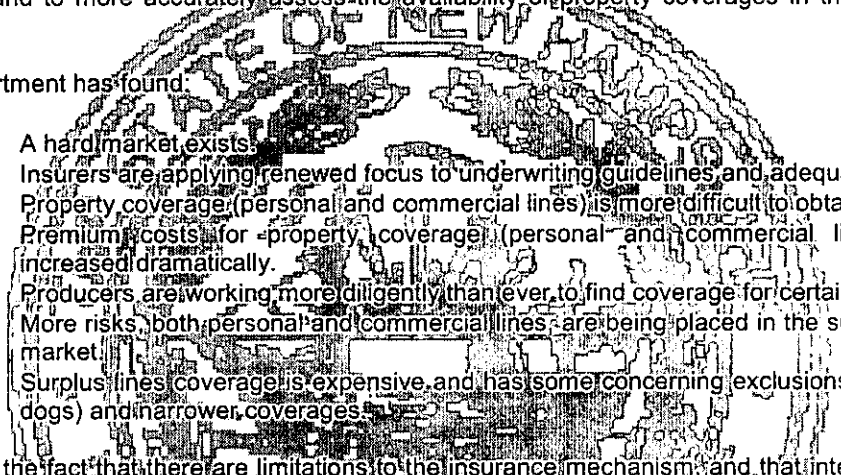
Regional and national news reports carried in general circulation newspapers and insurance trade journals confirm the existence of a nationwide hard market in the

property and casualty area, particularly in the homeowners and commercial property market.

Property markets, both personal and commercial, are experiencing rate hikes and diminished capacity nationwide. On July 18, 2002, the Council of Insurance Agents and Brokers reported to the National Association of Insurance Commissioners (NAIC) that their latest survey of the commercial insurance market shows that the hard market is unabated. Reinsurance rate hikes are expected to continue as that market struggles with the aftermath of September 11, 2001, low investment income and reserve strengthening. Terrorism coverage had become unavailable in some instances and difficult to secure for other risks, and when secured is more expensive for all risks.

Department Findings/Conclusions:

The Department has engaged in an information gathering effort to better understand the prevailing market conditions as they apply specifically to New Hampshire's residents and markets, and to more accurately assess the availability of property coverages in the voluntary market.



The Department has found:

- A hard market exists.
- Insurers are applying renewed focus to underwriting guidelines and adequate pricing.
- Property coverage (personal and commercial lines) is more difficult to obtain.
- Premium costs for property coverage (personal and commercial lines) have increased dramatically.
- Producers are working more diligently than ever to find coverage for certain risks.
- More risks, both personal and commercial lines, are being placed in the surplus lines market.
- Surplus lines coverage is expensive and has some concerning exclusions (i.e. wind, dogs) and narrower coverages.

Mindful of the fact that there are limitations to the insurance mechanism, and that intervention in the voluntary market has the potential of creating unanticipated adverse consequences, the Department has determined that formal regulatory measures at this time are neither necessary nor appropriate. Nonetheless, the Department will maintain regulatory vigilance to ensure that, should the market experience further deterioration, the Department will be positioned to move quickly. Toward that end, the Department is requesting that industry provide recommendations as to the design of a market assistance program narrowly targeted to the prevailing market conditions presently being experienced by New Hampshire consumers. Initial request for input is being directed to the top ten carriers by premium volume presently writing in both the commercial and homeowner lines. Input is also being requested from other carriers through insurer trade associations. Additionally we are requesting that producer associations provide the Department with input on the administrative issues raised by the consideration of a market assistance program.

(horesults.doc)

Speakers

SENATE INSURANCE COMMITTEE

Date 03/25/03 Time 8:30 AM Public Hearing on **Bill # SB 201**

establishing a committee to study insurance practices relative to homeowner's insurance.

Please check box(es) that apply.

SPEAKING	FAVOR	OPPOSED	NAME (Please print)	REPRESENTING
☐	☐	☒	BOB NASH	NH INDEPENDENT INSURANCE AGENTS + BROKERS
☒	☐	☐	ROGER SEVIGNY	N.H. INS DEPT
☒	☒	☐	John Aldrich	Concord - Self
X	X	☐	Henry Munroe	Pembroke.
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Committee Report

STATE OF NEW HAMPSHIRE

SENATE

REPORT OF THE COMMITTEE

Date: March 27, 2003

THE COMMITTEE ON Insurance

to which was referred Senate Bill 201

AN ACT establishing a committee to study insurance practices relative to homeowner's insurance.

VOTE: 5-0

Having considered the same, report the same without amendment and recommend that the bill: **OUGHT TO PASS.**

Senator Burt Cohen
For the Committee

SB201 Docket

Next|Prev|Results List|Main|Bill Status

Bill Title: establishing a committee to study insurance practices relative to homeowner's insurance.

Date	Body	Description
1/30/2003	S	Introduced and Ref. to Insurance; SJ 3, Pg.40
2/14/2003	S	Hearing; April 1, 2003, Room 101, LOB, 8:30 a.m.; SC10
3/14/2003	S	Hearing; ==== RESCHEDULED ==== March 25, 2003, Room 101, LOB, 8:30 a.m.; SC14
3/28/2003	S	Committee Report; Ought to Pass, [04/03/03]; SC16
4/3/2003	S	Ought to Pass, MA, VV; OT3rdg; SJ 11, Pg.254
4/3/2003	S	Passed by 3rd Reading Resolution; SJ 11, Pg.266
4/8/2003	H	03/26/2003 Introduced and ref to Commerce; HJ34, p1087
4/8/2003	H	Hearing Apr 16 11:00 RM302,LOB
5/13/2003	H	Maj Report ITL for May 29 (Vote 13-1;CC)
5/29/2003	H	ITL Report Adopted; HJ 45, p1451

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Docket Abbreviations