



Bernard N. Bourdeau, President
Ellen Melchionni, Vice President

Email: info@nyia.org
Website: www.nyia.org

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Howard D. Mills, Superintendent
New York Insurance Department
One Commerce Plaza 17th floor
Albany, NY 12257

Dear Superintendent Mills:

I write to comment on the current situation for homeowners insurance in New York State, and more specifically those regions of the state with coastal exposures. As you may know the New York Insurance Association Inc. (NYIA) is the state Property and Casualty insurance trade association. Our members write about one in every three dollars of insurance covering the homes, autos and business of New York and have done so for well over 100 years.

I commend you and the Insurance Department for conducting this hearing and for engaging the P&C industry in a dialogue on the issues surrounding the availability of homeowners insurance. NYIA and its members will be active participants in that dialogue.

New York public policy provides for a mandatory three year renewal on homeowners business. That policy serves to stabilize the market against sudden shifts in company strategies. Furthermore, in the aftermath of 1992's Hurricane Andrew, when New York's coastal homeowners faced potential market dislocations worse than the current situation New York acted to require the filing of orderly plans of withdrawal in certain circumstances and activated the Coastal Market Assistance Program (CMAP). Against a backdrop, at the time, of perceived severe market dislocations, and dire predictions by certain agents with large coastal books of business that the sky would surely fall in, any day, the Insurance Department and the Legislature, to their credit, did not overreact.

Largely because there was not an overreaction by government, other companies moved in to write the business being shed by the companies that decided to reduce their coastal exposure. What lesson can we draw from New York's post-Andrew temporary market dislocations? If public policy stays the course, and assists in the efforts to match buyers and sellers, the private sector will act to stabilize the market. It always does.

Companies today are poised to capture the market share being conceded by their competitors. The worst thing that could happen at this point would be a government reaction, by legislation or regulation, that is perceived by these companies as restricting their ability to manage their business. That would reduce the flow of new capacity to the coastal market, the very thing that is most needed at this time.

I respectfully suggest that New York's public policy with respect to homeowners insurance and with respect to market activity in coastal areas, provides the Insurance Department with all the tools it needs to effect an orderly market transition. I urge the Department to use those tools and take no action to restrict the flow of new capital.

Yours truly,

Bernie Bourdeau, CAE
President