

Hawaii State Legislature
House Committee on Consumer Protection and Commerce
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

February 16, 2016

Filed via electronic testimony submission system

Dear Representative Angus L.K. McKelvey, Chair; Representative Justin H. Woodson, Vice Chair; and honorable members of the House Committee on Consumer Protection and Commerce:

RE: HB 370, Hawaii Property Insurance Association - NAMIC's Written Testimony in Opposition

Thank you for providing the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to your committee for the February 17, 2016, public hearing. Unfortunately, I will not be able to attend the public hearing, because of a previously scheduled professional obligation.

NAMIC is the largest property/casualty insurance trade association in the country, serving regional and local mutual insurance companies on main streets across America as well as many of the country's largest national insurers.

The 1,300 NAMIC member companies serve more than 135 million auto, home and business policyholders and write more than \$208 billion in annual premiums, accounting for 48 percent of the automobile/homeowners market and 33 percent of the business insurance market. NAMIC has 69 members who write property/casualty and workers' compensation insurance in the State of Hawaii, which represents 30% of the insurance marketplace.

Through our advocacy programs we promote public policy solutions that benefit NAMIC companies and the consumers we serve. Our educational programs enable us to become better leaders in our companies and the insurance industry for the benefit of our policyholders.

NAMIC and its members appreciate the concerns that some homeowners have in regard to natural disaster exposure, and the consumer's need to insure their property. Insurers in the State of Hawaii are competitive and strive to provide consumers with a wealth of insurance options that properly and accurately match risk to insurance rate. In order to address the insurance needs of consumers in a large and diverse marketplace, insurers have to engage in reasonable and comprehensive rating and underwriting practices designed to promote pro-consumer market

competition. Since insurers, especially mutual insurance companies, have a duty to their policyholders as both “individual” policyholders and the “collective” of policyholders, who comprise the mutual insurance company (a non-stockholder owned company), insurers need to have flexibility to rate and underwrite their own insurance book of business in a manner that best addresses the needs of their particular collective of policyholders.

Consequently, the proposed restrictions on underwriting freedom are concerning, because they are inconsistent with standard actuarial principles, and will hinder insurers in their ability to engage in comprehensive risk-based underwriting. Consideration of natural disaster exposure is a necessary and important part of the insurance risk assessment. Prohibiting insurers from being able to non-renew a property based upon a legitimate risk variable (exposure to a natural disaster) is detrimental to the welfare of all insurance consumers.

Insurance consumers want and deserve their insurance rates to reflect their personal risk of loss exposure and consumers don’t want to be forced to subsidize the insurance rates of individuals, who have made a personal decision to accept a specific higher-risk of loss exposure. “Low risk of loss” consumers should not be required to subsidize the insurance rates of “high risk of loss” consumers. Even though insurance is a form of risk aggregation and sharing, basic notions of fairness still hold true, and insurers should be free to make the business decision as to what is the best composition of risk exposure for its policyholders. If an insurer wants to non-renew a property, because of a particular risk of loss exposure, it should have the right to do so, and the rest of the pool of the insurers in the marketplace should have the right to decide if they want to compete for those policyholders.

For the aforementioned reasons, NAMIC respectfully requests that the committee **VOTE NO on HB 370**, and let insurers compete for business in a manner that best addresses their own business model and in a way that best addresses the needs of their insurance consumers.

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,



Christian John Rataj, Esq.
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