

3601 Vincennes Road, Indianapolis, Indiana 46268
Phone: 317.875.5250 | Fax: 317.879.8408

122 C Street N.W., Suite 540, Washington, D.C. 20001
Phone: 202.628.1558 | Fax: 202.628.1601

January 2, 2008

Mike Valdez
Georgia Underwriting Association
PO Box 956158
Duluth, GA 30095-6158

Via e-mail

Dear Mr. Valdez,

Thank you for the opportunity to provide feedback on Commissioner Oxendine's proposal to create a Georgia Coastal Insurance Corporation (GCIC). The National Association of Mutual Insurance Companies (NAMIC) appreciates and applauds the commissioner's desire to anticipate future needs relative to Georgia's coastal risk exposure. However, we are not certain it is necessary to create a completely new mechanism for that purpose.

NAMIC is a trade association representing more than 1,350 member companies underwriting over 40 percent of the property/casualty premium in the United States. In Georgia, we have 141 members that collectively write nearly 40 percent of the property/casualty insurance market.

As mentioned in the plan's findings, the Georgia Underwriting Association (GUA) "has provided and continues to provide outstanding service to Georgia citizens." We agree wholeheartedly with that statement. The GUA could address future coastal risk needs and in fact has already taken steps in this regard, including purchasing reinsurance and establishing a \$20 million line of credit to pay for potential catastrophe losses.

Allowing the GUA the latitude to handle specific coastal exposures could make it possible to address those needs without expending more resources than absolutely necessary. Additionally, some companies not currently doing business in Georgia but considering it in the future may perceive an additional residual market entity as a barrier to entry, so that could be yet another argument for allowing the GUA to deal with future coastal risk needs.

Regardless of whether a new or existing entity is the mechanism selected, rate adequacy, along with stronger building codes and better enforcement, must be an integral part of any effort to address future claims-paying ability for high-risk exposures such as coastal areas. Recognition that the rate for the wind peril on the coast should be greater than in the middle of the state would go a long way toward ensuring funds are available in the event of a hurricane strike. NAMIC encourages the inclusion of rate adequacy in any discussions related to how best to financially prepare for such a possibility.

Another key to the success of any plan is reinsurance. We urge you to involve reinsurers in early discussions regarding the pros and cons of various wind pool mechanisms.

We also are concerned that by focusing on “fair share” as related to geography, the plan does not take into consideration the unfair financial burden that could be placed on companies serving niche markets or defined groups of policyholders who may not be equally dispersed throughout the state. How will “fair share” be defined? In terms of exposure? Policy count?

We understand that the GUA is working with the DOI to collect relevant information and create a database in the necessary first step of studying the current situation before considering possible solutions. No formulas are meaningful without data. Prior to settling on any specific solution, it will be helpful to consider how companies of all types and sizes doing business in Georgia would be affected by the assessments proposed and how those assessments would trickle down to the pocketbooks of policyholders.

Again, thank you for the opportunity to provide feedback. We look forward to working with Commissioner Oxendine, the GUA, and others in the industry to develop appropriate measures for dealing with the threat of hurricane damage on the Georgia coast.

Regards,

A handwritten signature in blue ink that reads "Liz Reynolds". The signature is written in a cursive style.

Liz L. Reynolds, CPCU, API
State Affairs Manager – Southeast Region