

February 29, 2016

Senator Mia Costello, Chair  
Senator Cathy Giessel, Vice-Chair  
Senate Labor and Commerce Committee  
State Capitol Room 125  
Juneau AK, 99801

**Re: Senate Bill 160, Proof and method of mailing notice from an insurer**

Thank you for affording the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony for the public hearing on SB 160. NAMIC is the largest property/casualty insurance trade association in the country, with more than 1,400 member companies representing 40 percent of the total market. NAMIC supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers.

NAMIC member companies serve more than 170 million policyholders and write nearly \$225 billion in annual premiums. Our members account for 54 percent of homeowners, 43 percent of automobile, and 32 percent of the business insurance markets. NAMIC has 96 members who write property/casualty and workers' compensation insurance in the State of Alaska, which represents 41% of the insurance marketplace.

NAMIC and its members are opposed SB 160, because it will impose an unnecessary administrative cost and burden on insurers that could adversely impact affordability of insurance for consumers and small businesses in the State of Alaska.

Current state law requires an insurer to send an insurance policy related notice to the policyholder by U.S. Postal Service first class mail with proof of mail the notice by certificate of mailing from the U.S. Postal Service. The proposed legislation would require mailing of notices by U.S Postal Service certified mail, return receipt.

NAMIC is opposed to this significant change in the law for the following reasons:

1) **The proposed legislation is unnecessary** – There is no evidence to support the contention that insurance policyholders are currently not receiving notices sent by their insurance company, let alone evidence that any such alleged problem is widespread. If consumers were not being provided with proper and timely notice as required by state law, the Alaska Division of Insurance (DOI) would have a record of complaints pertaining to this problem. There is no data supporting the belief that first class mailing with proof of certificate of mailing is not working effectively.

In fact, use of certificate of mailing as proof of delivery is the standard method used in the business community, because it is cost-effective and provides reasonable proof and documentation of mailing. The use of certified mail, return receipt is only used in very limited situations in the business and legal community when the cost of this expensive mailing process is expressly required and the item or documentation being delivered is of a nature that merits imposing an additional financial burden and

personal inconvenience on the parties. Notices pertaining to insurance policies are not generally of this nature.

**2) The national trend in communicating with insurance policyholders is to utilize more consumer-convenient and cost-effective mediums** – The overwhelming majority of states in the nation have recognized that the use of first class mail with a certification of mailing adequately addresses the needs of insurance consumers, regulators, and insurance companies. These states appreciate that certified mail, return receipt mailing of notices is excessive and the burdens/costs outweigh the benefits to the insurance consumer.

Only two states in the nation have even a *limited* certified mail, return receipt requirement, and these states restrict the mailing requirement to only certain types of notices. Michigan only requires certified mail, return receipt for rescission notices, and Wyoming only requires it for cancellations of the insurance policy. The proposed legislation would make Alaska a regulatory outlier and the most expensive state in the nation for providing notice to consumers.

Further, with the ever-growing consumer demand for paperless and convenient e-delivery of business and insurance communications, many states are adopting laws that allow delivery of notices via email delivery. The proposed legislation is a step backward, not forward in use of modern technology to communicate with insurance consumers.

**3) SB 160 will create an unnecessary insurance rate cost-driver that could adversely impact affordability of insurance** – A certificate of mailing costs an insurer \$0.38 per mailed notice, a certified mail, return receipt mailing delivery, will cost an insurer \$6.25 per mailed notice (assuming the U.S. Postal Service doesn't increase the rate with its anticipated price updating scheduled for April 2016). This is a substantial increase in the postage expense for insurers per notice. NAMIC's members estimate that this will cost the insurance industry several million dollars per year, which is likely to have an adverse impact upon the cost of insurance.

NAMIC is also concerned that the proposed legislation will create an administrative operational cost for insurers that will act as an insurance rate cost-driver. Specifically, preparing a letter for certified mail, return receipt is labor intensive. The envelope needs to be labeled with a U.S. Certified Mail postal form, the return receipt form needs to be created for each envelope, and a listing needs to be created itemizing each letter to be mailed. This preparation process will be labor intensive for insurer, especially in light of the fact that the bill applies to all forms of notices.

**4) There is no evidence to support that the proposed notice delivery method is any more likely to ensure that consumers receive written notice from the insurer** – The current certificate of mailing requirement provides reasonable proof and documentation that the insurer complied with its statutory duty to provide written notice of a change in the contractual relationship between the insurer and policyholder. From a legal standpoint, the current law is clear – if the insurer has a certificate of mailing of the notice, the insurer is in compliance. The proposed legislation would make the situation legally unclear for insurers, because an insurer has to wait for the U.S. Postal Service to send the insurer the policyholder signed return receipt. If the insurer never receives the policyholder signed return receipt, the insured could argue that he never received the notice and that the insurer failed to comply with the law. The proposed legislation could create a host of insurance coverage legal problems for insurers and regulatory issues for the Division of Insurance.

Moreover, there is no evidence to support the conclusion that the proposed delivery method will improve the delivery of notices to policyholders. For many consumers, finding time during the business hours of the day to go to the post office and wait in a typically long line to sign for a certified mail, return receipt letter is quite difficult. This will impose an unnecessary inconvenience on policyholders, and, as we all know, there are a number of consumers who just won't go to the post office to sign for any postal delivery.

Additionally, since the USPS only retains their Certified Mail records for two years, and an insurer's legal and regulatory document retention requirements, in many cases, exceeds that timeline, insurers could be faced with a new legal challenge relating to their retention of records. Consequently, insurers will have to expend additional resources to recover, organize, and store all their certified mail forms, and policyholder signed returned receipts. Further, insurers will need to document and segregate notices that don't have a policyholder signed return receipt form. The proposed legislation will create lots of administrative costs and burdens for insurers, without creating any appreciable benefit for insurance consumers.

NAMIC is also concerned that the proposed legislation will create a new delivery of notice problem for many rural consumers, who only have a post office box for postal delivery. Certified mail, return receipt letters may not be delivered to P.O. boxes. Consequently, the proposed legislation will create a delivery requirement that insurers will be unable to comply with in some circumstances and will prevent certain policyholders from ever receiving written notice, ones which they currently may receive via first class mailing to their P.O Box.

For the aforementioned reasons, NAMIC respectfully request that you **VOTE NO on SB 160**.

Thank you for your time and consideration of NAMIC's written testimony. NAMIC looks forward to our continued participation in this collaborative endeavor. Please feel free to contact me at 303.907.0587 or at [crataj@namic.org](mailto:crataj@namic.org), if you have any questions pertaining to my written testimony.

Respectfully,



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