

March 29, 2017

The Honorable Camille Y. Lilly
Chairperson, House Insurance: Property &
Casualty Committee
Room 270-S
Stratton Office Building,
Springfield, Illinois 62706

Re: Letter in Opposition to HB 3078 – March 29, 2017 Hearing

Dear Chairperson Lilly and Committee Members:

The National Association of Mutual Insurance Companies (NAMIC) is the largest property/casualty trade association in the country, with 1,400 regional and local mutual insurance member companies serving more than 135 million auto, home, and business policyholders and writing in excess of \$196 billion in annual premiums. More than 200,000 people are employed by NAMIC member companies. In Illinois, we have 238 member companies, including 91 domiciled companies, which underwrite 59% of the state's property insurance.

We write to oppose HB 3078, a well-intentioned attempt to solve a serious problem but one which is also fraught with unintentional adverse consequences for Illinois insurance consumers and the ability of Illinois insurance employers to compete in other states.

The bill, if enacted, would impose a 1.3% tax on the cost of homeowners' insurance for consumers. The proceeds of the tax, which would be around \$30,000,000 or more based on Department of Insurance statistics on the size of the state's homeowner's market, are to go to a state fund to reimburse insurers for flood insurance losses. As almost all flood insurance losses are covered under the federal government's National Flood Insurance Program, it is unclear how the money would be used to benefit consumers or what would happen to it as it sat in the state treasury.

The bill also will make it harder for Illinois insurers to compete in other states. This is because most, if not all, states have an insurance retaliatory tax. In a nutshell, a state with this tax makes out of state insurers pay the higher of that state's insurance tax or the tax the insurer's home state charges its insurers. The HB 3078 increase in Illinois taxes means that Illinois insurers will end up paying more taxes to other states, which will not only enrich those states, but also make policies sold by Illinois insurers more expensive compared to non-Illinois insurers. Inevitably some consumers will look to switch from

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policies of companies that provide Illinois jobs to those policies from non-Illinois companies.

NAMIC appreciates your attention to this issue. We believe that it would be more effective for the Illinois General Assembly to support further reform of the National Flood Insurance Program in legislation to reauthorize the Program before it expires later this year.

If you have any questions or comments, please do not hesitate to contact me. In the meantime, I remain,

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Johnston", with a stylized flourish at the end.

Mark Johnston
Director of State Affairs – Midwest Region