

Testimony of
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The Independent Insurance Agents of Maryland, a Maryland State Trade Association representing over 200 agencies in the State, testified in October 2007 on the 'coastal' issue. After receiving the notice from the Maryland Insurance Administration regarding this hearing, we sent an informal survey to our membership. The survey was specific to the coastal issue as it relates to 1) personal insurance and 2) commercial insurance.

When asked about the issue of availability compared with two years ago, on average, our members felt that it has worsened to a small degree. This modest change is within the context of the cyclical nature of the markets.

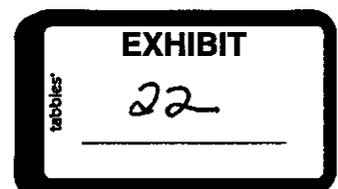
Not all carriers are willing to insure the coastal areas, but not all insurers are willing to write automobile in Baltimore City. This does not mean there is an availability crisis. The survey indicated there are still a solid number of standard carriers writing in coastal areas. There are also many Excess & Surplus lines carriers writing coastal properties.

When asked about the issue of affordability compared with two years ago, on average, our members felt that it had also worsened to a small degree. Again, this change reflects the normal ebb and flow of the markets and the nature of the risk.

When addressing affordability, premiums in coastal areas are higher. Carriers writing in these areas are exposed to a greater pallet of exposures (second residences normally mean seasonal and unoccupied during rough whether; winter months and frozen pipes; crime during off season may rise in resort areas where less people live year round), not to mention the potential exposure to catastrophic losses from hurricanes, nor'easters, etc.

Some carriers make the exposure more palatable by imposing wind deductibles; named storm deductibles; beefing up loss control measures such as storm shutters; stricter distance to shore rules; pre-inspection requirements and higher rates. 70.8% of our respondents stated that increased wind and named storm deductibles were the biggest underwriting changes in the past few years.

Besides the extension of these underwriting guidelines to our Western shores, another emerging underwriting trend is differentiating from ocean front and bay front. Both personal and commercial



lines saw about 50% of their carriers treat the exposures differently. Some agents felt the Bay front was more difficult to write. That being said, other carriers have not made such changes and are competing very effectively in the market.

Agents are writing both personal and commercial in standard and surplus lines market. When asked about the JIA, 92.8% of the personal lines agents have 0% of coastal business with the JIA. Multiple carriers were listed as used in both the standard and surplus lines markets. If there were an availability issue, more business would be placed with the JIA.

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