

## Megan Hayes - IA&B Written Testimony

**From:** "Lauren E Brinjac" <LAURENB@iabgroup.com>  
**To:** <mhayes@mdinsurance.state.md.us>  
**Date:** 12/14/2011 11:27 AM  
**Subject:** IA&B Written Testimony  
**Attachments:** Coastal Market Hearing Testimony 12.13.11 - IA&B.PDF

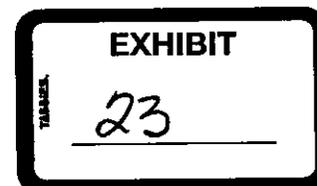
Megan,

Please find attached an electronic version of the testimony we presented during the coastal market hearing yesterday. Also included are the written remarks of our member agent, E. Larry Sanders, who was unable to join us.

Thank you.

Lauren E. Brinjac  
Government Affairs Director  
Insurance Agents & Brokers Service Group - serving PA, MD & DE  
Phone: 717-795-9100 ext. 607  
Fax: 717-795-8347  
Email: [laurenb@iabgroup.com](mailto:laurenb@iabgroup.com)  
Web: [www.iabgroup.com](http://www.iabgroup.com)

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**Testimony of Insurance Agents and Brokers of Maryland**

**Before the Maryland Insurance Administration  
December 13, 2011**

**Regarding the Availability and Affordability of Property Insurance in  
Maryland's Coastal Areas**

**Lauren E. Brinjac  
Government Affairs Director  
Insurance Agents & Brokers of Pennsylvania**

and

**Reese Cropper, III, CIRMS  
Insurance Management Group, Inc.  
Ocean City, MD**

5050 Ritter Road  
Mechanicsburg, PA  
17055-4879  
800.998.9644  
717.795.9100  
717.795.8347 (FAX)  
[www.iabgroup.com](http://www.iabgroup.com)

Good morning Commissioner Goldsmith and members of the administration. My name is Lauren Brinjac and I am the government affairs director for Insurance Agents & Brokers of Maryland (IA&B). I would like to thank you for holding this hearing on the availability and affordability of property and casualty insurance in Maryland's coastal areas.

IA&B is the largest professional trade association in the state for independent insurance agents. Our membership is comprised of approximately 250 member agencies located throughout the state, representing a cross-section of large and small businesses providing primarily property and casualty insurance coverage to their clients.

In communicating regularly with our member agencies on this issue, it is clear that our agents believe that there are still markets available for coastal properties. While some of our agents have experienced carriers "clamping down" on coastal properties by not writing new business and not renewing policies, our agents believe that this does not necessitate any regulatory or legislative action at this time.

I would like to now introduce one of our member agents, Reese Cropper, president of Insurance Management Group, Inc. located in Ocean City. Reese can provide firsthand knowledge and insight into the availability and affordability of property and casualty insurance in Maryland's coastal areas.

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My name is Reese Cropper, III and I have been an independent agent for 30 years, insuring primarily properties and homes located in the coastal area of Ocean City, MD. Since the beginning of my career, there has always been a concern about insurance availability in the coastal areas. This is not a new phenomenon.

My office continues to grow with new coastal clients every year. Sometimes insurance carrier appetites change, but we have other carriers willing to provide coverages. Each carrier has their rules or guidelines in coastal areas, however we simply match the specific insurance needs and coverage desires of the customer, with the various carriers that are willing to provide the broadest and most economical insurance solution.

Insurance market availability in coastal regions, including the Chesapeake Bay, ebb and flow just like the tides. Some years, carriers are aggressive and will insure almost anything. However, as economics change the carriers will evaluate their risk levels and adjust accordingly.

Although not all insurance carriers are willing to insure in coastal areas there is no “availability crisis”. Fireman’s Fund, Chubb, Chartis, Windsor Mount Joy, Brethren and a few others have been willing to insure some risks in the coastal areas subject to strict and prudent underwriting. Lloyd’s of London, AIG and many other non-admitted insurance carriers also provide protection in the coastal regions. Deductibles and premiums may be greater along the barrier island areas than in the inland Chesapeake Bay areas, however in all cases insurance carriers have to adhere to prudent underwriting. Premiums and deductibles along coastal areas may be higher than a consumer feels is fair; however, owning properties in high risk areas such as the coastline, tornado zones, or earthquake zones simply means the cost of living in those areas is going to be higher.

Please remember that insurance carriers insuring in coastal areas are faced with numerous higher risks than in the metropolitan areas:

1. Hurricanes are a natural concern.
2. Properties in coastal areas typically are second homes and therefore are unoccupied most of the year.
3. Numerous frozen pipes occur in Ocean City because people don’t take the proper precautions to prevent damage to their condominium units or dwellings. Therefore, the insurance carrier will have to pay significant claims to redecorate the units due to lack of care.
4. Burglaries are more prevalent in unoccupied properties along the coast. I even had a case of a homeless person living in an unoccupied condo unit.

Insurance is readily available along the coastal regions. If any carrier decides they can no longer absorb the risk in those areas there are other carriers to fill the void. Have you ever heard of someone not being able to get insurance in Maryland for a coastal property? In 30 years I have never seen a problem with carriers providing coverage. Sometimes consumers are brainwashed

by “Geico-type” ads to believe all insurance has to be cheap. However, when there is higher risk, there will be higher costs. But there is no problem obtaining insurance.

I fear any regulatory action against any insurance carrier will create the problem we have today with health insurance. In Maryland, we are limited to a few health insurance providers and we are being gouged with 15%-25% increases EVERY year. There is no open market and free competition due to the legislative requirements placed on health insurance carriers.

In the property and casualty lines of homeowner insurance there is still an open and free market economy. Despite the additional risks, the basic laws of economics have worked in the past. While I appreciate the Maryland Insurance Administration reviewing the issue of insurance availability in the coastal areas, I do not think we have reached a time where regulatory or legislative action is necessary.

Thank you again to the Commissioner for allowing us to testify. We are happy to answer any questions you may have.

# *Edward L. Sanders Insurance Agency, Inc.*

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December 13, 2011

To: Maryland Insurance Administration

From: E. Larry Sanders, III, CIC, President  
Edward L Sanders Insurance Agency, Inc.  
La Plata, Maryland 20646 (Charles County)

RE: Homeowners Insurance Availability for Costal Properties

My agency has offices in LaPlata, (Charles County) and Prince Frederick, (Calvert County). We write insurance primarily in the Southern Maryland Counties. Many admitted insurance carriers actively write homeowners insurance in Southern Maryland. However, policy terms and conditions may and do vary from carrier to carrier. My markets include State Auto, Cincinnati, Selective, Brethren Mutual, and Frederick Mutual to name just a few. The carriers listed even include a couple which are Maryland domiciled companies, all of which are writing homeowners insurance in Southern Maryland.

Individual property characteristics may be subject to different carrier underwriting guidelines. Items such as construction type, proximity to the Chesapeake Bay, etc. may affect policy terms and conditions. Higher wind deductibles, named storm percentage deductibles or other terms apply with certain carriers but not all. Therefore, one particular carrier may require a named storm deductible for homes located with 1000 ft of the Chesapeake Bay, while others do not. The Southern Maryland Homeowners Insurance marketplace remains competitive with a variety of consumer options.

In conclusion, the consumer has open admitted insurance markets ready and willing to write homeowners insurance in Southern Maryland. However, the consumer needs to understand that not all homeowner policies and/or quotes have the same terms and conditions. Consumers emphasize policy pricing too greatly with little attention given to coverages and policy language.

Post Office Box 2828  
10 Washington Avenue  
La Plata, Maryland 20646-2828  
(301) 934-9521 • (301) 870-3233 • (301) 884-4342

205 West Dares Beach Road  
Prince Frederick, Maryland 20678  
(410) 535-2512 • (301) 855-9073