



Property Casualty Insurers  
Association of America

Shaping the Future of American Insurance

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## FOR RELEASE ON RECEIPT

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# Multiple Peril Insurance Bill Misguided, Unnecessary

WASHINGTON—Legislation creating federal windstorm insurance is misguided and would needlessly displace the private market, disrupt existing state funds, and create a significant burden for U.S. taxpayers, according to the Property Casualty Insurers Association of America (PCI).

PCI opposes the Multiple Peril Insurance Act of 2009 because wind coverage is already available either through private insurers or state wind pools.

“While this legislation is well-intentioned, it is both unnecessary and fraught with unintended negative consequences, and it ultimately will not help homeowners in need,” said David A. Sampson, PCI’s president and CEO. “Right now, we can best serve homeowners by reauthorizing the National Flood Insurance Program, and by educating insurance consumers about the options that already exist to protect their homes, their families and their financial security.”

Private or state residual markets for windstorm coverage already exist for more than 99 percent of all coastal properties in the United States. Only properties in significant disrepair, representing less than 1 percent of the total, are uninsurable through these programs.

The following coastal states (and the District of Columbia) have a Fair Access to Insurance Requirements (FAIR) plan: California, Connecticut, Delaware, Georgia, Hawaii, Maryland, Massachusetts, Mississippi, New Jersey, New York, North Carolina, Oregon, Rhode Island, Texas, Virginia, and Washington. Additionally, five states (Alabama, Mississippi, North Carolina, South Carolina, and Texas) have programs designed specifically to provide windstorm coverage, and Florida and Louisiana each have a Citizens Property Insurance Corporation. All of these residual market plans offer either windstorm coverage or property insurance coverage including coverage for windstorms.

“Although supporters of multiperil insurance tell us that windstorm coverage is unavailable in coastal areas, the fact is that wind coverage is universally available for homes in insurable condition,” Sampson said. “Where private coverage currently does not exist, homeowners can obtain wind insurance through state residual market plans.”

PCI believes that federal windstorm coverage could create tremendous negative impacts on the national economy and the affordability of insurance coverage with numerous undesirable consequences:

- According to a PCI analysis, the cost to the U.S. economy in the form of displaced jobs could be as high as 65,000 if the bulk of the property insurance marketplace purchased the proposed multiple-peril coverage.
- The loss of revenue from such a market displacement would result in more than \$1 billion in lost state premium tax revenue and more than \$1 billion in individual state and federal income tax revenues.
- Irreparable damage to the private coastal insurance market would result from such a program being enacted; small or startup companies that voluntarily assume policies from state-run insurance plans,

particularly in Florida and Louisiana, would be driven out of business. (In Florida alone, these companies account for more than 28 percent of the property insurance market and \$1.9 billion in premiums.)

- Availability of reinsurance may also be adversely affected, because if wind exposure shifts from the private marketplace to a federal program, reinsurers may be less willing to invest capital in the U.S. market.

“Given America’s current economic challenges, it would be a very bad idea to diminish private investment in insurance markets and wipe out thousands of jobs,” Sampson said. “To assist homeowners who truly cannot afford their wind insurance premiums, we believe Congress could consider providing a subsidy that would be phased out over time. The multiple peril proposal is a solution in search of a problem.”

PCI is composed of more than 1,000 member companies, representing the broadest cross-section of insurers of any national trade association. PCI members write over \$176 billion in annual premium, 39.5 percent of the nation’s property casualty insurance. Member companies write 43.8 percent of the U.S. automobile insurance market, 29.6 percent of the homeowners market, 32.8 percent of the commercial property and liability market, and 38.4 percent of the private workers compensation market.

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