New York State Insurance Department Public Hearing on the State's Current Homeowners Insurance Marketplace
Testimony of Brooklyn Borough President Marty Markowitz
March 29, 2006

Initially, I would like to thank State Insurance Superintendent Howard Mills for holding this public hearing and leaving the record open for submission of written testimony.

I submit testimony concerning Allstate's decision to reduce its homeowners-insurance market share in New York State's downstate region (New York City's five counties, plus Westchester, Nassau, and Suffolk counties) by no longer writing new homeowner policies and electing to not renew certain existing policies.

For many years, Allstate has maintained a significant presence in Brooklyn, providing homeowners insurance to residents who have achieved the American Dream of owning a home. Indeed, Allstate is the largest provider of homeowner insurance in New York State, with a market share of 18%, which increases to 26% downstate. In Brooklyn, Allstate's market share is 13%, some 67,000 customers. Until 2006, Allstate had continued to increase its market share in New York; according to information presented by the State Insurance Department (SID) at the February 27, 2006, hearing, Allstate has aggressively sought new business in the state, increasing its market share in each of the last five years.

In January 2006, Allstate made an abrupt about-face, implementing what it characterizes as "measured actions" to reduce its exposure to what it perceives as an increased risk of coastal storms in the downstate region. Allstate contends that given the high population density and property values in the region, its heavy downstate presence poses the unacceptable risk of potentially enormous losses. While scientists may debate the likelihood that New York City will be hit by a catastrophic coastal storm or hurricane, Allstate's response to this perceived threat is premature and patently unfair to its existing policyholders.

Simply stated, I am outraged that Allstate has decided to reduce its market share through a non-renewal plan of some homeowner policies. Doing so places the burden of adjusting the market share squarely on the backs of policyholders—many of them customers for decades—who have done nothing more than purchase a product that was marketed to them. Had they presented an unacceptable risk in the past, I assume that the company would have elected not to renew these customers' policies. Allstate's actions in Brooklyn are particularly egregious, where its market share is only 13%, already well below its own acceptable market-share cap of 18%.

Allstate's actions raise additional concerns. First, it is notable that Allstate indicates it will reduce its market share within the 4% annual limit and therefore avoid direct scrutiny and possible action by SID. The 4% threshold must be reviewed and modified through regulation or legislation so that insurance companies that engage in targeted reduction strategies in New York State cannot avoid direct SID oversight.

Second, insurance companies must work with SID to develop strategies to address bona fide risk-exposure issues, instead of simply resorting to non-renewal plans.

Third, given the history of redlining in the insurance industry, targeted non-renewal plans must be scrutinized to ensure they are conducted equitably. People of color, the elderly, and low-income and first-time homeowners should not suffer unfairly due to Allstate's business decisions—nor should Brooklyn homeowners be targeted for simply living near the shore.

Finally, the impact of Allstate's market reduction plan on the cost of homeowners insurance must be monitored and addressed. While at the hearing it appeared as though some of Allstate's competitors are eager to increase their market share in the downstate region, many referred to the likely need to increase rates as well as possible market-capacity issues. As homeowners insurance is an absolute necessity, and required for homeowners who purchase their homes through a mortgage, it is imperative that quality, affordable insurance products be available to them.

I want to note that after sending a letter to Allstate Chairman and CEO Edward M. Liddy recommending that the company continue to renew existing Brooklyn policies—or "grandfather" them into its new plan—while letting attrition achieve future reductions, I have not yet received the courtesy of a response.

In conclusion, I strongly urge the State Insurance Department to continue to examine Allstate's market-reduction strategy, and to take necessary measures to ensure that downstate New York homeowners do not bear the burden of insurance companies' business-correction plans that put in jeopardy their pursuit of the American Dream.