

State Corporation Commission 2004 Fiscal Impact Statement

1. Bill Number HB439

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Suit

3. Committee Commerce and Labor

4. Title Property and casualty insurance; Va Property Insurance Association; windstorm and hail coverage.

5. Summary/Purpose: Amends §38.2-2701 to give the Virginia Property Insurance Association (VPIA), also known as the FAIR Plan, the authority to write a stand-alone wind policy. Section 38.2-2108 is being amended to allow new (not existing) business policies issued for owner-occupied dwellings in the coastal areas of Virginia to exclude coverage for wind losses. A new section is being added to require insurers to give a notice when they are excluding wind coverage and to also give a premium credit. This will apply to all policies, not just those covering owner-occupied dwellings.

6. Fiscal Impact Estimates are unavailable (See Item 8)

7. Budget amendment necessary: No

8. Fiscal implications: HB 439, if enacted, would benefit consumers by making more property insurance coverage available in the Tidewater area. The VPIA and its FAIR Plan are funded by assessment of insurers writing coverage in Virginia. If more policies are written in the FAIR Plan as a result of consumers being able to purchase wind policies that may result in greater assessments against insurers which insurers may, in turn, decide to pass onto their policyholders. The advantage of allowing the VPIA to write a stand-alone wind policy is that a new residual market mechanism (i.e., beach plan) does not have to be established in order to make coverage available for coastal-area property owners. The VPIA can handle the issuance of separate wind policies in addition to the other policies it writes without the costly implementation of a new program, which would be funded by additional assessment against insurers.

9. Specific agency or political subdivisions affected: State Corporation Commission Bureau of Insurance

10. Technical amendment necessary: No

11. Other comments: Virginia Insurance Regulation 14 VAC 5-340-10 et seq. does not permit a policy covering an owner-occupied dwelling to be issued with a wind exclusion. The change in § 38.2-2108 applies to newly written business so that insurers are not permitted to exclude wind coverage on their existing book of business. Furthermore, wind exclusions are only allowed in

“Virginia’s coastal area,” which is defined in § 38.2-2108. If insurers were allowed to exclude wind on owner-occupied dwellings across the Commonwealth, insurers might begin refusing to write wind coverage anywhere in Virginia.

The Bureau of Insurance has been dealing with the issue of availability of property insurance in the Tidewater area for a number of years. A number of years ago, the Bureau established a task force with the insurance industry, and a coastal hotline for consumers to contact certain carriers for consideration of coverage. The hotline has been in place for six years, though it is not actively utilized. Also, for the past two years, the Bureau has conducted a number of outreach programs in Tidewater in the coastal areas to answer ask questions and discuss concerns with consumers.

Date: 01/25/04 / V.Tompkins

cc: Secretary of Commerce and Trade