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MEMORANDUM

To: Senate Committee on Agriculture and Insurance
From: Eric Englund
Date: October 19, 2005
Subject: SB 141 – “Acts of Nature” Legislation

On behalf of our member companies, we respectfully request that you oppose this legislation.

Why?

- Property insurance rates in Wisconsin are the lowest in the country. Part of the reason for the cheapest homeowners insurance in the country is the ability of insurers to properly segregate risk based upon loss characteristics. This legislation imposes an artificial barrier to that ability.
- The proposed legislation appears to be based upon the logical fallacy that the property owner cannot control the weather, so, when the weather causes a claim, the property owner cannot be held responsible for the claim. This reasoning fails to take into account the various other factors that contribute to weather related claims such as age and condition of the property, quality of building material and hidden damage.
- Consider a property owner who leaves home with the windows open and a prediction of an oncoming storm. They incur substantial property damage because of water from the storm. Why shouldn't an insurer be able to treat that property owner differently from one who closes their window or takes other concerted efforts to reduce weather-related exposure to losses.
- Consider a property owner who does not trim dead limbs from trees that then fall on her car and cause damage? Why shouldn't an insurer be able to treat that owner differently from one who trims dead limbs from trees?
- Consider an owner who time after time after time leaves their car parked in a low area, which fills with water from a storm and severely damages the car time after time after time. Why shouldn't an insurer be able to treat that owner differently from one who parks their car on high ground?
- At its core the proposed legislation violates the principles of sound risk management. It unreasonably handicaps insurers by prohibiting them from taking into account all material facts regarding underwriting decisions. It artificially increases the loss exposure of insurers by forcing them to retain risk they would otherwise eliminate.
- This bill creates a legislatively mandated subsidy for property owners who don't undertake preventative maintenance or take precautions to reduce weather-related claims.
- The Wisconsin Legislature need look no further than our Federal government's flood program (National Flood Insurance Program), which provides coverage again, and again, and again to the same person that chooses to rebuild in a flood area. The program is a fiscal shambles and there are currently hearings in Congress aimed at allowing the very type of underwriting that this bill prohibits. That's right, the Federal Government has attempted to run their insurance program without regard to "acts of nature" and, surprise, surprise...it isn't working.
- It is NOT standard industry practice to JUST cancel someone due to one weather related claim...there is normally an extenuating circumstance such as the one given in the example above.

Who benefits from this legislation? Not your constituents.

If you would like additional information, please feel free to contact our office.