

March 13, 2017

House Insurance and Commerce Committee
The Arkansas Capitol
Little Rock, Arkansas

via email

RE: Opposition to HB 1751

Members of the House Insurance and Commerce Committee:

The National Association of Mutual Insurance Companies (NAMIC) appreciates the opportunity to share with you our opposition for HB 1751. We are the largest property/casualty insurance trade association in the country, serving regional and local mutual insurance companies on main streets across America as well as many of the country's largest national insurers.

The 1,400 NAMIC member companies serve more than 135 million auto, home and business policyholders and write more than \$196 billion in annual premiums, accounting for 50 percent of the automobile/homeowners market and 31 percent of the business insurance market. In Arkansas, we have 167 members doing business in the state, representing 48.43 percent of the marketplace. Nine NAMIC member companies are Arkansas domestics.

HB 1751 is a very problematic bill that does not help consumers or the claims resolution process. It injects government regulation into matters that are best resolved by experts and the marketplace, all while creating statutory formulas to calculate roof claims.

Our members have raised a number of concerns with this legislation. Some of these concerns include:

- Requiring roof repairs to match and maintain color on all roofs over one year old will require replacement of entire roofing systems, even if entire replacement is not merited. Many roofs have multiple layers of shingles which may not match to begin with. Requiring entire roof replacements will have a dramatic impact on claims costs, which will invariably become a factor into insurance rates for consumers.

- Making the Commissioner of Insurance the arbiter of what constitutes “hail damage.” Those decisions should be made on a case by case basis, rather than by government mandate.
- Mandating a prescribed waste factor in statute. The government ought not be in the business of creating claims calculation formulas. The determination of the correct waste factor should be a discussion between the policyholder, the insurer, and the policyholder’s contractor of choice.
- The creation of “mandatory steep and high charges.” Who determines what is mandatory? This is determined when the adjuster reaches an agreement with the roofing contractor. There are general guidelines, but these should not be codified.
- A prohibition against paying waste disposal fees for partial trailer or dumpster loads. HB 1751 would require insurers to pay for an entire dumpster load – despite the fact the size of what constitutes a “dumpster” is not specified – even if the waste can be removed by a single pick up truck. This prohibition will further increase claims cost for no logical reason.
- The effective mandate to use Xactimate estimating software. Not every insurer uses this in estimating claims. There are numerous other estimating software programs available for use – why shouldn’t they be included? Many local contractors don’t use estimating software. This provision favors a particular vendor over other vendors or methods, creating a windfall for the preferred vendor.

We do not believe this legislation helps consumers in Arkansas. It will unnecessarily raise the cost of roof repairs due to hail losses. Such cost increases will likely be factored into insurance rates for everyone.

Please do not hesitate to contact me if you have questions.

Sincerely,

A handwritten signature in black ink that reads "Paul Martin". The signature is written in a cursive style with a large, stylized "P" and "M".

Paul Martin
Director – State Affairs
Southwest Region

CC: Rep. Cozart