



NEW YORK STATE SENATOR

Jeffrey D. Klein

Klein Condemns Cancellations

JEFFREY D. KLEIN October 29, 2007

NEW YORK- At the invitation of the New York City Councilman Leroy Comrie, Chairman of the Committee on Consumer Affairs, Senator Jeff Klein (D-Bronx/Westchester) testified at a hearing in support of Proposed Resolution No. 430A, recommending that the state pass his proposed bill, S2269, which would reduce the number of policies that insurers can cancel in a single year without having to gain the approval of the State Insurance Department.

Under current law, an insurance company can cancel up to 4% of its statewide policies each year without any official scrutiny. This can amount to thousands of policies for a large insurer, which can cause a major disruption in the local insurance market if an insurer targets all of its cancellations to a small geographic area. S2269 would halve that amount to 2% and require the insurer to provide a financial or risk analysis justification for any future large-scale cancellations to make sure that no unlawful criteria are being used.

Since the spring of 2006, residents of the 34th District in the Bronx and Westchester County have reported widespread non-renewals of Allstate homeowners' insurance policies as the company pursued its professed desire to reduce its exposure in the coastal New York insurance market. In 2006 alone, Allstate cancelled, or "non-renewed" more than 26,000 homeowners policies throughout the coastal portions of New York City, Westchester County and Long Island.

But Allstate's continued coverage of homeowners living in the same neighborhoods, who had purchased other Allstate insurance products, thereby increasing the company's potential risk in the event of a disaster, belied the claims that local homes are too risky to insure and convinced Senator Klein that the company was not acting in good faith.

"It was unbelievable to me that homeowners who had faithfully paid their premiums for decades were suddenly being penalized for not having purchased automobile insurance from Allstate," Klein said.

After failing to enlist the support of the outgoing administration at the New York State Insurance Department, Senator Klein reached out to the new Superintendent, Eric Dinallo, shortly after he took office in 2007. The conversations that followed, and the stories of victimized residents in the 34th Senate District, sparked a department investigation that resulted in the issuance of Circular Letter No. 11, the August 28th directive explicitly banning this insidious practice as a violation of Section 2324 of the Insurance Law.

Under the terms of the department's order, Allstate and other insurers will rescind letters of non-renewal and offer to reinstate homeowners' insurance policies that had not expired as of August 28, 2007 in any case where the reason for dropping the policy was homeowner's lack of auto or life insurance with the company.

"This case proves that New York State is no longer going to turn a blind eye to the impermissible tying of homeowners' insurance with other lines of insurance, and provides strong support for legislation that I have already introduced in the State Senate to better protect policyholders," Klein added.