



September 15, 2008

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Senate Banking Committee Chairman Christopher Dodd
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Dodd:

American Resort Development
Association

Building Owners and
Managers Association

Chamber Southwest Louisiana

Commercial Mortgage
Securities Association

Greater New Orleans, Inc.

International Council of
Shopping Centers

Mortgage Bankers Association

National Apartment
Association

National Association of
Industrial and Office Properties

National Association of Real
Estate Investment Trusts

National Association of
REALTORS®

National Multi Housing
Council

The Natural Catastrophe Policyholders Coalition (NCPC), an alliance representing the interests of commercial and multifamily insurance policyholders who have joined together to address issues related to the availability and capacity of commercial and multifamily catastrophic risk insurance, is writing to urge swift consideration of legislation to ease regulatory restrictions for non-admitted insurance carriers to provide property and casualty insurance. Ensuring adequate catastrophic insurance capacity for commercial and multifamily property owners remains a top priority for the NCPC. The passage of the Non-Admitted Lines and Reinsurance Act of 2007 (S. 929 and H.R. 1065) by the Senate represents an important step for increasing catastrophic insurance capacity.

Natural catastrophe insurance can be very difficult and expensive to obtain for commercial and multifamily properties after a major natural catastrophe has occurred because admitted insurance companies will often reduce their exposure in states and/or regions that were impacted by a major natural catastrophe.¹ This typically takes the form of admitted insurance carriers either no longer writing policies for the impacted states and/or regions or significantly reducing the number of policies that they write in these areas. In these instances, non-admitted insurance carriers serve a vital role by filling the insurance capacity gap caused by the reduced admitted carrier insurance presence.

H.R. 1065 was originally passed in the House of Representatives in 2006 by a non-partisan 417 to 0 vote and in 2007 it was passed by a voice vote. Although this bill does not completely resolve all the challenges associated with natural catastrophe insurance availability, the unanimous support for this legislation in the House provides a bipartisan consensus approach for how to start to address this significant insurance issue. From the perspective of commercial and multifamily property owners, the legislation offers the following important benefits:

¹ An admitted insurance company is licensed and authorized to do business in a particular state. A non-admitted insurance company is not licensed but authorized to do business in a particular state. However, non-admitted insurers must be licensed in at least one state and must meet solvency requirements of that state. Laws governing non-admitted insurers vary by state.

Streamline State Insurance Regulations – Establishes an orderly and efficient process for non-admitted insurance carriers to offer property and casualty insurance products in the states in which they seek to do business. This will provide them the flexibility to more quickly react to changing market conditions and increase insurance capacity in states and regions in the aftermath of a natural disaster.

Allow Commercial and Multifamily Property Owners to Meet Contract Obligations – In times of stressed insurance market conditions, non-admitted insurance carriers are sometimes the only insurance option for commercial and multifamily property owners. Commercial and multifamily property owners are required by their loan documents to have insurance coverage in place for the duration of the loan, which includes natural catastrophe insurance coverage. This legislation enhances the ability of commercial and multifamily property owners to meet an important lender contract requirement.

In the wake of a major hurricane or other natural disaster, the passage of S. 929 or H.R. 1065 will provide one means to reduce the uncertainty regarding the availability of natural catastrophe insurance. Given the fragile state of the commercial and multifamily lending and capital markets, this consideration assumes heightened importance.

The NCPC appreciates the opportunity to comment on this important legislation and looks forward to working with you to increase natural disaster insurance capacity through the passage of this legislation. For additional questions or follow-up, please contact George Green at ggreen@mortgagebankers.org or (202) 557-2840.

Sincerely,

The Natural Catastrophe Policyholders Coalition