

**HEARING ON
BILL 19-939
DISTRICT OF COLUMBIA FIRE AND CASUALTY AMENDMENT
ACT OF 2012**

**COMMITTEE ON PUBLIC SERVICES AND CONSUMER AFFAIRS
YVETTE ALEXANDER, CHAIRPERSON**



**TESTIMONY OF WILLIAM P. WHITE
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SECURITIES AND BANKING
ROOM 500
WILSON BUILDING
1350 PENNSYLVANIA AVENUE, N.W.
DECEMBER 12, 2012
11:00 A.M.**

Good afternoon, Chairperson Alexander and members of the Committee on Public Services and Consumer Affairs. I am William P. White, Commissioner of the Department of Insurance, Securities and Banking (“Department”) here to present testimony on Bill 19-939, the “District Of Columbia Fire And Casualty Amendment Act of 2012 (“Bill”). This Bill would amend the District of Columbia Fire and Casualty Act to require homeowners insurance companies to clearly state that homeowners insurance does not cover all risks and to list the additional optional coverage available to the homeowner; to require the homeowners insurance company to notify applicants that homeowners insurance does not cover losses from flood; and to explain how flood insurance may be obtained.

The Executive supports the intent of the legislation as we believe it has strong consumer benefits.

Flood insurance has clearly become an important insurance coverage for many District residents, but the provision of information on the need for flood insurance as a separate policy in addition to homeowners insurance and how to obtain it has not been required as part of the purchase of homeowners coverage. This legislation will address that shortcoming and likely will increase the penetration of flood insurance to areas of the District where it is needed.

The availability of information on insurance options is always a powerful tool in the hands of the consumer, and this legislation ensures consumers have this information when making insurance purchasing decisions.

The District will be joining surrounding states that have adopted the same or very similar statutes. I have provided copies of the statutes for Maryland, Virginia, West Virginia, Delaware and New York.

We find the written disclosures to the consumer to be an important asset to an informed decision, however there are a number of improvements that could be made to this legislation.

First, while it is clear that homeowners insurance is covered, we recommend that renters insurance also be included in the notification requirement. Further, existing policy holders would also benefit from this information more immediately, rather than waiting for the next renewal cycle. We welcome the opportunity to work with the Committee to identify the most effective tool to get this information to existing policyholders.

Second, there are some technical changes needed. In Section 2(a) (d) (3) last sentence – “insurance producer” is the same as “insurance agent.” Therefore the language should read “insurance company or insurance producer to discuss these additional coverages.” Further, in Section 2(a) the trigger for application of the

notification requirement is the “time of application” for insurance. However, in Section 2 (b) (a) (1), the language that triggers application of the notification requirement states “at the time a policy of homeowners insurance is initially purchased”. The trigger language should be clear and uniform throughout the legislation. We suggest that the language in Section 2(a) – “time of application” for insurance is more specific and identifiable than the language in Section 2 (b) (a)(1) - “the time a policy of homeowners insurance is initially purchased” and should therefore be used throughout the legislation.

Third, we believe that the exact wording of the notice is best left to the regulations where adjustments can more readily be made as circumstances change.

Finally, the legislation becomes effective immediately upon enactment. This legislation would require insurance companies to file language with the Department and get approval to ensure compliance with the law. There is typically a reasonable window of time before the effective date to allow insurance companies to develop, file, get approval and implement changes such as this. Therefore we suggest an effective date of ninety (90) days from enactment of the legislation.

Again, the Executive supports the intent of the legislation as we believe it has strong consumer benefits. However, the Executive asks that the proceeding points

be considered as the legislation moves forward. I look forward to working with committee staff to address these concerns. This concludes my testimony today, and I am available to answer any questions from the Committee.