

Senator Hardy,

Jamie Feehan confirmed to me that you had received my email this morning regarding the above captioned.

I am sure Jamie has already expressed, or will be testifying shortly, as to the efficacy of this bill. In particular, the financial burdening it would place on insurance companies in general, without any prospect of future benefit to our policyholders. As you are likely aware, the resiliency measures contemplated under this bill would do absolutely nothing to address the type of loss that resulted in the \$67 million of insured losses – primarily wind related – that are referenced in the bill and were sustained over a ten-year period from 2010 to 2019.

As proposed, the justification for assessing insurance policies is that this legislation will decrease losses that would otherwise be sustained by insureds in the future. The mitigation measures identified in the bill such as slope stabilization and watershed restoration would generally only address flood-type losses, which are not losses that are generally covered by the standard property and casualty policies targeted for assessment. Flood type losses are generally only covered by flood policies, which are almost exclusively provided by the National Flood Insurance Program (NFIP), written by the Federal Emergency Management Agency (FEMA). The VT DFR estimates that less than 2% of Vermont homeowners have flood insurance.

As I understand it, the intended assessment of \$4,300,000 is to be imposed on all insurance companies writing the lines of fire, homeowners, allied lines, farm owners, commercial, private passenger and commercial auto, and inland marine policies on property and persons situated within the state of Vermont.

The proposed legislation would most certainly have a disproportionate effect on the domestic mutual insurance company in the state, and in particular, on Co-op and as the smallest domestic insurance company in the state of Vermont. I am not sure how familiar you are with our company, but we write a little more than \$100,000,000 in premium in VT and NH only. Roughly 70% of that premium is written right here in Vermont, and we write every line of business proposed in the bill for the basis for calculating the assessment. In the SNL exhibit below, you will see that we are a very small insurer compared to the first 4 companies on this list; our resources are limited. In the exhibit below, you will note that we are the 5th largest writer of Personal Lines in the state. Every organization with greater written premium than Co-op writes multiple billions of dollars of premium spread out over all 50 states. (Please note the exhibit shows 2022 data because 2023 premiums are still being calculated for our annual filing. Additionally, we are the #1 writer of farm owners in the state with a 60% market share and a top 25 commercial lines writer in Vermont.)

I think it is important to point out that the insurance industry (including Co-op) has had a very unprofitable few years in the latter part of the pandemic due to the high cost of claims primarily associated with inflation and input costs. This legislation will only increase the cost of insurance to the homeowner, farmowner, and businessowner policyholders here in Vermont at a time when the industry is striving to get back to rate adequacy.

Lastly, another important factor to keep in mind for the future, is the real possibility that this assessment will stymie the efforts of the DFR to retain a robust and competitive marketplace in

the state. If a bill such as this passes, it may deter insurers from wanting to enter or grow in Vermont. Policyholder assessments that do nothing to reduce the risk of loss will likely reduce competition and will only further drive-up costs to consumers.

Exhibit

Vermont - Personal Lines Only						
2022 Rank	2021 Rank	Company	2022 Direct Premiums Written (\$000)	2022 Market Share (%)	2021 Direct Premiums Written (\$000)	2021 Market Share (%)
1	1	Progressive (SNL P&C Group)	84,023	12.56	78,185	12.17
2	2	Liberty Mutual (SNL P&C Group)	67,943	10.16	62,586	9.74
3	3	Berkshire Hathaway Inc. (SNL P&C Group)	59,400	8.88	60,950	9.49
4	4	State Farm (SNL P&C Group)	56,045	8.38	49,656	7.73
5	5	Co-operative Insurance Companies	51,350	7.68	48,697	7.58
6	6	Vermont Mutual Insurance (SNL P&C Group)	44,849	6.71	43,712	6.80
7	7	USAA (SNL P&C Group)	35,961	5.38	35,671	5.55
8	9	Allstate Corp (SNL P&C Group)	33,645	5.03	32,318	5.03
9	8	Concord Group Insurance (SNL P&C Group)	32,897	4.92	33,347	5.19
10	10	Travelers (SNL P&C Group)	28,829	4.31	26,709	4.16
		Personal (State) Premiums in Market	668,779		642,582	

If you have any questions regarding the information I have shared, I would appreciate the opportunity to discuss this matter with you further.

Lee T. Dowgiewicz, CIC, AIC
President & CEO

Co-operative Insurance Companies