

Vermont Association of Domestic Property & Casualty Insurance Cos.

*Granite Security Insurance Company
Green Mountain Insurance Company, Inc.
New England Guaranty Insurance Company, Inc.
Northern Security Insurance Company, Inc.
Patrons Co-operative Insurance Company
Union Mutual Fire Insurance Company
Vermont Accident Insurance Company, Inc.
Vermont Mutual Insurance Company*

H.105 (Senate Companion Bill is S.145) – Community Resilience and Disaster Mitigation Fund

H.105 would fund municipal resiliency projects on the backs of property & casualty insurance policyholders without any chance that the projects would reduce future insurance costs for consumers.

The VT Association of Domestic Property & Casualty Insurance Companies strongly opposes H.105 as currently drafted for the following reasons:

- **Unfairly Burdens Property & Casualty Policyholders Without Any Prospect of Future Benefit to Those Policyholders:** The resiliency measures contemplated under H.105 would do absolutely nothing to address the type of loss that resulted in \$67 million of insured - primarily wind related - losses that are referenced in the Bill and that were sustained over a ten year period from 2010 to 2019. Yet the justification for assessing insurance policies is that this legislation will decrease losses that would otherwise be sustained by individual insureds in the future. This is not the case because the mitigation measures identified in H.105 such as slope stabilization and watershed restoration would generally only address flood type losses which are not the type of losses that are generally covered by the property & casualty policies of insurance. 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.
- **H.105 Will Increase the Cost of Insurance at a Time When Policyholders Are Already Faced with High Renewal Premiums:** Singling out property and casualty insurance policies as a funding mechanism will add to the high renewal premiums that individual and business consumers are facing due to a range of factors. High inflation, increased vehicle repair costs, increased cost of building materials and unprecedented reinsurance costs are contributing to significant increases in property casualty premiums. Now is not the time to add to the challenges that Vermont individual and business consumers are facing in paying their property & casualty policy premiums.
- **Climate Resiliency and Disaster Mitigation Will Benefit All Residents – Program Costs Need to be Shared by All Residents:** We support the public policy goals of climate resiliency and disaster mitigation. Since the proposed

program would benefit all Vermont residents, it should not be supported solely by property & casualty policyholders. The proposed program will benefit all residents and so funding should come from the state's general revenue fund.

- **Retaliatory Taxes Will Harm Vermont Domestic Insurers:** The effect of the financial assessment imposed by H.105 will be compounded due to the effect of the retaliatory tax system that is used by insurance regulators. Retaliatory taxes are a unique feature of insurance taxation. Under these laws, out-of-state insurers pay retaliatory taxes equal to the amount that the aggregate tax burden in the insurer's home state exceeds the aggregate burden in the other state. If H.105 is passed, other states will likely consider the new assessment proposed by H.105 as increasing the Vermont tax burden for insurers. As a result, Vermont based insurance companies will have to pay more retaliatory taxes when operating in these other states. This additional cost to Vermont based companies will adversely impact their ability to compete effectively against non-Vermont based companies. In short, the retaliatory taxes resulting from H.105 will harm Vermont based insurers that currently employ Vermont residents.
- **Insurers are Actively Helping to Educate Consumers on How to Avoid and Minimize Storm Losses:** Individual insurers and industry supported organizations are actively informing and educating consumers on how to help minimize the risk of loss caused by the increased frequency and severity of catastrophic storms. <https://www.iii.org/article/mitigating-risks-for-climate-related-disasters>
- **Insurers are Actively Investing in their Local Communities as they Recover From Major Weather Events:** After the July 2023 flooding in Central Vermont, Vermont's Domestic Insurers provided over \$500,000 in financial support for community recovery efforts and during the height of the pandemic, this same group of Domestic Insurers provided well over \$1,000,000 in charitable contributions that went directly to help Vermonters in need. In 2023 alone, the Vermont Domestic Insurers supported our communities with well over \$1,000,000 in charitable contributions. This financial support has been provided even as several of Vermont's Domestic insurers have sustained uninsured property losses to their own office buildings that in the aggregate have exceeded \$2,000,000. The potential financial burden placed on our Domestic Insurers by H.105 could negatively impact their ability to continue with this level of charitable support.
- **H.105 May Deter Insurers From Entering or Growing in Vermont:** A robust property & casualty insurance market plays a significant role in mitigating the cost of insurance to protect against catastrophe losses. Policyholder assessments that do nothing to reduce the risk of loss will likely reduce competition and further drive up costs to consumers.