

## Statement of American Property Casualty Insurance Association on House Bill 1429

The American Property Casualty Insurance Association (APCIA) includes nearly 1200 insurers and reinsurers with a wide range of sizes and business models. While we fully understand the desired outcome behind the legislation--to address pressure to adopt blanket policies adverse to industries in the state--we reluctantly must oppose Section 2 of this legislation based upon the fundamental importance of maintaining a free insurance market that best serves consumers.

Consumers are benefited when the insurance market is competitive and innovative, when it helps society identify, manage and reduce risk, and when, as we learned from the financial crisis, there is a wide variety of business models in the market where every company is NOT doing everything in exactly the same way. Contrary to this is legislation that mandates underwriting or prevents underwriting in legal industries, thereby potentially reducing competition, innovation, and capital available for the market and consumers of all types. Faced with growing activist pressure, the APCIA Board outlined basic principles in December 2020. Please see the attached release with a summary of those principles. In essence, they defend the free market and recognize the importance to consumers of flexibility and diversity in the insurance market. In my view, those principles are as valid now as they were then.

The weather/nat cat related risk for insurance is the result of climate volatility but it is also the result of development patterns, poor building codes, and inflationary pressures from litigation and the rising cost of providing insured goods and services. So, it is particularly important to maintain as large an insurance market as possible, not potentially reduce competition and capital as this legislation might inadvertently do. We are now witnessing an explosion of pro- and anti-ESG legislation proposed in more than 30 states. These recent legislative developments and generic shareholder proposals have further complicated an already complicated situation for insurers, adding political and reputational risk to the direct risk from weather related events/nat cats, including new disclosures and now additional developments reflecting the nation's growing polarization. In response, the APCIA Board has recently revisited the issue, affirmed its earlier principles, and made clear that we should continue to oppose proposals that limit underwriting flexibility.

This legislation puts insurers in a Catch 22 position, where they must either decline a risk and face regulatory investigation and possible penalties or accept risk even though they do not have the expertise, risk appetite and experience to underwrite the risk. While the language of this legislation is about the best we have seen, it still does not eliminate such issues.

Similar problems are presented by the bill's language on "social" and "diversity, equity and inclusion policies". And the phrase "political and ideological factors" is so ambiguous and subjective as to provide little real guidance.

In conclusion, for these and other reasons, we urge that Section 2 be deleted from the bill.

Respectfully submitted,



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APCIA