

# ERNEST SHAGHALIAN JR CPCU AAI

AUTO - HOME - BUSINESS INSURANCE

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Chairman Sheldon Whitehouse  
Senate Budget Committee  
Dirksen Senate Building  
Washington, D.C.

Hearing- Next to Fall: The Climate-Driven Insurance Crisis  
is Here- And Getting Worse

Mr Chairman and members of the committee my name is Ernie Shaghalian. I'm an insurance agent at Butler & Messier Insurance Agency in Pawtucket, Rhode Island. We are members of the Independent Insurance Agents of Rhode Island, I am a past president of the state association. Independent insurance agents represent many different insurance companies at once but are not employees of any insurer. Our customers are your constituents.

I'm here to testify that the insurance marketplace in Rhode Island and Massachusetts is the worst I've ever seen it in my 40 years as an agent, and getting worse each year. The increased frequency and severity of weather events has created havoc in the cost and availability of home, business and even auto insurance.

During recent years Rhode Island's coastal communities (high wind risk areas) have seen a 562% increase in policy non-renewals. Two insurers left the market during the last two years. One came here about 12 years ago, specializing in homeowners policies for coastal communities at reasonable prices. They are now in receivership, canceling thousands of policies mid-term. A third insurer announced that in 2025 they will be non-renewing all their home and auto policies in Rhode Island and all the other states where they operate. If I had a professional Christmas wish list, at the top of it would be that insurance companies were required to give more advanced notice before being allowed to withdraw from territories, unless they demonstrated actual financial distress.

When there are non-renewals it creates a big problem for consumers because most standard insurance companies won't accept new customers in coastal communities. This has increased the population in the Rhode Island Joint Reinsurance Association (state risk pool) by 30% during the last two years. Consumers pay 35%-50% more in the pool for a basic homeowners policy that doesn't offer optional coverages like jewelry riders. Other consumers have no alternative other than buying coverage through the un-regulated "surplus lines" market.

Insurers have had storm claim driven, large, multi-year premium increases, contributing to the affordability problem for first time home buyers and putting a major strain on the budget of existing homeowners. Thousands of Rhode Island consumers have a 5% hurricane damage deductible. A homeowner with a \$500,000 house would have a \$25,000 hurricane damage deductible, more than many people could afford to repair their home.

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Massachusetts coastal communities have also seen a spike in policy non-renewals. Just in Barnstable County (Cape Cod) there are 51,184 homeowners insured through the Massachusetts Property Insurance Underwriting Association (state risk pool) unable to get adequate dwelling property limits on larger homes.

Businesses that own property in coastal communities have no alternative but to get coverage in the un-regulated surplus lines market at a much higher cost and these insurers require non-standard exclusions that would eliminate coverage for potentially devastating property and liability losses.

In recent years we have seen more frequent incidents of sudden street flooding, causing total losses on dozens of cars each time, adding to the cost of auto insurance. Our highway infrastructure can no longer handle the increased amounts of rain in short time spans. Homes and businesses that aren't in flood zones are getting flooded.

It's not just the big, well-publicized hurricane claims but more frequent and severe local storms. In Rhode Island since 2018 we've had six tornado strikes. Prior to that it took 32 years for six tornado strikes. We have new weather hazards like "atmospheric rivers" which cause floods through wide sections of the country. We're also seeing wild fires in places that never had them.

When insurance companies won't accept millions of dollars of premiums, even at today's much higher rates, that tells me they think things are going to get worse.