Oral Testimony

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Before The
Subcommittee on Housing and Insurance
The Committee on Financial Services of the
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By

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Mr. Chairman, Ranking Member Cleaver, and Members of the Subcommittee:

Thank you for the opportunity to testify in favor of the Nonprofit Property Protection Act which will permit a small subsection of established risk retention groups to provide property and auto physical damage insurance to their members.

We have also submitted a written statement for the record.

I am the President/CEO and founder of Alliance of Nonprofits for Insurance, Risk Retention Group (ANI) on whose behalf I am testifying today.

ANI insures small and mid-sized community-based nonprofit organizations across the country--those in our neighborhoods who work with the most vulnerable among us. They are homeless shelters and programs for those with Alzheimer's, victims of abuse and the developmentally disabled. They are animal rescue organizations, elder care services, drug and alcohol rehabilitation centers and school arts programs. They are foundations raising money for diabetes, heart disease and cancer research, and many others. Eighty percent (80%) of our member-insureds have annual budgets of less than $1 million. These little nonprofits got into the business of insurance because commercial insurance carriers walked away from them. They never wanted to be in the insurance business, but were forced into it to be able to continue to serve our communities.

We are successfully insuring these organizations for difficult risks such as auto liability, sexual abuse and employment practices liability. We also offer a vast array of free consulting and educational services such as employment risk management and driver training to our members whose small budgets do not allow them to provide or purchase these services. But, our future ability to continue to offer assistance to these organizations is now in danger.

Commercial insurers, when they are willing to offer coverage for the unusual risks nonprofits represent, will provide it only as a bundled package. That is, these small nonprofits must purchase the liability insurance and the property insurance together as a package, somewhat like a cable triple play package. However, by federal law, as an RRG, ANI is only allowed to offer liability insurance to our member-insureds.

Since ANI's inception, only one insurance company has offered the standalone property and auto physical damage policies that small and mid-sized members of ANI need. Several years ago, that company told us that the program is too small to be viable as a long-term program with the requirements of filing and reporting in all 50 states, and advised us to look for other options. We asked insurance brokers and agents who work with nonprofits to find other commercial insurance companies to provide this standalone property and auto physical damage coverage for their clients. They told us in no uncertain terms that there were no markets available. Every insurance carrier required that to purchase the property, the nonprofit would also have to purchase the liability from them at the same time.

Hearing that, we engaged Guy Carpenter to conduct an independent study to see whether there were insurance department filings that we had overlooked. Surely, some other carrier provides this coverage. Guy Carpenter's research demonstrated that only one other company has filed the property form that our members need, but that filing requires that that commercial insurance company sell the **property and liability as a bundled package**. The property cannot be sold on a standalone basis.

We have exhausted all of our options for a market-based solution and our future viability without the Nonprofit Property Protection Act is now in danger.

To address consumer protections, there are provisions included in the bill that require any RRG authorized to offer property insurance to:

- Have a minimum of $10 million in threshold capital; although their domicile regulator may always require more;
- Have a minimum of 10 years' experience offering liability insurance.

To make sure that this bill will correct only a market failure and not interfere with an otherwise well-functioning commercial property market, the bill:

- Allows RRGs to offer these coverages only to their members that are 501(c)(3) nonprofit organizations;

And

- Any single nonprofit may be insured only for up to $50 million in Total Insured Value—it is presumed that larger nonprofits will be able to purchase these standalone coverages in the standard marketplace.

In closing, ANI offers important specialized coverages and risk management for community-based organizations serving some of the most vulnerable in our communities. We help these organizations provide their services as safely and efficiently as possible to make sure that scarce resources are directed back into our communities. Standalone property and auto physical damage insurance is essential for these RRG members, but is not available from the commercial marketplace. This bill would allow nonprofits to solve that problem for themselves, without requiring any government resources, so they may continue their important work in our communities.

Thank you.