

25 Chamberlain St. • P.O. Box 997 • Glenmont, NY 12077-0997 • (516) 434-3111 • Fax (516) 434-2342

October 19, 2007

Mr. Eric R. Dinallo,
Superintendent of Insurance
New York State Insurance Department
25 Beaver Street
New York, NY 10004

RE: Expansion of Export List

Superintendent Dinallo,

The Professional Insurance Wholesaler Association of New York, Inc. (PIWA) joins in support to expand the export list with the property/casualty producer community lead by Excess Lines Association of New York.

My name is Gary Holleder and I am President of the Professional Insurance Wholesalers Association of New York, Inc. (PIWA). Our organization, which is a not-for-profit corporation incorporated in New York, is the only trade association whose purpose is to represent issues affecting insurance wholesalers doing business in New York. The majority of our members are independent wholesalers and are, by and far, mostly small businesses located throughout the state. Associate members consist of insurance carriers who use wholesalers as their method of distribution as well as vendors who provide ancillary products used to transact business. In 2006, PIWA members accounted for 146,556 excess line transactions with a taxable premium of \$959,657,235.

As a wholesaler, our customers are the retail insurance producer. We provide a variety of services for the benefit of the insuring public. These services focus on providing specialty insurance policies not available directly to the main street retail producer as well as providing technical expertise that the retail producer may not have within their own organization. For consumers, working through their retail producer, PIWA members provide products which protect the consumer and which are not available through the insurance carriers with whom the retail producer may have direct access. Retail producers will also use wholesalers where they do not have the technical knowledge they believe is needed to adequately look out for their customers best interest.

The insurers with whom PIWA members work are both admitted to do business in New York and non-admitted. These insurers either will work with any properly licensed producer or may limit access to their products only through select wholesalers. As a wholesaler, in many situations we act as an "aggregator" for the insurer. Instead of working through a large number of retail producers, the insurance company will deal with a much smaller number of wholesalers, thus reducing expenses and the cost of their product.

Traditionally, a retail producer's first choice is to place policies with insurers with whom he or she has direct access. The wholesale producer thus plays a secondary role or "avenue of last resort". There are many reasons for this, the more prevalent are as follows:

- Better revenue to the retail producer as commission does not have to be shared.
- More control over the results they are trying to attain on behalf of their customer.
- Where a non-admitted insurer is involved a concern over the placement/affidavit process and concern that something might be done improperly on their part, exposing their license or making them subject to fines or the potential for a professional liability claim being made.
- Concern over the lack of a guaranty fund where a non-admitted insurer is involved (even though the non-admitted market has a better solvency record than the admitted market), which could damage their reputation and result in legal action being brought against them by their customer.

As a result, philosophically and in practice, the non-admitted insurers used by wholesalers do not compete with admitted insurers. Instead, they fill a void by providing capacity or coverage to which the consumer would not otherwise have access. In other words, the non-admitted market supplements the admitted market.

Where the coverage is unique or special or the risk involved is out of the norm, if purchased, it will likely be through a non-admitted insurer with the definition of unique, special, or out-of-the norm are constantly changing and are dependent on a variety of factors including social and legal factors.

One of the main purposes of the Export List is to reduce the complexity of the non-admitted placement of certain coverage or risks that is not readily available to a large number of retail producers through admitted insurers. We see the major advantage of expanding the export list to be the reduction of the paperwork for the retail producer.

In addition to seeking three declinations for a coverage / risk that the admitted market has limited, if any, interest and documenting each, the retail producer must also complete an affidavit that verifies the process by completing on average of over thirty entries. As the wholesaler, before submitting the coverage for stamping, we also review the retail producer's affidavit. Those affidavits that are not filled out properly are returned to be correctly completed. With coverage that is has so limited availability in the admitted market, this is just a time consuming (thus costly) burdensome process.

Mr. Eric R. Dinallo, Superintendent of Insurance
October 19, 2007
Page 3

Since the export list is monitored by the Department, and can be changed at any time, the Department always has the authority to add or delete coverage from the list.

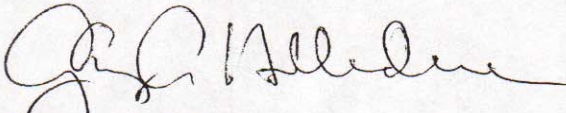
With this in mind, we believe it is in the public's best interest and are recommending the expansion of the Export List as proposed by the industry consortium.

In summary, it has been our experience that the coverage and risks proposed for inclusion to the Export List are not readily available to the majority of Retail producers by admitted insurers. As a result, they are unable to obtain the three declinations required and advise their customer they are unable to assist. In these situations, the retail producer loses, as the growth of their business is limited. Further and more importantly, the likelihood of the consumer purchasing the financial protection desired diminishes that could result in an unnecessary business failure. Even worse, the consumer purchases coverage over the internet from an out of state source, similar to the Lake George boating accident of 2005. In this worse case scenario, the injured parties lost, the business lost and the industry left with a huge and unnecessary loss of credibility.

We would be happy to respond to any questions you may have.

Sincerely,

Professional Insurance Wholesalers Association of New York



Gary A. Hollederer
President

Copy: Daniel F. Maher, Executive Director - ELANY