

Legislative Bill Drafting Commission
14183-02-4

S. -----
 Senate

IN SENATE--Introduced by Sen

--read twice and ordered printed,
and when printed to be committed
to the Committee on

----- A.
Assembly

IN ASSEMBLY--Introduced by M. of A.

with M. of A. as co-sponsors

--read once and referred to the
Committee on

***INSURLA* *Department of Financial
Services 1 R-1*
(Relates to parametric insurance)**

Ins. DFS 01; parametric ins

AN ACT

to amend the insurance law, in
relation to parametric insurance

The People of the State of New
York, represented in Senate and
Assembly, do enact as follows:

IN SENATE

Senate introducer's signature

The senators whose names are circled below wish to join me in the sponsorship
of this proposal:

s15 Addabbo	s34 Fernandez	s28 Krueger	s01 Palumbo	s42 Skoufis
s43 Ashby	s60 Gallivan	s24 Lanza	s21 Parker	s11 Stavisky
s36 Bailey	s12 Gianaris	s16 Liu	s19 Persaud	s45 Stec
s57 Borrello	s59 Gonzalez	s50 Mannion	s13 Ramos	s35 Stewart-
s46 Breslin	s26 Gounardes	s04 Martinez	s05 Rhoads	Cousins
s25 Brisport	s53 Griffo	s07 Martins	s33 Rivera	s44 Tedisco
s55 Brouk	s40 Harckham	s02 Mattera	s39 Rolison	s06 Thomas
s09 Canzoneri-	s54 Helming	s48 May	s61 Ryan	s49 Walczyk
Fitzpatrick	s41 Hinchey	s37 Mayer	s18 Salazar	s52 Webb
s17 Chu	s47 Hoylman-	s03 Murray	s10 Sanders	s38 Weber
s30 Cleare	Sigal	s20 Myrie	s23 Scarcella-	s08 Weik
s14 Comrie	s31 Jackson	s51 Oberacker	Spanton	
s56 Cooney	s27 Kavanagh	s58 O'Mara	s32 Sepulveda	
s22 Felder	s63 Kennedy	s62 Ortt	s29 Serrano	

IN ASSEMBLY

Assembly introducer's signature

The Members of the Assembly whose names are circled below wish to join me in the
multi-sponsorship of this proposal:

a078 Alvarez	a047 Colton	a034 Gonzalez-	a137 Meeks	a016 Sillitti
a031 Anderson	a140 Conrad	Rojas	a017 Mikulin	a052 Simon
a121 Angelino	a032 Cook	a150 Goodell	a122 Miller	a075 Simone
a037 Ardila	a039 Cruz	a116 Gray	a051 Mitaynes	a114 Simpson
a035 Aubry	a043 Cunningham	a100 Gunther	a145 Morinello	a094 Slater
a120 Barclay	a021 Curran	a139 Hawley	a144 Norris	a005 Smith
a106 Barrett	a018 Darling	a083 Heastie	a045 Novakhov	a118 Smullen
a105 Beephan	a053 Davila	a028 Hevesi	a069 O'Donnell	a022 Solages
a107 Bendett	a072 De Los Santos	a128 Hunter	a091 Otis	a110 Steck
a082 Benedetto	a003 DeStefano	a029 Hyndman	a132 Palmesano	a010 Stern
a027 Berger	a070 Dickens	a079 Jackson	a088 Paulin	a127 Stirpe
a042 Bichotte	a054 Dilan	a104 Jacobson	a141 Peoples-	a102 Tague
Hermelyn	a081 Dinowitz	a011 Jean-Pierre	Stokes	a064 Tannousis
a117 Blankenbush	a147 DiPietro	a134 Jensen	a023 Pheffer	a086 Tapia
a015 Blumencranz	a009 Durso	a115 Jones	Amato	a071 Taylor
a073 Bores	a099 Eachus	a125 Kelles	a063 Pirozzolo	a001 Thiele
a098 Brabenec	a048 Eichenstein	a040 Kim	a089 Pretlow	a033 Vanel
a026 Braunstein	a074 Epstein	a013 Lavine	a019 Ra	a055 Walker
a138 Bronson	a109 Fahy	a065 Lee	a030 Raga	a143 Wallace
a046 Brook-Krasny	a061 Fall	a126 Lemondes	a038 Rajkumar	a112 Walsh
a020 Brown, E.	a008 Fitzpatrick	a095 Levenberg	a006 Ramos	a041 Weinstein
a012 Brown, K.	a004 Flood	a060 Lucas	a062 Reilly	a024 Weprin
a093 Burdick	a057 Forrest	a135 Lunsford	a087 Reyes	a059 Williams
a085 Burgos	a124 Friend	a123 Lupardo	a149 Rivera	a113 Woerner
a142 Burke	a050 Gallagher	a129 Magnarelli	a067 Rosenthal, L.	a080 Zaccaro
a119 Buttenschon	a131 Gallahan	a101 Maher	a025 Rozic	a096 Zebrowski
a133 Byrnes	a007 Gandolfo	a036 Mamdani	a111 Santabarbara	a056 Zinerman
a044 Carroll	a068 Gibbs	a130 Manktelow	a090 Sayegh	a077
a058 Chandler-	a002 Giglio, J.A.	a108 McDonald	a076 Seawright	
Waterman	a148 Giglio, J.M.	a014 McDonough	a084 Septimo	
a049 Chang	a066 Glick	a097 McGowan	a092 Shimsky	
a136 Clark		a146 McMahon	a103 Shrestha	

1) Single House Bill (introduced and printed separately in either or both houses). Uni-Bill (introduced simultaneously in both houses and printed as one bill. Senate and Assembly introducer sign the same copy of the bill).

2) Circle names of co-sponsors and return to introduction clerk with 2 signed copies of bill and: in Assembly 2 copies of memorandum in support, in Senate 4 copies of memorandum in support (single house); or 4 signed copies of bill and 6 copies of memorandum in support (uni-bill).

1 Section 1. Paragraph 34 of subsection (a) of section 1113 of the
2 insurance law is renumbered paragraph 35 and a new paragraph 34 is added
3 to read as follows:

4 (34) "Parametric insurance" means insurance against the occurrence of
5 a weather-related event, such as windstorm, flood, snow, wildfire,
6 tornado, cyclone, or earthquake, where the indemnification is based on
7 the proximity and magnitude of the event as measured and reported by a
8 state or federal government agency.

9 § 2. Subsection (a) of section 2105 of the insurance law, as amended
10 by chapter 359 of the laws of 2021, is amended to read as follows:

11 (a) The superintendent may issue an excess line broker's license to
12 any person, firm, association or corporation who or which is licensed as
13 an insurance broker under section two thousand one hundred four of this
14 article, or who or which is licensed as an excess line broker in the
15 licensee's home state, provided, however, that the applicant's home
16 state grants non-resident licenses to residents of this state on the
17 same basis, except that reciprocity is not required in regard to the
18 placement of liability insurance on behalf of a purchasing group or any
19 of its members; authorizing such person, firm, association or corpo-
20 ration to procure, subject to the restrictions herein provided, policies
21 of insurance from insurers [which] that are not authorized to transact
22 business in this state of the kind or kinds of insurance specified in
23 paragraphs four through fourteen, sixteen, seventeen, nineteen, twenty,
24 twenty-two, twenty-seven, twenty-eight, thirty-one, thirty-two [and],
25 thirty-three, and thirty-four of subsection (a) of section one thousand
26 one hundred thirteen of this chapter and in subsection (h) of this
27 section, provided, however, that the provisions of this section and
28 section two thousand one hundred eighteen of this article shall not

1 apply to ocean marine insurance and other contracts of insurance enumer-
2 ated in subsections (b) and (c) of section two thousand one hundred
3 seventeen of this article. Such license may be suspended or revoked by
4 the superintendent whenever in [his or her] the superintendent's judg-
5 ment such suspension or revocation will best promote the interests of
6 the people of this state.

7 § 3. The insurance law is amended by adding a new section 3416 to read
8 as follows:

9 § 3416. Parametric insurance. (a) Except as provided in subsection (b)
10 of this section, an insurer that issues a parametric insurance policy
11 shall disclose the following information in the application for the
12 insurance policy and in a prominent writing upon policy issuance and
13 renewal:

14 (1) the policy is not a substitute for property insurance or flood
15 insurance, as relevant, which generally provide more comprehensive
16 coverage in the event of a loss; and

17 (2) a mortgagee or loss payee may not accept a parametric insurance
18 policy.

19 (b) An excess line broker who procures a parametric insurance policy
20 pursuant to section two thousand one hundred five of this chapter shall
21 provide the disclosures required by subsection (a) of this section on
22 behalf of the insurer.

23 § 4. Paragraph 2 of subsection (a) of section 3425 of the insurance
24 law, as amended by chapter 235 of the laws of 1989, is amended to read
25 as follows:

26 (2) "Covered policy" also means a contract of insurance, referred to
27 in this section as "personal lines insurance", other than a contract of
28 insurance defined in paragraph one hereof, issued or issued for delivery

1 in this state, on a risk located or resident in this state, insuring any
2 of the following contingencies:

3 (A) loss of or damage to real property used predominantly for residen-
4 tial purposes and [which] that consists of not more than four dwelling
5 units, other than hotels and motels;

6 (B) loss of or damage to personal property in which natural persons
7 have an insurable interest, except personal property used in the conduct
8 of a business; [and]

9 (C) other liabilities for loss of, damage to, or injury to persons or
10 property, not arising from the conduct of a business, when a natural
11 person is the named insured under the policy; and

12 (D) parametric insurance, as defined in paragraph thirty-four of
13 subsection (a) of section one thousand one hundred thirteen of this
14 chapter.

15 § 5. Subsection (b) of section 4101 of the insurance law, as amended
16 by chapter 359 of the laws of 2021, is amended to read as follows:

17 (b) "Non-basic kinds of insurance" means the kinds of insurance
18 described in the following paragraphs of subsection (a) of section one
19 thousand one hundred thirteen of this chapter numbered therein as set
20 forth in parentheses below:

21 accident and health (item (i) of (3));

22 non-cancellable disability (item (ii) of (3));

23 miscellaneous property (5);

24 water damage (6);

25 collision (12);

26 property damage liability (14) - non-basic as to mutual companies
27 only;

28 motor vehicle and aircraft physical damage (19);

1 inland marine as specified in marine and inland marine (20);
2 marine protection and indemnity (21) - non-basic as to stock companies
3 only;
4 residual value (22);
5 credit unemployment (24);
6 gap (26);
7 prize indemnification (27);
8 service contract reimbursement (28);
9 legal services insurance (29);
10 involuntary unemployment insurance (30);
11 salary protection insurance (31);
12 donor medical expense insurance (32);
13 excess business disability insurance (33);
14 parametric insurance (34).

15 § 6. Paragraph 2 of subsection (b) of section 4102 of the insurance
16 law is amended to read as follows:

17 (2) If licensed to write fire (4), it may be licensed to write miscel-
18 laneous property (5), water damage (6), collision (12), motor vehicle
19 and aircraft physical damage (19) [and], inland marine as specified in
20 marine and inland marine (20) and parametric (34);

21 § 7. Note 3 of table one of paragraph 1 of subsection (a) of section
22 4103 of the insurance law, as amended by chapter 293 of the laws of
23 1986, is amended to read as follows:

24 {3} If licensed to write paragraph 4, no additional paid-in capital
25 and surplus is required for a license to write paragraphs 5, 6, 12, 19
26 [and], 20, (inland marine only) and 34.

1 § 8. Note 1 of table two of paragraph 1 of subsection (a) of section
2 4107 of the insurance law, as amended by chapter 805 of the laws of
3 1984, is amended to read as follows:

4 {1} If licensed to write paragraph 4, no additional surplus is
5 required for a license to write [pargraphs] paragraphs 5, 6, 12, 19
6 [and], 20, (inland marine only) and 34.

7 § 9. Note 3 of table three of subsection (b) of section 4107 of the
8 insurance law, as amended by chapter 293 of the laws of 1986, is amended
9 to read as follows:

10 {3} If licensed to write paragraph 4, no additional surplus is
11 required for a license to write paragraphs 5, 6, 12, 19 [and], 20,
12 (inland marine only) and 34.

13 § 10. This act shall take effect on the thirtieth day after it shall
14 have become a law.

DFS #01-24

Memorandum

An ACT to amend the insurance law
with regard to parametric insurance

Purpose of the bill:

This bill would amend the Insurance Law to authorize parametric insurance.

Summary of provisions:

Section 1 would renumber Insurance Law § 1113(a)(34) as (35) and add a new paragraph (34) to authorize parametric insurance.

Section 2 would amend Insurance Law § 2105(a) to permit an excess line broker to procure parametric insurance.

Section 3 would add a new Insurance Law § 3416 entitled “parametric insurance”, which would require certain consumer disclosures.

Section 4 would amend Insurance Law § 3425(a)(2) to make parametric insurance subject to this section, including the cancellation and non-renewal requirements set forth therein.

Section 5 would amend Insurance Law § 4101(b) to make parametric insurance a “non-basic kind of insurance.”

Section 6 would amend Insurance Law § 4102(b)(2) to provide that an insurer may write parametric insurance if it writes fire insurance.

Sections 7, 8, and 9 would amend Note 3 to Table One, as set forth in Insurance Law § 4103(a)(1), Note 1 to Table Two, as set forth in Insurance Law § 4107(a)(1), and Note 3 to Table Three, as set forth in Insurance Law § 4107(b), to state that no additional paid-in capital and surplus is required for a license to write parametric insurance if the insurer is licensed to write fire insurance.

Section 10 would provide that the bill takes effect 30 days after it is signed into law.

Justification:

A parametric insurance product is a contract that insures a person against the occurrence of a nearby event by paying a set amount based on the magnitude of the event, rather than the actual amount of the loss or damage. An example is a contract that pays an insured \$5,000 if there is a category 3 hurricane where the person lives regardless of whether the insured suffered a loss or damage.

Since these contracts pay a set amount based upon the magnitude of an event rather than the actual loss or damage, they may be less expensive. Tying payment to the magnitude of an event also allows an insurer to pay claims faster because it eliminates the claims adjustment process. However, because indemnification is not based on an insured’s actual loss or damage, a parametric insurance product is not a replacement for traditional homeowners’ or commercial property coverage as it likely will not be as comprehensive. In addition, an insured could suffer damage or a loss but because the magnitude of the event did not meet the trigger for coverage, the insured will not receive a payout.

As a result, this bill adds parametric insurance as a permissible kind of insurance. However, it also requires an insurer and an excess line broker to disclose in the application for an insurance policy and in a prominent writing upon policy issuance and renewal that: (1) the policy is not a substitute for property insurance or flood insurance, as relevant, which generally provide more comprehensive coverage in the event of a loss; and (2) a mortgagee or loss payee may not accept a parametric insurance policy. The bill would also subject parametric insurance to the consumer protections set forth in Insurance Law § 3425, such as cancellation and non-renewal requirements.

Prior legislative history:

This is a new bill.

Fiscal implications:

This bill will increase revenue in New York in the form of additional premium taxes if insurers can write this additional kind of insurance.

Effective date:

Thirty days after it is signed into law.