Written Testimony for the Senate Committees on Investigations and Government Operations, Insurance, and Housing, Construction, and Community Development

Illusory Insurance Policies Target Affordable-Housing Residents; Protecting New Yorkers through insurance transparency and bad-faith reform.

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Chairs Skoufis, Bailey, Kavanagh, and members of the Committees, thank you for the opportunity to testify today. My name is Andrew Finkelstein, President of the New York State Trial Lawyers Association (NYSTLA). NYSTLA represents New Yorkers injured through unsafe property conditions: tenants, workers, and community members who rely on property owners' liability insurance to obtain the protection and compensation those policies are meant to provide.

Residential insurance is prohibitively expensive in New York because the system rewards delay, secrecy, and profit shifting instead of protecting policyholders.

At the same time, industry profits have never been higher. The property casualty insurance industry earned $88 billion in profits in 2023—its most profitable year of all time—even as insurance executives claimed the sky was falling and insurance companies jacked up rates.1 In addition, AM Best reports that 2024 saw profitability continue to surge, with net income reaching $130 billion in the first three-quarters of the year—a 148% increase—putting the industry on pace to shatter the 2023 record profits.

A major driver of this imbalance is the rise of illusory insurance. These policies look like real insurance on paper, but offer little or no usable protection in practice. Families pay premiums believing they are covered, but the coverage evaporates when they file a claim. This happens when insurers write exclusions so broad that almost every scenario is carved out, or when they impose conditions that make it nearly impossible for a policyholder to qualify for payment.

The result is simple: New Yorkers think they are insured, but when disaster strikes they find out they are effectively on their own.

Trial lawyers see this reality every day, particularly in affordable housing communities that are hit first and hardest by climate disasters. These households take two to three times longer to recover from storms, are twice as likely to suffer heat-related harm, and are far more likely to be underinsured when catastrophe strikes.

[1] https://content.naic.org/sites/default/files/2023-annual-property-and-casualty-insurance-industries-analysis-report.pdf

To address these failures, today I will focus on three ways New York State can make insurance more affordable: instituting sunlight laws, enforcing accountability for bad-faith practices, and reining in insurance company fraud.

These are the areas that determine whether our insurance system protects the people who pay for it, or the executives who delay, deny and defend.

First, sunlight laws are essential because New York cannot fix or regulate what it cannot see. Premiums rise dramatically, coverage shrinks, and exclusions multiply, yet neither policymakers nor the public are given access to the most basic questions: What claims are being submitted? What is being paid? What is being denied? What are the real losses? In one of the most consequential industries for homeowners, landlords, and injury victims, meaningful data remains hidden. Without transparency to the regulatory bodies charged with protecting consumers, there can be no accountability, and without accountability, there can be no stability. Sunshine is the only way to understand how pricing decisions are made and whether they are justified.

Second, New York urgently needs a strong bad-faith law because it would protect policyholders and significantly reduce the burden on our courts (A6010A/S166A)**.** Today, when an insurer wrongfully delays or denies a legitimate claim, the only consequence is that they may eventually have to pay what they owed from the start. That structure rewards delay and encourages denials that individual homeowners and affordable housing providers cannot afford to fight. These tactics push thousands of avoidable cases into the courts, slowing down resolutions for everyone. A strong bad-faith statute would change these incentives by imposing real consequences on insurers that put their own financial interests ahead of their insureds, speeding up claim resolutions, discouraging litigation that should never occur, and easing the pressure on our judicial system.

- The **Uniformed Firefighters Association** called for a Bad Faith Act after Hurricane Sandy, when many firefighters and their families lost their homes. Unfortunately, in the aftermath of the storm as many of those firefighters tried to rebuild their lives, they discovered that the homeowner's insurance policy they had paid for, often for years, did not provide the protection they deserve, saying "the stress and financial burden of having to fight for what was rightfully theirs, at a time when so many firefighters had seen their homes destroyed and lives upended, was an extreme example of what some insurers put their policyholders through on a regular basis."

And when a property owner is wrongly denied coverage, the ripple effects extend further: injured New Yorkers lose their only source of recovery. Their medical care does not disappear — it shifts to Medicaid and public hospitals. That means taxpayers bear costs that should have been paid by insurers who collected premiums specifically for those risks. **The State has a direct financial interest in ensuring coverage is honored.**

A real bad-faith statute simply enforces the promise already sold to policyholders.

Third, New York must confront fraud wherever it occurs, including the widespread and often hidden fraud committed by insurers themselves. NYSTLA is unequivocal: fraudulent claims by anyone are unacceptable. But we cannot ignore the documented misconduct within the industry. After Sandy, for example, multiple insurers were sanctioned for manipulating engineering reports to understate their own insureds' losses or deny claims entirely[2]. These practices mislead policyholders, distort pricing, and destabilize the market.

In closing, insurance is a promise — a promise that when disaster strikes or when someone is injured, the protection paid for will be there. But a promise requires transparency, enforceability, and honesty. I commend this Committee for examining the true cost drivers behind rising premiums. By ensuring transparency, enacting a real bad-faith law, and scrutinizing misconduct wherever it occurs, New York can restore fairness and stability to its insurance markets.

Thank you. I look forward to your questions.

[2] https://www.insurancejournal.com/news/east/2014/11/24/348082.htm?utm