



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

IMPORTANT NOTICE

Filing Review Guidelines Related to Underwriting Coastal Homeowners Insurance Policies December 9, 2011

NOTE: The following guidelines supersede the November 9, 2009 edition of the Filing Review Guidelines Related to Underwriting Coastal Homeowners Insurance Policies. Insurance companies are advised to distribute these revised guidelines to all areas of the company involved with matters related to underwriting homeowners business.

On January 23, 2007, the Insurance Department (the "Department") released guidance to the industry regarding the Insurance Department's review of Underwriting Guidelines Related to Coastal Homeowners Insurance Policies (the "2007 Guidelines")¹ required by Conn. Gen. Stat. Section 38a-689. Those Guidelines were later modified in 2008 and 2009. In the aftermath of Tropical Storm Irene in 2011, these revised Guidelines are intended to clarify and provide direction to the insurance industry that the Department will only allow hurricane deductibles to be imposed with respect to losses due to a hurricane occurring anywhere in the State of Connecticut as reported by the National Weather Service of which the National Hurricane Center is a part, or its successor (collectively referred to herein as the "NWS") when such hurricane results in maximum sustained surface winds of 74 miles per hour or more anywhere in the State of Connecticut. Such hurricane deductibles may be applied only during the period commencing with the issuance of a hurricane warning bulletin for any part of the state by the NWS and concluding the earlier of: (i) 24 hours following termination of the last **hurricane warning** issued for any part of Connecticut by the NWS; or (ii) 24 hours after the hurricane is downgraded from a hurricane by the NWS for any part of Connecticut.

I. New Business Over 2,600 feet of the Coast. With respect to "New Business" over 2,600 feet of the coast, the 2007 Guidelines provide that an insurer *may* impose both a hurricane deductible (not to exceed 2%) and reasonable windstorm mitigation requirements for protection of the insured's dwelling. Since publication of the 2007 Guidelines, the Department has found that substantially all companies have imposed **either** an actuarially justified hurricane deductible **or** a requirement to undertake windstorm shutter mitigation, including the use of pre-cut, pre-drilled plywood for window protection for properties located over 2,600 feet of the coast. As a result, the Department wishes to advise insurers that company underwriting guidelines for New Business over 2,600 feet of the coast may no longer impose both a hurricane deductible and reasonable windstorm mitigation requirements for protection of the insured's dwelling. The company shall permit the insured to choose **either**: (i) a hurricane deductible (not to exceed 2%); **or** (ii) reasonable windstorm

¹ The 2007 Guidelines and amendments to those Guidelines can be found on the Department's website at: <http://www.ct.gov/cid/cwp/view.asp?a=1271&Q=427680>

mitigation requirements for protection of the insured's dwelling. Underwriting Guidelines for properties located within 2,600 feet of the coast may continue to impose both a hurricane deductible and reasonable shutter mitigation requirements in accordance with the 2007 Guidelines.

II. Hurricane Deductibles and Hurricane Duration Language. The Department's 2009 Guidelines, defined "hurricane" by reference to the declaration by the NWS of a category 1-5 hurricane. All weather-related terminology used in these Guidelines is as defined by the NWS. Currently, a hurricane is defined as a tropical cyclone in which the maximum sustained surface wind is 74 miles per hour or more. The Department wishes to make clear that hurricane deductibles allowed pursuant to these Guidelines may be applied only to losses due to a hurricane occurring anywhere in the State of Connecticut as reported by the NWS when such hurricane results in maximum sustained surface winds of 74 miles per hour or more anywhere in the State of Connecticut and for the durational timeframe set forth below.

Homeowners Hurricane Deductibles:

In light of the above definition, carriers may not apply mandatory or optional hurricane deductibles over a broad category of wind-related events but may include hurricane deductibles separate from any overall policy deductible provided that:

- o the hurricane deductible is applied only to losses due to a hurricane occurring anywhere in the State of Connecticut as reported by the NWS when such hurricane results in maximum sustained surface winds of 74 miles per hour or more anywhere in the State of Connecticut and for the durational timeframe set forth below;
- o the hurricane deductible is specifically identified and prominently highlighted on the declarations page of the policy;
- o when issuing a new policy or renewing a policy that previously did not have a separate hurricane deductible, the company must notify the policyholder in writing of the new hurricane deductible amount;
- o the policy reflects a premium credit associated with the reduced coverage resulting from the imposition of a hurricane deductible; and
- o if the hurricane deductible is not a flat dollar amount but rather a percentage of the covered value of the property, the declarations page of the policy must set forth the calculation of the dollar equivalent of the hurricane deductible and be prominently highlighted.

Homeowners Hurricane Deductible Duration:

In order to provide direction and consistency around the use of hurricane deductibles, the Department is setting the following timeframe as to when a hurricane deductible may be imposed in the State of Connecticut:

When the Hurricane Deductible begins:

Commencing with the issuance of a **hurricane warning** by the NWS for anywhere in the State of Connecticut.

When the Hurricane Deductible ends:

Ending the earlier of: (i) 24 hours following termination of the last **hurricane warning** issued for any part of Connecticut by the NWS; or (ii) 24 hours after the hurricane is downgraded from a hurricane by the NWS for any part of Connecticut.

III. Shutter Mitigation Requirements. Since the 2007 Guidelines were published, the Department has found that, in general, underwriting guidelines submitted by insurers allow for a range of shutter mitigation options including plywood shutters. However, the Department is also hearing of instances where companies are being inflexible in allowing alternatives to plywood, even when the alternative may be considered better than the plywood shutters; for example, flexible wind abatement screen systems, fabric pull-down shutters and fabric panel systems. There are pros and cons to each of these products as described in the materials developed by the Institute for Business and Home Safety (“IBHS”). This information can be found on the IBHS website located at: www.disastersafety.org/main.asp?id=1102 (select “Shutter Guide” under “Additional Resources”). Therefore, in order to address shutter technology mitigation developments in this area, the Department would like to provide the following information:

a. New and Renewal Business. The 2007 Guidelines provide that the Department requires insurers to allow homeowners to use any number of IBHS recommended window protection measures, such as plywood shutters, to help protect against loss. The Department originally settled on the pre-cut pre-drilled plywood as a “minimum” standard as IBHS had determined that plywood would provide sufficient protection to a structure if installed correctly. To provide further direction in this area, the Department is hereby notifying insurers that they must accept shutter protection systems that meet or exceed any of the testing standards set forth below. Many of the mitigation systems outlined by IBHS meet or exceed these standards as well. In the event the Department finds that an insurer is declining to waive the deductible requirement on new or renewal business due to the type of window protection mitigation product that a consumer intends to use, the Department will take necessary and appropriate enforcement action against such insurer.

Storm shutters which meet the following tests and procedures are deemed by the Department to be acceptable means of hurricane mitigation:

<p>*ASTM E 1886 ASTM E 1996</p>	<p>**TAS 201 TAS 202 TAS 203</p>
<p>* ASTM: American Society for Testing & Materials International</p>	<p>**TAS: Florida Building Code’s Test Protocol for HVHZ (High Velocity Hurricane Zone)</p>

In addition to the above, companies are encouraged to familiarize themselves with the 2003 International Residential Code portion of the 2005 State Building code, State of Connecticut. Part III Building Planning and Construction, Chapter 3 Section R 301.2.1.2 states that “Internal Pressure-Windows in buildings located in windborne debris regions shall have glazed openings protected from windborne debris.....Glazed opening protection for windborne debris shall meet the requirements of the Large Missile test of ASTM E 1996 and of ASTM E 1886 referenced therein”.

b. Options and Resources. Plywood shutters are not the only acceptable storm mitigation method—insureds need to be offered options concerning the specific type of shutters allowed by an insurer in accordance with its homeowners underwriting guidelines.

The Department does not recommend or endorse a particular type of window mitigation product but would like consumers to know that there are various materials that can be used, each one having its advantages and disadvantages. In order to help insurers and consumers better decide the types of mitigation methods that can be used to protect structures, please see the information links at the bottom of this page.²

IV. Mandatory Wind or Wind or Hail Deductibles. The Department would also ask the company to re-familiarize themselves with the Department's study entitled *A Report on the Availability of Homeowners Insurance along the Connecticut Coastline* dated December 5, 2006. With the publication of that report, the Department changed its position on the use of mandatory wind, wind/hail deductibles and advised it would only allow the industry to use a "hurricane deductible" for new and renewal business for losses due to a hurricane occurring anywhere in the State of Connecticut as reported by the NWS. The Department expected, with this publication, that any company using a mandatory wind or wind and hail deductible would convert the homeowner policy at renewal to a hurricane deductible or offer the insured the option of accepting either the wind deductible or a hurricane deductible. If a company chose the latter option, they would be expected to show the insured the differences between the two deductible options so an informed decision could be made by the insured.

V. Resubmissions; Force and Effect of 2007 Guidelines. Insurers are not required to resubmit their homeowners underwriting guidelines to the extent they comply with the matters set forth in this notice. In addition, the 2007 Guidelines as amended will continue in force and effect except to the extent they are inconsistent with this Notice. The Department requests that companies operate in the spirit of these revised Guidelines as of the date of this Notice and seek to file the changes to their homeowners underwriting guidelines and hurricane deductible policy forms to comply with this Notice on or before March 1, 2012.



Thomas B. Leonardi
Insurance Commissioner

² <http://www.fema.gov/plan/prevent/howto>

<http://www.fema.gov/library/viewRecord.do?id=2102>

http://www.scseagrant.org/oldsite/text_version/pubs/library_extbull_shutter.htm

http://www.scseagrant.org/pdf_files/window_door.pdf