



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

March 19, 2024

NOTICE TO ALL HOMEOWNERS INSURERS UNDERWRITING ACTION BASED ON ROOF CONDITION AND USE OF AERIAL IMAGERY

It has recently come to the Insurance Department's (the "Department") attention that several insurers are seeking to nonrenew homeowners' or dwelling fire insurance policies due to concerns about the quality of a property's roof and its propensity for loss. This Notice is intended to advise insurers of the Department's position concerning the extent of roof damage needed to support underwriting action and the acceptable use of aerial imagery technology to evaluate such damage.

Natural Discoloration and Streaking. It is the Department's position that cosmetic roofing conditions such as natural discoloration and streaking do not support taking homeowner or dwelling fire nonrenewal action. Insurers must have evidence of material degradation of or damage to a roof that increases or changes the propensity for loss to support nonrenewal action. Furthermore, it is the Department's position that aerial images alone showing discoloration, streaking or other cosmetic damage may not be used to support nonrenewal actions based on roofing degradation. Aerial images that unequivocally show material damage, however, may be appropriate to support nonrenewal action.

Recently, the Department reviewed and investigated consumer complaints (including the associated aerial images) pertaining to nonrenewals based on roof condition and found that the aerial images relied upon for the nonrenewal did not definitively show material roofing degradation or damage. In these cases, the Department found that insurers justified nonrenewal underwriting action based on natural discoloration of roofing shingles and/or streaking on the roof's surface purportedly shown in aerial images. This practice will not be tolerated in Connecticut.

In contrast to cosmetic damage, it is the Department's position that conditions such as roof ponding, incomplete patching or tarping covering the roof would generally support taking underwriting action.

Underwriting Guidelines. Pursuant to Conn. Gen. Stat. §38a-689, insurers are required to file with the Department homeowners underwriting guidelines used to determine whether or not to underwrite/renew a policy. If an insurer intends to take underwriting action based on the age and/or condition of the roof, underwriting guidelines addressing this practice must be filed including all revisions to the guidelines before

implementing. Such filings must include all rules and conditions in the company's underwriting guidelines in order for the Department to verify that action taken on an insured's policy comports with the guidelines. The Department reviews the filed guidelines and will approve use if the guidelines are reasonably predictive of future loss.

Significantly, the Department does not seek to broadly restrict the use of aerial imagery in underwriting as we recognize the value of this tool. However, appropriate guardrails pertaining to the use of aerial imagery are needed to protect consumers from unsupported underwriting action. An example of this type of guardrail is, in the absence of unequivocal material damage shown, a physical inspection to validate the specific type of damage that the aerial image purports to show or receipt of a report prepared by a licensed home improvement contractor or roofer addressing the condition of the subject roof as submitted by the policyholder. The Department expects that this type of guardrail be set forth in each insurer's filed underwriting guidelines if aerial imagery is used.

Nonrenewal Notices. In the course of the Department's review of recent consumer complaints, it found that some insurers are not providing the insured and/or their agent with specific reasons for the nonrenewal. Under Conn. Gen. Stat. §38a-323, insurers are required to provide at least 60 days' advance notice of nonrenewal "accompanied by a statement specifying the reason for such nonrenewal." As described in Bulletin PC-88, nonspecific reasons such as "claims experience", "underwriting judgment" or "increase in hazard" are unacceptable because those reasons do not provide the definitive notice necessary to enable the insured to remedy the circumstance causing the insurer's action.

In addition, while insurers must provide at least the statutorily required notice specifying the reason(s) supporting such action, the Department encourages insurers to provide as much advance notice as possible in light of challenges associated with scheduling roofing contractors and completing repairs within a 60-day period. By providing specific reasons concerning the scope of roofing damage, the insured will be in a better position to take the necessary remedial action or to seek replacement coverage from other companies.

For information or questions concerning this Notice, please contact the Connecticut Insurance Department's Property and Casualty Division by e-mail at: cid.pc@ct.gov.