



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

August 25, 2006

### **\*\*\*NOTICE TO ALL INSURERS WRITING HOMEOWNERS INSURANCE IN CONNECTICUT\*\*\***

It has recently come to the Insurance Department's attention that some companies licensed to write homeowners insurance in the State of Connecticut may be improperly taking action to refuse to insure, nonrenew and/or cancel policyholders, particularly those located in coastal communities. The Department is aware of the serious issues that exist in the industry with respect to the increased costs of offering homeowners insurance in coastal areas of this state. These increased costs result from a number of factors impacting the marketplace including the increased costs of securing reinsurance coverage and the predictive weather modeling that indicates an increased likelihood of a severe storm event occurring in the northeast coast of the United States.

Insurers are reminded that under Connecticut General Statutes Section 38a-689(a)<sup>1</sup>, they are required to file with Insurance Department their underwriting rules and regulations used to determine whether or not to underwrite a particular risk. Insurers are further guided by Bulletin PC-43 dealing with "Availability of Insurance In Urban Areas and Coastline Neighborhoods" and Bulletin PC-33 related to "Homeowners Insurance Wind and Hurricane Deductibles". These Bulletins can be accessed on the Department's website.

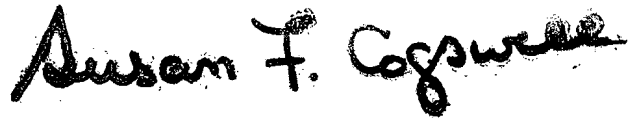
Bulletin PC-43 specifically provides that if companies have underwriting guidelines in which homeowners coverage is refused to risks located within a specified number of feet from the coast or shoreline, without consideration of other legitimate underwriting criteria, such guidelines would show a general practice of refusing to issue homeowners policies solely because a risk is located in a particular geographic area. See also Section 38a-824-1, et seq. of the Regulations of Connecticut State Agencies.

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<sup>1</sup> Sec. 38a-689. Insurers issuing homeowners policies to file underwriting rules and regulations with commissioner. Approval procedure. (a) Each insurance company which issues homeowners insurance policies in this state shall file with the Insurance Commissioner the rules and regulations, or any modifications of such rules and regulations, used by such company to determine whether or not to underwrite such policies.

The Department is advising all insurers writing homeowners insurance in this state that any action being taken to nonrenew, cancel or refuse to write new business ***other than in accordance with their underwriting guidelines on file and approved by the Department*** will be considered a violation of Conn. Gen. Stat. Sec. 38a-689 and/or the non-renewal/cancellation statutes. Companies are further advised not to direct their agents, either verbally or in writing, to refuse or otherwise avoid accepting business that meets the requirements of their filed and approved coastal underwriting guidelines.

For example, an action taken to nonrenew homeowners policies solely on the basis of distance from the coastline would be considered a violation of applicable Connecticut statutes and regulations referenced above. Such actions if committed with such frequency so as to constitute a general business practice would also implicate the Connecticut Unfair Insurance Trade Practices Act. Please be advised that the Department intends to take any and all appropriate enforcement actions against companies attempting to nonrenew, cancel or refusing to write homeowners policies not in accordance with their rules and underwriting guidelines filed and approved by the Department.



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Susan F. Cogswell  
Insurance Commissioner