



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Bulletin PC-43
December 20, 2000
(Reissued, Formerly PC-24
November 2, 1993)

To: ALL COMPANIES LICENSED IN THE STATE OF CONNECTICUT TO
WRITE PROPERTY AND CASUALTY INSURANCE

Subject: AVAILABILITY OF INSURANCE IN URBAN AREAS AND COASTLINE
NEIGHBORHOODS

The Insurance Department has been closely monitoring the availability of insurance in two areas of special concern, urban areas and coastline neighborhoods. I would like to remind all companies writing dwelling fire insurance and homeowners insurance of the provisions of Conn. Gen. Stat. §38a-824 and Connecticut Agencies Regulations §38a-824-1, et. seq.

Section 38a-824 of the General Statutes requires that the insurance commissioner adopt regulations "to ensure the availability of insurance on real property in the state by prohibiting unfair discrimination in the availability or sale of such insurance on the basis of location, age or disparity between replacement cost and market value of such property. Such regulations shall include, but not be limited to, a statement of those acts, practices or methods which are deemed to constitute such unfair discrimination." In accordance with that statute, regulations were adopted in 1980 setting forth specific acts which constitute unfair discrimination.

I would especially like to draw attention to Regulation §38a-824-3(a)(1), in which "refusing to issue homeowners policies solely because of the fact that the risk is located in a particular urban area or neighborhood, city or town" if committed with such frequency as to indicate a general practice is a defined act of unfair discrimination. 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, it is my position that such guidelines show a general practice of refusing to issue homeowners policies solely because of the fact that a risk is located in a particular geographic area.

At the same time, the department recognizes the risks to solvency of insurance companies which have an over concentration of risks in a particular area. Such an over concentration would appear to indicate that a company has not refused to insure risks located in a particular neighborhood.

In keeping with our efforts to make sure that dwelling fire insurance and homeowners insurance is available in all urban areas, neighborhoods, cities and towns in the state of Connecticut:

1. Companies with underwriting guidelines which bar the issuance of dwelling fire and homeowners policies solely because a risk is located within a particular neighborhood, including those a specified distance from the coast or shoreline, are directed to file revised guidelines which comply with Connecticut law within 45 days of the issuance of this bulletin.
2. Companies which intend to adopt a program which limits their acceptance of risks to remedy what they believe is an over concentration of risks in a particular geographic area should file notice of such a program with the Insurance Department Property-Casualty Division prior to implementing such a program along with data supporting its contention that there is an over concentration of risks. It is likely that following the filing of such a program, the Department will want to have a meeting with the applicant to fully review the details and support thereof.
3. Companies are directed to remind their underwriters of the provisions of Regulation §38a-824-1, et. seq., a copy of which is attached. {Footnote 1 }

The Insurance Department will continue to closely monitor the availability of dwelling fire insurance and homeowners insurance in shoreline neighborhoods and urban areas and will, if necessary, take appropriate administrative action and recommend remedial legislation to the General Assembly.

In the meantime, and in hopes of avoiding an availability problem, the Department will be working with carriers and producers to develop a Market Assistance Program (MAP) designed to facilitate access and develop information as to the nature of the problem.

Robert R. Googins

Robert R. Googins
Insurance Commissioner

AVAILABILITY OF INSURANCE ON REAL PROPERTY
REGARDLESS OF LOCATION

Section	
38a-824-1.	Purpose.
38a-824-2.	Applicability.
38a-824-3.	Acts constituting unfair discrimination.

§ 38a-824-1. Purpose

The purpose of this Regulation is to ensure the availability of insurance on real property in the State of Connecticut by prohibiting unfair discrimination in the availability or sale of such insurance on the basis of location, age or disparity between replacement cost and market value of such property.

History.-Eff. 10-31-80.

§ 38a-824-2. Applicability

This Regulation shall apply to every insurer licensed to write insurance on residential property in the State of Connecticut, as well as any officers, representatives, agents or employees of such insurers. As used herein "insurance" means fire insurance or homeowners insurance on owner-occupied buildings with four or fewer dwelling units, or on individual residences, including apartment units, rooms, and houses, occupied by the applicant or the named insured.

History.-Eff. 10-31-80

§ 38a-824-3. Acts constituting unfair discrimination

(a) Except as provided in Subsection (b) of this Section, the following acts, practices or methods if committed with such frequency as to indicate a general practice shall be deemed to constitute unfair discrimination.

(1) Refusing to issue homeowners policies solely because of the fact that the risk is located in a particular urban area or neighborhood, city or town.

(2) Requiring homeowners insurance policies to be purchased in amounts above 80% of replacement cost value.

(3) Limiting the sale of homeowners insurance policies to 80% of replacement cost value without offering homeowners insurance policies

which provide coverage in amounts not less than the greater of the market value of the property or 50% of the replacement cost value, -in accordance with rating plans filed with the Commissioner.

(4) Refusing to insure dwellings solely because of a substantial disparity between replacement cost and market value.

(5) Refusing to issue, refusing to renew, canceling or limiting the amount or provisions of coverage solely because of the age of structure.

(6) Refusing to issue, refusing to renew, canceling or limiting the amount or provisions of coverage due to the condition of adjacent or nearby properties unless there are objectively identifiable hazards associated with such properties which significantly increase the risk.

(7) Varying the application of any or all of the following standards or practices by geographic locations of the risk by:

- (A) Use of previous denial of coverage or termination by another insurer;
- (B) Use of insurance application information concerning whether the applicant was previously denied coverage or was terminated by another insurer;
- (C) Use of previous coverage under an involuntary insurance plan;
- (D) Use of insurance information concerning whether the applicant was previously covered in an involuntary insurance plan;
- (E) Providing a statement to applicants and insureds regarding the reasons for insurer's declination, termination, or nonrenewal of an insurance contract;
- (F) Providing a statement to applicants and insureds before issuing notices of declination, termination, or nonrenewal regarding corrective action, if any, the applicant or insured must take to obtain or continue coverage;
- (G) Use of deductibles.

This Subdivision (7) shall not prohibit the use of any standard or practice merely because it affects various area-, differently, provided such standard or practice is applied uniformly in all geographic locations.

(b) Subdivisions (2), (3), (4) and (5) of Subsection (a) shall not be applicable to an insurer when one or more insurers in the insurer group actively offers policies which meet the requirements of such Subdivision.