



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### \*\*\*IMPORTANT NOTICE\*\*\*

#### **Filing Review Guidelines Related to Underwriting Coastal Homeowners Insurance Policies November 9, 2009**

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NOTE: The following guidelines supersede the July 11, 2008 edition of the Filing Review Guidelines Related to Underwriting Coastal Homeowners Insurance Policies. Section I has been modified to further clarify the Department guidelines applicable to New Business over 2600 feet of the coast. In addition, Section IV has been replaced with information on wind and hail deductibles. The original information found in section IV has been moved to Section V but remains unchanged. Insurance companies should distribute these revised guidelines to all areas of the company involved with matters related to underwriting coastal 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")<sup>1</sup> required by Conn. Gen. Stat. Section 38a-689. By this notice, the Department wishes to revise: (i) the "New Business" guidelines for properties located over 2600 feet of the coast; (ii) the imposition of hurricane deductibles and trigger language; and (iii) acceptable windstorm shutter mitigation requirements.

**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 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.

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<sup>1</sup> The 2007 Guidelines can be found on the Department's website at:  
<http://www.ct.gov/cid/lib/cid/underwritingcoastal.pdf>

**II. Hurricane Deductibles and Trigger Language.** The Department is revising the 2007 Guidelines by defining the term “hurricane” by reference to the declaration by the National Weather Service/National Hurricane Center (“NHC”) of a category 1-5 hurricane. Currently, a hurricane is defined by NHC as a tropical cyclone in which the maximum sustained surface wind is 74 mph or more.

**Homeowners Hurricane Deductibles:**

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

- the hurricane deductible is specifically identified and prominently highlighted on the declarations page of the policy;
- 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;
- the policy reflects a premium credit associated with the reduced coverage resulting from the imposition of a hurricane deductible; and
- 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 and be prominently highlighted.

**Homeowners Hurricane Deductible Triggers:**

In order to provide direction and consistency around the use of hurricane deductibles, the Department is setting the following minimum standards as to when a hurricane deductible may be triggered and applied:

**When the Hurricane Deductible begins:**

At the time a **hurricane warning** is declared by the National Hurricane Center for anywhere in the State of Connecticut.

**When the Hurricane Deductible ends:**

24 hours after a **hurricane warning** is terminated, or 24 hours after the hurricane is downgraded from a hurricane, by the National Hurricane Center for the State 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](http://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 &amp; 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”.

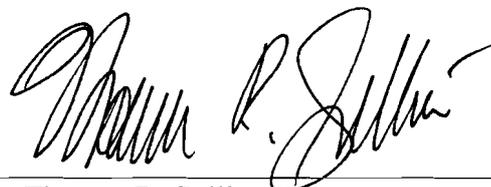
b. Options and Resources. Plywood shutters are not the only acceptable storm mitigation method—insureds need to be offered options concerning the specific type of shutters allowed by an insurer in accordance with its homeowners underwriting guidelines.

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.<sup>2</sup>

<sup>2</sup> <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/oldsite/text_version/pubs/library_extbull_shutter.htm)

**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 and hail deductibles and advised it would only allow the industry to use a "hurricane deductible" for new and renewal business. 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. No 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 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, if any, to comply with this notice as soon as reasonably possible.



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Thomas R. Sullivan  
Insurance Commissioner