



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

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

### **Amended and Restated Filing Review Guidelines Related to Underwriting Coastal Homeowners' Insurance Policies July 25, 2014**

---

The following are amended and restated *Filing Review Guidelines Related to Underwriting Coastal Homeowners' Insurance Policies* including changes required by Public Act No. 14-175 (the "Guidelines"). The Guidelines were first issued on January 23, 2007<sup>1</sup> pursuant to Connecticut General Statutes ("CGS") section 38a-689 and later amended in 2008, 2009 and 2011. Insurance companies are advised to distribute these amended and restated Guidelines to all areas of the company involved with matters related to underwriting homeowners' business.

**A. Requiring Storm Shutters or Other Mitigation Is Prohibited.** Public Act No. 14-175 amends CGS section 38a-316a(a) effective October 1, 2014 by prohibiting insurers from declining to write, renew, amend or endorse a homeowners insurance policy solely on the basis that the insured or prospective insured has failed to install storm shutters on, or failed to have storm shutters on the premises of, his or her residential dwelling. Under prior law, such prohibition was limited to "permanent" storm shutters and, as a result, the Department required that insurers who imposed a storm shutter requirement on new business within 2,600 feet of the coast to provide an alternative to permanently installed storm shutters such as pre-cut, pre-drilled plywood shutters. As a result of the amendment to CGS 38a-316a, insurers may not seek to impose any requirement for shutters or other mitigation products in Connecticut.

The Department has, in earlier versions of these Guidelines, cited the Insurance Institute of Business & Home Safety ("IBHS") when referring to various types of mitigation products or storm shutters. The Department wishes to make clear that, under Public Act No. 14-175, it must broadly consider the definition of 'storm shutters' to include all protection mitigation products. A narrow consideration of the definition of 'storm shutter' by this Department would be irresponsible when the passage of Public Act 14-175 disallows underwriting action on the simplest, most cost effective form of mitigation (plywood shutters). Therefore, the Department will not record as effective or approve any Company Underwriting Guidelines that seek to mandate the use of any mitigation product or storm shutter as a condition to quoting or issuing a Homeowner policy. The Department is fully prepared to discuss the impact of these revised Guidelines on company rate needs.

---

<sup>1</sup> 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>

## **B. Notification and Display of All Hurricane Deductibles.**

1. All Hurricane deductibles must be prominently displayed on the Declarations page of the homeowners' policy pursuant to Insurance Department Bulletin PC-33 dated January 2000.
2. Companies must provide the insured with the appropriate notification as required under Insurance Department Bulletin PC-42-04 dated May 5, 2004, Section D. *Guidelines Regarding The Use of Conditional Renewal Notices*. These notification requirements apply when the company issues a new policy or renews a policy that previously did not have a separate hurricane deductible.
3. The Declarations page of the policy must set forth the calculation of the dollar equivalent of all hurricane deductibles and be prominently highlighted if the hurricane deductible is not a flat dollar amount but rather a percentage of the covered value of the property.

**C. Application of Hurricane Deductibles.** Hurricane deductibles are allowed pursuant to CGS section 38a-316a and in accordance with these Guidelines. Please be reminded that hurricane deductibles may be applied only 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 and for the durational timeframe set forth in Section D. of these Guidelines.

The Department will allow companies to apply an actuarially justified hurricane deductible subject to the requirements below.

- New Business effective October 1, 2014 and later:
  - Within 2,600 feet from the coast – hurricane deductible not to exceed 5% may be applied.
  - Over 2,600 feet from the coast – hurricane deductible not to exceed 2% may be applied.
- Renewal Business effective October 1, 2014 and later:
  - Within 2,600 feet from the coast - hurricane deductible may be applied, not to exceed 5%.
  - Over 2,600 feet from the coast – hurricane deductible may be applied, not to exceed 2%, but only if the insured has not installed storm shutters or does not have storm shutters on the premises of his or her residential dwelling as a means of mitigating loss from hurricanes or other severe storms.  
**Note:** The Department must consider the impact to consumers, who based on prior versions of the Guidelines, chose to install an acceptable form of mitigation.

**D. Hurricane Durational Timeframe.** Pursuant to CGS section 38a-316a, 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.

**E. Window Protection/Shutter Mitigation.** The Department believes that it is important to continue to provide insurers with information regarding shutter/window protection. There are pros and cons to each of the mitigation products as described in the materials developed by IBHS. This information can be found on the IBHS website located at: <https://www.disastersafety.org/hurricane/>. Many of the mitigation systems outlined by IBHS meet or exceed the testing standards shown below. This information may be useful to consumers who are interested in purchasing shutters or other forms of mitigation.

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

**F. Credits to Reflect Reduced Exposure—New and Renewal Business.** When permanent storm shutters or impact resistant glass is installed by the insured, an actuarially justified premium reduction or credit must be considered in the pricing of the risk under CGS section 38a-316b. In addition, when a hurricane deductible is applied, an actuarially justified premium reduction or credit to reflect the company’s reduced exposure to loss must be applied.

Companies should consider reducing deductible amounts and/or increasing policy discounts on risks where substantial mitigation measures have been taken such as when a home is designated through IBHS as a FORTIFIED Home™ or complies with the U.S Department of Homeland Security’s Resilience STAR™ designation. Further information can be found at: <https://www.disastersafety.org/fortified-main/>

**G. Defining the Coast.** As a matter of practice, it becomes very difficult to regulate coastal exposures and the manner in which the definition of “coast” is applied considering the many rivers and other inland bodies of water that flow into Long Island Sound. There is no generally accepted definition of “coast” for property and casualty insurance purposes. However, the Insurance Services Offices (“ISO”) has established a method to determine coastal exposures as they relate to rivers and other inland bodies of water. Essentially, ISO uses an “angle of

impact measurement” to understand where the highest winds will occur along rivers and, consequently, the most damage that is likely.

In reviewing the parameters of an insurer’s coastal underwriting guidelines, the Department expects that companies will use an “angle of impact measurement” methodology or a similar method to justify their coastal underwriting practices and to submit their coastal mapping with their coastal underwriting guideline filing. The Department intends to strictly scrutinize other methodologies used to define coastline in circumstances where the Department believes such methodologies create an unreasonably broad coastline. For the purpose of these guidelines, the term “coast” refers only to a salt-water ocean, sound, bay or inlet with the distance as measured from the median high water mark. The median high water mark is defined by the National Oceanic Atmospheric Administration.

**H. Mandatory Wind or Wind/Hail Deductibles.** Insurers are reminded about the Department’s study entitled *A Report on the Availability of Homeowners’ Insurance along the Connecticut Coastline* dated December 5, 2006. The Department expected, with this publication, that any company using a mandatory wind or wind/hail deductible would convert all applicable homeowner policies at renewal to a hurricane deductible or offer the insured the option of accepting either the wind deductible or a hurricane deductible. The Department will continue to allow actuarially justified optional wind or wind/hail deductibles throughout the state. Mandatory application of wind or wind/hail deductibles on Homeowner policies is prohibited by the Department.

**I. Resubmissions.** As a result of Public Act No. 14-175, insurers are required to resubmit their homeowners underwriting guidelines and manual rules for the Department’s approval. These amended *Filing Review Guidelines Related to Underwriting Coastal Homeowners Insurance Policies* are effective on and after October 1, 2014. The Department’s 2007 Guidelines as amended will continue in force and effect until then.



---

Thomas B. Leonardi  
Insurance Commissioner