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Breaking News

Conn. Seeks To Block 'Excessive' Coastal Rates

NU Online News Service, Dec.5, 4:11 p.m. EST

The Connecticut insurance commissioner has recommended that the state legislature give her authority to disapprove coastal homeowners insurance rates that she deems excessive and added controversial guidelines for coastal insurers.

In "A Report on the Availability of Homeowners Insurance Along the Connecticut Coastline," Commissioner Susan F. Cogswell also called for an increase in the per-claim cap on losses covered by the Connecticut Insurance Guaranty Association from \$300,000 to \$500,000 to reflect higher home values.

She said her recommendations would balance "the need for consumer choice with the need to maintain the solvency of the insurance industry and a vibrant competitive marketplace."

The coastal filing review guidelines she put in place would limit insurers' mandates for storm shutters and their deductible requirements. Property Casualty Insurers Association of America (PCI) said they were among the most restrictive in the nation.

The study followed a public flap that ensued after Andover Insurance Company was given departmental approval to require homeowners it insures to install storm shutters—a decision that Republican Gov. M. Jodi Rell put on hold.

Ms. Cogswell's guidelines would require insurers to offer homeowners a choice between shutters or other storm mitigation and higher deductibles. Carriers could nonrenew if both options were refused.

More than 2,600 feet from the coast the maximum deductible would be 2 percent. The commissioner also called for creation of a Coastal Market Assistance Plan as part of the existing FAIR Plan pool coverage that is offered.

As part of its research, the department held a hearing in

Research Report
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September during which agents, according to the report, gave anecdotal evidence that carriers “are not writing homeowners insurance policies along the coast, in violation of their filed underwriting guidelines.”

The commissioner’s report said such activity would be audited.

Besides public and legislator input, the study included a data call of insurers, a review of applicable laws, interviews with insurance company representatives, and examination of studies of rating agencies and catastrophe insurance markets.

The study concluded that after Hurricane Andrew in 1992, national insurers pulled back from homeowners insurance, while small companies and mutual carriers increased their involvement.

After the 2004-2005 hurricane season’s large losses, the small companies bore a “disproportionately large portion of those costs through increased reinsurance rates,” the report said.

Based on changes of windstorm models and rating agency criteria, the small firms--in addition to reinsurance hikes--may face financial pressures, which “means they must restrict underwriting, increase rates or a combination of both to maintain solvency,” the report found.

Kristina Baldwin regional manager and counsel for PCI noted the guidelines required insurers to let homeowners to choose among storm mitigation techniques including plywood, which she said was ineffective if improperly applied.

The guidelines with “create a less competitive market resulting in fewer choices for consumers,” said Ms. Baldwin, adding that they ignored market realities, storm predictions and laws of economics.

This article updated 9 p.m. EST.

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