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**BUSINESS**

## SOS For Coastal Insurance

### ■ State Trying To Stem A Rising Tide Of Higher Deductibles, Cancellations

September 8, 2006

By DIANE LEVICK, Courant Staff Writer

As homeowners on Connecticut's coast struggle with a tightening insurance market, the insurance commissioner Thursday called on companies to hold off for 90 days on plans to protect themselves with cancellations, higher deductibles and new shutter requirements.

Many Connecticut coastal homeowners are finding it harder than ever to find, keep or afford insurance as anxious companies take action to reduce potential losses from hurricanes and other storms.

The situation is especially grim within 1,000 feet of the water, with few mainstream companies writing new policies there, agents say. More of those customers are ending up with specialty insurers such as Lloyd's of London, whose premiums are often hundreds of dollars higher.

Some insurers are trying to raise their windstorm deductibles along the shore, which could leave customers with thousands of dollars of rebuilding costs after a hurricane.

At least several regular insurers are seeking approval to drop coastal customers at renewal time unless they meet costly new requirements, such as

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installing storm shutters - which can run thousands of dollars - or buying federal flood insurance.

Insurance Commissioner Susan F. Cogswell called for the moratorium - an unusual step in Connecticut - to study whether adequate insurance is available along the shore. She plans a public forum on coastal coverage for Sept. 21, somewhere in the New London area.

"We don't know how bad it is, and that's why we have to step back and do some really good research about what's going on out there," Cogswell said in an interview.

Proposed new underwriting rules must be filed with and approved by the Insurance Department. Insurers can go ahead and use the new rules after 30 days if the department hasn't raised questions or requested a 30-day extension.

Cogswell, however, hopes insurers will cooperate with the 90-day breather.

"I am trying to balance the needs of policyholders with the industry's responsibility to adequately plan for the financial exposure companies face by insuring coastal communities," Cogswell said in a written statement.

Insurers, citing storm forecasters and scientific research, say they're taking action because the nation is in a period of more intense and frequent Atlantic hurricane activity. Shoreline development in the past few decades has greatly increased the potential claim payouts.

Also, the cost of reinsurance - the protection insurers buy from other companies - has soared since the 2004 and 2005 hurricanes.

Regulators had approved Andover Insurance Co.'s decision to discontinue about 2,000 Connecticut policies unless the homes got shutters, but Cogswell said Thursday the company agreed to suspend its plans for 90 days. Andover had already advised roughly 100 customers that they would be dropped unless they installed shutters.

The Andover non-renewals would affect customers who are within three-fourths of a mile of the Long Island Sound or close to a major river.

Insurance problems began after Hurricane Andrew in 1992, but have worsened in Connecticut and other East Coast states since Katrina devastated parts of the Gulf Coast last year.

Now Connecticut regulators are worried insurers may be moving too aggressively to reduce their risk.

The Insurance Department has posted three notices on its website in the past two weeks warning companies and agents not to break the law.

The department says, for instance, it has heard that some agents may be

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placing coastal customers with "non-standard" or "excess and surplus lines" insurers without first getting refusals from at least three regular insurers. Rates and terms in the surplus lines market are unregulated.

The premiums from such specialty insurers can be double what regular companies charge, said Bill Kiley, president of Connecticut Underwriters Inc. in Middletown, a surplus lines broker serving New England and Pennsylvania.

The firm, Kiley said, has seen about a 15 percent increase in policy applications in Massachusetts and Connecticut since Katrina - a sign of a tightening insurance market.

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