



COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

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BULLETIN 2009-XX

TO: Insurance Companies Issuing or Renewing Property Insurance Coverage in Massachusetts, Including the Massachusetts Property Insurance Underwriting Association

FROM: Nonnie S. Burnes, Commissioner of Insurance

DATE: XXXXXX XX, 2009

RE: Requirements for Deductibles Applicable to Property Damage Arising From Wind-Related Events

This Bulletin applies to all insurance companies, including the Massachusetts Property Insurance Underwriting Association (“MPIUA” or “FAIR Plan”), (collectively “Insurers”) that issue or renew personal property insurance coverage as part of homeowners, dwelling, condominium, mobile homeowners, renters, and farm owners insurance policies, or commercial property insurance policies, excluding those policies issued or renewed in accordance with M.G.L. c. 175 §§ 224 and 225 (collectively “property insurance policies”). It notifies Insurers of the Division of Insurance’s (“Division”) requirements related to mandatory and optional wind-related event deductibles that apply to property insurance policies issued or renewed by such Insurers on or after July 1, 2009.

Wind-Related Event Deductibles On and After July 1, 2009

The following provisions apply to all property insurance policies issued or renewed on or after July 1, 2009.

A. Mandatory “Named Storm” Deductibles

Insurers may not require policyholders to purchase property insurance coverage with a mandatory deductible applicable to losses resulting from a broad category of wind-related events. Insurers may require policyholders to purchase a mandatory wind-related event deductible applicable to losses resulting from “named storms” (“mandatory ‘named storm’ deductible”).

For the purpose of this Bulletin, the term “named storm” is defined as a hurricane or tropical storm that is officially named by the federal National Hurricane Center and remains so named when it strikes land in Massachusetts. Property insurance coverage for damage caused by a “named storm” shall include:

1. The cost of removal of debris from covered property;
2. The cost of replacement or reparation of damages; and
3. The cost of removal and replacement of any part of covered property, as needed, to gain access to damaged areas of covered property.

Mandatory “named storm” deductibles must comply with the following provisions:

1. The mandatory “named storm” deductible is identified specifically and highlighted prominently within the property insurance policy documents.
2. The property insurance policy declarations page reflects a separate premium for the risk of “named storms”, as well as a separate premium credit for the mandatory “named storm” deductible, both expressed in dollars.
3. The mandatory “named storm” deductible may not exceed 5% of the insured value of the property (Coverage A amount), regardless of whether that deductible represents a flat dollar amount, or a percentage of the insured property value.
4. In the event of a loss resulting from a “named storm,” the mandatory “named storm” deductible shall be substituted for any otherwise applicable policy deductible(s).
5. The Insurer must offer the policyholder the option to purchase a wind-related event deductible that is less than the mandatory “named storm” deductible amount without an increase in policy premium, if the policyholder has made documented mitigation improvements to the insured property based on the Insurer’s “named storm” mitigation program. All Insurers must file a “named storm” mitigation program with the Division as part of its property insurance policy rate filing.

B. Optional “Named Storm” Deductibles

Insurers also may also offer an optional “named storm” deductible that does not exceed 10% of the insured value of the property. The Insurer’s optional “named storm” event deductible must comply with the following provisions.

1. The optional “named storm” deductible is identified specifically and highlighted prominently within the property insurance policy documents.

2. The property insurance policy declarations page reflects a separate premium for the risk of “named storms,” as well as a separate premium credit for the optional “named storm” deductible, both expressed in dollars.
3. The optional “named storm” deductible may not exceed 10% of the insured value of the property (Coverage A amount), regardless of whether that deductible represents a flat dollar amount, or a percentage of the insured property value.
4. In the event of a loss resulting from a “named storm,” the optional “named storm” deductible shall be substituted for any otherwise applicable policy deductible(s).

C. Wind-Related Event Exclusions Prohibited

Insurers may not include wind-related event exclusions in property insurance policies.

Claims Administration

Insurers may not implement any claim-related reporting requirements for covered wind-related damages that differ from those claim-related reporting requirements applicable to damages caused by other events covered by the property insurance policy.

Filing Requirements

Insurers must file any amendments to policy forms and rates currently on file with the Division that are necessary to comply with the requirements of this Bulletin. All rate filings must include sufficient actuarial support for rate changes that are associated with mandatory or optional wind-related event deductibles. All filings submitted to the Division for review on or before April 30, 2009 will be reviewed prior to the July 1, 2009 deadline.

Please refer to <http://www.mass.gov/doi/Companies/Checklists/commonrequirements.pdf> for common filing requirements and applicable checklists.

If you have any questions about this Bulletin, please contact Kevin P. Beagan, Director of the State Rating Bureau, at (617) 521-7323.