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INSURANCE ASSOCIATION OF CONNECTICUT

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**Statement**

**Insurance Association of Connecticut**

**Insurance and Real Estate Committee**

**January 29, 2015**

**HB 5064, An Act Establishing A Single Wind Deductible**

**For Homeowners Insurance Policies**

I am Eric George, President of the Insurance Association of Connecticut (IAC). The Insurance Association of Connecticut (IAC) opposes HB 5064, An Act Establishing A Single Wind Deductible For Homeowners Insurance Policies. If adopted, HB 5064 would have a counterproductive and adverse effect on the homeowners insurance market in Connecticut, to the detriment of consumers.

The issue of hurricane deductibles in homeowners insurance policies has been reviewed by the Insurance Department and the General Assembly in recent years, leading to regulatory and statutory changes.

HB 5064 would override the current provisions concerning permissible hurricane deductibles (up to 5% of covered value for homes within 2600 feet of the coast; up to 2% of covered value for homes more than 2600 feet from the coast) and provide that any such deductible cannot exceed one percent of the policy value.

It is a simple fact that hurricanes can cause major damage to homes, especially in coastal areas where the winds are most severe. The ability to include meaningful hurricane deductible provisions in homeowners policies is an important tool for an insurer as it attempts to appropriately manage its overall level of risk while competing for business in the state.

By removing the current distinction between permissible hurricane deductible levels in coastal and non-coastal areas, and by reducing the maximum size of all such deductibles, HB 5064 will clearly expose insurers to more risk in their respective books of homeowners insurance business in the state.



The potential effects of such a change would actually be contrary to the best interests of Connecticut homeowners. Faced with that expanded risk exposure, insurers would be forced to seek increased premiums for homeowners insurance, in coastal areas and throughout the state.

Unlike in other coastal states, homeowners insurers doing business in Connecticut cannot refuse to write policies solely on the basis of the location of the property, such as coastal areas. If an insurer believes that the effects of HB 5064 compromises its ability to appropriately manage its level of homeowners insurance risk, the insurer may have to consider whether to maintain its presence in the state's market. If insurers stop writing policies in the state, that will adversely affect the availability of homeowners insurance throughout the state, reducing market competition and consumer choice, and likely causing further increases in product costs.

IAC urges rejection of HB 5064. Thank you for the opportunity to present IAC's viewpoint.