

2009 -- S 0231 AS AMENDED

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2009

A N A C T

RELATING TO INSURANCE - FIRE INSURANCE POLICIES AND RESERVES

Introduced By: Senators Bates, Sosnowski, Walaska, Algieri, and Miller

Date Introduced: February 11, 2009

Referred To: Senate Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 27-5-3.7 of the General Laws in Chapter 27-5 entitled "Fire
2 Insurance Policies and Reserves" is hereby amended to read as follows:

3 **27-5-3.7. Hurricane deductibles, triggers and policyholder notice.** -- (a) The
4 provisions of this section shall be applicable to policies issuing or renewing on or after July 1,
5 2008.

6 (b) In all instances where an insurance company licensed to do business in this state
7 offers or includes any deductible and/or mitigation measure related to such deductible for any
8 type of personal lines residential property insurance on dwelling houses, the insurance company
9 shall provide prominent and clear notice to insureds, that shall be included in the policy issuance
10 or renewal package and shall fully disclose all details pertaining to any such deductible and/or
11 mitigation measure.

12 (c) The insurer may apply a deductible specific to windstorm coverage where:

13 (1) The deductible is specifically approved by the director and shall not exceed five
14 percent (5%) of the insured value.

15 (2) The deductible shall be applicable to losses due to a hurricane during the period
16 commencing with the issuance of a hurricane warning bulletin for any part of the state by the
17 National Hurricane Center and concluding twenty-four (24) hours after the termination of the last
18 hurricane warning bulletin for any part of the state.

19 (3) The deductible, whether it is a flat dollar deductible or a percentage deductible shall

1 be presented by at least two (2) examples that illustrate the application of the deductible to the
2 insured. Nothing herein shall prohibit the insurer from providing any additional information to the
3 insured to assist in the insured's understanding of the deductible to be applied to the insured's
4 policy.

5 (4) The deductible set forth above shall not be applied to any insured, if the insured has
6 installed approved mitigation measures to protect against windstorm damage and the insurer has
7 either inspected the property or the insured has submitted satisfactory proof of installation of the
8 approved mitigation measures. The insurance commissioner, in consultation with the state
9 building code commissioner, shall adopt and may amend or revise a list of mitigation measures,
10 based so far as reasonably feasible on national standards for such measures and practices in other
11 comparable states. The list of mitigation measures adopted by the insurance commissioner shall
12 be considered approved mitigation measures for purposes of this subdivision.

13 (5) For the application of the hurricane deductible in Block Island, losses are due to a
14 hurricane when a hurricane results in hurricane force sustained winds as reported by the national
15 weather service for Block Island. For the application of the hurricane deductible in the remainder
16 of the state, losses are due to a hurricane when a hurricane results in hurricane force sustained
17 winds as reported by the national weather service for any other location in the state. All terms are
18 as defined by the national weather service.

19 (d) Premium credits shall be applied to policies with deductibles as set forth in
20 subsection 27-5-3.7(c).

21 (e) (1) An insurer may require mitigation measures to protect against windstorm damage
22 only after specific approval of the substance of such mitigation measures by the director;

23 (2) Mitigation measures to be taken by an insured are clearly explained, including a
24 complete illustration of the dollar impact upon the premiums to be charged to insureds if the
25 requested mitigation activities are undertaken;

26 (3) No mandatory deductible for windstorm damage shall be included in the policy;

27 (4) An insurer shall write the requested coverage at the premium rate that includes the
28 premium credit to be realized with the completion of the mitigation efforts;

29 (5) The insurer shall affirmatively state the length of time during which discount given
30 for the mitigation efforts will apply; and

31 (6) No insurer shall subsequently non-renew an insured who has taken the mitigation
32 steps requested by the insurer for reasons of the insurers exposure to catastrophe loss, unless for
33 non-payment of premium, fraud, breach by the insured of a provision of the policy, reversal or a
34 lack of maintenance of the mitigation steps, or insurer solvency concerns or adverse loss history.

1 (f) Penalties for failure to comply with the provisions of this section shall be
2 administered by the director in accordance with the provisions of section 42-14-16.

3 (g) The department of business regulation shall have authority to adopt such rules,
4 including emergency rules, as may be necessary or desirable to effectuate the purposes of this
5 section.

6 SECTION 2. This act shall take effect on August 1, 2009.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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RELATING TO INSURANCE - FIRE INSURANCE POLICIES AND RESERVES

- 1 This act would provide for the application of the hurricane deductible for losses in Block
- 2 Island from hurricane force sustained winds reported by the national weather service.
- 3 This act would take effect on August 1, 2009.

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