



RHODE ISLAND JOINT REINSURANCE ASSOCIATION

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TO: All Rhode Island Producers

Dwelling Policy Program (DP 2002 Program)
Hurricane Deductible Rule and Form Revision Effective December 1, 2012

The Rhode Island Department of Business Regulation – Insurance Division has approved the Rhode Island Joint Reinsurance Association (RIJRA) filing, adopting Insurance Services Office's (ISO) recently approved Hurricane Deductible Form and Rule revision, for use with policies written on or after December 1, 2012.

The revised Rule and Form filing was made in response to amendments to Chapter 27-76 of RI General Laws which was signed into law in May 2012. ISO has revised Dwelling Rule 406., Deductibles, and endorsement DP 03 47, Hurricane Deductible, to reflect that a hurricane deductible may only be applied once to all hurricane losses that are subject to the hurricane deductible during the calendar year.

At this time we are providing you with ISO's Dwelling Policy Program Manual Exception Pages DP-E-4, DP-E-5 and DP-E-6, which revises Rule 406. Deductibles, to include the changes. You should insert the revised pages into the Rhode Island State Pages Section of your Manual.

Following your review of this material, should you have any questions, please contact our Customer Service or Underwriting Departments.

Very truly yours,

James H. Pappas
Vice President, Underwriting

JHP:ed

**RULE 305.
LOSS SETTLEMENT OPTIONS**

Paragraph **A.4.** is replaced by the following:

**A. Functional Replacement Cost Loss Settlement –
Forms DP 00 02 And DP 00 03 Only**

4. Endorsement

Use Modified Functional Replacement Cost Loss Settlement Endorsement **DP 05 31.**

**PART IV
ADJUSTED BASE PREMIUM COMPUTATION RULES**

**RULE 406.
DEDUCTIBLES**

Paragraph **B.1** is replaced by the following:

B. Optional Deductibles

1. All Perils Deductibles

Multiply the Base Premium for the Base Deductible by the appropriate factors selected from the following table:

Deductible	Fire	E.C., V.&M.M., Broad & Special Forms
\$ 100*	1.05	1.02
500	.97	.96
1,000	.95	.90
2,500	.88	.85

* Refer to company for the minimum annual additional premium charge that applies per policy for all \$100 All Perils Deductibles.

Table 406.B.1. All Perils Deductibles

Paragraph **B.2.** is replaced by the following:

2. Hurricane Deductible

The following hurricane deductible options are used in conjunction with the deductible applicable to all other Section I Perils. For the purposes of these options, "hurricane" on Block Island, means a weather related event for which the National Weather Service has issued a hurricane warning for any part of Block Island. For the remainder of the state, "hurricane" means a weather related event for which the National Weather Service has issued a hurricane warning for any location in the state other than Block Island.

Rhode Island Law states that a hurricane deductible shall not be applied to any insured, if the insured has installed approved mitigation measures to protect against windstorm damage and either the insurer has inspected the property or the insured has submitted satisfactory proof of installation of the approved mitigation measures.

The insured may elect in writing to decline waiving the hurricane deductible, despite having installed approved mitigation measures, in order to accept a lower policy premium.

With respect to a hurricane deductible that applies to a dwelling, the hurricane deductible, whether issued as a percentage or flat dollar amount, may not exceed five percent (5%) of the insured value of the dwelling.

a. Percentage Deductibles

(1) Deductible Amounts

This option provides for higher hurricane percentage deductibles of 1%, 2% or 5% of the limit of liability that applies to Coverage **A, B, D** or **E**, when the dollar amount of the hurricane percentage deductible selected exceeds the amount of the All Other Perils deductible. This option is not available for policies covering only personal property.

(2) Declarations Instructions

Enter, on the policy Declarations, the percentage amount and the actual dollar amount that applies to hurricane and the dollar amount that applies to All Other Perils. For example, for a Coverage **A** limit of \$100,000:

Deductible – hurricane 2% (equal to \$2,000) of Coverage **A** limit and \$250 for All Other Perils.

(3) Deductible Application

In the event of a hurricane loss to covered property, the dollar amount is deducted from the total of the loss for all coverages.

(4) Use Of Factors

The factors displayed in Paragraph **(5)** incorporate the factors for the All Perils Deductibles shown in Paragraph **B.1.** Do **not** use the factors for the All Perils Deductibles when rating a policy with a higher hurricane deductible.

(5) Deductible Factors

To compute the premium for this provision, multiply the Extended Coverage, Broad or Special Form Base Premium for the Base Deductible for each coverage insured under the policy by the appropriate factor selected from the following table for the deductible amounts desired:

Coverage A, B, D Or E And Coverage Options For Buildings And Non-building Structures			
All Other Perils Deductible Amount	Hurricane Deductible Amounts		
	1%	2%	5%
\$ 100	.94	.91	.86
250	.93	.89	.85
500	.90	.87	.82
1,000	.86	.82	.78
2,500	.84	.75	.69

Table 406.B.2.a.(5)#1 Factors

**RULE 406.
DEDUCTIBLES (Cont'd)**

Coverage C And Other Personal Property Coverage Options*			
All Other Perils Deductible Amount	Hurricane Deductible Amounts		
	1%	2%	5%
\$ 100	1.00	.99	.97
250	.95	.94	.93
500	.89	.88	.86
1,000	.81	.75	.74
2,500	.75	.72	.56

* Only use when policy also covers building or non-building structures.

Table 406.B.2.a.(5)#2 Factors

b. Higher Fixed-dollar Deductibles

(1) Deductible Amounts

This option provides for higher fixed dollar hurricane deductible amounts of \$1,000, \$2,000 and \$5,000 when the dollar amount of the higher hurricane fixed dollar deductible selected exceeds the amount of the All Other Perils Deductible. This option is not available for policies covering only personal property.

(2) Declarations Instructions

Separately enter, on the policy Declarations, the deductible amounts that apply to hurricane and All Other Perils. For example:

\$1,000 for hurricane and \$250 for All Other Perils.

(3) Coverage Options

The deductible factors for Coverage **A, B, D** or **E** and coverage options for buildings and non-building structures differ by the deductible amounts that apply to hurricane and to other perils.

The deductible factors for Coverage **C** and other personal property coverage options differ by the deductible amount that applies to other perils and by the amount of the hurricane deductible.

(4) Use Of Factors

The factors displayed in Paragraph **(5)** incorporate the factors for the All Perils Deductibles shown in Paragraph **B.1**. Do **not** use the factors for the All Perils Deductibles when rating a policy with a higher hurricane deductible.

(5) Deductible Factors

To compute the premium for this provision, multiply the Extended Coverage, Broad or Special Form Base Premium for the Base Deductible for each coverage insured under the policy by the appropriate factor selected from the following table for the deductible amounts desired:

Coverage A, B, D Or E And Coverage Options For Buildings And Non-building Structures			
All Other Perils Deductible Amount	Hurricane Deductible Amounts		
	\$1,000	\$2,000	\$5,000
\$ 100	.98	.94	.89
250	.96	.92	.88
500	.94	.90	.85
1,000	–	.85	.81
2,500	–	–	.72

Table 406.B.2.b.(5)#1 Factors

Coverage C And Other Personal Property Coverage Options*			
All Other Perils Deductible Amount	Hurricane Deductible Amounts		
	\$1,000	\$2,000	\$5,000
\$ 100	.98	.95	.91
250	.94	.92	.88
500	.90	.85	.82
1,000	–	.76	.72
2,500	–	–	.57

* Only use when policy also covers building or non-building structures.

Table 406.B.2.b.(5)#2 Factors

c. Endorsement

Use Hurricane Deductible Endorsement **DP 03 47**.

d. Calendar Year Application Of Hurricane Deductible (Endorsement DP 03 47)

- (1)** With respect to loss resulting from the first hurricane during a calendar year, the company will pay only that part of the total of all loss payable under Property Coverages that exceeds the dollar amount of the hurricane deductible.

**RULE 406.
DEDUCTIBLES (Cont'd)**

- (2) With respect to a loss caused by each subsequent hurricane during the same calendar year, the company will pay only that part of the total of all loss payable under Property Coverages that exceeds the greater of:
- a. The remaining dollar amount of the calendar year hurricane deductible; or
 - b. The deductible that applies to loss caused by the peril of Windstorm when the applicable hurricane deductible does not apply.

**RULE 409.
ACTUAL CASH VALUE LOSS SETTLEMENT –
WINDSTORM OR HAIL LOSSES TO ROOF SURFACING
– DP 00 02, DP 00 03, DP 00 01
WITH DP 00 08**

Rule 409. does not apply in Rhode Island.

**RULE 410.
BUILDING CODE EFFECTIVENESS GRADING**

Paragraph E.1.c. is replaced by the following:

E. Premium Credit Computation

1. Community Grading

c. Credit Factors

(1) Windstorm Or Hail Factors

Grade	1	2	3	4	5	6	7	8	9	10	Ungraded
Territory											
30-33	.03	.03	.03	.02	.02	.02	.02	.01	.01	.00	.00
34	.08	.08	.08	.05	.05	.05	.05	.02	.02	.00	.00

Table 410.E.1.c.(1) Windstorm Or Hail Factors

(2) Earthquake Factors

Grade	1	2	3	4	5	6	7	8	9	10	Ungraded
EQ Terr.											
Statewide	.10	.10	.10	.06	.06	.06	.06	.02	.02	.00	.00

Table 410.E.1.c.(2) Earthquake Factors

**PART V
ADDITIONAL COVERAGES AND INCREASED LIMITS
RULES**

**RULE 503.
ORDINANCE OR LAW COVERAGE FOR COVERAGE B –
SPECIFIC STRUCTURES, BUILDING ITEMS AND
IMPROVEMENTS, ALTERATIONS AND ADDITIONS**

Paragraph **C.** is replaced by the following:

C. Premium Determination

1. The premium for this additional coverage is determined based on the dollar amount of coverage added for **DP 00 01**, or the dollar amount of increase, represented by the increased percentage selected above the basic limit for **DP 00 02** or **DP 00 03**.
2. Multiply the state company rates/ISO loss costs Rule **500**. Miscellaneous Rates by .30.

**RULE 508.
TREES, SHRUBS AND OTHER PLANTS**

Paragraph **A.1.** is replaced by the following:

A. Form DP 00 01

1. Coverage Description

Coverage for trees, shrubs and other plants is **not** provided in this form. However, for an additional premium, coverage is available for all perils (subject to a \$500 per item maximum).

**RULE 509.
EARTHQUAKE COVERAGE**

Paragraphs **E.** and **F.** are replaced by the following:

E. Premium For Base Deductible

Develop the Base Premium as follows:

1. Determine whether Construction Table **A**, **B** and/or **C** applies for the appropriate deductible. Refer to state company rates/ISO loss costs.
2. Determine the Earthquake territory according to the ZIP code of the residence premises from the State Territory Definitions Section in this manual.
3. Add the results of the following three steps:
 - a. Multiply the Coverage **A** limit by the state company rates/ISO loss costs for Coverage **A** in the table;

- b. Multiply the Coverage **C** limit by the state company rates/ISO loss costs for Coverage **C** in the table; and
- c. Multiply the sum of the Additional Coverage **D** and **E** limits by the state company rates/ISO loss costs for Coverages **D** and **E** in the table.

4. For Building Or Non-building Structure Items – All Forms:

Multiply the state company rates/ISO loss costs for Coverage **B** in the table by the appropriate limit of liability for the following Other Building Coverage options, as applicable, and add to the applicable premium determined in Paragraph **E.3.:**

- a. Coverage **B** – Specific Structures;
- b. Improvements, Alterations and Additions – Increased Limits;
- c. Building Items Coverage.

5. For Ordinance Or Law – Basic and Increased Limits – All Forms:

When the basic Ordinance or Law Coverage limit is added or increased, the earthquake premium is developed based on the added or increased limit of insurance.

- a. For Forms **DP 00 01**, **DP 00 02** and **DP 00 03**, multiply the rate determined in Paragraph **E.3.a.** by the appropriate factor selected from Rule **303.B.3.a.**
- b. For Coverage **B** – Specific Structures, Improvements, Alterations and Additions and Building Items Coverage, the premium for this additional coverage is determined based on the dollar amount of added or increased coverage, represented by the increased percentage amount selected above the basic limit. The rate for each additional \$1,000 of insurance is determined as follows: multiply the state company rates/ISO loss costs for Coverage **B** in the table by .30 and add to the applicable premium determined in Paragraph **E.**

F. Premium For Higher Deductibles

Multiply the Earthquake base premium determined in Paragraph **E.** for the 10% deductible by the appropriate factor from the following table:

Deductible Percentage	Frame	Masonry	Superior
15%	.80	.85	.75
20%	.65	.70	.60
25%	.50	.60	.45

Table 509.F. Higher Deductibles Factors