



RHODE ISLAND JOINT REINSURANCE ASSOCIATION

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October 15, 2012

TO: All Rhode Island Producers

Homeowners Policy 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 Homeowners Rule 406., Deductibles, and endorsement HO 03 57, 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 RIJRA's Exception Page RIJRA-HO-EXC-1, which revises Rule 406. Deductibles, to include the changes. You should insert the revised RIJRA Exception Page RIJRA-HO-EXC-1 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 406.
DEDUCTIBLES**

The following is added to paragraph C.:

4. Calendar Year Application Of Hurricane Deductible (Endorsement HO 03 57)

- a. 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 Section I – Property Coverages that exceeds the dollar amount of the hurricane deductible.
- b. 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 Section I – Property Coverages that exceeds the greater of:
 - (1) The remaining dollar amount of the calendar year hurricane deductible; or
 - (2) The deductible that applies to loss caused by the peril of Windstorm when the applicable hurricane deductible does not apply

The following paragraph is added:

**D. Mandatory Hurricane Deductible Requirement -
All Forms Except HO 00 04 and HO 00 06**

- 1. For a reduced premium, a mandatory Hurricane percentage or fixed-dollar deductible applies to all policies provided that the dollar amount of the mandatory deductible according to the rule exceeds the amount of the deductible applicable to All Other Section I perils. This mandatory deductible varies by the Rhode Island Building Code Wind Zone applicable to the property as shown in Table A and Table B.
- 2. The Named Insured, may select a higher fixed-dollar deductible or a percentage deductible with a dollar amount that exceeds the applicable Mandatory Hurricane Deductible Requirement. The insured, however, will only receive the benefit of the credit applicable to the Mandatory Deductible, and NOT to any optional higher deductible, if the insured performs the Mitigation Measures referenced in E.4. See Rule 406.C.3 to compute the premium for this provision.

- 3. To compute the premium for this provision, use the Coverage A limit and location of the risk to determine the applicable Mandatory Hurricane Deductible and then follow the instructions given in Rule 406.C.3.a. (4) and 406.C.3.a.(5) for a percentage deductible and in Rule 406.C.3.b.(3)and 406.C.3.b.(4) for a higher fixed-dollar deductible.

- 4. Mandatory Hurricane Deductible By Territory and Rhode Island Wind Zones pursuant to Rhode Island State Building Code (SBC-2):

Table A

Location of Property	Percentage Hurricane Deductible
Territory 34, Wind Zone 3 - Block Island Only	5%
Territory 34, parts of Washington County In Wind Zone 3 - Except Block Island	2%
Territory 34, Wind Zone 2 Bristol, Newport & parts of Washington County which are in Wind Zone 2	1%
Territory 33, Wind Zone 2 - Town of East Greenwich only	1%

Table B

Properties located in Territories 30, 31 & 32 and in Territory 33 except for the Town of East Greenwich. All of these locations are in Wind Zone 1.

All Other Perils	Coverage A Limit			
	Up to	to	to	\$600,000
Amount	124,999	249,999	599,999	and Over
	Fixed-Dollar Deductibles			
\$ 100	NONE	\$1000	\$2000	\$5000
\$ 250	NONE	\$1000	\$2000	\$5000
\$ 500	NONE	\$1000	\$2000	\$5000
\$1000	NONE	NONE	\$2000	\$5000
\$2500	NONE	NONE	NONE	\$5000

E. Mitigation Measures

1. The Mandatory Hurricane Deductible as shown in Table A and B may be removed or reduced as shown in Table C below if the Insured has taken all or some of the Mitigation measures (See E.4.) to protect their home from hurricane damage.
2. Mitigation Measures for Waiver or Reduction of Mandatory Hurricane Deductibles:

Table C

(1) SBC-2 Wind Zone	(2) Mitigation Loss Measures Taken	(3) Hurricane Deductible As Per Rule (406.D.4.)	(4) Revised Hurricane Deductible Requirement
1&2	Plywood Shutters or Roof Tie Downs	1% \$1,000, 2,000 & 5,000 depends on property location.	All Perils Deductible
3	Plywood Shutters	5% 2%	2% 1%
3	Roof Tie Downs	5% 2%	2% 1%
3	Plywood Shutters & Roof Tie Downs	5% or 2%	All Perils

3. If the Hurricane Deductible is removed or reduced as per column (4), for premium computation, use the Hurricane Deductible Factor corresponding to the applicable Mandatory Hurricane Deductible shown in column (3).

Example (1): Consider a home in Block Island (Wind Zone 3) with Coverage A Amount of \$250,000 and All Perils Deductible of \$500. According to the Rule 406. D. 4. Table A, a Mandatory Hurricane Deductible of 5% will apply to the policy. To compute the premium for this provision i.e. All Perils Deductible of \$500 and Hurricane Deductible of 5% with Coverage A Amount of \$250,000 multiply the Base Premium with the Deductible Factor of .85 (i.e. a credit of 15%) according to the Rule 406. C.3.a. (5). See Table 406.C.3.a.(5)#3.

Suppose the insured has taken mitigation loss measures for Roof Tie Downs (E.4.ii) only. Then the Hurricane Deductible of 5% is reduced to 2% as per Column (3) of Rule 406. E. 2. Table C. For premium computation, in lieu of using Deductible Factor of .89 (i.e. a credit of 11%) corresponding to All Perils Deductible of \$500 and Hurricane Deductible of 2%, see Table 406.C.3.a.(5)#2, use the Deductible Factor of .85 (i.e. a credit of 15%) corresponding to the All Perils Deductible of \$500 and a Hurricane Deductible of 5% as provided in Rule 406. E. (3).

Example (2): Consider a home in Newport (Wind Zone 2) with a Coverage A Amount of \$250,000 and All Perils Deductible of \$500. According to the Rule 406. D. 4. Table A, a Mandatory Hurricane Deductible of 2% will apply to the policy. To compute the premium for this provision i.e. All Perils Deductible of \$500 and Hurricane Deductible of 2% with Coverage A Amount of \$250,000 multiply the Base Premium with the Deductible Factor of .89 (i.e. a credit of 11%) according to the Rule 406. C.3.a. (5). See Table 406.C.3.a.(5)#2.

Suppose the insured has taken the required mitigation steps for Plywood Shutters (E.4.i.) only. Then the Hurricane Deductible of 2% is removed and the policy is then subject to All Perils Deductible of \$500 as per Column (3) of Rule 406. E. 2. Table C. For premium computation, in lieu of using Deductible Factor of .98 (i.e. a credit of 2%) corresponding to All Perils Deductible of \$500 with Coverage A Amount of \$250,000, see Table 406.C.1, use the Deductible Factor of .89 (i.e. a credit of 11%) corresponding to the All Perils Deductible of \$500 and Hurricane Deductible of 2% as provided in Rule 406. E.(3).

4. The insured may elect in writing to decline waiving the Hurricane Deductible, despite having installed all or some of the Mitigation Measures (See Rule 406.E.5.) to protect their home from hurricane damage. For premium computation, multiply the Hurricane Deductible factor by a factor of 2.00 and reduce the result by 1.00 and round to the nearest 2 decimal places.