

December 30, 1987

SUBJECT: INSURANCE

WITHDRAWN

Circular Letter No. 21 (1987)

TO: ALL INSURERS LICENSED TO WRITE HOMEOWNERS INSURANCE POLICIES IN NEW YORK

RE: PREMIUM DISCOUNTS AND PREFERRED CLASSIFICATIONS

In the past several years, insurers have introduced various discounts, surcharges, and preferred policyholder programs in conjunction with their regular Homeowners and other personal lines policies. Because innovative marketing approaches are essential to the maintenance of a viable insurance marketplace, the individual programs have been given considered review whenever possible. Insurers occasionally lacked meaningful statistical support for proposed discounts or surcharges, and approval in some cases was based on underwriting judgment and granted for experimental purposes subject to continued monitoring by the Department.

Much of the competition in homeowners insurance appears to be reactive, rather than the product of carefully considered research. Recent events in the insurance industry and in the general financial markets emphasize the need for responsible pricing of insurance products. Predatory pricing schemes do not have a place in a healthy insurance environment.

In order to foster viable competition in personal lines markets, the Department is reviewing the price structures of the personal lines insurance programs currently in effect.

Please complete the attached questionnaire and return it no later than February 15, 1988 to the attention of:

Maurice Morgenstern, Associate Insurance Examiner

Property and Casualty Insurance Bureau

New York State Insurance Department

160 West Broadway

New York, New York 10013

Very truly yours,

[SIGNATURE]

JAMES P. CONCORAN

SUPERINTENDENT OF INSURANCE

(1) Using as an example a dwelling of frame construction in a community in Rockland County, New York, having

a protection classification equivalent of A, assume dwelling coverage of \$ 100,000 with a \$ 250 deductible, \$ 100,000 liability limit (\$ 1,000 medical payments), including off-premises theft. What is your company's standard base premium for an HO-3 policy or its equivalent?

(2) List the percentage amount by which the base premium may be modified for the following conditions and the percentage proportion of your homeowners insureds with such modifications:

a. Protective Devices Credit:	% C/S	% insureds
Local Burglar Alarm		
Reporting Burglar Alarm		
Local Fire Alarm		
Reporting Fire Alarm		
Smoke Alarm		
Other Security Devices (describe)		

b. *Age of Dwelling

Credit/Surcharge:

1st year

3rd year

5th year

10th year

20th year

c. Wood Burning Stove Surcharge

d. *Non-Smoker Credit

e. *Senior Citizen Credit

f. *Home Improvements (describe)

g. *Renewal Credit

h. *Loss experience

i. *Other (describe)

For items preceded by an asterisk, please attach a description of the eligibility criteria required for qualification.

(3) What is the-maximum percentage amount by which a policy [ILLEGIBLE TEXT] may be adjusted after application of all applicable credit [ILLEGIBLE TEXT] to surcharges?

(4) For each item listed in Question (2) (a. thru i.), please [ILLEGIBLE TEXT] all data and other factors which your company considered in [ILLEGIBLE TEXT] the applicable surcharge or discount prior to its [ILLEGIBLE TEXT] Additionally, please attach experience and other relevant [ILLEGIBLE TEXT] that may be used to evaluate each of the particular adjustments.

(5) Does your Company currently offer 'a discount when one [ILLEGIBLE TEXT] personal lines (e.g. automobile,

personal article floater, [ILLEGIBLE TEXT] insured in addition to, and in conjunction with, a homeowners [ILLEGIBLE TEXT] Please describe the program including the eligibility criteria [ILLEGIBLE TEXT] percentage amount of discount, and the date such program was [ILLEGIBLE TEXT]

(6) What are the charges or credits applied to your company's homeowners policies for the following [ILLEGIBLE TEXT] deductible options?

\$ 100	\$ 1000
\$ 500	\$ 2500

(7). Please indicate your company's most recent annual written premium for homeowners insurance (including tenants and condominiums) in:

(a) New York

(b) Countrywide

Calendar year

Company

Address

Name of representative responsible for completion of this questionnaire.

Title

Phone number

Date

Signature Date