

October 27, 1993

SUBJECT: INSURANCE

Supplement to Circular Letter No. 11 (1993)

October 27, 1993

TO: ALL LICENSED PROPERTY/CASUALTY INSURERS & REINSURERS; ALL P/C INSURER, REINSURER & PRODUCER ORGANIZATIONS.

RE: REVISED GUIDELINES FOR NEW YORK COASTAL AREA HOMEOWNERS INSURANCE AND SPECIAL REPORT PURSUANT TO SECTION 308 OF THE INSURANCE LAW

Since issuance of Circular Letter No. 11 on September 14, 1993, the Insurance Department has continued to analyze data and input from a wide range of sources, including concerned public officials, consumers, producers and insurers plus special Department surveys. The Department presented testimony before the New York State Assembly's Insurance Committee and Long Island Barrier Beaches Subcommittee, at a public hearing held on September 30, 1993. That comprehensive presentation (see Attachments H & I, testimony and original Circular Letter No. 11 (without their other exhibits), respectively) explains the Insurance Department's approach and details the Department's proactive steps to ensure both ongoing insurer solvency and continuing homeowners coverage in New York's coastal areas. We ask all concerned to read it closely. Both insurer solvency and consumer protection are imperatives.

As a result of these developments, the Department has revised its windstorm guidelines and recommendations. These refinements are set forth in this Supplement, which, to aid understanding, should be compared to the original Circular. To reiterate our objectives, we seek to maximize consumer protection, encourage risk management, emphasize responsible underwriting, and facilitate voluntary market homeowners insurance coverage in shore communities in this State.

From our surveys, we have established that homeowners insurers, rather than cancelling coverage in coastal areas, are generally retaining their books of business in Long Island and other coastal areas in this State. Instead of looking to nonrenew due to a few minor claims, virtually all insurers are renewing coverage in New York's shore communities, beyond simply honoring the 3-year period of homeowners policyholder protection guaranteed by § 3425 of the Insurance Law. As stated in Circular Letter No. 11, it is also sensible for homeowners insurers to insist that consumers whose homes are situated in a flood plain maintain federal flood insurance, whenever mandated by federal law or required by the mortgage lender.

Insurers should be commended for providing -- notwithstanding heightened concerns over catastrophic windstorm potential -- reliable long-term protection for New York State homeowners.

That is why, despite repeated announcements, only a relatively small number of calls (230 total to date, since inception last month) have come into our special Hotlines -- 212-602-0541 & 800-522-4370 -- and, equally important, why our staff handling Hotline calls have been able to help almost all who have called so far, aided by the emergence of C-MART (Coastal Market Assistance Reference Table) and responsible insurers and producers. While some insurers in Long Island may be overconcentrated, the homeowners insurance market as a whole is responding to consumer needs.

As set forth in Circular Letter No. 11, and further explained in the September 30, 1993 testimony, a number of measures have been designed to facilitate voluntary market response. In order to enhance workability, these approaches have now been refined, in the following manner:

A. WINDSTORM DEDUCTIBLES -- The Insurance Department is receiving and expeditiously reviewing windstorm deductible filings from different insurers. The windstorm deductible criteria contained in Circular Letter No. 11 permit mandatory as well as optional deductibles, on both non-catastrophic and catastrophic bases.

These windstorm guidelines are hereby revised in certain aspects, including optional dollar deductibles and in the following key respect: instead of 3% (which would have applied to risks within 1000 feet of shore), the maximum mandatory windstorm deductible for risks within 2500 feet of Long Island's South Shore will be no more than 2%.

This change, cutting back the mandatory windstorm deductible from 3% to 2% at the most, is based upon concerns from the secondary mortgage securities market and, most important, about the consumer's ability to pay, particularly when on fixed income or of limited means. In terms of shared responsibility between insurer and insured, a 2% windstorm deductible is still quite meaningful. For convenient reference, Attachment A to this Supplement integrates this change into revised windstorm deductible guidelines.

We urge insurers, once windstorm deductibles become available for use in the market, to modify their underwriting guidelines to accommodate homeowner risks in coastal communities.

The Insurance Services Office (ISO) is preparing an amendment, in order to become compatible with our refined windstorm deductible guidelines, to its multistate Windstorm or Hail Optional Deductible Program filing. We understand that this ISO amendment will address optional (not mandatory) windstorm (not hail) deductibles in the specified coastal counties, and contain the appropriate coverage products with related rules and rating factors.

B. WRAP-AROUND PROTECTION -- Even with special windstorm deductibles in an insurer's underwriting portfolio, sound underwriting may indicate that a comprehensive Homeowners insurance policy is inappropriate for a particular property, due to proximity to shore and type of construction in combination, making it truly a residual risk with regard to windstorm peril.

Under such circumstances, in order to provide the coastal homeowner with coverages comparable to a standard Homeowners form (including windstorm), the Wrap-Around concept has been developed. Under Wrap-Around, companion policies are issued by the voluntary market insurer and the New York Property Insurance Underwriting Association (NYPIUA), where insurer and producer should assist the consumer in obtaining contemporaneous voluntary and NYPIUA policies, adjusted to eliminate coverage gaps as well as redundancies.

The Wrap-Around approach should be applied only to a truly residual windstorm risk situated within 2500 feet of shore, and only in the specified areas where windstorm deductibles (see Attachment A) can be used.

Whenever Wrap-Around is applied, no windstorm deductible applicable to Coverage A (Dwelling) or B (Other Structures) should be attached to the Homeowners policy. Under Wrap-Around, the NYPIUA policy should not be endorsed for personal property (contents).

With Wrap-Around, depending upon the specific circumstances, three alternative approaches can be used:

1. In the first approach, a Wrap-Around endorsement is added to the standard Homeowners policy forms. In effect, this endorsement provides coverage over and above that provided by the standard DP-1 form, under which NYPIUA provides fire and extended (including windstorm) coverage on the dwelling and structures, to the extent of Actual Cash Value (ACV).

Since under the first approach the NYPIUA policy is on an ACV basis, this endorsement enables replacement cost coverage on the dwelling and other building structures. By issuing a broad (HO-2) or special (open or HO-3) perils Homeowners policy with this Wrap-Around endorsement, the voluntary insurer thus covers:

(a) the difference between replacement cost and ACV for the perils covered under the NYPIUA policy for the dwelling and other building structures (with non-building structures subject to ACV loss settlement under both NYPIUA and Homeowners policies); and

(b) from first dollar of coverage, but subject to the Homeowners policy's generic deductible:

(1) Buildings and other structures for Vandalism & Malicious Mischief (V&MM), Theft and, if purchased, the broad or special perils;

(2) Personal Property for all insured perils; and

(3) Liability.

Under this first Wrap-Around approach, the NYPIUA policy should be written at 100% of ACV, and the Homeowners policy at 100% of replacement cost, as of policy inception.

In the Department's view, the appropriate Homeowners insurance premium reduction for this Wrap-Around endorsement is 55%, subject to the insurer's approved minimum premium rules. An insurer is free to submit support for any proposed different premium reduction, which is subject to prior approval as a classification.

Attachment B to this Supplement is a revised Wrap-Around (NYPIUA ACV) endorsement, improved in technical aspects from the one annexed to Circular Letter No. 11. Although it must be filed by insurers, this Wrap-Around Endorsement (as revised) supersedes the endorsement attached to Circular Letter No. 11 and is approved for use effective immediately at the stated premium reduction.

2. Under the second Wrap-Around approach, the NYPIUA policy provides for replacement cost loss settlement, by use of the DP-1 policy form so endorsed. This alternative approach minimizes potential dual loss adjustment problems raised by the first approach.

At the Department's request, NYPIUA's plan of operations will be amended to provide for replacement cost coverage on the dwelling and other building structures, restricted to homes meeting the following criteria:

(a) the prior policy was issued on a broad (HO-2) or special (open or HO-3) perils replacement cost (on buildings) basis, unless new construction or new purchase;

(b) there has been at least six-months continuous occupancy, unless new construction or new purchase;

(c) year-round owner-occupancy is intended;

(d) the home is located within the specified areas;

(e) if new construction, the home meets governing building codes; and

(f) windstorm exposure is why, to extent that sufficient information is available, voluntary market coverage cannot be obtained.

Under this second Wrap-Around approach, both Homeowners and NYPIUA policies should be written at 100% of

replacement cost as of policy inception.

Attachment C is the Wrap-Around (NYPIUA RC) endorsement to the voluntary market broad (H0-2) or special (open or HO-3) perils Homeowners policy form, when used in conjunction with the NYPIUA DP-1 policy endorsed to provide replacement cost coverage, for which NYPIUA should charge an additional \$ 25 in premium above the DP-1 premium. This DP-1 Repair or Replacement Cost Endorsement (Attachment D) is approved for NYPIUA use effective immediately. In the Department's view, the appropriate Homeowners insurance premium reduction for this endorsement is 65%. Again, an insurer is free to submit support for any proposed different premium reduction, which is subject to prior approval as a classification.

3. The third Wrap-Around approach is for the voluntary market insurer to issue the homeowner a Tenants/Renters (H0-4) policy, which would insure personal property for the broad perils (including theft) and liability, while NYPIUA issues its DP-1 policy for the dwelling and other building structures on an ACV basis or (under the criteria stated with respect to the second Wrap-Around approach) endorsed on a replacement cost basis. To Wrap-Around, Building Additions & Alterations (ISO form Additional Coverage 9) should be deleted from the Tenants/Renters (HO-4) policy, and an endorsement (Attachment E) for this purpose is approved for use effective immediately.

Because current Tenants/Renters (H0-4) policy rates may not be appropriate for this homeowners (as opposed to tenants) class of business, each insurer should verify whether its rates on file are appropriate or if a different rate for a separate class should be filed. The Insurance Department will approve a Tenants/Renters (HO-4) policy adjusted rate of up to 25% more, when applied in this particular context.

NYPIUA will revise its policy application to advise consumers of the availability of a Windstorm Wrap-Around Endorsement from a voluntary market homeowners insurer and, since both NYPIUA and the Wrap-Around insurer need to know of each other's policy, to provide for a tear-off sheet that the consumer or producer can conveniently provide to the voluntary Homeowners insurer providing Wrap-Around protection.

When Wrap-Around is used, the Homeowners insurer should provide disclosure and explanation to the insured, including specific risk management and loss control measures (e.g., renovations conforming to post-FIRM [FEMA Flood Insurance Rate Map] standards) that the insured could apply in order to become able to obtain a comprehensive homeowners insurance policy, without the need for NYPIUA coverage, on a voluntary market basis.

This disclosure form should be filed with the Insurance Department, and a copy of the disclosure statement, signed by the insured, should be placed in the underwriting file.

The Homeowners insurer should inform its underwriters, sales offices or agents that the Wrap-Around approach should be used, if practicable, in lieu of nonrenewing or denying coverage to a risk.

C. COASTAL MAP -- The Coastal Market Assistance Program (C-MAP) is a network, made up of participating insurers and insurance producers, acting on a voluntary basis, operating under the auspices of the Superintendent of Insurance and state action of the New York State Insurance Department, to assist homeowners living in New York's coastal areas in obtaining proper insurance protection for their homes.

We urge homeowner insurers to join C-MAP. A number of insurers have already had the foresight to join C-MAP. However, a larger number of insurers, in considering whether to participate, have asked for more time and more information about C-MAP.

Accordingly, insurers should carefully consider the following pertinent propositions:

1. C-MAP is designed to act as a backstop to C-MART, which serves as a voluntary market-matching mechanism. In

essence, C-MART is simply a current list of insurers willing and able to consider new homeowners business in coastal areas. Pertinent information, including distance-from-shore indications and specific ways to access C-MART insurers, are furnished to consumers and producers who contact the Hotlines seeking homeowners insurance in coastal communities.

Attachment F is a revised C-MART listing, current as of the date of this Supplement. Accuracy of the C-MART list is also crucial. C-MART listings should grow in terms of length, specificity and proximity to shore, as insurers begin to apply windstorm deductibles and the Wrap-Around approach in appropriate settings. As planned, C-MART is proving successful in matching up insureds with insurers. Given this deliberate progression from Hotline help, next to C-MART referrals and then to C-MAP, we expect C-MAP to receive only a limited number of applications, rather than a deluge.

2. Any application eligible for C-MAP will be subject to the respective underwriting guidelines of participating C-MAP insurers, supplemented by underwriting and risk management recommendations developed by the C-MAP Steering Committee, which consists of participating insurer and producer expert representatives. Upon Steering Committee analysis, some risks may have to follow specific risk management recommendations in order to secure coverage. No C-MAP insurer will be compelled to cover what the C-MAP Steering Committee considers a truly residual market risk, much less an uninsurable risk. The purpose of C-MAP is to ensure that eligible C-MAP applicants receive a hard look, rather than short shrift.

3. While C-MART declinations act as a prerequisite to C-MAP eligibility under the C-MAP Plan of Operations, they function primarily to demonstrate best efforts at voluntary market placement on the part of the consumer or producer in question.

4. Likewise, rotation among participating C-MAP insurers envisioned by the C-MAP Plan of Operations is neither a forced rotation nor mandatory acceptance, but merely is a simple method for equitable and serious consideration of C-MAP applications that might have received short shrift in the voluntary market.

5. Administered by NYPIUA (assisted by PIANY and IIAANY), C-MAP will to the extent feasible recognize different marketing methods and respect different distribution systems on the part of different insurers. Thus participating C-MAP insurers should include direct writers as well as agency companies.

For purposes of further informing every insurer's decision regarding whether or not to join C-MAP, Attachment G is the revised C-MAP Plan of Operations, subject to refinement based upon input from the C-MAP Steering Committee and other sources.

D. Homeowners Rate Filings -- Under Article 23 of the Insurance Law, Homeowners insurance rate filings are subject to a file-and-use system. We ask that Homeowners rate filings be submitted for Department review at least two weeks before the intended effective date of any upward rate change.

Filings that are not submitted in advance as requested are more likely to be disapproved or objected to by the Department, especially if the insurer's filing is discovered to have significant changes in methodology or assumptions pertaining to catastrophic loading or similar issues. Any significant change in such regard should be identified, explained and supported by the insurer.

As a result of the range of facilitating measures refined in this Supplement, we expect that most Homeowners insurers will be able not only to retain business already in force, but to write new business, even on homes within 1000 feet of shore, on a prudent and profitable basis in New York -- without going overboard or becoming overconcentrated.

These measures should help consumers obtain vital coverage and, at the same time, help insurers manage coastal exposures. Indeed, with the ability to utilize these approaches, any insurer that fails in material respects to engage in

conscientious coastal underwriting will be subject to investigation for possible unfair trade practices and appropriate sanctions under the Insurance Law.

Cooperation is critical. This Supplement provides all the additional time and information the Insurance Department can give for insurers to make intelligent decisions to cooperate or not in the Department's efforts to balance legitimate needs and valid concerns of consumers as well as insurers about Homeowners insurance in coastal areas.

Under separate cover, many insurers will receive a special form (referring to this Supplement) to complete and submit, no later than November 11, 1993, pursuant to § 308 of the Insurance Law. Failure to respond fully and in a timely manner to this § 308 required report will subject both the insurer and its chief underwriting officer to penalties under the Insurance Law.

Because time is of the essence, appropriate policy form and rules filings should be submitted as soon as possible. Once approvals become effective for windstorm deductibles or Wrap-Around endorsements, insurers should communicate information about their availability and appropriate use to pertinent underwriting and marketing personnel and to the public. Pursuant to § 308, copies of all such communiques must be submitted to the Insurance Department, to the attention of Robert Miller, Associate Insurance Examiner, Property & Casualty Insurance Bureau, at the above address.

All our efforts, dedicated to constructive voluntary measures and mechanisms such as C-MAP, C-MART, Hotlines, Wrap-Around and windstorm deductibles, will work to provide full and meaningful homeowners coverage at reasonable prices to all consumers, without subjecting any insurer to improvident financial risk. Failure to diligently pursue this course will likely result in an unnecessary and undesirable expansion of the involuntary market that would not be in the long-term interests of either insurers or the public.

Very truly yours,

[SIGNATURE]

SALVATORE R. CURIALE

SUPERINTENDENT OF INSURANCE

ATTACHMENTS A THRU I

ATTACHMENT A

NEW YORK STATE INSURANCE DEPARTMENT GUIDELINES FOR WINDSTORM DEDUCTIBLES

Windstorm deductibles represent a partnership between insurer and insured, protecting the policyholder from catastrophic loss while creating incentives for the policyholder to apply risk management measures to mitigate the windstorm peril. Subject to review and prior approval of specific applications, the Insurance Department will expeditiously approve for use, in specified areas only, windstorm deductibles meeting the following criteria:

1. The risk must be located in one of the following counties: Kings, Queens, Nassau and Suffolk (Long Island), Richmond County (Staten Island), Westchester, and the Bronx.
2. The insurer must commit to underwriting Homeowners insurance policies (and, where appropriate, dwelling fire) for new and renewal business on a voluntary market basis.
3. An approved windstorm deductible can be applied, on a per incident basis, to Homeowners insurance policies newly issued or upon renewal after the three-year period of policyholder protection required by § 3425 of the New York

Insurance Law, as follows:

a. A non-catastrophic windstorm deductible (see Point 4) applied whenever winds do not attain Category 2 (sustained winds of 96 miles per hour or more) status, as determined by the National Weather Service (NWS), at landfall anywhere in New York State.

b. A catastrophic windstorm deductible (see Point 5) activated only in the event that Category 2 status, or higher, as determined by NWS, is experienced at landfall anywhere in New York State.

4. For non-catastrophic situations, involving any distance from shore in the specified areas, insurers may require a windstorm deductible of no more than \$ 500 on a mandatory basis, with an accompanying premium reduction of up to 2%.

5. The catastrophic windstorm deductible should be graduated on a percentage basis, so that it is highest nearest the shore, fades with distance from shore, and disappears beyond a mile from shore. The maximum catastrophic windstorm deductible that an insurer can require on a mandatory basis is:

a. For Long Island's South Shore and areas along the shore of Brooklyn, Queens, Staten Island, and Long Island's Forks:

Distance from Shore	Maximum % Deductible	Premium Reduction
Up to 2500 ft	2%	4%
Over 2500 ft to 1 mile	1%	2%
Beyond 1 mile	0%	0%

b. For Long Island's North Shore, the Bronx and Westchester along the Long Island Sound:

Distance from Shore	Maximum % Deductible	Premium Reduction
Up to 1000 feet	2%	4%
Beyond 1000 feet	0%	0%

c. Beyond one mile from South Shore, and beyond 1000 feet from North Shore, a maximum dollar deductible, not to exceed \$ 500, with an accompanying premium reduction of up to 1%, may be required on a mandatory basis.

d. The term "shore" refers only to salt-water ocean, sound or bay, with distance measured from normal high-tide mark. A data base technology to determine distance from shore is available via the Geographic Underwriting System (GUS), developed by the Insurance Services Office (ISO).

e. Windstorm deductibles should not be imposed indiscriminately or across-the-board. An insurer need not impose any windstorm deductible at all, or may require a windstorm deductible lower than these maxima.

f. Insurers may also offer homeowners policyholders, whether living within or beyond 1 mile from shore, an optional catastrophic windstorm deductible of no more than 5% (regardless of dollar amount), with an accompanying premium reduction of up to 10%. where the choice is entirely the policyholder's.

g. In lieu of percentage windstorm deductibles, an insurer may choose to offer homeowners policyholders, whether living within or beyond 1 mile from shore, optional dollar windstorm deductibles of different levels, not to exceed \$ 5,000, with an accompanying premium reduction of up to 7%. Dollar deductibles over \$ 2,000 should not be offered,

except on a catastrophic basis and unless the dwelling's insured value is over \$ 150,000.

h. If selected by the policyholder, an optional windstorm deductible can attach upon annual renewal (rather than only after the 3-year guaranteed policyholder protection period).

i. For homes whose replacement cost value is at least \$ 500,000, insurers may offer, on an optional basis, higher windstorm deductibles not to exceed 10% of that replacement cost value, with an accompanying premium reduction of no more than 15%.

6. The non-catastrophic and catastrophic windstorm deductible premium reductions are added, with the summed reduction applied in the same manner as the policy's generic deductible is applied in calculating the homeowners insurance policy premium.

7. No windstorm deductible of any kind or level will be permitted at this time elsewhere in New York State, even on an optional basis, outside of the areas specified in point 1 above.

8. Buy-back of a windstorm deductible will not be required, except where the insured, at his or her expense, can demonstrate that the insured home is built or reinforced with special risk management measures, such as wind-resistant architectural or construction techniques. In that event, the insured should have the opportunity to buy back all or at least part of the windstorm deductible.

9. The basis for application of the percentage windstorm deductible is the dwelling's insured value (replacement cost or actual cash value, depending on type of policy) at the beginning of the policy period covering the loss.

10. All losses (coverages A+B+C) caused by the windstorm peril should be counted in determining whether the windstorm deductible has been reached.

11. Loss adjustment costs should be borne by the insurer, even if the loss does not exceed the windstorm deductible.

12. The windstorm deductible does not apply to loss-of-use coverage (D).

13. The insurer remains responsible for all expenses of underwriting normally performed by insurers. Thus inspection and engineering costs that the insurer normally incurs to underwrite a homeowners risk (e.g., type of construction, occupancy, protection and exposure) should continue to be borne by the insurer.

14. Upon filing for approval of a windstorm deductible, the insurer should submit supporting documentation regarding the level and location, by ZIP Code and with maps, of its past and present books of business within the affected areas.

15. In the event of loss due to windstorm, the windstorm deductible is not to be combined with any other deductible to which the homeowners insurance policy is subject. In the rare instance where the general deductible exceeds the windstorm deductible, the general deductible would be applied before the insurer would cover the loss.

16. Insurers should submit for approval disclosure forms, clearly and conspicuously describing and explaining what is and is not covered by the particular homeowners policy in terms of windstorm and flood perils, including the steps the policyholder can take to secure protection for these perils to the extent not covered by the policy.

17. No hail deductible will be approved at this time.

18. An insurer may, with sufficient support, submit for Insurance Department consideration a windstorm deductible filing that differs from the articulated criteria.

ATTACHMENT B

WINDSTORM WRAP-AROUND (NYPIUA ACV) ENDORSEMENT

In consideration of a premium reduction and in view of the coverage which is being provided by the New York Property Insurance Underwriting Association (NYPIUA), as indicated in the Schedule below, we do not provide that part of the Homeowners Insurance for which a limit of liability is stated in the Schedule. For that insurance, NYPIUA is providing a separate policy, with its own premium, terms and limits of liability.

With respect to loss to property described in Coverage A or B, and the endorsements to Coverage B shown in the Schedule, the following Section I Conditions are amended:

1. Condition 2.a. Your Duties After Loss provisions are deleted and replaced by the following:

a. give prompt notice to:

1. NYPIUA; and
2. us or our agent.

2. Condition 6. Appraisal provisions are amended by adding the following language:

If you, NYPIUA or we fail to agree on the actual cash value or the cost to repair or replace the lost or damaged property, you, NYPIUA or we may demand an appraisal of the loss to determine the actual cash value and repair or replacement cost of the lost or damaged property, subject to the other provisions described in this Condition 6.

3. Condition 7. Other Insurance of this Homeowners Policy provisions are deleted and replaced by the following:

a. You agree not to obtain insurance, other than that provided by NYPIUA or the Federal Flood Insurance Program, on the property described in Coverage A and B or the endorsements shown in the Schedule. However, insurance may be obtained for perils insured against not shown in the Schedule.

b. If a loss is covered under the other insurance indicated in the Schedule below, this Homeowners Policy will be liable for the excess, if any, of any loss over the lesser of the applicable limit of liability shown in the Schedule or the actual cash value of the damaged property.

c. We will not be liable for loss for more than the difference between the limits of liability in this Homeowners Policy and the limits of liability indicated in the attached Schedule.

d. In no event will the total limit of liability in any one loss under both policies exceed the corresponding limit of liability specified in this Homeowners policy.

With respect to loss to property described in Coverage A or B, and the endorsements to Coverage B shown in the Schedule, the following apply:

1. The provisions of this Homeowners Policy determine coverage under this Policy, regardless of the provisions of the NYPIUA policy.

2. If you fail to maintain the Insurance provided by NYPIUA as shown in the Schedule, this Homeowners Policy is still valid. However, we will pay only the amount we would have paid if you had maintained the Insurance unchanged as shown in the Schedule.

3. If the Insurance shown in the Schedule is increased or broadened after the effective date of this Endorsement, we will pay only the amount we would have paid if the increase or broadening had been shown in the Schedule.

4. All applicable deductibles in this Policy will be applied to the loss payable under this Policy. Please refer to the NYPIUA policy in order to determine any deductibles applicable under that policy.

SCHEDULE OF COVERAGES PROVIDED BY NYPIUA

Policyholder: * _____

Policy Period: * _____

NYPIUA Policy No.: * _____

Property Insured: * _____

1. Perils Insured Against:

- Fire or Lightning
- Internal Explosion
- Windstorm or Hail
- Explosion
- Riot or Civil Commotion
- Aircraft
- Vehicles
- Smoke
- Volcanic Eruption

2. The NYPIUA Limits of Liability for:

A. Coverage A -- Dwelling *
 \$_____

B. Coverage B -- Other Structures

(1) Buildings Blanket Limit *
 \$_____

(2) Buildings specifically insured
 under Endorsement H0-48 *
 \$_____

(3) Buildings rented to others,
specifically insured under
Endorsement HO-40

*
\$_____

* Entries may be left blank if
shown elsewhere in this Policy.

* All other provisions of this
Homeowners Policy apply.

ATTACHMENT C

WINDSTORM WRAP-AROUND (NYPIUA RC) ENDORSEMENT

In consideration of a premium reduction and in view of the coverage which is being provided by the New York Property Insurance Underwriting Association (NYPIUA), as indicated in the Schedule below, we do not provide that part of the Homeowners Insurance for which a limit of liability is stated in the Schedule. For that insurance, NYPIUA is providing a separate policy, with its own premium, terms and limits of liability.

With respect to loss to property described in Coverage A or B, and the endorsements to Coverage B shown in the Schedule, the following Section I Conditions are amended:

1. Condition 2.a. Your Duties After Loss provisions are deleted and replaced by the following:

a. give prompt notice to:

- 1. NYPIUA; and
- 2. us or our agent.

2. Condition 6. Appraisal provisions are amended by adding the following language:

If you, NYPIUA or we fail to agree on the actual cash value or the cost to repair or replace the lost or damaged property, you, NYPIUA or we may demand an appraisal of the loss to determine the actual cash value and repair or replacement cost of the lost or damaged property, subject to the, other provisions described in this Condition 6.

3. Condition 7. Other Insurance of this Homeowners Policy provisions are deleted and replaced by the following:

- a. You agree not to obtain insurance, other than that provided by NYPIUA or the Federal Flood Insurance Program, on the property described in Coverage A and B or the endorsements shown in the Schedule. However, insurance may be obtained for perils insured against not shown in the Schedule.
- b. If a loss is covered under the other insurance indicated in the Schedule below, this Homeowners Policy will be liable for the excess, if any, of any loss over the applicable limit of liability shown in the

Schedule.

c. In no event will the total limit of liability in any one loss under both policies exceed the corresponding limit of liability specified in this Homeowners policy.

With respect to loss to property described in Coverage A or B, and the endorsements to Coverage B shown in the Schedule, the following apply:

- 1. The provisions of this Homeowners Policy determine coverage under this Policy, regardless of the provisions of the NYPIUA policy.
- 2. If you fail to maintain the Insurance provided by NYPIUA as shown in the Schedule, this Homeowners Policy is still valid, However, we will pay only the amount we would have paid if you had maintained the Insurance unchanged as shown in the Schedule.
- 3. If the Insurance shown in the Schedule is increased or broadened after the effective date of this Endorsement, we will pay only the amount we would have paid if the increase or broadening had been shown in the Schedule.
- 4. All applicable deductibles in this Policy will be applied to the loss payable under this Policy. Please refer to the NYPIUA policy in order to determine any deductibles applicable under that policy.

WINDSTORM WRAP-AROUND (NYPIUA RC) ENDORSEMENT

SCHEDULE OF COVERAGES PROVIDED BY NYPIUA

Policyholder: * _____

Policy Period: * _____

NYPIUA Policy No.: * _____

Property Insured: * _____

1. Perils Insured Against:

- Fire or Lightning
- Internal Explosion
- Windstorm or Hail
- Explosion
- Riot or Civil Commotion
- Aircraft
- Vehicles
- Smoke
- Volcanic Eruption

2. The NYPIUA Limits of Liability for:

A. Coverage A -- Dwelling

*
\$_____

B. Coverage B -- Other Structures

(1) Buildings Blanket Limit	*
	\$ _
	_
	_
	_
(2) Buildings specifically insured under Endorsement H0-48	*
	\$ _
	_
	_
	_
(3) Buildings rented to others, specifically insured under Endorsement H0-40	*
	\$ _
	_
	_
	_

*Entries may be left blank if shown elsewhere in this Policy.

All other provisions of this Homeowners Policy apply.

ATTACHMENT D

REPAIR OR REPLACEMENT COST ENDORSEMENT

Form DP 00 01 Only

For the premium charged for this policy, Condition 5. Loss Settlement is amended to read as follows:

5. Loss Settlement. Covered property losses are settled as follows:

a. (1) Awnings, carpeting, household appliances, outdoor antennas and outdoor equipment, attached to buildings; and

(2) Structures that are not buildings; at actual cash value at the time of loss but not more than the amount required to repair or replace.

b. Buildings under Coverage A or B at replacement cost without deduction for depreciation, subject to the following:

(1) If, at the time of loss, the amount of insurance in this policy on the damaged building is 80% or more of the full replacement cost of the building immediately before the loss, we will pay the cost to repair or replace, after application of deductible and without deduction for depreciation, but not more than the least of the following amounts:

- (a) the limit of liability under this policy that applies to the building;
- (b) the replacement cost of that part of the building damaged for like construction and use on the same premises; or
- (c) the necessary amount actually spent to repair or replace the damaged building.

(2) If, at the time of loss, the amount of insurance in this policy on the damaged building is less than 80% of the full replacement cost of the building immediately before the loss, we will pay the greater of the following amounts, but not more than the limit of liability under this policy that applies to the building:

- (a) the actual cash value of that part of the building damaged; or
- (b) that proportion of the cost to repair or replace, after application of deductible and without deduction for depreciation, that part of the building damaged, which the total amount of insurance in this policy on the damaged building bears to 80% of the replacement cost of the building.

(3) To determine the amount of insurance required to equal 80% of the full replacement cost of the building immediately before the loss, do not include the value of:

- (a) excavations, foundations, piers or any supports which are below the undersurface of the lowest basement floor;
- (b) those supports in (a) above which are below the surface of the ground inside the foundation walls, if there is no basement; and
- (c) underground flues, pipes, wiring and drains.

(4) We will pay no more than the actual cash value of the damage unless:

- (a) actual repair or replacement is complete; or
- (b) the cost to repair or replace the damage is both:
 - (i) less than 5% of the amount of insurance in this policy on the building; and
 - (ii) less than \$ 2500.

(5) You may disregard the replacement cost loss settlement provisions and make claim under this policy for loss or damage to buildings on an actual cash value basis. You may then make claim within 180 days after loss for any additional liability on a replacement cost basis.

All other provisions of this policy apply.

ATTACHMENT E

WINDSTORM WRAP-AROUND (NYPIUA H0-4 BA&A) ENDORSEMENT

For the premium charged, Additional Coverage 9. Building Additions & Alterations is deleted, when this Policy is issued in conjunction with a New York Property Insurance Underwriting Association (NYPIUA) DP-1 policy or an NYPIUA DP-1 policy with a Repair or Replacement Cost Endorsement.

All other provisions of this Homeowners Policy apply.

ATTACHMENT F

HOMEOWNERS INSURERS WRITING BUSINESS FOR COASTAL HOMES

The following companies will issue homeowners policies providing the applicants meet ALL of their various insurability (underwriting) requirements.

ATTACHMENT F

HOMEOWNERS INSURERS WRITING BUSINESS FOR COASTAL HOMES

The following companies will issue homeowners policies
providing the applicants
meet ALL of their various insurability (underwriting)
requirements.

NAIC#	COMPANY	DISTANCE FROM SHORE IN FEET				
		0 - 500	501 - 1,000	1,001 - 2,000	2,001 - 5,000	5,001 - & OVER
21849	American Automobile Ins Co	Y	Y	Y	Y	Y
21857	American Insurance Company	Y	Y	Y	Y	Y
19976	AMICA Mutual Insurance Company	Y	Y	Y	Y	Y
41459	Armed Forces Ins Exchange	Y	Y	Y	Y	Y
21865	Associated Indemnity Corp	Y	Y	Y	Y	Y
34789	Colonial Penn Insurance Co	Y	Y	Y	Y	Y
13668	Commercial Mutual Insurance Company	Y	Y	Y	Y	Y
20621	Commercial Union Ins Company	Y	Y	Y	Y	Y
35289	Continental Insurance Company	Y	Y	Y	Y	Y
13803	Farm Family Mutual Insurance Company	Y	Y	Y	Y	Y
20281	Federal Insurance Company	Y	Y	Y	Y	Y
20303	Great Northern Insurance Co	Y	Y	Y	Y	Y
37478	Hartford Ins Co of The Midwest	Y	Y	Y	Y	Y
20885	Kansas City Fire & Marine Insurance Company	Y	Y	Y	Y	Y
23035	Liberty Mutual Fire Insurance Company	Y	Y	Y	Y	Y
35106	Niagara Fire Insurance Company	Y	Y	Y	Y	Y
14915	Otsego Mutual Fire Insurance Company	Y	Y	Y	Y	Y
20346	Pacific Indemnity Company	Y	Y	Y	Y	Y

ATTACHMENT F
HOMEOWNERS INSURERS WRITING BUSINESS FOR COASTAL HOMES

The following companies will issue homeowners policies
providing the applicants
meet ALL of their various insurability (underwriting)
requirements.

NAIC#	COMPANY	DISTANCE FROM SHORE IN FEET				
		0 - 500	501 - 1,000	1,001 - 2,000	2,001 - 5,000	5,001 & OVER
14931	Pawtucket Mutual Ins Company	Y	Y	Y	Y	Y
24295	Providence Washington Ins Co	Y	Y	Y	Y	Y
15067	Quincy Mutual Fire Insurance Company	Y	Y	Y	Y	Y
24767	St Paul Fire & Marine Ins Co	Y	Y	Y	Y	Y
24775	St Paul Guardian Insurance Company	Y	Y	Y	Y	Y
24988	Sentry Insurance (A mutual company)	Y	Y	Y	Y	Y
20648	The Employers' Fire Ins Co	Y	Y	Y	Y	Y
38369	The Northern Assur Co of Am	Y	Y	Y	Y	Y
25534	Transamerica Insurance Co	Y	Y	Y	Y	Y
25488	Transamerica Insurance Co of New York	Y	Y	Y	Y	Y
25941	United Services Auto Assoc.	Y	Y	Y	Y	Y
25968	USAA Casualty Insurance Co	Y	Y	Y	Y	Y
20397	Vigilant Insurance Company	Y	Y	Y	Y	Y
21342	Allcity Insurance Company	N	Y	Y	Y	Y
24716	Centurion Insurance Company	N	Y	Y	Y	Y
20710	Century Indemnity Company	N	Y	Y	Y	Y
22667	CIGNA Insurance Company	N	Y	Y	Y	Y
21350	Empire Insurance Company	N	Y	Y	Y	Y
32352	Prudential P&C Insurance Co	N	Y	Y	Y	Y
15113	Security Mutual Insurance Co	N	Y	Y	Y	Y
19038	Aetna Casualty & Surety Co	N	N	Y	Y	Y
19240	Allstate Indemnity Company	N	N	Y	Y	Y
19232	Allstate Insurance Company	N	N	Y	Y	Y
20427	American Cas Co of Reading PA	N	N	Y	Y	Y
30562	American Manufacturers Mutual	N	N	Y	Y	Y
22918	American Motorists Ins Co	N	N	Y	Y	Y

ATTACHMENT F
HOMEOWNERS INSURERS WRITING BUSINESS FOR COASTAL HOMES

The following companies will issue homeowners policies
providing the applicants
meet ALL of their various insurability (underwriting)
requirements.

NAIC#	COMPANY	DISTANCE FROM SHORE IN FEET				
		0 - 500	501 - 1,000	1,001 - 2,000	2,001 - 5,000	5,001 & OVER
18910	American Protection Ins Co	N	N	Y	Y	Y
27928	AMEX Assurance Company	N	N	Y	Y	Y
19305	Assurance Company of America	N	N	Y	Y	Y
24503	Blue Ridge Insurance Company	N	N	Y	Y	Y
19771	Cambridge Mutual Fire Insurance Company	N	N	Y	Y	Y
25984	Graphic Arts Mutual Ins Co	N	N	Y	Y	Y
33073	Heritage Mutual Insurance Co	N	N	Y	Y	Y
14206	Holyoke Mut Ins Co in Salem	N	N	Y	Y	Y
43044	John Hancock Indemnity Company	N	N	Y	Y	Y
16187	John Hancock P&C Ins Co	N	N	Y	Y	Y
22977	Lumbermens Mutual Casualty Co	N	N	Y	Y	Y
19356	Maryland Casualty Company	N	N	Y	Y	Y
19798	Merrimack Mutual Fire Insurance Company	N	N	Y	Y	Y
23779	Nationwide Mut Fire Ins Co	N	N	Y	Y	Y
19372	Northern Insurance Co of N.Y.	N	N	Y	Y	Y
14834	NY Central Mutual Fire Ins Co	N	N	Y	Y	Y
40177	Paramount Insurance Company	N	N	Y	Y	Y
38318	Republic Insurance Company	N	N	Y	Y	Y
24678	Royal Indemnity Company	N	N	Y	Y	Y
26980	Royal Insurance Co of America	N	N	Y	Y	Y
24694	Safeguard Insurance Company	N	N	Y	Y	Y
25143	State Farm Fire & Casualty Co	N	N	Y	Y	Y
25151	State Farm General Insurance Company	N	N	Y	Y	Y
25275	State-Wide Insurance Company	N	N	Y	Y	Y
15040	The Providence Mutual Fire Insurance Company	N	N	Y	Y	Y
20494	Transportation Insurance Company	N	N	Y	Y	Y
25747	Unigard Insurance Company	N	N	Y	Y	Y

ATTACHMENT F
HOMEOWNERS INSURERS WRITING BUSINESS FOR COASTAL HOMES

The following companies will issue homeowners policies
providing the applicants
meet ALL of their various insurability (underwriting)
requirements.

NAIC#	COMPANY	DISTANCE FROM SHORE IN FEET				
		0 - 500	501 - 1,000	1,001 - 2,000	2,001 - 5,000	5,001 & OVER
25763	Unigard Security Insurance Co	N	N	Y	Y	Y
15326	Utica Fire Insurance Company	N	N	Y	Y	Y
25976	Utica Mutual Insurance Company	N	N	Y	Y	Y
20508	Valley Forge Insurance Company	N	N	Y	Y	Y
24554	Vanguard Insurance Company	N	N	Y	Y	Y
26182	Worcester Insurance Company	N	N	Y	Y	Y
11215	American Loyalty Insurance Company	N	N	N	Y	Y
18279	Bankers Standard Ins Company	N	N	N	Y	Y
21946	Camden Fire Ins Association	N	N	N	Y	Y
20702	CIGNA Fire Underwriters Ins Co	N	N	N	Y	Y
20699	CIGNA P&C Insurance Company	N	N	N	Y	Y
34452	GA Insurance Company of NY	N	N	N	Y	Y
21970	General Accident Ins Co of Am	N	N	N	Y	Y
34460	General Assurance Company	N	N	N	Y	Y
22063	Government Employees Ins Co	N	N	N	Y	Y
22713	Insurance Co of North America	N	N	N	Y	Y
14311	Interboro Mut Ind Ins Company	N	N	N	Y	Y
26298	Metropolitan P&C Company	N	N	N	Y	Y
22748	Pacific Employers Insurance Co	N	N	N	Y	Y
21962	Pennsylvania General Ins Co	N	N	N	Y	Y
34479	PG Insurance Company of N.Y.	N	N	N	Y	Y
15024	Preferred Mutual Insurance Co	N	N	N	Y	Y
23060	Tri-State Consumer Ins Co	N	N	N	Y	Y
19895	Atlantic Mutual Insurance Co	N	N	N	N	Y
19909	Centennial Insurance Company	N	N	N	N	Y
20230	Central Mutual Insurance Co	N	N	N	N	Y
16390	Chenango Mutual Insurance Co	N	N	N	N	Y

ATTACHMENT F
HOMEOWNERS INSURERS WRITING BUSINESS FOR COASTAL HOMES

The following companies will issue homeowners policies
providing the applicants
meet ALL of their various insurability (underwriting)
requirements.

NAIC#	COMPANY	DISTANCE FROM SHORE IN FEET				
		0 - 500	501 - 1,000	1,001 - 2,000	2,001 - 5,000	5,001 & OVER
31534	Citizens Ins Co of America	N	N	N	N	Y
35386	Fidelity & Guaranty Ins Co	N	N	N	N	Y
22292	Hanover Insurance Company	N	N	N	N	Y
29424	Hartford Casualty Insurance Co	N	N	N	N	Y
19682	Hartford Fire Insurance Co	N	N	N	N	Y
30104	Hartford Underwriters Ins Co	N	N	N	N	Y
14214	Home Mutual Insurance Company	N	N	N	N	Y
22306	Massachusetts Bay Insurance Co	N	N	N	N	Y
23337	Merchants Ins Co of NY, Inc	N	N	N	N	Y
23329	Merchants Mutual Ins Company	N	N	N	N	Y
14788	National Grange Mutual Ins Co	N	N	N	N	Y
19070	Standard Fire Insurance Company	N	N	N	N	Y
15210	Sterling Insurance Company	N	N	N	N	Y
29549	Twin City Fire Insurance Co	N	N	N	N	Y
25887	United States Fld & Gty Co	N	N	N	N	Y

TOTAL COMPANIES:

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NOTES: (1) No writings on Fire Island. (2) No writings directly on shore line. (3) No Fishers Island, Parts of Rockaway, Barrier Islands, Hampton Beach.

(4) No prior losses on new business. Maximum \$ 500,000 coverage. (5) Only certain ranks of active or retired military personnel and dependents or ex-dependents.

(6) Writes only members of AARP. (7) Farm Bureau Members only. (8) Writes as accomodation to commercial Insurance.

ATTACHMENT F
HOMEOWNERS INSURERS WRITING BUSINESS FOR COASTAL HOMES

The following companies will issue homeowners policies providing
the applicants meet ALL of their various insurability
(underwriting) requirements.

NAIC#	COMPANY	1992 PREMIUMS WRITTEN	% OF 1992 TOTAL MARKET
21849	American Automobile Ins Co	\$ 2,224,918	0.1311%
21857	American Insurance Company	\$ 16,663,680	0.9820%
19976	AMICA Mutual Insurance Company	\$ 17,643,547	1.0397%
41459	Armed Forces Ins Exchange	\$ 374,521	0.0221%
21865	Associated Indemnity Corp	\$ 2,945,397	0.1736%
34789	Colonial Penn Insurance Co	\$ 4,282,661	0.2524%
13668	Commercial Mutual Insurance Company	\$ 2,392,467	0.1410%
20621	Commercial Union Ins Company	\$ 6,644,233	0.3915%
35289	Continental Insurance Company	\$ 18,974,570	1.1181%
13803	Farm Family Mutual Insurance Company	\$ 927,632	0.0547%
20281	Federal Insurance Company	\$ 41,686,582	2.4565%
20303	Great Northern Insurance Co	\$ 12,777,626	0.7530%
37478	Hartford Ins Co of The Midwest	\$ 11,443,271	0.6743%
20885	Kansas City Fire & Marine Insurance Company	\$ 1,774,481	0.1046%
23035	Liberty Mutual Fire Insurance Company	\$ 46,884,089	2.7628%
35106	Niagara Fire Insurance Company	\$ 627,409	0.0370%
14915	Otsego Mutual Fire Insurance Company	\$ 7,127,378	0.4200%
20346	Pacific Indemnity Company	\$ 25,936,226	1.5284%
14931	Pawtucket Mutual Ins Company	\$ 2,381,756	0.1404%
24295	Providence Washington Ins Co	\$ 5,922,823	0.3490%
15067	Quincy Mutual Fire Insurance Company	\$ 3,412,544	0.2011%
24767	St Paul Fire & Marine Ins Co	\$ 858,120	0.0388%
24775	St Paul Guardian Insurance Company	\$ 3,649,999	0.2151%
24988	Sentry Insurance (A mutual company)	\$ 668,257	0.0394%
20648	The Employers' Fire Ins Co	\$ 2,819	0.0002%
38369	The Northern Assur Co of Am	\$ 19,625,418	1.1565%
25534	Transamerica Insurance Co	\$ 4,594,946	0.2708%
25488	Transamerica Insurance Co of New York	\$ 1,026,476	0.0605%
25941	United Services Auto Assoc.	\$ 22,120,390	1.3035%
25968	USAA Casualty Insurance Co	\$ 4,681,980	0.2759%

ATTACHMENT F
HOMEOWNERS INSURERS WRITING BUSINESS FOR COASTAL HOMES

The following companies will issue homeowners policies providing
the applicants meet ALL of their various insurability
(underwriting) requirements.

NAIC#	COMPANY	1992 PREMIUMS WRITTEN	% OF 1992 TOTAL MARKET
20397	Vigilant Insurance Company	\$ 23,539,772	1.3872%
21342	Allcity Insurance Company	\$ 3,206,963	0.1890%
24716	Centurion Insurance Company	\$ 637,107	0.0375%
20710	Century Indemnity Company	\$ 19,283	0.0011%
22667	CIGNA Insurance Company	\$ 28,345	0.0017%
21350	Empire Insurance Company	\$ 1,463,788	0.0863%
32352	Prudential P&C Insurance Co	\$ 34,923,262	2.0580%
15113	Security Mutual Insurance Co	\$ 11,242,591	0.6625%
19038	Aetna Casualty & Surety Co	\$ 58,778,712	3.4638%
19240	Allstate Indemnity Company	\$ 2,073,427	0.1222%
19232	Allstate Insurance Company	\$ 310,161,088	18.2774%
20427	American Cas Co of Reading PA	\$ 2,901,542	0.1710%
30562	American Manufacturers Mutual	\$ 12,209,257	0.7195%
22918	American Motorists Ins Co	\$ 3,262,415	0.1923%
18910	American Protection Ins Co	\$ 115,379	0.0068%
27928	AMEX Assurance Company	\$ 120,750	0.0071%
19305	Assurance Company of America	\$ 4,042,653	0.2382%
24503	Blue Ridge Insurance Company	\$ 3,574,548	0.2106%
19771	Cambridge Mutual Fire Insurance Company	\$ 1,557,331	0.0918%
25984	Graphic Arts Mutual Ins Co	\$ 5,981,535	0.3525%
33073	Heritage Mutual Insurance Co	\$ 830,282	0.0489%
14206	Holyoke Mut Ins Co in Salem	\$ 525,346	0.0310%
43044	John Hancock Indemnity Company	\$ 2,802,358	0.1651%
16187	John Hancock P&C Ins Co	\$ 789,485	0.0465%
22977	Lumbermens Mutual Casualty Co	\$ 5,082,760	0.2995%
19356	Maryland Casualty Company	\$ 1,506,966	0.0888%
19798	Merrimack Mutual Fire Insurance Company	\$ 9,140,574	0.5386%
23779	Nationwide Mut Fire Ins Co	\$ 49,100,557	2.8934%

ATTACHMENT F
HOMEOWNERS INSURERS WRITING BUSINESS FOR COASTAL HOMES

The following companies will issue homeowners policies providing
the applicants meet ALL of their various insurability
(underwriting) requirements.

NAIC#	COMPANY	1992 PREMIUMS WRITTEN	% OF 1992 TOTAL MARKET
19372	Northern Insurance Co of N.Y.	\$ 1,652,495	0.0974%
14834	NY Central Mutual Fire Ins Co	\$ 46,692,009	2.7515%
40177	Paramount Insurance Company	\$ 3,138,386	0.1849%
38318	Republic Insurance Company	\$ 11,652,077	0.6866%
24678	Royal Indemnity Company	\$ 19,040,633	1.1220%
26980	Royal Insurance Co of America	\$ 12,603,593	0.7427%
24694	Safeguard Insurance Company	\$ 7,441,708	0.4385%
25143	State Farm Fire & Casualty Co	\$ 176,838,970	10.4209%
25151	State Farm General Insurance Company	\$ 7,643,552	0.4504%
25275	State-Wide Insurance Company	\$ 120,077	0.0071%
15040	The Providence Mutual Fire Insurance Company	\$ 215,762	0.0127%
20494	Transportation Insurance Company	\$ 25,514,197	1.5035%
25747	Unigard Insurance Company	\$ 1,642,298	0.0968%
25763	Unigard Security Insurance Co	\$ 265,239	0.0156%
15326	Utica Fire Insurance Company	\$ 5,382,414	0.3172%
25976	Utica Mutual Insurance Company	\$ 5,169,599	0.3046%
20508	Valley Forge Insurance Company	\$ 6,018,579	0.3547%
24554	Vanguard Insurance Company	\$ 4,894,257	0.2884%
26182	Worcester Insurance Company	\$ 9,523,115	0.5612%
11215	American Loyalty Insurance Company	\$ 65,512	0.0039%
18279	Bankers Standard Ins Company	\$ 35,370	0.0021%
21946	Camden Fire Ins Association	\$ 335,542	0.0198%
20702	CIGNA Fire Underwriters Ins Co	\$ 2,376,950	0.1401%
20699	CIGNA P&C Insurance Company	\$ 4,920,330	0.2899%
34452	GA Insurance Company of NY	\$ 11,817,279	0.6964%
21970	General Accident Ins Co of Am	\$ 467,672	0.0276%
34460	General Assurance Company	\$ 14,985,380	0.8831%
22063	Government Employees Ins Co	\$ 32,765,366	1.9308%
22713	Insurance Co of North America	\$ 6,727,419	0.3964%
14311	Interboro Mut Ind Ins Company	\$ 1,691,013	0.0996%

ATTACHMENT F
HOMEOWNERS INSURERS WRITING BUSINESS FOR COASTAL HOMES

The following companies will issue homeowners policies providing
the applicants meet ALL of their various insurability
(underwriting) requirements.

NAIC#	COMPANY	1992 PREMIUMS WRITTEN	% OF 1992 TOTAL MARKET
26298	Metropolitan P&C Company	\$ 33,450,523	1.9712%
22748	Pacific Employers Insurance Co	\$ 3,022,148	0.1781%
21962	Pennsylvania General Ins Co	\$ 540,577	0.0319%
34479	PG Insurance Company of N.Y.	\$ 34,608,206	2.0394%
15024	Preferred Mutual Insurance Co	\$ 11,863,083	0.6991%
23060	Tri-State Consumer Ins Co	\$ 400,195	0.0236%
19895	Atlantic Mutual Insurance Co	\$ 13,480,550	0.7944%
19909	Centennial Insurance Company	\$ 7,412,111	0.4368%
20230	Central Mutual Insurance Co	\$ 189,307	0.0112%
16390	Chenango Mutual Insurance Co	\$ 1,797,715	0.1059%
31534	Citizens Ins Co of America	\$ 3,453,769	0.2035%
35386	Fidelity & Guaranty Ins Co	\$ 4,062,562	0.2394%
22292	Hanover Insurance Company	\$ 9,818,568	0.5786%
29424	Hartford Casualty Insurance Co	\$ 7,140,439	0.4208%
19682	Hartford Fire Insurance Co	\$ 12,656,815	0.7459%
30104	Hartford Underwriters Ins Co	\$ 13,478,934	0.7943%
14214	Home Mutual Insurance Company	\$ 2,783,316	0.1640%
22306	Massachusetts Bay Insurance Co	\$ 13,736,844	0.8095%
23337	Merchants Ins Co of NY, Inc	\$ 3,869,090	0.2280%
23329	Merchants Mutual Ins Company	\$ 3,388,734	0.1997%
14788	National Grange Mutual Ins Co	\$ 9,210,225	0.5427%
19070	Standard Fire Insurance Company	\$ 68,628,388	4.0442%
15210	Sterling Insurance Company	\$ 13,072,224	0.7703%
29459	Twin City Fire Insurance Co	\$ 494,285	0.0291%
25887	United States Fid & Gty Co	\$ 11,929,108	0.7030%
		\$ 1,533,889,693	90.3904%

NOTES: (1) No writings on Fire Island. (2) No writings directly on shore line. (3) No Fishers Island, Parts of Rockaway, Barrier Islands, Hampton Beach. (4) No prior losses on new business.

ATTACHMENT F
HOMEOWNERS INSURERS WRITING BUSINESS FOR COASTAL HOMES

The following companies will issue homeowners policies providing
the applicants meet ALL of their various insurability
(underwriting) requirements.

NAIC#	COMPANY	1992 PREMIUMS WRITTEN	% OF 1992 TOTAL MARKET
	Maximum \$ 500,000 coverage. (5) Only certain ranks of active or retired military personnel and dependents or ex-dependents. (6) Writes only members of AARP. (7) Farm Bureau Members only. (8) Writes as accomodation to commercial Insurance.		

ATTACHMENT F
HOMEOWNERS INSURERS WRITING BUSINESS FOR COASTAL HOMES

The following companies will issue homeowners policies providing
the applicants meet ALL of their various insurability
(underwriting) requirements.

NAIC#	COMPANY	NOTE S	CONTACT
			Refer to phone directory.
21849	American Automobile Ins Co		Refer to phone directory.
21857	American Insurance Company		List of offices available.
19976	AMICA Mutual Insurance Company		800-255-6792
41459	Armed Forces Ins Exchange		Refer to phone directory.
21865	Associated Indemnity Corp		Refer to phone directory.
34789	Colonial Penn Insurance Co		800-843-2173
13668	Commercial Mutual Insurance Company		516-822-3655
20621	Commercial Union Ins Company		Refer to phone directory.
35289	Continental Insurance Company	(7)	Agent list soon to be available.
13803	Farm Family Mutual Insurance Company		Agent list available.
20281	Federal Insurance Company		Agent list available.
20303	Great Northern Insurance Co	(6)	Refer to phone directory.
37478	Hartford Ins Co of The Midwest		Refer to phone directory.
20885	Kansas City Fire & Marine Insurance Company		Refer to phone directory.

ATTACHMENT F
HOMEOWNERS INSURERS WRITING BUSINESS FOR COASTAL HOMES

The following companies will issue homeowners policies providing
the applicants meet ALL of their various insurability
(underwriting) requirements.

	NOTE	CONTACT
	S	
23035	Liberty Mutual Fire Insurance Company	Refer to phone directory.
35106	Niagara Fire Insurance Company	Refer to phone directory.
14915	Otsego Mutual Fire Insurance Company	Agent list available.
20346	Pacific Indemnity Company	Agent list soon to be available.
14931	Pawtucket Mutual Ins Company	800-556-3825
24295	Providence Washington Ins Co	Agent list available.
15067	Quincy Mutual Fire Insurance Company	Agent list available.
24767	St Paul Fire & Marine Ins Co	Agent list available.
24775	St Paul Guardian Insurance Company	(8) Refer to phone directory.
24988	Sentry Insurance (A mutual company)	516-822-3655
20648	The Employers' Fire Ins Co	516-822-3655
38369	The Northern Assur Co of Am	Agent list available.
25534	Transamerica Insurance Co	Agent list available.
25488	Transamerica Insurance Co of New York	(5) 800-531-8080
25941	United Services Auto Assoc.	(5) 800-531-8080
25968	USAA Casualty Insurance Co	Agent list available.
20397	Vigilant Insurance Company	Agent list available.
21342	Allcity Insurance Company	(2) Agent list available.
24716	Centurion Insurance Company	800-542-4462
20710	Century Indemnity Company	800-542-4462
22667	CIGNA Insurance Company	Agent list available.
21350	Empire Insurance Company	Refer to phone directory.
32352	Prudential P&C Insurance Co	Agent list soon to be available.

ATTACHMENT F
HOMEOWNERS INSURERS WRITING BUSINESS FOR COASTAL HOMES

The following companies will issue homeowners policies providing
the applicants meet ALL of their various insurability
(underwriting) requirements.

	NOTE S	CONTACT
15113	Security Mutual Insurance Co	Agent list available.
19038	Aetna Casualty & Surety Co	Agent list available.
19240	Allstate Indemnity Company	Agent list available.
19232	Allstate Insurance Company	Agent list available.
20427	American Cas Co of Reading PA	Agent list available.
30562	American Manufacturers Mutual	Agent list available.
22918	American Motorists Ins Co	Agent list available.
18910	American Protection Ins Co	800-842-3344
27928	AMEX Assurance Company	Agent list available.
19305	Assurance Company of America	516-222-2223
24503	Blue Ridge Insurance Company	Agent list soon to be available.
19771	Cambridge Mutual Fire Insurance Company	Agent list available.
25984	Graphic Arts Mutual Ins Co	Agent list soon to be available.
33073	Heritage Mutual Insurance Co	Agent list available.
14206	Holyoke Mut Ins Co in Salem	Agent list available.
43044	John Hancock Indemnity Company	Agent list available.
16187	John Hancock P&C Ins Co	Agent list available.
22977	Lumbermens Mutual Casualty Co	Agent list available.
19356	Maryland Casualty Company	Agent list soon to be available.
19798	Merrimack Mutual Fire Insurance Company	Refer to phone directory.
23779	Nationwide Mut Fire Ins Co	Agent list available.
19372	Northern Insurance Co of N.Y.	Agent list available.
14834	NY Central Mutual Fire Ins Co	Agent list available.
40177	Paramount Insurance Company	516-222-2223
38318	Republic Insurance Company (1)	Agent list available.
24678	Royal Indemnity Company	Agent list available.
26980	Royal Insurance Co of America (1)	Agent list available.

ATTACHMENT F
HOMEOWNERS INSURERS WRITING BUSINESS FOR COASTAL HOMES

The following companies will issue homeowners policies providing
the applicants meet ALL of their various insurability
(underwriting) requirements.

	NOTE S	CONTACT
24694	Safeguard Insurance Company (3)	Refer to phone directory.
25143	State Farm Fire & Casualty Co	Refer to phone directory.
25151	State Farm General Insurance Company	516-499-5646
25275	State-Wide Insurance Company	Agent list available.
15040	The Providence Mutual Fire Insurance Company	Agent list available.
20494	Transportation Insurance Company	Agent list available.
25747	Unigard Insurance Company	Agent list available.
25763	Unigard Security Insurance Co	Refer to phone directory.
15326	Utica Fire Insurance Company	Agent list available.
25976	Utica Mutual Insurance Company	Agent list available.
20508	Valley Forge Insurance Company	516-222-2223
24554	Vanguard Insurance Company	Agent list available.
26182	Worcester Insurance Company	800-225-5756
11215	American Loyalty Insurance Company	302-479-6886
18279	Bankers Standard Ins Company	Agent list available.
21946	Camden Fire Ins Association	302-479-6886
20702	CIGNA Fire Underwriters Ins Co	302-479-6886
20699	CIGNA P&C Insurance Company	Agent list available.
34452	GA Insurance Company of NY	Agent list available.
21970	General Accident Ins Co of Am	Agent list available.
34460	General Assurance Company	800-841-3000
22063	Government Employees Ins Co	302-479-6886
22713	Insurance Co of North America	Works only through brokers.
14311	Interboro Mut Ind Ins Company	Agent list available.
26298	Metropolitan P&C Company	302-479-6886
22748	Pacific Employers Insurance Co	Agent list available.
21962	Pennsylvania General Ins Co	Agent list available.

ATTACHMENT F
HOMEOWNERS INSURERS WRITING BUSINESS FOR COASTAL HOMES

The following companies will issue homeowners policies providing
the applicants meet ALL of their various insurability
(underwriting) requirements.

	NOTE S	CONTACT
34479	PG Insurance Company of N.Y.	Agent list soon to be available.
15024	Preferred Mutual Insurance Co	800-564-6669
23060	Tri-State Consumer Ins Co	Agent list available.
		Agent list available.
19895	Atlantic Mutual Insurance Co	419-238-1010 ext 279
19909	Centennial Insurance Company	800-836-0537
20230	Central Mutual Insurance Co	Agent list available.
16390	Chenango Mutual Insurance Co	Refer to phone directory.
31534	Citizens Ins Co of America	Agent list available.
35386	Fidelity & Guaranty Ins Co	Refer to phone directory.
22292	Hanover Insurance Company	Refer to phone directory.
29424	Hartford Casualty Insurance Co	Refer to phone directory.
19682	Hartford Fire Insurance Co	Agent list available.
30104	Hartford Underwriters Ins Co	Agent list available.
14214	Home Mutual Insurance Company	Agent list available.
22306	Massachusetts Bay Insurance Co	Agent list available.
23337	Merchants Ins Co of NY, Inc	Refer to Independent Agent
23329	Merchants Mutual Ins Company	Agent list available.
14788	National Grange Mutual Ins Co	Agent list available.
19070	Standard Fire Insurance Company (4)	Refer to phone directory.
15210	Sterling Insurance Company (1)	Refer to phone directory.
29459	Twin City Fire Insurance Co	
25887	United States Fid & Gty Co	

NOTES: (1) No writings on Fire Island. (2) No writings directly on shore line. (3) No Fishers Island, Parts of Rockaway, Barrier Islands, Hampton Beach. (4) No prior losses on new business. Maximum \$ 500,000 coverage. (5) Only certain ranks of active or retired military personnel and dependents or ex-dependents. (6) Writes only members of AARP. (7) Farm Bureau Members only. (8) Writes as accomodation to commercial Insurance.

ATTACHMENT G

COASTAL MARKET ASSISTANCE PROGRAM

C-MAP Plan of Operations

A. C-MAP Defined.

1. The Coastal Market Assistance Program (C-MAP) represents a network, made up of participating insurers and insurance producers, acting on a voluntary basis, operating under the auspices of the Superintendent of Insurance and state action of the New York State Insurance Department, to assist homeowners living in New York's coastal areas in obtaining proper insurance protection for their homes.

2. C-MAP is designed to act as a clearinghouse and referral mechanism, preceded by a Coastal Market Access Reference Table (C-MART) procedure, with a stand-by plan for submission, when necessary and appropriate, of eligible C-MAP applications to participating C-MAP insurers.

3. All licensed insurers writing homeowners insurance in New York State are encouraged to join C-MART and C-MAP.

B. Structure.

1. C-MAP Steering Committee. C-MAP operations will be overseen by the C-MAP Steering Committee, chaired by the Superintendent of Insurance or the Superintendent's designee, and consisting of:

(a) two (2) members representing C-MAP participating insurers using the American agency system of market distribution;

(b) two (2) members representing C-MAP participating insurers using alternate or direct distribution methods;

(c) one (1) member representing the New York Property Insurance Underwriting Association (NYPIUA);

(d) one (1) member representing the Professional Insurance Agents of New York State, Inc. (PIANY); and

(e) one (1) member representing the Independent Insurance Agents Association of New York (IIAANY).

More than one individual may represent an insurer or producer member at C-MAP Steering Committee meetings, but each such member will be entitled to one (1) vote in any business proceeding.

2. C-MAP Administration. C-MAP Administrator shall be NYPIUA, assisted by PIANY and IIAANY. As C-MAP Administrator, NYPIUA shall be responsible for:

(a) distribution of C-MAP application materials to consumers and producers;

(b) coordination of C-MAP rotation procedures; and

(c) periodic reports to the Superintendent of Insurance, with copies to the C-MAP Steering Committee, on C-MAP application status and dispositions.

PIANY and IIAANY shall aid in distributing C-MART information and, when necessary and appropriate, C-MAP application materials to consumers and insurance producers.

C. C-MART Procedures.

1. C-MART lists insurers that indicate, in response to Insurance Law § 308 inquiries by the Insurance Department, that they are actively writing homeowners business for New York's shore communities in the voluntary insurance market, subject to their respective underwriting guidelines, specifying:

- (a) telephone numbers and addresses of their agent(s) or sales office(s) that consumers or insurance producers seeking coverage for homes in New York's shore communities can contact to access the insurer for coverage;
- (b) names of agents or individuals who are authorized by the insurer to make underwriting decisions and prepared to communicate with consumers or producers contacting an insurer's agents or sales office(s) as a result of C-MART;
- (c) whether the insurer will entertain brokerage business;
- (d) any underwriting criteria that would exclude broad segments of the general public;
- (e) any underwriting restrictions about distance from shore; and
- (f) such other information to help potential applicants understand the extent to which they might meet the insurer's underwriting guidelines.

2. The Insurance Department shall compile and update listings of C-MART insurers and their consumer access information, to be designated the "Coastal Market Access Reference Table".

3. C-MART information shall be available to consumers and insurance producers, and shall be accompanied by a notice, in a form acceptable to the Insurance Department, describing:

- (a) policyholder protections under the Insurance Law;
- (b) the steps taken by the Insurance Department to facilitate voluntary insurance market coverage for homeowners in shore communities, including windstorm deductibles and Wrap-Around protection;
- (c) how to use C-MART to seek coverage; and
- (d) how to make a C-MAP application, in the event coverage is not obtained by using C-MART.

D. C-MAP Eligibility.

1. To be eligible for C-MAP placement, a homeowner must:

- (a) have received notice that an existing homeowners insurance policy is being or has been nonrenewed or cancelled for a reason other than premium non-payment;
- (b) in the case of property newly acquired or to be acquired, be currently without homeowners insurance for that property; or
- (c) be currently covered (including for the windstorm peril) only through NYPIUA.

2. Eligible C-MAP risks must be one-to-four family dwellings located in the counties of the Bronx, Kings (Brooklyn), Nassau, Queens, Richmond (Staten Island), Suffolk, or Westchester, where the dwelling is situated:

(a) for Long Island's South Shore and areas along the shore of Brooklyn, Queens, Staten Island and Long Island's Forks, within one mile of the shore; or

(b) for Long Island's North Shore, the Bronx and Westchester, within 2500 feet of the shore along the Long Island Sound.

If a C-MAP insurer only writes three and four family owner-occupied dwellings under the Dwelling Fire program, that insurer is authorized to write the risk through C-MAP using the Dwelling Fire program.

3. The term "shore" refers only to salt-water ocean, sound or bay, with distance measured from the normal high-tide mark.

4. To be eligible for C-MAP placement, applicants shall have received declinations from at least five (5) C-MART insurers whose underwriting guidelines, as set forth in C-MART listings, indicate they will consider risks at the distance from shore where the risk is situated and do not exclude broad categories of the general public that include the applicant.

E. C-MAP Submissions.

1. Insurance producers or consumers without a broker of record may contact the Hotlines (212-602-0541 & 800-522-4370), PIANY (T:518-434-3111 & F:518-434-2342), IIAANY (T:800-962-7950 & F:315-432-9111), or NYPIUA (T:212-208-9700 & F:212-344-9879) to obtain C-MAP application materials.

2. The C-MAP application (ACORD # 80) shall be accompanied by:

(a) names of at least five (5) C-MART agents or sales office access individuals who declined the risk with the date declined;

(b) in the case of nonrenewal or cancellation of existing coverage, a copy of the termination notice from the insurer that gave such notice;

(c) in the case of newly acquired or to be acquired property, the name of the insurer (if any) currently or formerly writing homeowners coverage on the property; and

(d) a C-MAP broker of record form signed by the applicant and by the broker of record (if designated).

3. The completed and signed C-MAP application, with the designated items, shall be submitted to NYPIUA, at the following address:

New York Property Insurance Underwriting Association
100 William Street
New York, New York 10038-4599

4. Incomplete C-MAP submissions will be returned to the broker of record or to the applicant (if no broker of record is designated) for completion.

5. Applications for risks documented by an insurer to be ineligible to submit a C-MAP application by reason of location (i.e., situated too far from shore) shall be returned with an explanation. Disputes over distance of the property from shore shall be referred to the C-MAP Steering Committee.

F. C-MAP Rotation.

1. NYPIUA shall coordinate an equitable rotation plan of risks among participating C-MAP insurers, in the following manner:

- (a) C-MAP applications will be transmitted by fax for consideration by the C-MAP insurer;
- (b) Each participating C-MAP insurer will designate an individual to receive such applications;
- (c) That designated individual will cause the application to be seriously considered by the C-MAP insurer for underwriting purposes and, as promptly as possible, indicate the insurer's decision to accept the risk (with or without a windstorm deductible), write a Wrap-Around policy, or reject it (if so, explaining why).
- (d) Insurers will be expected to accept on average at least one out of every three applications assigned under the rotation plan, subject to its underwriting guidelines, as modified by its application of approved windstorm deductibles and/or windstorm Wrap-Around endorsements.

For example, insurer ABC does not normally write within 1000 feet from shore. Upon approval of its windstorm deductible filing, if a risk otherwise meets the underwriting guidelines except for "distance from shore", insurer ABC should be able and willing to write this risk.

3. In designing, implementing and adjusting an equitable C-MAP rotation plan, consideration should be given to:

- (a) voluntary market coverage reported by a participating C-MAP insurer that elects to continue coverage on a coastal area home when sold by its existing policyholder to a new buyer;
- (b) the nature of marketing and distribution systems of different participating C-MAP insurers, in order to be as consistent as possible with the nature of the particular C-MAP applicant and producer, if any; and
- (c) such other factors as the Superintendent of Insurance determines workable, in order to enhance C-MAP equity and efficacy.

4. Loss history showing a demonstrable pattern of significant losses may be a valid basis for declining C-MAP placement of an eligible C-MAP applicant.

5. NYPIUA shall keep an accurate record of assignments and placement activity, and shall prepare and present a bi-weekly status report on C-MAP activity to the Superintendent of Insurance, who may require reports on a more frequent basis. The C-MAP Steering Committee shall receive copies of such reports.

6. Risks that have been rejected by three (3) C-MAP insurers under the rotation plan shall be referred to the C-MAP Steering Committee, which shall analyze any such application in order to recommend appropriate treatment.

7. Where appropriate, the C-MAP Steering Committee may recommend specific underwriting or risk management steps, such as wind-resistant architectural or construction techniques which, if completed by the homeowner, could enhance the dwelling's insurability.

8. If the C-MAP Steering Committee finds that it cannot place a risk in the voluntary market, it shall so inform the broker of record or the applicant (where no broker of record is designated), with a written explanation.

9. In the event that voluntary market placement cannot be achieved for a particular risk, coverage should be placed with NYPIUA, subject to its plan of operations.

G. C-MAP Policies.

1. A participating C-MAP insurer, when accepting a C-MAP applicant for placement, shall offer one of its filed and approved homeowners insurance contracts, except when appropriate to write a Dwelling Fire policy under this C-MAP Plan of Operations.

2. A participating C-MAP insurer may apply one of the following windstorm loss control procedures to a specific property:

(a) coverage may be subject to non-catastrophic or catastrophic windstorm deductibles, pursuant to a deductible plan filed with and approved by the Insurance Department; or

(b) coverage may be modified using a special Windstorm Wrap-Around endorsement, filed with and approved by the Insurance Department.

H. Commissions & Fees.

1. Except as provided in (2) herein, every C-MAP insurer accepting an application from a producer not recognized by the insurer shall pay the producer as broker a commission in conformity with the insurer's filed rates for Homeowners (or Dwelling Fire) insurance.

2. If a participating C-MAP insurer is precluded by contract or internal practice from paying a commission pursuant to (1) herein, that insurer shall as an alternative pay a reasonable C-MAP servicing fee to NYPIUA, as C-MAP Administrator, within 15 days of accepting the application, in an amount equivalent to the insurer's customary commission that would have been so paid.

3. In the event of (2) herein, NYPIUA, as C-MAP Administrator, shall pay over the C-MAP servicing fee to the broker of record.

4. As C-MAP Administrator, NYPIUA may charge an insurer electing (2) herein for NYPIUA's reasonable expenses in passing through the C-MAP servicing fee and issuing on the insurer's behalf tax information (i.e., Form 1099) to the broker of record pursuant to (3) herein.

I. Fiscal Arrangement.

1. NYPIUA shall absorb the expenses of administering C-MAP.

2. NYPIUA shall reimburse the reasonable expenses of PIANY and IIAANY in connection with C-MART and C-MAP activities, to the extent such expenses are documented and approved by the Superintendent of Insurance.

J. Term of C-MAP Operations.

1. C-MAP is established as a temporary market assistance program, which shall function only so long as deemed necessary by the Superintendent of Insurance.

2. The C-MAP Steering Committee shall at six-month intervals evaluate the need for continuing C-MAP and may recommend C-MAP dissolution to the Superintendent of Insurance, explaining the reasons justifying dissolution.

3. C-MAP dissolution shall be ordered only after written assent granted by the Superintendent of Insurance.

ATTACHMENT H

TESTIMONY

BY

SALVATORE R. CURIALE

SUPERINTENDENT OF INSURANCE

NEW YORK STATE INSURANCE DEPARTMENT

ON

HOMEOWNERS INSURANCE FOR COASTAL AREAS

AT

JOINT PUBLIC HEARING

BEFORE

NEW YORK STATE ASSEMBLY STANDING COMMITTEE OF INSURANCE

HON. PETE GRANNIS, CHAIR

AND

NYS ASSEMBLY SUBCOMMITTEE

ON

LONG ISLAND BARRIER BEACHES

HON. HARVEY WEISENBERG, CHAIR

LONG BEACH, LONG ISLAND

LONG BEACH CITY HALL

SEPTEMBER 30, 1993

HOMEOWNERS INSURANCE FOR COASTAL AREAS

This Long Beach City Hall hearing room presents panoramic views of the Atlantic Ocean as well as Broad and Reynolds Channels together with Brosewre, Hewlett and Middle Bays behind. From this vantage, one can easily appreciate the natural beauty of Long Beach and other shore communities -- and quickly understand their unsheltered vulnerability to the forces of nature. Long Beach, like Long Island itself, are both embraced by nature, as each is surrounded by water. Obviously, in terms of human nature, the residents of our shore communities have homes on or near the beach that they love and need to protect.

A. Nature v. Human Nature

The insurance industry must continue to provide vital protection for homeowners in New York's coastal areas -- confronting, with intelligence and vision, uncharted depths of risk raised by more profound respect for Nature's power and fury, in the recent wake of Hurricanes Andrew, Hugo and Iniki. We think the insurance industry will respond in a positive fashion to coastal civilization. And, if it fails to do so, the industry should understand that it would not be uncivilized for this State to respond in a different, yet creative manner through coordinated executive and legislative actions.

What are the realities? No other industry could have paid over \$ 25 billion -- living up to its promises to policyholders -- and survived. No industry, not even the rigorously regulated insurance industry, can pay out multi-billions again and again, and expect to survive. The December 1992 Nor'easter (Beth) and the March 1993 Blizzard (Josh) prove heightened concerns over windstorm perils in this region are not merely hypothetical. Everyone out on Long Island's barrier beaches held their collective breath, before Hurricane Emily veered out to sea. We need to account for insurer solvency concerns in striving to achieve the best balance for the consumer's ultimate benefit.

Based upon the Insurance Department's aggressive efforts and active evaluation, and with the Legislature's concerned vigilance, we think that the insurance industry will perform and protect homeowners of sound homes in New York's shore communities. In general, homeowners insurance is and should remain readily available and affordable on Long Island and in other coastal areas of this State.

B. The Real Problem

Apart from what may be said by or about insurers, progress is vital and performance crucial. Special market surveys and extensive meetings conducted by the Insurance Department show that:

- Virtually all insurers are retaining and renewing their Long Island homeowners business, providing comprehensive coverage to well over one million insureds well beyond the 3-year policyholder protection guaranteed consumers by the New York Insurance Law (§ 3425(a)(7)); and
- A significant number of insurers are ready and willing to underwrite and continue to actively write new homeowners business in New York's shore communities, so that those seeking to buy or sell homes on Long Island can, unimpeded by insurance problems, proceed to do so.

All insurers are compelled - by catastrophic potential and common sense -- to consider what might happen were a great hurricane ever to strike Long Island. Due to capacity constraints and reinsurance restrictions, a number of insurers have been forced to limit particularly new coastal-area homeowners writings. As a result, some consumers as well as insurance agents have had to scramble to find coverage from other carriers.

Hundreds of homeowners insurers do business in this State, generating a highly competitive and resilient homeowners marketplace. Business that some insurers cannot handle should prove attractive to other insurers, since there is a voluntary market for coastal area homeowners insurance, which appropriate actions can strengthen.

C. Realistic Solutions

Our objectives are to engage, enliven and enlarge the voluntary coastal area homeowners insurance market for the protection and benefit of consumers. The options presented in Circular Letter No. 11 (Attachment A), issued by the Insurance Department on September 14, 1993, should stimulate capacity and result in more insurance companies becoming able to write more coastal homeowners insurance protection in a stable and reliable manner.

Due to market flux, however, homeowners and insurance producers searching for coverage of homes in shore

communities may not be aware of existing or emerging market opportunities and, even if knowledgeable, might not be in a position to access these carriers. For those coastal area homeowners who encounter difficulties in finding homeowners coverage, the Insurance Department has instituted special Hotlines -- 800-522-4370 & 212-602-0541 - that consumers and insurance producers can call for swift and specific assistance. Consumers thus have a central place to complain and, more important, a source to get prompt help.

Our approach is multi-level, as the particular situation warrants. To address particular coastal homeowners cases requiring further assistance, the Insurance Department is establishing C-MART and C-MAP -- with the goal of bringing consumers, producers and insurers together -- to serve as special clearinghouse and referral mechanisms:

- . C-MART, signifying Coastal Market Assistance Reference Table, which will provide specific information to enable consumers and insurance producers to approach available voluntary markets; and
- . C-MAP, standing for Coastal Market Assistance Program, which will exert specific placement efforts on behalf of the consumer, to the extent that Hotline and C-MART efforts prove unavailing.

Aided by our Hotlines, C-MART, C-MAP, and other facilitating measures carefully crafted by the Insurance Department: the insurance industry should become better able to be truly receptive to coastal area homeowners business; market opportunities for insurance producers should grow; and market access for consumers should be enhanced.

Circular Letter No. 11 contains a listing of homeowners insurers, actively writing coastal area homes, subject to their respective underwriting guidelines, based upon special reports required by the Insurance Department.

As we compile and integrate responses from supplemental reports and other sources of information, the lists will be updated, refined and expanded, noting specific ways or particular individuals authorized by these insurers through which consumers or insurance producers seeking coverage may make contact and communicate. In turn, these lists (see Attachment B) form the foundation for C-MART.

D. Building Strong Structures

These market assistance mechanisms rely on voluntary participation by responsible insurers and insurance producers. The success of these mechanisms depend on constructive cooperation, which the Insurance Department is already receiving from the Professional Insurance Agents of New York (PIANY) and the Independent Insurance Agents Association of New York (IAANY), which will help the Insurance Department administer C-MART and C-MAP.

Development of these market-making and market-matching mechanisms is in active process, in order to make them as workable for insurers and as effective for consumers as possible. Attachment C is the present working draft of the C-MAP Plan of Operations, dealing with critical issues of structure, mechanics and administration.

Enlistment in C-MAP is also in progress. For example, Allstate may be overconcentrated in Long Island and unable to join C-MAP at this time, while State Farm has stated that it will participate in C-MAP and serve on the C-MAP Steering Committee. While State Farm is to be commended for cooperation in our C-MAP efforts, Allstate should not be criticized for declining to participate at this stage, since it is the largest writer of Long Island homeowners business, covering about 27% of that market, meaning that Allstate has more than one out of every four homeowner policyholders on Long Island.

And, of course, the FAIR Plan, technically known as the New York Property Insurance Underwriting Association (NYPIUA), acts as the residual market and stands ready to provide affordable and meaningful protection in appropriate cases, where the risks involved are higher than an insurer in the voluntary market can tolerate on its own.

For generations, the FAIR Plan has served to protect property owners, meet lender needs, and support the real

estate market. Attachment D reflects the exact extent and precise location of new business the FAIR Plan has received this year to date.

Our C-MAP development efforts are aimed at reconciling different distribution systems, in order to respect the varying marketing approaches utilized by participating insurers, so as to maximize insurer cooperation and consumer coverage.

Equally important, the facilitating mechanisms created under Insurance Department auspices are designed to emphasize, not eliminate, sound underwriting on the part of the insurance industry. Just as it would be improper and untenable for homeowners insurers to abandon coastal areas to oblivion, so would it be imprudent and impossible for insurers, at least acting individually, to write any or all shoreline risks in an unseen or unthinking manner.

Instead, we strive to stress the underwriter's ability to evaluate and consider coastal area homes, seriously and sincerely, on a risk-by-risk basis. This thoughtful approach is remarkably different from, and superior to, thoughtless all-or-nothing propositions.

If, however, insurers fail to grasp this opportunity to participate in these voluntary mechanisms that recognize underwriting flexibility, they should not be surprised if that underwriting discretion is lost and they then find themselves forced by legislation to provide coverage on demand.

Insurers ought to weigh the future possibility of catastrophic windstorm striking Long Island against the much more immediate prospect from the sure fury of public policymakers aimed at the insurance industry.

E. Shared Responsibilities

Balance is imperative, when overreaction is so easy. Insurers should not be allowed to overreact to the perceived windstorm peril, by catapulting catastrophe into cataclysm. Nor, if we can help it, should consumers or other concerned parties overreact or ignore relevant factors and forces, especially the forces of Nature beyond anyone's control.

Naturally, no one wishes to think about risks or wants to talk about costs. To do so is unpleasant and unpopular. Whenever risks or costs are mentioned, consumers understandably tend to assume that risks are nil and costs are none. In contrast, as they contemplate dread concepts of potential maximum loss (PML) and normal foreseeable loss (NFL) with extrapolation and supercomputers, insurers and reinsurers are prone to assert the risks are overwhelming and the costs staggering.

Neither hyperbole nor hysteria is helpful. While insurers must be concerned about worst-case analysis - having witnessed devastation elsewhere -- they must still do their best to provide vital coverages. In the face of catastrophic windstorm potential, we all must realize there are heightened risks and, in turn, elevated costs.

Growing realization of the havoc a major hurricane could wreak should lead to fair and feasible methods of shared responsibility on the part of all parties concerned -- federal and state governments, local communities, businesses, homeowners, as well as the insurance industry -- to manage and minimize that catastrophic risk. What means are appropriate and effective?:

- . In the first instance, and as a strong public policy preference, insurers are urged to continue to write complete and comprehensive homeowners insurance policies, both on a renewal and' new business basis, on sound structures in shore communities;

- . But, if the preferred approach is unacceptable, following actual underwriting analysis of a specific risk, the insurer should next consider still writing a comprehensive homeowners insurance policy, applying as appropriate an approved windstorm deductible, in covering that risk;

. If it is justified in light of the windstorm peril posed by a particular risk after the insurer's underwriting analysis (in terms of shore proximity coupled with dwelling construction and condition), the windstorm peril along with fire coverage should be written in the FAIR Plan, with the insurer providing Wrap-Around coverage for liability and theft on a voluntary market basis, for such risks;

. In the event underwriting analysis reveals that the particular risk is truly residual in nature, making a Wrap-Around inappropriate, that risk should properly be placed in the FAIR Plan, subject to NYPIUA approved rules.

Annexed to Circular Letter No. 11 are detailed criteria for windstorm deductibles, as developed by the Insurance Department. The characteristics and consequences of a windstorm deductible turn upon whether it is mandatory or optional and whether it is non-catastrophic or catastrophic in nature, triggered by a Category 2 storm declared by the National Weather Service (see Attachment E, explaining NWS storm categories). Recognizing that windstorm vulnerability is greater the closer to shore a home is situated, a key equitable concept is that any mandatory windstorm deductible should be highest nearest shore, diminishing with distance from shore.

In the event of any windstorm deductible, the policyholder will receive a premium reduction, not simply on the windstorm portion of the policy, but on the entire homeowners policy premium. With windstorm deductibles, homeowners should have more incentives to secure and strengthen their homes against future windstorms.

We think the "Wrap-Around" approach, described in Circular Letter No. 11, is a practical solution for a risk with acute windstorm peril, in a partnership between the voluntary insurer and the FAIR Plan. This partnership approach is better than the theoretical extremes of putting purely the windstorm peril or the entire homeowners policy into the residual market. While the FAIR Plan provides fire and extended property coverages (including windstorm), the insurer provides voluntary market coverage for liability and theft, under a modified homeowner policy endorsement, approved by the Insurance Department for immediate use, to "wrap-around" the FAIR Plan policy. We are actively working to improve this "Wrap-Around" approach, again to make it as workable as possible for insurers and as effective as possible for consumers.

F. Opportunity & Obligation

While considering catastrophic potential, insurers need to appreciate not only New York's considerably lower hurricane risk relative to other areas, but, as recognized by the Federal Emergency Management Agency, the quality of construction and code enforcement that characterizes New York. Everyone should consider that Long Islanders generally have the advantage of ample warning about approaching storms, so that precautionary steps can be taken to minimize bodily injury as well as property damage.

We should take advantage of our advantages. Before the great storm heads our way, homeowners and shore communities have the opportunity and obligation to apply realistic risk management and loss mitigation programs, through:

- . proper land use planning, flood plain management, and utilization of the federal flood insurance program;
- . intelligent architecture and smart construction techniques;
- . improved building code content and boosted code enforcement efforts; and
- . disaster preparedness and strategic planning against catastrophe.

Therefore, it is wise to establish official evacuation plans for shore communities and to take actions to halt barrier beach erosion - as Long Beach citizens are attempting to do with Assemblyman Weisenberg's leadership and foresight.

G. Time & Opportunity

Because of our strong consumer safeguards already in place in New York, the problems encountered in New York should be mostly confined to new homeowners insurance applications, as insurance agents attempt to identify markets and real estate agents try to make sales. Insurance can facilitate the real estate market, which, however, may be inhibited or, indeed, depressed by non-insurance factors.

For the same reasons, we have the time to determine whether the facilitating measures developed by the Insurance Department will work to address these problems. At bottom, we need to test whether or not the insurance industry does perform to protect coastal area homeowners, as we think it will. As a practical matter, some time is needed for insurers to absorb, assimilate and apply the different facilitating measures, in order to produce beneficial impact in the marketplace.

While the principal purpose of our Hotlines is to help consumers, the number and nature of Hotline calls and complaints we receive will aid us in monitoring and measuring the dimensions of actual problems and in shaping practical solutions to those problems. Since the Hotlines were publicized earlier this month, the Insurance Department has received 144 calls, averaging about 16 per day, with the number of calls declining since inception. Of those calls, 45 involved new business situations. A number of calls concerned flood insurance.

Hotline experience to this point shows that, by answering questions or providing pertinent information, our dedicated examiners handling Hotline calls can immediately respond to a high proportion of the Hotline inquiries. Our examiners pointedly ask such callers to call back if their problems persist; so far, less than a dozen call-backs have come in from a consumer or insurance producer who called earlier. Equally important, we find that most of the small percentage of Hotline calls that entail follow-up can be readily addressed.

The Insurance Department is scrutinizing every rate filing made by insurers for homeowners insurance, submitted on a file-and-use basis pursuant to Article 23 of the Insurance Law. Our actuaries and examiners are analyzing each homeowners insurance rate filing, and will reject catastrophic loading methodologies we consider unjustified or overblown.

As show by Attachment F displaying relevant rate filings, recent homeowners insurance rate adjustments (both up and down) have been quite moderate, including for Long Island. When there has been a rate increase, it has been predicated upon relatively poor loss experience, set forth on Attachment G, essentially unrelated to, and independent of, past or projected catastrophic exposure.

H. Opportunities & Options for Action

We are working with state emergency management agencies and insurance regulators across the country (including Hawaii, California, Texas, Florida and South Carolina) through the NAIC (National Association of Insurance Commissioners), in efforts to achieve a national catastrophic stop-loss reinsurance mechanism that stresses disaster mitigation and which requires Congressional action -- recognizing that no insurer, no industry and no jurisdiction, acting alone, can survive repeated catastrophes and their consequences.

Bills proposing the Natural Disaster Protection Act have now been introduced in both the U.S. Senate (S.1350) and House of Representatives (H.R.2873). New York should seriously consider urging support for these bills or similar federal legislation.

In order to maintain market viability, states such as North Carolina and South Carolina with elevated hurricane exposure have had to establish coastal windstorm pools. States like Florida and Hawaii with still greater hurricane vulnerability have been forced, in the aftermath of Hurricanes Andrew and Iniki, toward imposing moratoria on insurer withdrawals and creating special state funds, coupled with such unappealing and controversial features as state liability,

state bonding, and statewide premium surcharges.

While evidently necessary in those jurisdictions, these types of extreme measures are both unnecessary and undesirable in New York, which, fortunately, need not and should not replicate here.

Since it did not have provisions comparable to § 3425 consumer safeguards, the Florida Insurance Commissioner had no choice but to try to invoke an emergency moratorium, because insurers there had the right simply to terminate homeowners policies. Because of our consumer safeguards, that cannot be done in New York.

I. Recommendations & Conclusion

Through Insurance Department initiatives, working with concerned public officials and responsible insurance industry representatives, New York State is taking the actions we believe are appropriate and will be effective to protect the public, especially homeowners living in New York's shore communities. If these initiatives -- designed to strengthen consumer safeguards and to emphasize voluntary market response -- prove successful, it may well be that the Governor and Legislature need not take further action.

Certainly, public policymakers ought to reserve all options if it turns out that, despite our initiatives, the insurance industry fails to perform and protect coastal area homeowners.

What are the kinds of measures that may merit consideration?

- . Some might suggest changing, to prior approval by the Department, the current file-and-use rate review system applicable to homeowners insurance. At this time, we do not believe that this change would improve availability or affordability of homeowners insurance.

- . The Superintendent of Insurance could be given emergency authority to suspend the ability of insurers to terminate a policy during declared disasters or to control the ability to terminate coverages, if it is determined that a significant number of insurance consumers cannot obtain desired coverage.

- . A better alternative may be to consider, at least under emergency circumstances caused by a declared disaster, combining a percentage limitation rule (similar to the § 3425 2% percent nonrenewal rule applicable to private passenger auto insurance) with the three-year guaranteed policyholder protection period already applicable to homeowners insurance.

- . Perhaps the Superintendent of Insurance should be given the statutory authority to activate NYPIUA to write the entire homeowners policy, since currently NYPIUA can only write fire and extended (including windstorm) coverages.

If necessary, the Insurance Department will recommend measures to the Governor and the Legislature to insist, by whatever effective means, that the insurance industry act responsibly.

Under all the circumstances, we do not think draconian measures would be desirable or, equally important, will prove necessary in New York.

We pledge to work with you toward strengthening New York's already sound homeowners insurance market (see Attachment H) to meet and withstand the windstorm challenges that face Long Island and other coastal areas.

SALVATORE R. CURIALE

SUPERINTENDENT OF INSURANCE