



MASSACHUSETTS PROPERTY INSURANCE UNDERWRITING ASSOCIATION

Underwriting Division
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February 12, 2004

To: All Massachusetts Producers

RE: Homeowners Program - Introduction of Mandatory Percentage Windstorm or Hail Deductibles

The Massachusetts Property Insurance Underwriting Association has received approval from the Massachusetts Division of Insurance to revise the current Windstorm and Hail Deductible Rule which is applicable to all Homeowners form 2, 3 and 5 policies.

Currently, the Association applies a mandatory fixed dollar Windstorm and Hail deductible based on the Coverage "A" Dwelling limit, regardless of the location of the property insured by the Association. The revision modifies this program to include a mandatory percentage Windstorm or Hail deductible on properties located in certain geographic regions along the coast.

The mandatory percentage Windstorm or Hail deductible applies to all properties located in Barnstable, Dukes and Nantucket Counties, and to properties located within ½ mile of the coast, as defined, in the rest of the state. When applicable, the mandatory percentage Windstorm or Hail deductible of either 1%, 2% or 5%, will be imposed depending upon the Coverage "A" Dwelling limit. The applicable mandatory percentage Windstorm or Hail deductible and the corresponding dollar amount deductible will appear on the policy declaration.

The mandatory fixed dollar Windstorm and Hail deductible will continue to be applied to all Homeowners form 2, 3 and 5 policies when the mandatory Windstorm or Hail percentage deductible does not apply. Please see the enclosed Homeowners Policy Program Manual, MPIUA Exception Pages (MPIUA-HO-EXC-1) and (MPIUA-HO-EXC-2) and our *Quick Reference Sheet* for detailed instructions.

Did you check your smoke detectors today!

To assist producers in determining if a coastal address is located within a mandatory percentage deductible area, the Association has added functionality to its website located at www.mpiua.com which enables Producers to look up property locations. This functionality, along with instructions for its use, can be viewed on the "Producer Home Page" which is accessed through the "Producer Login" link and requires a user name and password. Producers must utilize this system, as the Association's Customer Service Department will not provide information regarding proximity to the coast for specific locations.

We have also enclosed the "Homeowners Policyholder Notice – Windstorm or Hail Percentage Deductibles," which explains the new deductible program to policyholders whose properties fall within the geographic areas subject to the mandatory percentage Windstorm or Hail deductible.

These changes will be effective as of March 1, 2004 for all new policies and April 1, 2004 for all renewals. If you have any questions regarding this letter, please contact the Association's Customer Service Department.

Very truly yours,

James H. Pappas
Vice President – Underwriting

Did you check your smoke detectors today!

**HOMEOWNERS POLICY PROGRAM MANUAL
MPIUA EXCEPTION PAGE**

ADDITIONAL EXCEPTIONS (S) TO GENERAL RULES

406. DEDUCTIBLES

The following is added to paragraph C.3.b. Higher Fixed-Dollar Deductibles:
Deductible amount of \$500 is also available with the following deductible factors:

<u>\$500 Windstorm or Hail Deductible</u>				
Coverage A Limit				
All Other Perils Ded. Amount	Up to \$59,999	\$60,000 to 99,999	\$100,000 to 200,000	\$200,001 and over
\$ 100	1.06	1.07	1.08	1.08
\$ 250	.98	.98	.99	.99

The following paragraph is added:

- D. Minimum Windstorm or Hail Deductible Requirement -
All Forms Except HO 00 04 and HO 00 06**

For a reduced premium, a minimum Windstorm or Hail deductible applies to all policies provided that the dollar amount of the minimum deductible according to this rule exceeds the amount of the deductible applicable to All Other Section I perils. This minimum deductible varies by Coverage A limit and distance of the property from the coast as shown in Table A and Table B. The Named Insured may select a higher fixed-dollar deductible or a percentage deductible with a dollar amount that exceeds the applicable minimum Windstorm or Hail deductible amount.

To compute the premium for this provision, use the Coverage A limit and location of the risk to determine the applicable minimum Windstorm or Hail deductible and then follow the instructions given in C.3.a. (5) and C.3. a. (6) for a percentage deductible and in C.3.b. (4) and C.3.b. (5) for a higher fixed-dollar deductible.

Minimum Windstorm Or Hail Deductible By Coverage A Limit And Distance Of The Property From The Coast

Table A

Cov A Amt In (000)	Entire Dukes & Nantucket Counties	Barnstable County		Rest of State		
		With in ½ mile of Coast	More than ½ mile from Coast	With in ½ mile of Coast	More than ½ mile from Coast	
Up to 99	2%	1%	1%	1%	1%	S
100 – 199	2%	1%	1%	1%	1%	E
200 – 299	2%	2%	1%	1%	1%	E
300 – 399	2%	2%	1%	1%	1%	
400 – 499	2%	2%	1%	1%	1%	T
500 – 599	2%	2%	2%	2%	2%	A
600 – 699	5%	5%	2%	2%	2%	B
700 – 799	5%	5%	2%	2%	2%	L
800 – 899	5%	5%	2%	2%	2%	E
900 – 999	5%	5%	2%	2%	2%	
1000	5%	5%	2%	2%	2%	B

Table B

All Other Perils Ded. Amount	Up to \$59,999	Coverage A Limit			
		\$60,000 to 124,999	\$125,000 to 249,999	\$250,000 to 599,999	\$600,000 and Over
\$ 100	NONE	\$500	\$1000	\$2000	\$5000
\$ 250	NONE	\$500	\$1000	\$2000	\$5000
\$ 500	NONE	NONE	\$1000	\$2000	\$5000
\$1000	NONE	NONE	NONE	\$2000	\$5000
\$2500	NONE	NONE	NONE	NONE	\$5000

**HOMEOWNERS POLICY PROGRAM MANUAL
MPIUA EXCEPTION PAGE**

SPECIAL STATE REQUIREMENTS

ADDITIONAL RULE
Rule A2

LEAD POISONING EXCLUSION AND COVERAGE OPTION

Paragraph F.1. is replaced by the following:

1. Reduced Premium Development

When Lead Poisoning Exclusion Endorsement **HO 24 41** is attached to the policy, calculate reduced premiums as follows:

- a. Primary Location
If the primary location is a 2 or more family dwelling or a condominium unit multiply the BASE PREMIUM plus any additional premium for Coverage E increased limits by a factor of .97.
- b. Additional Locations
For each additional location, multiply the coverage E basic limits premium, or, if applicable, the increased limits premium by a factor of .97.

Quick Reference Sheet - % Windstorm or Hail Deductible

I. Windstorm or Hail Deductible Rule for Properties located in Barnstable, Dukes and Nantucket Counties or located within ½ mile of the coast in rest of the state:

MINIMUM WINDSTORM OR HAIL DEDUCTIBLE					
Cov. A Limit In (000)	Entire Dukes & Nantucket Counties	Barnstable County		Rest of State	
		With in ½ mile of the Coast	More than ½ mile from the Coast	With in ½ mile of the Coast	More than ½ mile from the Coast
Up to 99	2%	1%	1%	1%	AS PER CURRENT
100 – 199	2%	1%	1%	1%	MINIMUM WINDSTORM or HAIL DEDUCTIBLE REQUIREMENT
200 – 299	2%	2%	1%	1%	
300 – 399	2%	2%	1%	1%	
400 – 499	2%	2%	1%	1%	
500 – 599	2%	2%	2%	2%	
600 – 699	5%	5%	2%	2%	AS SHOWN
700 – 799	5%	5%	2%	2%	
800 – 899	5%	5%	2%	2%	
900 – 999	5%	5%	2%	2%	BELOW
1000	5%	5%	2%	2%	

II. Windstorm or Hail Deductible Rule for Properties located more than ½ mile from the coast anywhere in the state except properties in Barnstable, Dukes and Nantucket Counties:

All Other Perils Ded. Limit	MINIMUM WINDSTORM OR HAIL DEDUCTIBLE				
	Coverage A Limit				
Up to	\$60,000 to	\$125,000 to	\$250,000 to	\$600,000 and Over	
\$ 100	NONE	\$500	\$1000	\$2000	\$5000
\$ 250	NONE	\$500	\$1000	\$2000	\$5000
\$ 500	NONE	NONE	\$1000	\$2000	\$5000
\$1000	NONE	NONE	NONE	\$2000	\$5000
\$2500	NONE	NONE	NONE	NONE	\$5000

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HOMEOWNER POLICYHOLDER NOTICE

WINDSTORM OR HAIL PERCENTAGE DEDUCTIBLES

NO COVERAGE IS PROVIDED BY THIS POLICYHOLDER NOTICE NOR CAN IT BE CONSTRUED TO REPLACE ANY PROVISION OF YOUR POLICY. YOU SHOULD READ YOUR POLICY AND REVIEW YOUR DECLARATION PAGE FOR COMPLETE INFORMATION ON THE COVERAGES YOU ARE PROVIDED. IF THERE IS ANY CONFLICT BETWEEN THE POLICY AND THIS SUMMARY, THE PROVISIONS OF THE POLICY SHALL PREVAIL.

The total of all loss payable under Section I of this policy is subject to a special higher deductible when windstorm or hail directly or indirectly causes damage to property.

You have received a premium credit for this higher windstorm or hail deductible. For this credit, you will be responsible for the portion of any windstorm or hail loss, which is less than or equal to your windstorm or hail deductible.

The actual dollar amount of the windstorm or hail deductible as well as the windstorm or hail deductible as a percentage of the Coverage A limit can be found in the DEDUCTIBLE section of your Policy Declarations. The actual dollar amount of the windstorm deductible is determined by multiplying the percentage deductible amount by the Coverage A limit as indicated on your Policy Declarations. If your Coverage A limit changes for any reason, whether by MPIUA's action or at your request, this windstorm or hail deductible amount will also change. The windstorm or hail deductible amount is subtracted from the total of the loss caused by windstorm or hail.

Example 1:

Assume the percentage amount is 2% and a Coverage A limit of liability of \$200,000. You would be responsible for the first \$4,000 of all loss payable under Section I of your policy, caused directly or indirectly by windstorm or hail (2% of \$200,000 is equal to \$4,000).

This deductible is then applied to the total of the loss for all Section I Property Coverages.

Loss due to windstorm or hail

\$21,250	dwelling building (Coverage A)
1,585	detached garage (Coverage B)
775	personal property (Coverage C)
1,800	additional living expenses (Coverage D)
185	cut up and remove fallen tree that damaged covered property
+ 425	temporary repairs to hole in roof and to board-up openings caused by broken windows
\$26,020	Total Loss
- 4,000	deductible
<u>\$22,020</u>	amount we will pay for the loss

Example 2:

Assume the percentage amount is 2% and a Coverage A limit of liability of \$200,000. You would be responsible for the first \$4,000 of any loss, caused directly or indirectly by windstorm or hail, to property coverage under Section I of your policy. (2% of \$200,000 is equal to \$4,000).

This deductible is then applied to the total of the loss for all Section I Property Coverages.

Loss due to windstorm or hail

1,200 detached garage (Coverage B)

300 personal property (Coverage C)

\$1,500 Total Loss

- 4,000 Deductible

- No payment will be paid for the loss since deductible amount exceeds the loss total.

THERE MAY BE OTHER FIXED OR PERCENTAGE DEDUCTIBLE OPTIONS AVAILABLE TO YOU. CONTACT YOUR AGENT OR MASSACHUSETTS PROPERTY INSURANCE UNDERWRITING ASSOCIATION FOR MORE INFORMATION REGARDING THESE OPTIONS.

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