Battle Over Insurance

State Farm Is a Holdout in Cutting Connecticut Deductibles

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Hurricane Irene is long gone, but it left behind a clash between home insurer **State Farm Mutual Automobile Insurance** Co. and Connecticut officials over steep deductibles adopted by the industry to reduce exposure to storm damage.

Insurers are allowed in most communities along the East Coast and Gulf of Mexico to apply special hurricane deductibles that are tied to a storm's strength.

The guidelines vary by state, with Connecticut policyholders responsible for hurricane damage as much as 5% of their property's insured value, instead of the standard dollar-based deductible.

Connecticut's guidelines have drawn complaints from homeowners outraged that they must pay the hurricane deductible even though Irene was downgraded to a tropical storm before hitting the state on Aug. 28.

"This is incredible," said Elizabeth Wachsler, a State Farm policyholder who says her house in Bridgeport, Conn., suffered storm-related damage. "Why would anybody imagine they would be charged a hurricane deductible when there was no hurricane?"

Connecticut's insurance department said about four dozen carriers have voluntarily waived hurricane deductibles, while it is continuing to talk to State Farm, the biggest of the remaining holdouts. State Farm holds about 5% of the state's homeowner business.

"We are aware of the Connecticut department's concerns, as the commissioner is well aware of our concerns on this issue," a State Farm spokesman said. "We continue to talk with the department."

Robert Hartwig, president of the Insurance Information Institute, a trade group, said some carriers are concerned that waiving the deductibles in Connecticut could set a precedent that haunts them in other states.

Under the Connecticut guidelines, issued in 2009, insurers can apply the higher deductibles when a hurricane warning is declared for the state, covering damage within 24 hours after the warning is terminated or the hurricane is downgraded. In New York, in contrast, a storm needs to be at least Category One strength for the special deductibles to apply.

Insurers are concerned that waiving deductibles in Connecticut could set a precedent.

Connecticut regulators have said they are revisiting the guidelines.

"Any state whose insurance department received a lot of complaints from dissatisfied policyholders will likely look at everything that has to do with hurricane coverage," said Randy Maniloff, a partner at law firm **White and Williams** LLP in Philadelphia.

Connecticut regulators said insurers such as **Allstate** Corp., **Hartford Financial Services Group** Inc. and **Travelers Cos.** Inc. have waived their deductibles.

"They have obviously dealt with the issue, and are comfortable with the decision," said Connecticut Insurance Commissioner Thomas Leonardi, who took office earlier this year.

"We made a decision that was right for the specific circumstances surrounding this particular event, and it should not be construed as setting precedent for future storms," a **Liberty Mutual Insurance** Co. spokesman said.

An Allstate spokeswoman said waiving the higher deductible "was appropriate" in light of the storm's "rapidly changing characteristics."

State Farm estimates that several hundred claims in Connecticut might have the applicable hurricane deductible.

Many states agreed to the deductibles amid worries that insurers were retreating from coastal areas following a string of hurricanes that included Katrina in 2005.

The deductibles offered a way to move more of the hurricane's costs to homeowners in the riskiest areas.

Irene, which came onshore as a Category One storm, triggered deductibles in North Carolina and other states before weakening.

"Katrina was the wake-up call for the Gulf Coast as to what's covered and what's not," Mr. Maniloff said. "Irene was the Northeast's turn for the same wakeup."