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Minnesota Department of Commerce
Mike Rothman, Commissioner
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198

June 22, 2016

VIA EMAIL: consumer.protection@state.mn.us

Re: ACV roof surcharge and discount

Dear Commissioner Rothman,

I write in my capacity as an official consumer representative to the NAIC and as the co-founder of a national non-profit called United Policyholders that has 25 years of experience to providing recovery guidance to disaster victims. It has been brought to our attention that there are homeowners insurance policy forms being sold in your state that contain a limitation on important rights that we believe are harmful to Minnesotans.

The issue is this: A homeowner purchases a Replacement Cost insurance policy and pays a surcharge because they have a roof that is more than 10 years old. The policyholder then receives a "discount" which is a fraction of the size (approximately 20% - see below) of the surcharge if they agree to accept ACV only payment for hail or wind damage to the roof.

We believe this practice is deceptive and harmful to Minnesota homeowners. The policyholder is waiving an important right (to collect RCV on their damaged roof) in exchange for a minimal discount. It is unlikely that most consumers will understand what they are giving up until they have a loss and it is too late to adjust their coverage.

We are aware that Minn. Stat. 70A.06 gives your Department the authority to review rates and forms to make sure the premiums charged to consumers are not, among other things, "...excessive..." under Minn. Stat. 70A.04. We are also aware that Minn. Stat. 60A.315 provides an expedited procedure for the approval auto and homeowners insurance filings.

We are of the opinion that the aforementioned policy form may run afoul of 70A.04 and accordingly would appreciate your thoughts and analysis. We have attached a renewal package from a consumer for illustrative purposes. On page 4, you will see a "old roof" surcharge of \$152, an ACV "discount" for \$30, and a total premium of \$2484.

Thank you in advance for taking the time to look into this important matter.

Sincerely,

Amy Bach, Esq., Executive Director

cc: Bob Boyce, Senior Property & Casualty Analyst (bob.boyce@state.mn.us)

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