



The Commonwealth of Massachusetts

House of Representatives

State House, Boston 02133-1054

February 1, 2012

Joseph G. Murphy
Commissioner, Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118-6200

Re: Reference Docket #R2011-02

Dear Commissioner Murphy,

We are writing in opposition to the homeowner insurance rate hikes proposed by the Massachusetts Property Insurance Underwriters Association (FAIR Plan). This request will affect more than 150,000 consumers, 60,000 of whom live on Cape Cod and the Islands. We believe this request is illegally excessive. The undersigned Cape Cod House of Representatives delegation stands united in strong opposition to the proposed increases. Please note that two members of our delegation are unable to join with us in signing this letter due to a ruling from the State Ethics that they are barred from testifying because they are insured through the FAIR Plan.

The Massachusetts Property Insurance Underwriters Association (FAIR Plan) is designed to provide coverage at reasonable rates to consumers who cannot obtain it in the open marketplace. This includes about 60,000 families on Cape Cod and other coastal areas where insurance companies have shed business. It is a legal requirement that rates through the FAIR Plan cannot be excessive. The insurance industry is seeking the Commissioner's permission to raise rates for homeowners on Cape Cod by 6.7 percent. This is excessive and should be denied for the following reasons:

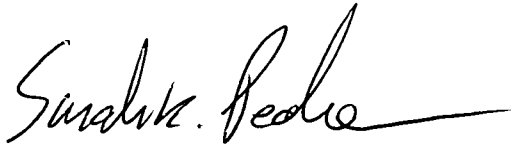
1. The increases include a "profit-provision" add-on that alone equates to \$15 million of additional annual profit. Between Fiscal Years 2007 and 2011, the FAIR Plan's profit totaled more than \$200 million; enough is enough.
2. The process to determine the rates is not transparent. Crucial information about how the rates are determined has not been released.
3. The risk assessment for the Cape and Islands is based on unreliable data. The proposed rate hike is largely based on undisclosed hurricane models that insurers claim predict the likelihood and damage of a major hurricane hitting Massachusetts. There is no transparency regarding the data used in the modeling and the models have proved to be inaccurate based on actual storm damage.
4. The rates also include significant amounts for "reinsurance," without providing justification for the projected costs of this coverage. The FAIR Plan pays to pass along its risk to other insurers by purchasing reinsurance, yet there is a lack of transparency and information about the role, amount, and costs of the reinsurance.

5. Historical loss ratio data does not support the proposed rate structure. Over the years, Cape and Island homeowners have filed a low amount of claims while paying among the highest premiums. Recently, however, we have seen a return of the private market to the Cape and Islands, a depopulating of the FAIR plan, and some rate reductions by the for-profit private insurers. This trend by private insurers of writing more policies on the Cape and Islands and even reducing premiums flies in the face of the FAIR Plan's request and is further evidence of why their request is unreasonable and should be denied.

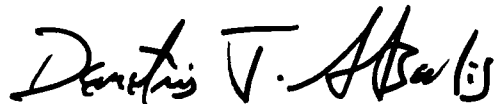
For all of the above reasons we respectfully request you deny the FAIR Plan request for a rate increase.

Thank you for your attention to this matter. If we can provide any additional information, please let us know.

Sincerely,



SARAH K. PEAKE
State Representative
4th Barnstable



DEMETRIUS ATSALIS
State Representative
2nd Barnstable



RANDY HUNT
State Representative
5th Barnstable



DAVID VIEIRA
State Representative
3rd Barnstable



SUSAN GIFFORD
State Representative
2nd Plymouth