

**COMMITTEE ON FINANCIAL SERVICES – BILL SUMMARY**  
**Coastal Homeowners Insurance Reform**

<b>SECTION: SUBJECT</b>	<b>SUMMARY</b>
SECTION 1: Easy to Read Consumer Education Guides	<ul style="list-style-type: none"> <li>• Authorizes the Commissioner of Insurance to promulgate regulations aimed at producing a consumer-friendly informational guide.</li> <li>• The guide is to be written in plain language and include an outline of the policyholder’s coverages under the policy.</li> <li>• Requires that insurers provide the guides to policyholders upon issuance or renewal of any fire policy.</li> </ul>
SECTION 2: Creation of Hurricane-Only Deductibles	<ul style="list-style-type: none"> <li>• Allows insurers to apply deductibles for wind related damages in personal lines insurance under certain circumstances.</li> <li>• Deductibles cannot exceed five percent of the insured value of the dwelling, apply only to losses due to hurricane activity as defined by this statute, and the use of deductibles has to be clearly disclosed to the policyholder.</li> <li>• Requires the Commissioner of Insurance to promulgate regulations describing approved mitigation measures and the minimum corresponding benefits that policy holders will receive from completing such measures.</li> </ul>
SECTION 2: Creation of a Hurricane Model Certification Commission	<ul style="list-style-type: none"> <li>• Establishes a commission to study and certify hurricane loss projection methodology used industry wide catastrophe models.</li> <li>• Commission is to consist of non-insurance experts from various scientific disciplines, and shall investigate the accuracy and reliability of hurricane loss projections used in residential property insurance rate filings.</li> <li>• Trade secrets used in designing and constructing hurricane loss models and provided to the commission, shall remain confidential and shall not be deemed public record.</li> </ul>
SECTIONS 3 & 4: Expansion of Surplus Lines Market	<ul style="list-style-type: none"> <li>• Defines eligible alien unauthorized insurance companies as companies formed under the laws of any government or state other than the United States and not authorized to transact business in this Commonwealth.</li> </ul>

	<ul style="list-style-type: none"> <li>• Allows special brokers to procure insurance from eligible alien unauthorized insurance companies who have applied to and have been approved by the DOI to transact business.</li> <li>• Requires alien insurers to show sufficient evidence to Commissioner to verify sound financial health.</li> <li>• Transaction of such business requires disclosure to the policy holder that the policy is insured by a non-admitted company and therefore is not covered by the Massachusetts Insurers Insolvency Fund.</li> </ul>
SECTION 5: Reinsurance Intermediary Licensing	<ul style="list-style-type: none"> <li>• Removes the requirement that reinsurance intermediaries must first be licensed as an insurance producer for a period of at least three years prior to applying for a license.</li> </ul>
SECTION 6: Stand Alone Liability and Unlimited Replacement Value Policies	<ul style="list-style-type: none"> <li>• Expands the definition of basic property insurance in the FAIR Plan to allow the sale of stand alone liability policies.</li> <li>• Excludes from the definition of basic property insurance in the FAIR Plan the unlimited guaranteed replacement cost endorsement.</li> </ul>
SECTION 7: FAIR Plan Credits and Assessments; Installment Payment Plan; Board Appointments	<ul style="list-style-type: none"> <li>• Establishes the compulsory membership, powers, plan of operation, participation ratio and board framework of the MPIUA.</li> <li>• Expands the association's installment payment options to reflect at least six installments annually.</li> <li>• Defines credit eligible zip codes as those where MPIUA market share exceeds 1.5 times the MPIUA statewide market share, averaged over the latest three years.</li> <li>• Increases the writing credit to 150%, and increases the take-out credit to 100%.</li> <li>• Creates dual participation ratio adjustments for companies which increases the ratio in years of a profit, and decreases said ratio in a loss year</li> <li>• Transfers appointment authority of two of the six general public appointees from the Commissioner of Insurance to the Attorney General.</li> <li>• Limits Board of Director terms to three years, staggers appointment terms, and limits appointed directors to three consecutive terms.</li> </ul>

SECTION 8: FAIR Plan Premium Adjustments	<ul style="list-style-type: none"><li>• Allows the Commissioner of Insurance to consider adjustments to FAIR Plan rating factors, thereby allowing for discounts for primary homeowners, homes with lower insured values, senior citizens, and homes farther from coast.</li></ul>
SECTION 9: FAIR Plan Board Appointments	<ul style="list-style-type: none"><li>• Technical section to transform board from current appointment process to plan outlined in Section 7.</li></ul>
SECTION 10: Low-Interest Loan Study	<ul style="list-style-type: none"><li>• Requires DOR to conduct a study into the benefits and viability of a low interest loan program to assist homeowners with costs associated with mitigation measures and insurance deductibles on damage caused by wind.</li></ul>