

## HOMEOWNERS INSURANCE ACT OF 2010

The purpose of the Act is to promote the public welfare by regulating Property Casualty Rates to the end that they not be excessive, inadequate or unfairly discriminatory;

To Promote Actuarial Sound Rates based on accuracy of intensity and frequency of Predicted Hurricanes and ensure accuracy of Massachusetts Risk of Hurricane Losses in Coastal Territories.

### Section 1. Repeal of the File and Use Option;

The Massachusetts Division of Insurance shall repeal the "File and Use" option presently used by Property Casualty Insurers and shall prohibit an insurer from increasing rates before the approval by the Commissioner of Insurance. GOOD!

I'D MODEL THE REGULATION ON PROPOSITION 103'S APPROACH TO AUTO INSURANCE. DISALLOW INAPPROPRIATE EXPENSES, LIKE LOBBYING OR EXCESSIVE CEO SALARY, ETC. THEY CAN DO IT BUT THE POLICYHOLDERS SHOULD NOT PAY FOR IT. STATE SHOULD PUBLISH THE EFFICIENCY STANDARDS AND DISALLOW INEFFICIENT EXPENSES BEING PASSED THRU TO POLICYHOLDERS. AND SO ON/ TRANSACTIONS WITH AFFILIATES SHOULD BE DISCLOSED AND CAREFULLY VETTED.

### Section 2. Rate Filings;

A. All Property Casualty Insurers are hereby required to certify in a rate filing that the insurer has reviewed the Division of Insurance indications used in approving the insurer's last rate filing. NO. THERE SHOULD BE A STANDARD RATE FILING METHOD PROMULGATED BY THE DEPT. THE INSURER CAN USE IT AND GET FAST APPROVAL OR USE ITS OWN METHOD. PLUS FILE THE DEPT METHOD AND JUSTIFY THE DIFFERENCES.

B. All Property Casualty Insurers shall identify factors used in it's current rate filing that are inconsistent with factors used by the Division of Insurance in it's indications for approving the insurers last rate filing. DON'T TIE TO LAST FILING SINCE THE DEPT MAY HAVE GIVEN AWAY THE STORE. WE WANT ONE METHOD TO BE THE BASE, NOT A BUNCH OF METHODS.

C. The Massachusetts Division of Insurance shall repeal the provision that requires the Commissioner to approve rate factors for Hurricane losses that are not reinsured that provides the insurer reasonable rate of return commensurate with risk. OK. HURRICANE RISK SHOULD BE PART OF THE MODEL AND THE STATE SHOULD HAVE A HURRICANE COMPUTER MODEL IT DEVELOPS AS PART OF THAT.

Section 2.D. All Property Casualty Insurers are restricted to one rate filing in each 12 month period.

Insurers shall certify in a rate filing the number of policies they intend to non-renew And that the reduced risk is calculated into their rates. OK

Section 3.E. All Property Casualty Insurers shall provide the Massachusetts Division of Insurance with all information requested in a rate filing which shall include along with information already required-: all income, profits, all expenses, investment income and any and all data on reinsurance purchased or to be purchased prior to conclusion of filing and include copies of contracts and payments. OK

Section 4.F. The Commissioner of Insurance shall have the authority to decrease rates if they are found to be excessive. OK

Section 5.G. The Massachusetts Attorney General shall have the authority to call for a rate hearing on ~~for~~ any Property Casualty Insurer in the event the Commissioner of Insurance should not disapprove a rate filing and the Attorney General feels the rate is excessive. OK

ALSO SHOULD ALLOW THE CA APPROACH OF A CONSUMER DEMANDING A HEARING. IF THE CONSUMER INTERVENES AND MAKES A "SUBSTANTIAL CONTRIBUTION" TO THE CASE, THE FILING INSURER MUST PAY THE CONSUMER'S LEGAL FEES, ACTUARIAL FEES AND SO FORTH. THAT COST WILL BE ALLOWED TO BE PART OF THE FINAL RATE LEVEL.

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Section 6-3. Hurricane Models;

- A. All Property Casualty Insurers must provide sufficient information in rate filings to prove that Massachusetts data was used by models calculating hurricane losses. Said Massachusetts data shall be consistent with the most current accepted "Standards" used by the Commission on Hurricane Loss Projection Methodology. Said information shall include Model Identification and the following "Standards" applied to Massachusetts: General Standards, Meteorological Standards, Vulnerability Standards, Actuarial Standards, Statistical Standards, and Computer Standards. EVERY ASSUMPTION IN THE MODEL MUST BE DISCLOSED, INCLUDING STATING WHICH ASSUMPTIONS WERE MADE BY THE MODELER AND WHICH BY THE INSURER. MODELERS SHOULD BE REGULATED AS ADVISORY ORGANIZATIONS IN THE SAME WAY AS ISO IS.

MASS NEEDS ITS OWN MODEL!

B. All Property Casualty Insurers must provide sufficient information in rate filings to justify the appropriateness of the amounts of reinsurance purchased or to be purchased prior to conclusion of filing. ALSO, THE CALCULATION OF THE REINSURANCE PREMIUM BY THE REINSURER SHOULD BE SUBMITTED. REINSURANCE WITH AFFILIATES MUST BE FULLY DISCLOSED AND MARKET TESTS APPLIED TO STOP PROFITEERING BY THE AFFILIATE.

C. All Property Casualty Insurers are restricted from passing any duplicate reinsurance costs in their rates for MPIUA exposure.

D. Rates shall be based on Hurricane Loss Models which are approved by the Commission on Hurricane Loss Projection Methodology only, without any modifications to said methodology except certain criteria unique to Massachusetts, such as transitioning storms.

E. All Insurers shall use approved models in determining its Probable Maximum Loss (PML). Model outputs shall correlate to our Massachusetts historic past of Hurricanes and tracks of Hurricanes. THIS S/B DISCLOSED AS PART OF THE BACK-UP FOR THE REINSURANCE COSTING (IT WILL BE INTERESTING TO SEE HOW PML'S VARY BETWEEN INSURERS

F. "Blended Rates", using outputs from multiple hurricane models are not allowed in Massachusetts rate filings since this practice is not allowed by the Commission on Hurricane Loss Projection Methodology. WATCH OUT. IF THE INSURER GETS MORE THAN ONE MODEL'S OUTPUT, YOU WANT TO SEE IT, EEEVEN IF THEU DON'T USE IT. IF THEY HAVE 3 OUTPUTS AND SELECT THE HIGHEST, GOOD INFO TO KNOW.

G. Property Casualty Insurers shall identify and qualify homes using the "Effective Age" of the home and not the actual age. This method shall better reflect the actual condition of the home and insurers risk. THIS MIGHT HURT THE LOW INCOME PEOPLE? MAYBE SOME HELP IN UPGRADING HOMES FOR THEM?

~~H.~~In the Vulnerability Standard, the hurricane models shall be required to use "Average" home as the standard and not the "weakest home". The Insurers shall be responsible to make sure Massachusetts home construction techniques and standards are used by Hurricane Modelers.

~~I.~~

~~J.~~

~~H.~~ All Hurricane Models for the purpose of "Coastal Exposure area" in the

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J.L. “Standards” shall use the New England States only, (Ct, RI, MA, NH, ME), in calculating hurricane losses.  
New York and New Jersey shall not be considered as part of our Massachusetts coastline.

Section 74. Trade Secrets;

All Property Casualty Insurers shall identify any documents as “Trade Secrets” that are required to be submitted to the Division of Insurance, including certification by the insurer that the document meets the definition of a “ Trade Secret” and that the insurer has taken specified measures consistent with this definition.

BURDEN OF PROOF OF ANY CLAIM OF SECRET ON INSURER IF ANYONE CHALLENGES THE CLAIM

An Insurer shall be liable for Attorney fees and costs or be subject to a fine if a court determines that a document identified by an insurer as a “Trade Secret” is not a “trade Secret” and is a Public Record.

The Massachusetts Division of Insurance shall be required to make a preliminary determination that a document labeled as a “ Trade Secret” is not, in fact, a “ Trade Secret” and to make such information publicly available upon providing specific notice to the insurer and an opportunity to obtain an injunction or ruling from a court. Should the Division of Insurance fail to act, the Massachusetts Attorney General shall have authority to intervene in the public’s best interest and file any and all court requests regarding “Trade Secrets”.

The Massachusetts Division of Insurance (and other State agencies) can share “Trade Secret” documents with other state agencies for matters within the scope of their authority.

Section 85. Wind Deductibles in Coastal Territories

Wind Deductibles in Coastal Territories shall be triggered by Hurricane Wind only using the Saffir/Simpson Hurricane Scale. Sustained wind speed of 75 mph or greater is the only criteria for the definition of Hurricane. A hurricane percentage deductible, not to exceed 3 % of the replacement value of the property, shall apply to windstorm loss that occurs within a period of 12 hours before or 12 hours after the hurricane makes landfall anywhere in MA as declared by the National Weather Service. No other wind event in Coastal territories shall trigger wind deductibles.

Section 96. Mitigation Credits

Mitigation Standards shall be established for coastal Massachusetts properties based on Massachusetts accurate risk of Hurricanes and considering Massachusetts building codes and past hurricane wind damage experience.

Actuarially Sound Mitigation Credits shall be established which will reduce premiums to coastal consumers when said mitigation actions are taken. Inspections of any mitigation actions taken shall be required and certified by a licensed inspector or licensed home builder.

Section 107. Homeowner Policy Changes

1. All Property Casualty Insurers in Massachusetts shall place a Zero (0) in Part B of the Homeowner Policy if NO "Other Structure" exists. This reduction in total value shall be reflected in the PML (-probable maximum loss) of the insurer's portfolio.

2-Section 11 The Massachusetts Division of Insurance shall create on or before 3 months from this Act passing, a "Standard Homeowner Policy Information Sheet" which will be required for use in all Massachusetts Homeowner Policy renewals. This Information sheet shall be written in simple language which an average citizen can understand.

This shall include a description of coverage, price, definition of insurance terms, note any changes in policy, explain deductibles and triggers for deductibles, describe options available to decrease premium including mitigation actions, give a clear description of any changes to the policy coverage if options are taken, and give exclusions of policy.

**IS ANTICONCURRENT CAUSATION CLAUSE IN USE IN MASS. IF SO, TRY TO STOP IT!**

This Homeowner Policy Information Sheet shall be sent out by the Insurer directly to the consumer 45 days prior to the renewal date. This shall allow the consumer proper time to shop around for the best coverage and price prior to the expiration of the present policy.

Section 128. Consumer Advocate Department

The Massachusetts Legislature shall create by Statute a "Consumer Advocate Department" within the Division of Insurance. This department shall operate solely

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for the benefit of the consumers and shall not be regulated by the Division of Insurance or the Governors Administration. SHOULD BE INDEPENDENT OF THE DEPT. HIRE/FIRE NEEDS TO BE ELSEWHERE.

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Section 13 The Financial Services Committee along with consumer advocates from coastal territories shall form a committee to establish the “mission, purpose, and power of this newly created department. Funding for this department will be paid by the excess in homeowner insurance policy taxes money which the State has collected since 2004 due to the huge increases in Coastal property premiums.

NEED TO CREATE A CONSUMER ADVOCATE WITH TEETH. REQUIRE CA TO INTERVENE IN ALL MAJOR RATE FILINGS (E.G., THE TOP 10 WRITERS IF RATE UP MORE THAN 5%)

PLUS GET THE CA CONSUMER APPROACH OF ALLOWING CONSUMERS OR CONSUMER GROUPS TO DEMAND HEARING AND GET FUNDING IF THEY MKE “SUBSTANTIAL CONTRIBUTION.”

Section 149. Homeowners Wind Damage Claim Data Collection

The Massachusetts Division of Insurance shall require detailed and accurate wind claim information data on all damage to homes in Massachusetts. This data shall detail damage to homes only. Catastrophic wind damage, if any, shall also be collected.

This data shall reflect the type of storm causing said damage and where in State damaged property is located.

Water and flood damage shall be excluded.

This additional detailed information shall be part of the Division of Insurance Annual Report.

This action will give a better basis for Hurricane Modelers to evaluate the vulnerability of our Massachusetts homes due to the effects of Wind.