

My View

As head of the Citizens for Homeowners Insurance Reform, I feel obligated to speak out to coastal citizens, to explain why we do not want Bill # 2778 to pass the House. We feel this Bill will leave the citizens with increased premiums, possible loss of existing coverage, and it suggests solutions but will actually do little in most areas.

Senate Bill 2778 which passed the MA Senate last week 37-0 is now in the House Ways and Means Committee. The House of Representatives will be looking at this Bill before the end of July. The Bill was supposedly created to help the coastal citizens with the continued crisis of rising homeowner insurance rates and shift of risk to the consumers.

Our crisis is the Excessive and Unreasonable Homeowner Insurance Rates. What this Bill Does Not Do is:

It does not reinstitute protective rate caps that were removed by the Legislative Acts of 2004.

It does not allow the Attorney General to call for Rate Hearings for the 50%+ of us not in the Fair Plan but with the Voluntary Market, and whose rates have raised equal and more than the Fair Plan.

Loss Ratios are at an all time low and are continuing to head downward. Insurers profits are up. Our Coastal Wind Claims on the Cape and Islands have been almost the lowest in the state for 10 years. Where is the Relief to our outrageous rates? It is not in this Bill!

In addition, the issues the Bill does attempt to address are not resolved in a way that would be helpful to consumers and in many instances would be harmful.

As we all know, it's the little words left in or out of a Bill that makes the difference as to who the Bill helps.

I will give some examples of areas of this Bill that concern me. The entire Bill# 2778 is on our web site www.homeownesinsurancereform.org Please go to that site and sign on to our organization: Citizens for Homeowners Insurance Reform, we need your voice and story.

Now the Bill:

Section 1 deals with making policies easier to read and to understand what coverage you have. This is a good move and the Commissioner can do this step without a Bill.

Section 2 deals with several important issues and problems:

Wind deductibles would be capped at 3%- This is good for many so long as you don't have a 2% deductible now. There is no mention to "grandfather" wind deductibles that are less than the 3%.

The proposed language of a “Trigger for the Wind Deductible” uses language that is incorrect, according to Professor James O’Brien, Florida Meteorological Expert. We must make sure that language describing the Trigger for our Wind Deductibles, when a Hurricane comes on Shore, is scientifically correct.

2.

Center for Hurricane Study at the University of Mass-Lowell:

This Study Commission/ Research Center , will have the responsibility to create MA parameters for Hurricane Loss Methodology for evaluation of Models. This is a giant of a job and will play a very important part in our rates in the future. Models establish intensity and frequencies of storms and calculate projected losses to the insurers. This results in the dollars needed of reinsurance. Reinsurance costs are one of the major factors driving up our rates. The language in the Bill also allows “the results of other Commission Studies” to be used which would allow the Florida Commission to be used. We are not Florida, we do not have Florida storms.

I have the utmost respect for the University of MA- Lowell, but do they have the qualified experts in the fields of meteorological study specializing in Hurricanes?

Under the present language of the Bill there is no establishment of a “Pro-Team”, scientific experts, who go to the Modelers and view their operations to determine their accuracy.

“Trade Secrets” are allowed. Should they be allowed to keep proof of Ma data confidential ?

Section 5

The Bill removes “the unlimited guaranteed replacement endorsement” in the Fair Plan, this is a reduction in present coverage for citizens.

Section 6

Section 6 allows 2 of the 6 general public appointments to the Fair Plan Executive Board to be selected by the Attorney General. This will allow better citizen representation. We need at least 2 of the 6 public appointments to be from Coastal Territories. All public appointments shall have no present or past affiliation with the Insurance Industry.

The language of Section 6 allows the Fair Plan and/or Commissioner to change the “Plan of Operations” (rules) of the Fair Plan without a Public Hearing. This can result in added costs to citizens and change in coverage. This is a problem.

Section 7.

Under Section 7 in the present Bill, “Nothing shall prevent the commissioner from considering the following premium adjustments on owner’s policies,
I will describe the “Robinhood Theory” which will be a rate hike for the Fair Plan:

1. An added charge if your home replacement value is over \$260k-\$1 million to offset a slight reduction to homes with replacement values under \$ 260K (a cap up to 5%)

2. A Coastal Factor Adjustment charging citizens ½ mi or closer to the coast a sur charge of 1.9% in Barnstable County and all the Islands a 10% rate hike. Those living over ½ mi from the coast in Barnstable County would receive a 7.5 % reduction.

Another adjustment is a slight savings to Primary Home owners and an additional charge for 2nd homeowners.

I feel these are discriminatory actions which would put unfair pressures on citizens in communities and be a money maker for the Fair Plan.

Section 9:

The Fair Plan has made over \$129 million in profits from 2004-2007

The suggestion to return to the few people with a replacement value under \$260K, a small refund, when all ducks line up in a row, and the sky falls, is ridiculous!

The Bill states this refund would occur after three years of no Hurricane activity among other things related to costs. We have not had a Hurricane since Bob, 1991! Why is this not retroactive?

Please call your Representative and House Speaker DiMasi @ 617-722-2500
Tell them not to pass this Bill- We need to completely rewrite this Bill.

Sincerely ,

Paula Aschettino

Chair and Founder

Citizens for Homeowners Insurance Reform

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