HOUSE DOCKET, NO. 1380 FILED ON: 1/16/2013

# HOUSE . . . . . No. 963

## The Commonwealth of Massachusetts

PRESENTED BY:

***Sarah K. Peake***

*To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:*

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act relative to Massachusetts homeowners' insurance rate filings.

PETITION OF:

| NAME: | DISTRICT/ADDRESS: |
|---|---|
| *Sarah K. Peake* | *4th Barnstable* |
| *James M. Cantwell* | *4th Plymouth* |
| *Cleon H. Turner* | *1st Barnstable* |
| *Randy Hunt* | *5th Barnstable* |
| *Timothy R. Madden* | *Barnstable, Dukes and Nantucket* |

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# HOUSE . . . . . No. 963

By Ms. Peake of Provincetown, a petition (accompanied by bill, House, No. 963) of Sarah K. Peake and others relative to homeowners insurance rate filings that include charges for expected hurricane losses or catastrophes. Financial Services.

[SIMILAR MATTER FILED IN PREVIOUS SESSION
SEE HOUSE, NO. *311* OF 2011-2012.]

## The Commonwealth of Massachusetts

**In the Year Two Thousand Thirteen**

An Act relative to Massachusetts homeowners' insurance rate filings.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

SECTION 1. Chapter 174A, Section 5 of the General Laws is hereby amended by striking the last sentence of paragraph 3 and inserting after paragraph 3 the following new paragraphs 4, 5, and 6:

4. In any homeowners insurance rate filing that includes a charge for expected hurricane losses based on the output of a hurricane model (whether as a hurricane load or as a component of a reinsurance charge), the insurance company has the burden to demonstrate in the filing that (i) the frequency or incidence of hurricanes of each category 3, 4, and 5 respectively used for determining the filed hurricane losses in the model is no greater than the historical frequency or incidence of each such category of hurricane at the time of landfall in Massachusetts in the long-term HURDAT database, and (ii) the damage or vulnerability function in the model used for determining the filed hurricane losses in the model accurately reflects the damageability or vulnerability of homes in Massachusetts.

5. In any homeowners insurance rate filing that includes a charge in rates for the cost of reinsurance for expected hurricane or other catastrophe losses, the insurance company

shall have the burden of showing in the filing the dollar amount of expected hurricane or other catastrophe losses covered by the reinsurance and the means by which such amount is determined. No amount of or charge for reinsurance shall be included in the calculation of homeowners rates that is more than 100% greater than the amount of the expected hurricane or other catastrophe losses covered by reinsurance.

6. In any homeowners insurance rate filing that includes a charge for expected hurricane losses, the insurance company shall include actuarially reasonable discounts, credits, or other rate differentials, or appropriate reductions in deductibles, for properties on which fixtures or construction techniques demonstrated to reduce the amount of loss in a windstorm have been installed or implemented. Such fixtures or construction techniques shall include, but not be limited to, fixtures or construction techniques which enhance roof strength, roof covering performance, roof-to-wall strength, wall-to-floor-to foundation strength, opening protection, and window, door, and skylight strength.

SECTION 2. Chapter 174A, Section 7 (a) of the General Laws is hereby amended by striking the word "he" in the first sentence and inserting the words "or upon motion of the Attorney General, the Commissioner", and by inserting after the first sentence the following words: "In a hearing under this section, any party may obtain discovery of all materials, including models and calculations, pertinent to the filing."

SECTION 3. Chapter 174A, Section 7 (b) of the General Laws is hereby amended by inserting the following paragraph after the first paragraph: If the Commissioner determines that any already effective premium is excessive, he shall order a specific decrease in that premium to be effective six months from the date of the filing under consideration. He shall order a specific decrease irrespective of whether any insurance company or rating organization has filed for a decrease in any premium rate.

SECTION 4. Chapter 175C, Section 5 of the General Laws is hereby amended by inserting at the end of section (b) the words: "and provided, further, that if the commissioner determines that any already effective premium is excessive, he shall order a specific decrease in that premium to be effective six months from the date of the filing under consideration. He shall order a specific decrease irrespective of whether any insurance company or rating organization has filed for a decrease in any premium rate."

Section 5 of Chapter 175C of the General Laws is further amended by inserting at the end of the third sentence of section (c) the words: "provided that (1) the association shall have the burden to demonstrate in the filing that (i) the frequency or incidence of hurricanes of each category 3, 4, and 5 respectively used for determining the filed hurricane losses in the model is no greater than the historical frequency or incidence of each such category of hurricane at the time of landfall in Massachusetts in the long-term HURDAT database, and (ii) the damage or vulnerability function in the model used for determining the filed hurricane losses in the model accurately reflects the damageability or vulnerability of homes in Massachusetts, (2) the association shall have the burden of showing in the filing the dollar amount of expected hurricane or other catastrophe losses covered by the reinsurance and the means by which such amount is determined, and no amount of or charge for reinsurance shall be included in the calculation of homeowners rates that is more than 100% greater than the amount of the expected hurricane or other catastrophe losses covered by reinsurance, and (3) the association shall include actuarially reasonable discounts, credits, or other rate differentials, or appropriate reductions in deductibles, for properties on which fixtures or construction techniques demonstrated to reduce the amount of loss in a windstorm have been installed or implemented. Such fixtures or construction techniques shall include, but not be limited to, fixtures or construction techniques which enhance roof strength, roof covering performance, roof-to-wall strength, wall-to-floor-to foundation strength, opening protection, and window, door, and skylight strength. In a hearing under this section, any party may obtain discovery of all materials, including models and calculations, pertinent to the filing."