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**Massachusetts Property Insurance Underwriting Association**  
**Rate Filing for Dwelling Liability Insurance**  
**Docket No. R2014-02**

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**Decision and Order**

**I. Introduction and Procedural History**

On or about November 14, 2014, the Massachusetts Property Insurance Underwriting Association (“MPIUA”) made an electronic filing of proposed rate, rule and forms provisions for liability coverage as an additional risk covered under dwelling policies. On December 17, 2014, it made an electronic filing supplementing the November 14, 2014 submission. Subsequently, on December 22, 2014, it initiated the regulatory hearing process by submitting the November 14, 2014 and December 17, 2014 electronic filings for review by the Commissioner. A hearing notice was issued on January 7, 2015, scheduling a public comment hearing for February 5, 2015, to be followed by a prehearing conference. On February 2, 2015, the MPIUA submitted a second supplement to its filing; that supplement consisted of testimony from its actuary but did not change the rates proposed in the November 14, 2014 filing. On February 4, 2015, the Attorney General (“AG”) filed a notice of intent to appear and participate in the regulatory hearing.

Representatives of the AG, the State Rating Bureau (“SRB”) in the Division of Insurance, and the Massachusetts Association of Insurance Agents spoke at the public comment hearing. Cross-examination of the MPIUA’s witness was scheduled for March 24, 2015, a date that was subsequently continued at the request of the parties.

On March 24, 2015, the MPIUA, the AG and the SRB (collectively, the “Parties”) submitted a stipulation executed by the parties (the “Stipulation”) representing a negotiated settlement of matters addressed in the filing.

## **II. Statutory and Regulatory Framework**

On October 9, 2014, the Massachusetts legislature approved Chapter 346 of the Acts of 2014, amending Massachusetts General Laws Chapter (“Chapter”) 175C, §1 to add to the definition of “Basic Property Insurance” language permitting the Massachusetts Property Insurance Underwriting Association to write, as part of dwelling coverage, “liability coverage for non-owner occupied residential dwellings of 1 to 4 units either by endorsement or as a stand-alone policy....” The legislation took effect on January 8, 2015.

Chapter 175C, §5A sets out the statutory requirements for filing rates for property insured through the MPIUA. Such filings are to be made in accordance with the provisions of Chapters 174A and 175A; the rates are subject to the Commissioner’s prior approval after a hearing. Section 53A sets out additional factors specific to MPIUA rates, including recognition of the effects of the cost of catastrophe reinsurance and predicted hurricane losses, as well as rate caps in territories where the MPIUA has a significant share of the market. MPIUA filings and hearings on those filings are further regulated under 211 CMR 101.00.

MPIUA rate filings customarily take the form of a global approach to all risks covered by its policy forms. The MPIUA’s submission of a filing specific to the dwelling liability coverage is responsive to the effective date of the legislation.

## **III. The Stipulation**

On March 24, 2015, the parties submitted a Stipulation that provides, in summary, that no party to the Stipulation will object to or appeal from approval by the Commissioner of the rates set forth in the MPIUA’s electronic filing of November 14, 2014, as supplemented on or about December 17, 2014, provided that the Stipulation is approved no later than March 24, 2015. The MPIUA agrees to provide data on dwelling liability claims experience to the SRB and the AG for five accident/fiscal years, starting with the year ending September 30, 2015, and concluding with the year ending September 30, 2019. The MPIUA agrees, absent any mandate that significantly broadens its obligations under the dwelling liability coverage, not to file a rate increase for that coverage before January 1, 2020. During calendar year 2020, the AG and/or the SRB may

request that the MPIUA make a dwelling liability filing with respect to any rates agreed to in the Stipulation that are then in effect.

The Parties each acknowledge that the Stipulation has no precedential value and will not be relevant in future hearings on any line of insurance, and that they will not attempt to introduce it, or the decision adopting it, as evidence or to rely on it or the decision for any purpose in future hearings, provided that the Stipulation may be considered in any future hearing that is limited to the issue of implementation of the Stipulation. The Parties further acknowledge that the Stipulation does not imply approval or disapproval by any party to the Stipulation of any particular ratemaking methodology or component, and that each such party reserves the right to contest in future hearings all aspects of rate-setting resolved, for present purposes only, by this Stipulation.

#### **IV. Conclusion**

Because the dwelling liability coverage is a new product for the MPIUA, premiums cannot be developed as projections from its historical data but must be based on data from other insurers that do offer that line of coverage. We have reviewed the Stipulation and find that it provides an appropriate procedure for reporting data relating to the MPIUA's future experience with this coverage and ensures that the initial premiums charged for dwelling liability coverage will remain stable for at least five years. It further provides that any future filing requested by the AG and/or the SRB will comply with the statutory standards in Chapter 174A, §5 (a)(2) and Chapter 175A, §5 (a)(4). We therefore approve the initial rates in the Filing, and the Stipulation.

Dated: March 24, 2015

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Stephen M. Sumner  
Presiding Officer

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Jean F. Farrington  
Presiding Officer

AFFIRMED: March 24, 2015

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Gary D. Anderson  
Acting Commissioner of Insurance