

By Mr. Mariano of Quincy, petition of Ronald Mariano relative to the Massachusetts Property Insurance Underwriting Association. Insurance.

The Commonwealth of Massachusetts

In the Year Two Thousand and Three.

AN ACT RELATIVE TO THE MASSACHUSETTS PROPERTY INSURANCE UNDERWRITING ASSOCIATION.

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

1 SECTION 1. Chapter 175C of the General Laws, as appearing,
2 is hereby amended by adding the following new definition:—

3 “Large share territory”, any territory in which at least seven
4 percent of the homeowners premium averaged over the most
5 recent three calendar years was written by the association, with
6 the specific percentage to be determined annually, such that the
7 total homeowners premium written by the association in the pre-
8 ceding three years in large share territories as a percentage of
9 statewide homeowners premium written by the association does
10 not exceed the percentage of the total homeowners premium
11 written by the association in territories in which market share of
12 the association equaled or exceeded four percent in the three years
13 immediately preceding 1996, pursuant to Section 5. A territory
14 cannot be a large share territory if the market share of the associa-
15 tion in the territory is less than the market share of the association
16 in another territory that is not a large share territory.

1 SECTION 2. Section 5 of Chapter 175C of the General Laws,
2 as appearing, is hereby amended by striking the section in its
3 entirety and adding the following new section:—

4 Section 5. The operation of the association shall at all times be
5 subject to the supervision and regulation of the commissioner. The
6 commissioner or any suitable person designated to act for the

7 commissioner shall have the power to examine and investigate the
8 operation of the association and shall have free access to all the
9 books, records, files, papers and documents that relate to such
10 operations, may summon and qualify witnesses under oath, and
11 may examine directors, officers, agents or employees or any other
12 person having knowledge of such operations for the purpose of
13 determining if the purposes of this chapter are being fulfilled.

14 The association shall be authorized to make rate filings in
15 accordance with the provisions of chapter one hundred and
16 seventy-four A and chapter one hundred and seventy-five A; pro-
17 vided, however, that any such filing shall be subject to the prior
18 approval of the commissioner, after proper notice and hearing,
19 subject to the adjudicatory procedures of chapter thirty A; and,
20 provided further, that in reviewing the rates for the association,
21 the commissioner shall give consideration, in addition to all other
22 relevant factors, to the loss experience of insurers in the voluntary
23 market, as well as the experience of the association and to the
24 intent of this chapter to make basic property insurance available at
25 reasonable cost to eligible applicants in large share territories.

26 The commissioner shall approve all rates for the association for
27 homeowners insurance in territories other than large share territo-
28 ries if the commissioner finds that the proposed rates for such ter-
29 ritories comply with the requirements of the General Laws;
30 provided, however, that the commissioner may disapprove any
31 such rate upon a finding that it exceeds a rate equal to the
32 ninetieth percentile of the rates then in use in such territory by the
33 ten insurers with the largest market shares of homeowners insur-
34 ance written in the commonwealth on a statewide basis. The com-
35 missioner shall approve all rates for the association for
36 homeowners insurance in large share territories only if the com-
37 missioner finds that (a) the proposed rates for the association for
38 such territories comply with the requirements of the General Laws
39 and (b) no rate for any such territory in any calendar year
40 increases over the lowest rate for that product charged by the
41 association during the prior calendar year in such territory by
42 more than the overall statewide average percentage increase in
43 rates charged from December thirty-first of the year preceding the
44 prior calendar year to December thirty-first of such prior calendar
45 year for homeowners insurance by the ten insurers with the largest

46 market shares of such insurance written in the commonwealth on a
47 statewide basis. In no event shall the increase approved by the
48 commissioner in a large share territory be less than two percent,
49 provided that the proposed rate for the association for such a terri-
50 tory complies with the requirements of the General Laws. When-
51 ever the average market share of the association during the most
52 recent three years shall reach a level which newly qualifies a terri-
53 tory as a large share territory, the association shall analyze the
54 rates of companies in such territory and shall file a report with the
55 commissioner who shall, in turn, either re-certify the current rate
56 or approve a revised rate for such territory filed by the association
57 which bears a relationship to the rates in the voluntary market in
58 such territory which is consistent with the average relationship
59 between the rates charged by the association in all territories in
60 which it has a similar market share and the rates in the voluntary
61 market in those territories. As used in this paragraph, the term
62 “homeowners insurance” shall apply only to the types of products
63 sold by the association on the effective date of this section. All
64 other types of homeowners products subsequently sold by the
65 association shall have a rate based on a factor approved by the
66 commissioner that reflects the relative value of the coverage pro-
67 vided by such types of products to those for which rates have been
68 approved by the commissioner as hereinbefore described.

