

**COMMONWEALTH OF MASSACHUSETTS**  
**Office of Consumer Affairs and Business Regulation**  
**DIVISION OF INSURANCE**

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**Massachusetts Property Insurance Underwriting Association**  
**(“FAIR Plan”) Filing for Named Storm Deductible Forms and Rules**

**Docket No. R2017-02**

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Order on the Filing for Named Storm Deductible Forms and Rules

On December 19, 2017, the Massachusetts Property Insurance Underwriting Association (“MPIUA”) submitted to the Division of Insurance (“Division”) a rate and form filing seeking approval of a Named Storm Deductible to be applied to Homeowners Multi-peril and Dwelling Fire and Extended Coverage policies issued through it. The Filing, if approved, would replace the current wind/hail deductible applied to such policies with a named storm deductible. The MPIUA characterized the request as a minor modification to its current filing that could be approved without a hearing. The Division, after review, disagreed with the MPIUA’s position and, on January 24, 2018 issued a hearing notice scheduling a public comment hearing on the filing for February 23, 2018.

Counsel for the MPIUA and for the Attorney General, a statutory intervenor in this matter, filed notices of appearance. The hearing notice also advised the public that the regulation applicable to this proceeding, 211 CMR 101.00, prescribes procedures for submitting petitions to intervene or to participate. On January 31, 2018, Paula Aschettino, chair of Citizens for Homeowners Insurance Reform, submitted a petition to intervene. Two parties to this proceeding, the State Rating Bureau and the MPIUA, filed timely oppositions to her petition. On February 16, an order issued denying Ms. Aschettino’s petition to intervene but allowing her to participate.

At the hearing, both the State Rating Bureau and the Attorney General indicated that they were reviewing the MPIUA’s Filing. Ms. Aschettino made a statement and submitted documents to support her opposition to the Filing. An MPIUA policyholder and an insurance producer located on Cape Cod also made statements. At the prehearing conference held after the conclusion of the hearing, the parties agreed to confer and set a date for cross-examination of the MPIUA’s witness. At a March 2 telephone status conference, that cross-examination was scheduled for April 19. On April 18, the parties notified us that they were discussing settlement and had agreed to cancel the cross-examination.

On May 1, the parties submitted a settlement agreement to the Commissioner that recommends approval of a named storm deductible, but caps the MPIUA's proposed premium increase resulting from conversion of the wind/storm deductible to a named storm deductible and clarifies the terms and scope of the named storm deductible. The capping mechanism limits the maximum premium percentage increase for any individual policyholder, resulting from the conversion to a named storm deductible, at 1.1 percent for homeowners policies and to 1.25 percent for dwelling property forms.<sup>1</sup> The reduction to a maximum increase of 1.1 percent will particularly benefit homeowners policyholders with coverage A limits under \$200,000. For dwelling policies, the capped premium percentage increase significantly moderates the effect of such increase across policyholders.

The revised endorsement forms attached to the settlement agreement make clear that the named storm deductible applies only to physical loss or damage to property that is directly or indirectly caused by wind and occurs during the duration of a Named Storm, defined as a hurricane or tropical storm given a name by the National Hurricane Center or the Weather Prediction Center, sections of the National Weather Service. "Duration of a Named Storm" is defined as the period 12 hours before the National Weather Service or the National Hurricane Center has issued a watch or warning for a Named Storm for any part of Massachusetts, continuing throughout the storm, and ending the later of 12 hours after that watch or warning has been lifted or the time that the Named Storm has been discontinued by the National Hurricane Center. Storms "named" by commercial weather reporting entities or media meteorologists would not be subject to the named storm deductible.

In summary, upon approval of the proposed named storm deductible, the existing provision for wind/hail deductibles will terminate. Policyholders will directly benefit because claims seeking reimbursement for wind/hail damage caused by unnamed storms will be subject only to the All Other Perils ("AOP") deductible that a policyholder has selected.<sup>2</sup> Historically, the great majority of wind losses incurred by MPIUA policyholders have resulted from unnamed storms rather than named storms (*i.e.*, in Massachusetts, hurricanes.) Replacement of the generic wind/hail deductible with a named storm deductible means that policyholder claims for wind damage that occurs as a result of non-named storms will be subject only to the policyholder's selected AOP deductible. Policyholders can therefore anticipate increased benefits for wind damage claims under their MPIUA policies.

## Conclusion

We find that the Stipulation submitted by the Parties appropriately addresses concerns about premium increases that MPIUA policyholders insured under Homeowners Multi-peril and Dwelling Fire and Extended Coverage policies might incur solely as a result of the conversion of a wind/hail deductible to a named storm deductible. The revised endorsements more precisely delineate for consumers the parameters of the new deductible. We conclude that the elimination of the MPIUA's current wind/hail deductible and the addition of a named storm deductible will result in rates that are "not excessive, inadequate, or unfairly discriminatory for the risks to

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<sup>1</sup> In the initial filing, a significant number of the projected premium increases for percentage deductibles on homeowners policies exceeded 1.1 percent, to a maximum of 2.9 percent. A large number of the projected premium increases for homeowners with fixed-dollar deductibles shown in the initial filing exceeded 1.1 percent, up to a maximum of 6.3 percent.

<sup>2</sup> In general, such fixed dollar deductibles are smaller than wind/hail or named storm deductibles.

which they respectively apply, and fall within a range of reasonableness.” The MPIUA’s filing did not include a proposed effective date. The parties have conferred and agree that, in order to enable a smooth transition to the named storm deductible, a filing effective date of August 1, 2018, is appropriate. Therefore, we approve the Stipulation with the proviso that it shall apply to MPIUA Homeowners Multi-Peril and Dwelling Fire and Extended Coverage policies issued or renewed on or after August 1, 2018.]

May 11, 2018

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Kristina A. Gasson  
Presiding Officer

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Jean F. Farrington  
Presiding Officer

AFFIRMED this 11th day of May 2018

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Gary D. Anderson  
Commissioner of Insurance