



THE COMMONWEALTH OF MASSACHUSETTS

OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION

DIVISION OF INSURANCE

REPORT OF EXAMINATION

OF THE

MASSACHUSETTS PROPERTY INSURANCE UNDERWRITING
ASSOCIATION

AS OF

SEPTEMBER 30, 2009

EMPLOYER IDENTIFICATION NUMBER 04-2503445

For Informational Purposes Only

Massachusetts Property Insurance Underwriting Association

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

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JOSEPH G. MURPHY
COMMISSIONER OF INSURANCE

February 11, 2011

The Honorable Joseph G. Murphy
Commissioner of Insurance
The Commonwealth of Massachusetts
Office of Consumer Affairs and Business Regulation
Division of Insurance
1000 Washington Street, Suite 810
Boston, Massachusetts 02118-6200

Commissioner Murphy:

Pursuant to your instructions and in accordance with Section 5 (a) of Massachusetts General Laws Chapter 175C, an examination has been made of the financial condition and affairs of

MASSACHUSETTS PROPERTY INSURANCE UNDERWRITING ASSOCIATION

Boston, Massachusetts

at its principal place of business, 2 Center Plaza, Boston, Massachusetts 02108-1904. The following report thereon is respectfully submitted.

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SCOPE OF EXAMINATION

The Massachusetts Property Insurance Underwriting Association, hereinafter referred to as "MPIUA", was last examined by the Massachusetts Division of Insurance ("the Division") as of September 30, 2000. The current examination, conducted by the Division, covers the intervening period from October 1, 2000 to the close of the business on September 30, 2009. Where deemed appropriate, transactions subsequent to said date were reviewed.

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners ("NAIC") Financial Condition Committee (E) and prescribed by the current *NAIC Financial Condition Examiners Handbook*.

In addition to a review of the financial condition of MPIUA, the examination included a review of MPIUA's business policies and practices, corporate records, conflict of interest disclosure statement, fidelity bond and other insurance, employees' pension and benefits plans, disaster recovery plan, treatment of policyholders and other pertinent matters to provide reasonable assurance that MPIUA was in compliance with applicable laws, rules and regulations. In planning and conducting the examination, consideration was given to the concepts of materiality and risk and examination efforts were directed accordingly.

MPIUA was audited annually by independent certified accountants (Ernst & Young LLP for the years 2001 – 2008 and PricewaterhouseCoopers LLP for the year 2009). They expressed unqualified opinions on MPIUA's financial statements for each of the years under review. For the year ended September 30, 2000 audited financial statements, the independent auditor PricewaterhouseCoopers LLP opined that MPIUA's financial statements "do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the MPIUA as of September 30, 2009 and 2010, or the results of the operations or its cash flows for the years then ended". MPIUA prepared the financial statements using statutory accounting practices prescribed or permitted by the Division of Insurance of The Commonwealth of Massachusetts.

A review and use of the MPIUA's independent certified public accountants' workpapers was made to the extent deemed appropriate and effective. An actuarial firm was not retained by the Massachusetts Division of Insurance to evaluate the adequacy of the loss and loss adjustment expense reserves as of September 30, 2009; however, the Division accepted MPIUA's reserve analysis provided by the independent auditor.

Status of Prior Examination Findings:

The examination included a review to verify the current status of any exception conditions commented upon in the previous Report of Examination dated September 30, 2000. It was determined that MPIUA satisfactorily addressed the outstanding issues.

HISTORY

General Background

Massachusetts Property Insurance Underwriting Association was formed in 1968 pursuant to Chapter 175C of the General Laws of Massachusetts (the Statute) and the Plan of Operation subsequently approved by the Massachusetts Commissioner of Insurance. MPIUA is organized as a residual market joint underwriting association of the Member Insurers, as defined by the Statute. MPIUA provides basic property insurance, as defined by the Statute, available in Massachusetts for those who are unable to buy such property insurance through the standard voluntary insurance market. All property and casualty insurers in MA (Member Insurers) are required to proportionately participate in the expenses, income and losses of MPIUA based upon their relative premium written. The Statute compels MPIUA membership for all insurers licensed to write basic property insurance in the Commonwealth. The MPIUA operates similarly to a voluntary insurance company in that it underwrites and inspects risks, accepts premium, issues policies and endorsements, adjusts and pays claims, maintains all appropriate records and performs all necessary administrative functions.

Responding to Federal Legislation, the Massachusetts Legislature in 1968 called for an urban area insurance placement facility which gave rise to MPIUA. MPIUA is also known as a Fair Access to Insurance Requirements Plan ("FAIR Plan"). The FAIR Plan mechanism was established by the Urban Property Protection and Reinsurance Act of 1968 to address millions of dollars of property damage as a result of rioting and looting in many urban areas. The original purpose of the MA FAIR Plan was to provide a FAIR Plan facility for the placement of basic property insurance in the urban areas of Massachusetts; however, use of MPIUA was broadened in 1970 by the Commissioner of Insurance to include all of Massachusetts.

MPIUA offers policies under the Homeowners, Dwelling Fire, Commercial Property and Personal Inland Marine programs as approved by the Division of Insurance. Business can be placed with the MPIUA through licensed agents or brokers or directly by insurance consumers. All Massachusetts licensed agents and brokers are authorized and able to place business in the MPIUA under their state license, if the agent or broker is unable to secure insurance in the voluntary market place. Further, any voluntary insurer that cancels or non-renews any property policy is required to provide notice to the policyholder, advising that MPIUA exists and how coverage can be secured. These requirements assist in making the existence of the MPIUA known and in providing access to basic property insurance.

MPIUA's enabling documents require it to provide insurance without consideration of environmental conditions. Environmental conditions are those which are beyond the control of the property owner, such as coastal exposure, neighborhood crime and vacant or unoccupied properties located next door. MPIUA's underwriting standards are restricted to the risk conditions of the property to be insured. MPIUA's underwriting standards follow guidelines established for FAIR Plans by the Federal Department of Housing and Urban Development and are approved by the Commissioner of Insurance. Further, they are expressly set forth in MPIUA's enabling documents.

Growth of MPIUA

The following table (dollar amounts in thousands) provides a summary of the historical statutory-basis balance sheet information, for the fiscal years covered by this examination, obtained from MPIUA's audited statutory-basis financial statements. As summarized below, MPIUA has experienced significant growth over the ten-year period depicted.

<u>Fiscal Year</u>	<u>Total Admitted Assets</u>	<u>Total Liabilities</u>	<u>Total Members' Equity / (Deficit)</u>
2000	\$ 28,522	\$ 72,223	\$ (43,701)
2001	30,877	80,777	(49,900)
2002	50,287	99,296**	(49,009)**
2003	69,401	129,022	(59,621)
2004	127,249	159,657	(32,408)
2005	199,754	197,675	2,079
2006	297,471	240,833*	56,638
2007	375,346	278,393	96,953
2008	446,426	284,845	161,581
2009	475,067	270,117	204,950

* Based on 2007 audited financial statements that corrected an error in 2006 audited financial statements

** Based on 2003 audited financial statements that noted an accounting change adopted to conform to the provision of the NAIC *Accounting Practices and Procedures Manual*, version effective October 1, 2001 required by the Commonwealth of Massachusetts

MANAGEMENT AND CONTROL

Annual Meeting

MPIUA's Constitution directs that there be an annual meeting of the members for the election of directors and for other business as necessary. The Board of Directors (Board) sets the date of the meeting. Special meetings of the members may be called by the Board on its own motion or upon the written request to the Board by any ten members (not more than one of which number shall be from a group of insurers under the same management or ownership.) At annual or special meetings, seventy-five members, representing in the aggregate at least 51% of the members' total Premiums Written, as defined in the Plan of Operation, shall constitute a quorum. Members may be represented by proxy. An annual meeting of the members was held each year during the examination period in accordance with the Constitution.

Board of Directors

As directed by the Statute, MPIUA is administered by a Board, consisting of eighteen representatives, including ten representatives from the insurance industry (as elected annually by the insurance members), two licensed insurance agents and six members from the general public who were appointed by the Massachusetts Insurance Commissioner. As outlined in the Constitution, the Board is responsible for and oversees the general direction and management.

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The Board has delegated responsibility for overseeing the daily operations to MPIUA's Executive Officers.

Per the Constitution, regular and special meetings of the Board are held in Massachusetts or, at the request of the Chairman, by teleconference. The Board holds regular meetings at least twice a year and may meet more frequently as the need arise, upon the request of the Chairman or any two directors or of any ten members. Due notice of all meetings must be furnished to the directors by the Secretary. Ten directors, at least six of whom shall be member company representatives, constitute a quorum. The Chairman, or in his absence the Vice Chairman, presides at Board meetings. The Secretary, or in his absence a person appointed by the Chairman or Vice Chairman, acts as secretary at the meetings.

The Board has created and authorized various committees to assist in overseeing operations, each with defined primary functions, responsibilities and authorities. These committees meet at least once a year, most typically meet twice a year, and all meet more frequently as needed.

The following provides a listing of the members of MPIUA's Board of Directors as of September 30, 2009:

Directors	Representatives
Andover Companies	Donald Welch, Vice-President
Arbella Mutual Insurance Company	John Kittel, Senior Vice-President
Commerce Insurance Company	Matt Wilcox, Vice President
Chubb Group of Insurance Companies	Kevin G. Hogan, Senior Vice President
Hanover Insurance Company	Edward C. Ruhl, Regional Vice President
Liberty Mutual Insurance Company	Paolo Abelli, Vice President
Norfolk & Dedham Mutual Fire Ins. Co.	F. Timothy Hegarty, Jr., President & Chief Executive Officer
One Beacon Insurance Company	Richard J. Connors, President, Mass. Personal Lines +, ^
Premier Insurance Company of Mass.	Richard E. Welch, President and CEO,
Quincy Mutual Fire Insurance Company	Kevin M. Meskill, Executive Vice President and Secretary
Cabot Risk Strategies	David Lane
Rome Insurance Agency	Allen I. Rome
Representative of the Public	Thomas Callahan

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Representative of the Public	Joseph W. Meador
Representative of the Public	Robert Doherty
Representative of the Public	Michael J. Sabbagh
Representative of the Public	Karen Goode
Representative of the Public	Patrick J. Sullivan

For subsequent periods

+ No longer a director

^ Edward N. Patrick, Jr., Safety Insurance, replacement member insurer representative

Officers

Article VIII of the Constitution governs the Board's duties relating to Board Officers and MPIUA Executive Officers. The Board 1) elects a Chairman and Vice Chairman from its membership and 2) may appoint additional officers, including a Secretary, who need not be directors. Regarding the MPIUA Executive Management Team, the Constitution states the Board shall appoint and oversee compensation of President, Treasurer, and other officers as necessary. Elected Board Officers serve a two-year term. Additional appointed Board Officers and Executive Officers serve at the pleasure of the Board. Historically, the Board has chosen the President and approved the Executive Team positions, while the President has chosen the other Management Team personnel, subject to Board oversight.

The following provides a listing of the members of MPIUA's Board Officers and Executive Officers as of September 30, 2009:

Board of Directors - Board Officers

Edward C. Ruhl	Chairman (Hanover Insurance Company, +, ^)
Richard J. Connors	Vice Chairman (One Beacon+, #)
John K. Golembeski	Secretary (MPIUA)
David J. Cwiekowski	Treasurer (MPIUA)

MPIUA Executive Management - Executive Officers

John K. Golembeski	President
David J. Cwiekowski	Vice President, Finance & Controller

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Linus T. Hart	Vice President, Information Systems
James H. Pappas	Vice President, Underwriting
William T. Walsh	Vice President, Claims
Robert C. Tommasino	General Counsel

For subsequent periods

+ No longer a board officer

^ Chairman - Kevin G. Hogan, Chubb Group of Insurance Companies

Vice Chairman - Donald F. Vose, Andover Companies

Conflict of Interest Procedures

MPIUA has established formal conflict of interest policies for various stakeholders. These policies require disclosure of any material conflicts of interest (an interest or affiliation which is likely to conflict with the respondent's official duties.) Annually, the statements are distributed, receipt of completed statements is monitored, and responses are reviewed by appropriate personnel for follow-up, as necessary. Directors are requested to sign the "Statement of Directors & Conflict of Interest Disclosure Statement" The completed statements are maintained by the Board of Directors' Secretary. Employees and Executive Officers complete a "Conflict of Interest Statement" and related Disclosure Statement. These statements are maintained by the Human Resources Department. The questions provided for the examination were reviewed and no discrepancies were noted in the responses.

Corporate Records

Minutes are drafted, reviewed and approved for all Board and committee meetings. The minutes serve as the primary corporate record and document meeting location and time, attendees, absentees and provide a record of meeting topics, discussions, resolutions, elections, votes, and delegation of specific responsibilities or authority. The minutes also document review and approval of significant contracts, agreements and transactions or events.

MPIUA's corporate records were reviewed for the period covered by this examination. They were reviewed for accuracy and compliance with MPIUA's Constitution, as well as for compliance with Massachusetts Statutes. Election of Member Directors, Committee Members, and Officers were found to be in order. All activity related to MPIUA's funds, including all investments activity was examined for proper approval.

Custodial Agreement

Since January 2006, MPIUA has used the services of a third party, Opus Investment Management (Opus), as investment advisor and custodian, subject to the Board's Investment Committee oversight. Opus fulfills its duties as custodian by entering into a separate sub-custodian agreement with a sub-custodian selected by Opus, currently Bank of New York Mellon

(BNY Mellon). The sub-custodian provides all custodian services required by Opus under Advisory Agreement with MPIUA. The BNY Mellon's Asset Servicing Division, responsible for trust and custody operations, is subject to an annual "SAS 70 (Type 2)" internal accounting controls review. Copies of the related report and the agreement were obtained from Management and independent auditor and reviewed without discrepancy.

FIDELITY BOND AND OTHER INSURANCE

MPIUA maintains a variety of insurance coverages, including the following policies: commercial auto; workers' compensation & employer's liability; commercial package (property, general liability, inland marine - computer operations floater); commercial umbrella liability; professional (legal) liability for corporate counsel; and crime coverage (financial institution fidelity bond for insurance companies). A review of the Directors and Officers' faithful performance Fidelity Bond and other insurance which would provide coverage to the hazards to which the MPIUA may be exposed, including coverage for building hazards and their content, was performed. It was noted that MPIUA fidelity bond coverage had been increased to \$1,000,000 with \$25,000 deductible for policy period 5-30-2010 to 5-30-2011. However, based on the amount of MPIUA's admitted assets and gross premium written and NAIC prescribed table, \$1,250,000 to \$1,500,000 was the proper coverage for MPIUA. Following our recommendation, the fidelity bond limit has been increased to \$1,500,000 with \$25,000 deductible, which appears to have the necessary coverage needed as suggested by the NAIC.

PENSION AND RETIREMENT SAVINGS PLANS

MPIUA participates in The Pension Plan for Insurance Organizations (the "Plan") which is a qualified non-contributory trusteed defined benefit pension plan. The Plan is a multiple-employer pension plan, including employee groups of primarily other insurance companies. The Plan covers substantially all employees. For eligibility purposes, employees become a member of the Plan at the beginning of the first twelve-month period during which they complete 1,000 hours of service. Benefits are based on years of service and an average of the highest consecutive five years' earnings out of the last ten years prior to retirement. The Plan provides 100% accrued benefit vesting after five years of service. MPIUA's funding policy is to make at least the minimum annual contributions required by applicable regulations. The Plan is administered by a third party administrator.

MPIUA also participates in the Insurance Company Supported Organizations 401(k) Savings Plan, a qualified defined contribution and 401(k) savings plan (the "401(k) Plan"). Available to all full-time employees, all eligible employees are automatically enrolled in the 401(k) Plan with salary reduction contributions equal to 3% percent of compensation, unless the employee elects not to participate in writing or to contribute a different amount. Automatic enrollment in the 401(k) Plan commences on the first day of the month following the employee's date of hire, after the employee has turned 21. An employee may contribute from their pay either on a pre-tax or after tax basis or a combination of both. MPIUA will match 100% of an employee's contribution up to a maximum of 6% and the contribution is vested immediately. Several different investment options are available to employees and changes in investments may be made on a daily basis. The 401(k) Plan is administered by a third party administrator.

INSURANCE PRODUCTS AND RELATED PRACTICES

Policy Forms and Underwriting Practices

MPIUA offers personal and commercial lines of business and uses the Homeowners Policy Program (2000 Edition). Reasonable underwriting standards, as outlined in its Plan of Operations, must be met in order to insure a property. Should an application for coverage meet all standards, the application is approved, the policy is issued and, in most cases, an inspection is ordered. MPIUA inspects all HO 2, HO 3 HO 5, DP 1, DP 2 and DP 3 and Commercial policies. HO 4 and HO 6 policies where coverage is greater than \$100,000 are inspected. The inspection is a full interior and exterior inspection and reviews eligibility and all Underwriting standards. All substandard conditions are listed during inspection. During the inspection a replacement cost calculation is completed and submitted with the inspection. Inspections are reviewed for risk eligibility, insurability and confirmation of the insurance-to-value. Any noted substandard conditions require communication with the insured and must be rectified. MPIUA also has a renewal reinspection program which calls for renewal inspections to be performed approximately every three years. Inspections are also performed for the majority of policies after any increase in coverage of more than 25%, claims greater than \$25,000, or at the discretion of an underwriter, regardless of the date of the previous inspection.

Territory and Plan of Operations

As of September 30, 2000 and by virtue of Chapter 175C, MPIUA is authorized to provide coverage in the Commonwealth of Massachusetts. MPIUA is duly organized under the laws of the Commonwealth of Massachusetts and it is authorized under Chapter 175C of the Massachusetts General Laws to provide Property and Fire insurance.

Claims Settlement Practices

Upon receipt of a notice of loss, the information is processed by Claims Department staff to determine if a policy was in place as of the date of loss. If so, the claim is entered into the claims management system and an initial reserve is set. A claims examiner assigns the claim to an adjuster. The adjuster generates a report and recommends a course of action for disposition of the claim. When payment is determined appropriate, the proposed payment is evaluated by an examiner who has the authority to make said payment of the requested amount. MPIUA establishes loss reserves to cover its estimated liability for all losses and loss adjustment expenses with respect to reported and unreported claims. MPIUA regularly reviews its loss reserves and updates the reserve estimates as historical loss experience develops, additional claims are reported and/or settled, and new information becomes available. MPIUA's loss reserving is determined by management based upon management's calculations and using separate loss reserve estimates prepared by a third party consulting actuary.

Policyholders' Complaints

MPIUA's policyholder queries, questions or complaints relating policies and procedures are traditionally handled via telephone calls. These items are usually resolved during a telephone conversation between the insured and a customer service representative ("CSR"). Issues that are unable to be handled by the CSR are forwarded to the Customer Service Supervisor or an Underwriter, and either individual will review the issue and provide additional assistance. The Supervising Underwriter, Underwriting Manager, Claims personnel, or other Management members are available to review issues, if further assistance is required. No centralized phone or complaint log of these queries is maintained. Rather, any documentation or action taken as a result of customer queries / complaints is documented in the individual policyholder file. Occasionally, when an insured is not satisfied after dealing with MPIUA personnel, the insured may notify the Division of Insurance, which will make a formal enquiry, in writing, to MPIUA or, in the case of an underwriting complaint, file an appeal to the Board of Directors. Also, a few insureds may go directly to the Division with a complaint. In either case, MPIUA researches the issue and responds accordingly. MPIUA retains a log of formal complaints received from the Division, using a central complaint log binder maintained by the Underwriting Department. The Division is notified in writing following MPIUA's research of the disposition of the issue.

RENISURANCE

MPIUA has a reinsurance program in place since July 1, 2006 to limit its exposure to catastrophic losses. Management reviews and updates coverage periodically as considered necessary. Based on our review of the minutes of the Board of Directors' meetings, the reinsurance agreements were formally reviewed and approved prior to execution each year. No exceptions were noted.

ACCOUNTS AND RECORDS

MPIUA's books and records are subject to annual audit by independent certified public accountants (for years 2001 - 2008, Ernst & Young LLP was the auditor and for year 2009 and subsequent Price WaterhouseCoopers LLP has been the auditor). Trial balances were traced from the general ledger and supporting documents to the Audited Financial Statements.

MPIUA's internal control structure was discussed with management via a joint review of the Examination Planning Questionnaires completed by the MPIUA's management and reviewed by the Division.

FINANCIAL STATEMENTS

The Financial Statements section includes the following:

- Statement of Assets, Liabilities, and Members' Equity at September 30, 2009
- Statement of Income for the year ended September 30, 2009
- Statement of Members' Equity for the year ended September 30, 2009
- Reconciliation of Members' Deficit for each year in the ten year period ended September 30, 2009

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STATEMENT OF ASSETS, LIABILITIES, AND MEMBERS' EQUITY

(In Thousands)

As of September 30, 2009

	<u>Per MPIUA</u>	<u>Examination Adjustment</u>	<u>Per Examination</u>
<u>Admitted assets</u>			
Cash and cash equivalents	\$ 13,551	\$ 0	\$ 13,551
Short-term investments	23,341		23,341
Investments	397,882		397,882
Premiums receivable	35,533		35,533
Assessments receivable	0		0
Accrued interest receivable	4,139		4,139
Accounts receivable for securities sold	55		55
Other accounts receivable	5		95
Management fees receivable	5		358
Data processing equipment, net	113		113
TOTAL ADMITTED ASSETS	<u>\$ 475,067</u>	<u>\$ 0</u>	<u>\$ 475,067</u>
<u>Liabilities and members' equity</u>			
Losses and loss adjustment expenses reserves	\$ 79,983	\$ 0	\$ 79,983
Unearned premiums	154,453		154,453
Premium tax reimbursement payable	6,696		6,696
Advance premium	6,175		6,175
Claims payable	9,774		9,774
Accrued pension and postretirement benefit obligation	7,147		7,147
Other liabilities	5,889		5,889
Total Liabilities	<u>270,117</u>	<u>0</u>	<u>270,117</u>
Members' equity	<u>204,950</u>	<u>0</u>	<u>204,950</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 475,067</u>	<u>\$ 0</u>	<u>\$ 475,067</u>

STATEMENT OF INCOME

(In Thousands)

For the year ended September 30, 2009

	Per MPIUA	Examination Adjustment	Examination
<i>Underwriting Operations</i>			
Premiums written	\$ 208,229	\$	\$ 208,229
Unearned premiums: Prior	160,954		160,954
Unearned premiums: Current	<u>154,453</u>		<u>154,453</u>
Premiums earned	214,730	0	214,730
<i>Underwriting Additions (Deductions)</i>			
Loss and expenses incurred			
Losses	(113,829)		(113,829)
Loss adjustment expenses	(13,441)		(13,441)
Underwriting expenses			
Commissions	(35,069)		(35,069)
Premium tax reimbursement	(6,695)		(6,695)
Administrative	<u>(17,483)</u>		<u>(17,483)</u>
Total Underwriting (Deductions)	<u>(186,517)</u>	0	<u>(186,517)</u>
Net Underwriting Income	<u>28,213</u>	0	<u>28,213</u>
Investment income	18,706		18,706
Realized loss on investments	(1,296)		(1,296)
Other income	<u>1,185</u>		<u>1,185</u>
Net Income	<u>\$ 46,808</u>	\$ 0	<u>\$ 46,808</u>

STATEMENT OF MEMBERS' EQUITY

(In Thousands)

For the year ended September 30, 2009

	<u>Per MPIUA</u>	<u>Examination Adjustment</u>	<u>Per Examination</u>
Members' equity, September 30, 2008	\$ 161,581	\$ 0	\$ 161,581
Change in members' equity			
Net income	46,808		46,808
Change in nonadmitted assets	174		174
Assessments levied, net	0		0
Change in minimum pension liability	(3,166)		(3,166)
Change in unrealized loss	(447)		(447)
Net change	<u>43,369</u>	<u>0</u>	<u>43,369</u>
Members' Deficit, September 30, 2009	<u>\$ 204,950</u>	<u>\$ 0</u>	<u>\$ 204,950</u>

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RECONCILIATION OF MEMBERS' EQUITY

(in Thousands)

For the ten year period ended September 30, 2009

	Prior Exam												Current Exam	
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2008	2009		
Members' Equity as Surplus (Deficit), September 30, Prior Year	(\$45,658)	(\$43,701)	(\$4,900)	(\$49,009)	(\$59,621)	(\$32,408)	\$2,079	\$56,638	\$96,953	\$161,581	\$96,953	\$161,581		
Net Income or (Loss)	1,980	(6,204)	(4,183)	(13,245)	9,590	33,459	48,456	40,226	63,716	46,808	63,716	46,808		
Change in Unrealized Gain or (Loss)	0	0	0	0	0	0	0	0	0	0	0	0		
Change in Non-Admitted Assets	(23)	5	(243)	23	(130)	(513)	71	89	209	(447)	209	174		
Cumulative Effect of Changes in Accounting Principles	0	0	(994)	0	0	0	0	0	0	0	0	0		
Assessments Levied	0	0	6,311	7,700	17,629	1,541	6,032	0	1,614	0	1,614	0		
Change in Additional Minimum Pension Liability	0	0	0	0	125	0	0	0	(911)	(3,166)	(911)	(3,166)		
Net Change for the Year	1,957	(6,199)	891	(10,660)	27,214	34,487	54,559	40,315	64,628	43,369	64,628	43,369		
Members' Equity as Surplus (Deficit), September 30, Current Year	(\$43,701)	(\$49,900)	(\$49,009)	(\$59,621)	(\$32,408)	\$2,079	\$56,638	\$96,953	\$161,581	\$204,950	\$161,581	\$204,950		

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Investments

MPIUA's investments are carried at amounts prescribed by the NAIC. Bonds are stated at cost, adjusted for accrual of discount or amortization of premium, using the interest method. Cash and short-term investments include marketable securities with maturities of one year or less at acquisition and are stated at cost, which approximate market value.

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ACKNOWLEDGMENT

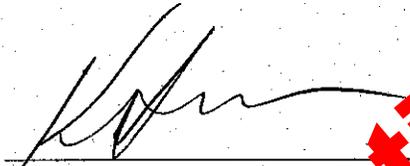
The undersigned examiners gratefully acknowledge the participation of Mr. Richard Looney, AFE, CIE in this examination.

The examiners hereby express their appreciation to the officers and staff of Massachusetts Property Insurance Underwriting Association for their cooperation throughout the examination.

Respectfully submitted,



Guangping Wei, AFE
Massachusetts Division of Insurance
Examiner-in-Charge



Kenneth Brenner, CPA, CFE
Massachusetts Division of Insurance
Supervising Examiner

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