Massachusetts Division of Insurance
Annual Home Insurance Report
For Calendar Year 2018

Gary D. Anderson
Commissioner of Insurance

Introduction

This report was prepared by the State Rating Bureau staff of the Massachusetts Division of Insurance ("Division") (Matthew M. Mancini, State Rating Bureau Director, Gerald B. Condon, State Rating Bureau Researcher, Caleb E. Huntington, State Rating Bureau Mathematician, Bashiru Abubakare, State Rating Bureau Actuary / Statistician). The report is based primarily on responses from companies writing home insurance policies in Massachusetts and from statistical reporting organizations reflecting the experience of companies in the home insurance market. Unless otherwise noted in the report, references to "home insurance" include traditional homeowners insurance as well as condominium and rental insurance.

The Division makes all appropriate efforts to check the completeness and consistency of data reported by insurance companies and their statistical agents but does rely on the insurance companies for the accuracy of all reported information.

Annual Reports

The Division annually produces a home insurance report pursuant to M.G.L. c. 175, §§ 4A & 4B and has done so since 1996. For the current report, insurers and their statistical agents were required to provide aggregate 2016, 2017 and 2018 data sorted according to Massachusetts zip codes and Insurance Services Office, Inc. ("ISO") territories.

It is important to note that while some of the results in this report apply to all home insurance policies in the Commonwealth, other results apply to policies written by only the 25 largest Massachusetts home insurance companies, FAIR Plan and/or only to particular zip codes in the Commonwealth. These particular zip codes are identified as "designated" zip codes because they are the zip codes that the Commissioner of Insurance ("Commissioner") has specified to be included in the report due to historical skepticism regarding availability of coverage in these areas. The zip codes include both coastal areas and urban areas. This report provides specific scrutiny in response to such concerns. A list of the top 25 home insurance companies can be found under footnote 9. The full list of designated zip codes can be found in Exhibit 8A of the Statistical Supplement to this report.

Many of the statistical tables that were incorporated in previous versions of this report have been included in a separate Statistical Supplement. The Statistical Supplement can be found on the Division's web site at https://www.mass.gov/service-details/the-commissioners-report-on-home-insurance and is available upon request.

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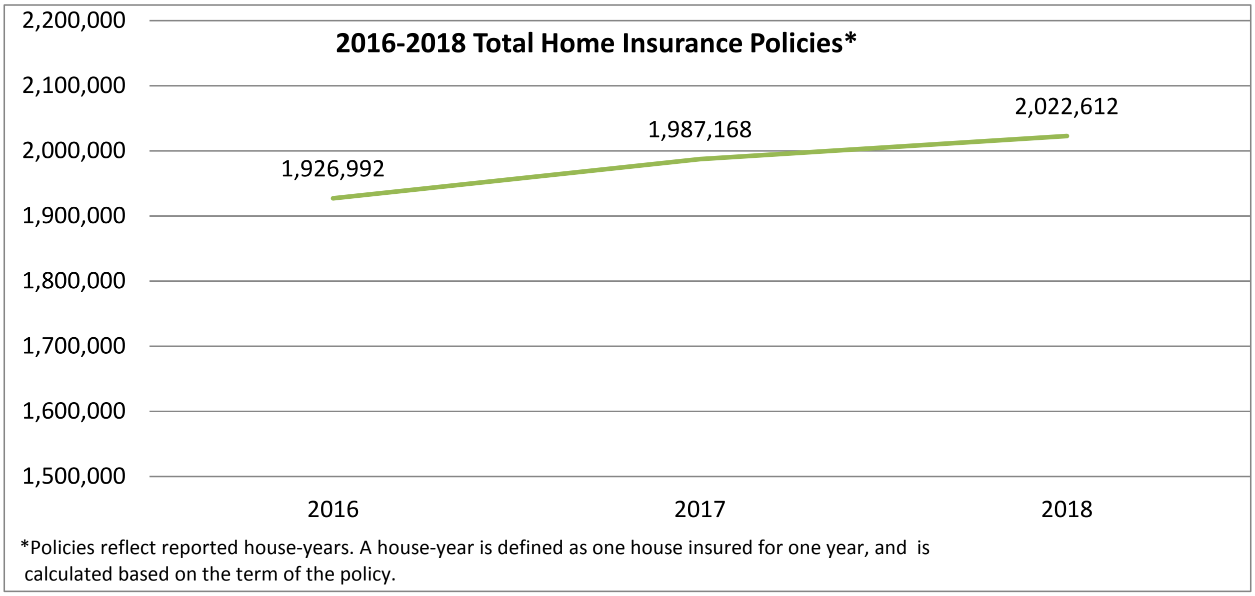
Executive Summary

Among the material presented in this report:

- The total number of home insurance policies increased by 35,443 or 1.8% between 2017 and 2018, after increasing by 3.1% between 2016 and 2017[1].



- Total enrollment in the FAIR Plan[2] increased by 599 policies in 2018, with the FAIR Plan writing 10.3% of 2018 home insurance premium.

- For the Cape and Islands market, the FAIR Plan accounted for 38.4% of policies.

- There were five events that were classified as loss catastrophes[3] in 2018, which resulted in estimated property losses in Massachusetts of approximately $487.8 million.

  -A severe winter weather event took place January 3 through January 6, consisting of flood, freezing, ice, snow and winds and resulted in estimated property losses in Massachusetts of over $94.5 million.

[1] The 2017 reported increase is primarily due to one carrier mistakenly under reporting approximately 39,000 condominium and tenant policies prior to 2017.

[2] The FAIR Plan is the residual market for homeowners insurance operated by the Massachusetts Property Insurance and Underwriting Association ("MPIUA").

[3] Property Claims Services, Inc. ("PCS"), a subsidiary of ISO, Inc., defines catastrophes in the United States, Puerto Rico, and the U.S. Virgin Islands as events that cause $25 million or more in direct insured losses to property and affect a significant number of policyholders and insurers. PCS has also provided Massachusetts property loss estimates as a result of a catastrophe.

-Two events took place, one on March 1 through March 3 and the other on March 7 through March 8, consisting of flood, ice, snow and wind. These two events resulted in combined estimated property losses in Massachusetts of over $298.3 million.

-An event occurred May 12 through May 16 and consisted of flood, hail, tornado and wind with estimated losses of $4.1 million.

-A catastrophe resulted from a gas line overpressure incident discussed in detail in the following section. The resulting explosions and fires on September 13 and September 14 resulted in estimated property losses of $90.9 million.

Significant Events

September 13, 2018 Merrimack Valley Gas Line Explosions and Fires

Explosions and Fires

On the afternoon of September 13, 2018, during maintenance work in Lawrence on a low pressure gas line, owned and operated by Columbia Gas of Massachusetts, the line became over-pressurized, resulting in at least three explosions and multiple fires damaging 60-80 structures, destroying 15 homes and rendering an additional 19 homes uninhabitable in Lawrence, Andover, and North Andover. In addition, hundreds of businesses were affected. Many residents lived in temporary housing for months, primarily due to the lack of heat and hot water in their homes.

On September 14, 2018 Massachusetts Governor Charlie Baker declared a state of emergency and the Chairman of the Department of Public Utilities appointed Eversource to evaluate and oversee the management of the gas distribution system in the affected area. In the weeks following the gas line explosions and fires, representatives from various state and federal agencies, including the Division of Insurance, staffed Lawrence, Andover, and North Andover disaster recovery centers assisting affected consumers by conducting listening sessions and advising consumers on how to file claims.

DOI Response and Special Examination

While the great majority of claims were processed directly by Columbia Gas, many claims, including claims resulting in significant damage, were handled directly by insurance carriers who later recovered losses from Columbia Gas. On September 27, 2018 the Division initiated a special examination of the top 25 multi-peril homeowners insurer groups in the Commonwealth and of the Massachusetts Property Insurance Underwriters Association (MPIUA) for the purpose of determining the effect of the gas line explosions and subsequent fires on the home insurance market. The special examination was carried out pursuant to the relevant standards set forth in

M.G.L. c.175, § 4, as the Division deemed prudent and in the best interest of policyholders and the public.

Columbia Gas

The Massachusetts Emergency Management Agency (MEMA) reported that there were 24,417 claims received from Columbia Gas's customers, of which Columbia Gas had resolved 17,227 as of December 21, 2018[4]. These 24,417 claims were filed directly with Columbia Gas rather than through insurance companies. MEMA also reported that $77.96 million had been paid out to customers, including $19.47 million to business customers. More than 2,200 families -- approximately 8,000 individuals -- utilized Columbia Gas or MEMA temporary housing. Columbia Gas replaced more than 18,000 potentially affected gas appliances with new gas appliances, including gas stoves, furnaces and hot water heaters and approximately 7,500 residential and business meters were relit. Columbia Gas also replaced about 50 miles of gas main lines and more than 5,000 service lines. In early May 2019, NiSource, the parent company of Columbia Gas of Massachusetts, reported that third party claims related to the Merrimack Valley gas disaster could cost greater than $1 billion. This amount includes property damage, personal injury, infrastructure damage and mutual aid payments to other utilities that helped in the recovery and restoration efforts.[5]

Reported Claims and Losses

The Division requested that the top 25 multi-peril homeowners insurer groups and the Massachusetts Property Insurance Underwriters Association (MPIUA) report cumulative claim counts and loss amounts as of October 17, 2018, November 17, 2018, December 17, 2018 and January 17, 2019. As previously noted, the majority of the gas incident claims were filed directly with Columbia Gas rather than having been filed through an insurance company; consequently, the great majority of claims were not reflected in the reported data. A total of 851 insurer handled claims were reported to the Division compared to the 24,417 claims handled by Columbia Gas. Similarly, insurers reported $12,099,044 in incurred losses while $77.96 million dollars was paid out by Columbia Gas as of December 2018.

The table below summarizes reported claim counts and losses by line of business. In particular, the top 25 insurers and the MPIUA handled the following claims:

- 851 reported claims across all lines, totaling $12,099,044 of reported losses
  - 394 claims in Lawrence and $4,678,173 in losses;
  - 274 claims in Andover and $3,942,610 in losses;

[4] December 21, 2018 MEMA report - https://www.mass.gov/files/documents/2018/12/21/MEMA%20Reports%2017-8.pdf
[5] Kashinsky, Lisa (May 1, 2019). "Columbia Gas parent company says cost for Merrimack Valley gas disaster could hit $1B". Boston Herald

- 183 claims in North Andover and $3,478,260 in losses.

- 714 reported residential claims (84% of the 851 total) resulting in $9,357,702 in reported losses with an average loss size of $13,106.
  - 342 claims in Lawrence and $4,048,652 in losses;
  - 221 claims in Andover and $2,320,198 in losses;
  - 151 claims in North Andover and $2,988,851 in losses

- 84 reported commercial property claims (9.9% of the total) and $2,187,633 in reported losses with an average loss size of $26,043.
  - 35 claims in Lawrence and $408,944 in losses;
  - 30 claims in Andover and $1,405,633 in losses;
  - 19 claims in North Andover and $373,056 in losses.

- 53 reported business interruption claims (6.2% of the total) and $553,709 of reported losses with an average loss size of $10,447.
  - 17 claims in Lawrence and $220,577 in losses;
  - 23 claims in Andover and $216,779 in losses:
  - 13 claims in North Andover and $116,353 in losses

- Personal auto, commercial auto and all other lines of insurance had no reported claims or reported losses.

September 13, 2018 Gas Line Explosions/Fires Reported as of 1/17/2019*	Claims Reported	Reported Losses
Residential Property**	714	9,357,702
Commercial Property**	84	2,187,633
Personal Auto	0	0
Commercial Auto	0	0
Business Interruption	53	553,709
All Other Lines***	0	0
Totals	851	12,099,044

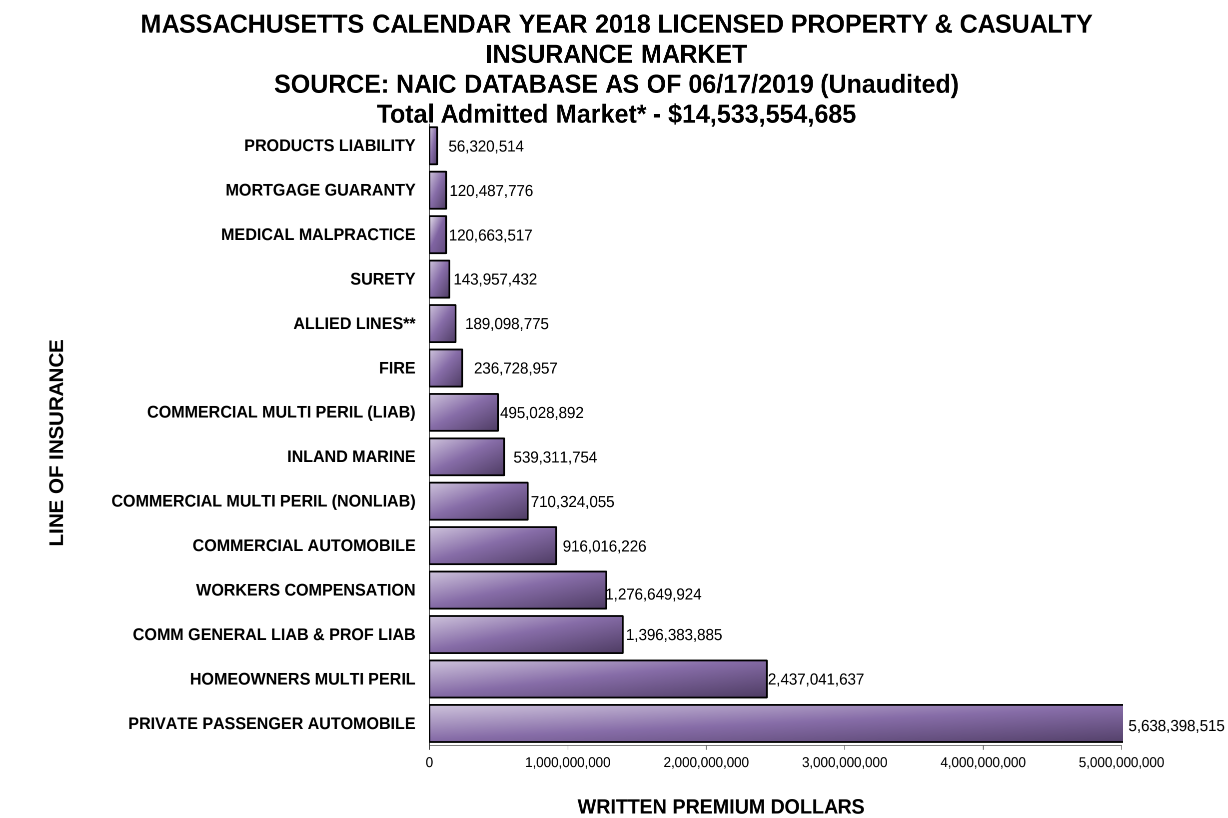
* Claims and losses as of 1/12/19

** Property with 1-4 rental units is considered residential property; property with more than 4 rental units is considered commercial property.

***The "All Other Lines" category could include claims for damage to a boat, injury/death to a pet etc. not reported in the other above referenced line of insurance.

Composition of the Massachusetts Market

Home insurance covers non-commercial property for the risks of damage to structural and personal property as well as for the risk of personal liability claims. In 2018, insurance companies collected approximately $2.5 billion in written premium for home insurance policies in Massachusetts, making it the largest line of property and casualty coverage after private passenger motor vehicle insurance.



*Major lines are shown.

**Allied lines - companies are required to include extended coverage; glass, tornado, windstorm and hail; sprinkler and water damage; explosion, riot and civil commotion; growing crops and other agricultural related revenue protection, and damage from aircraft and vehicle.

Although it may be fiscally prudent to protect one's assets from loss or damage, there are no laws that require property owners to purchase home insurance.[6] Figure 1 shows the total number of households covered under the three major types of home insurance (condominium, traditional homeowners and rental insurance) in the past three years as calculated by "written house-years," which is a measure equivalent to average number of homes insured.

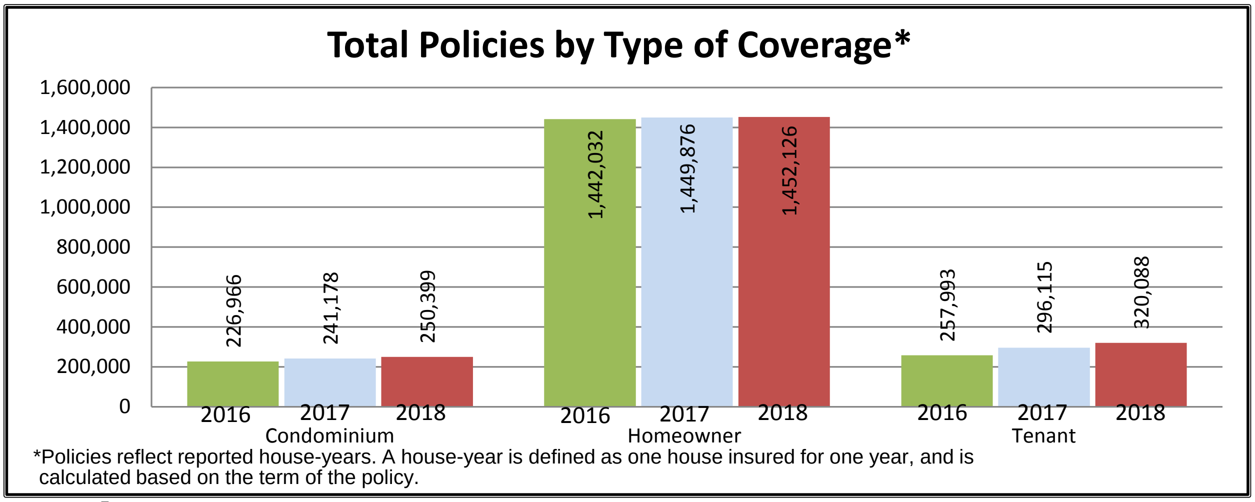


Figure 1[7]

Companies Offering Coverage

Just as an individual may choose whether or not to secure insurance for his/her home, an insurance carrier has the legal right to decide whether to offer, cancel, terminate or renew insurance coverage, provided that the decision adheres to statutory nondiscrimination and disclosure requirements.[8] There were 79 licensed insurance companies actively writing home insurance in Massachusetts in 2018.[9]

The FAIR Plan

If no licensed insurance company is willing to issue coverage for a particular home, the owner may apply to the Massachusetts Property Insurance and Underwriting Association ("MPIUA"), also known as the "FAIR Plan," which, by statute, is required to offer coverage to homes with a

[6] Even though home insurance is not required by law, most lenders will require that an owner have sufficient home insurance as a condition of a mortgage on the property. However, according to Chapter 177 of the Acts of 2014, which became effective in November 2014, certain lenders are prohibited from requiring flood insurance coverage in an amount greater than the outstanding mortgage balance.

[7] The 2017 reported figures for condominium and tenant policies are significantly higher than those for 2015 and 2016 due to one carrier underreporting approximately 6,000 condominium and 33,000 tenant policies prior to 2017.

[8] See M.G.L. c. 175, §§ 4C and 99.

[9] A list of companies offering homeowners insurance by region in Massachusetts is on the Division's website at http://www.mass.gov/ocabr/insurance/home-insurance/home-insurance-service-areas/. The companies are listed only if they have written ten or more HO-3 or similar type policies in a county between July 1, 2018 and December 31, 2018.

replacement cost of up to $1 million.[10] If an owner cannot obtain a policy from an admitted insurance company and the home's value is beyond what the FAIR Plan will cover, an owner can seek coverage in the surplus lines market.[11]

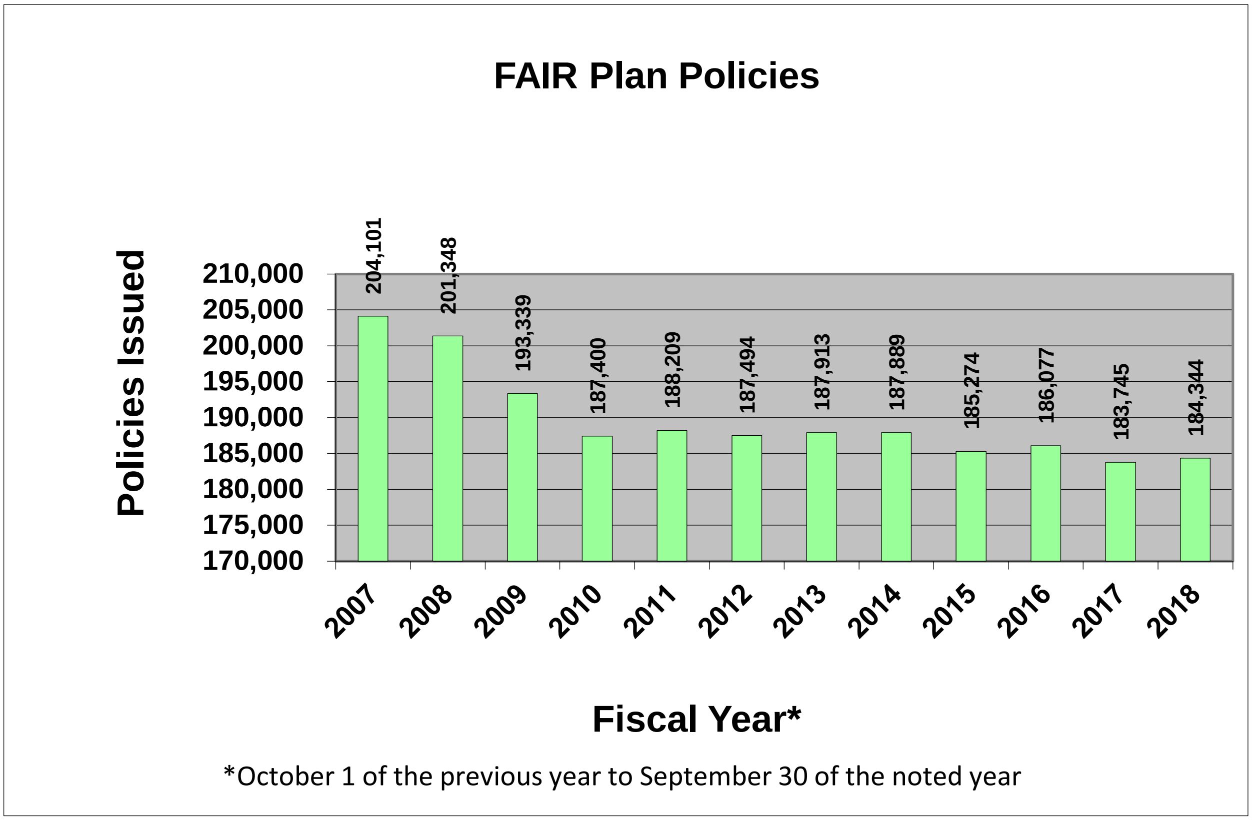


Figure 2

The FAIR Plan's business, as reported by the FAIR Plan and which comprises owner, condominium and tenant policies, increased by 599 policies issued between fiscal years 2017 and 2018.[12]

As noted in Figure 3 (below), the FAIR Plan accounted for 10.3% of written premium in 2018. Its market share peaked at 16.1% in 2007.[13]

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10 See M.G.L. c. 175C, §4(4a), which requires all home insurance companies licensed to and engaged in writing property insurance in the Commonwealth to be members of a joint underwriting association that shall provide basic property insurance to eligible applicants who are otherwise unable to obtain such coverage in the voluntary market.

11 Surplus lines companies are insurers which are not "licensed" or "admitted" in Massachusetts although they are "licensed" in another state (or country). Such insurers may issue coverage only through specially licensed surplus lines brokers. This document does not include statistical information on the surplus lines market.

12 The FAIR Plan's fiscal year is between October 1st of one year and September 30th of the noted year.

13 FAIR Plan market share is based upon FAIR Plan and total market written premium.

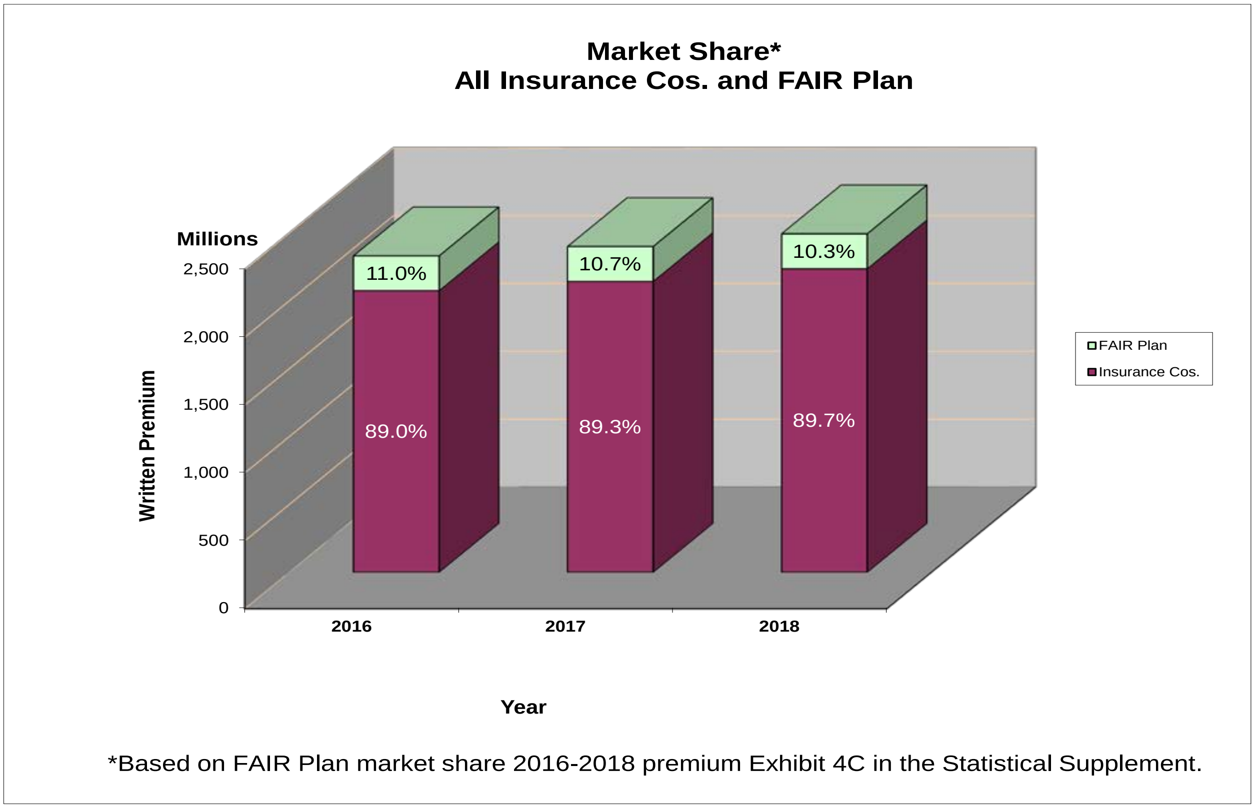
Market Share*
All Insurance Cos. and FAIR Plan
Millions
Written Premium
2,500
2,000
1,500
1,000
500
0
11.0%
10.7%
10.3%
89.0%
89.3%
89.7%
2016
2017
2018
Year
FAIR Plan
Insurance Cos.
*Based on FAIR Plan market share 2016-2018 premium Exhibit 4C in the Statistical Supplement.

Figure 3

As noted in Figure 4, in 2018, the FAIR Plan's market share, at 10.3% of total premium written, is slightly less than the 12.2% market share of the largest commercial carrier, the Mapfre Insurance Group.

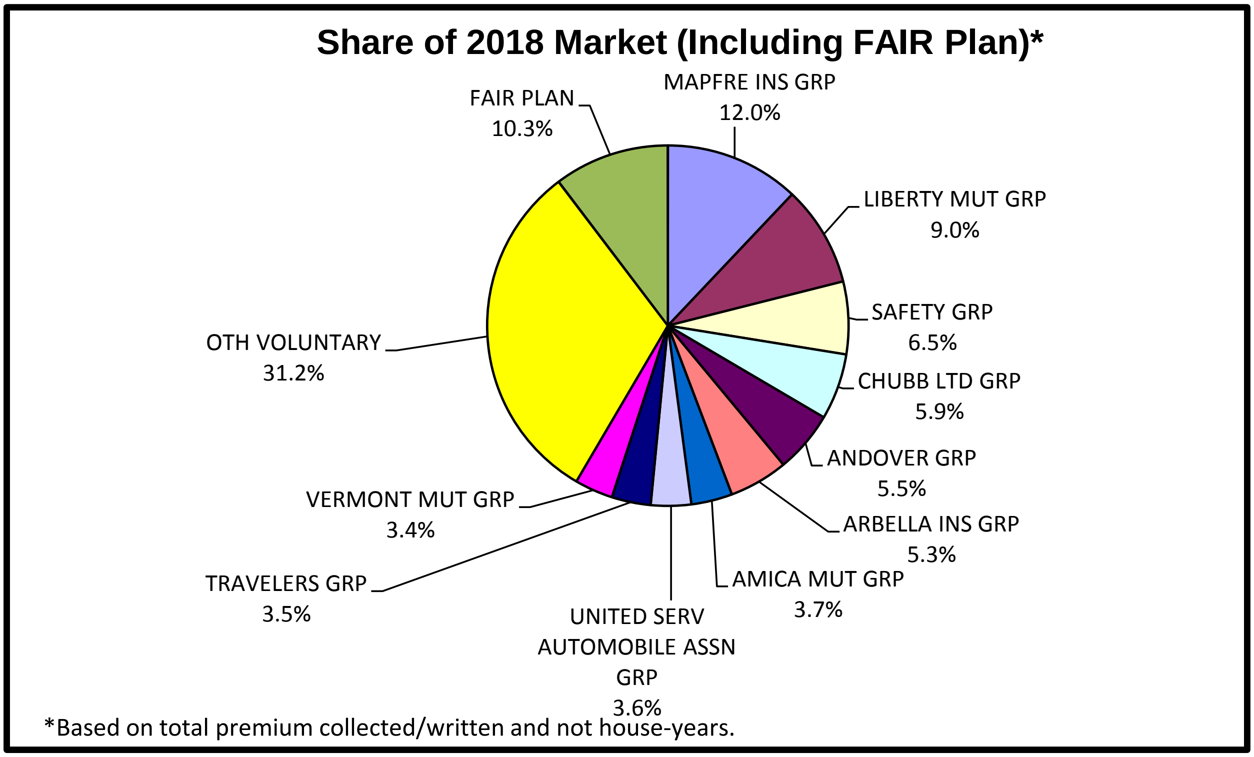

Figure 4

Relative Shares of the Private Insurance Market

As shown in Figure 5, which excludes the FAIR Plan, the top 10 insurance companies account for 65.2% of coverage written by the private insurance companies in the market.

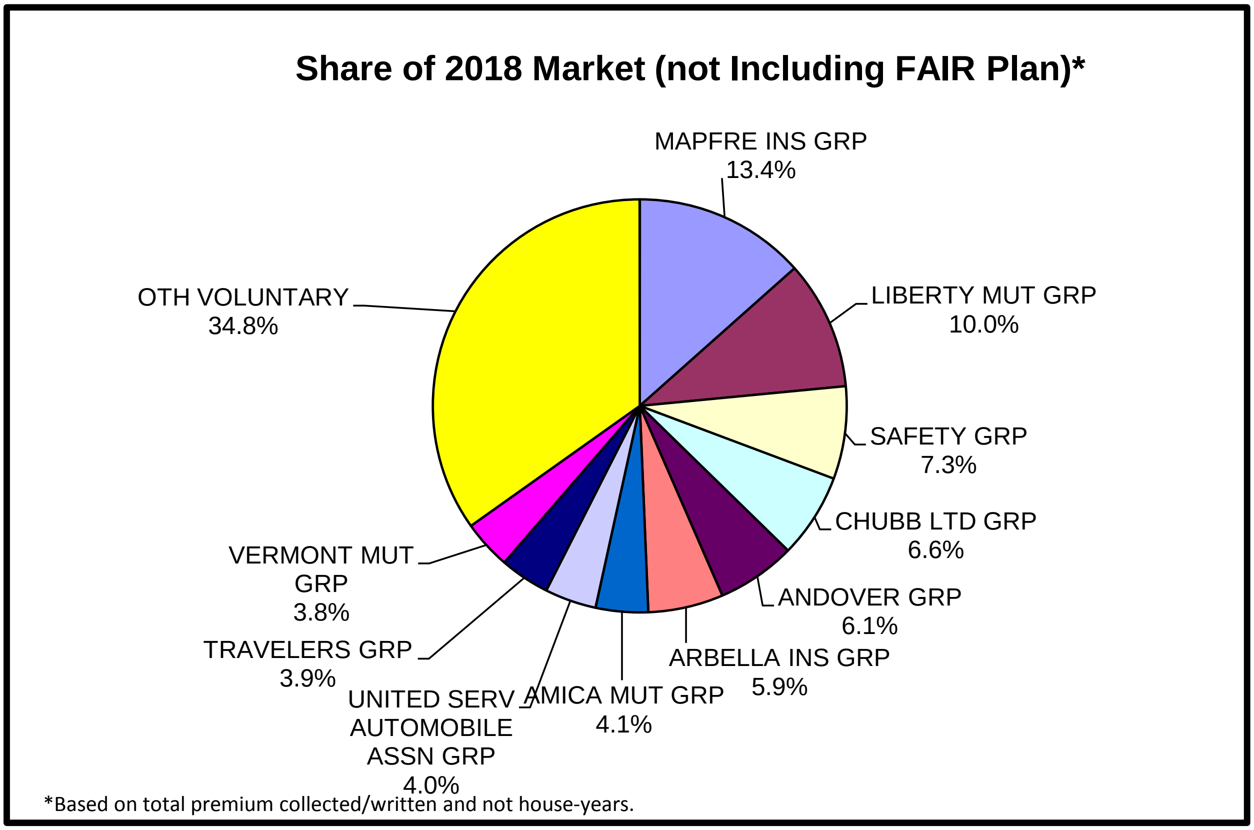

Figure 5

A majority of coverage in Massachusetts is provided by local carriers, regional carriers or national carriers based in Massachusetts. Among the top 10 home insurance companies in the market, only five – the Travelers Group, the Liberty Mutual Group, Chubb Ltd Group, the Amica Mutual Group, and United Services Automobile Association Group – offer home insurance nationally. The remaining companies are regional companies offering coverage primarily in the Northeast.

The Mapfre Insurance Group, which is the parent company of Commerce Insurance Company, had the largest share of the 2018 voluntary (i.e., non-FAIR Plan) market with 13.4% of the home insurance premium written. Each of the next nine largest insurance groups had between 3.8% and 10.0% of the voluntary market. If the analysis is extended to the 25 insurance companies with the largest Massachusetts home insurance market share,[14] the top 25 insurers are responsible for 92.0%

[14] The top 25 Massachusetts home insurers based upon overall direct written premiums for calendar year 2018 are:

of the non-FAIR-Plan insurance market. Each of the remaining 55 company groups accounts for less than 1.0% of the non-FAIR-Plan market.[15]

Changes in Coverage

As reflected in Figure 6, the reported number of total home policies written by insurance companies and the FAIR Plan increased between 2017 and 2018 by 35,444 or 1.8%[16].

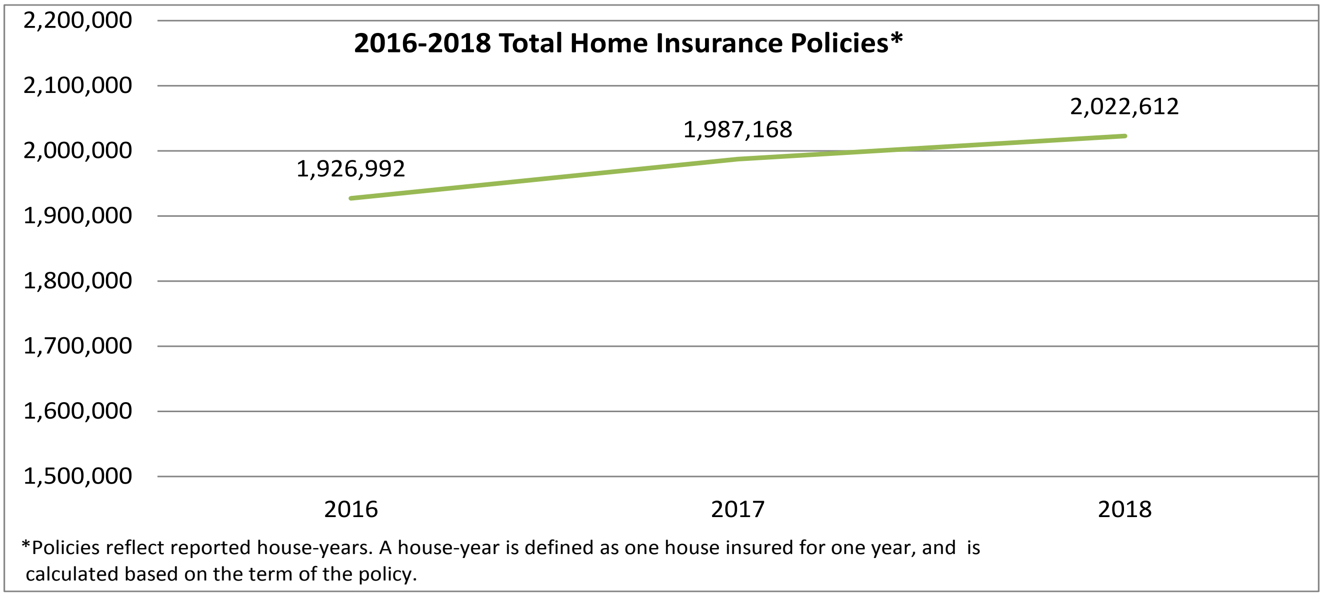

Figure 6

Allstate Insurance Group	Metropolitan Group
American Family Insurance Group	New London County Group
American International Insurance Group	Norfolk & Dedham Group
Amica Mutual Group	Plymouth Rock Insurance Group
Andover Group	Preferred Mutual Insurance Company
Arbella Insurance Group	Pure Companies Group
Barnstable Group	Quincy Mutual Group
Chubb Ltd Group	Safety Group
(The) Hanover Insurance Group	Travelers Group
Heritage Insurance Holdings Group (formerly NBIC Holdings Group)	United Insurance Holding Group
Liberty Mutual Group	United Services Automobile Association Group
Mapfre Insurance Group	Vermont Mutual Group
National General Group	

[15] Based on the National Association of Insurance Commissioners' 2018 data on home insurance multiple peril direct written premium by company group. Company groups often have more than one licensed insurer writing home insurance.

[16] As noted earlier, this increase is primarily due to one carrier mistakenly underreporting approximately 39,000 condominium and tenant policies prior to 2017.

Coverage by Geography

Comparing coverage totals by county,[17] as in Figure 7, Middlesex County, which had the largest population,[18] also had the highest number of home insurance policies in force: 462,941. After Middlesex County, the next three largest counties for home insurance are Worcester (243,283), Essex (227,448) and Norfolk (217,120).

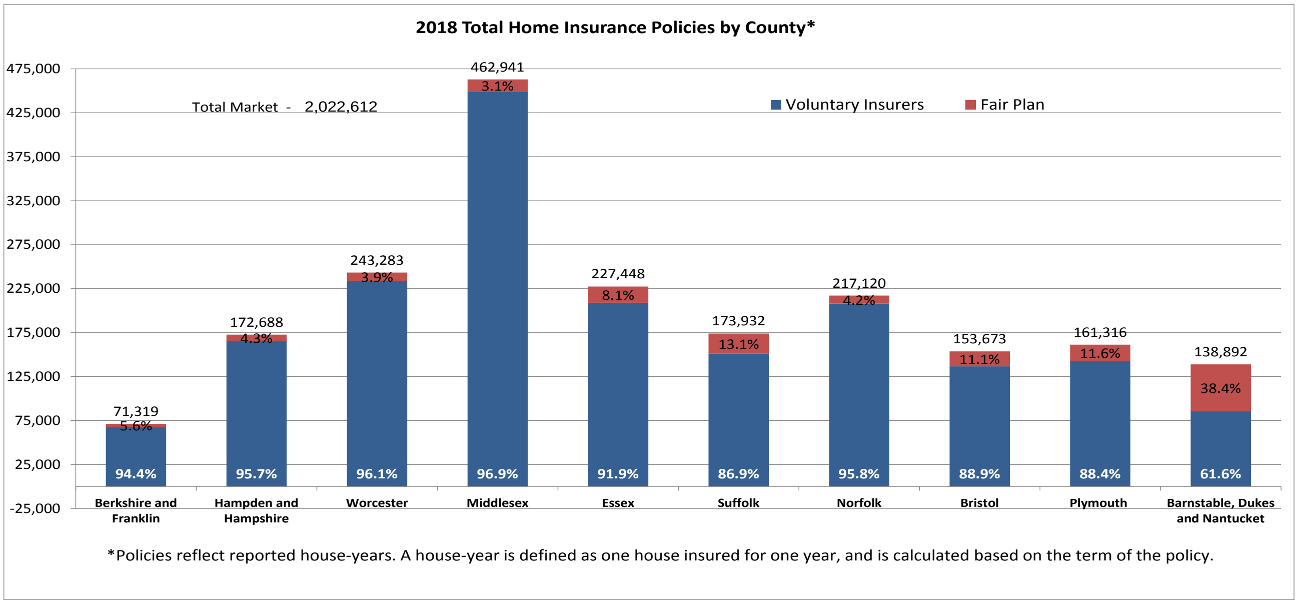

Figure 7

The proportion of FAIR Plan policies written by area varies greatly. While the FAIR Plan writes 38.4% of the home insurance for the Cape and Islands (comprising Barnstable, Dukes and Nantucket counties) and 13.1% of the home insurance in Suffolk County, it writes 11.6% or less of the policies in each of the other counties in the state (see Figure 7).

Also, between 2017 and 2018, the number of home insurance policies remained fairly consistent in most counties (see Figure 8).

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[17] For the purpose of reporting information by county, certain ISO statistical reporting territories were combined in the following ways:
Berkshire and Franklin Counties include ISO territory 50;
Hampden and Hampshire Counties include ISO territories 47, 48 and 49;
Worcester County includes ISO territories 45 and 46;
Middlesex County includes ISO territories 41, 42, 43 and 44;
Essex County includes ISO territories 38, 39 and 40;
Suffolk County (including the City of Boston) includes ISO territories 2, 3, 4, 5 and 11;
Norfolk County includes ISO territories 12, 30, and 31;
Bristol County includes ISO territories 32, 33 and 34;
Plymouth County includes ISO territories 35 and 36; and
Barnstable, Dukes and Nantucket Counties include ISO territory 37.
Detailed information for each territory is included in the Statistical Supplement to this report.

[18] Source: Annual Estimates of the Resident Population for Counties of Massachusetts: April 1, 2010 to July 1, 2017, Population Division, U.S. Census Bureau.

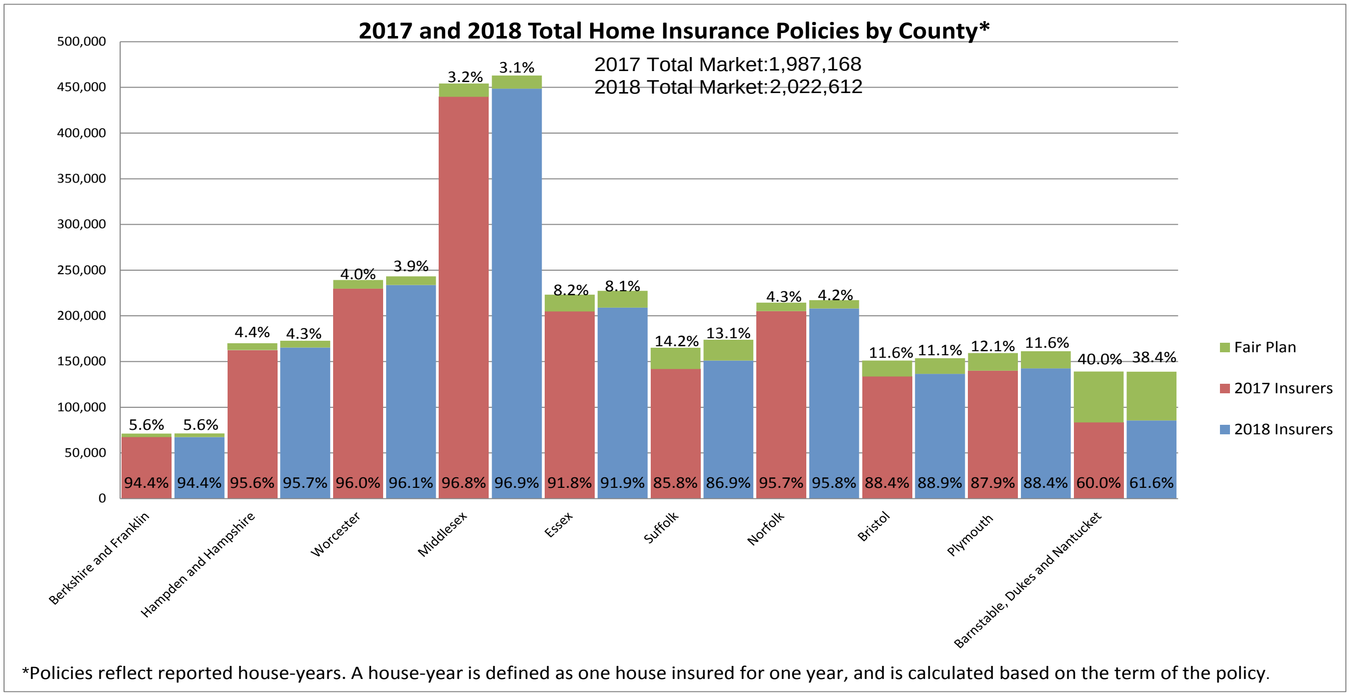


Figure 8

Impact of Private Passenger Automobile Insurance on Home Insurance

Many property and casualty insurance companies actively participate in insurance markets when they can offer a wide array of their products to customers. In personal lines insurance markets, many companies will only actively market home insurance when they are also marketing private passenger automobile coverage to applicants. During regulatory hearings held in the mid-2000s, certain large national companies indicated that they were not interested in expanding their home insurance coverage in Massachusetts because they believed they could not operate within the rules then in place for the private passenger automobile insurance market. Following those regulatory hearings in 2008, the rules affecting private passenger coverage were rewritten to permit insurance companies to offer their own coverage options and rates.

As of the printing of this report, 17 insurance companies have entered the Massachusetts private passenger automobile insurance market since the reform. Some of these offer home insurance or are affiliated with home insurance companies. It is expected that these and other companies will look to expand their writing of home insurance in order to increase the marketability of their private passenger coverage.

In addition to the arrival of new companies, many insurance companies that were already writing personal lines also have begun offering expanded multi-policy premium discounts to insureds who buy both home insurance[19] and automobile insurance coverage from the same company. In order to understand the effect that the changes to private passenger coverage may have had on the home insurance market, the top 25 home insurance companies were asked to report the level of home insurance premium credits provided in 2017 and 2018 for those policyholders who also had motor vehicle coverage with the same or an affiliated insurer.[20,21]

As illustrated in Figure 9, insurers reported that premium credits on home insurance coverage for those with a related auto insurance policy increased from $72.5 million in 2017 to $74.1 million in 2018.

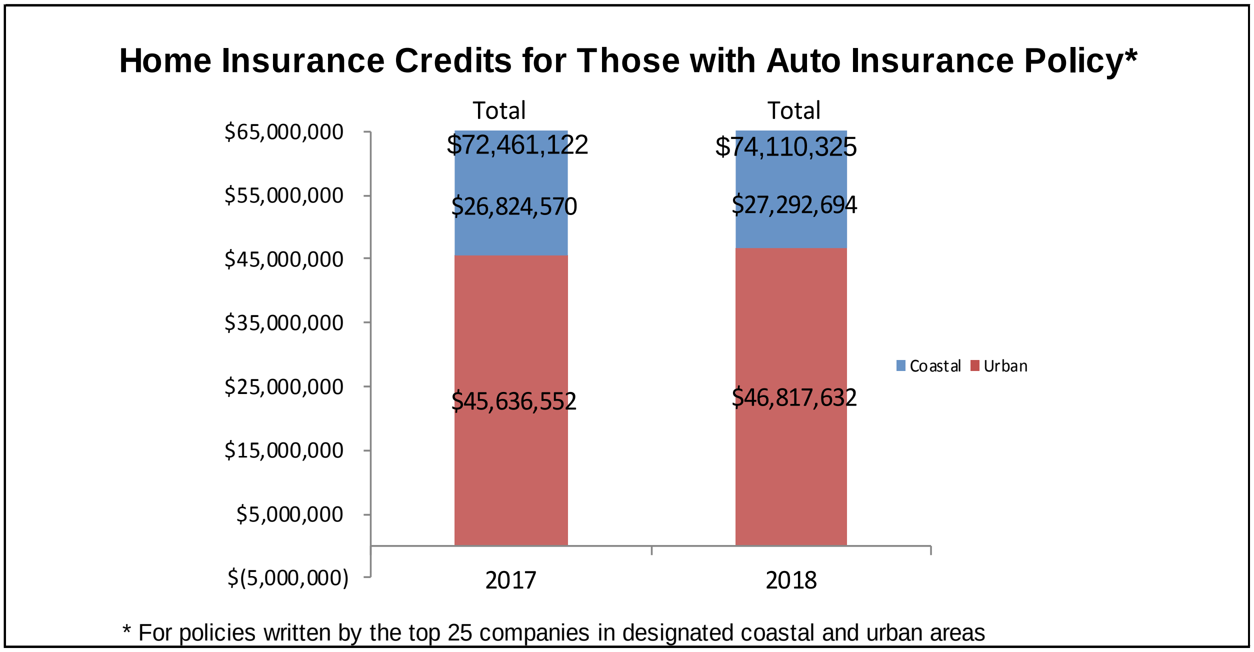


Figure 9[22]

When looking at the number of policies affected, as illustrated in Figure 10 (below), 2,084 more home insurance policies in urban areas obtained premium credits for related private passenger coverage in 2018 than in 2017. Overall, 2,696 more home insurance policies obtained premium credits in 2018 than in 2017 because they had related private passenger coverage.

[19] Home insurance in this case includes owner, condominium and tenant policies that combine liability insurance with one or more other types of insurance, such as property damage, personal property damage, medical payments, and additional living expense.

[20] The composition of the top 25 home insurance companies has changed between 2017 and 2018. In addition, a number of companies have corrected or updated their 2017 data as reported in the Division's calendar year 2017 report, and the corrected or updated data is reflected in this year's report.

[21] This report does not include the level of expanded premium discounts *that are provided on private passenger automobile policies* for those persons who also have home insurance with the same company. The Division is aware that many private passenger automobile companies did file such premium discounts with their private passenger automobile rate filings.

[22] For a complete listing of the zip codes, please refer to Exhibit 8A in the Statistical Supplement.

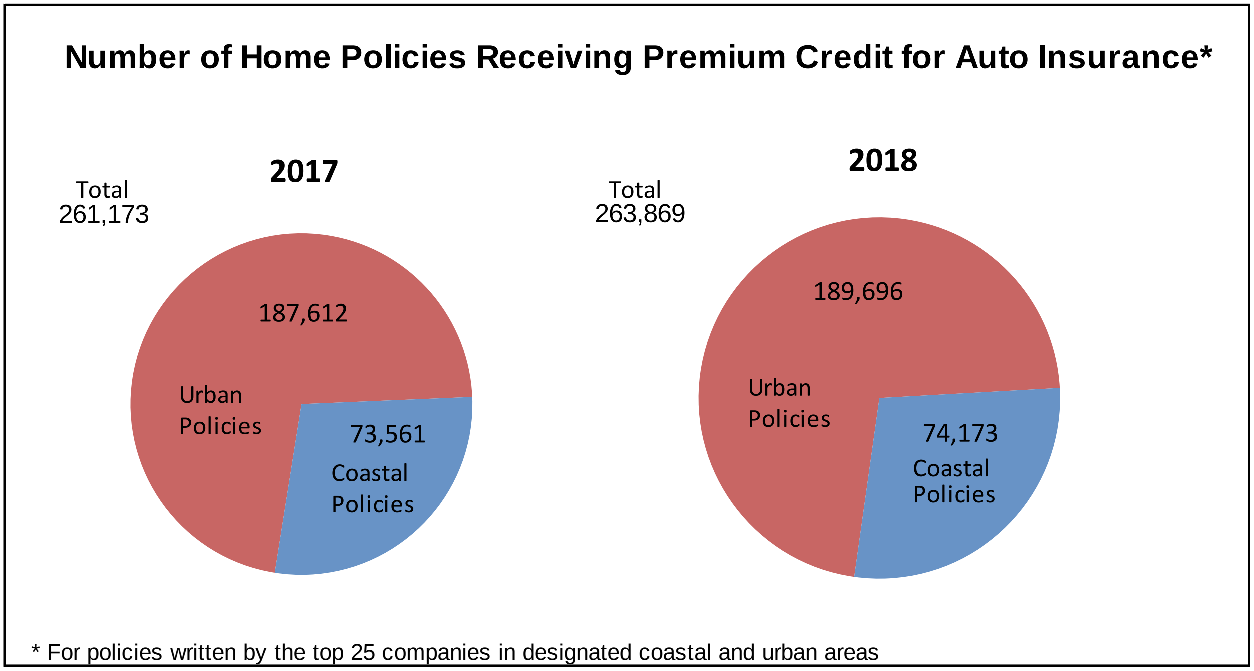


Figure 10

The overall average credit increased from $277 per policy in 2017 to $281 per policy in 2018.

As illustrated in Figure 11, between 2017 and 2018, the average percentage level of premium credit per policy increased from 15.0% to 15.2% of the average policy premium in urban areas and from 16.0% to 16.2% in coastal areas.

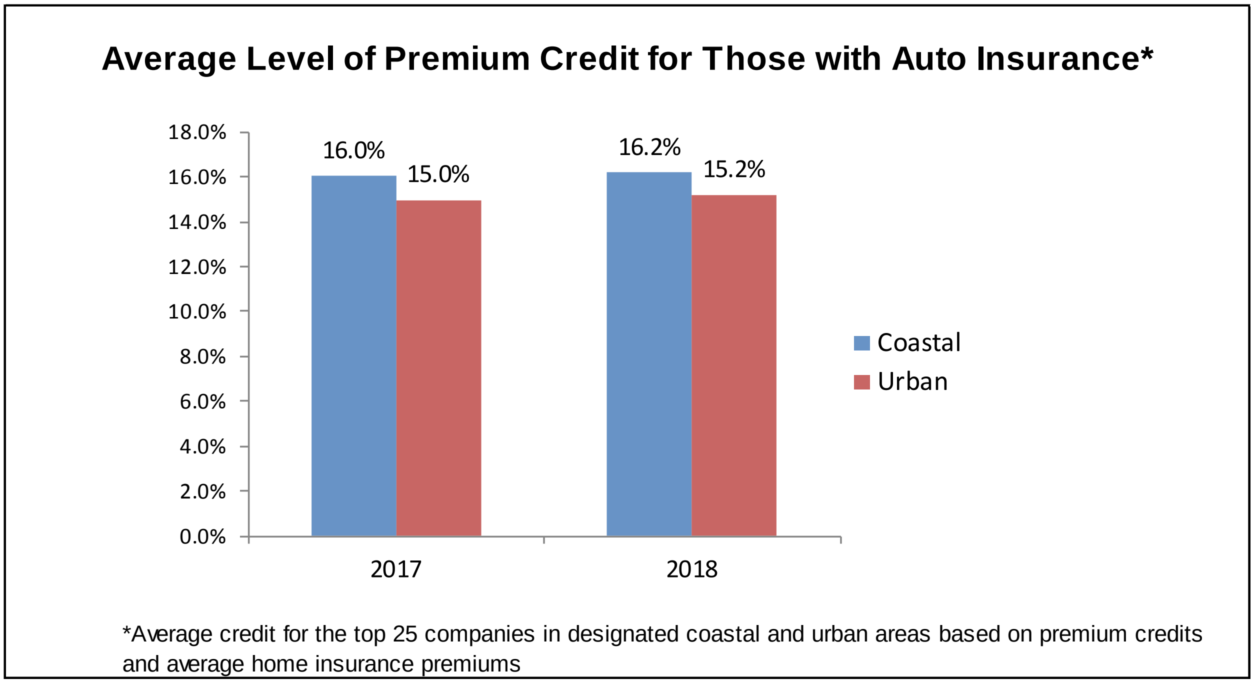


Figure 11

Coverage Options and Limitations

Policy Form Options

Wind Deductibles

In order to reduce their risk, many home insurance companies have amended their standard policies to include mandatory wind deductibles.[23] These deductibles may apply to any wind-related damage that occurs in specified coastal territories, typically located in Bristol, Plymouth, Barnstable, Dukes and Nantucket counties, or within a certain distance from the shore. These deductibles are imposed either as flat dollar amounts or as a percentage of the covered dwelling amount.[24] Although the Division requires that insurers provide consumers with clear disclosures of the deductibles before they purchase coverage, it remains unclear whether consumers understand the potentially large sums they may be responsible for paying in the event of a wind-related loss.

According to information submitted to the Division from the FAIR Plan and the top 25 companies in the market, all but four companies reported that they have mandatory wind deductibles that are

[23] A wind deductible is a deductible that applies only to losses caused by wind.

[24] The FAIR Plan, for example, currently requires certain insureds to have a minimum named storm percentage deductible of 1% to 5% of the coverage amount for the dwelling and attached structures, or a minimum fixed dollar named storm deductible of up to $5,000, depending on the property's county, distance from the coast and coverage.

part of the coverage they offer in the market, with deductibles as high as 5% of the coverage for the main structure.[25] The largest wind deductibles are in the coastal parts of Bristol, Plymouth, Barnstable, Dukes and Nantucket counties.
Of all policyholders living in a coastal or urban area who are covered by the FAIR Plan or the top 25 home insurance companies, 37.6% had a mandatory wind deductible applicable to their coverage in 2018. In coastal areas, 60.0% had a mandatory wind deductible. In urban areas, 23.5% had a mandatory wind deductible.

The Division encourages insurance companies to allow consumers to reduce or eliminate their wind deductibles by taking steps to mitigate the potential exposure of their property in the event of a wind event. Drawing upon the experience of other states, most notably Florida, the Division encourages companies to reduce wind deductibles for policyholders who install hurricane shutters or shatterproof glass, hurricane-proof garages or patios, and other doors and/or roof/foundation anchor bolts. The Division has worked with many carriers to establish clear rules for mitigation programs and to establish ways to document that mitigation steps have been taken.

Flood Exclusions

In the United States, home insurance policies have not traditionally covered damage associated with floods.[26] Recognizing this lack of protection, Congress enacted legislation in 1968 to create the National Flood Insurance Program ("NFIP"), which is administered by the Federal Emergency Management Agency ("FEMA"). Under the program, the government plays the role of underwriter and assumes the financial risk for damages while relying on private insurance agents to sell policies.

Flood insurance is mandatory only for those homes that have been identified by FEMA mapping as located in high-risk flood areas and that are mortgaged through a federally-backed lender. However, the NFIP makes flood coverage available for all property holders as long as the property is located in an approved NFIP community. The property does not need to be in a flood plain to qualify for coverage.

Prior to the current re-mapping of flood zones in Massachusetts, FEMA had estimated that more than 11 million U.S. homes were in flood zones and that about one-fourth of the homes located in Special Flood Hazard Areas ("SFHA")[27] were covered by NFIP-issued or NFIP-backed flood insurance. The proportion of property with flood coverage is believed to be low because many people underestimate the risk of flooding.

As presented in Figure 12, FEMA reports that 61,245 policyholders in Massachusetts had flood insurance in 2018, which is a decrease of 3.2% from the 63,242 reported for 2017.

[25] Additional detailed information is included in the Statistical Supplement to this report.
[26] Automobile insurance policies, cover flood damage to a motor vehicle under optional comprehensive coverage.
[27] There are two types of Special Flood Hazard Areas: (1) a V-zone or coastal high hazard area including "the inland limit of a primary frontal dune along an open coast and any other area subject to high velocity wave action from storms or seismic sources" and (2) an A-zone area that is expected to be flooded once every 100 years.

Federal Emergency Management Agency (FEMA)
National Flood Insurance Program Report
MASSACHUSETTS*

County	V-Zone Policies	A-Zone Policies	Other Policies	2018 Total Policies	2017 Total Policies	Total Premium	Total Coverage
Berkshire & Franklin	0	573	365	938	1,022	$1,182,067	$212,079,400
Hampden & Hampshire	0	764	663	1,427	1,490	$1,994,808	$366,554,400
Worcester	0	874	691	1,565	1,628	$2,477,629	$405,796,700
Middlesex	0	3,687	3,553	7,240	7,452	$6,743,349	$1,750,059,300
Essex	278	4,661	4,309	9,248	9,583	$11,470,376	$2,462,113,400
Suffolk	22	3,740	4,048	7,810	7,808	$7,535,482	$2,113,976,800
Norfolk	23	3,554	2,760	6,337	6,500	$6,428,702	$1,576,616,400
Bristol	214	2,010	1,604	3,828	4,031	$5,386,748	$983,965,100
Plymouth	478	5,778	3,371	9,627	10,079	$14,847,857	$2,474,219,300
Barnstable, Dukes & Nantucket	495	5,551	7,179	13,225	13,649	$19,695,111	$3,656,896,300
State Total :	**1,510**	**31,192**	**28,543**	**61,245**	**63,242**	**$77,762,129**	**$16,002,277,100**

Figure 12

*Data is based on information received from the Federal Emergency Management Agency as 5/30/2018 for 2017 policies and as of 4/15/2019 for 2018 policies.
Flood insurance is required for insurable structures within high-risk areas to protect Federal financial investments and assistance used for acquisition and/or construction purposes within communities participating in the National Flood Insurance Program.
V-Zone Policies - policies, in primarily coastal flood hazard areas (high risk), that have a one percent chance in any given year to be flooded.
A-Zone Policies - policies, in primarily flood hazard areas (high risk), that have a one percent chance in any given year to be flooded.
Other Policies - policies outside V and A Zones, including those held by owners who have received disaster assistance and are now required to purchase policies and those owners who have purchased optional flood insurance policies (preferred risk policies).

The NFIP continually updates statistics on national purchases of flood insurance and periodically will produce special reports on the matter. According to the NFIP's monthly countrywide policy statistics, as of 04/15/2019 Massachusetts ranked 13th in the country in the number of policies in place through the flood insurance program. The U.S. Census Bureau ranked Massachusetts as the 15th most populous state.[28]

Although the Division issued Bulletin 2006-05 to remind insurers and insurance producers to offer flood insurance to all state residents, the Division estimates that the number of Massachusetts homes with flood insurance continues to be relatively low for 2018. Barnstable County, with 9.5% NFIP coverage, continuing a decline in participation from a high of 10.3% in 2015. (See Figure 13).

[28] Massachusetts population ranking is based on estimates as of July 1, 2018 the 2018 U.S. Census Bureau statistics, available at https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP_2018_PEPANNRES&src=pt

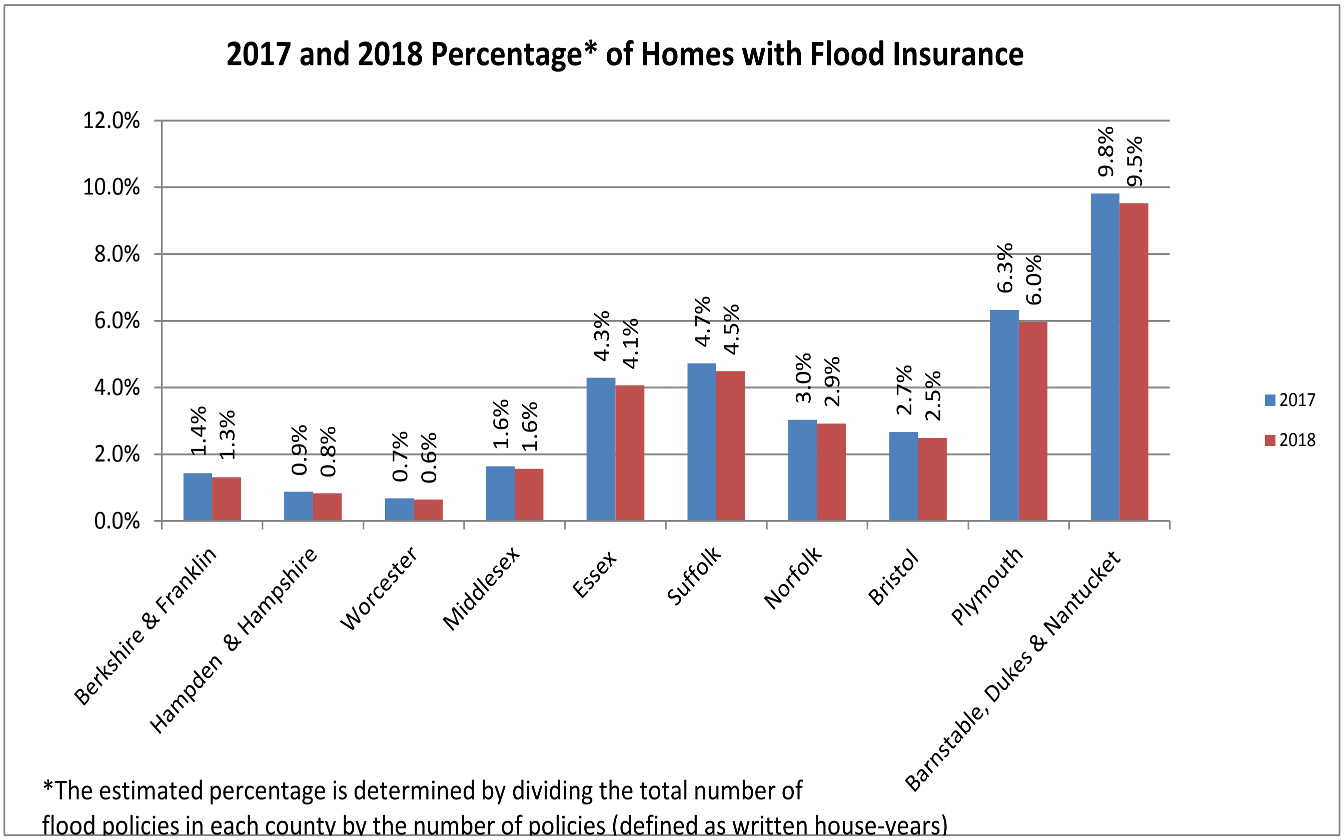

2017 and 2018 Percentage* of Homes with Flood Insurance
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
1.4%
1.3%
0.9%
0.8%
0.7%
0.6%
1.6%
1.6%
4.3%
4.1%
4.7%
4.5%
3.0%
2.9%
2.7%
2.5%
6.3%
6.0%
9.8%
9.5%
Berkshire & Franklin
Hampden & Hampshire
Worcester
Middlesex
Essex
Suffolk
Norfolk
Bristol
Plymouth
Barnstable, Dukes & Nantucket
2017
2018
*The estimated percentage is determined by dividing the total number of
flood policies in each county by the number of policies (defined as written house-years)

Figure 13

In July 2012, reflecting the experiences following Hurricane Katrina and Super Storm Sandy, the U.S. Congress passed the Biggert-Waters Flood Insurance Reform Act of 2012 ("Biggert-Waters") to require the NFIP to develop procedures which will ensure its long-term actuarial soundness. Among the key provisions, the NFIP was required to make the program more financially stable by increasing flood insurance premiums to reflect true flood risk and updating the Flood Insurance Rate Map ("FIRM"). In 2013, many homeowners, particularly in coastal communities, were required to buy flood insurance for the first time or pay a significantly higher premium on their existing flood insurance policies due to changes implemented since Biggert-Waters.

In 2014, the U.S. Congress passed two acts that altered Biggert-Waters. The Consolidated Appropriations Act of 2014 prohibited the implementation of certain sections of Biggert-Waters, effectively stopping certain rate increases while new laws were being developed to address rate concerns. The Homeowner Flood Insurance Affordability Act of 2014 repealed certain parts of Biggert-Waters, restored grandfathering, placed limits on certain rate increases, continued the use of subsidized (lower) premiums for some new NFIP policies (resulting in premium refunds), updated the approach to ensuring the fiscal soundness of the fund through an annual surcharge to all policyholders, authorized FEMA to designate a position of Flood Insurance Advocate for NFIP policyholders, and allowed a higher policy deductible option of up to $10,000.

In 2013, the Massachusetts legislature enacted a law limiting the amount of flood insurance that could be required of consumers whose loans are held by state-regulated banks. Chapter 177 of the Acts of 2014 specifies that such residential property owners may only be required to purchase flood insurance in the amount of their mortgage or home equity loan balance and that the amount of such insurance must be based on the value of the structure only and not the building's contents.

Financial Results

Premiums

In 2018, Massachusetts insureds purchased approximately $2.5 billion in home insurance coverages, as measured in premium paid, which is 3.5% more than was reported for 2017. Of the total premium, 92.7% was for traditional homeowners insurance. Between 2017 and 2018, traditional homeowners insurance premiums increased by approximately $75.4 million.

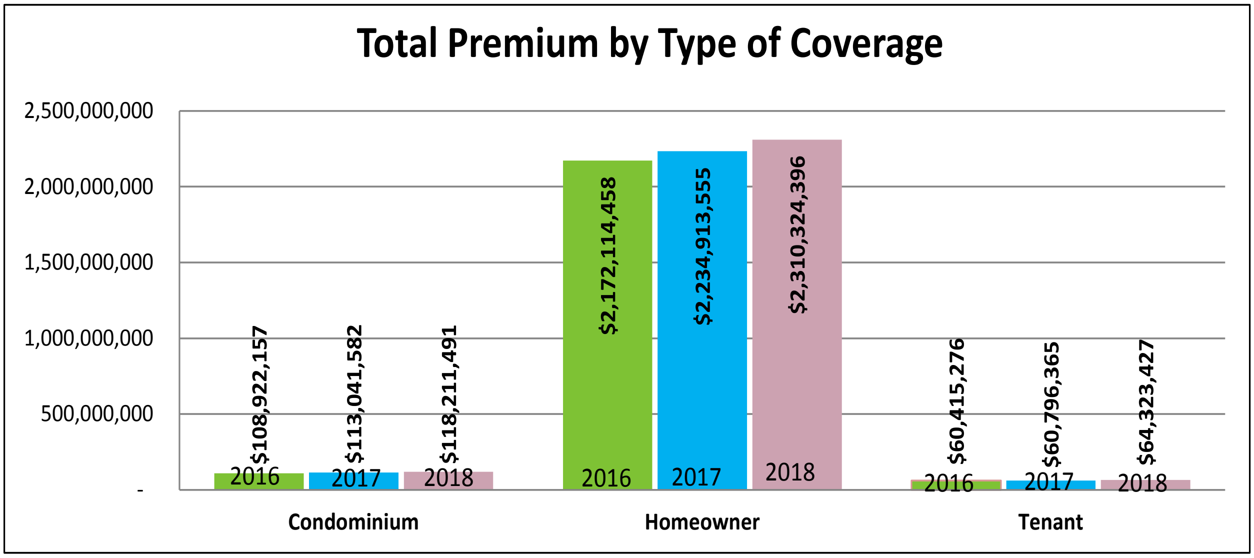


Figure 14

Average premiums increased in 2018 for traditional homeowners and condominium coverages and decreased for tenant coverage.

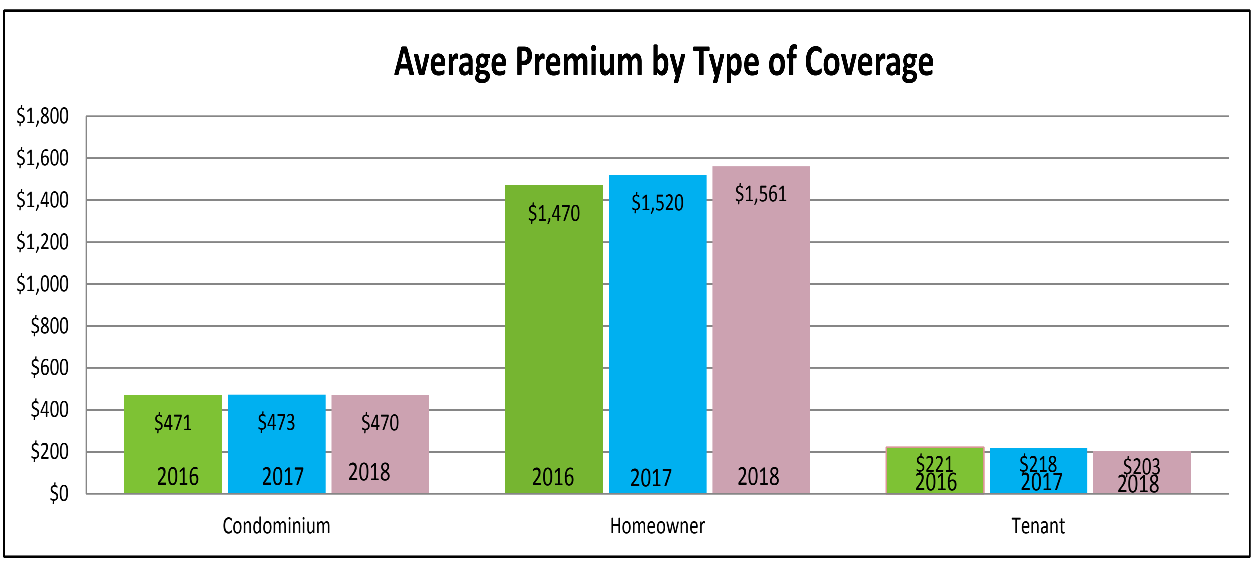


Figure 15

Costs

Insurance rates are based on individual company projections of future claims and expenses, which are, in turn, based on prior years' experience. This section looks at past claims and expense trends.

Filed Claims

In 2018, insureds filed a total of 92,921 claims with their home insurance companies, 51.2% more than the 61,446 filed in 2017. Approximately 88% of these claims were filed on traditional homeowners insurance policies. As illustrated in Figure 16, the condominium coverage type also experienced an increase in the number of reported claims between 2017 and 2018. The tenant coverage type experienced a slight decrease in the number of reported claims between the same years.

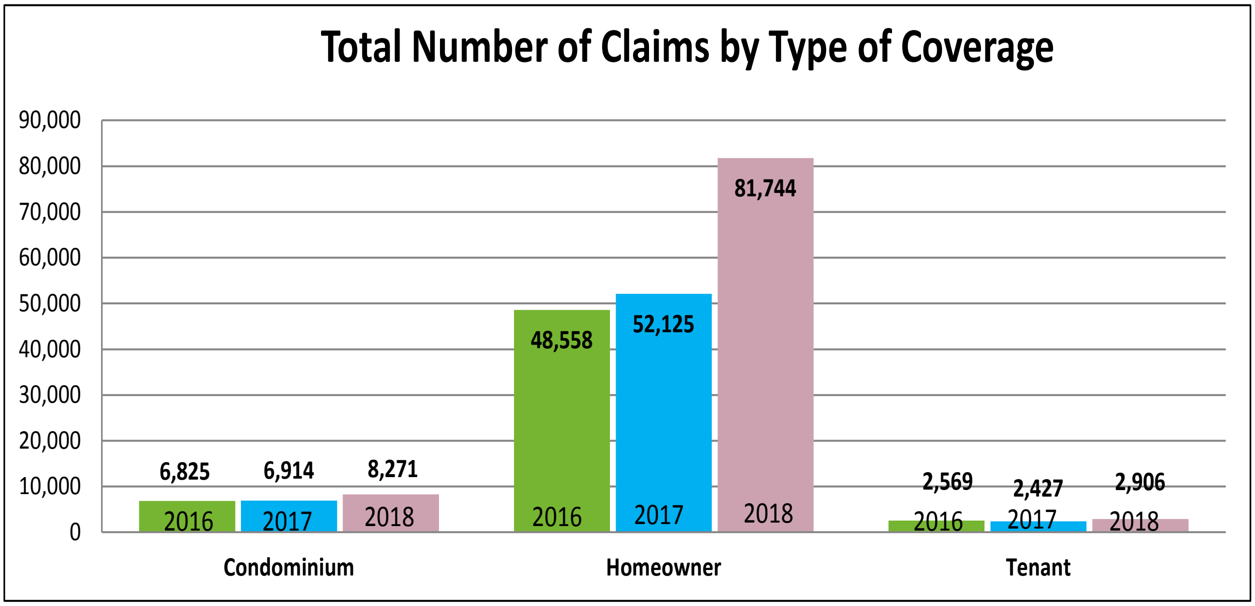


Figure 16

Claim trends tend to fluctuate with damage-causing weather patterns. In 2018 there were five designated Massachusetts catastrophes resulting in total estimated Massachusetts property catastrophe losses of $487.8 million compared to $116.1 million of catastrophe losses in 2017. The total number of filed claims increased correspondingly from 2017 to 2018.

As illustrated in Figure 17 (below), the average size of incurred claims decreased 10.8% for traditional home insurance, but increased by 10.7% for condominiums, and by 18.6% for tenants. The decrease in average claim size for traditional home insurance reflects the particular mix of causes of loss causing claims in 2018 (see following section discussing cause of loss).

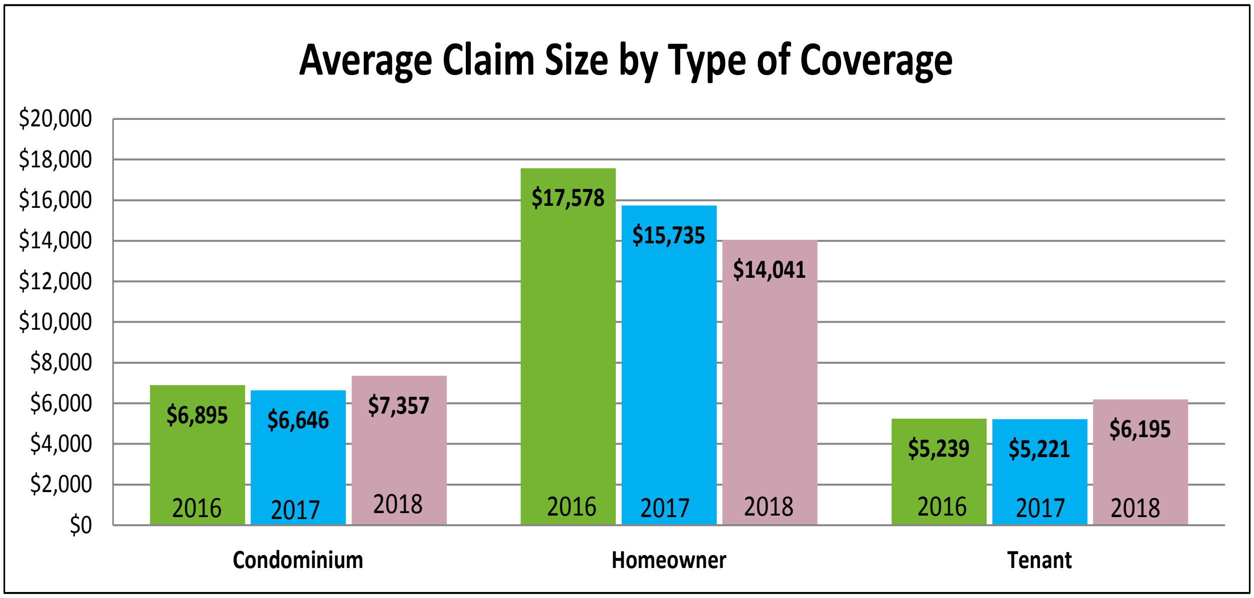


Figure 17

Analysis of Claims Experience

When recording reported claims, companies categorize submitted claims according to the cause of loss in order to project future claims and to develop loss control programs aimed at reducing future losses. Although companies track losses from both natural events (such as earthquakes) and man-made events (such as thefts) to develop loss controls that are tailored to various events, in general, company groups categorized claims as follows:

- Fire, lightning and removal;
- Wind and hail;
- Water damage and freezing;
- Theft;
- Liability and medical; and
- All other.[29]

[29] The "all other" category is used when: (a) the claim does not fit one of the other causes of loss, (b) there is some question as to which cause of loss among several possible causes of loss caused the claim, or (c) the cause of loss is not known initially.

As illustrated in Figure 18, 36,997, or 40.1%, of total claims, were submitted for water losses for non-flood related water damage. Policyholders also submitted 5,085 claims for fire, lightning and removal damages and 11,429 claims for damages classified as “all other losses,” accounting respectively for 5.5% and 12.4% of total claims filed. There were a total of 33,839 claims filed under the wind category, which represents 36.6% of total claims filed.

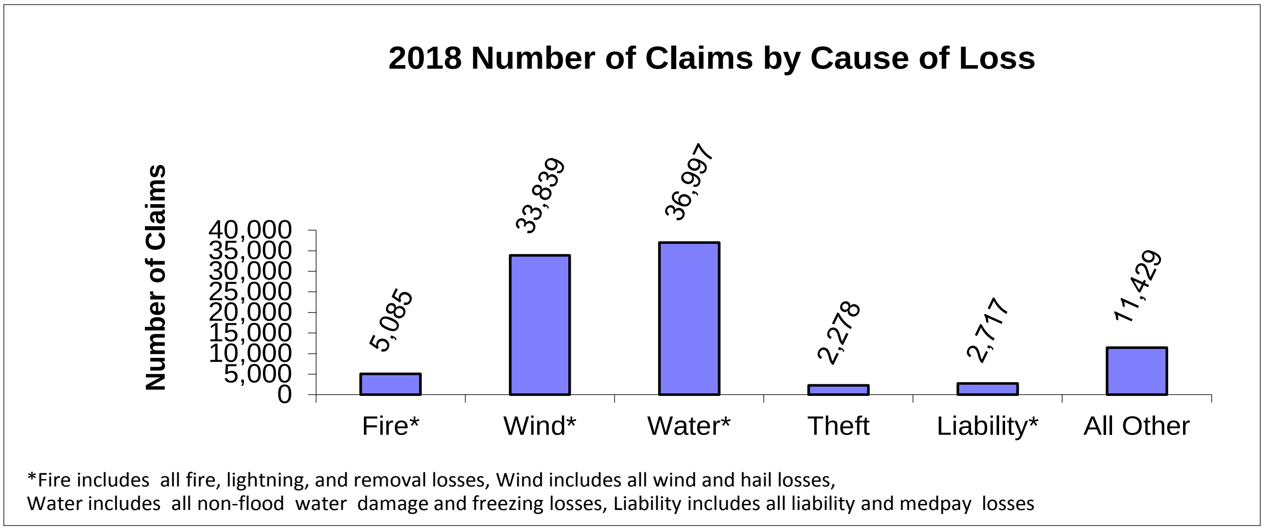


Figure 18

When considering the total dollar cost of claims, as illustrated in Figure 19, the distribution of losses reflects the fact that certain types of claims (particularly wind and water) are subject to wide variation in claim counts from year to year.

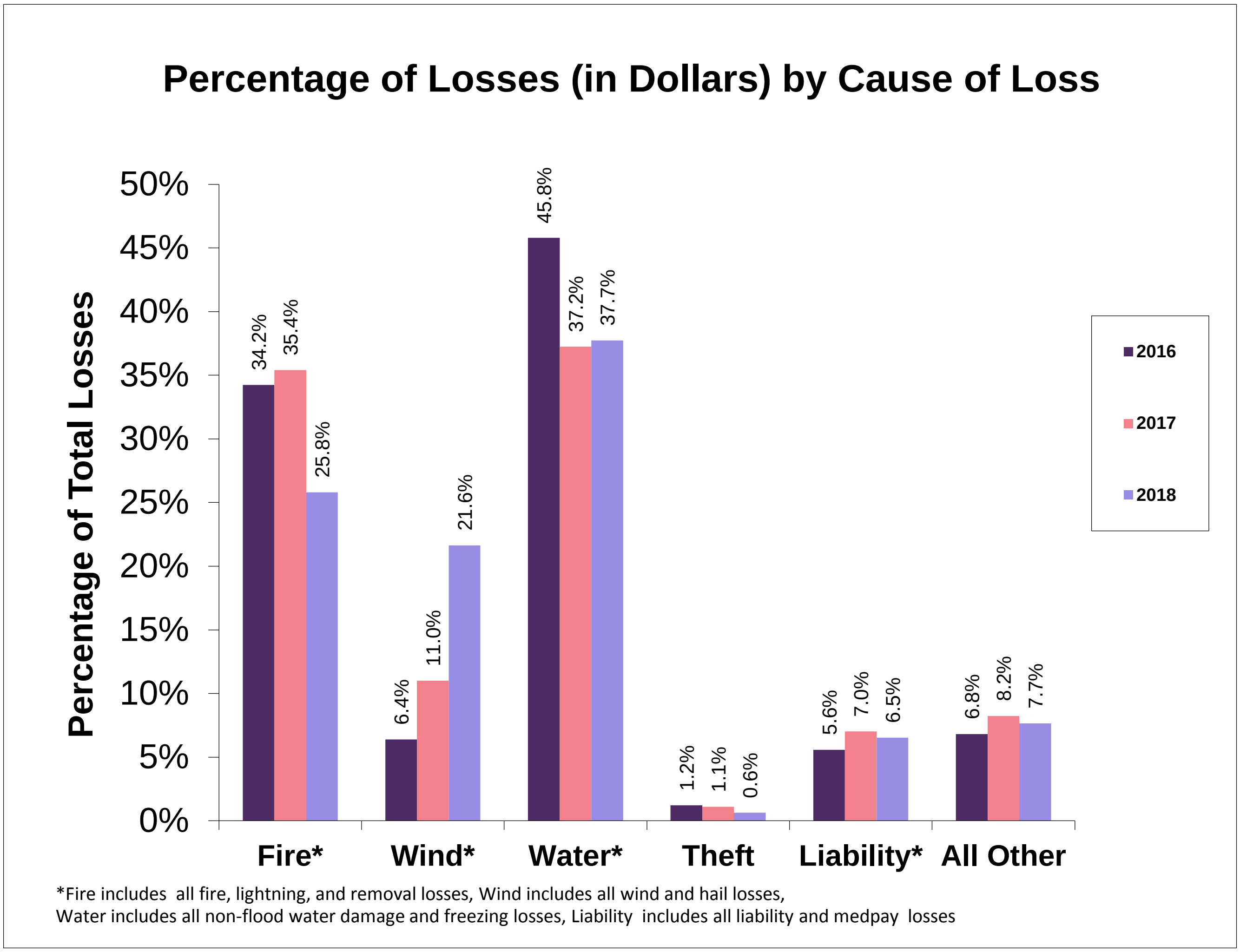


Figure 19

Additional Detail on Each Cause of Loss

Fire, Lightning and Removal dollar losses as a percentage of statewide losses decreased from 35.4% in 2017 to 25.8% in 2018. The statewide average fire, lightning and removal claim cost was $74,156 in 2017, decreasing to $61,867 in 2018.

Wind & Hail losses accounted for 21.6% of total losses in 2018, up from 11.0% in 2017. The statewide average claim cost for wind and hail increased from $6,865 in 2017 to $7,798 in 2018.

Non-Flood Water Damage and Freezing losses accounted for 37.2% of total losses in 2017 and 37.7% of total losses in 2018. The statewide average claim cost for non-flood water damage and freezing increased from $11,433 in 2017 to $12,440 in 2018.

Theft losses accounted for 1.1% of total losses in 2017 and 0.6% of total losses in 2018. The total number of theft claims decreased from 2,915 in 2017 to 2,278 in 2018, and the average statewide theft claim cost increased from $3,313 in 2017 to $3,394 in 2018.

Liability and Medical Payments dollar losses accounted for 7.0% of total losses in 2017 and 6.5% of total losses in 2018. The average statewide liability and medical claim cost increased from $24,952 in 2017 to $29,369 in 2018.

All Other claims losses accounted for 7.7% of total losses in 2018, compared to 8.2% in 2017. Total filed claims increased from 8,923 in 2017 to 11,429 in 2018. The average claim cost was $8,093 in 2017, increasing to $8,175 in 2018.

Loss Ratios

Loss Experience Compared to Earned Premiums

Loss ratio (incurred losses divided by earned premium) is a generally accepted measure of the underwriting success or failure of property insurance. The higher the cost to the company of reinsurance and other expenses, the lower the company's loss ratio must be for it to continue to operate. The higher the loss ratio, the more likely companies will have overall losses after paying for administrative expenses. Based on the submitted loss data, the 2018 overall loss ratio for all FAIR Plan and insurance company policies was 50.2% across all types of residences (traditional homes, condominiums, rentals).

Figure 20 presents a history of the loss ratios for the entire market since 2009:

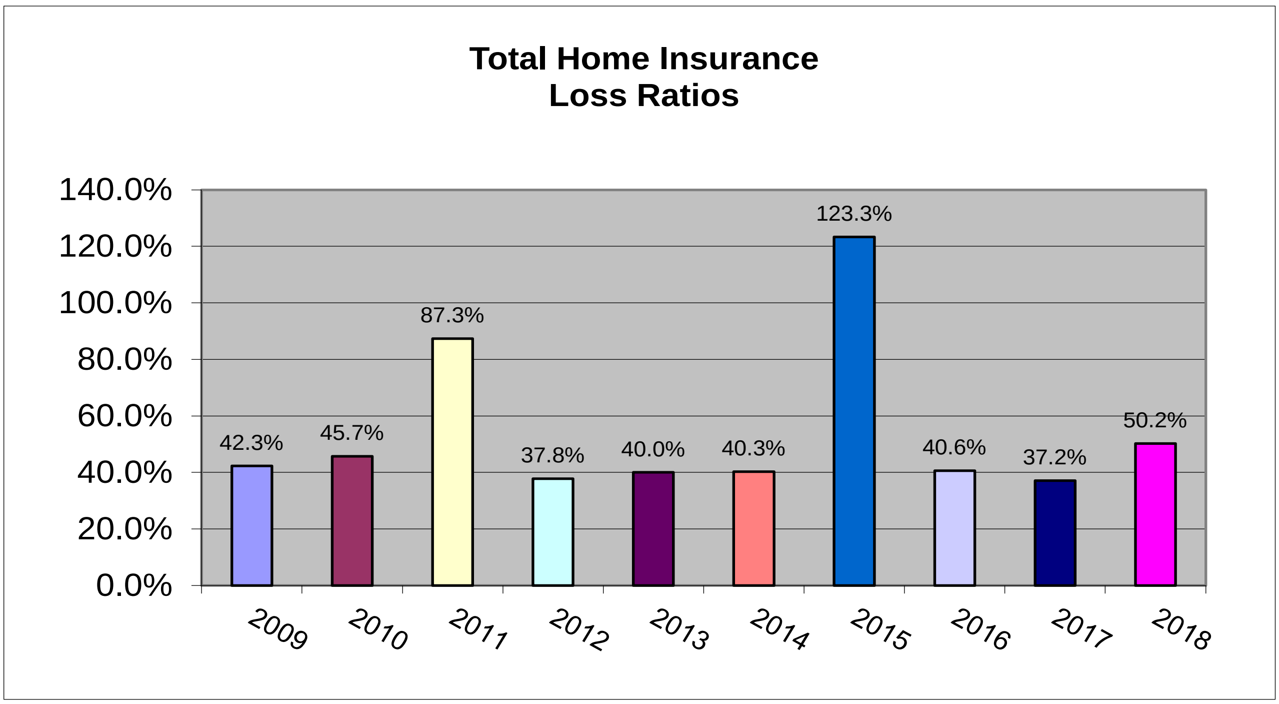


Figure 20

Non-weather events do not usually cause major shifts in loss trends.[30] Weather-related events can cause significant shifts, depending on the severity of the events. For example, in 2010 and in 2011 there were four "catastrophe" events that resulted in losses in Massachusetts, one in 2012, none in 2013, two in 2014, six in 2015, three in 2016, one in 2017 and five (four weather-related) in 2018, with the resulting losses varying with the severity of the events. The loss ratio for 2018 is higher than in 2017, primarily due to the variability of the weather and of the number of homes impacted. As presented in Figure 21, the traditional homeowners loss ratio was 50.7%, the condominium loss ratio was 52.8%, and the tenant coverage loss ratio was 29.0% in 2018.

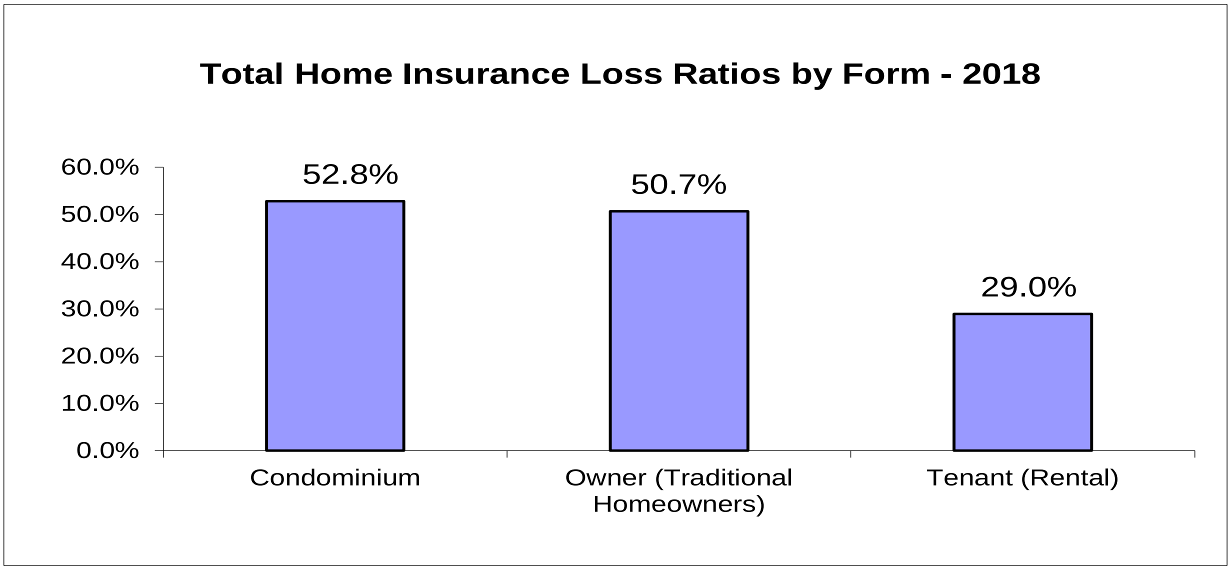


Figure 21

[30] Fire losses are an exception since fires involving multiple dwellings can significantly impact losses for a year.

Combined Ratios: Loss and Expense Experience Compared to Premiums Collected

The combined ratio (the combination of company expenses and incurred claims costs divided by earned premium) is a measure of the overall experience of property insurance companies in a market. A lower combined ratio corresponds with a higher potential profit for the company. The research which forms the basis for this report does not include information on insurance company operating expenses. In order to get a more complete picture of insurers' financial results, the Division has incorporated industry expense data that insurance companies submit as part of their annual financial statements. Figure 22 calculates the percentage of premium that insurance companies paid out for Massachusetts home insurance losses and the percentages of premium that can be attributed to various operating expenses. The result is an "Adjusted Combined Ratio" for the Massachusetts home insurance market.

Calculation of Adjusted Combined Ratios

Year	(A) Earned Premium ($000's)	(B) Incurred Losses ($000's)*	(C) = (B)/(A) Loss Ratio*	(D) Incurred Losses + All Loss Adj Expenses ($000's)	(E)= (D)/(A) Adjusted Loss Ratio (incl All Loss Adjust Expenses)	(F) Producer Commissions	(G) Taxes and Licensing Fees	(H) Other Acquisition Expense	(I) General Expenses	(J) = (F)+(G)+(H)+(I) Expense Ratio	(K)= (E)+(J) Combined Ratio (Adj Loss Ratio + Expense Ratio)	(L) Mutual Company Dividends to Policyholders	(M)= (K)+(L) Adjusted Combined Ratio (incl Mutual Divs)
2018	2,185,328	1,066,072	**48.8%**	1,179,216	**54.0%**	16.3%	3.0%	8.5%	5.5%	33.3%	**87.3%**	0.6%	**87.8%**
2017	2,108,513	775,707	**36.8%**	868,110	**41.2%**	16.4%	2.9%	8.8%	5.8%	33.9%	**75.1%**	0.6%	**75.6%**
2016	1,995,190	790,618	**39.6%**	895,001	**44.9%**	16.2%	3.0%	9.1%	5.5%	33.8%	**78.7%**	0.5%	**79.2%**
2015	1,907,594	2,452,064	**128.5%**	2,793,791	**146.5%**	15.6%	2.9%	8.9%	5.5%	32.9%	**179.4%**	0.7%	**180.1%**
2014	1,823,597	721,727	**39.6%**	820,789	**45.0%**	16.8%	2.8%	8.8%	5.5%	33.9%	**78.9%**	0.7%	**79.6%**

* For the purpose of these columns, incurred losses includes both incurred losses and allocated loss adjustment expenses (defense and cost containment expenses).
Premium & loss data is voluntary market only. Reinsurance expenses are not included in this calculation and are more fully discussed below.

Figure 22

Figure 22 also presents various home insurance company expenses as a percentage of premiums. The adjusted combined ratio illustrates how other necessary expenses, when combined with losses, can be compared to homeowners insurance premiums.[31] The adjusted combined ratio of 87.8% for 2018 shows an increase from 75.6% for 2017. These combined ratios reflect an increase in the number of major catastrophes from 2017 to 2018.

This analysis does not include what insurance companies pay to reinsurers for catastrophe and hurricane reinsurance, information which is not readily available within the aggregate financial statements for Massachusetts homeowners business. Based upon information submitted as part of individual company rate filings, the Division estimates that reinsurance expenses could account

[31] Insurance companies pay claims handling expenses (also known as "loss adjustment expenses") which, if added to incurred losses to calculate an adjusted loss ratio, provide a clearer picture of the proportion of premium dollars that are devoted to claims and claims handling expenses. In addition to claims, companies need to pay other expenses, including producer commissions, taxes and licensing fees, other acquisition costs, and general administrative expenses in order to run their businesses. These expenses, when combined with the adjusted loss ratio, generate a combined ratio reflecting the overall costs of business during a calendar year. Finally, some mutual insurance companies make payouts to policyholders in the form of dividends that should be factored into the analysis, as these are real expenses paid out by companies to their policyholders.

for as much as 25% of a company's premiums, depending on that company's portfolio of coastal exposures. The analysis also omits reinsurance recoveries, or payments from reinsurers to insurance companies that partially reimburse the insurance company for losses paid.

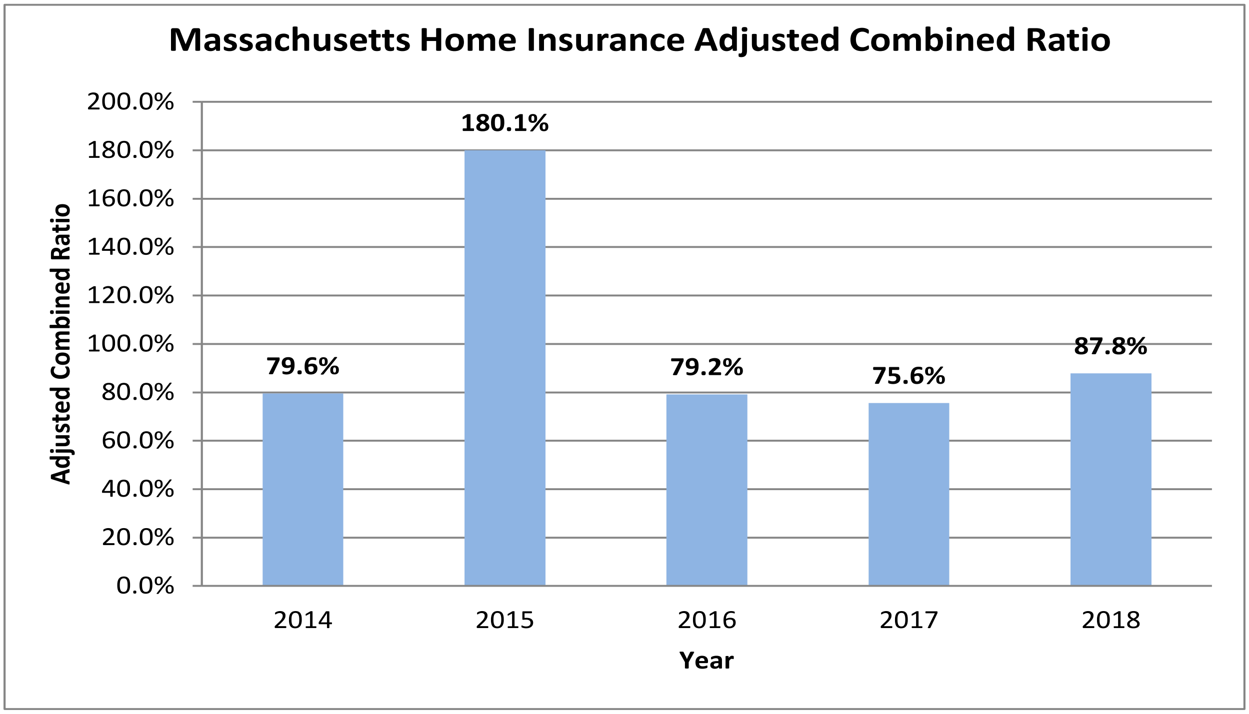


Figure 23

Figure 23 illustrates that weather-related disasters can cause significant fluctuations in the market's adjusted combined ratio, as observed, for example, in the higher combined ratio in 2015 when Massachusetts was impacted by winter storms/ice dams.

FAIR Plan Financial Results

During its 2018 fiscal year, the FAIR Plan had an underwriting loss of $22,227,000[32] (see accompanying Statistical Supplement). The FAIR Plan had an underwriting gain the two prior years, following a substantial loss in 2015. Please note that the FAIR Plan underwriting results are on a direct basis and do not reflect reinsurance premiums paid by the FAIR Plan or reinsurance recoveries.

[32] The FAIR Plan fiscal year runs from October 1st of one calendar year to September 30th of the noted calendar year.

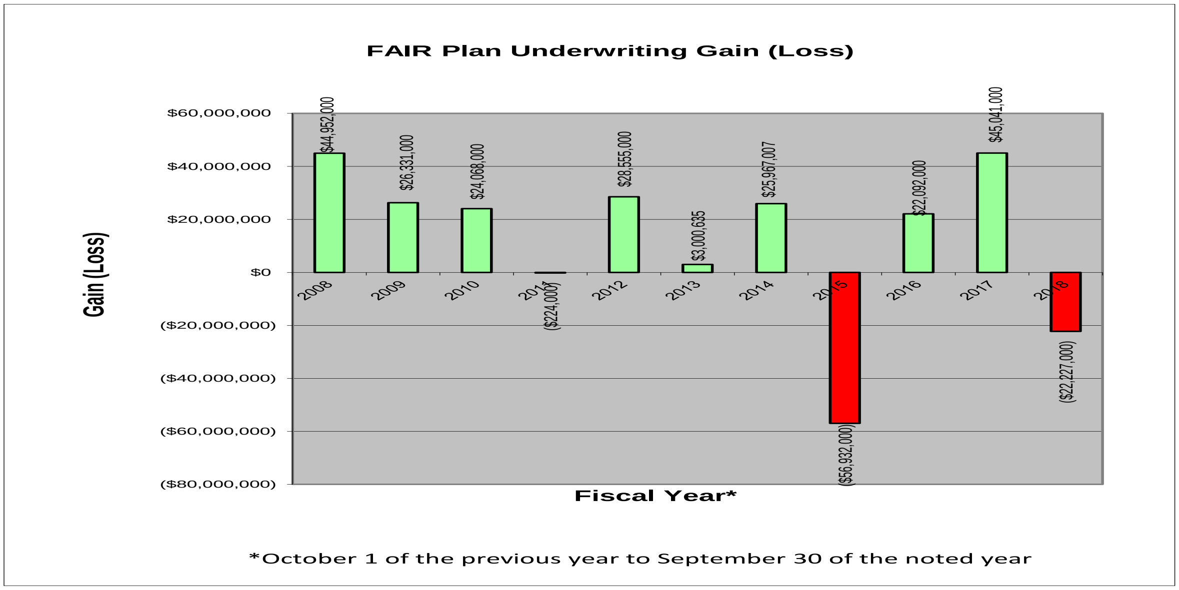


Figure 24

Figure 25 illustrates on a per policy basis the FAIR Plan's fiscal year underwriting loss – sometimes called the charge against surplus[33] – of $121 per policy in fiscal year 2018 as compared to an underwriting profit of $245 per policy in fiscal year 2017.

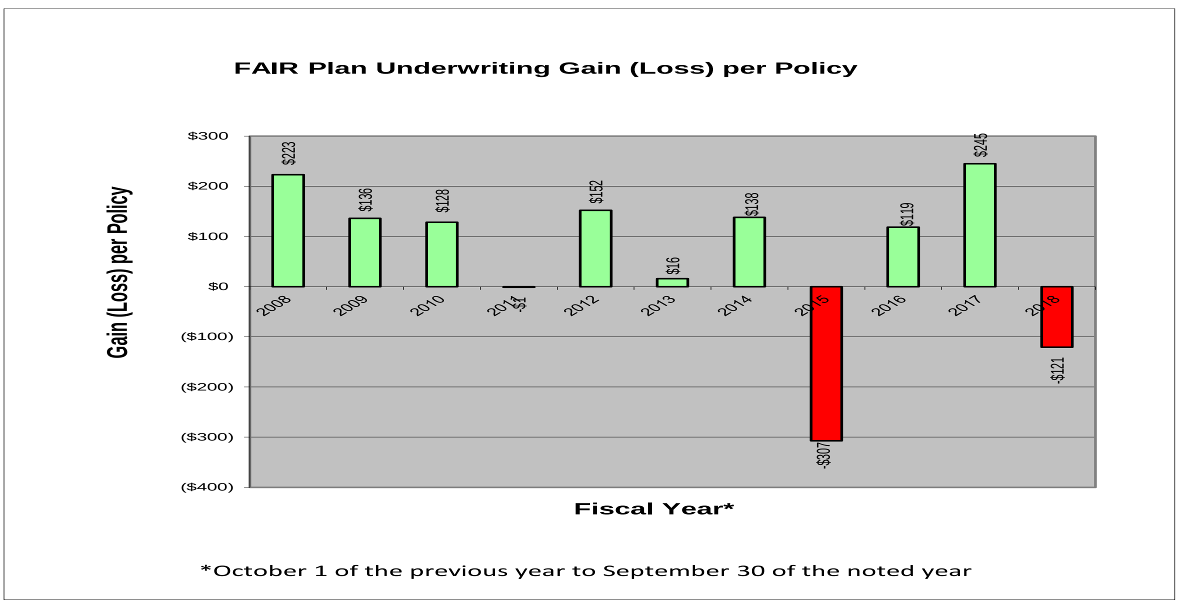


Figure 25[34]

[33] Since the FAIR Plan is not an insurance company per se, it refers to its underwriting profit as its contribution to surplus and its underwriting loss as its charge against surplus. For the purpose of this analysis, the report will continue to refer to these as underwriting profit and underwriting loss for owner, condominium and tenant policies, as reported by the FAIR Plan.

[34] Fair Plan underwriting gain (loss) per policy is calculated by dividing the fiscal year's underwriting profit (loss) by the number of fiscal year owner, condominium and tenant policies issued.

Changes in FAIR Plan Rates

Between 1996 and 2010, the FAIR Plan filed to revise its rates 11 times. Each of these filings was reviewed according to the standards in M.G.L. c. 175C and hearings were scheduled as required by that statute. In most of the years between 1996 and 2010, the proceedings on those filings were ultimately resolved by rate stipulations agreed to by the interested parties. In 2005 the FAIR Plan submitted a request for a 12.5% statewide rate increase, including a request for a 25.0% rate increase in Barnstable, Dukes and Nantucket counties.[35] Following an administrative hearing, the FAIR Plan was granted a 12.4% statewide increase, including a 25.0% rate increase in Barnstable, Dukes and Nantucket counties to take effect in 2006.

FAIR Plan Home Insurance Rate Changes

Effective Date*	Percent
12/31/1996	5.3%
12/31/1997	2.2%
12/31/1998	0.9%
12/31/1999	0.1%
12/31/2000	-0.5%
12/31/2001	-0.2%
12/31/2002	1.9%
12/31/2003	2.8%
12/31/2004	3.2%
10/1/2006	12.4%
3/31/2010	-0.7%

*Years not shown had no rate change

Figure 26

In November 2011 the FAIR Plan filed to request an overall statewide increase of 7.2% for home insurance forms. The filing was reviewed according to the standards in M.G.L. c. 175C with the proceedings concluding in 2012. The filing was disapproved by the hearing officers in May 2012.

In April 2013, the FAIR Plan submitted a request for an overall statewide increase of 6.8% for home insurance forms. The filing was reviewed per M.G.L. c. 175C with the hearing on this rate proceeding concluding in 2014. The filing was disapproved by the hearing officers in June 2014.

The have been no filings to revise annual average rates by the FAIR Plan since 2013.

[35] Identified as ISO statistical territory 37 and is commonly known as the Cape Cod and Islands area.

Review of FAIR Plan Compared to Private Market

It appears that consumers who are assigned to the FAIR Plan may not be shopping around aggressively for other coverage. In 2018, only seven policyholders of the 184,344 policies written through the FAIR Plan took advantage of the FAIR Plan's Market Assistance Plan, where the FAIR Plan offers the applicant's coverage to any other insurer writing in the market (see Statistical Supplement for details on this program).

FAIR Plan Clearinghouse

The Massachusetts Property Insurance Underwriting Association (MPIUA), which is the legal entity constituting the Massachusetts FAIR Plan, is established as a joint underwriting property insurer under Massachusetts General Laws Chapter 175C and is one of the largest insurers of homes in Massachusetts. Many of the homes currently insured through the MPIUA could potentially qualify for voluntary market coverage from one or more Massachusetts licensed insurers.

In July 2018, the MPIUA Board of Directors authorized and implemented the clearinghouse initiative to help insurance companies work with homeowners' producers to give more residual market (i.e., FAIR Plan) policyholders the opportunity to find coverage in the voluntary market.

In order for an insurance company to participate in the Clearinghouse, the company must be an admitted carrier, licensed to write homeowners insurance in Massachusetts and must sign a Clearinghouse Agreement containing the terms and conditions under which the MPIUA will provide information to the company.

The information provided to the company does not include any personally identifiable information, but does include certain information about the insured and about the property to assist the member company in determining whether to offer homeowners insurance, through the policy's listed producer, to an existing FAIR Plan policyholder.

The Clearinghouse Agreement and procedure recognizes the producer's ownership of the renewal rights in the policy by permitting a MPIUA member company to participate only if the company first has a contractual relationship with the producer under an agency agreement or a limited servicing agreement. Further, any offer must be made through the insurance producer listed on the FAIR Plan policy. Additionally, the company may contact the listed producer to obtain more information on a risk it is interested in insuring.

The objective of this initiative is to aid in depopulating the Massachusetts FAIR Plan, which currently insures 10.3% of home insurance premiums statewide and as much as 38.4% of policyholders in some territories.

Cancellations and Nonrenewals

Under M.G.L. c. 175, §4B, the Division collects information from the top 25 insurers[36] and the FAIR Plan regarding policies in force, total cancellations, and total nonrenewals for each urban and coastal zip code designated by the Commissioner for additional review and reporting. The data is collected on a calendar year basis for policies written during the reporting period.[37]

Aggregate Cancellation/Nonrenewal Data for Urban/Coastal Areas[38]

Figures 27A and 27B depict the percentage of cancellations and nonrenewals in the designated areas. The top 25 companies and the FAIR Plan reported that they had a total of 486,954 policies in force in urban and coastal areas as of December 31, 2018. Of the total policies in force, there were 298,911 policies in urban areas and 188,043 policies in coastal areas. The top 25 companies covered 367,517 homes and the FAIR Plan covered 119,437 homes.

A policy cancellation is the termination of a policy before its one year effective period has expired. The policies may be cancelled by the insured, or, under certain circumstances, the policy can be canceled by the insurance company. During 2018, there were a total of 83,657 policies cancelled in urban or coastal areas, with 57,819 cancellations among the top 25 companies and 25,838 cancelled FAIR Plan policies. Of the total number of cancellations, 58,448 policies were cancelled in urban areas and 25,209 policies were cancelled in coastal areas.

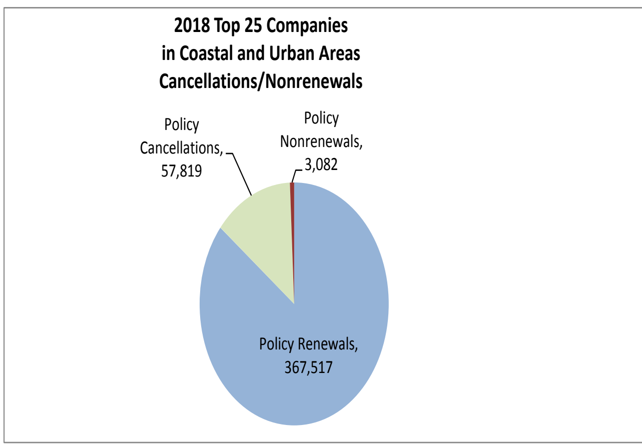


Figure 27A

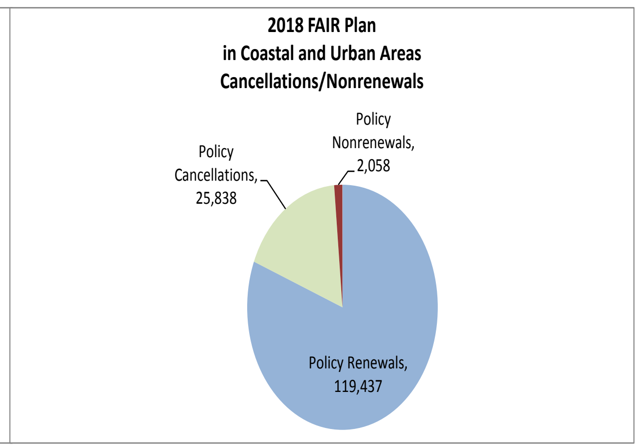
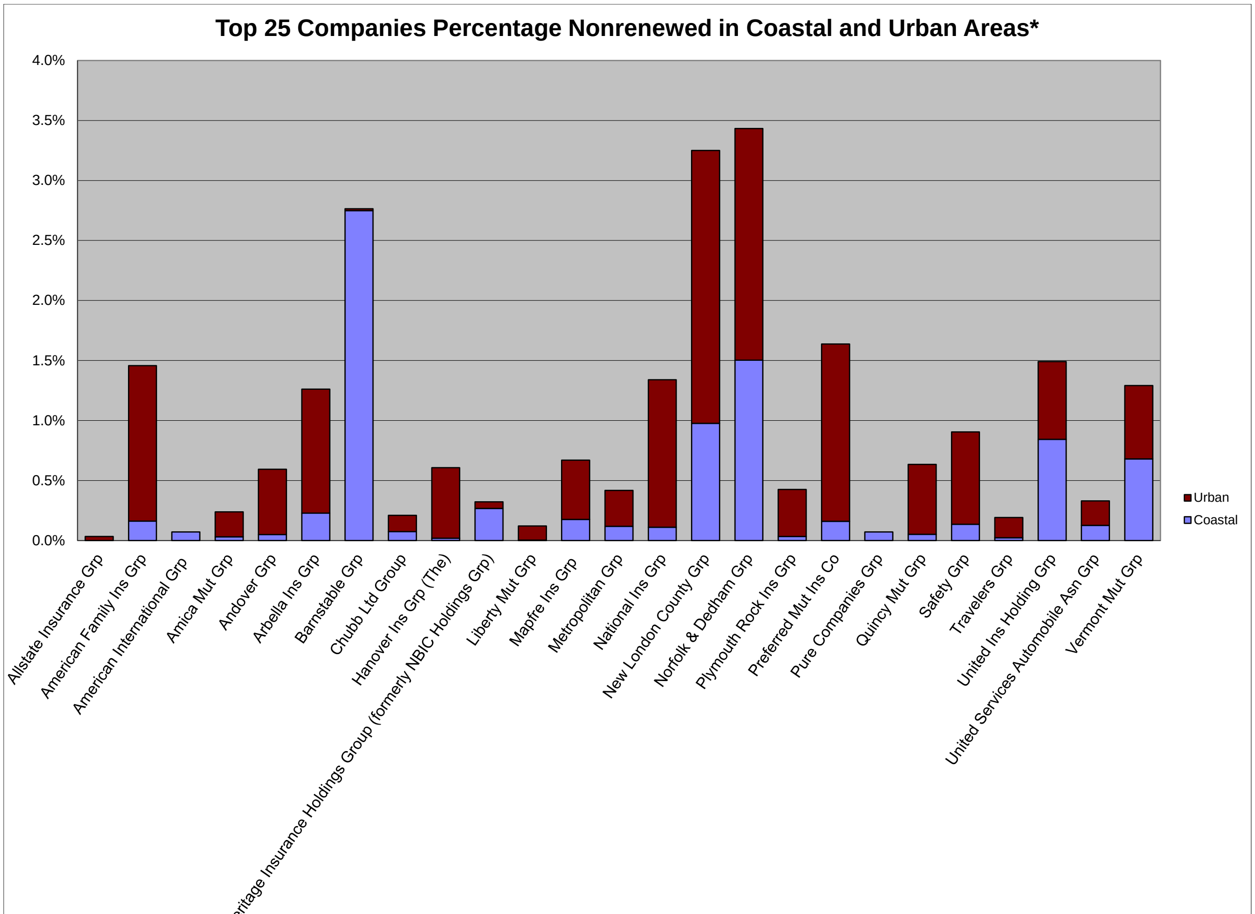


Figure 27B

[36] The top 25 insurers, primarily insurer groups that were writing homeowners insurance in Massachusetts in 2018 based on written premium data from the National Association of Insurance Commissioner's database for homeowners multiple peril, are listed within footnote 12. Some of these insurer groups are better known by the names of their individual insurance companies.
[37] The designated zip codes are identified in Exhibit 8A of the Statistical Supplement to this report.
[38] Statutory cancellation and nonrenewal provisions can be found in M.G.L. c. 175, §§ 4C, 99 and 193P. Detailed information identifying the number of cancellations and nonrenewals by zip code for each of the noted companies is included within the Statistical Supplement to this report.

For purposes of this report, policy nonrenewal refers to the insurance company not offering to renew a policy when it expires. The top 25 companies and the FAIR Plan report that there were a total of 5,140 policies nonrenewed in the urban and coastal designated zip codes in 2018, with 3,082 policies nonrenewed among the top 25 companies and 2,058 nonrenewed FAIR Plan policies. Of the total number of nonrenewals, 3,219 policies were nonrenewed in urban areas and 1,921 policies were nonrenewed in coastal areas.

When examining the information submitted on a company-by-company basis, as illustrated in Figure 28, four companies – Barnstable Group, New London County Group, Norfolk & Dedham Group and Preferred Mutual Insurance Company– had the highest numbers of nonrenewals in 2018.



*The number of nonrenewals percentage is relative to the number of in-force policies each insurer has in designated zip codes . "Nonrenewals consist of both "Total Nonrenewals" and "Insurer initiated Nonrenewals due to Company's Geographic Withdrawal".

Figure 28

Cancellations for Urban/Coastal Areas

In examining cancellations in urban and coastal areas, the Division asked companies to report whether cancellations were policyholder-initiated or insurer-initiated, and if insurer-initiated, whether they were made in the first 60 days (when an insurer may do so without reason) or were due to nonpayment or for other permitted reasons after the first 60 days of a policy. The Division requested information regarding the number of cancellations specifically associated with geographic concerns, as opposed to those undertaken for any other reasons.

The top 25 companies and the FAIR Plan reported:

- 83,657 cancellations during 2018.
    - 58,375 were initiated by the policyholder; and
    - 25,282 were initiated by the insurer, of which:
        - 2,037 initiated by the insurer in the first 60 days,
        - 19,036 cancelled due to nonpayment, and
        - 4,209 cancelled for other reasons permitted by law.

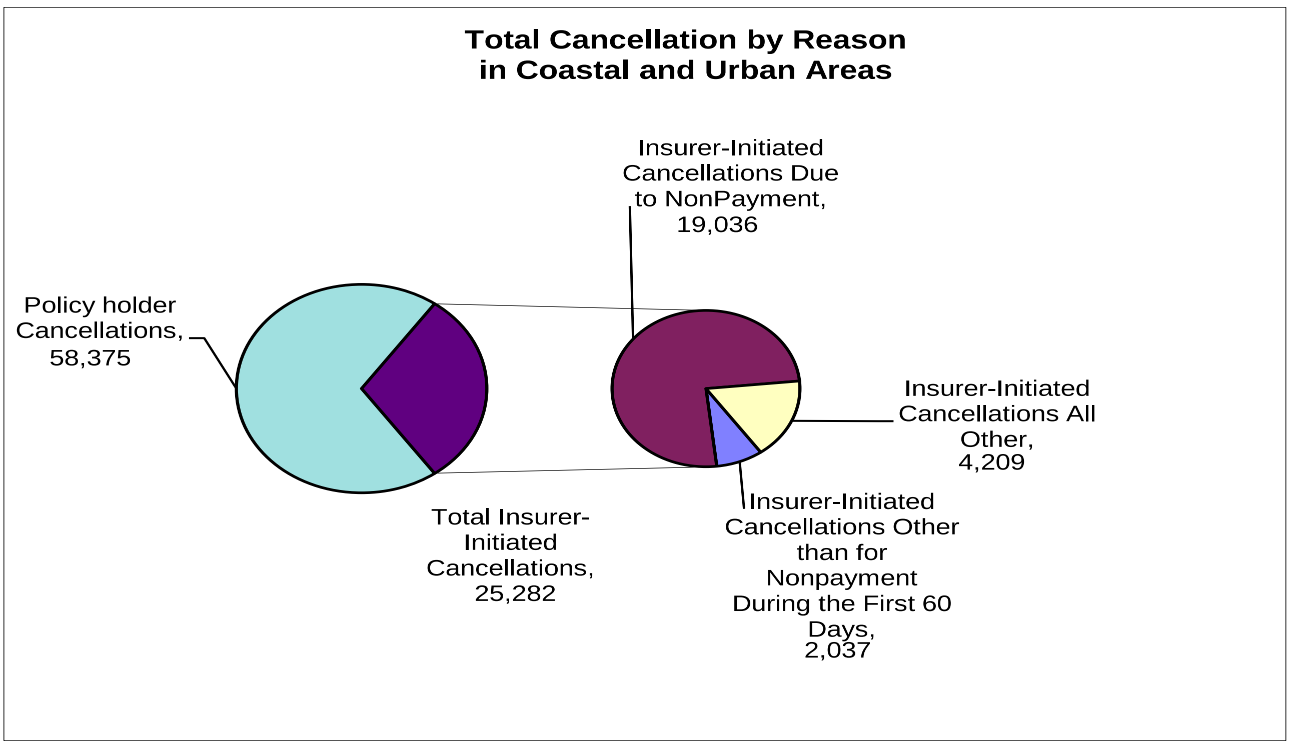


Figure 29

From an examination of those policies that were in urban areas:

- 58,448 cancellations occurred during 2018.
    - 39,084 were initiated by the policyholder; and
    - 19,364 were initiated by the insurer, of which:
        - 1,481 initiated in the first 60 days,
        - 14,569 cancelled due to nonpayment, and
        - 3,314 cancelled for other reasons permitted by law.

From an examination of those policies that were in coastal areas:

- 25,209 cancellations occurred during 2018.
    - 19,291 were initiated by the policyholder; and
    - 5,918 were initiated by the insurer, of which:
        - 556 initiated in the first 60 days,
        - 4,467 cancelled due to nonpayment, and
        - 895 cancelled for other reasons permitted by law.

Home insurance products are term products, almost always written with a one-year policy period. At the end of the one-year period, insurance companies and insureds must decide whether to continue the coverage for another policy period or to nonrenew the policy. There are no Massachusetts statutes that limit the reasons for the nonrenewal of coverage by an insurer, but an insurer must provide the policyholder or policyholder's insurance producer with at least 45 days advance notice.

The Division requested that companies not report data where a renewal offer was made and the policyholder did not accept the offer, instances where the policyholder requested that the policy not be renewed, and any nonrenewals connected to an insurance agency that did not produce business for the company during the years 2016, 2017, and 2018. The Division requested that companies distinguish nonrenewals of particular policies from nonrenewals that were made based on (a) the risk of natural perils (*i.e.,* windstorm, hurricane) that are usually covered under the standard homeowner's policy and (b) all other reasons.

The top 25 companies reported that there were a total of 3,082 insurer-initiated policies nonrenewed in the urban and coastal designated zip codes in 2018,[39] with 102 of the nonrenewals resulting from insurer withdrawal from certain geographic areas. This compares with a total of 4,860 policies insurer-initiated nonrenewed in urban and coastal designated zip codes in 2017, with none nonrenewed due to insurers withdrawing from certain geographic areas. Of the reported 3,082 nonrenewals in 2018, there were 1,174 nonrenewals in those zip codes identified as coastal areas and 1,908 nonrenewals in those zip codes identified as urban areas. Of the 102 nonrenewals resulting from insurers withdrawing from a geographic area, 27 were in zip codes identified as urban areas and 75 were in coastal identified zip codes.

[39] The designated zip codes are identified in Exhibit 8A of the Statistical Supplement to this report.

In addition to the top 25 company nonrenewals, the FAIR Plan did not renew 2,058 policies according to what is permitted within its Plan of Operations, including properties whose value exceeds the FAIR Plan's $1,000,000 cap.

Claims History of Policyholders Renewed and Nonrenewed in Urban/Coastal Areas in 2018

In the 2018 survey, the Division asked the top 25 home insurance companies to separately report the claims history of policies that were renewed or nonrenewed.[40]

In 2018, of the reported 367,517 urban or coastal policies renewed by the top 25 home insurance companies, there were an estimated 25,023 claims filed during the reporting period, an average of 68 claims filed per 1,000 policies renewed in 2018. The companies reported having paid $316,912,673 in claims during the reporting period for those renewed in 2018, with an average claim size of $9,453. By comparison, in 2017, of the reported 369,793 policies renewed by the top 25 home insurance companies, there were an estimated 34,250 claims filed during the reporting period, or an average of 93 claims filed per 1,000 policies renewed. The companies reported having paid $377,720,761 in claims during the period for those renewed, with an average size of $9,591.

When comparing urban and coastal renewed policies, there were 79 claims filed per 1,000 coastal policies, as compared to 63 claims filed per 1,000 urban policies. The average claim size for renewal policies was $11,508 per claim for coastal policies, as compared to $8,109 per claim for urban policies.

Of the reported 2,980 policies nonrenewed by the top 25 insurance companies, there were a total of 1,055 claims filed in 2018, or an average of 354 claims filed per 1,000 nonrenewed policies. The companies reported having paid $22,895,249 in claims during the reporting period, with an average claim size of $21,702.

When comparing urban and coastal nonrenewed policies, there were 367 claims filed per 1,000 coastal policies, as compared to 347 claims filed per 1,000 urban policies. The average claim size for nonrenewed policies was $25,896 per claim for coastal policies, as compared to $19,109 per claim for urban policies.

Summary of Cancellation/Nonrenewals in Urban/Coastal Areas

While the results are not identical, it is apparent from survey data that insureds who have been nonrenewed have on average filed more claims and more expensive claims during the experience period. Nevertheless, a significant number of insureds whose policies were renewed also filed claims. In 2017, approximately 39,000 of those whose coverage was renewed did file claims sometime in the prior three years and companies made payments of $377,720,761 on these claims.

[40] In collecting the claims history for those policies renewed in 2018, the Division requested in its survey that the company report the number of claims reported and dollar value of claims paid during each of 2016, 2017 and 2018. Similarly, in collecting the claims history for those policies nonrenewed in 2018, the Division requested that the company report the number of claims reported and dollar of claims paid during each of 2016, 2017 and 2018.

In 2018, approximately 36,000 of those whose coverage was renewed did file claims sometime in the prior three years and companies made payments of $316,912,673 on these claims.

In urban areas, 96.9% of those policyholders with claims who sought to renew were renewed by their insurers. Similarly, 97.1% of those policyholders with claims in coastal areas who sought to renew were renewed by their insurance companies.[41] See Figures 30A and 30B.

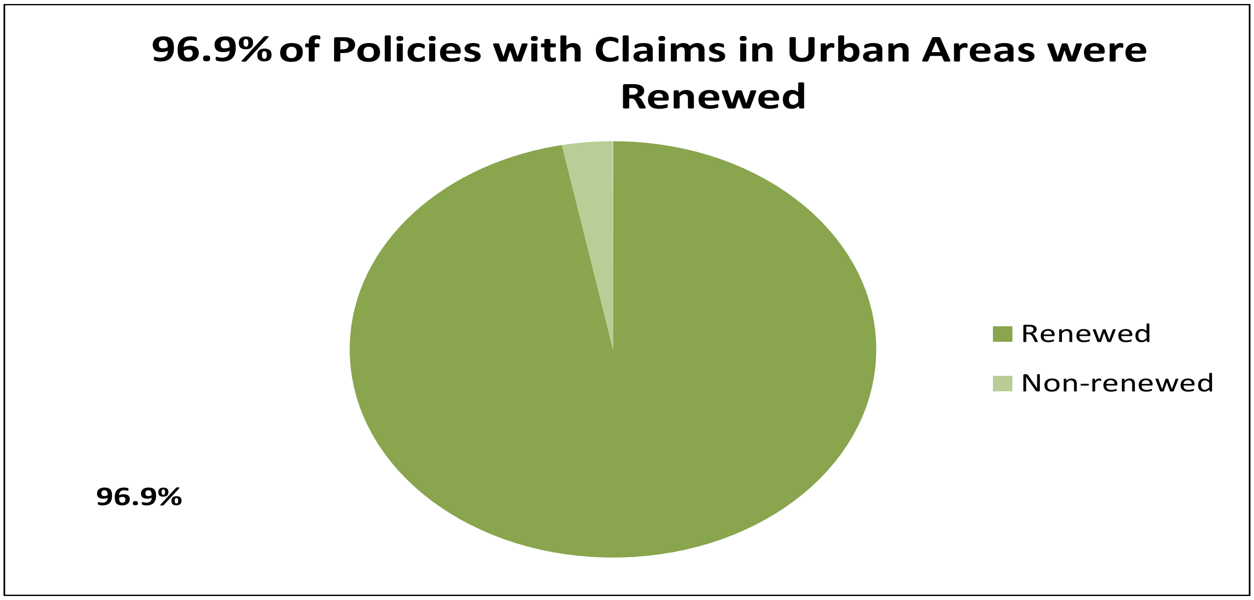


Figure 30A

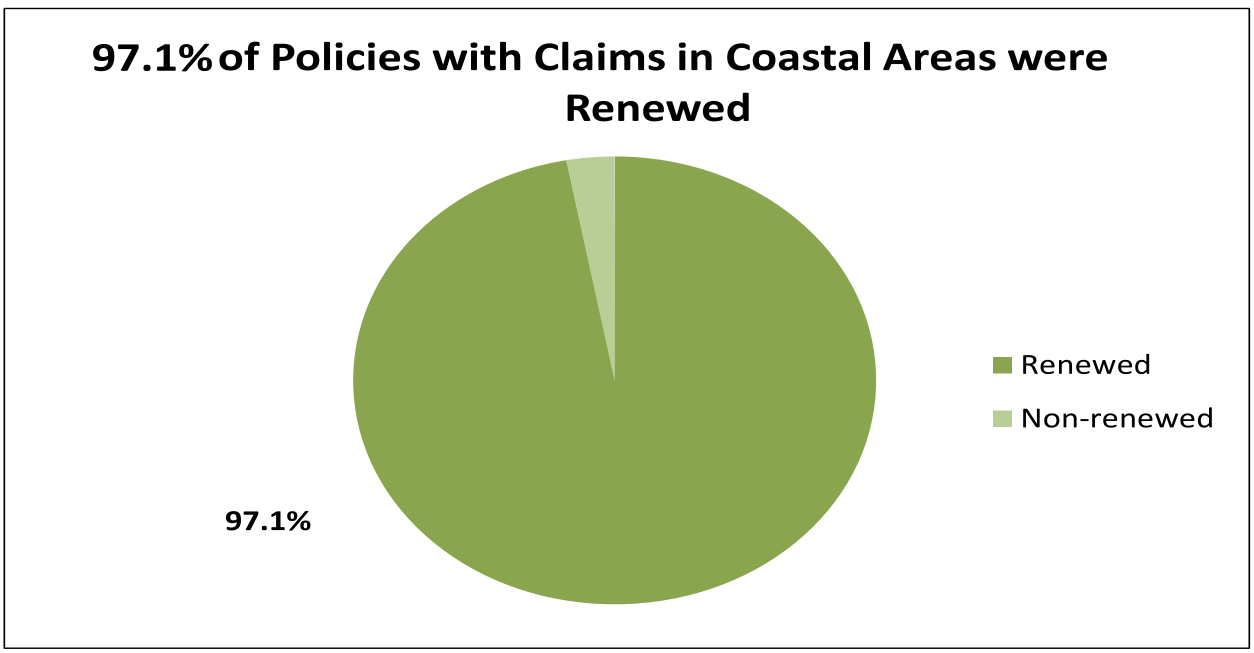


Figure 30B

[41] Based on the assumption that there was only one claim per policyholder.