Massachusetts Division of Insurance
Annual Home Insurance Report
For Calendar Year 2021

Gary D. Anderson
Commissioner of Insurance

Introduction

The Division of Insurance ("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 2019, 2020 and 2021 data sorted according to Massachusetts zip codes and Insurance Services Office, Inc. ("ISO") territories.

This report was prepared by the State Rating Bureau staff of the Division of Insurance (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.

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 10. 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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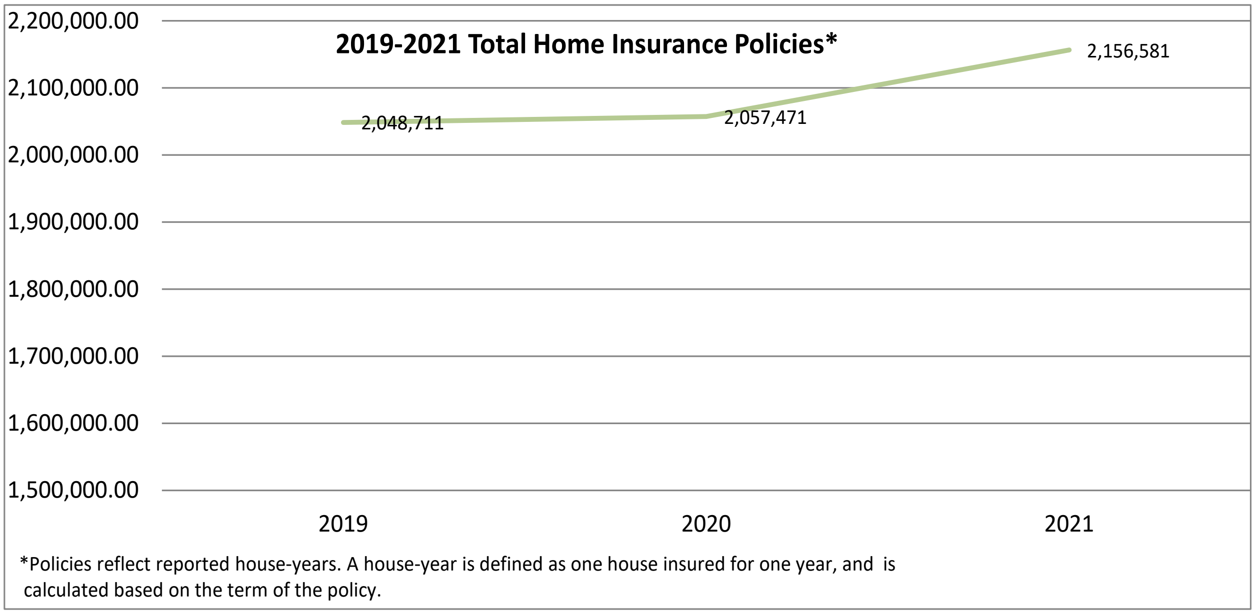
Executive Summary

Among the material presented in this report:

- The total number of home insurance policies issued in Massachusetts increased by 99,109 between 2020 and 2021. Owners' home insurance policies increased by 51,987, and tenant and condominium policies increased by 36,259.



- Total enrollment in the FAIR Plan[1] decreased by 6,307 policies in 2021, with the FAIR Plan writing 8.8% of 2021 home insurance premium.
- For the Cape and Islands market, the FAIR Plan accounted for 33.2% of all policies.

There were six events that were classified as loss catastrophes[2] in 2021, which resulted in estimated property losses in Massachusetts of approximately $368.5 million. The estimated property losses consisted primarily of flood, hail, tornado, wind, thunderstorm and tropical storm events.

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

[2] 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.

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. 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.[3] In 2021, insurance companies collected approximately $2.8 billion, as noted in the chart below, 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.

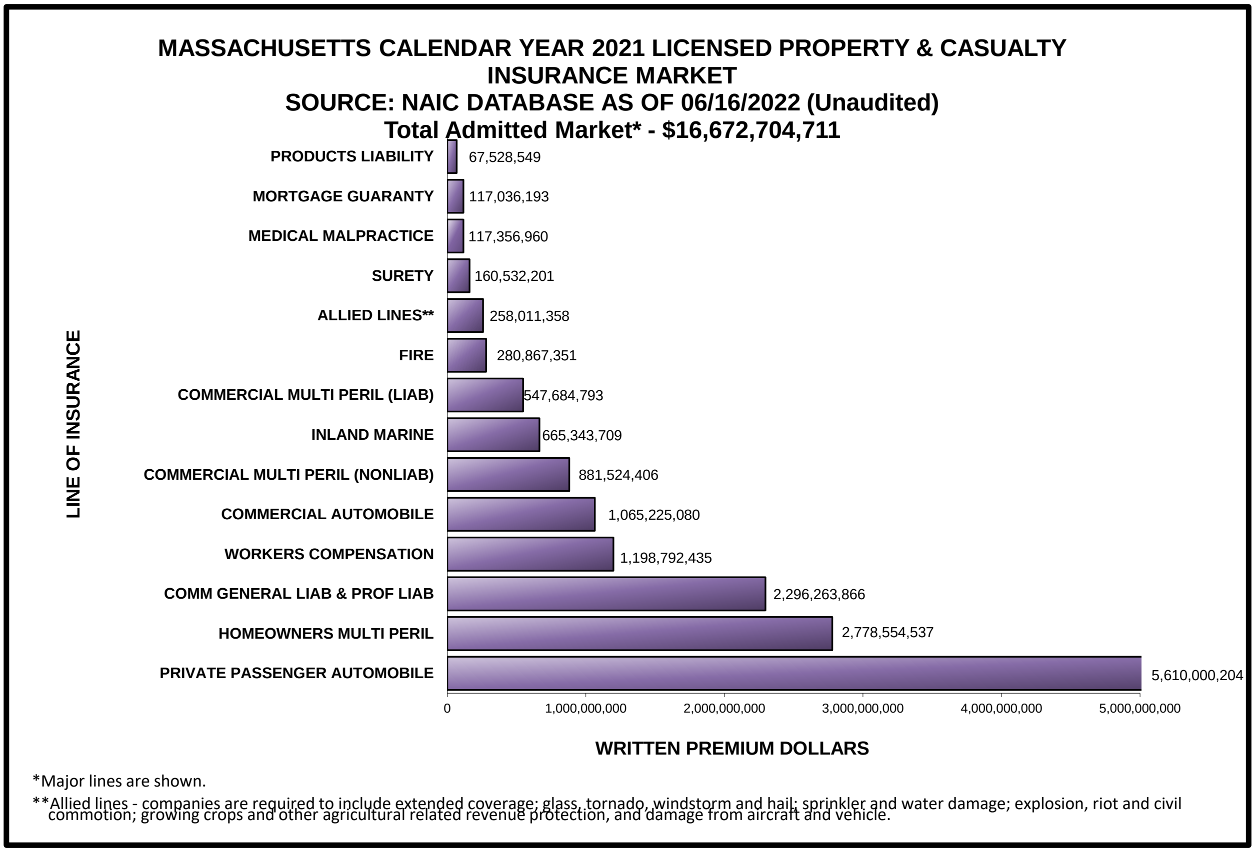


Figure 1 (below) shows the total number of households covered under the three major types of home insurance (condominium, traditional homeowners and rental insurance) in the past three

[3] 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. Also, while not required by law, rental insurance may be required through a lease agreement and condominium insurance might be required through a Homeowners Association (HOA).

years as calculated by "written house-years," which is a measure equivalent to average number of homes insured.

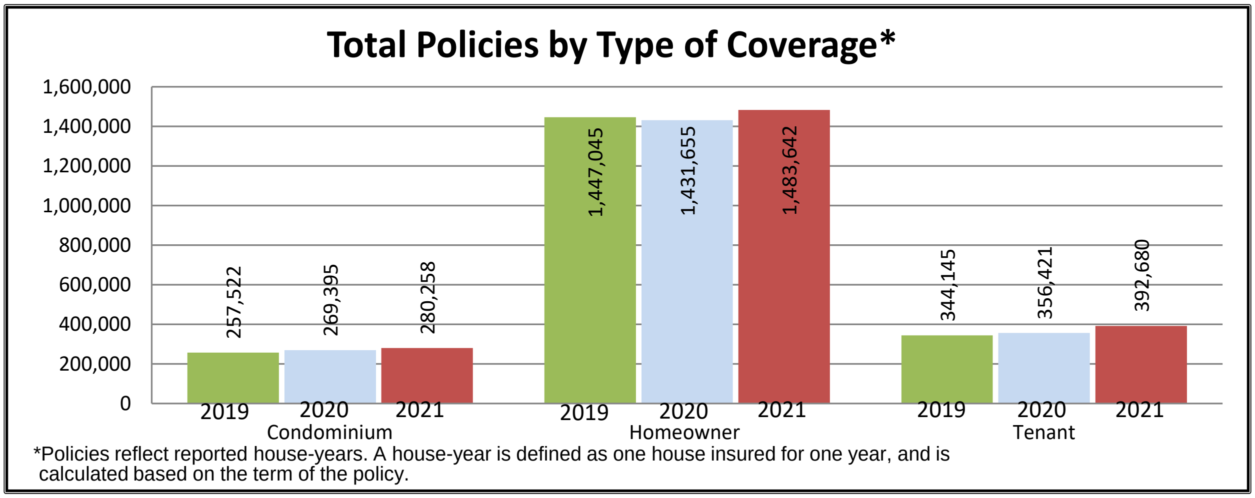


Figure 1

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.[4] There were 90 individual licensed insurance companies actively writing home insurance in Massachusetts in 2021.[5]

The FAIR Plan

The FAIR Plan was a residual market mechanism originally created in 1968.[6] The FAIR Plan was substantially restructured in 1976 and again in 1996 and is currently known as the Massachusetts Property Insurance and Underwriting Association ("MPIUA"). Due to continuity of mission, membership, and operations, the terms MPIUA and FAIR Plan are often used interchangeably. By statute, the FAIR Plan is required to offer coverage to homes with a replacement cost of up to $1 million.[7] If an owner cannot obtain a policy from an admitted insurance company and the

[4] See M.G.L. c. 175, §§ 4C and 99.

[5] A list of companies offering homeowners insurance by region in Massachusetts is on the Division's website at https://www.mass.gov/home-insurance. The companies are listed only if they have written ten or more HO-3 or similar type policies in a county between July 1, 2021 and December 31, 2021.

[6] See Acts 1968, c. 731. (Similar plans for "Fair Access to Insurance Requirements" -- FAIR -- were established in other jurisdictions during the same period pursuant to the federal Urban Property Protection and Reinsurance Act of 1968. See P.L. 90-448).

[7] 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.

home's value is beyond what the FAIR Plan will cover, an owner can seek coverage in the surplus lines market.[8]

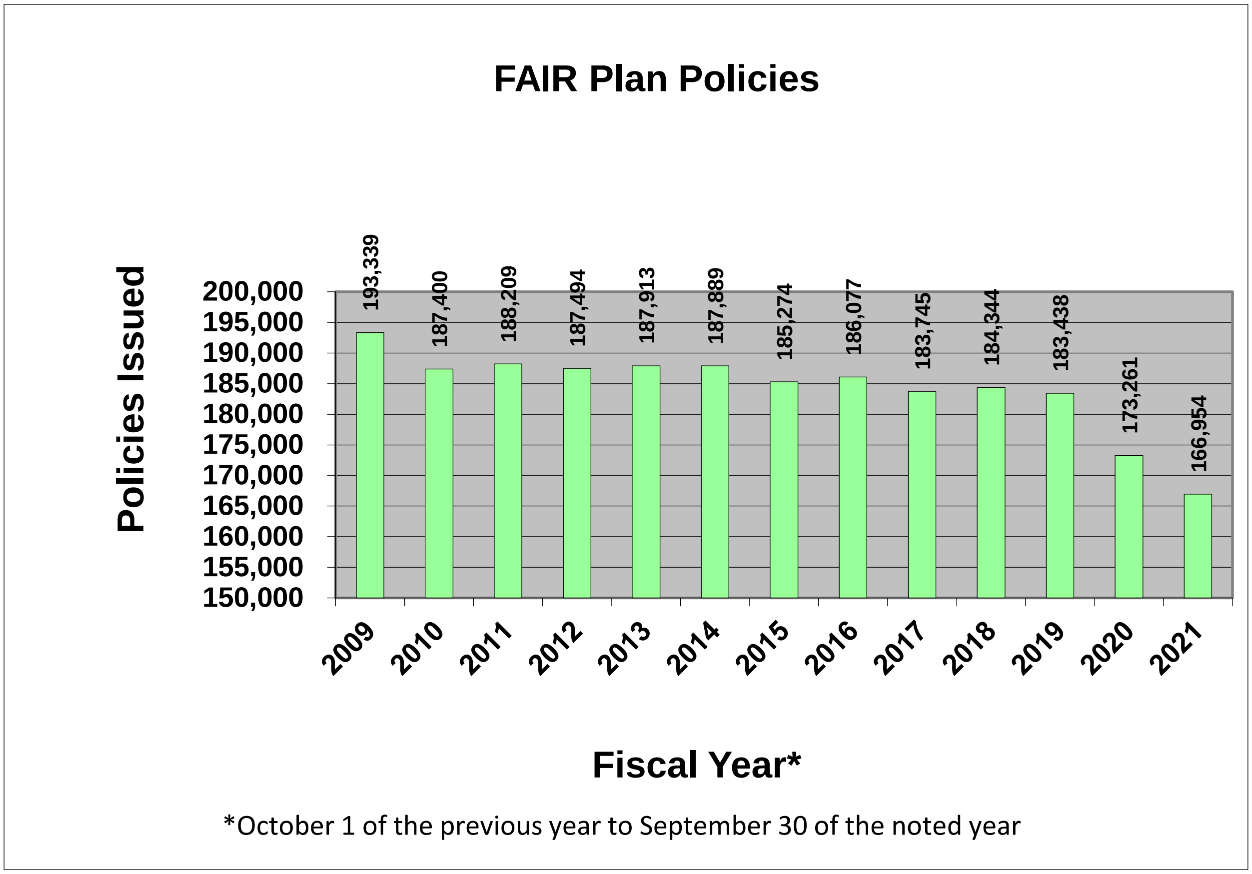


Figure 2

The FAIR Plan's business, as reported by the FAIR Plan and which comprises owner, condominium, and tenant policies, decreased by 6,307 policies issued between fiscal years 2020 and 2021.[9]

As noted in Figure 3 (below), the FAIR Plan accounted for 8.8% of written premium in 2021. Its market share peaked at 16.1% in 2007.[10]

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[8] 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.

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

[10] FAIR Plan market share is based upon FAIR Plan and total market written premium.

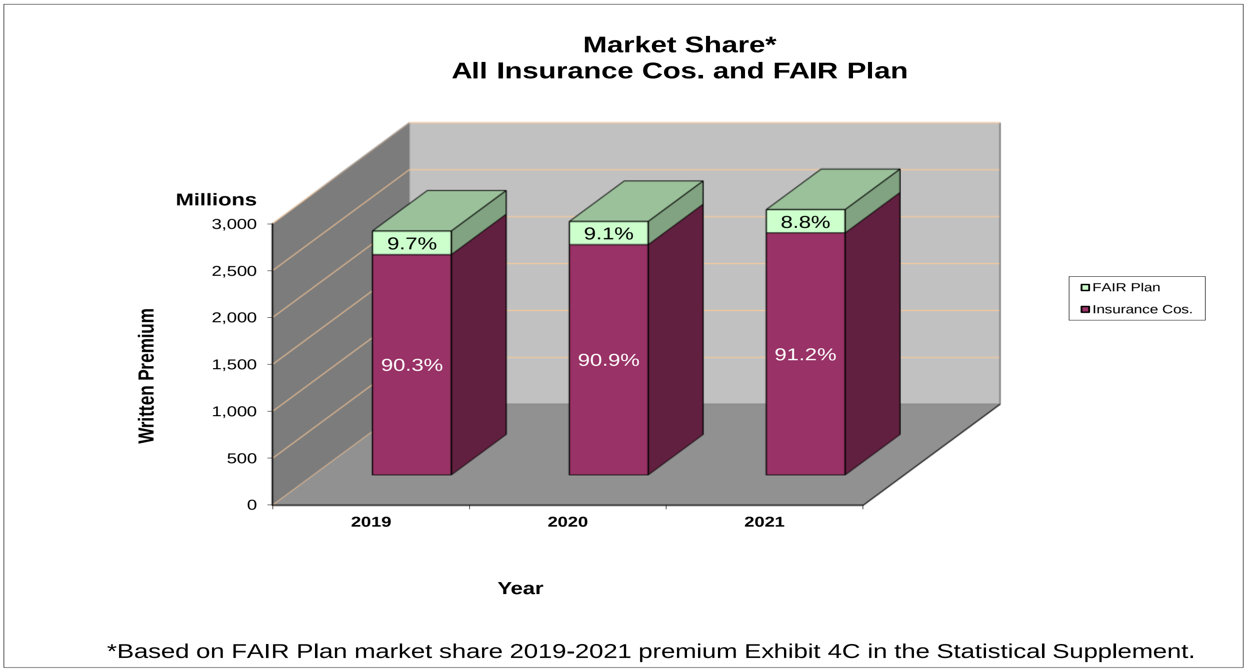


Figure 3

In 2021, the FAIR Plan's market share (Figure 4), at 8.8% of total premium written, is slightly less than the 11.3% market share of the largest commercial carrier, the Mapfre Insurance Group.

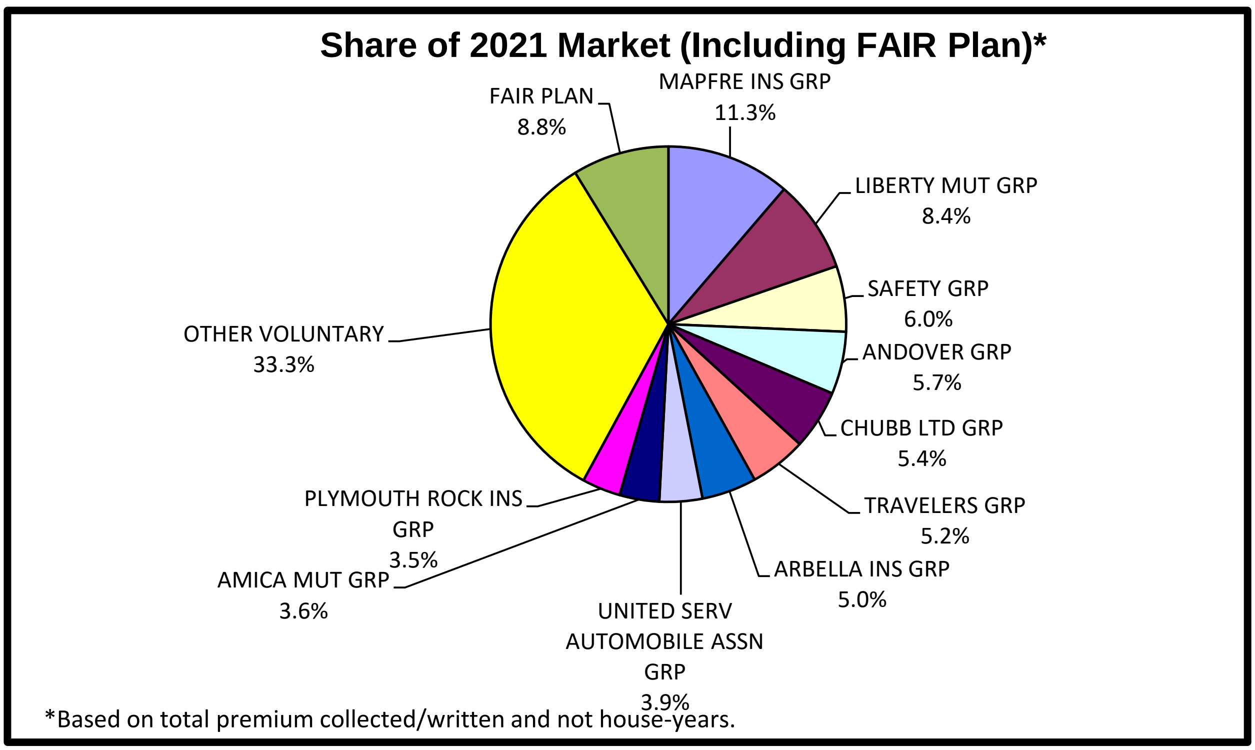
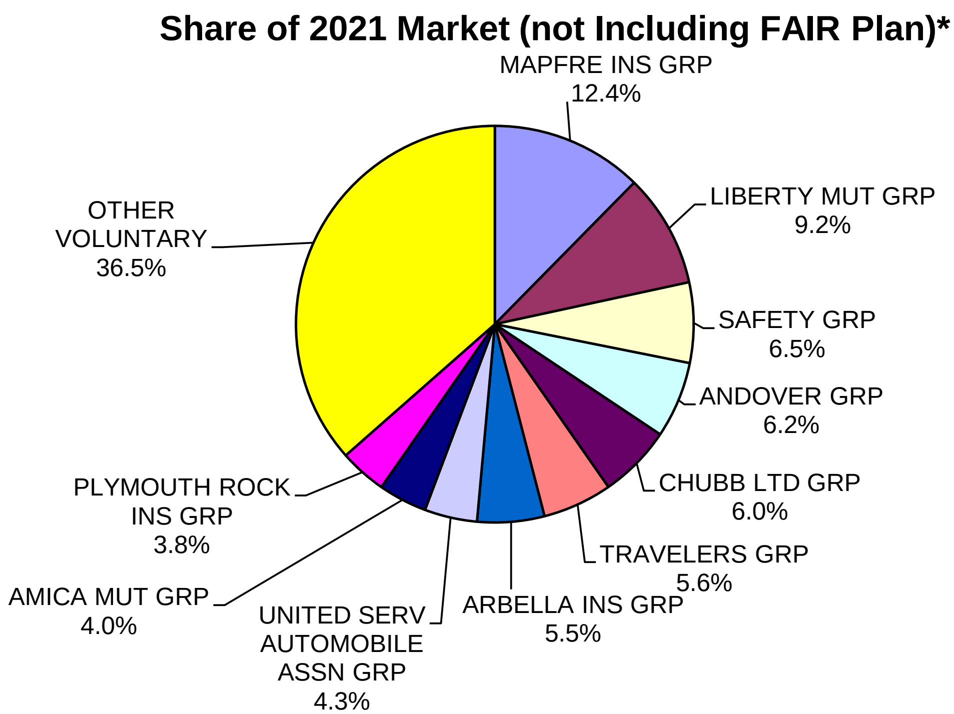


Figure 4

Relative Shares of the Private Insurance Market

As shown in Figure 5, which excludes the FAIR Plan, the top 10 insurance companies account for 63.5% of coverage written by the private insurance companies in the market.



*Based on total premium collected/written and not house-years.

Figure 5

A majority of coverage in Massachusetts is provided by local carriers, regional carriers or national carriers that are 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 2021 voluntary (i.e., non-FAIR Plan) market with 12.4% of the home insurance premium written. Each of the next nine largest insurance groups had between 3.8% and 9.2% of the voluntary market. If the analysis is extended to the 25 insurance companies with the largest Massachusetts home insurance market share,[11] the top 25 insurers are responsible for 92.1% of the non-FAIR-Plan insurance market. Each of the remaining 45 writing company groups out of the 70 in total accounts for less than 1.0% of the non-FAIR-Plan market.[12]

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 2020 and 2021 by 99,109 or 4.82%.

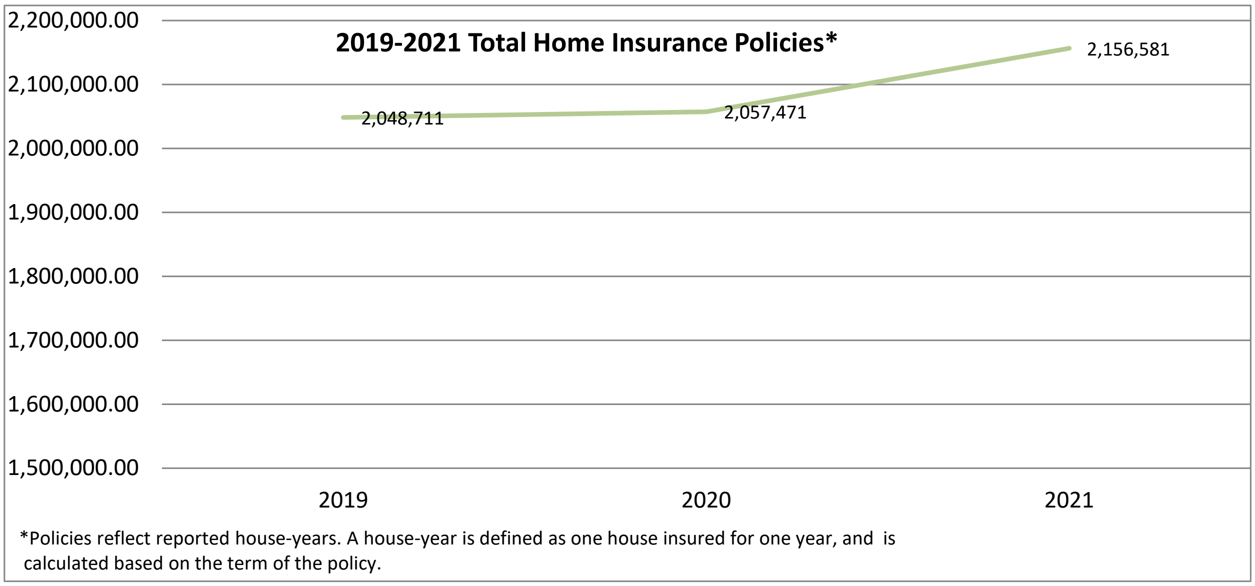


Figure 6

[11] The top 25 Massachusetts home insurers based upon overall direct written premiums for calendar year 2021 are:

Allstate Insurance Group	Norfolk & Dedham Group
American Family Insurance Group	Plymouth Rock Insurance Group
American International Insurance Group	Preferred Mutual Insurance Company
Amica Mutual Group	Progressive Group
Andover Group	Quincy Mutual Group
Arbella Insurance Group	Safety Group
Barnstable Group	Tokio Marine Holdings Inc Group
Chubb Ltd Group	Travelers Group
Farmers Insurance Group	United Insurance Holding Group
(The) Hanover Insurance Group	United Services Automobile Association Group
Heritage Insurance Holdings Group (formerly NBIC Holdings Group)	Universal Insurance Holding Group
Liberty Mutual Group	Vermont Mutual Group
Mapfre Insurance Group	

[12] Based on the National Association of Insurance Commissioners' 2021 data on home insurance multiple peril direct written premium by company group. Company groups often have more than one licensed insurer writing home insurance.

Coverage by Geography

Comparing coverage totals by county,[13] as in Figure 7, Middlesex County, which had the largest population,[14] also had the highest number of home insurance policies in force: 484,819. After Middlesex County, the next three largest counties for home insurance are Worcester (260,051), Essex (241,290) and Norfolk (227,671).

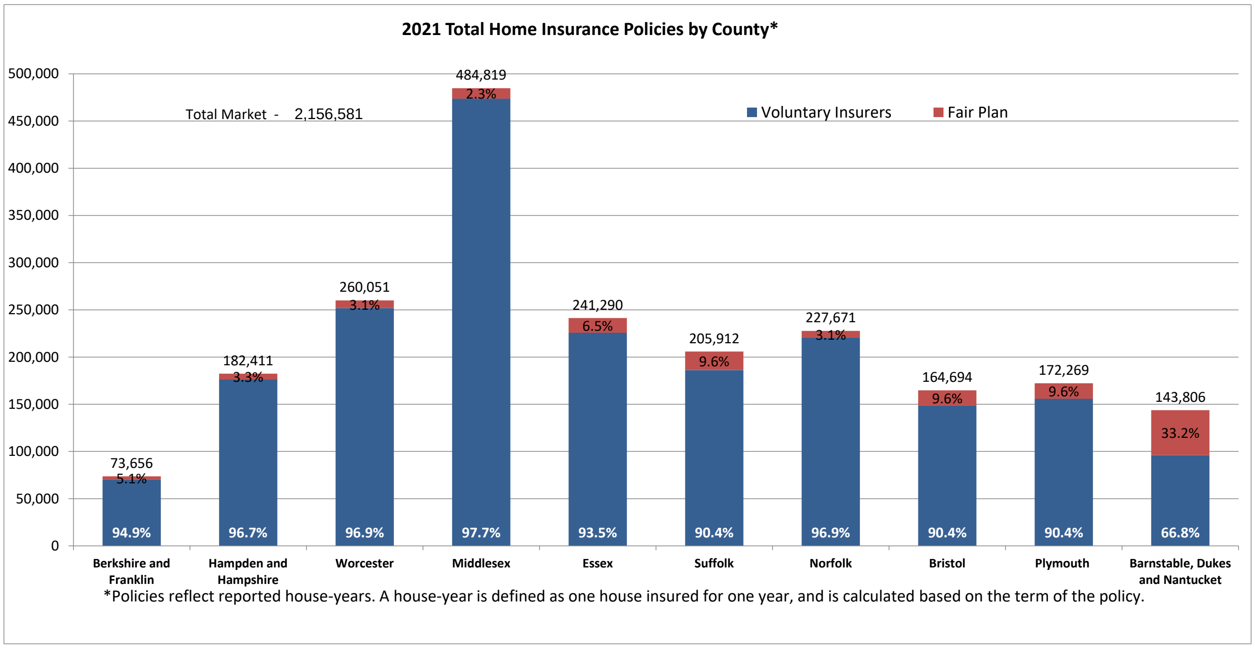


Figure 7

The proportion of FAIR Plan policies written by area varies greatly. While the FAIR Plan wrote 33.2% of the home insurance for the Cape and Islands (comprising Barnstable, Dukes and Nantucket counties) and 9.6% of the home insurance in Suffolk County, it wrote 9.6% or less of the policies in each of the other counties in the state (see Figure 7).

[13] 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.

[14] Source: Annual Estimates of the Resident Population for Counties of Massachusetts: April 1, 2020 to July 1, 2021, Population Division, U.S. Census Bureau.

Also, between 2020 and 2021, the number of home insurance policies remained fairly consistent in most counties (see Figure 8).

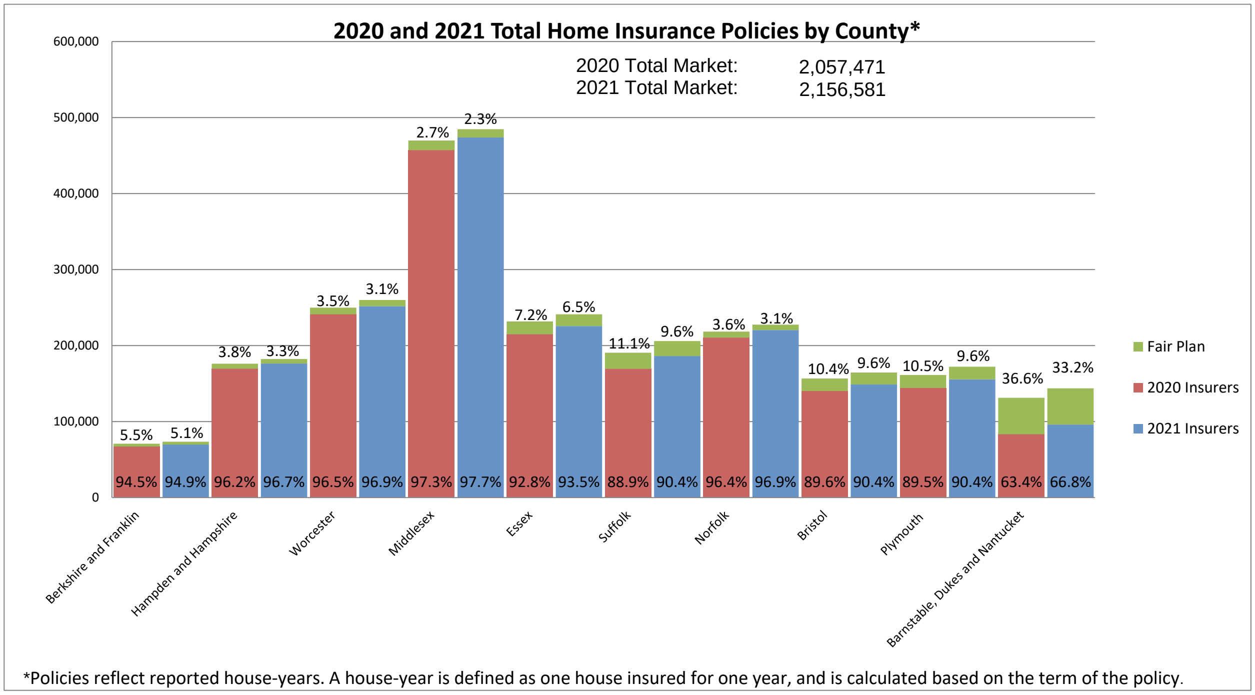


Figure 8

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.[15] 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.[16] The Division requires that insurers provide consumers with clear disclosures of the deductibles before they purchase coverage.

[15] A wind deductible is a deductible that applies only to losses caused by wind.
[16] 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.

According to information submitted to the Division from the FAIR Plan and the top 25 companies in the market, all but six companies reported that they have mandatory wind deductibles that are part of the coverage they offer in the market, with deductibles as high as 5% of the coverage for the main structure.[17] 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, 36.3% had a mandatory wind deductible applicable to their coverage in 2021. In coastal areas, 56.7% had a mandatory wind deductible. In urban areas, 24.2% had a mandatory wind deductible.

Flood Exclusions

In the United States, home insurance policies have not traditionally covered damage associated with floods.[18] 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")[19] 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 9, FEMA reports that 52,358 policyholders in Massachusetts had flood insurance in 2021, which is a decrease of 7.7% from the 56,707 reported for 2020. The number of policies also dropped by 2,004 between 2019 and 2020.

[17] Additional detailed information is included in the Statistical Supplement to this report.
[18] Automobile insurance policies cover flood damage to a motor vehicle under optional comprehensive coverage.
[19] 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	2021 Total Policies	2020 Total Policies	Total Premium	Total Coverage
Berkshire & Franklin	0	372	356	728	791	$1,014,153	$180,583,300
Hampden & Hampshire	0	538	657	1,195	1,291	$1,724,074	$321,361,500
Worcester	0	555	647	1,202	1,407	$1,946,916	$330,939,000
Middlesex	0	1,310	4,645	5,955	6,583	$5,712,114	$1,507,107,500
Essex	142	2,427	5,502	8,071	8,679	$10,790,889	$2,231,310,600
Suffolk	11	1,514	6,299	7,824	8,500	$7,724,742	$2,121,314,500
Norfolk	8	1,646	3,613	5,267	5,593	$5,294,858	$1,417,514,600
Bristol	128	1,235	1,749	3,112	3,375	$4,228,729	$824,495,900
Plymouth	287	4,288	3,394	7,969	8,607	$11,666,438	$2,114,929,500
Barnstable, Dukes & Nantucket	267	3,290	7,478	11,035	11,881	$16,245,329	$3,161,262,900
State Total :	**843**	**17,175**	**34,340**	**52,358**	**56,707**	**$66,348,242**	**$14,210,819,300**

Figure 9

*Data is based on information received from the Federal Emergency Management Agency as 5/18/2021 for 2020 policies and as of 5/24/2022 for 2021 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 May 2020 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.[20]

Although the Division issued Bulletin 2006-05 to encourage 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 compared to other states for 2021. In Barnstable County, with 8.4% NFIP coverage, there is a continuing decline in participation from a high of 10.3% in 2015. (See Figure 10).

[20] Massachusetts population ranking is based on estimates as of July 1, 2021. The 2021 U.S. Census Bureau statistics, available at https://www.census.gov/data/tables/time-series/demo/popest/2020s-state-total.html#par_textimage_1574439295

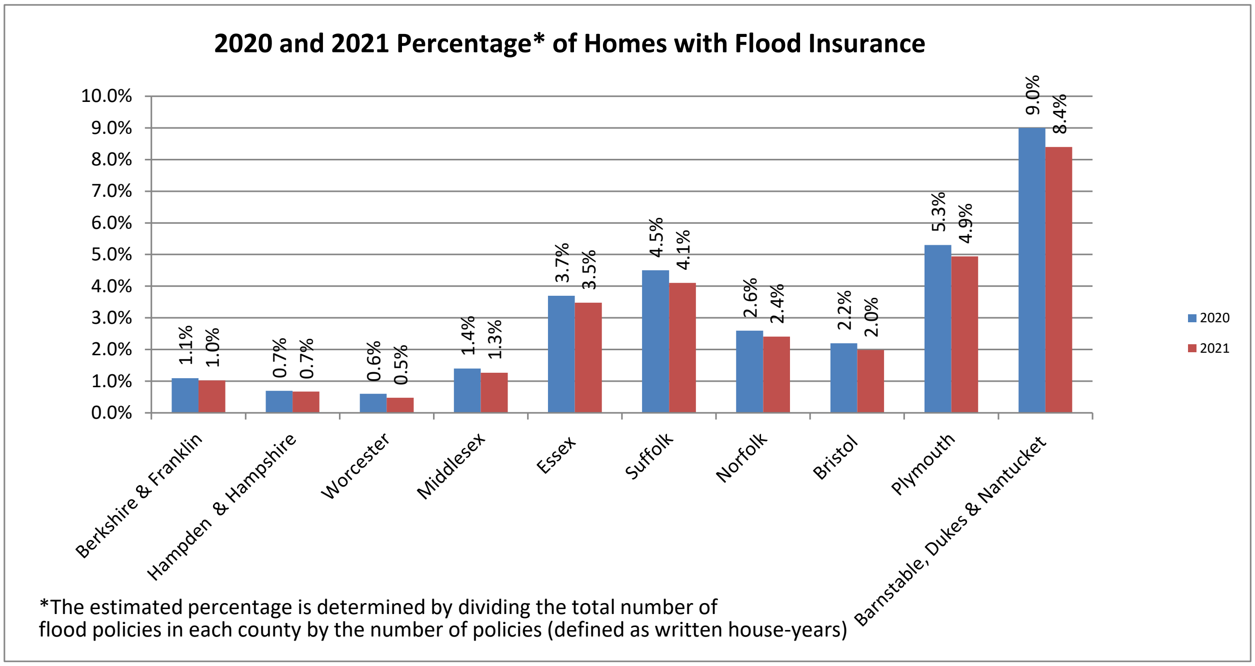


Figure 10

Since the 1970s, rates have been predominantly based on relatively static measurements, emphasizing a property's elevation within a zone on a Flood Insurance Rate Map (FIRM).

This approach did not incorporate as many flooding variables as Risk Rating 2.0. Risk Rating 2.0 is the new methodology used by FEMA and essentially places homes in market "baskets". The baskets will contain single-family homes with similar property and policy coverage characteristics for that region. Rating will begin to resemble how risk is assessed for other types of insurance. One of the goals of risk rating 2.0 is to deliver rates that are actuarially sound, equitable, easier to understand and better reflect a property's flood risk.

FEMA is building on years of investment in flood hazard information by incorporating private sector data sets, catastrophe models and evolving actuarial science. With Risk Rating 2.0, FEMA now has the capability and tools to address rating disparities by incorporating more flood risk variables. These include flood frequency, multiple flood types—river overflow, storm surge, coastal erosion and heavy rainfall—and distance to a water source along with property characteristics such as elevation and the cost to rebuild. Risk rating 2.0 became effective October 1, 2021 for new flood policies and April 1, 2022 for renewal flood policies.

Climate Mitigation

Because weather events are increasing in frequency and scale, the National Association of Insurance Commissioners (NAIC) formed the Climate and Resiliency (EX) Task Force to serve as the coordinating body for discussion and engagement on climate-related risk and resiliency issues, including dialogue among state insurance regulators, industry, and other stakeholders. Among the charges of the Task Force is to consider innovative insurer solutions to climate risk and resiliency, including:

- Evaluation of how to apply technology and innovation to the mitigation of storm, wildfire, other climate risks and earthquake.
- Evaluation of insurance product innovation directed at reducing, managing and mitigating climate risk, and closing protection gaps.

In order to better understand Massachusetts' carrier's efforts to address the risks of storms, wildfire and other climate risks, the Division of Insurance called a special examination of the top 25 Massachusetts home insurers and the Massachusetts Fair Plan. The survey asked about credits or discounts offered by each company in calendar year 2021 as well as how policyholders' pre-loss mitigation measures and community-level loss resiliency efforts impacted rates, deductibles and the carrier's capacity to write homeowners insurance in the Commonwealth of Massachusetts.

- Eighteen (18) of the surveyed companies gave premium credits or reduced rates when homeowners took certain carrier-specific loss mitigation measures including homes with hurricane shutters, hurricane-resistant glass, roof/foundation tie-downs, hip-shaped roofs, and back-up power supplies.
  - A few insurers reported premium credits for general mitigation factors, such as construction being compliant with specific building codes, or housing that meets Institute for Building and Home Safety certification requirements.
  - One insurer gives credit for LEED (Leadership in Energy and Environmental Design) certified homes.
- Five (5) of the surveyed companies reduced or eliminated wind deductibles in response to mitigation measures, such as for hurricane shutters, hurricane-resistant glass, reinforced doors, and roof or foundation tie-downs.
- Six (6) of the surveyed insurers reported that they are more likely to increase their capacity to write coverage when policyholders take climate related mitigation measures that reduce the risk of loss in the event of climate-related events.
- Thirteen (13) of the surveyed insurers report the increased availability of actuarially sound data that reports municipal-level or community-level resilience to climate-related causes of loss. The most commonly cited data sources were commercial catastrophe modelers loss simulations and ISO's Building Code Effectiveness Grading (BCEG). Others indicated that there was more data available about the year of construction of housing in a community, which can be compared to the code in effect at the time and data from actual historical catastrophe losses by territory.

Overall, a majority of the surveyed insurers are taking mitigation measures into account when developing rates for home insurance products. By considering the actuarial data, carriers are progressively offering benefits in return for mitigation efforts that are expected to reduce projected losses.

The Division encourages insurance companies to allow consumers to reduce or eliminate deductibles by taking steps to mitigate the potential exposure of their property in the event of a weather event.

Financial Results

Premiums

In 2021, Massachusetts insureds purchased approximately $2.8 billion in home insurance coverages, as measured in premium paid, which is 6.6% more than was reported for 2020. Of the total premium, 92.8% was for traditional homeowners insurance. Between 2020 and 2021, traditional homeowners insurance premiums increased by approximately $161.9 million.

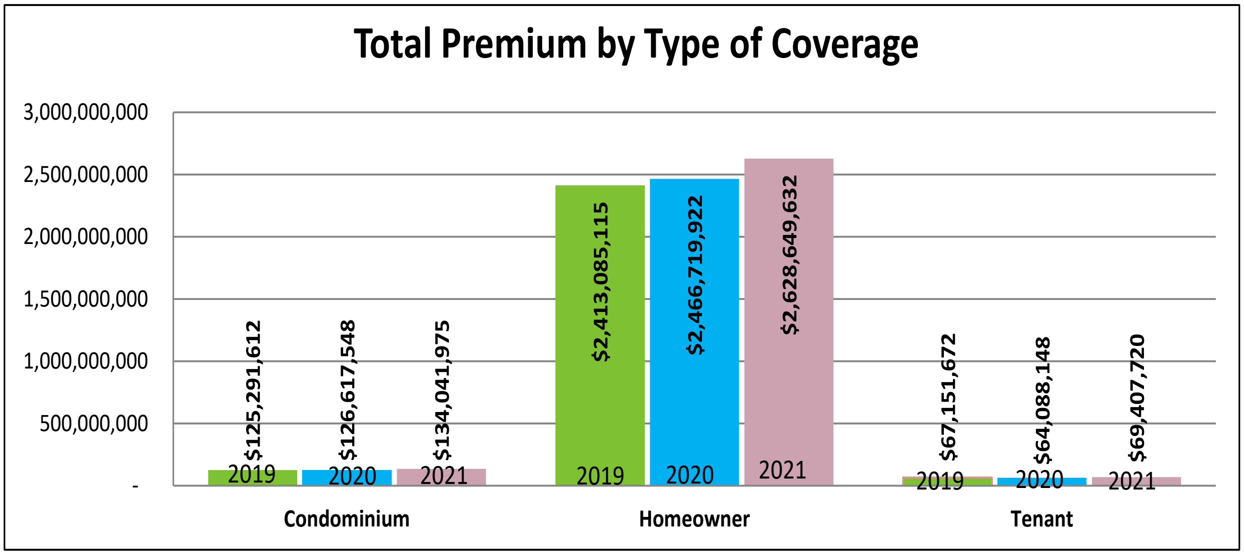


Figure 11

Average premiums increased in 2021 for traditional homeowners and decreased for tenant coverage and condominium coverages.

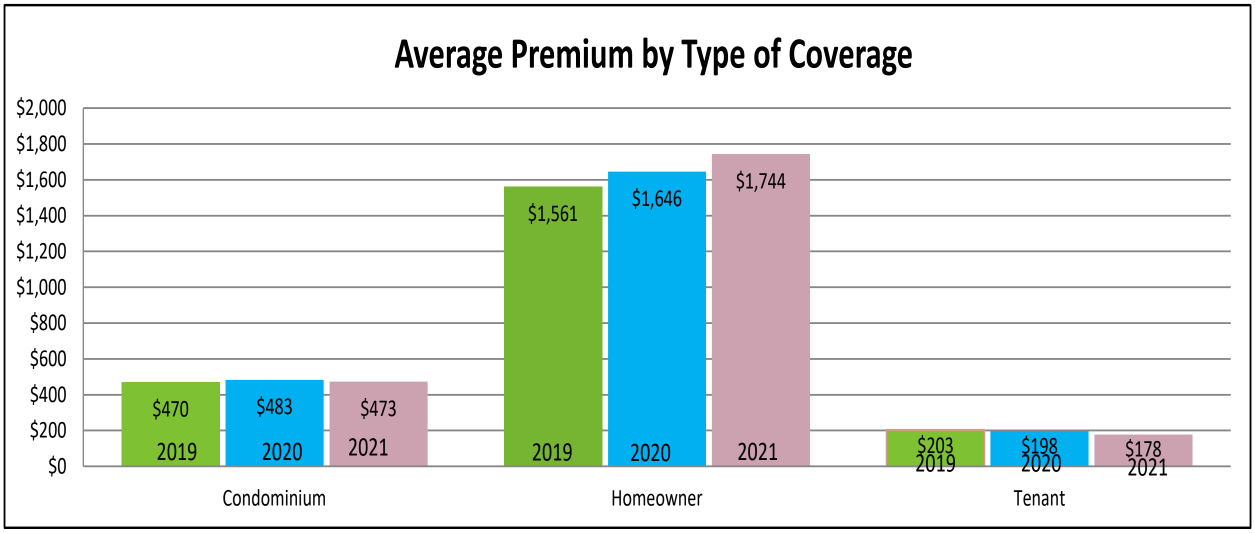


Figure 12

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 2021, insureds filed a total of 67,207 claims with their home insurance companies, 5.0% more than the 66,083 claims filed in 2020. Approximately 86.3% of these claims were filed on traditional homeowners insurance policies. As illustrated in Figure 13, the condominium and tenant coverage types also experienced relatively small changes in the number of reported claims between 2020 and 2021.

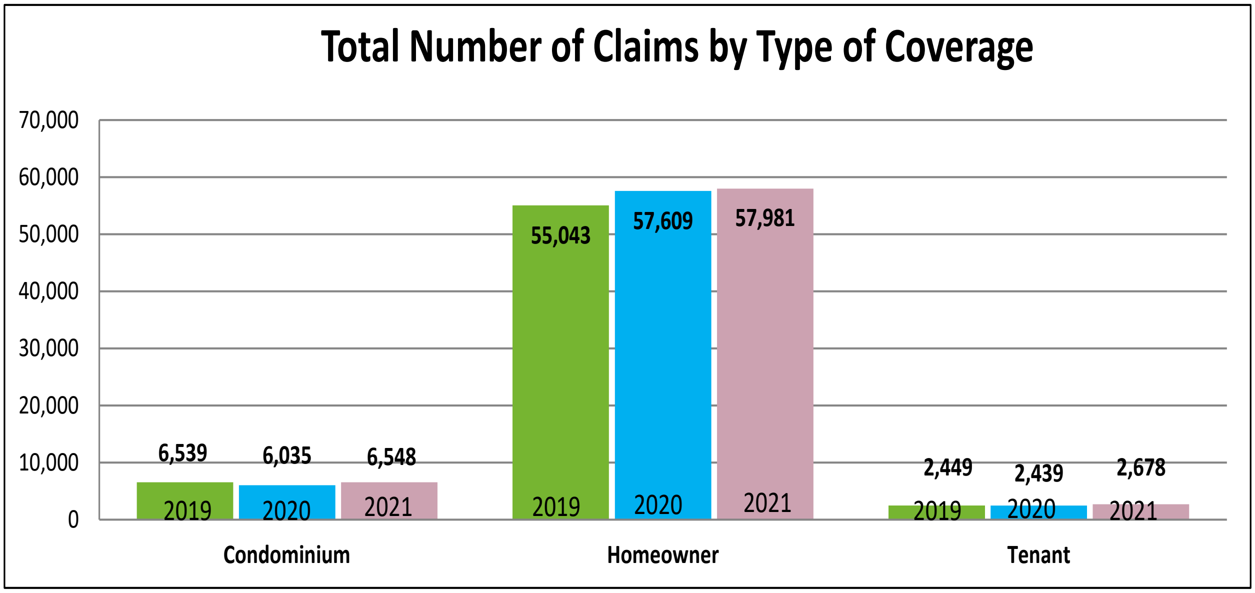


Figure 13

Claim trends tend to fluctuate with damage-causing weather patterns. In 2021 there were six designated Massachusetts catastrophes resulting in total estimated Massachusetts property catastrophe losses of $368.5 million compared to $295.8 million of catastrophe losses in 2020. The total number of filed claims increased correspondingly from 2020 to 2021.

As illustrated in Figure 14 (below), the average size of incurred claims increased 13.2% for traditional home insurance, increased by 9.9% for condominiums, and decreased by 6.8% for tenants. The increase in average claim size for traditional home insurance reflects the particular mix of causes of loss causing claims in 2021 (see following section discussing cause of loss).

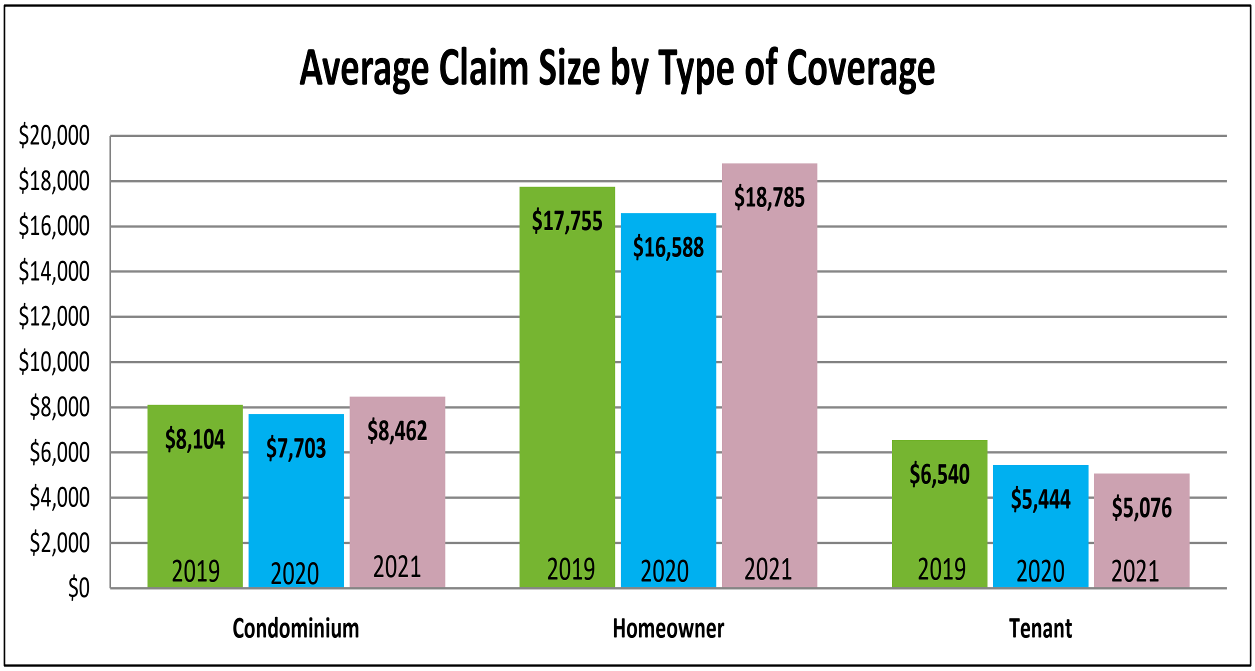


Figure 14

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.[21]

[21] 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 15, 27,660 or 41.2%, of total claims, were submitted for water losses for non-flood related water damage. Policyholders also submitted 4,598 claims for fire, lightning, and removal damages and 10,981 claims for damages classified as "all other losses," accounting respectively for 6.8% and 16.3% of total claims filed. There was a total of 20,689 claims filed under the wind category, which represents 30.8% of total claims filed.

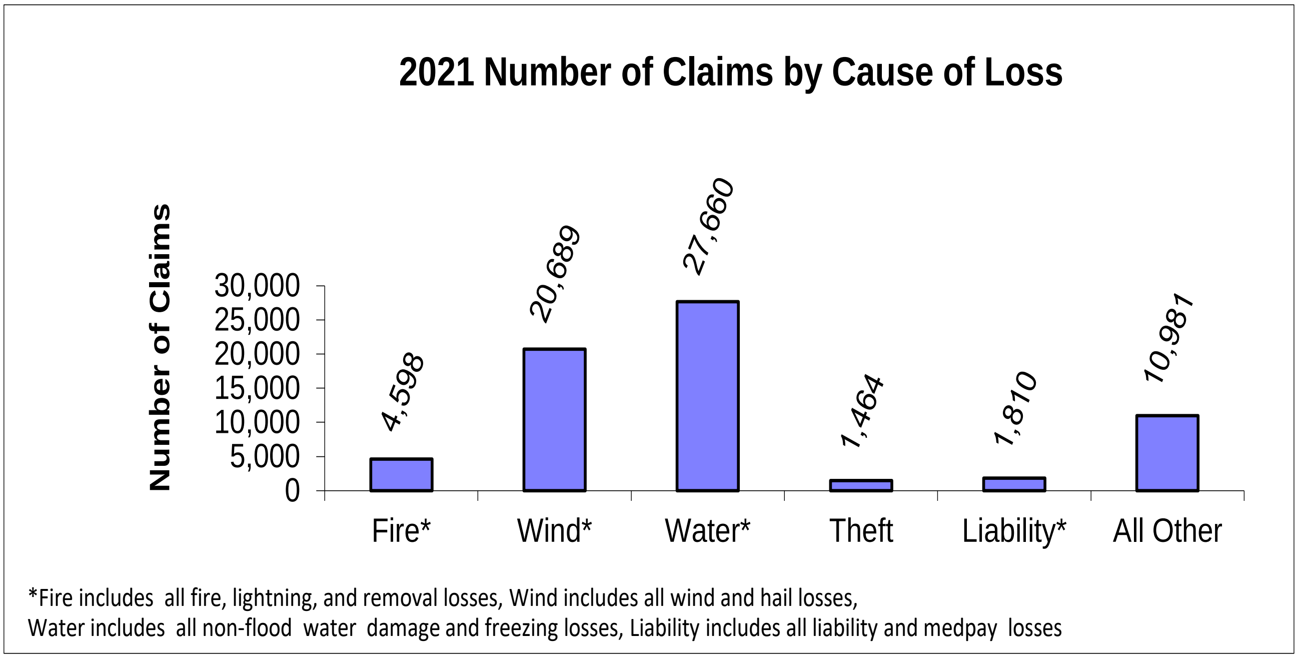


Figure 15

When considering the total dollar cost of claims, as illustrated in Figure 16, 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.

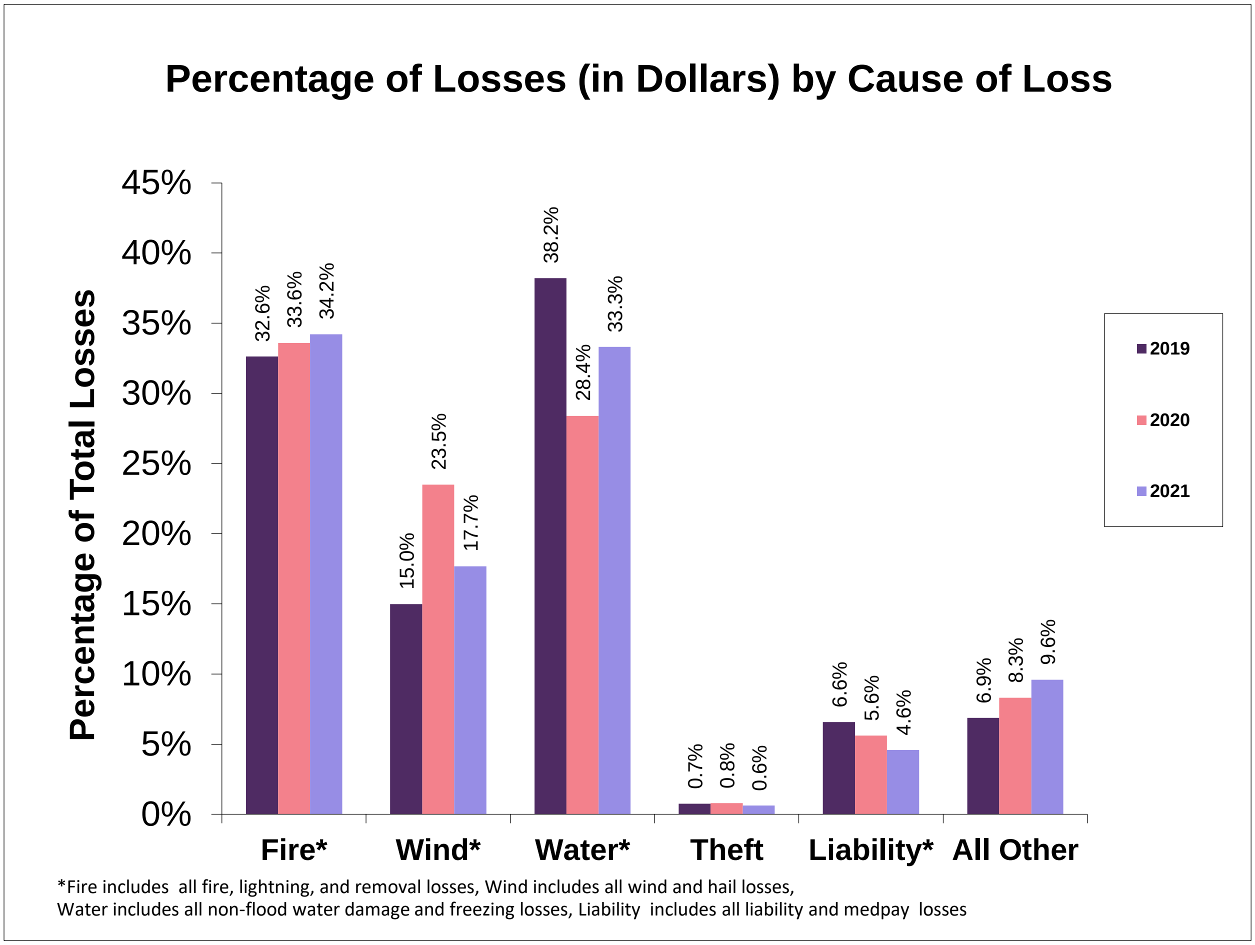


Figure 16

Additional Detail on Each Cause of Loss

Fire, Lightning and Removal dollar losses as a percentage of statewide losses increased from 33.6% in 2020 to 34.2% in 2021. The statewide average fire, lightning and removal claim cost was $72,946 in 2020, increasing to $86,124 in 2021.

Wind & Hail losses accounted for 17.7% of total losses in 2021, down from 23.5% in 2020. The statewide average claim cost for wind and hail increased from $8,826 in 2020 to $9,891 in 2021.

Non-Flood Water Damage and Freezing losses accounted for 28.4% of total losses in 2020 and 33.4% of total losses in 2021. The statewide average claim cost for non-flood water damage and freezing increased from $12,213 in 2020 to $13,983 in 2021.

Theft losses accounted for 0.8% of total losses in 2020 and 0.6% of total losses in 2021. The total number of theft claims decreased from 2,762 in 2020 to 1,464 in 2021, and the average statewide theft claim cost increased from $4,586 in 2020 to $4,961 in 2021.

Liability and Medical Payments dollar losses accounted for 5.6% of total losses in 2020 and 4.6% of total losses in 2021. The average statewide liability and medical claim cost decreased from $31,771 in 2020 to $29,343 in 2021.

All Other claims losses accounted for 9.6% of total losses in 2021, compared to 8.3% in 2020. Total filed claims decreased from 15,622 in 2020 to 10,981 in 2021. The average claim cost was $8,828 in 2020, increasing to $10,119 in 2021.

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 2021 overall loss ratio for all FAIR Plan and insurance company policies was 42.0% across all types of residences (traditional homes, condominiums, rentals).

Figure 17 presents a history of the loss ratios for the entire market since 2012:

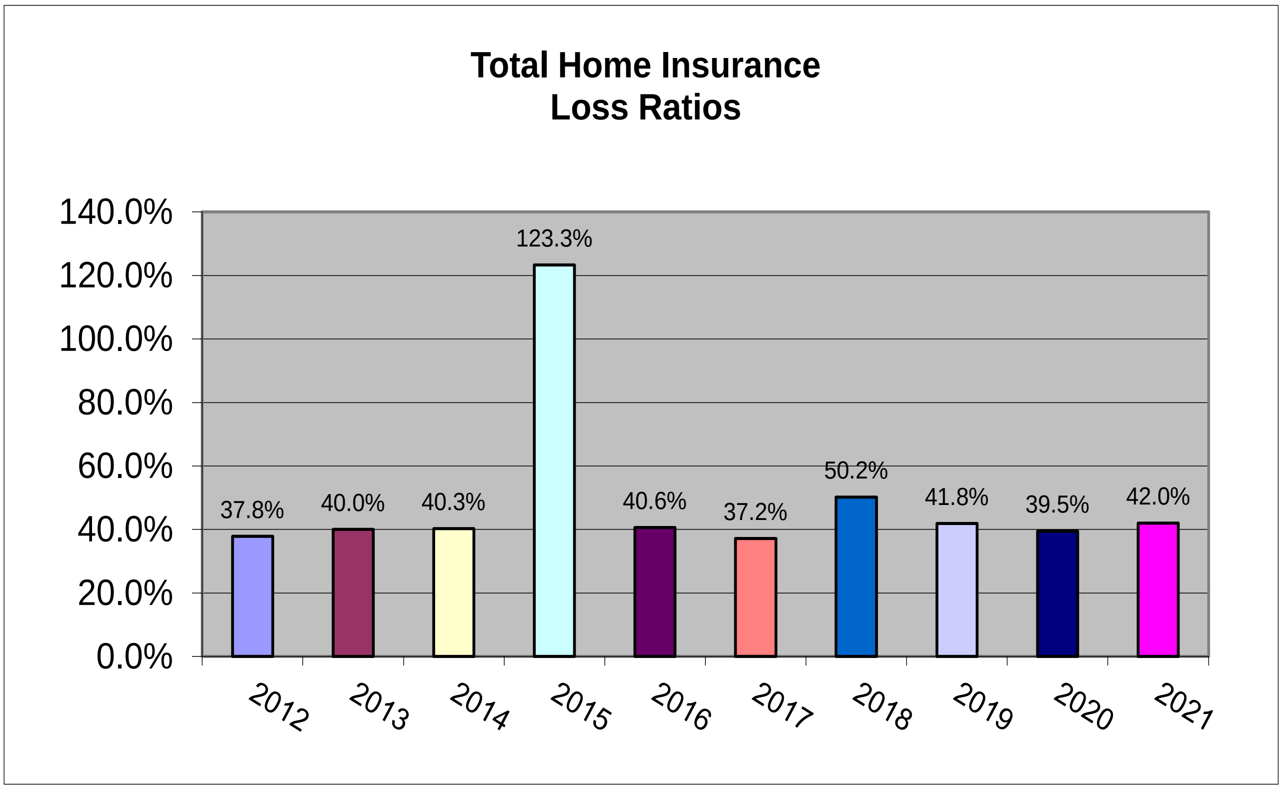


Figure 17

Non-weather events do not usually cause major shifts in loss trends.[22] Weather-related events can cause significant shifts, depending on the severity of the events. For example, in 2012 there was one "catastrophe" event that resulted in losses in Massachusetts, none in 2013, two in 2014, six in 2015, three in 2016, one in 2017, five (four weather-related) in 2018, five in 2019, nine in 2020 and six in 2021 with the resulting losses varying with the severity of the events. The loss ratio for 2021 is higher than in 2020, primarily due to the variability of the weather and of the number of homes impacted. As presented in Figure 18, the traditional homeowners loss ratio was 42.5%, the condominium loss ratio was 42.6%, and the tenant coverage loss ratio was 20.4% in 2021.

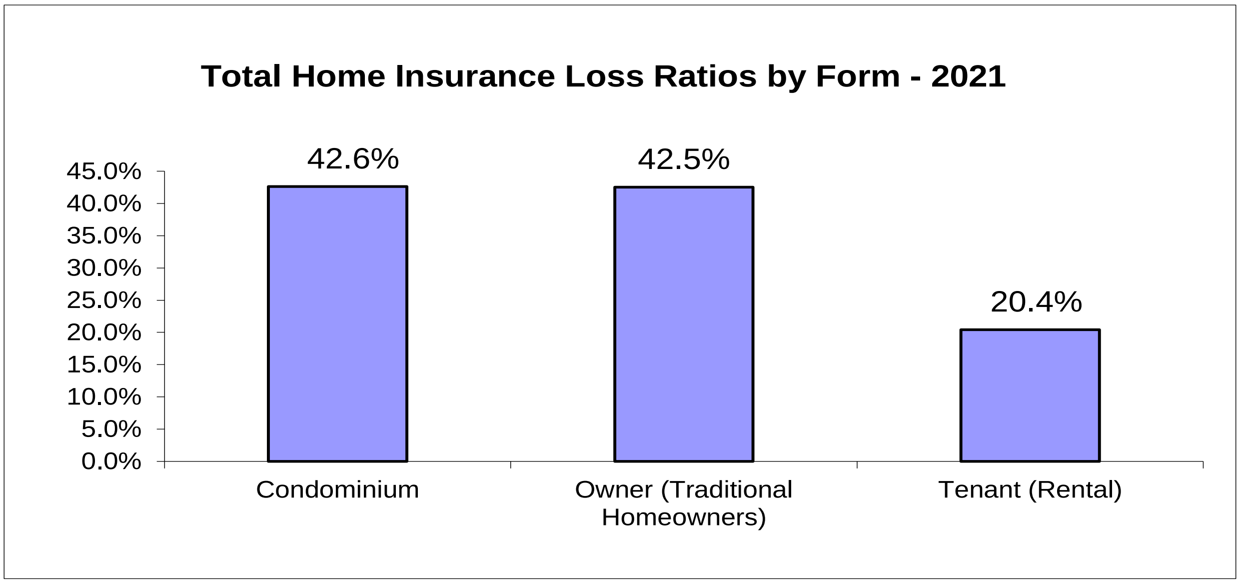


Figure 18

[22] 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 19 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)
2021	2,511,260	1,020,230	**40.6%**	1,125,851	**44.8%**	16.4%	3.4%	8.0%	5.5%	33.3%	**78.2%**	0.5%	**78.7%**
2020	2,322,933	910,749	**39.2%**	1,012,361	**43.6%**	16.7%	3.1%	8.1%	5.8%	33.8%	**77.4%**	0.6%	**78.0%**
2019	2,246,346	902,910	**40.2%**	1,008,333	**44.9%**	16.4%	3.0%	8.4%	5.7%	33.5%	**78.4%**	0.7%	**79.1%**
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%**

* For the purpose of these columns, incurred losses include 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 19

Figure 19 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.[23] The adjusted combined ratio of 78.7% for 2021 shows an increase from 78.0% for 2020.

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 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.

[23] 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.

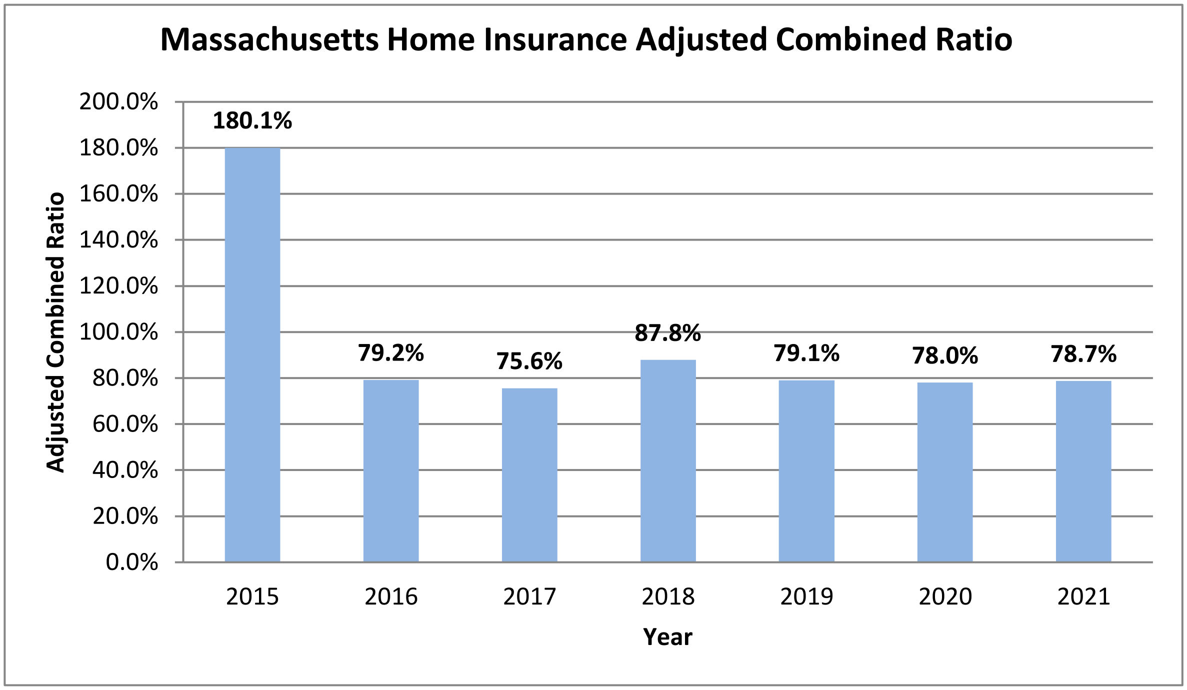


Figure 20

Figure 20 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 2021 fiscal year, the FAIR Plan had an underwriting profit of $31,386,000[24] (see accompanying Statistical Supplement). The FAIR Plans underwriting gains follow an underwriting loss in 2018 and an even more 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.

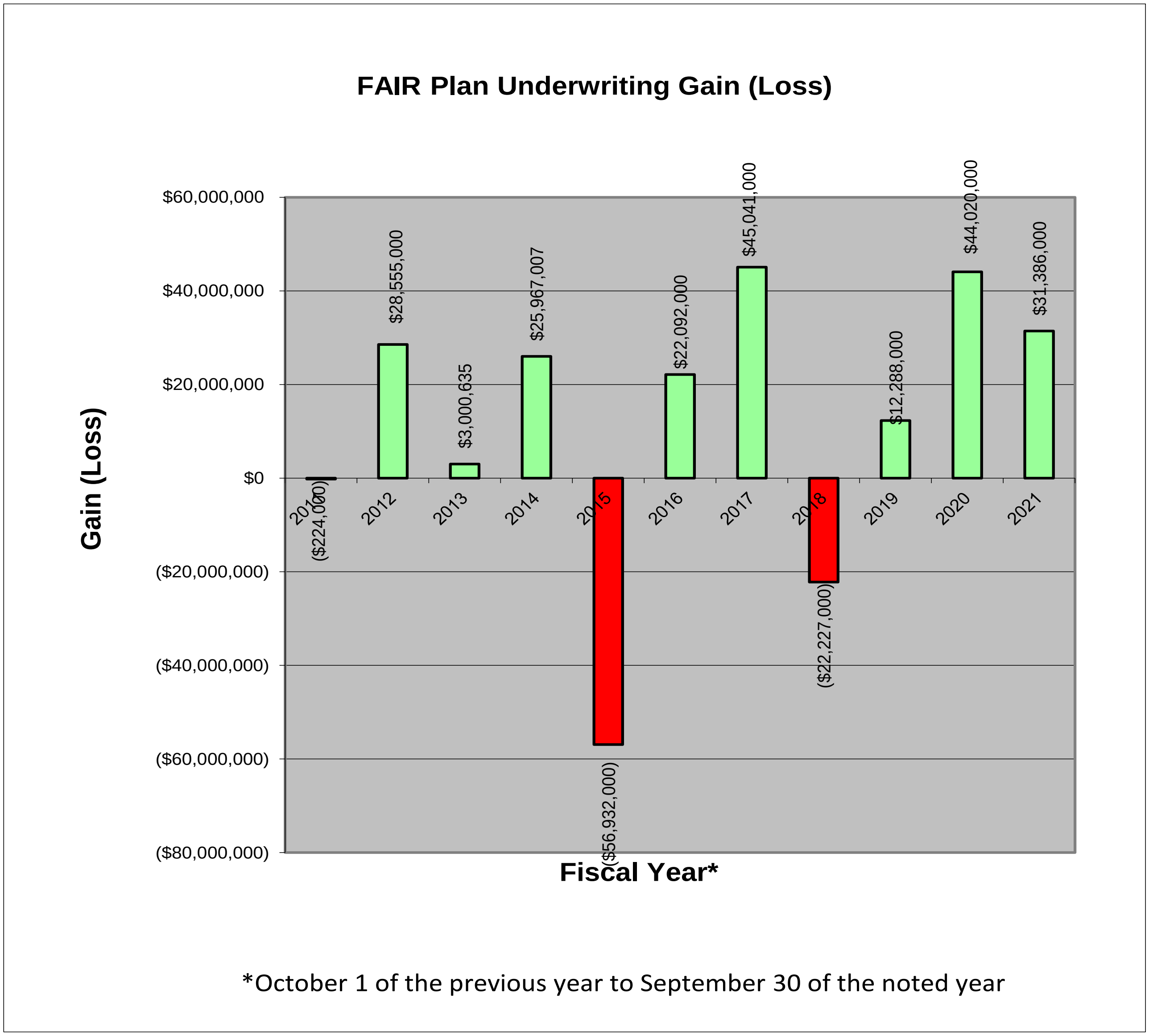


Figure 21

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

Figure 22 illustrates on a per policy basis the FAIR Plan's fiscal year underwriting gain – sometimes called a contribution to surplus[25] – of $188 per policy in fiscal year 2021 following an underwriting gain of $254 per policy in 2020 and 67 per policy in 2019.

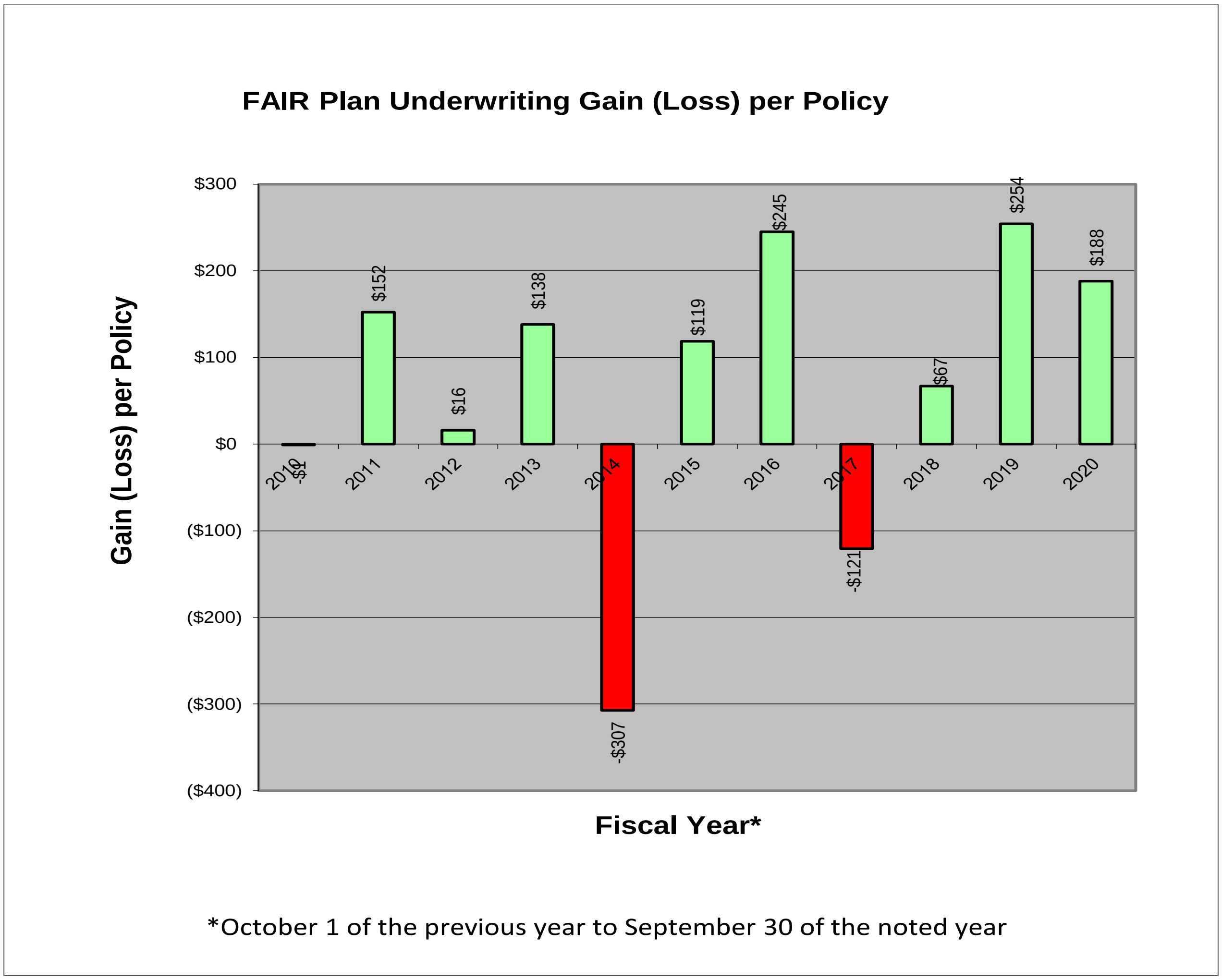


Figure 22[26]

[25] The MPIUA (and the FAIR Plan in its post-1976 structure) is not an insurance company or legal entity but, instead, a statutorily mandated association of all the insurance companies writing homeowners insurance in the Commonwealth. The FAIR Plan 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.

[26] 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.[27] 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 23

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.

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

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

FAIR Plan Clearinghouse

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 insurance producers to give more residual market (i.e., FAIR Plan) policyholders the opportunity to find coverage in the voluntary market and to depopulate the FAIR Plan.

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.

Cancellations and Nonrenewals

Under M.G.L. c. 175, §4B, the Division collects information from the top 25 insurers[28] 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.[29]

Aggregate Cancellation/Nonrenewal Data for Urban/Coastal Areas[30]

Figures 24A and 24B 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 513,867 policies in force in urban and coastal areas as of December 31, 2021. Of the total policies in force, there were 322,182 policies in urban areas and 191,685 policies in coastal areas. The top 25 companies covered 405,680 homes and the FAIR Plan covered 108,187 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 cancelled by the insurance company. During 2021, there were a total of 96,833 policies cancelled in urban or coastal areas, with 71,843 cancellations among the top 25 companies and 24,990 cancelled FAIR Plan policies. Of the total number of cancellations, 71,492 policies were cancelled in urban areas and 25,341 policies were cancelled in coastal areas.

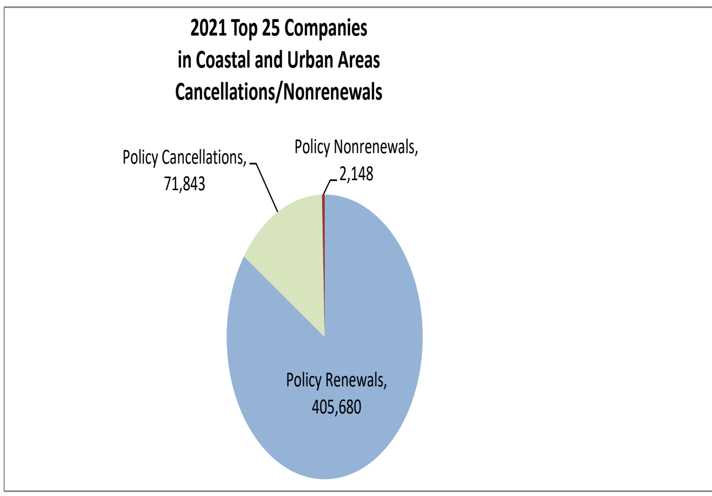


Figure 24A

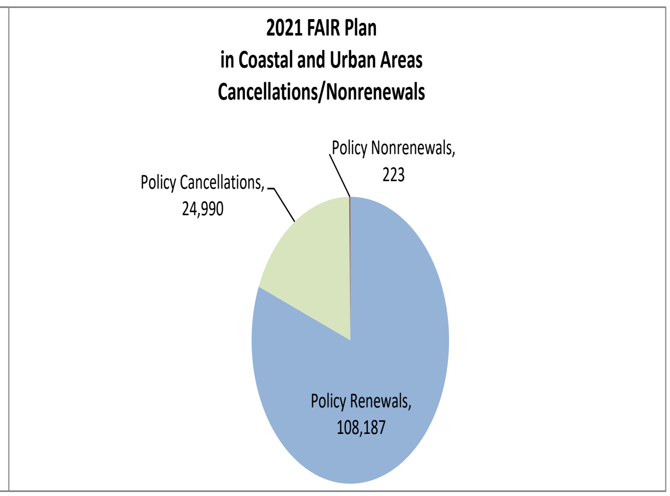


Figure 24B

[28] The top 25 insurers, primarily insurer groups that were writing homeowners insurance in Massachusetts in 2021 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.

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

[30] 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. 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 top 25 companies and the FAIR Plan report that there was a total of 2,371 policies nonrenewed in the urban and coastal designated zip codes in 2021, with 2,148 policies nonrenewed among the top 25 companies and 223 nonrenewed FAIR Plan policies. Of the total number of nonrenewals, 1,335 policies were nonrenewed in urban areas and 1,036 policies were nonrenewed in coastal areas.

When examining the information submitted on a company-by-company basis, as illustrated in Figure 25, three companies – American International Group, Allstate Insurance Group, and Barnstable Group had the highest numbers of nonrenewals in 2021.

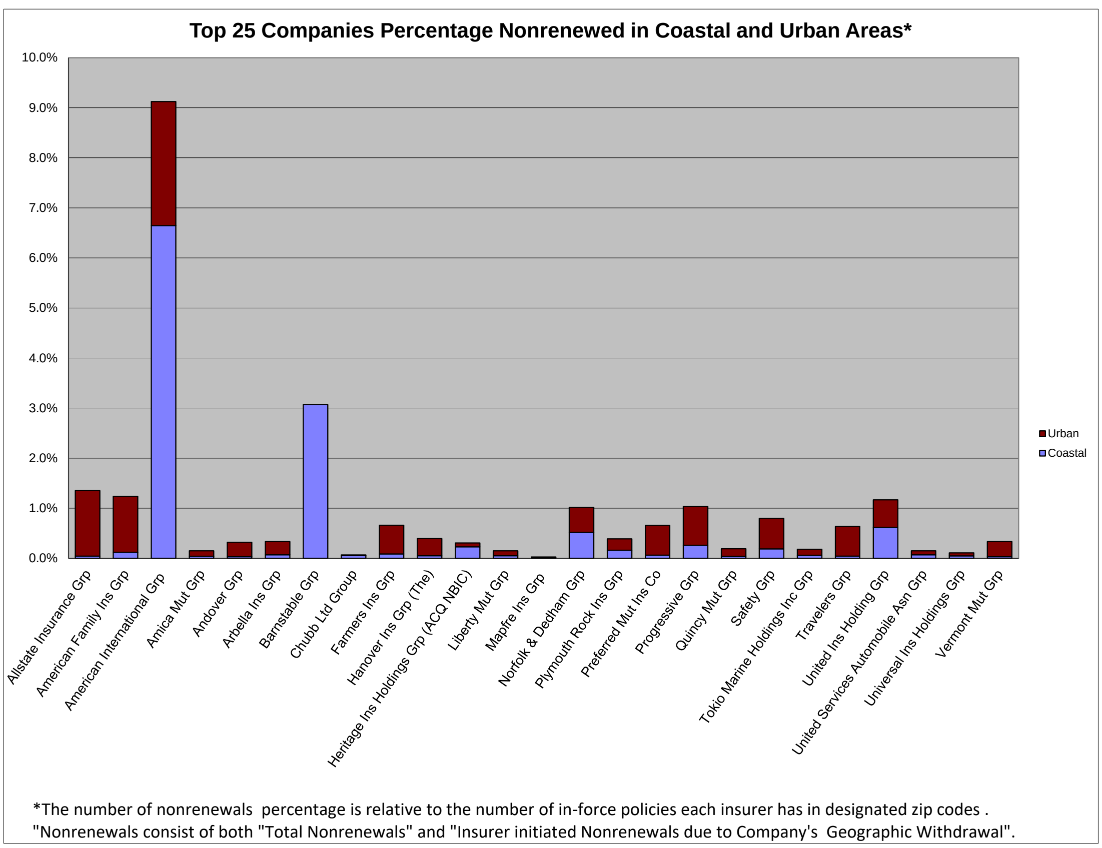


Figure 25

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:

- 96,833 cancellations during 2021.
  - 66,619 were initiated by the policyholder; and
  - 30,214 were initiated by the insurer, of which:
    - 3,878 initiated by the insurer in the first 60 days,
    - 22,426 cancelled due to nonpayment, and
    - 3,910 cancelled for other reasons permitted by law.

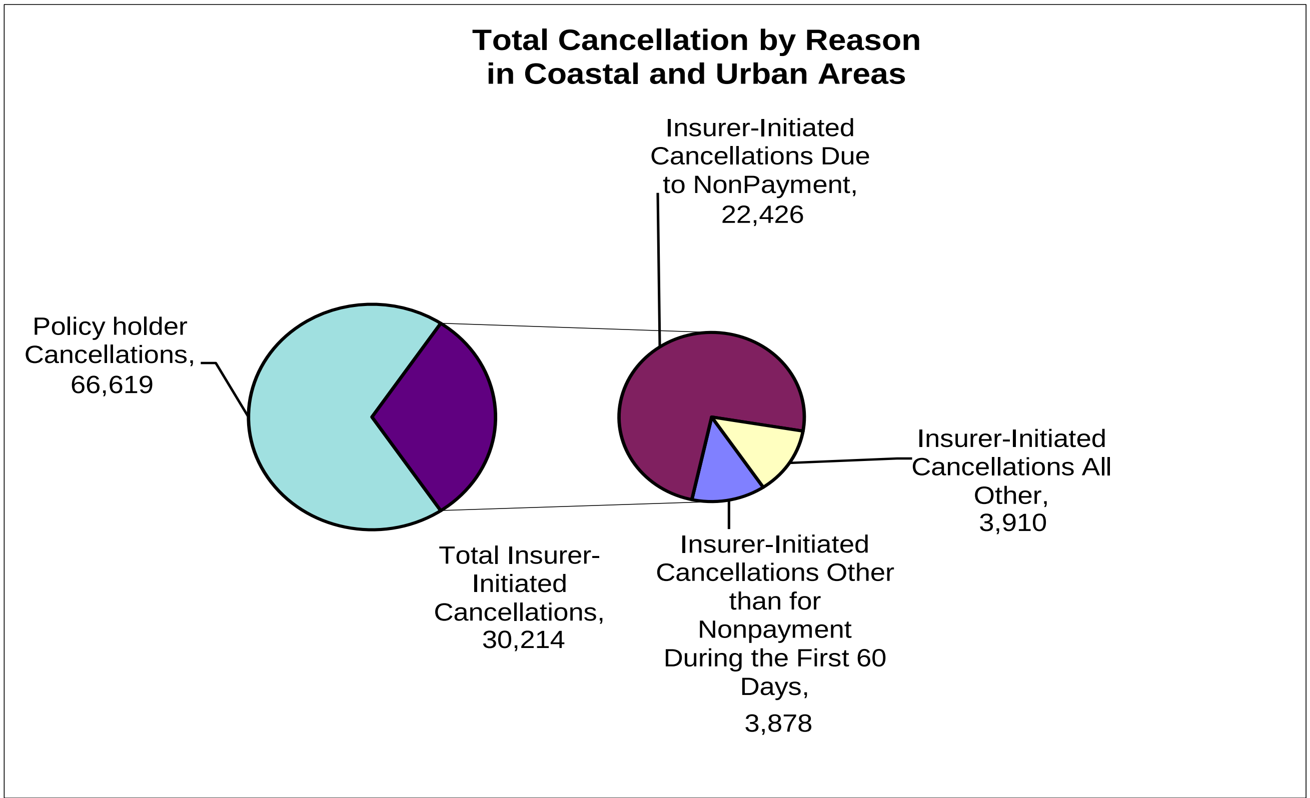


Figure 26

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

- 71,492 cancellations occurred during 2021.
  - 47,554 were initiated by the policyholder; and
  - 23,938 were initiated by the insurer, of which:
    - 3,005 initiated in the first 60 days,
    - 17,631 cancelled due to nonpayment, and
    - 3,302 cancelled for other reasons permitted by law.

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

- 25,341 cancellations occurred during 2021.
  - 19,065 were initiated by the policyholder; and
  - 6,276 were initiated by the insurer, of which:
    - 873 initiated in the first 60 days,
    - 4,795 cancelled due to nonpayment, and
    - 608 cancelled for other reasons permitted by law.

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 2019, 2020, and 2021. 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 was a total of 2,148 insurer-initiated policies nonrenewed in the urban and coastal designated zip codes in 2021,[31] with zero (0) of the nonrenewals resulting from insurer withdrawal from certain geographic areas. This compares with a total of 1,986 policies insurer-initiated nonrenewed in urban and coastal designated zip codes in 2020, with zero nonrenewed due to insurers withdrawing from certain geographic areas. Of the reported 2,148 nonrenewals in 2021, there were 920 nonrenewals in those zip codes identified as coastal areas and 1,228 nonrenewals in those zip codes identified as urban areas
In addition to the top 25 company nonrenewals, the FAIR Plan did not renew 223 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 2021

In the 2021 survey, the Division asked the top 25 home insurance companies to separately report the claims history of policies that were renewed or nonrenewed.[32]

[31] The designated zip codes are identified in Exhibit 8A of the Statistical Supplement to this report.
[32] In collecting the claims history for those policies renewed in 2021, the Division requested in its survey that the company report the number of claims reported and dollar value of claims paid during each of 2019, 2020 and 2021. Similarly, in collecting the

In 2021, of the reported 405,680 urban or coastal policies renewed by the top 25 home insurance companies, there were an estimated 22,716 claims filed during the reporting period, an average of 56 claims filed per 1,000 policies renewed in 2021. The companies reported having paid $303,363,078 in claims during the reporting period for those renewed in 2021, with an average claim size of $10,245. By comparison, in 2020, of the reported 387,754 policies renewed by the top 25 home insurance companies, there were an estimated 28,779 claims filed during the reporting period, or an average of 74 claims filed per 1,000 policies renewed. The companies reported having paid $301,072,587 in claims during the period for those renewed, with an average size of $8,744.

When comparing urban and coastal renewed policies, there were 66 claims filed per 1,000 coastal policies, as compared to 51 claims filed per 1,000 urban policies. The average claim size for renewal policies was $10,682 per claim for coastal policies, as compared to $9,963 per claim for urban policies.

Of the reported 2,148 policies nonrenewed by the top 25 insurance companies, there were a total of 651 claims filed in 2021, or an average of 303 claims filed per 1,000 nonrenewed policies. The companies reported having paid $14,590,309 in claims on these nonrenewed policies during the reporting period, with an average claim size of $22,412.

When comparing urban and coastal nonrenewed policies, there were 229 claims filed per 1,000 coastal policies, as compared to 358 claims filed per 1,000 urban policies. The average claim size for nonrenewed policies was $15,997 per claim for coastal policies, as compared to $25,488 per claim for urban policies.

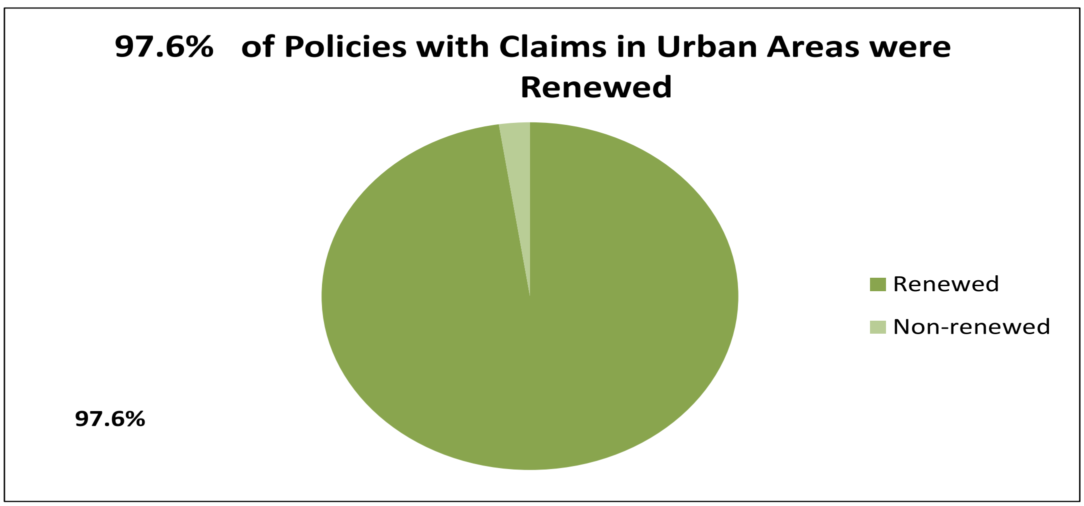


Figure 27A

claims history for those policies nonrenewed in 2021, the Division requested that the company report the number of claims reported and dollar of claims paid during each of 2019, 2020 and 2021.

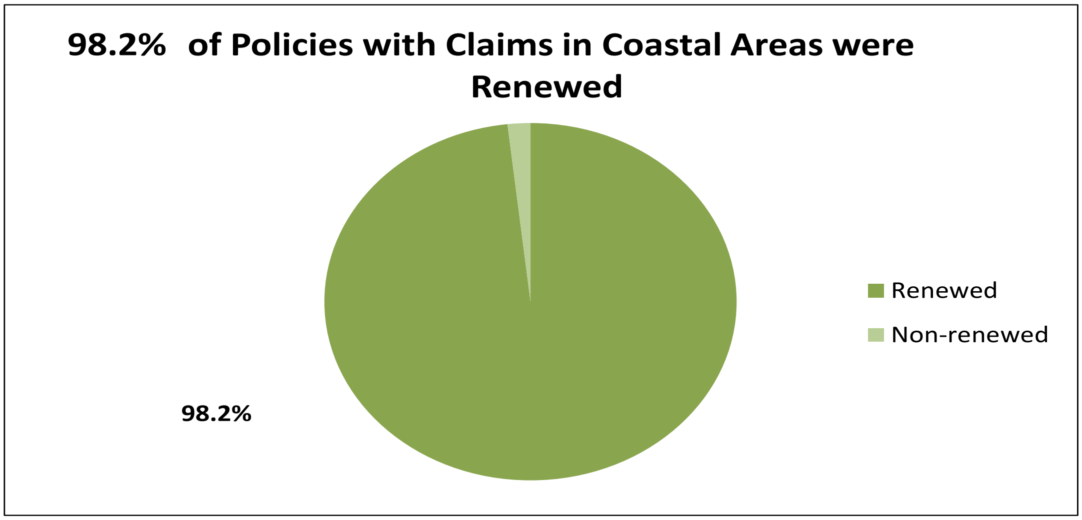


Figure 27B

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 2020, approximately 34,400 of those whose coverage was renewed did file claims sometime in the prior three years and companies made payments of $301,072,587 on these claims. See Figures 27A and 27B. In 2021, approximately 22,700 of those whose coverage was renewed did file claims sometime in the prior three years and companies made payments of $303,363,078 on these claims.

In urban areas, 97.6% of those policyholders with claims who sought to renew were renewed by their insurers. Similarly, 98.2% of those policyholders with claims in coastal areas who sought to renew were renewed by their insurance companies.[33]

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