

**Massachusetts Division of Insurance
Annual Home Insurance Report
For Calendar Year 2022**

Gary D. Anderson
Commissioner of Insurance

Introduction

Since 1996, the Division of Insurance (“Division”) annually produces a home insurance report pursuant to M.G.L. c. 175, §§ 4A & 4B. For the current report, insurers and their statistical agents were required to provide aggregate 2020, 2021 and 2022 data sorted according to Massachusetts zip codes and Insurance Services Office, Inc. (“ISO”) territories¹.

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. 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 6. The full list of designated zip codes can be found in Exhibit 8A of the Statistical Supplement to this report.

This report was prepared by the State Rating Bureau staff of the Division of Insurance (Matthew M. Mancini, State Rating Bureau Director, Spase Kace, State Rating Bureau Researcher, Caleb E. Huntington, State Rating Bureau Mathematician, Bashiru Abubakare, State Rating Bureau Actuary / Statistician).

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.

Many of the statistical tables 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 website at <https://www.mass.gov/service-details/the-commissioners-report-on-home-insurance>.

¹ The data submitted by the statistical agents is intended to comprise all licensed writers of Massachusetts homeowners insurance. Two small insurers, together representing 0.53% of the market, were not included in this year’s statistical agent data due to reporting difficulties. The statistical agent data underlying this report represents 99.47% of Massachusetts licensed homeowners insurance volumes.

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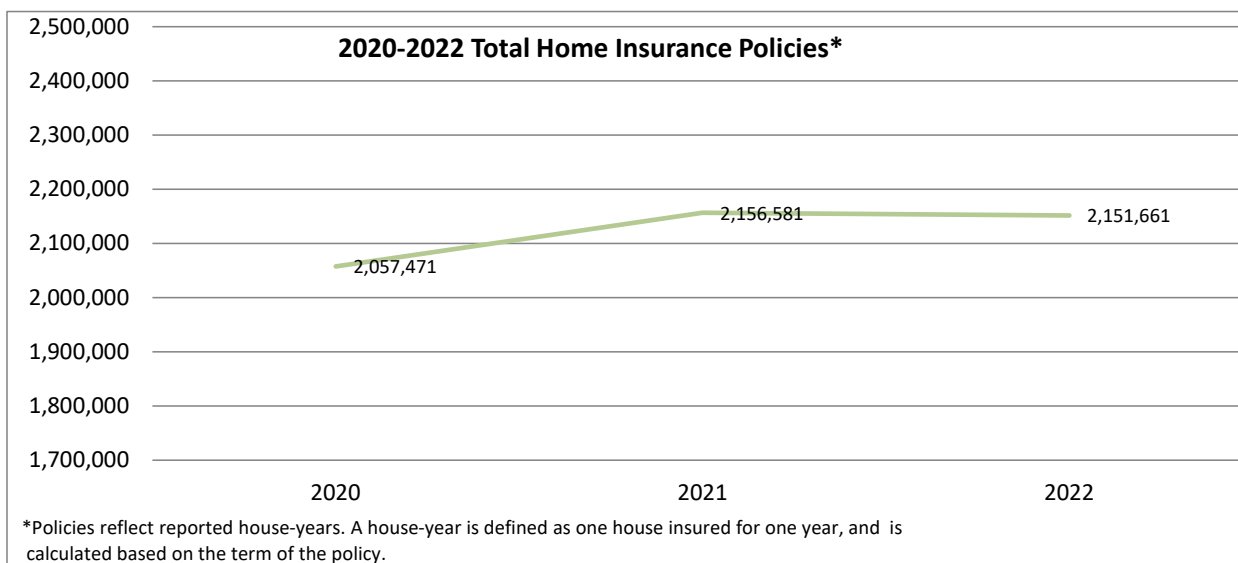
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Executive Summary

Among the material presented in this report:

- The total reported number of home insurance policies decreased between 2021 and 2022 by 4,920. Owners' home insurance policies decreased by 41,428, but tenant and condominium policies increased by 36,509.



- Total enrollment in the FAIR Plan² decreased by 3,096 policies in 2022, with the FAIR Plan writing 8.9% of 2022 home insurance premium.
- For the Cape and Islands market, the FAIR Plan accounted for 35.3% of policies.

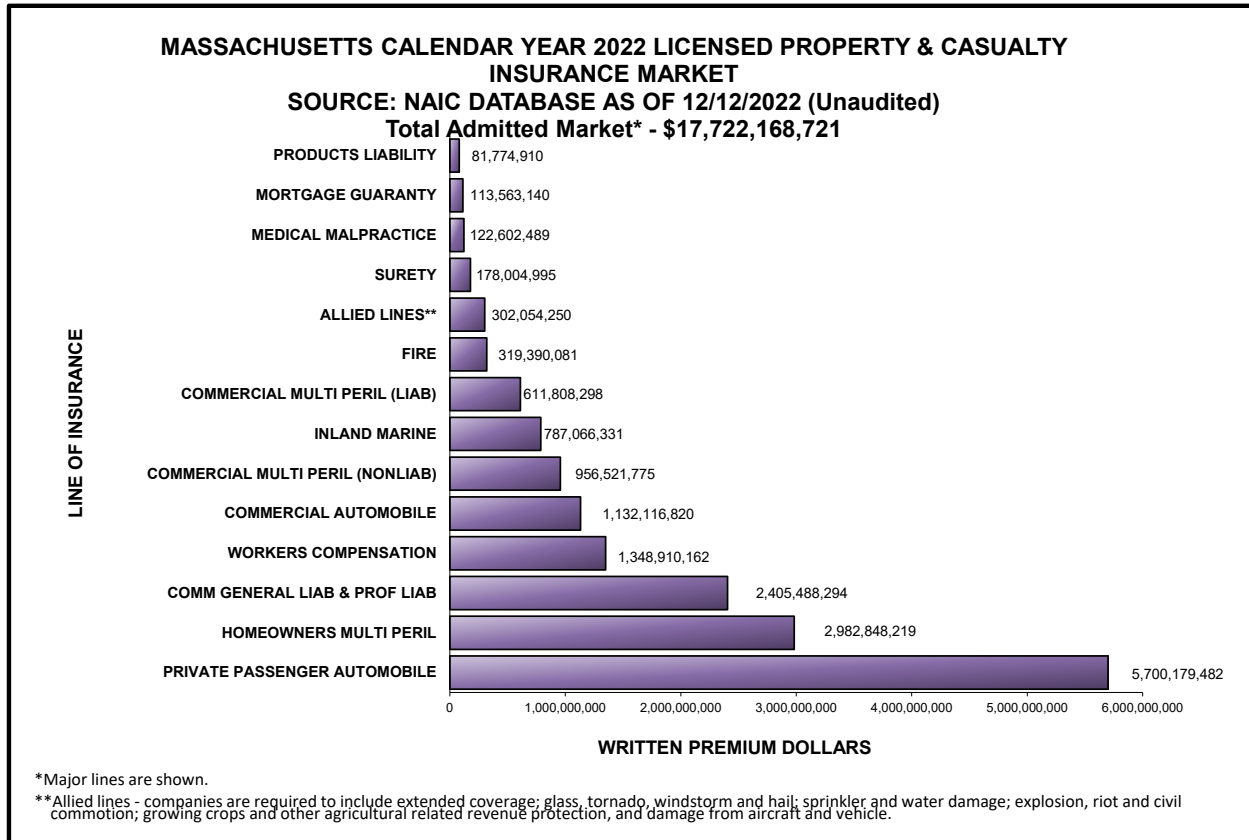
There were three events that were classified as loss catastrophes³ in 2022, which resulted in estimated property losses in Massachusetts of approximately \$208.3 million. The estimated property losses consisted primarily of flood, hail, tornado, wind, snow and freezing events.

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.

Composition of the Massachusetts Market

Home insurance covers non-commercial property for risks to structural damage and personal property as well as for the risk of personal liability claims. In 2022, insurance companies collected approximately \$2.98 billion in written premium for home insurance policies in Massachusetts, as noted in the chart below.



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.⁴ Figure 1 shows the total number of households covered under owners’ 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. There were 65 licensed insurance carrier groups writing home insurance in Massachusetts in 2022.⁵

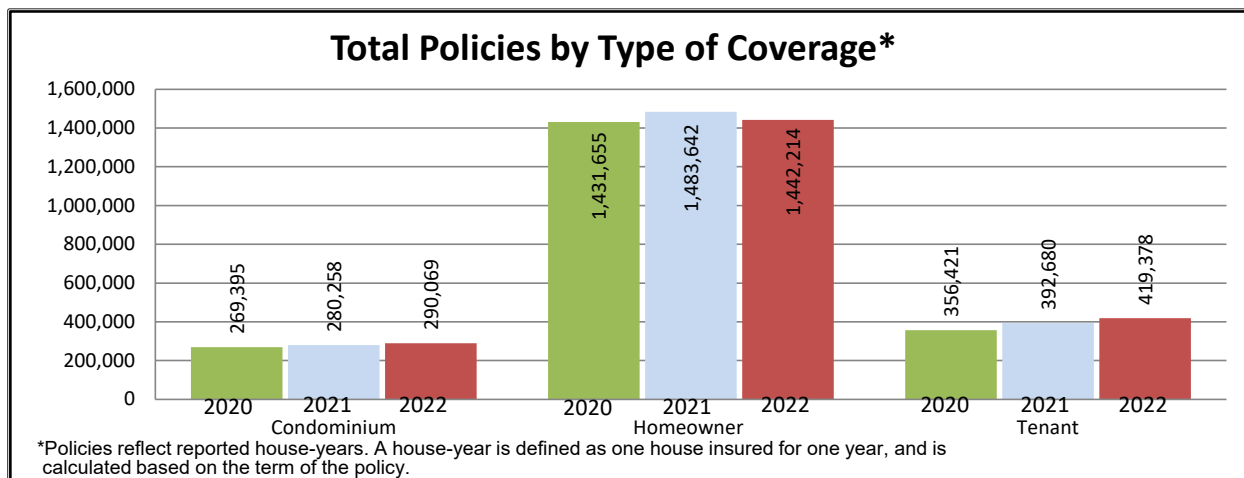


Figure 1

Relative Shares of the Private Insurance Market

As shown in Figure 2, which excludes the FAIR Plan, the top 10 insurance company groups, by market share, account for 64.6% of coverage written by the private insurance companies in the market.

⁴ 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.

⁵ Based on the National Association of Insurance Commissioners’ calendar year 2022 data on home insurance multiple peril line of business writings by company group.

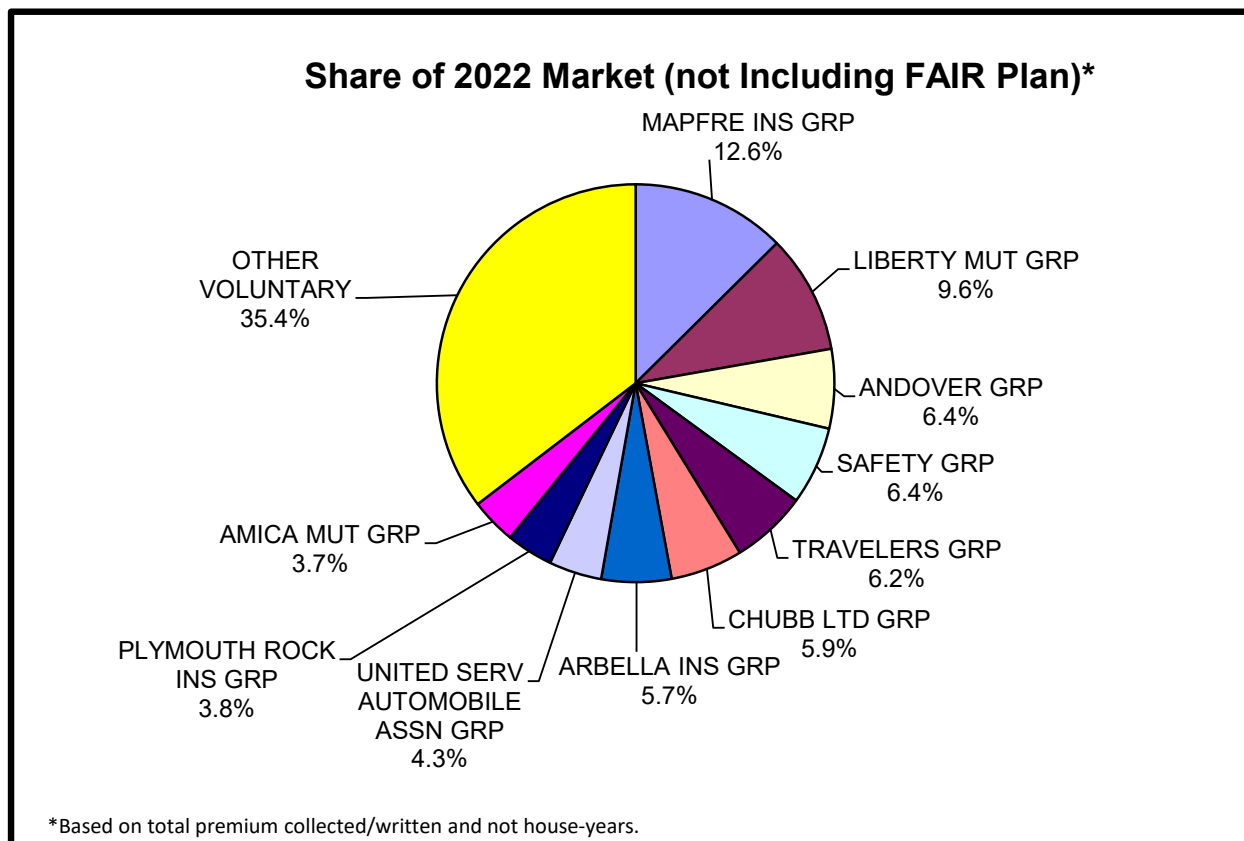


Figure 2

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 groups 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 2022 voluntary (i.e., non-FAIR Plan) market with 12.6% of the home insurance premium written. Each of the next nine largest insurance groups had between 9.6% and 3.7% of the voluntary market. Extending the analysis to include the 25 insurance groups with the largest Massachusetts home insurance market share,⁶ the top 25 groups together account for 92.4%

⁶ The top 25 Massachusetts home insurers based upon overall direct written premiums for calendar year 2022 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

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of the non-FAIR-Plan Massachusetts market. In addition to the top 25, another 40 groups wrote homeowners insurance in Massachusetts in 2022, none of them with a market share greater than 0.65%. Together these 40 groups wrote 7.6% of the Massachusetts market in 2022.⁷

The FAIR Plan

The FAIR Plan is a residual market mechanism originally created in 1968. 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. 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.⁸ 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.⁹

Andover Group	Quincy Mutual Group
Arbella Insurance Group	Mapfre Insurance Group
Barnstable Group	Safety Group
Chubb Ltd Group	Tokio Marine Holdings Inc Group
Cincinnati Financial Group	Travelers Group
Farmers Insurance Group	United Services Automobile Association Group
(The) Hanover Insurance Group	Universal Insurance Holding Group
Heritage Insurance Holdings Group (formerly NBIC Holdings Group)	Vermont Mutual Group
Liberty Mutual Group	

⁷ Based on the National Association of Insurance Commissioners’ 2022 data on home insurance multiple peril line of business by company group. Company groups often have more than one licensed insurer writing home insurance.

⁸ 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.

⁹ 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.

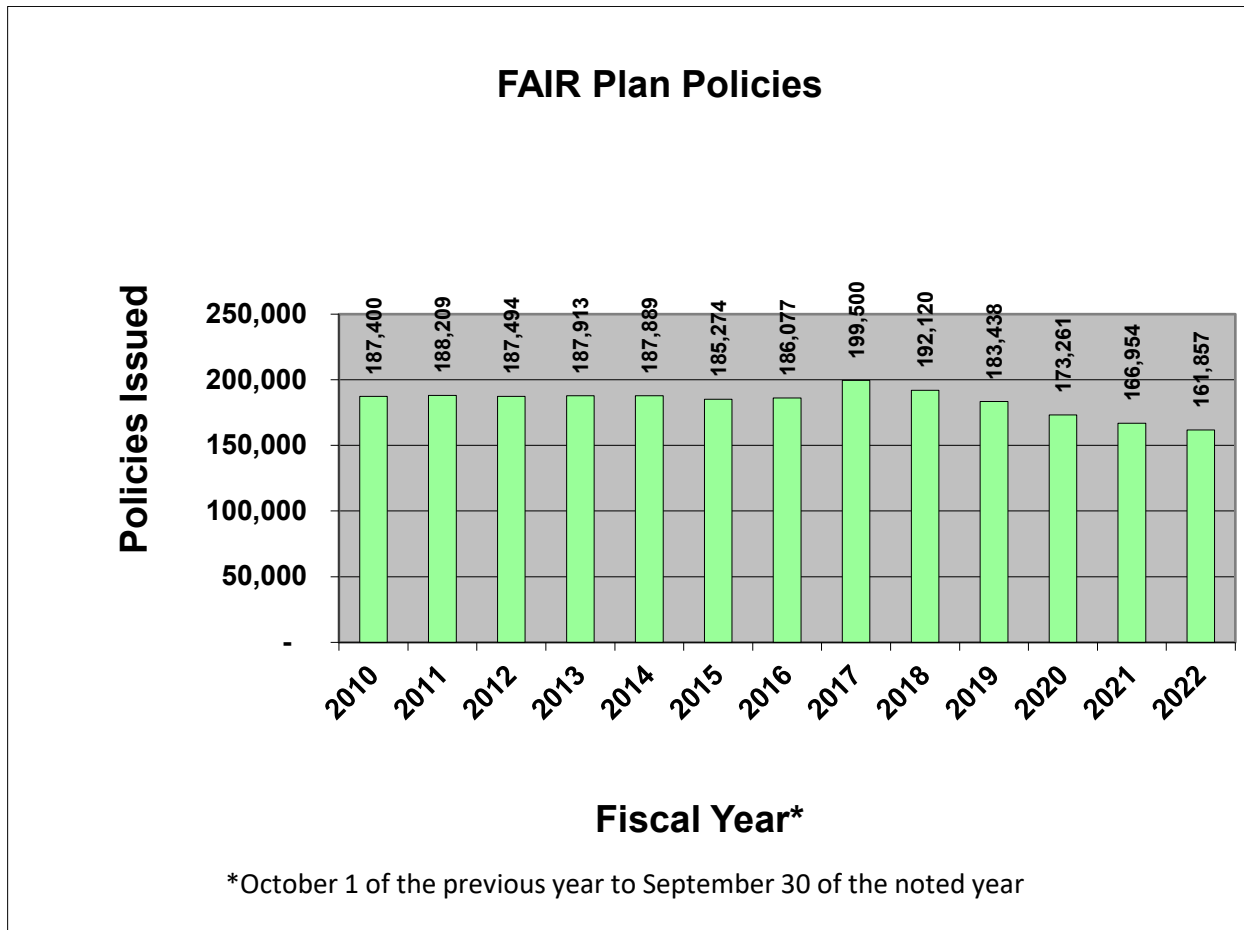


Figure 3

The FAIR Plan’s business, as reported by the FAIR Plan and which comprises owner, condominium, and tenant policies, decreased by 5,097 policies between fiscal years 2021 and 2022.¹⁰

As noted in Figure 4 (below), the FAIR Plan accounted for 8.9% of written premium in 2022. Its market share peaked at 16.1% in 2007.¹¹

¹⁰ The FAIR Plan’s fiscal year is between October 1st of one year and September 30th of the noted year.

¹¹ FAIR Plan market share is based upon FAIR Plan and total market written premium.

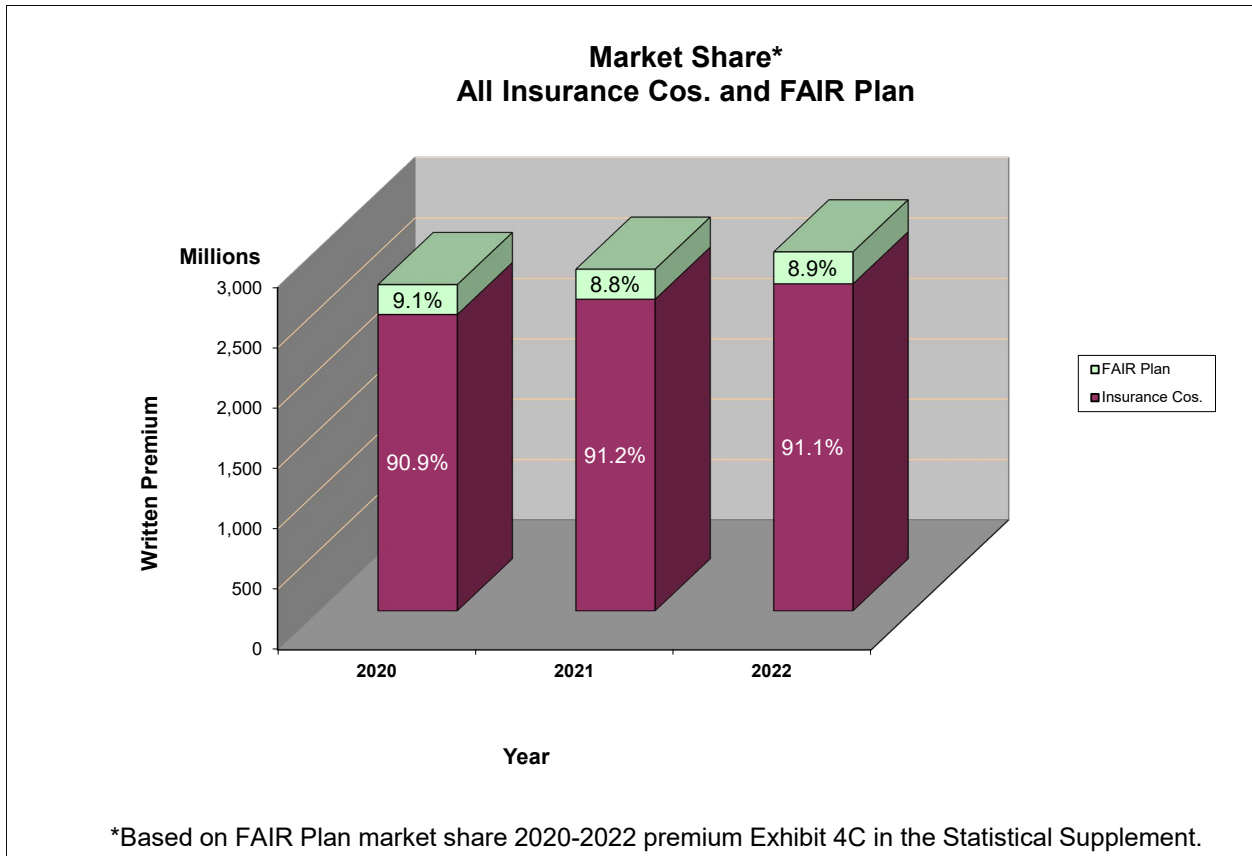


Figure 4

As noted in Figure 5, in 2022, the FAIR Plan’s market share—at 8.9% of total premium written—is slightly less than the 11.5% market share of the largest commercial carrier, the Mapfre Insurance Group.

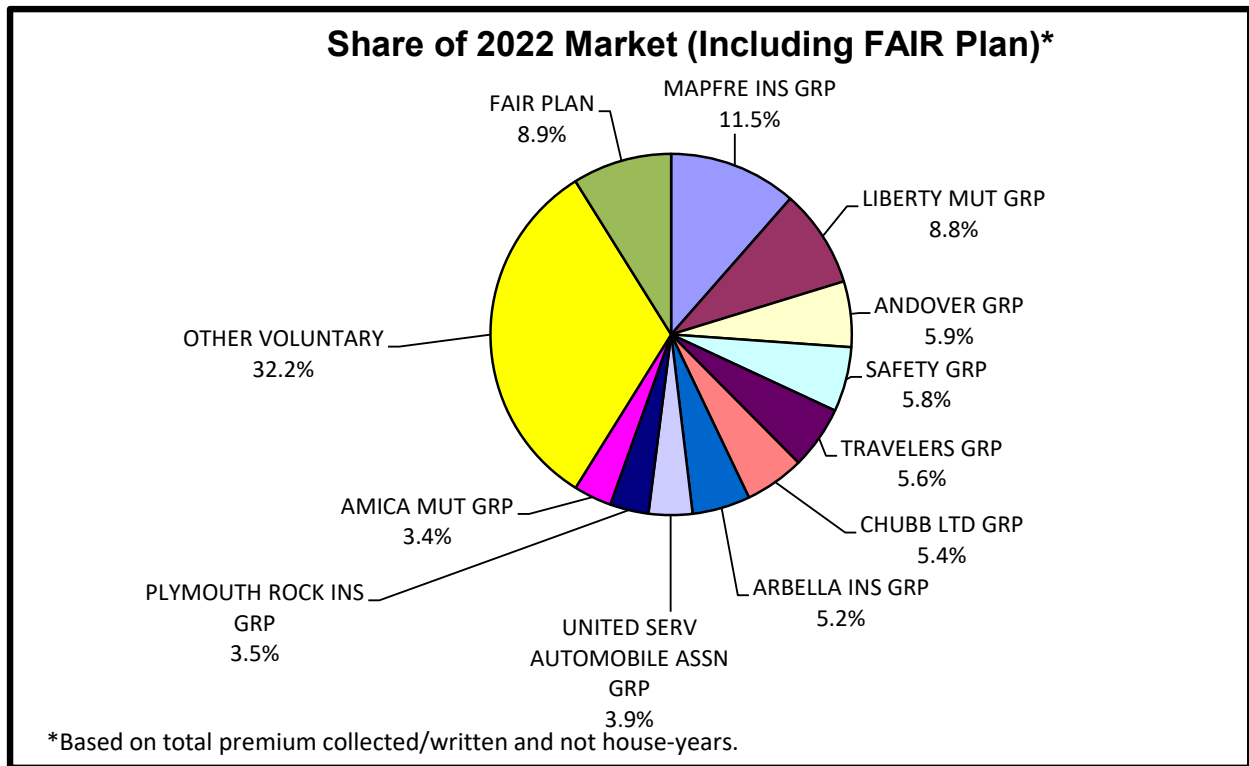


Figure 5

Changes in Coverage

As reflected in Figure 6, the reported number of total home policies written by insurance companies and the FAIR Plan decreased between 2021 and 2022 by 4,920 or 0.23%.

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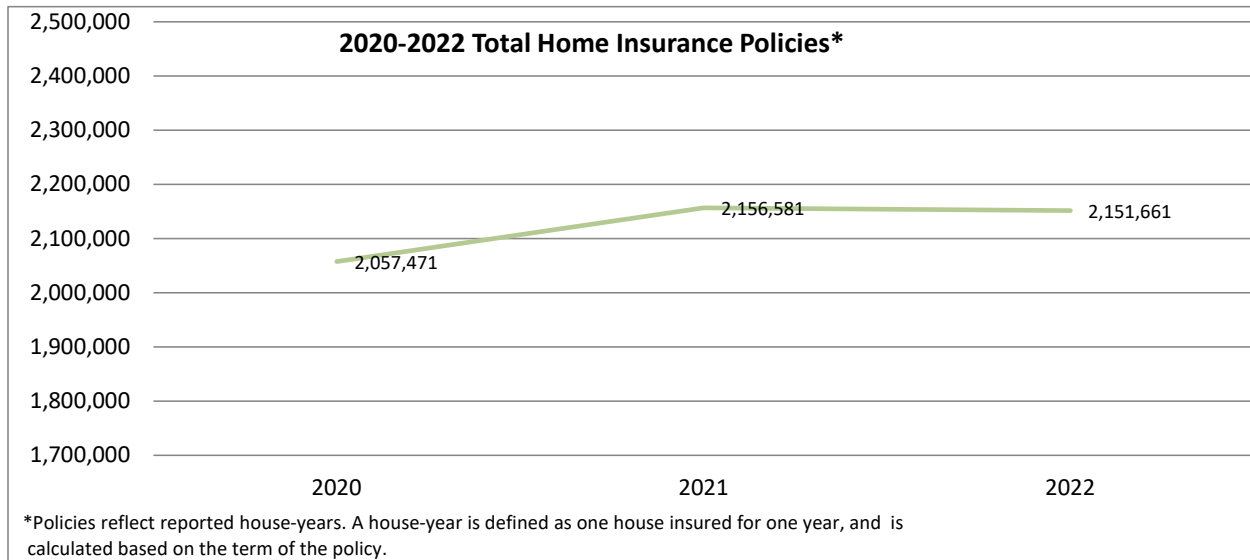


Figure 2

Comparing coverage totals by county,¹² as in Figure 7, Middlesex County, which had the largest population,¹³ also had the highest number of home insurance policies in force: 491,601. After Middlesex County, the next three largest counties for home insurance are Worcester (259,628), Essex (241,909) and Norfolk (225,608).

¹² 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.

¹³ Source: Annual Estimates of the Resident Population for Counties of Massachusetts: April 1, 2021 to July 1, 2022, Population Division, U.S. Census Bureau.

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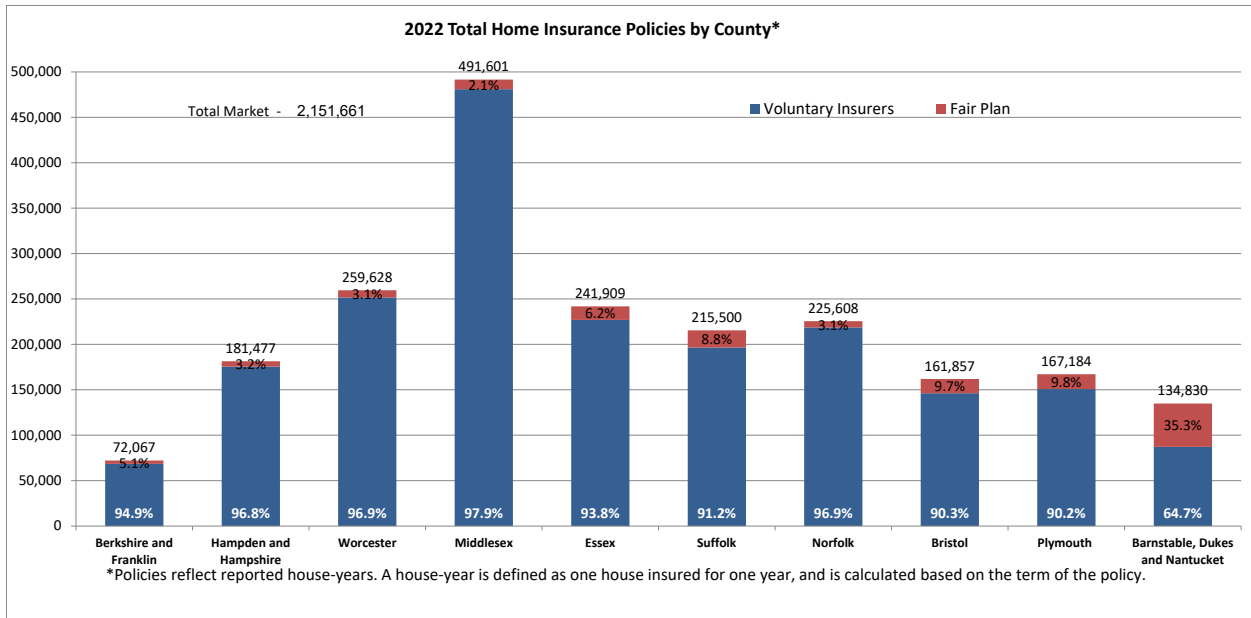


Figure 3

The proportion of FAIR Plan policies written by area varies greatly. While the FAIR Plan writes 35.3% of the home insurance for the Cape and Islands (comprising Barnstable, Dukes and Nantucket counties) and 8.8% of the home insurance in Suffolk County, it writes 9.8% or less of the policies in each of the other counties in the state (see Figure 7).

Also, between 2021 and 2022, the number of home insurance policies remained fairly consistent in most counties (see Figure 8).

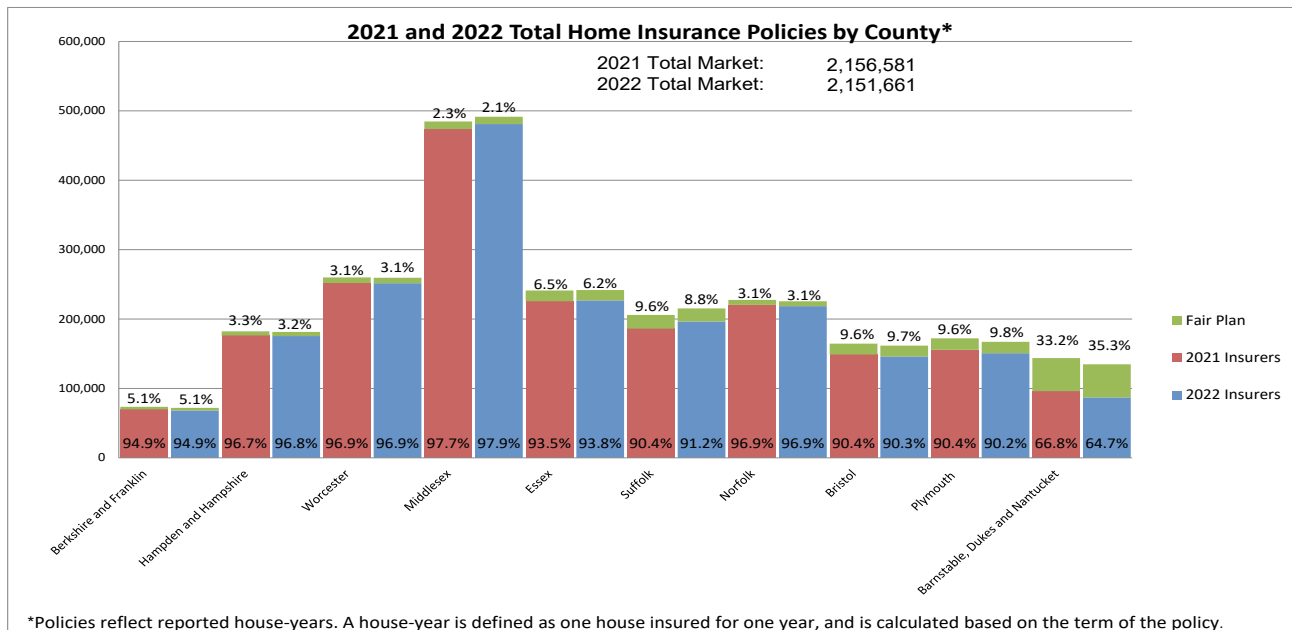


Figure 8

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Coverage Options and Limitations

Policy Form Options

Wind Deductibles

In order to reduce their financial risk, many home insurance companies have amended their standard policies to include mandatory wind deductibles.¹⁴ 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.¹⁵ The Division requires that insurers provide consumers with clear disclosures of the deductibles before they purchase 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.¹⁶ 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, 36.1% had a mandatory wind deductible applicable to their coverage in 2022. In coastal areas, 58.9% had a mandatory wind deductible. In urban areas, 23.2% 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, such as by installing 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 and Coverage

In the United States, home insurance policies have not traditionally covered damage associated with floods.¹⁷ 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

¹⁴ A wind deductible is a deductible that applies only to losses caused by wind.

¹⁵ 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.

¹⁶ Additional detailed information is included in the Statistical Supplement to this report.

¹⁷ Automobile insurance policies, cover flood damage to a motor vehicle under optional comprehensive coverage.

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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”)¹⁸ 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 2022, which is a decrease of 7.7% from the 56,707 reported for 2021.

Federal Emergency Management Agency (FEMA) National Flood Insurance Program Report MASSACHUSETTS*							
County	2022 V-Zone Policies	2022 A-Zone Policies	2022 Other Policies	2022 Total Policies	2021 Total Policies	2022 Total Premium	2022 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 of 5/18/21 for 2021 policies and as of 5/24/2022 for 2022 policies. Flood insurance is required for insurable structures within high-risk areas to protect federal financial investment assistance used for acquisition and/or construction purposes within communities participating in the National Flood Insurance Program.

V-Zone policies – policies in coastal flood hazard areas that have at least a one percent chance of flooding in any given year and are subject to the velocity hazard of wave action.

A-Zone policies – policies in flood hazard areas that have at least a one percent chance of flooding in any given year but are not subject to the velocity wave hazard.

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.

¹⁸ 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.

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 5/24/2022 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 16th most populous state.¹⁹ While population does not necessarily correlate with flood exposure, the number of Massachusetts homes with flood insurance continues to be relatively low for 2022 (See Figure 10). The Division issued Bulletin 2006-05, in 2006, to remind insurers and insurance producers to offer flood insurance to all state residents.

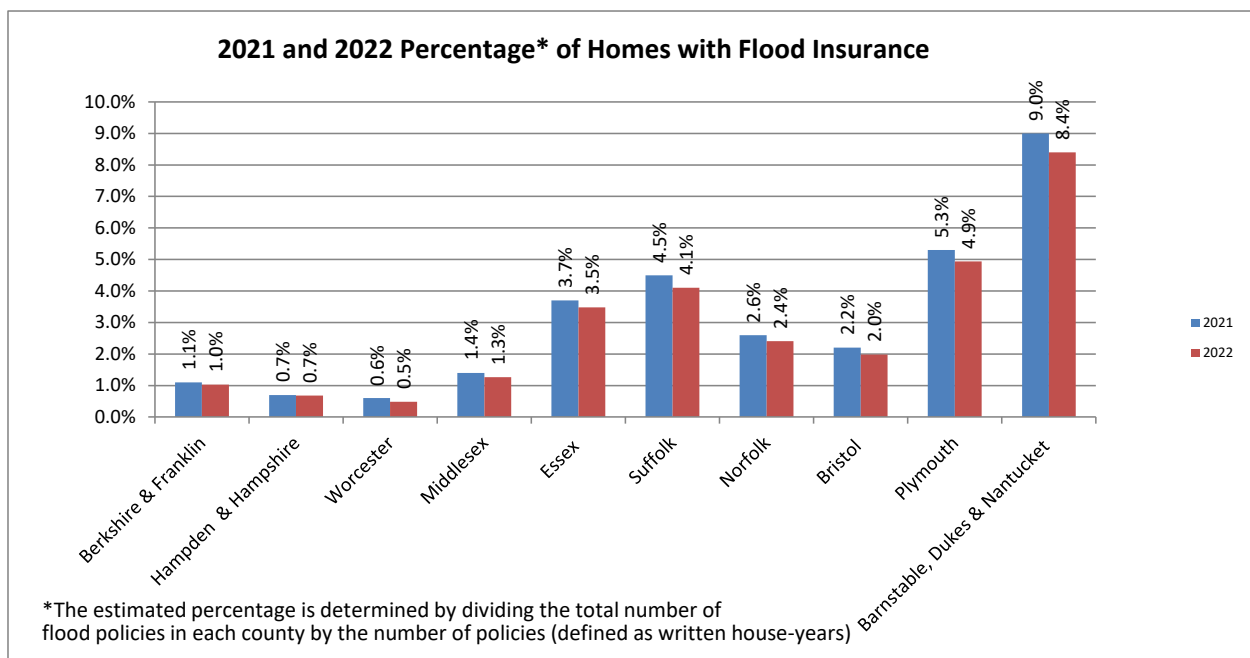


Figure 10

Since the 1970s, NFIP 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.

¹⁹ Massachusetts population ranking is based on estimates as of July 1, 2022. The 2022 U.S. Census Bureau statistics, available at https://www.census.gov/data/tables/time-series/demo/popest/2020s-state-total.html#par_textimage_1574439295

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

Following an initial special examination in 2022, the Division conducted again for this report an examination of the top 25 Massachusetts home insurers and the MPIUA to evaluate the impact of policyholders' pre-loss mitigation measures and community-wide mitigation initiatives on rates, deductibles and on the capacity to write homeowners insurance.

The survey asked about credits or discounts offered by each company in calendar year 2022 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.

Of the 26 insurers surveyed, 18 reported reflecting mitigation measures through reduced insurance rates. There was a great diversity of the mitigation measures that are reflected in rates. Frequently cited were storm shutters, hurricane-resistant glass, roof/foundation tie-downs, hip-shaped roofs, and back-up power supplies. Some insurers reported more general mitigation factors, such as construction that is 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.

Four insurers out of the 26 reported reducing or eliminating deductibles in response to mitigation measures. All four of these insurers also provide reduced rates in response to mitigation. The most common mitigation factors cited for the reduction or elimination of deductibles were shutters, hurricane-resistant glass, reinforced doors, and roof or foundation tie-downs.

Five insurers reported that homeowners' mitigation factors also increase their capacity to write in the commonwealth.

Eight of the surveyed insurers report the availability of actuarially sound data that reflects municipal-level or community-level resilience to climate-related causes of loss. The most commonly cited data source was ISO's Building Code Effectiveness Grading (BCEG). Also cited were commercial catastrophe modelers loss simulations and data on the distribution of year-of-construction of housing in a community -- which can be compared to the code in effect at the time.

Overall, a majority of the surveyed insurers are taking mitigation measures into account when developing rates for home insurance products. Presumably, this incorporation of mitigation

measures has emerged organically out of the actuarial process: mitigation measures can credibly be reflected in rates and in modeled losses because mitigation in fact does reduce loss. By considering the actuarial data, carriers are progressively offering benefits in return for mitigation efforts that are expected to reduce projected losses. There may be an opportunity to make the connection between mitigation and insurance even more deliberate by focusing on communicating the benefits of mitigation to the policyholder as well as to Massachusetts communities as a whole.

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.

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.

The Task Force has divided its projects among several workstreams:

Pre-Disaster Mitigation Workstream – As noted, some insurance companies writing home insurance coverage give premium credits or discounts, or reduce or eliminate wind deductibles, when homeowners take certain loss mitigation measures. The Division of Insurance, and state insurance regulators across the country, prioritize pre-disaster mitigation because protecting consumers begins long before a wildfire starts or a storm makes landfall. This work has extended to collaborating with the Insurance Institute for Business and Home Safety (IBHS) to understand more about strengthening building codes and their “fortified program”.

Climate Risk Disclosure Workstream – In 2022, the NAIC adopted a revised Climate Risk Disclosure Survey that aligns with the Financial Stability Board’s Task Force on Climate-Related Financial Disclosure (TCFD), which is the leading international standard for climate reporting for the insurance sector. The goal of the Survey is to provide insurance regulators with information about the assessment of risks posed by climate change to insurance companies and the actions companies are taking in response to their understanding of climate risks. Specifically, the Survey allows the Division to better understand how insurance companies are considering and addressing climate change and climate risk in their business operations, underwriting and reserves, which in turn, impact the availability of coverage for homeowners.

Solvency Workstream – The Solvency Workstream evaluates financial regulatory approaches to climate risk and resiliency, recommending enhancements to regulator solvency tools. State insurance regulators have updated the Risk Based Capital (RBC) formula, which is used to monitor the capital adequacy of insurance companies to ensure their ability to pay claims, to include specific charges for hurricane, earthquake, and most recently, wildfire risks. These steps help ensure that insurance carriers remain solvent and have sufficient claims-paying capacity, which we will get into later in this report.

Innovation and Technology Workstream – This workstream explores innovative and non-traditional insurance products to help resolve issues with coverage gaps created due to natural disasters.

The NAIC, through the Center for Insurance Policy and Research, has also created a Catastrophe Modeling Center of Excellence, which provides education, training, and regulator support for the review of catastrophe models, which are used by insurance companies to assess risk for property insurance. The Center of Excellence works with cat modeling firms to understand how climate risk and changing weather patterns are or are not incorporated into their models and provides this information to state insurance regulators. By doing so, it enables state insurance regulators to better understand the use of these models in projecting risks and losses and identifying factors that could either increase or reduce risks.

Premiums and Losses

Premiums

In 2022, Massachusetts insureds purchased approximately \$2.97 billion in home insurance coverages, as measured in premium paid, which is 4.8% more than was reported for 2021. Of the total premium, 92.8% was for traditional homeowners insurance. Between 2021 and 2022, traditional homeowners insurance premiums increased by approximately \$136.2 million.

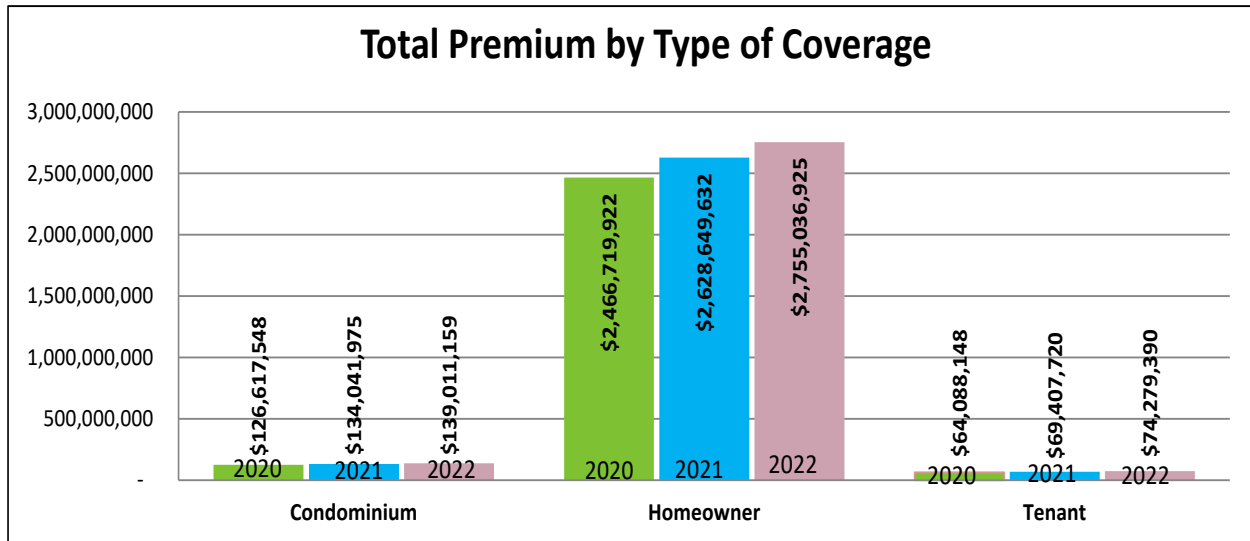


Figure 11

Average premiums increased in 2022 for traditional homeowners and decreased for tenant coverage and condominium coverages.

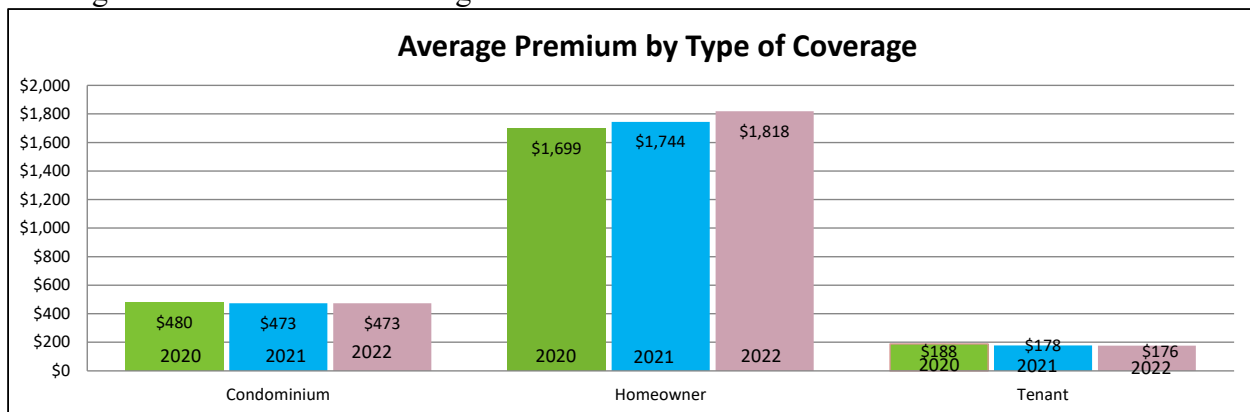


Figure 12

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 2022, insureds filed 51,516 claims with their home insurance companies, 23.3% fewer than in 2021. Approximately 82.7% of these claims were filed on traditional homeowners insurance policies. As illustrated in Figure 13, the condominium coverage type experienced a decrease while the tenant coverage type experienced a slight increase in the number of reported claims between 2021 and 2022.

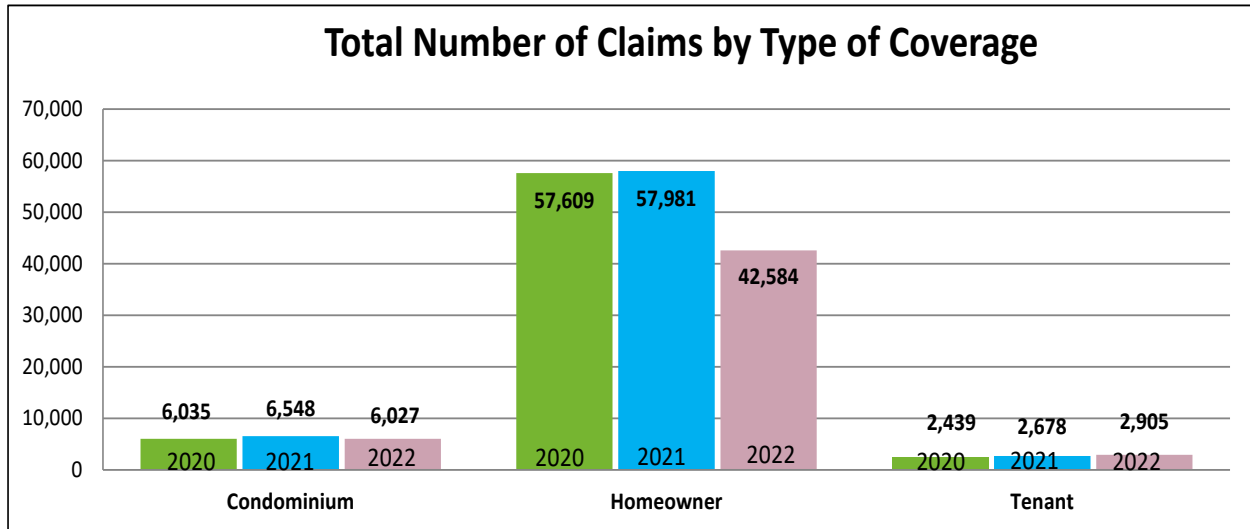


Figure 13

Claim trends tend to fluctuate with damage-causing weather patterns. In 2022, there were three designated Massachusetts catastrophes resulting in total estimated Massachusetts property catastrophe losses of \$208.3 million compared to \$368.5 million of catastrophe losses in 2021. The total number of filed claims decreased correspondingly from 2021 to 2022.

As illustrated in Figure 14 (below), the average size of incurred claims increased 40.4% for traditional home insurance, increased by 8.2% for condominiums, and increased by 22.4% for tenants. The increase in average claim size for traditional home insurance reflects the particular mix of causes of loss causing claims in 2022 (see following section discussing cause of loss).

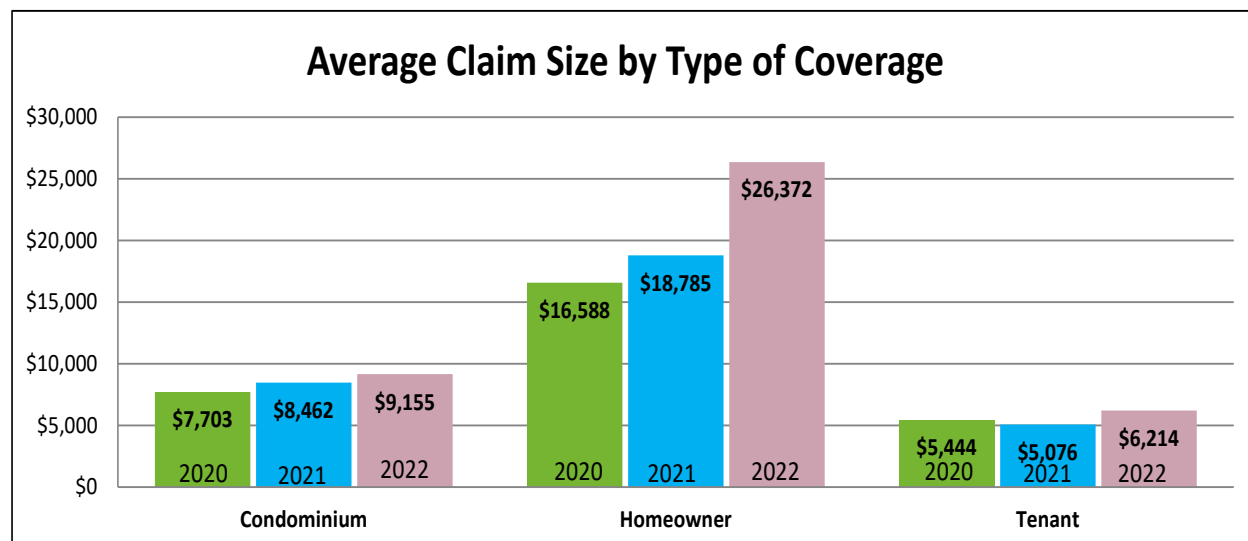


Figure 14

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.²⁰

As illustrated in Figure 15, 24,060, or 51.3%, of total claims were submitted for water losses for non-flood related water damage. Policyholders also submitted 4,257 claims for fire, lightning, and removal damages and 7,401 claims for damages classified as “all other losses,” accounting respectively for 9.1% and 15.8% of total claims filed. There was a total of 8,124 claims filed under the wind category, which represents 17.3% of total claims filed.

²⁰ 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.

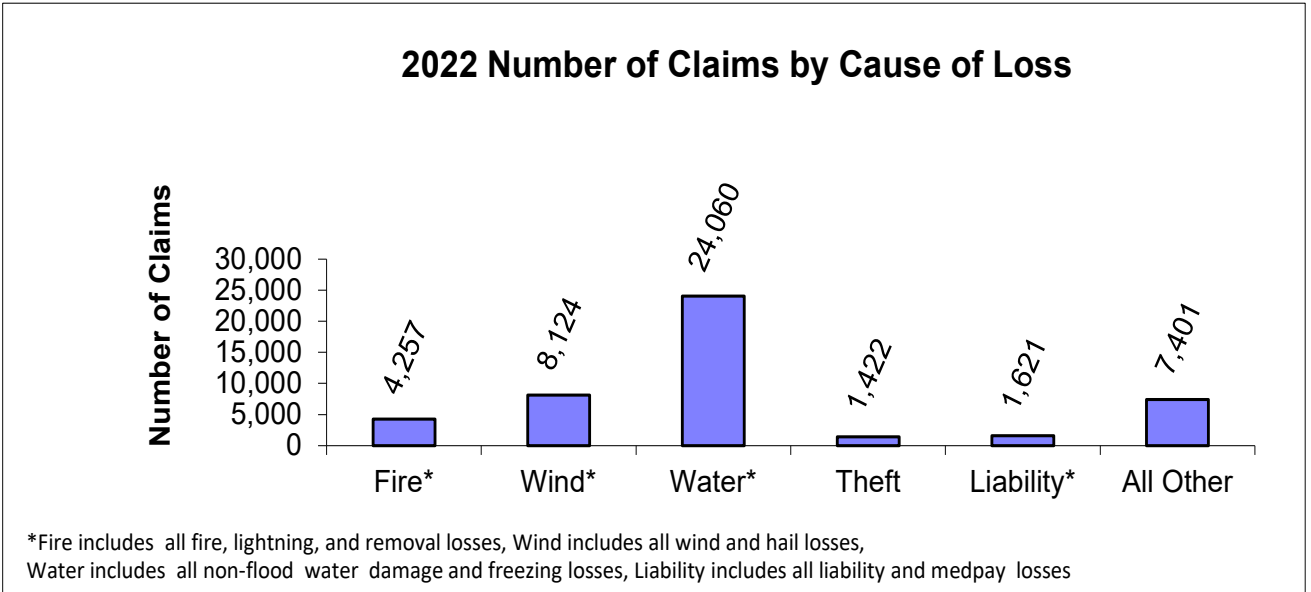


Figure 15

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.

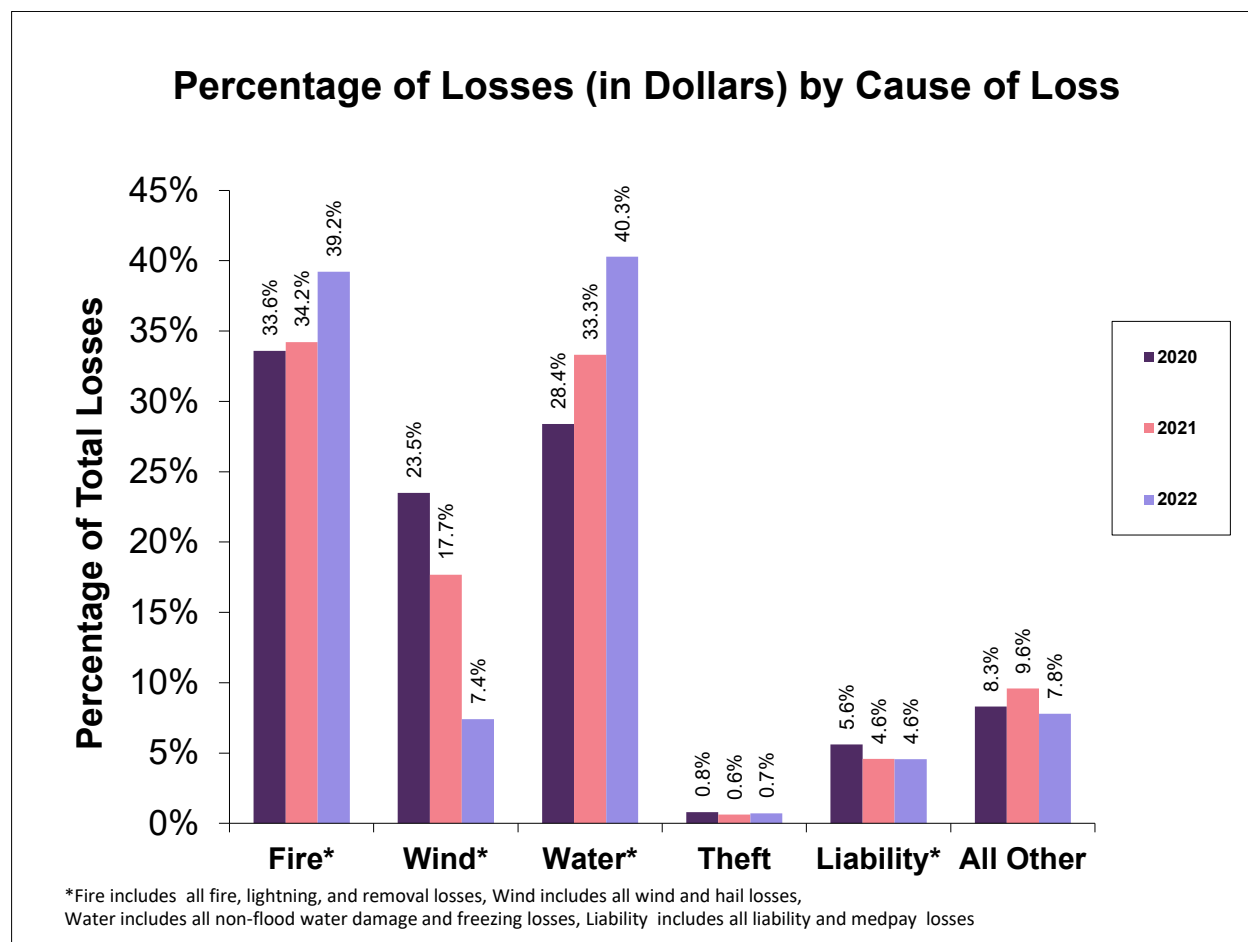


Figure 16

Additional Detail on Each Cause of Loss

Fire, Lightning and Removal dollar losses as a percentage of statewide losses increased from 34.2% in 2021 to 39.2% in 2022. The statewide average fire, lightning and removal claim cost was \$86,124 in 2021, increasing to \$103,864 in 2022.

Wind & Hail losses accounted for 7.4% of total losses in 2022, down from 17.7% in 2021. The statewide average claim cost for wind and hail increased from \$9,891 in 2021 to \$10,282 in 2022.

Non-Flood Water Damage and Freezing losses accounted for 33.3% of total losses in 2021 and 40.3% of total losses in 2022. The statewide average claim cost for non-flood water damage and freezing increased from \$13,983 in 2021 to \$18,885 in 2022.

Theft losses accounted for 0.6% of total losses in 2021 and 0.7% of total losses in 2022. The total number of theft claims decreased from 1,464 in 2021 to 1,422 in 2022, and the average statewide theft claim cost increased from \$4,961 in 2021 to \$5,696 in 2022.

Liability and Medical Payments dollar losses accounted for 4.6% of total losses in 2021 and 4.6% of total losses in 2022. The average statewide liability and medical claim cost decreased from \$29,343 in 2021 to \$31,802 in 2022.

All Other claims losses accounted for 7.8% of total losses in 2022, compared to 9.6% in 2021. Total filed claims decreased from 10,981 in 2021 to 7,401 in 2022. The average claim cost was \$10,119 in 2021, increasing to \$11,877 in 2022.

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 2022 overall loss ratio for all FAIR Plan and insurance company policies was 42.2% across all types of residences (traditional homes, condominiums, rentals).

Figure 17 presents a history of the loss ratios for the entire market since 2013:

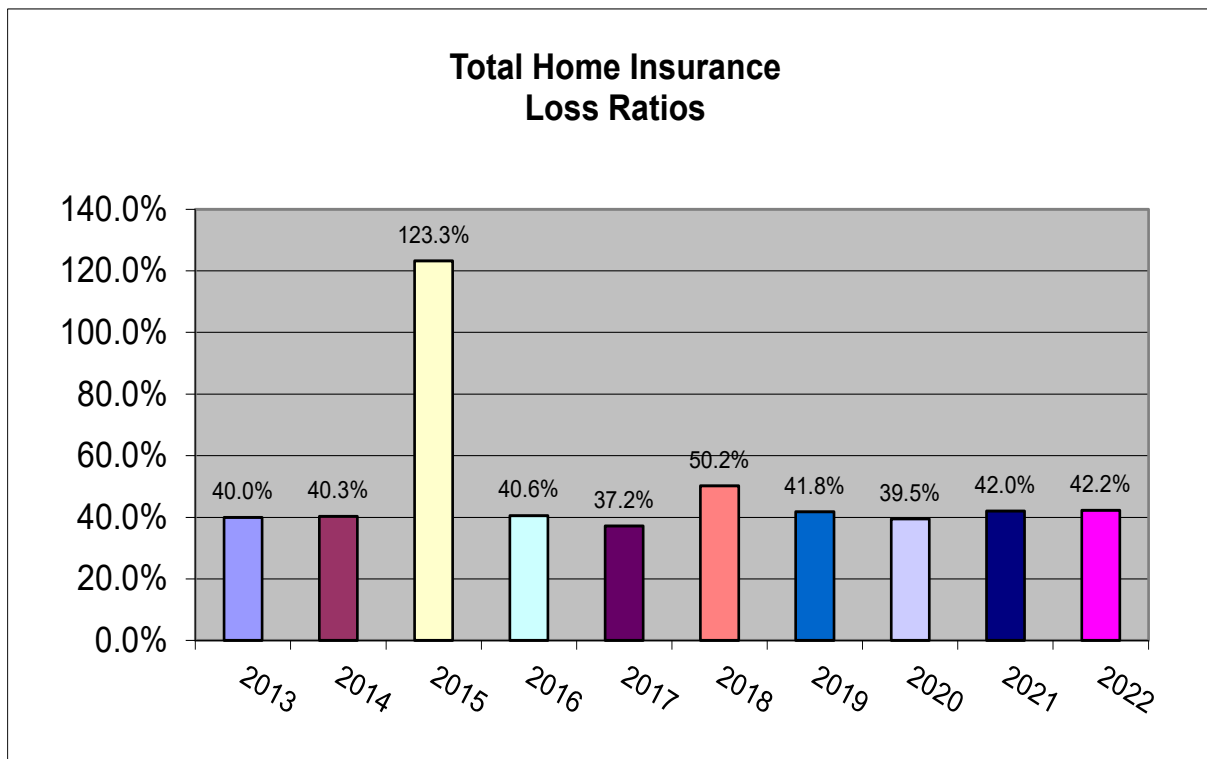


Figure 17

Non-weather events do not usually cause major shifts in loss trends.²¹ Weather-related events, on the other hand, can cause significant shifts, depending on the severity of the events. Looking back on the past 10 years, 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, six in 2021 and three in 2022 with the resulting losses varying with the severity of the events. The loss ratio for 2022 is similar to that in 2021. As presented in Figure 18, the traditional homeowners loss ratio was 42.8%, the condominium loss ratio was 41.0%, and the tenant coverage loss ratio was 25.0% in 2022.

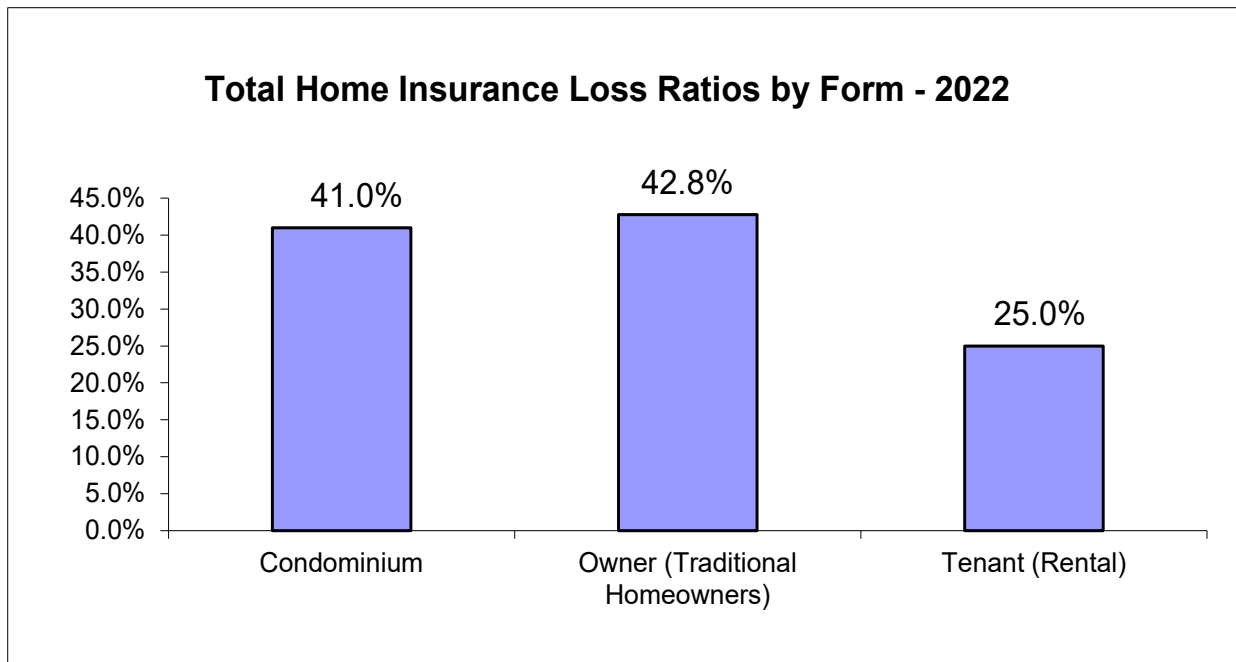


Figure 18

²¹ 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													
	(A)	(B)	(C) = (B)/(A)	(D)	(E)= (D)/(A)	(F)	(G)	(H)	(I)	(J) = (F)+(G)+(H)+(I)	(K)= (E)+(J)	(L)	(M)= (K)+(L)
Year	Earned Premium (\$000's)	Incurred Losses (\$000's)*	Loss Ratio*	Incurr Losses + All Loss Adj Expenses (\$000's)	Adjusted Loss Ratio (incl All Loss Adjust Expenses)	Producer Commissions	Taxes and Licensing Fees	Other Acquisition Expense	General Expenses	Expense Ratio	Combined Ratio (Adj Loss Ratio + Expense Ratio)	Mutual Company Dividends to Policyholders	Adjusted Comb ined Ratio (incl Mutual Dvns)
2022	2,576,584	1,057,599	41.0%	1,170,191	45.4%	16.6%	3.0%	7.2%	4.9%	32.0%	77.4%	0.5%	77.9%
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%	1,009,333	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%	8.5%	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%
2013	1,739,644	660,369	38.0%	755,269	43.4%	17.0%	2.9%	7.8%	4.7%	32.4%	75.8%	0.7%	76.4%
2012	1,627,267	607,289	37.3%	684,780	42.1%	17.3%	2.8%	7.7%	4.3%	32.2%	74.3%	0.7%	74.9%
2011	1,442,793	1,442,793	92.2%	1,600,343	110.9%	16.6%	2.8%	7.8%	4.5%	31.7%	142.6%	0.6%	143.2%
2010	1,496,800	683,987	45.7%	758,677	50.7%	16.6%	2.8%	7.8%	4.5%	31.7%	82.4%	0.6%	83.0%
2009	1,470,373	630,921	42.9%	704,924	47.9%	17.7%	2.7%	8.0%	4.4%	32.8%	80.7%	0.7%	81.4%
2008	1,449,187	630,002	43.5%	720,089	49.7%	17.8%	2.7%	7.8%	4.6%	32.9%	82.6%	0.7%	83.2%
2007	1,374,607	520,492	37.9%	581,418	42.3%	18.5%	2.7%	7.7%	4.6%	33.5%	75.8%	0.6%	76.4%
2006	1,285,696	480,453	37.4%	542,379	42.2%	18.9%	2.6%	7.5%	4.3%	33.3%	75.5%	0.6%	76.1%
2005	1,193,270	573,842	48.1%	657,111	55.1%	19.6%	2.8%	7.5%	5.2%	35.1%	90.1%	0.7%	90.8%
2004	1,094,265	585,169	53.5%	644,832	58.9%	19.5%	2.6%	6.6%	4.3%	33.0%	92.0%	0.7%	92.6%

* 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 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.²² The adjusted combined ratio of 77.9% for 2022 shows a decrease from 78.7% for 2021.

²² 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.

Massachusetts Division of Insurance

This analysis does not include what insurance companies pay to reinsurers for catastrophe and hurricane reinsurance, information that 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.

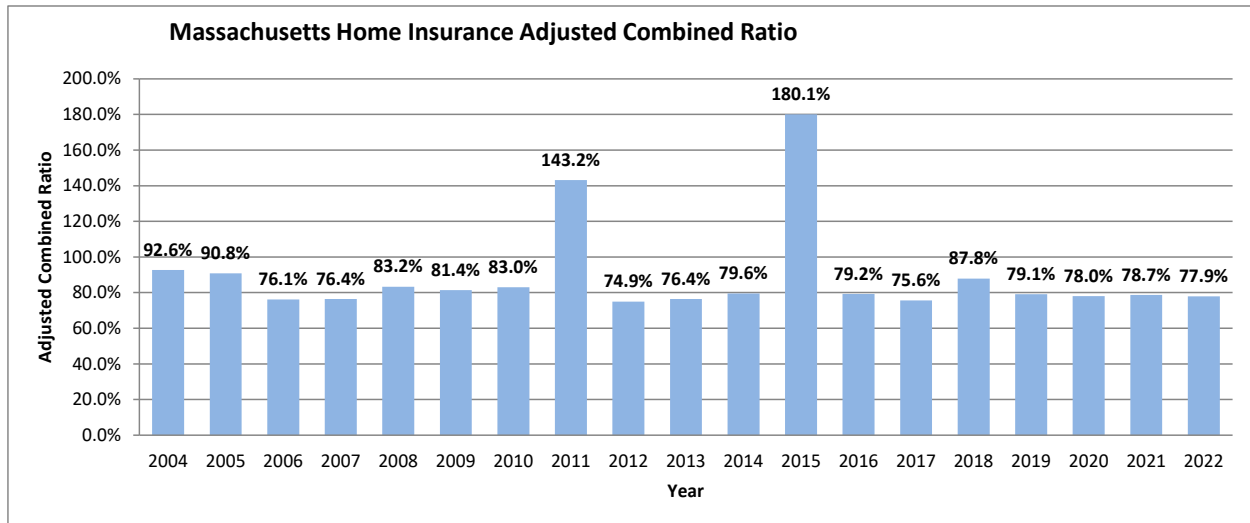


Figure 20

Figure 20 illustrates fluctuations in the market's adjusted combined ratio. This can often be caused by weather-related disasters, 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 2022 fiscal year, the FAIR Plan had an underwriting loss of \$28,670,000²³ (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.

²³ The FAIR Plan fiscal year runs from October 1st of one calendar year to September 30th of the noted calendar year.

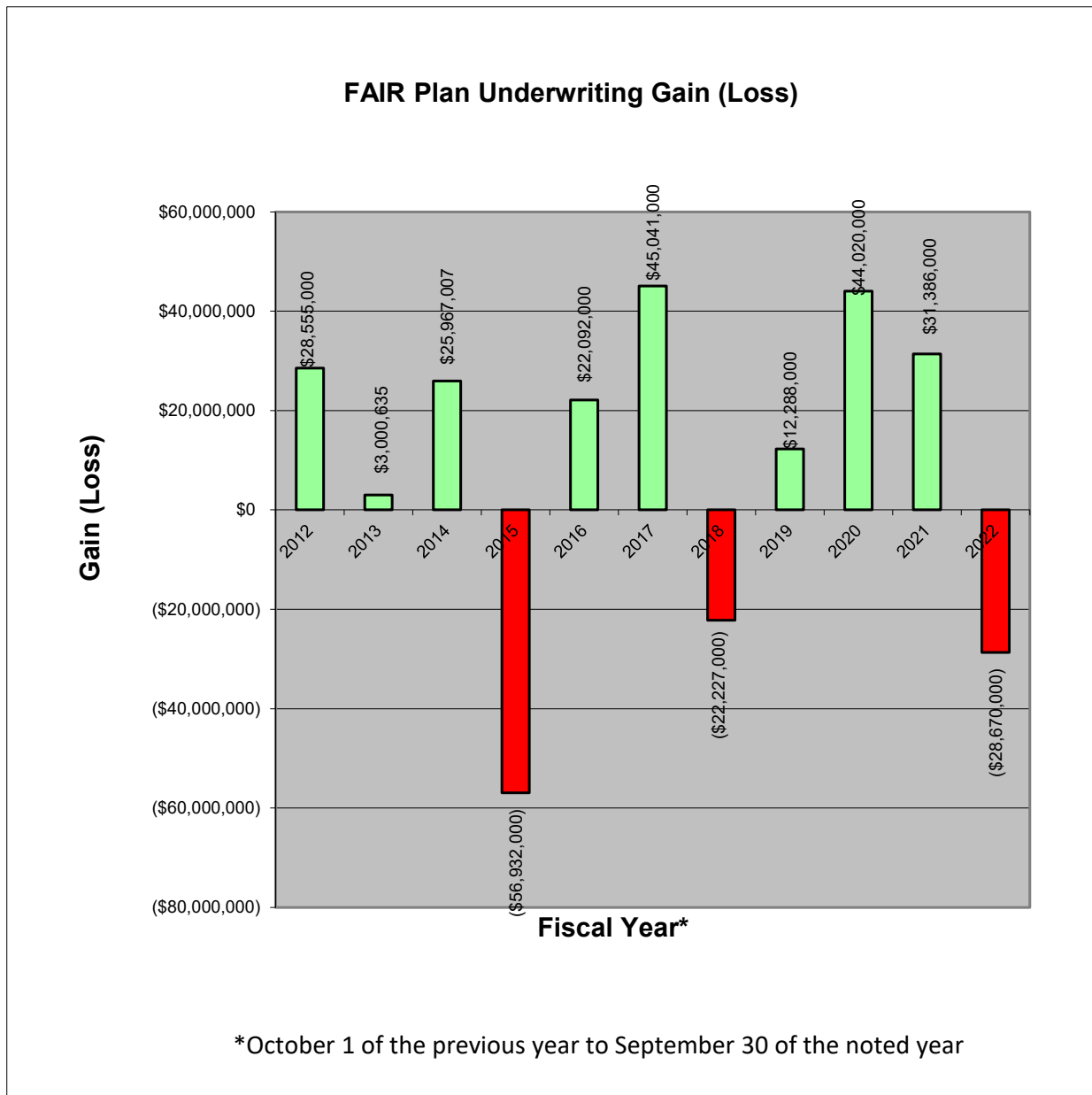


Figure 21

Figure 22 illustrates on a per policy basis the FAIR Plan’s fiscal year underwriting loss – sometimes called a contribution to surplus²⁴ – of \$177 per policy in fiscal year 2022 following an underwriting gain of \$188 per policy in 2021.

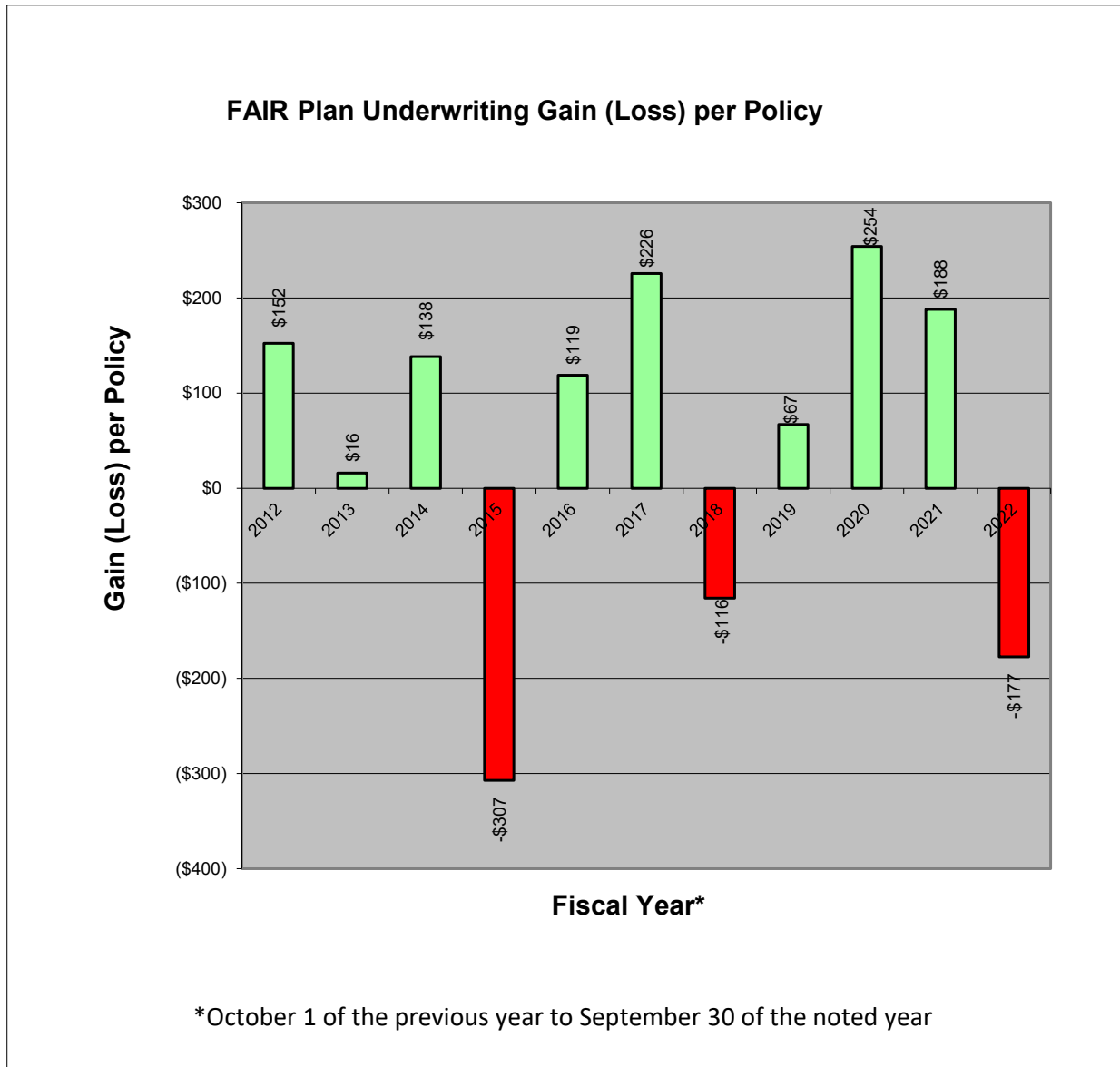


Figure 22²⁵

²⁴ 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.

²⁵ 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. 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 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 in June 2014.

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

FAIR Plan Home Insurance Rate Changes	
<u>Effective Date*</u>	<u>Percent</u>
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

FAIR Plan Clearinghouse

The Massachusetts Property Insurance Underwriting Association (MPIUA) -- the successor to the FAIR Plan -- serves as a residual market issuing policies on behalf of its member insurers. If the MPIUA were a traditional insurer, its book of business would be one of the largest 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 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 insurers²⁶ 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.²⁷

Aggregate Cancellation/Nonrenewal Data for Urban/Coastal Areas²⁸

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 514,690 policies in force in urban and coastal areas as of December 31, 2022. Of the total policies in force, there were 329,327 policies in urban areas and 185,363 policies in coastal areas. The top 25 companies covered 409,663 homes and the FAIR Plan covered 105,027 homes.

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.

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 insurance company can cancel the policy.

During 2022, there were a total of 93,219 policies cancelled in urban or coastal areas, with 72,618 cancellations among the top 25 companies and 20,601 cancelled FAIR Plan policies. Of the total number of cancellations, 69,978 policies were cancelled in urban areas and 23,241 policies were cancelled in coastal areas.

²⁶ The top 25 insurers, primarily insurer groups that were writing homeowners insurance in Massachusetts in 2022 based on written premium data from the National Association of Insurance Commissioner's database for homeowners multiple peril, are listed within footnote 6. Some of these insurer groups are better known by the names of their individual insurance companies.

²⁷ The designated zip codes are identified in Exhibit 8A of the Statistical Supplement to this report.

²⁸ 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.



Figure 24A

Figure 24B

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 was a total of 3,483 policies nonrenewed in the urban and coastal designated zip codes in 2022, with 2,710 policies nonrenewed among the top 25 companies and 773 nonrenewed FAIR Plan policies. Of the total number of nonrenewals, 2,183 policies were nonrenewed in urban areas and 1,300 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, Barnstable Group, and United Insurance Holdings Group had the highest numbers of nonrenewals in 2022.

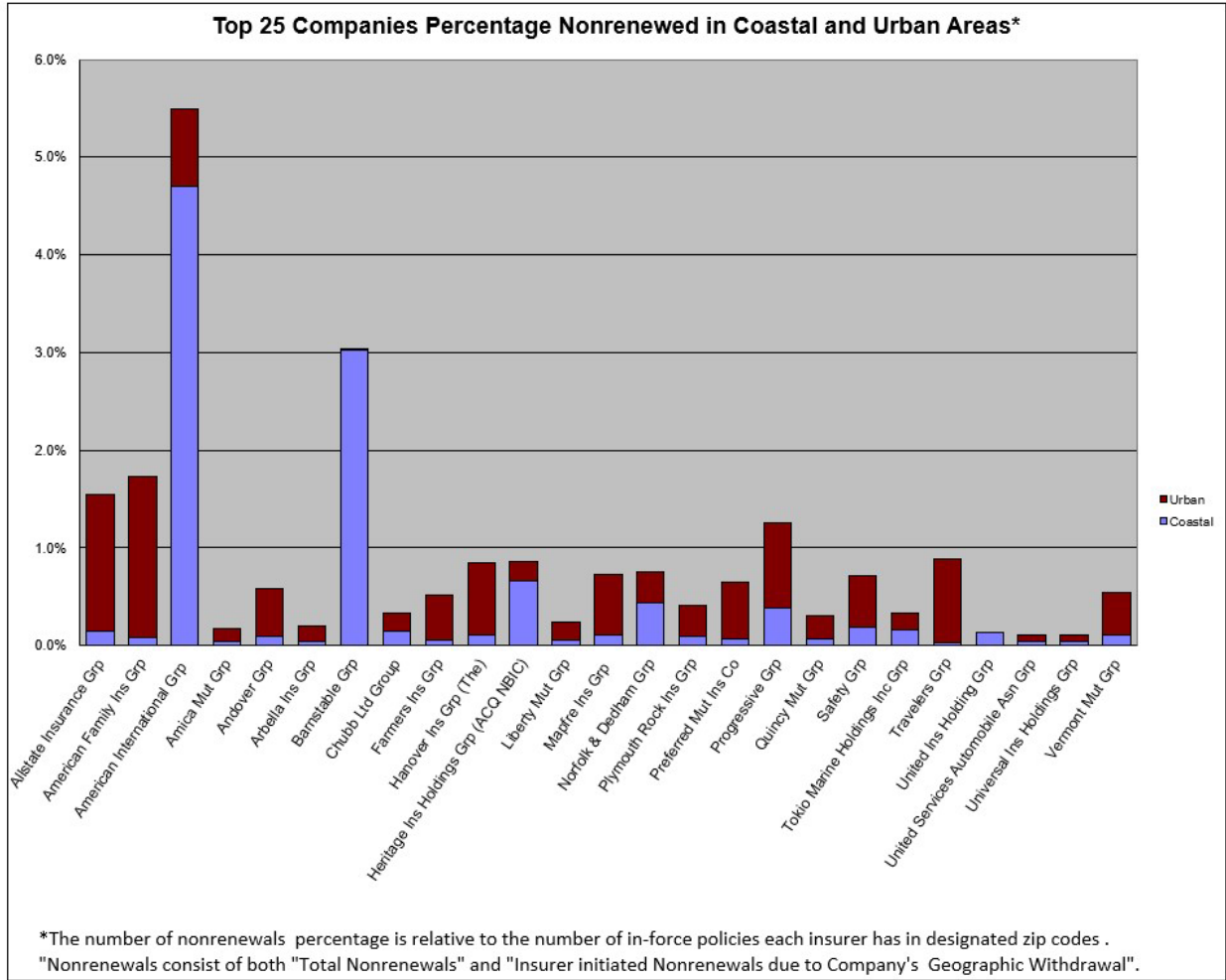


Figure 25

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:

- 93,219 cancellations during 2022.
 - 63,671 were initiated by the policyholder; and
 - 29,548 were initiated by the insurer, of which:
 - 3,199 initiated by the insurer in the first 60 days,
 - 23,848 cancelled due to nonpayment, and
 - 2,501 cancelled for other reasons permitted by law.

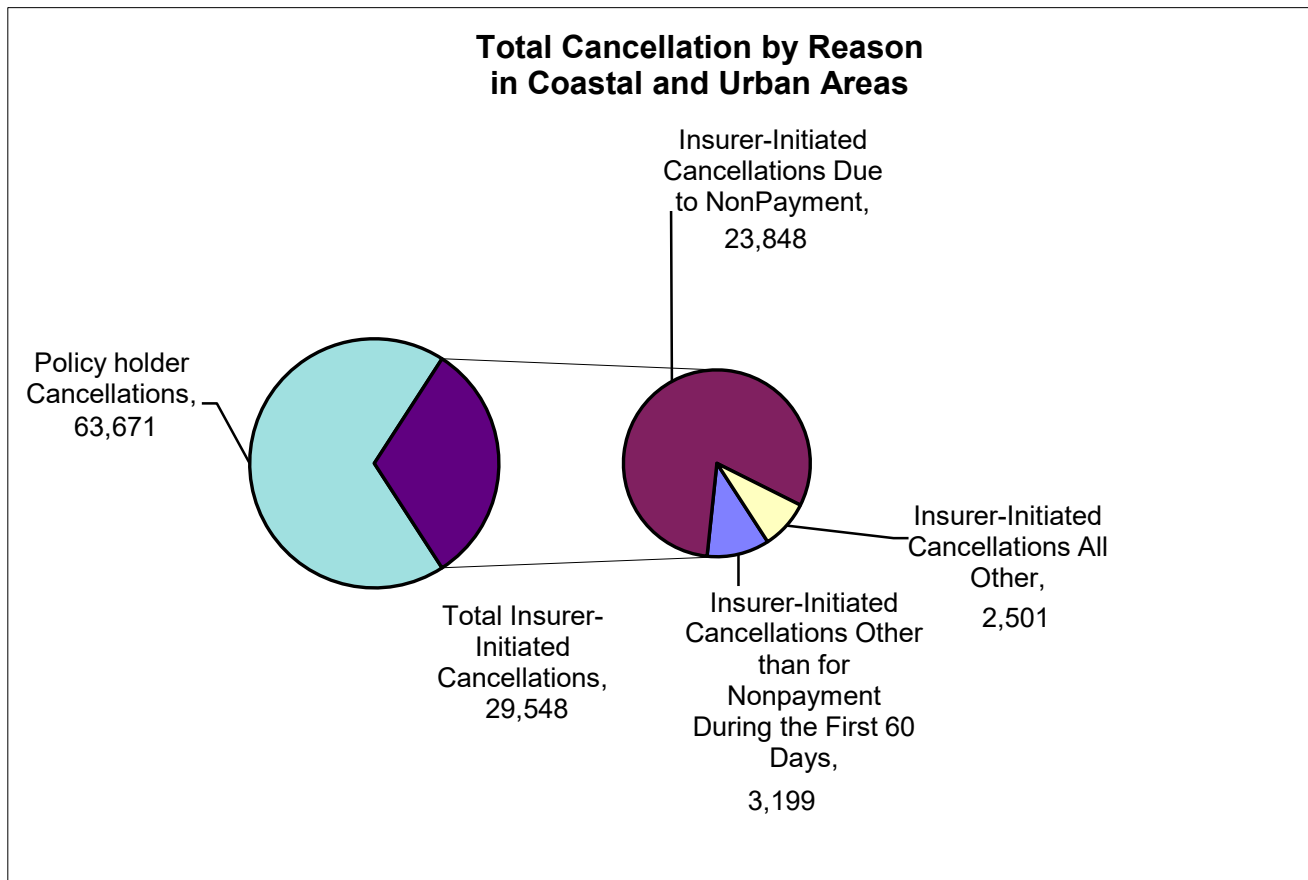


Figure 26

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

- 69,978 cancellations occurred during 2022.
 - 46,655 were initiated by the policyholder; and
 - 23,323 were initiated by the insurer, of which:
 - 2,438 initiated in the first 60 days,
 - 18,938 cancelled due to nonpayment, and
 - 1,947 cancelled for other reasons permitted by law.

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

- 23,241 cancellations occurred during 2022.
 - 17,016 were initiated by the policyholder; and
 - 6,225 were initiated by the insurer, of which:
 - 761 initiated in the first 60 days,
 - 4,910 cancelled due to nonpayment, and
 - 554 cancelled for other reasons permitted by law.

The Division does not ask companies to 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 2020, 2021, and 2022. 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 2,710 insurer-initiated policies nonrenewed in the urban and coastal designated zip codes in 2022,²⁹ with none of the nonrenewals resulting from insurer withdrawal from certain geographic areas. Of the reported 2,710 nonrenewals in 2022, there were 941 nonrenewals in those zip codes identified as coastal areas and 1,769 nonrenewals in those zip codes identified as urban areas.

In addition to the top 25 company nonrenewals, the FAIR Plan did not renew 773 policies according to what is permitted within its Plan of Operations, including properties whose value exceeds the FAIR Plan's \$1,000,000 cap.

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

Claims History of Policyholders Renewed and Nonrenewed in Urban/Coastal Areas in 2022

In the 2022 survey, the Division asked the top 25 home insurance companies to separately report the claims history of policies that were renewed or nonrenewed.³⁰

In 2022, of the reported 409,663 urban or coastal policies renewed by the top 25 home insurance companies, there were an estimated 24,623 claims filed during the reporting period, an average of 60 claims filed per 1,000 policies renewed in 2022. The companies reported having paid \$346,675,538 in claims during the reporting period for those renewed in 2022, with an average claim size of \$11,555. By comparison, in 2021, of the reported 405,680 policies renewed by the top 25 home insurance companies, there were an estimated 22,716 claims filed during the reporting period, or an average of 56 claims filed per 1,000 policies renewed. The companies reported having paid \$303,363,078 in claims during the period for those renewed, with an average size of \$10,245.

When comparing urban and coastal renewed policies, there were 72 claims filed per 1,000 coastal policies, as compared to 55 claims filed per 1,000 urban policies. The average claim size for renewal policies was \$12,632 per claim for coastal policies, as compared to \$10,941 per claim for urban policies.

Of the reported 2,710 policies nonrenewed by the top 25 insurance companies, there were a total of 813 claims filed in 2022, or an average of 300 claims filed per 1,000 nonrenewed policies. The companies reported having paid \$22,277,487 in claims on these nonrenewed policies during the reporting period, with an average claim size of \$27,402.

When comparing urban and coastal nonrenewed policies, there were 353 claims filed per 1,000 coastal policies, as compared to 272 claims filed per 1,000 urban policies. The average claim size for nonrenewed policies was \$25,386 per claim for coastal policies, as compared to \$28,793 per claim for urban policies.

Summary of Cancellation/Nonrenewals in Urban/Coastal Areas

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 compared to insureds who were renewed. Nevertheless, a significant number of insureds whose policies were renewed also filed claims. 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 2022, we calculate that 30,001 of those whose coverage was renewed did file claims sometime in the prior three years and companies made payments of \$346,675,538 on these claims.

³⁰ In collecting the claims history for those policies renewed in 2022, the Division requested in its survey that the company report the number of claims reported and dollar value of claims paid during each of 2020, 2021 and 2022. Similarly, in collecting the claims history for those policies nonrenewed in 2022, the Division requested that the company report the number of claims reported and dollar of claims paid during each of 2020, 2021 and 2022.

In urban areas, 97.5% of those policyholders with claims who sought to renew were renewed by their insurers. Similarly, 97.0% of those policyholders with claims in coastal areas who sought to renew were renewed by their insurance companies³¹. See Figures 27A and 27B.

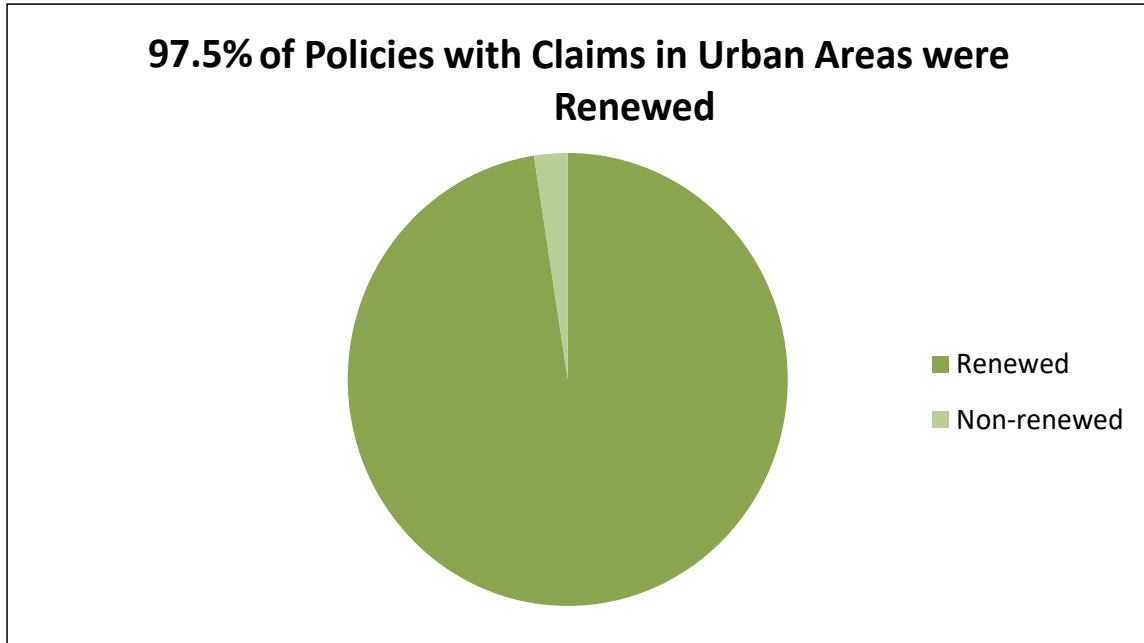


Figure 27A

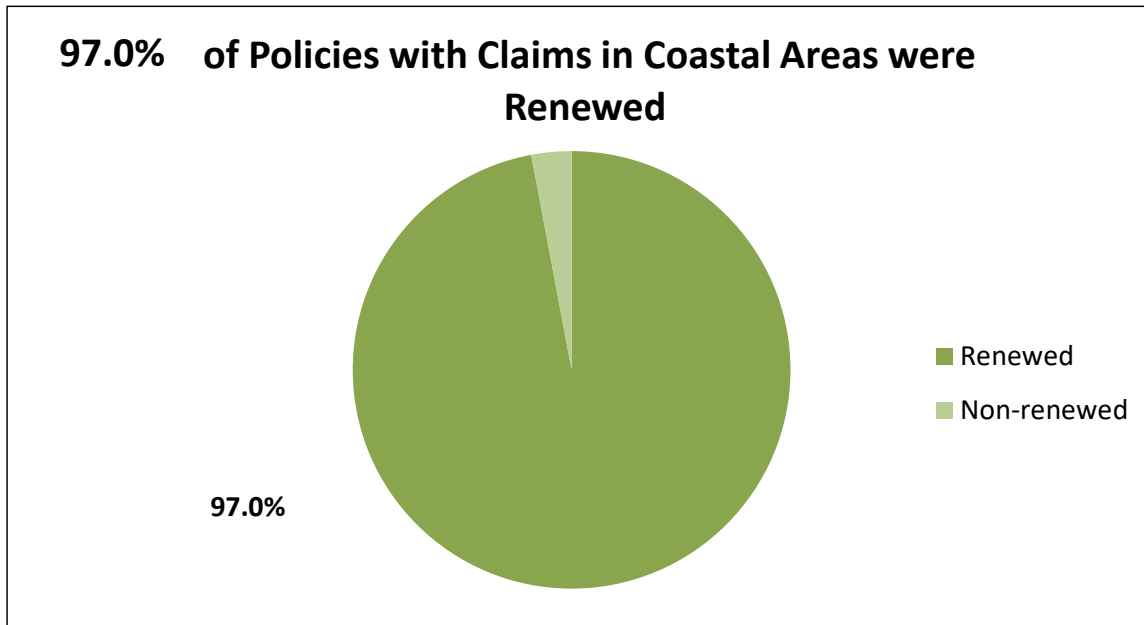


Figure 27B

³¹ Based on the assumption that there was only one claim per policyholder.