

**HOUSE . . . . . No.**

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**The Commonwealth of Massachusetts**

PRESENTED BY:

**Antonio F.D. Cabral**

*To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:*

The undersigned legislators and/or citizens respectfully petition for the passage of the accompanying bill:

**An Act to protect consumers of homeowner's insurance.**

PETITION OF:

NAME:

Antonio F.D. Cabral

DISTRICT/ADDRESS:

13th Bristol

# The Commonwealth of Massachusetts

In the Year Two Thousand and Nine

## AN ACT TO PROTECT CONSUMERS OF HOMEOWNER'S INSURANCE.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 Chapter 175 of the General Laws, as appearing in the 2006 Official Edition, is hereby amended by  
2 inserting after section 4C the following section:-

3  
4 Section 4D. The commissioner shall adopt regulations to require that both all insurers licensed to write  
5 and engaged in the writing of homeowners insurance in the commonwealth and the joint underwriting  
6 association, established in chapter 175C, shall produce a standard outline of coverage written in  
7 language prescribed or approved by the commissioner that describe the features of the coverage. Each  
8 insurer, including the joint underwriting association, shall be required to provide this information to  
9 each policyholder upon the issuance or renewal of a policy.

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11 **SECTION 2.** Within ninety days of the effective date hereof, the commissioner shall begin negotiations  
12 with the state insurance commissioners or their equivalents in the other New England states, New York  
13 and New Jersey with the goal of agreeing with one or more of those states, through a Memorandum of  
14 Understanding, to the creation of a regional Center for Hurricane Research, hereinafter referred to as  
15 the center, to be jointly funded and operated. The center shall employ such expert, clerical, or other  
16 assistants as the work of the center may require. The center shall develop criteria for hurricane loss  
17 projection models and methodologies that are specific to the coastal northeastern United States and  
18 may from time to time adopt revisions to these criteria. In establishing the criteria, the center shall  
19 consider any models, model software, methods, principles, standards, data, inputs, manuals, validation  
20 studies and output ranges that have the potential for improving the accuracy of or reliability of the  
21 hurricane loss projections used in homeowners' insurance rate filings. The criteria developed under this  
22 subsection shall be based on actual data on state construction practices, codes, and buildings. Criteria

23 developed by the center for this purpose shall be a public record.

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25 **SECTION 3.** Chapter 175, as so appearing is hereby amended by inserting after section 99C the following  
26 section:-

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28 Section 99D. Insurers filing rates for approval by the commissioner shall submit to the office of the  
29 attorney general all hurricane models, model software, methods, principles, standards, data, inputs,  
30 manuals, validation studies and output ranges relevant to the insurer's hurricane loss projection model  
31 or methodology that is intended to be used during a rate proceeding on an insurer's rate filing in  
32 advance of the rate proceeding. All models, model software, methods, principles, standards, data,  
33 inputs, manuals, validation studies and output ranges shall be submitted to the office of the attorney  
34 general for review no later than ninety days prior to being admitted as evidence during a rate  
35 proceeding before the commissioner of insurance. If any insurer fails to submit any item or items  
36 required by the office of the attorney general pursuant to this subsection, the commissioner shall direct  
37 the insurer to remove the hurricane loss projection from its filing. A trade secret used in designing and  
38 constructing a hurricane loss model or methodology, provided by an insurer to the center under this  
39 subsection, is confidential and shall not be deemed a public record, as defined in clause Twenty-sixth of  
40 section 7 of chapter 4. The office of the attorney general shall maintain custody of any records made  
41 confidential by this paragraph using a secure location or website. That portion of a rate proceeding on  
42 an insurer's rate filing at which a trade secret is discussed shall be deemed confidential and not open to  
43 disclosure under the open meetings law, but may be discussed at a closed meeting as provided for in  
44 section 11A ½ of chapter 30A. Employees, volunteers and consultants of the office of the attorney  
45 general will be bound not to disclose information made confidential.

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47 **SECTION 4.** Chapter 175, as so appearing, is hereby further amended by inserting after section 99D the  
48 following:-

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50 Section 99E. Any company that has offered an applicant a policy of homeowners multi-peril insurance,  
51 pursuant to section 99B of this chapter or otherwise, shall modify said offer, if requested to do so by the  
52 applicant, to reduce the amount of coverage offered upon a showing by the applicant that the amount  
53 of coverage originally offered exceeds either the municipally assessed value of the subject property or  
54 its market value, as determined by an appraiser licensed pursuant to section 174 of chapter 112. The  
55 applicant may request and, if so requested, the offering company must offer a policy containing any  
56 coverage amount not lower than either such assessed or appraised value. Applicants may appeal a  
57 failure to comply with this subsection to the office of the attorney general.

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59 **SECTION 5.** Chapter 175C of the General Laws, as so appearing, is hereby amended by striking out  
60 section 4(f) and inserting in place thereof the following section:-

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62 (f) The association shall be governed by a board of 18 directors, who shall serve without compensation.  
63 Ten directors shall be elected annually by the members of the association by cumulative voting; 2  
64 directors of associations of insurance agents and brokers doing business in the commonwealth  
65 appointed by the commissioner; 4 directors from the general public appointed by the commissioner;  
66 and 2 directors from the general public appointed by the attorney general. The 6 directors appointed  
67 from the general public by the commissioner of insurance and the attorney general shall serve 3 year  
68 terms, staggered in a manner to ensure the annual expiration of the terms of 2 directors, and shall not  
69 serve as director for more than 3 consecutive terms. The 6 directors appointed from the general public  
70 may not have affiliations with the insurance industry and at least 2 shall have a primary residence in  
71 Bristol, Plymouth, Barnstable, Dukes or Nantucket counties. Cumulative voting by members shall be  
72 permitted at all such elections.

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74 **SECTION 6.** Section 5 of chapter 175C of the General Laws, as appearing in the 2006 Official Edition, is  
75 hereby amended by striking out in section c the following sentence:-

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77 Notwithstanding clause (2), the commissioner shall consider the effects of predicted  
78 hurricane losses and the cost of catastrophe reinsurance on the rates charged by voluntary  
79 market insurers and the cost of catastrophe reinsurance and the predicted hurricane losses on the  
80 association approving rates for homeowners insurance in all territories.

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82 **SECTION 7.** Chapter 175C of the General Laws, as appearing in the 2006 Official Edition, is hereby  
83 amended by adding the following section:-

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85 Section 10. The association shall offer all eligible applicants a premium installment payment option  
86 consisting of nine payments.

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