

# Mass. Fair Plan feels shift to coastal risks

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BOSTON — The Massachusetts Property Insurance Underwriting Association, also known as the Fair Plan, is seeking the largest statewide rate level increase since 1996.

At a recent hearing the Office of the Attorney General Tom Reilly complained that the 4.18 percent increase for the Fair Plan's homeowners forms applicable to owners is excessive.

Tom O' Brien, assistant attorney general in the Insurance Division of the AG, said an increase goes against the very nature of the Fair Plan, which is to provide insurance for those who cannot otherwise obtain it.

"Many of the customers are vulnerable consumers, hit hard by the current economic times," he said. "They should not pay excessive rates for their insurance, and consumers entitled to rate decreases should receive them."

But Bob Tommasino, general counsel for the Massachusetts Property Insurance Underwriting Association, told *InsuranceTimes* the increase is justified because the Fair Plan is seeing more growth in places like Cape Cod rather than the inner cities, where there has been hardly any growth.

"It is our position that the Fair Plan rates are not excessive and have historically been inadequate anyway, if you take into account the Fair Plan's own loss experience," he said. "With respect to the Fair Plan consumers being vulnerable, I suggest that the Fair Plan's homeowners market share is now approximately 5.5 percent and virtually all of its growth is in areas of the state that involve consumers who do not reside in the inner city."

In other Mass. Fair Plan news, two reports analyzing the Fair Plan's market share and homeowners companies' success in writing underserved neighborhoods have recently been released.

A Mass. Division of Insurance report details how the market share of the Fair Plan has increased from 5.1 percent in the calendar year 2000 to 5.9 percent in 2002.

The report also backs up Tommasino's claims about growth in coastal areas.

Boston territories represented 28.8 percent of Fair Plan homeowners dwelling form policies as of Dec. 31, 1996. The same Boston territories decreased to 20.1 percent of the Fair Plan's policies as of Dec. 31, 2002. Coastal rating territories over the same period increased their share of these policies from 22.1 percent to 23.6 percent, an increase in the number of coastal territory policies from approximately 10,355 in 1996 to 16,184 in 2002, which is an increase of almost 60 percent. Cape Cod and islands went from 3,889 to 6,725 during that same time period, while Plymouth County (excluding Brockton) went from 4,909 to 7,499.

While levels of risk have shifted to coastal areas and more insurers are writing in underserved urban neighborhoods, the Massachusetts Affordable Housing Alliance still sees room for improvement in urban areas. In its report, *Insuring Neighborhoods VII*, MAHA found that although 57 percent of the top homeowners insurance companies in the state wrote more policies in underserved urban neighborhoods in 2002, redlining patterns seem to be spreading to urban areas.

The report applauded five companies — Vermont Mutual, Hingham, Royal & Sun Alliance, Liberty Mutual and Arbella — for writing proportionally more businesses in the targeted neighborhoods than they do statewide, while Norfolk & Dedham and Pawtucket Mutual have roughly equal market shares statewide as in the target areas.

Neighborhoods VII also criticized the three largest property insurers for faring poorly in the market share test. The state's top property insurer, Andover, and Commerce and Chubb were ranked the lowest based on how well they write in underserved urban neighborhoods. □