SPECIAL COMMISSION TO REVIEW THE CURRENT STATE OF THE HOMEOWNERS INSURANCE MARKET IN THE COMMONWEALTH

Final Report to the Members of the Massachusetts State Legislature

November 30, 2007

Senator Stephen J. Buoniconti
Co-Chairman

Representative Ronald Mariano
Co-Chairman

November 30, 2007

Mr. William F. Welch
Clerk of the Senate
State House, Room 335
Boston, MA 02133

Mr. Steven T. James
Clerk of the House
State House, Room 145
Boston, MA 02133

Dear Messrs. Clerk:

In an ongoing effort to meet the objectives and goals set forth in Section 84 of Chapter 61 of the Acts of 2007, we submit for consideration the final recommendations of the Special Commission created to review the current state of the homeowners insurance market in the Commonwealth.

Building off of the Commission's preliminary report, which was filed with your office on October 1, 2007, you will find a summary of actions taken by the Commission, a historical review of the homeowners insurance market in coastal areas, and a list of recommendations designed to address the problems identified. In all instances, these recommendations reflect the majority opinion of Commission members.

We would like to express our deep appreciation to the Commission members for their time and effort over the past four months. Their unwavering commitment to this important issue was evidenced by their near perfect attendance at each of our weekly meetings. The recommendations contained herein would not have been achievable without the full participation of each member, and for their tireless effort we are most thankful.

Sincerely,

Stephen J Buoniconti

Stephen J. Buoniconti
Senate Chair
Joint Committee on Financial Services

Ron Mariano

Ronald Mariano
House Chair
Joint Committee on Financial Services

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Introduction

Subsequent to filing the Commission’s Preliminary Report on October 1, 2007, the Commission continued to meet on a weekly basis in an effort to further study the problems in the homeowners insurance marketplace in Massachusetts, examine and discuss possible solutions, and, ultimately, create a list of recommendations to be considered by the Legislature.

The recommendations contained herein reflect the majority opinion of Commission members, and are designed to create a long-term solution to the availability and affordability issues now being faced by coastal homeowners in the Commonwealth.

Commission Recommendations

Catastrophe Models

The industry-wide reliance on catastrophe models in establishing premium rates has been identified as a factor driving the increase in homeowners insurance premiums. Higher predicted loss estimates produced by these models have been commonly cited by companies as justification for increasing premiums. However, due to intellectual property concerns, the formulas and scientific calculations that go into creating these estimates are not disclosed, thereby avoiding public scrutiny. This lack of transparency has led to concerns about the accuracy and reliability of these models.

The Commission recommends that an independent public entity be created to study the accuracy and reliability of the catastrophe models used by the insurance industry here in the Commonwealth. This entity shall be required to file a report on their findings to a government office to be determined by the Legislature. It is also recommended that certain funds, as deemed necessary by the Legislature, should be allotted to this entity to ensure competent study of the catastrophe models. The goal of this independent body will be to increase transparency regarding the use and accuracy of catastrophe models.

<u>Catastrophic Event Fund</u>

Insurers consider a number of variables when establishing rates, including potential exposure to catastrophic events - hurricanes, earthquakes, and terrorism, to name only a few. This review takes into account the risk presented by an individual insured property, as well as the concentration of risk presented by the company's overall book of business. The result of this calculation indicates the amount of capital necessary to support the assumed risks. As a means of reducing and spreading this risk, companies often purchase reinsurance.

The rising costs of reinsurance were frequently cited by some as the driving force behind the increased premiums now facing consumers. Accordingly, the reinsurance marketplace was a chief focus of the Commission's deliberations.

The Commission recommends the establishment of a catastrophic event fund designed to reduce the reinsurance costs of insurers, with the intention that such savings will be passed on to consumers.

The Commission also recommends that the Massachusetts Legislature pass a resolution in support of Congressman Barney Frank's efforts to create a national catastrophic event fund.

Increased Consumer Education

Throughout the Commission's deliberations the need for better consumer education has been obvious.

Homeowners insurance policies are complex products, requiring consumers to make estimations of both their exposed risk and their financial ability to absorb a loss if those risks are not covered by insurance. An incorrect calculation could have disastrous financial results for the homeowner.

To guide consumers through the purchase of this complicated product, agents and brokers have historically worked as the conduit between consumer and insurance company. Ideally, consumer education should occur when the homeowner is discussing with insurance agents the various insurance products that may be available. While different agents provide varying levels of information and understanding to consumers, it is clear that many consumers still lack a fundamental appreciation of their policy coverage and the full range of options available to them when purchasing homeowners insurance. This information can afford policyholders the opportunity to either dramatically increase or decrease the cost of their policy.

To make informed decisions, consumers must understand the coverage options within a policy, and their financial implications. Insured values, replacement costs, and deductibles are a few of the variables that define coverages and the subsequent premiums charged. Furthermore, consumers should be aware that agents may represent only a small number of insurance companies in the market, and that better policy options may be available through a different agent.

The Commission recommends that the Division of Insurance, with assistance from insurance companies, agents and brokers, the FAIR Plan, the Office of the Attorney General, and consumer advocates, further develop consumer education guides which include coverage options and an example of a pricing matrix by option in both electronic and print formats. Additionally, it is recommended that the Division of Insurance mandate the distribution of the educational guides by producers to all individuals purchasing homeowners insurance at the time of issuance. By making better information accessible to consumers, an environment can be created that allows for more informed decision-making.

The Commission also recommends that insurance policies be fully itemized, to further consumers' understanding of how the coverage choices they make affect the overall cost of their policy, showing line-by-line the price of each coverage selected. By increasing transparency, consumers will be better informed and be able to make better decisions.

Finally, the Commission recommends that all agents and other producers, as well as insurance companies, make adequate or comparable information and disclosures available to consumers in a format that permits comparative shopping, so that those who shop for homeowners insurance are aware of a range of choices and costs in the homeowners insurance market.

FAIR Plan - Installment Payment Plans

Historically, the FAIR Plan has required larger annual deposits and allowed fewer payment options than private insurers. The FAIR Plan's limited payment options, when coupled with the increased premiums experienced by many customers insured by the FAIR Plan, has resulted in a financial hardship for many consumers.

The Commission recommends that the FAIR Plan expand its premium installment payment options to better meet the needs of consumers. Specifically, the expansion should allow for a plan consisting of eight installment payments. While this will not lower premiums, it may aid consumers' ability to financially plan for the expense - especially for seniors, or others on fixed incomes.

FAIR Plan - Credits and Assessments

The dramatic growth of the FAIR Plan over the past four years has been a cause of concern. While the FAIR Plan was designed to serve as an insurer of last resort, such a rapid expansion of policies written in coastal areas indicates the lack of a viable voluntary market in these areas.

When exploring options to entice insurance carriers to once again write policies in coastal areas, the Commission heard testimony that spoke to the double risk companies assumed by writing in such territories. In addition to companies' concerns about over-exposure in high-risk areas, some companies have expressed apprehension over increasing their statewide market share, because that would in turn increase their FAIR Plan assessment in the event of a catastrophic storm. The FAIR Plan's current system of credits and assessments is not adequate to provide incentives for voluntary market insurers to write business in underserved areas.

The Commission recommends that the FAIR Plan's credit and assessment system, in particular those sections regarding writing and take-out credits, be revised to encourage voluntary market companies to actively write business in high-risk areas, including coastal regions. The modifications should also be designed to reduce the number of policies currently written by the FAIR Plan. By revising the FAIR Plan's credit system to give credits against assessments to companies which take policyholders out of the FAIR Plan and to reward companies that presently maintain a market share in underserved areas, companies will be more inclined to write policies in high-risk areas. This modification should also guarantee that, in years when the FAIR Plan's book of business is profitable, companies writing business in high-risk areas are given an increased share of profits.

FAIR Plan- Board Appointments

Consumer representation on the FAIR Plan's board of directors was a concern frequently voiced during the Commission's public hearings.

The FAIR Plan's board of directors currently consists of eighteen members, ten of which are appointed by insurance companies. Under current law the Commissioner of Insurance is given the authority to appoint eight of these members, two of which are statutorily required to be licensed insurance producers. However the general laws do not offer guidelines on the appointment of the remaining six members, nor do they impose term limitations on these appointments.

The Commission recommends that the term of all board appointments made by government entities shall be limited to a three year period, and that once appointed members may only serve a maximum of three terms. Imposing term limits would allow for the composition of the board to change as issues impacting the FAIR Plan change. To avoid situations where all historical board knowledge is lost in one appointment period, the board appointments should be staggered. By staggering the terms it is the expectation of the Commission that a balance between experience and new input will be met.

The Commission also recommends that two of the six general appointments currently held by the Commissioner of Insurance be transferred to the Attorney General. By spreading the authority to appoint members to the FAIR Plan's board of directors, the Commission believes a wider spectrum of opinions may be represented on the board.

Other Topics Considered

In addition to the formal recommendations receiving a majority vote, and detailed on the preceding pages, the Commission also spent a significant amount of time considering ideas that, in the end, did not garner recommendations. Those topics can be broken down into two groups – topics considered and rejected, and topics considered but not voted upon.

The following list of ideas were considered by the Commission but rejected by majority vote:

- Amending Chapter 436 of the Acts of 2004;
- Creating a public catastrophe model;
- Placing the public entity created to study catastrophe models under the Office of the Attorney General;
- Requiring insurance companies to provide combined loss ratio breakdowns.

The following list of ideas were considered by the Commission but were not ultimately voted upon:

- Changing the building code and land use policy;
- Requiring the Division of Insurance to hold annual public rate hearings on all homeowners insurance companies seeking to raise premiums in Massachusetts;
- Requiring that all homeowners policies sold in Massachusetts have the wind deductible be applied only in the case of named storms;
- Limiting the size of windstorm deductibles to the lesser of 2 percent or $10,000;
- Providing policyholders an incentive for any mitigating or protective measures they may take to protect their insured structures against storm damage;
- Creating a mitigation fund to help homeowners in affected areas;
- Establishing tax credits for individuals located in “coastal” communities based on premiums paid;
- Allowing the FAIR Plan to sell stand-alone liability policies;
- Creating a stand-alone wind pool;
- Imposing a surcharge on secondary homes in coastal territories in order to benefit year-round residents within those territories;
- Creating a special ombudsman to serve as a single point of contact for consumers.

The lack of a recommendation should not necessarily be inferred as a finding on the merit of any idea, in some instances the required amount of attention needed to examine, discuss, and approve these ideas had not been satisfied. The Commission believed strongly that their best product would be one that would allow for action sooner rather than later. While further investigation could have been made into many of these topics, the time necessary to undertake such investigation would have been counterproductive to the Commission's objectives outlined in Section 84 of Chapter 61 of the Acts of 2007.

Appendix A: Dissenting Opinions

SEPARATE STATEMENT WITH ADDITIONAL RECOMMENDATIONS

Submitted by:

Jeffrey Clements, Bureau Chief, Public Protection & Advocacy Bureau Office of the Attorney General Martha Coakley

Deirdre Cummings, Legislative Director, MASSPIRG

Stephen D'Amato, Center for Insurance Research

Senator Robert A. O'Leary

Representative Eric T. Turkington

The undersigned members of the Commission write separately to offer several additional proposals beyond the recommendations endorsed by the full Commission. We appreciate the opportunity to serve on this Commission. The many different points of view represented on the Commission, and the level of knowledge and expertise among the members, has given all of us a greater insight and understanding of the complexity of the issues involved.

Particular thanks are due to the Commission co-chairs, Chairman Ronald Mariano and Chairman Stephen Buoniconti, as well as to their staffs, for the time and patience they have devoted to the work of this Commission. Their willingness to travel the state to sometimes lengthy and heated public hearings, to bring experts from across the country to testify, and to address every issue raised by the members in a fair and impartial way, is greatly appreciated.

Although we concur with many of the recommendations of the Commission, we believe that while the Commonwealth explores the adoption of a catastrophe fund, and possibly begins to build the equity such a fund would need to replace private reinsurance in our homeowner marketplace, it is imperative that we take immediate steps to protect consumers beyond those endorsed by the majority of the Commission. These additional steps are outlined below.

Capping System for FAIR Plan Rates- The FAIR Plan provides homeowners insurance for consumers who cannot obtain insurance from private companies in the Massachusetts marketplace. As consumers often have no other choice but to purchase insurance from the FAIR Plan, the Legislature imposed certain rate caps on FAIR Plan premiums to assure that consumers are not faced with immediate year-to-year rate shock. These caps are necessary protections for vulnerable citizens; they should be clarified and enforced.

The FAIR Plan has urged the Commissioner of Insurance to ignore the existing rate caps entirely, citing 2004 legislation that added catastrophe risk and reinsurance costs as considerations for the Commissioner's approval or disapproval of FAIR Plan rates. Last year, Commissioner Bowler agreed with the FAIR Plan and allowed FAIR Plan rates to increase by 25% for dozens of coastal communities. While the Attorney General is currently litigating this issue on behalf of consumers, and has asked the Supreme Judicial Court to order application of the caps, further legislative clarification that the caps are mandatory is important for consumers.

This year, the FAIR Plan has asked for another 25% rate increase for coastal communities, and its proposed rate request indicates that it is very likely that it will ask for an additional 25% increase next year, for at least some towns and cities. Legislative action to ensure the application of a cap is imperative if we are to keep homeowner insurance affordable for those who cannot obtain it in the voluntary marketplace. Until we can stabilize the home insurance market, the FAIR Plan safety net must have a working cap.

Therefore, we recommend that the Legislature clarify that the current cap system is mandatory and must be applied to FAIR Plan rate requests.

Catastrophe Modeling- Many insurance companies rely on undisclosed catastrophe models to justify substantial rate increases in coastal territories. The Commission's Report does not go far enough to ensure that these models receive the review necessary to determine their accuracy or reliability. Thus, we recommend the creation of a publicly-maintained hurricane model in order to (1) allow the Attorney General to properly challenge homeowner rate increases before the Division of Insurance, and (2) make available to private market insurers a fairer and more transparent model for purposes of computing hurricane risk in Massachusetts.

In the FAIR Plan rate proposal currently before the Commissioner of Insurance, the FAIR Plan bases much of its 25% rate increase request on hurricane model predictions that purport to estimate the risk of a hurricane hitting the Massachusetts coast. However, key data and underlying calculations of the model have never been shared with Commissioner of Insurance, who must approve the rate request, or the Attorney General, who intervenes in FAIR Plan rate proceedings on behalf of consumers. In the current rate case, the FAIR Plan was ordered to produce the workings and data used in the models, but it refused to do so. The Attorney General has filed a motion for sanctions against the FAIR Plan on this issue, and that motion is currently pending before the Commissioner of Insurance.

Numerous questions have been raised regarding the validity of the use of hurricane models in New England. While many key details of the workings of the models remain secret, it is clear from the limited data available that (1) the two major models adopted by the FAIR Plan vary widely in their predictions, (2) one of the nation's leading hurricane experts has testified that the frequency and intensity distribution of New England hurricanes in one of the models is inconsistent with historical data, and (3) the models have not been calibrated to Massachusetts conditions. In addition, consumer advocates have raised concerns that the private modelers may be in a ‘race to the top,’ in which the modeler that can produce the highest predictions will be the one most likely to win insurance company business. Such incentives cast further doubt on the validity of models whose inner workings are kept secret from the public and from decision makers.

If insurers are going to rely on models in their rate filings, then additional procedural protections need to be put in place. First, the FAIR Plan must not be allowed to use a model in support of its rate filing unless that model’s underlying data, formulas, and calculations are fully disclosed to the Attorney General at least six months in advance of any rate filing. While public disclosure would be preferable, further disclosure of the model could be limited if the Commissioner were to find that such a ruling was in the public interest.[1]

Second, the Attorney General needs to be able to provide an alternative to the private models in the FAIR Plan rate cases. Such an alternative would allow the Commissioner to consider different possibilities for an approvable rate, and it would help put into perspective the FAIR Plan's own proposal. In order to ensure that the Attorney General can both fully inspect the industry's models and make an alternative choice available for review, we propose funding for the Attorney General's office to work with experts and create a public model for calculation of hurricane risk.[2] This model, unlike the industry models, would be completely transparent and would be open for public inspection. It would also be available for use by both the FAIR Plan and private insurers should they choose to adopt it themselves.

The Commission recommends creation of an independent public entity that will further study private models and report its findings to the Legislature.[3] This will not actually have any effect on the rates that insurers will charge consumers in the near future. Should the Legislature choose to act on such a report, it is unclear whether consumers may at that future time see some benefit from this new entity's work. In any case, such an entity is not a sufficient solution to the current problem. Moreover, if the Commonwealth were to create a board to approve model use in the state, creation and funding for a public model is essential. Only if there is a viable public model, built in an open fashion from its inception, will there be a fair and proper comparison for how an industry-proposed model will function. Without such a comparison, it is unclear how the Board would determine whether a model functioned well enough to be loaded into homeowner insurance rates.

For these reasons, we recommend the Legislature commission and fund the creation of a public model for use by the Attorney General in rate hearings before the Division of Insurance. We also recommend that the FAIR Plan (and, potentially, any insurer relying on a model) should fully disclose each model relied upon for rate purposes to the Commissioner of Insurance and the Attorney General at least six months prior to the proposed effective date of any rate filing.

Other Issues- In addition to the matters noted above and some of the matters identified by the Commission as worthy of further study, we believe the following additional recommendations will help to address the affordability of homeowners insurance in Massachusetts:

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[1] We believe that similar requirements should also be considered for insurer rate requests in the private market.

[2] The University of Massachusetts may well be able to play a significant role in bringing expertise to bear in development of a public model.

[3] It is the position of the Center for Insurance Research and MASSPIRG that the public entity proposed by the Commission to study the accuracy and reliability of catastrophe models should not be structured to be independent. Instead, the entity should be part of the Office of the Attorney General, which should receive funds to retain the experts needed to study the models. The Center and MASSPIRG believe that this is necessary to counterbalance the substantial resources available to the insurance industry in their support of the models. Furthermore, the Center and MASSPIRG believe that, practically, it is unlikely that the public entity proposed by the Commission could be created in a manner that would be truly independent of the insurance industry. Moreover, if the public entity incompletely reviews, or fails to identify errors or shortcomings in a model, any explicit or implicit "approval" of that model by the public entity may make flawed models less subject to scrutiny in proceedings such as the FAIR Plan rate case. If Massachusetts creates a public entity and the entity "approves" a model, consumers may find themselves with higher rates and little recourse.

Credits for Mitigation: Credits or premium discounts for those who undertake storm mitigation work on their homes should be required. By improving the stability of their houses, such homeowners are lessening the likelihood of significant storm damage.

Protections Against Appraisal Inflation: We also believe some action is necessary to stop the anti-consumer practice of appraisal inflation. Numerous homeowners testified to the Commission regarding a disturbing phenomenon – their insurance companies suddenly applied very significant adjustments to the homeowner's purported property value, often at odds with town assessment values or other indicators of replacement costs. These actions may reflect efforts to effectively raise rates further than the companies are authorized to do by the Commissioner of Insurance, or they may simply reflect the desire of the insurer to hedge against the risk of loss. Either way, significant changes are disruptive to consumers, especially when the assessments are made at the time of a renewal (when a consumer has little time to shop for additional insurance) or after renewal (when the consumer has already been enticed by a proffered rate, only to then have a much higher premium applied to the consumer's home). The problem is even worse for FAIR Plan customers, who have nowhere else to go for insurance.

Reasonable Deductibles: In order to ensure that consumers are offered the choice of fuller coverage or relatively lower premiums, insurance companies with a mandatory deductible over 1% of the Home value should be required to offer insurance with a 1% deductible as an alternative.

Improved Information: We also recommend that the Commissioner of Insurance list the annual combined ratios, a common measure of profitability, of the entire market over the most recent ten-year period available, as well as the most recent annual combined ratios of each insurance company that sells homeowners insurance in Massachusetts in her Homeowners Report. Although she currently includes insurance loss ratios, the combined ratio is a more reliable indicator of profitability. This information is necessary to gauge the success of insurers in Massachusetts; insurers' profitability should not be kept secret.

Review of Voluntary Market Insurance Rate Proposals: Finally, we recognize that FAIR Plan customers are not the only ones faced with unprecedented rate increases. Some private insurers have also greatly increased their rates. In the current market conditions, consumers often have few or no places to turn (aside from the FAIR Plan), when faced with these additional costs. Currently, rate filings are often neither affirmatively approved, nor disapproved, and simply come into effect. In order to ensure that insurers have support for their proposed increases, we recommend that, as in auto insurance, workers compensation insurance, and Medicare Supplement insurance, there either be a mandatory rate adjudication under certain circumstances and/or that the Attorney General be authorized to trigger a rate hearing for private market homeowner insurer filings. Such a trigger could apply in all instances, or only when the average rate increase exceeds a set percentage. Either way, such a consumer protection would be invaluable for homeowners in the Commonwealth.

DISSENTING OPINION

Submitted by:

Robert Cordner, OneBeacon Insurance

Christopher Mansfield, Liberty Mutual

Andrew Castaldi, SwissRe

Although a majority of the members of the Special Commission to Review the Current State of the Homeowners Insurance Market in the Commonwealth ("the Commission") supported the establishment of a catastrophic event fund, for the reasons set forth below we respectfully dissent, believing that the creation of such a fund would not be in the best interests of all the citizens of Massachusetts.

The Commission does not unanimously support creating a state catastrophe fund.

A group of Commission members believe that a catastrophe fund will be economically unsound and will do nothing to solve the underlying problems associated with the Massachusetts homeowners' market. These Commission members believe that other recommendations contained in this report are more reasonable and certain methods to reduce premiums and to help create a vibrant, stable, price-competitive market for those citizens who reside in the coastal areas of Massachusetts.

The Commission members who do not support a catastrophe fund believe that the implementation of any catastrophe fund will have numerous, long term and potentially devastating unintended economic consequences for the citizens of Massachusetts, many of which will be hard to correct. These unintended consequences include: increase in insurance costs to all consumers; increase in the likelihood of insurance insolvencies; the likely withdrawal of capacity from the Massachusetts homeowners' market; and a catastrophe fund that will place the burden of financing any mega-catastrophe solely on the citizens and economy of Massachusetts.

The financial analysis of a state catastrophe fund, discussed at the Commission meetings, demonstrated that such a fund will increase the cost of insurance to the residents of Cape Cod and all other previously unaffected residential and commercial properties throughout the remainder of the state, even when one puts aside the realistic possibility of future assessments.

- **When multi-state insurers are forced to carve out Massachusetts from its existing risk management and reinsurance programs the economics are such that the costs of participating in this new state program will be in excess of what they might save**. (It is more economical for insurers to purchase catastrophe protection that covers the entire country rather than singling out a separate state.) Insurers will be forced to pass these added costs on to all of the residents of Massachusetts, not just those residing in coastal areas. These insurers will still need to retain their current reinsurance limits while having to purchase additional coverage through the proposed state plan. (It should be noted that policyholders of smaller regional insurers will not benefit from a state catastrophe fund, as these insurers will likely use any saving realized to purchase more reinsurance to cover their potential losses.)

- **A catastrophe fund will place the entire state of Massachusetts at financial risk after an event as a result of post-event taxes, euphemistically called "assessments".** The consensus of climate scientists indicates that we are in a period of heightened hurricane activity. Even without considering intervening smaller hurricane losses, it will still take too many years for the catastrophe fund to build up enough funds to finance a large loss event. If a large event occurs sooner, as is likely, future generations and those unaffected will be forced to pay for today's losses on top of their then current insurance costs.

- **The catastrophe fund will not result in more carrier availability in coastal areas of Massachusetts.** Companies have either withdrawn entirely from coastal areas or limited their writings in these areas because they lack the capacity to do so and because that they do not want to risk insolvency due to a large-scale event. Bringing in a catastrophe fund does not change this dynamic. There is only so much a carrier is willing to put at risk regardless of the cost. The fact is that Massachusetts's property writing carriers collectively have limited capacity (capital) to cover exposures in severe windstorm prone areas. The amount of capital supporting the top 25 homeowner carriers in Massachusetts has a combined capital of less than 50% of the average of the other states. Currently, Massachusetts has the weakest capital base of all fifty states. <u>A catastrophe fund will not bring more capacity into the marketplace and more than likely will drive capital away due to the increased costs associated with the catastrophe fund.</u>

- **The catastrophe fund will be unable to meet its objectives in the event of a Category 3 hurricane making landfall in Massachusetts**. The fund will fail to provide adequate funding to pay the losses from a strong hurricane. A storm the force of the 1938 hurricane is estimated to result in \$6 to \$7 billion of insured losses in Massachusetts based on present values. Such a storm will bankrupt the fund. It will take many years for the fund to build back its reserve, putting carriers and all policyholders at risk should another storm strike the state (Florida is a perfect example of this problem).

- **A catastrophe fund will force all personal and commercial lines policyholders throughout the state to pay the claims of those who reside on the coast**. The structure of any catastrophe fund passes the burden of risk onto those not at risk. Under any statewide fund the teacher, policeman, retirees, churches, hospitals and others located in areas away from the coast will be forced to subsidize those fortunate enough to live along the coast, including those with seasonal second homes, estates, and other high valued properties. The subsidies inherent to the program will be exaggerated under the proposed post-loss assessments. These assessments could add up to 6% on almost every insurance policy written within the state (<u>including auto, commercial coverage and workers compensation</u>) in order to pay for the loss of those choosing to live in areas of greater risk. The assessment on workers compensation policies alone could cost the employers of Massachusetts tens of millions of dollars in additional and unanticipated charges.

The Commission does not unanimously support the creation of a national catastrophe fund

The Report states that a majority of the Commission also recommends the passage of a resolution by the Legislature in support of Rep. Frank's efforts to create a national catastrophic event fund. It should be noted that there was no discussion whatsoever of the resolution when the Commission considered it nor were any specifics provided to the members of the Commission regarding Rep. Frank's proposal. Nevertheless, a national catastrophe fund will increase costs for lower risk Massachusetts residents.

Summary

The analysis thoroughly discussed at Commission meetings clearly demonstrated that a catastrophe fund places an unfair burden on those not at risk, does little to address the fundamental causes behind the homeowners' concerns, and will not result in more affordable insurance, particularly for those in need. Most importantly, we do not believe that a catastrophe fund will lower premiums for coastal homeowners. Premiums have not gone down in Florida, the only state with such a fund, and we see no reason that Massachusetts will be any different. It would be unfair to give people false hope that their premiums will go down.

The dissenters on the Commission strongly urge that no action be taken to implement a Massachusetts catastrophe fund in the interest of protecting all policyholders in the state and to maintain stability in the homeowners' marketplace.

ADDITIONAL VIEWS ON THE RECOMMENDATIONS OF THE SPECIAL COMMISSION ON HOMEOWNERS INSURANCE

Submitted by:

Representative Eric T. Turkington

Senator Robert A. O'Leary

We concur with the opening language in the separate statement prepared by the Attorney General, MASSPIRG, the Center for Insurance Research, and ourselves regarding the work of the Commission under the guidance and leadership of the co-chairs, Rep. Ronald Mariano and Sen. Stephen Buoniconti.

They have made the Commission a top priority and given this important issue the attention it deserves. And the work of their staffs in preparing, circulating, and endlessly editing the many drafts that each part of this complex set of issues required over these many months, was greatly appreciated.

We do not dissent from any of the following recommendations that received majority support of the Commission, specifically those regarding increased consumer education, the FAIR plan installment payment plans, the FAIR plan credits and assessments, the FAIR plan board appointments, and the Catastrophic event fund. These are important proposals that if implemented could provide major benefits to the homeowners insurance market.

Our concern regarding the majority recommendation regarding catastrophe models is that it is too timid in addressing what the industry has relied on to justify the huge rate increases and mass policy cancellations that have characterized the homeowners insurance market in Massachusetts – the proprietary models whose basis is kept a secret from the public, the Attorney General, and even the Division of Insurance.

At least one of these models has been in existence and used by the insurance industry for twenty years, projecting the likelihood of a major hurricane hitting Massachusetts. Yet during those twenty years no such storm has hit Massachusetts.

Just this week yet another hurricane season ended with no such catastrophic event. The experts and their vaunted models have once again been wrong. The only catastrophic event that has hit Massachusetts coastal homeowners is the policy cancellations by the insurance industry and the rate increases by the FAIR plan.

So we feel that yet another commission is not the answer. We would like to see a public model created by and for Massachusetts whose assumptions would be open to public scrutiny. In the absence of such a public model, we would simply require that if a proprietary model is not open to examination by the Attorney General, it cannot be used as evidence to justify rate increases.

Due to lack of time, the Commission made no recommendation regarding wind deductibles in homeowners' policies. These have been increased recently by the FAIR plan and other insurers, to 2% on most of Cape Cod to 5% on the Islands. These increases, approved by the Division of Insurance with no public hearings, are yet another way to provide less coverage to homeowners, at more cost.

We would have supported a recommendation either that wind deductibles apply only in the case of named storms that retain their hurricane force winds when they reach Massachusetts, or a recommendation capping the size of windstorm deductibles, or limiting them to a reasonable maximum fixed dollar figure.

Time also ran out before a complete debate could take place at the Commission on amending Chapter 436 of the Acts of 2004. This is the legislation whose misinterpretation by the FAIR plan and the former insurance commissioner opened the door for the FAIR plan to apply for the 25% rate increases that have so severely impacted so many thousands of Massachusetts homeowners.

These increases, based on the proprietary models previously discussed, have allowed the FAIR plan to follow the rest of the insurance industry in imposing huge rate increases on their policyholders, to greatly increase its purchase of reinsurance, and still record unprecedented profits. We recognize that repealing this authorization retroactively to reverse past rate increase decisions may be impractical but we would recommend doing so in order to impact any pending and future proposed rate increases.

Finally, we would like to see private insurers who propose significant rate increases in their homeowners insurance products be obliged to demonstrate the basis for such increases at a rate hearing before the Division of Insurance. This is now required in the auto insurance and workers compensation market and should be in the homeowners insurance market as well.

Sincerely,

ERIC T. TURKINGTON
State Representative
Barnstable, Dukes, and Nantucket District

ROBERT A. O'LEARY
State Senator
Cape and Islands District

Appendix B: Preliminary Report - October 1, 2007

SPECIAL COMMISSION TO REVIEW THE CURRENT STATE OF THE HOMEOWNERS INSURANCE MARKET IN THE COMMONWEALTH

A Report to the Members of the Massachusetts State Legislature

October 1, 2007

Senator Stephen J. Buoniconti
Co-Chairman

Representative Ronald Mariano
Co-Chairman

October 1, 2007

Mr. William F. Welch
Clerk of the Senate
State House, Room 335
Boston, MA 02133

Mr. Steven T. James
Clerk of the House
State House, Room 145
Boston, MA 02133

Dear Messrs. Clerk:

In accordance with Section 84 of Chapter 61 of the Acts of 2007, we hereby submit the preliminary report of the Special Commission created to review the current state of the homeowners insurance market in the Commonwealth. In drafting Section 84, the legislature had the wisdom to populate the Commission with members holding vastly different perspectives on the issue. The considerable range of views represented on the Commission allowed for rigorous debate and in-depth analysis.

On the following pages we present for the legislature's consideration a summary of actions taken by the Commission, a historical review of the homeowners insurance market in coastal areas, and a synopsis of information gathered at public hearings.

Understanding the weight of its charge, the Commission intends to devote further study to the issue, with the objective of filing a supplemental report in one month's time. In the interim, the Commission shall hold at least one more public hearing to gather additional information on some of the driving factors influencing the current state of the homeowners insurance market. From the beginning it has been the Commission's intention to find a long-term solution for homeowners who have been affected by availability or affordability concerns. The additional time for review will enable the Commission to more effectively address this important issue.

Sincerely,

Stephen J. Buoniconti	Ronald Mariano
Senate Chair	House Chair
Joint Committee on Financial Services	Joint Committee on Financial Service

Process and Action of the Commission

Over the past decade, the homeowners insurance market in Massachusetts has become increasingly stressed, particularly within the last three years. In coastal areas of the Commonwealth, both the affordability and voluntary market availability of homeowners insurance has been substantially restricted, although the Commission has heard evidence that additional capacity has recently become available on Cape Cod. In recognition of the current state of the property insurance market in Massachusetts, and in search of long-term solutions, the legislature established a Commission to conduct a focused investigation.

In accordance with its enabling legislation, the Commission was comprised of 16 members:

Ronald Mariano *House Chair*	Joint Committee on Financial Services	Statutorial Designee
Stephen J. Buoniconti *Senate Chair*	Joint Committee on Financial Services	Statutorial Designee
Susan W. Gifford *Second Plymouth District*	State Representative	Designee of the House Minority Leader
Stephen Ryan *General Counsel*	Massachusetts Association of Realtors	Designee of the Senate Minority Leader
Eric Turkington *Barnstable, Dukes and Nantucket*	State Representative	Statutorial Designee Representing Cape Cod or Coastal District
Robert O'Leary *Cape and Islands*	State Senator	Statutorial Designee Representing Cape Cod or Coastal District
Donald P. Uvanitte *Senior Vice-President*	Eastern Insurance	Designee of the State Treasurer
Nonnie S. Burnes *Commissioner*	Division of Insurance	Statutorial Designee
Jeffrey D. Clements *Chief, Public Protection and Advocacy Bureau*	Office of the Attorney General	Designee of the Attorney General
John K. Golembeski *President*	Massachusetts Property Insurance Underwriting Association	Designee of the Massachusetts Property Insurance Underwriting Association
Christopher C. Mansfield *Senior Vice-President and*	Liberty Mutual Group	Designee of the Massachusetts Insurance Federation

General Counsel

Robert Cordner *Vice-President Underwriting and Marketing*	OneBeacon Insurance Company	Designee of the Massachusetts Insurance Federation
Charles N. Robinson *President*	Rogers & Gray Insurance Agency	Designee of the Massachusetts Association of Insurance Agents
Andrew Castaldi *Senior Vice-President*	Swiss Re	Designee of the Reinsurance Association of America
Steven D'Amato *Consultant*	Center for Insurance Research	Designee of the Center for Insurance Research
Deirdre Cummings *Legislative Director*	Massachusetts Public Interest Research Group	Designee of the Massachusetts Public Interest Research Group

The Commission was instructed to hold a minimum of four meetings between July 21, 2007 and October 1, 2007, at least one of which was to be a public hearing held on Cape Cod or other coastal area. Recognizing the effect of the current homeowners insurance market on households across Massachusetts, the Commission voted on July 19, 2007 to hold three public hearings to take place at the University of Massachusetts at Dartmouth, Cape Cod Community College, and Salem State College, respectively, as well as an additional hearing at the State House to collect testimony from insurance and climate experts.

The Commission was asked to investigate the availability and affordability of property insurance, including certain relevant rate-driving factors, the cost of reinsurance, and the current use of storm-damage prediction data, as well as actuarial methods, principles, standards, models, or output ranges that could have the potential to improve the accuracy and reliability of hurricane loss projections. The Commission was also asked to evaluate the possible benefits and disadvantages associated with the creation of a state-run board on hurricane loss projection methodology to provide actuarial guidelines for projection of hurricane losses, as well as for a state-run catastrophic event fund.

Over the course of the public hearings, the Commission collected extremely valuable testimony from homeowners, interest groups, elected officials, and members of the business community. Residents had the opportunity to share personal experiences and to suggest possible solutions. The Commission was able to identify common themes, including widespread non-renewal of policies, large premium increases, and a lack of access to affordable coverage.

On September 20, 2007 the Commission held a hearing at the State House to gather testimony from a wide range of experts. Offering testimony to the Commission were Robert Wooley, former Commissioner of Insurance for the State of Louisiana; James Lee Witt, former Director of the Federal Emergency Management Agency; Dan Ryan, Vice-President of A.M. Best, Property and Casualty Rating Division; Robert Race, Senior Vice-President and Branch Manager of the Benfield Group; Dr. Robert Hartwig, President of the Insurance Information Institute; Glenn Field, Head Meteorologist from the National Oceanographic and Atmospheric Administration; John Tommaney, Response and Recovery Chief with the Massachusetts Emergency Management Agency; and John Tierney, President of Bunker Hill Insurance. The testimony provided the Commission with information relating to the climatologic threat of a hurricane strike in Massachusetts, insight into the complex forces decreasing voluntary market availability of coverage in coastal areas, reasons for an industry-wide reevaluation of exposure, and an assessment of efforts on the part of other states to improve the viability of voluntary homeowners insurance markets.

Homeowners Insurance Market Overview

Historical Overview

In 1992 Hurricane Andrew hit South Florida and caused approximately $16 billion in insured losses. That catastrophe, along with the damage from the Northridge, California earthquake in 1994, the attack against the United States federal building in Oklahoma City in 1995, and the terrorist attacks against the World Trade Center and Pentagon in 2001, led the insurance industry to reexamine its exposure in relation to catastrophic occurrences.

Following Hurricane Andrew, the availability of homeowners insurance in coastal areas of Massachusetts became more limited. Commerce Insurance, in an effort to reduce its exposure, significantly reduced its writings in coastal areas, particularly on Cape Cod and the islands. Some other carriers followed suit. Following Commerce's action the Massachusetts Property Insurance Underwriting Association, or FAIR Plan, grew, although such growth was limited due to available capacity in the voluntary market.

During the 1993-2001 period, voluntary market insurers' premiums were low compared to the present for many homeowners, reflecting a low claim frequency attributable in part to favorable weather conditions and the existence of a highly competitive and profitable homeowners line of business. In retrospect, it appears to some industry observers that insurers failed to acknowledge the growing risk and exposure presented by a significant building boom in Massachusetts' coastal areas and the financial threat of a major windstorm. Insurers, agents, and homeowners, according to some observers, also failed to recognize the extent of property undervaluation.

Insurers providing information to the Commission stated that prior to Hurricane Andrew, insurers used several decades of wind experience to determine an average excess wind factor to load into their rates. After Hurricane Andrew, insurers maintained that the average excess wind methodology significantly understated the average wind load needed to result in premiums adequate to compensate insurers for the potential catastrophic loss. This led to the expanded use of hurricane models that seek to better predict potential hurricane losses.

Hurricane models are computerized hurricane simulation models that combine multiple disciplines such as wind theory, meteorology, building engineering, historical enforcement of building codes, and financial theory. The majority of homeowners insurers and reinsurers use hurricane models developed by relatively few private modeling companies, such as Risk Management Solutions and AIR Worldwide. In recent years, these models reported calculations of considerably more predicted damage in coastal areas in the event of a hurricane as compared to previous insurer predictions. The private modeling companies claim that their models are confidential and proprietary, so these calculations have not been widely reviewed by the public or government.

In the Massachusetts market, as homeowners insurers evaluate their market positions, they consider their exposure to Probable Maximum Loss (PML) as calculated through the hurricane simulation models. Based on these PML predictions, some insurance companies took steps to reduce their perceived exposure in coastal territories (There was also some discussion that these steps were to avoid downgrade in rating by A.M. Best.). For example, in February 2004, the Andover Insurance Group announced plans to non-renew its 14,000 homeowners policies written in Territory 37 - Cape Cod and the Islands. Other insurers, wishing to avoid an increased market share in what many insurers now perceive as a high risk area and a larger share of FAIR Plan assessments that would stem from any increased overall Massachusetts market share assessments, stopped accepting new business or limited the volume of business they were willing to accept. The also started reevaluating their existing books of business, changed underwriting controls for coastal properties within certain distances from the water, increased deductibles, and eliminated preferred pricing.

Massachusetts FAIR Plan

Creation and Evolution of the Massachusetts FAIR Plan

In the late 1960s, periods of civil unrest resulted in extensive property damage (not to mention loss of life) in a number of large metropolitan areas across the United States, creating a lack of available property coverage in some urban areas. A national advisory panel on the nation's cities advised the President of the United States that fair access to property insurance was a prerequisite for revitalization of urban America and called for a significant change in the insurance and reinsurance markets in relation to the protection of urban property. Following the recommendation of the advisory panel, Congress enacted the Urban Property and Reinsurance Act of 1968 authorizing the establishment of state "FAIR (Fair Access to Insurance Requirements) Plans" along with federal riot reinsurance to insurers.

Massachusetts enacted Chapter 731 of the Acts of 1968 to establish the Massachusetts FAIR Plan, formally known as the Massachusetts Property Insurance Underwriting Association (MPIUA). The Massachusetts FAIR Plan operates in a manner similar to a traditional insurance company in that it inspects property, collects premium, issues its own policies, and adjusts its own claims, but with the qualification that it offer coverage to those denied coverage in the private market. The FAIR Plan initially offered a standard fire insurance policy for both personal and commercial lines, which also covered direct loss from the perils of vandalism and malicious mischief. Since 1976, the FAIR Plan has also offered homeowners insurance for one to four family owner-occupied residences, as well as for tenants and condominium unit owners. Originally, the Commissioner determined that the MPIUA would operate in "urban areas," which were identified to include one county and specific Massachusetts cities. Since 1972, by order of the Commissioner of Insurance, the MPIUA has been operating in all cities and towns throughout the Commonwealth of Massachusetts.

FAIR Plan Growth

Subsequent to the Andover Insurance Group's decision to non-renew its entire book of business on Cape Cod, Patrons Mutual, Preferred Mutual, Vermont Mutual, Hingham Mutual, Quincy Mutual, and National Grange all announced intentions to either non-renew homeowners policies or restrict underwriting in coastal areas. In July 2006, Shelby Vesta, which mainly wrote policies on Cape Cod and the Islands, became insolvent. The Division of Insurance's 2006

Annual Report on Homeowners Insurance provides the following estimates of the number of policyholders affected by these non-renewals:

2004	Andover Group	14,000
2005	Patrons Mutual	1,400
	Preferred Mutual	600
	Vermont Mutual	5,000
	Hingham Mutual	8,000
	Quincy Mutual	7,000
	National Grange (NGM)	2,000
2006	Vesta Ins. Group	5,300
	Total	43,300

According to some who testified, with little capacity to write risks within the voluntary market, the vast majority of the affected homeowners secured coverage with the FAIR Plan. When examining the FAIR Plan's position in the Massachusetts market, it is appropriate to review not only changes in the past year, but also changes that have occurred over the past decade. The number of homeowners policies issued by the FAIR Plan from fiscal years 1996 through 2007 grew dramatically. The number of policies increased from 63,652 in 1996 to 203,828 in 2007, an increase of approximately 220%, with the total number of policies issued increasing every year except between 1999 and 2000.

From a historical perspective, the first increase (between 1996 – 2007) (6.1%) in FAIR Plan homeowners policies occurred between fiscal year ending September 30, 1996 and fiscal year 1997. The 1.3% decrease from 1999 to 2000 (72,197 to 71,288) represented the first annual decline in policy counts since 1996. Between 2000 and 2001, the increase accelerated, with the FAIR Plan total policy count increasing by 4.7% from 2000 to 2001, 12.8% from 2001 to 2002, 18.0% from 2002 to 2003, 36.0% from 2003 to 2004, 24.4% from 2004 to 2005, 12.4% from 2005 to 2006, and 8.0% from 2006 to 2007 (188,736 to 203,828). It should be noted that the 36.0% increase from 2003 to 2004 (99,283 to 135,000) represented the largest increase during the 1996-2007 period.

The large increases in FAIR Plan homeowners policies have largely been driven by the influx of southeastern coastal property policies. In December 1998 Boston territories represented 25.9% of FAIR Plan dwelling policies, while coastal territories accounted for 22.7%. In December 2006 these same Boston territories accounted for 10.2% of FAIR Plan dwelling policies, while coastal territories had grown to 45.8%. Between 1998 and 2006, the number of Boston and coastal dwelling policies written through the FAIR Plan increased from 13,564 and 11,884, respectively, in 1998, to 16,093 and 72,402 in 2006; that is an increase of 18.6% for Boston territories and 509.2% for coastal territories.

Composition of the Current Market

According to written premium reported in homeowners companies' 2006 financial statements, the top 25 insurance companies in Massachusetts are responsible for 92.2% of the overall share of the homeowners insurance market. The top nine insurance groups are responsible for almost 60% of the private homeowners insurance market. The Commerce Group, Inc., had the largest share of the market with 9.83% of the homeowners insurance policies written. Each of the next eight largest insurance groups had between 3.26% and 8.81% of the market.

The majority of homeowners insurance policies in Massachusetts are written by local or regional companies with very few national companies offering coverage in the market. Among the top nine homeowners insurance companies in the market, three – the St. Paul Travelers Group, Chubb & Sons, Inc., and the Liberty Mutual Group – offer homeowners insurance nationally. The remaining companies are predominantly regional writers offering coverage primarily in the Northeast Area.

If the FAIR Plan is included with all the other companies, it would represent the largest writer of homeowners insurance by premium in the market.

Summary of Testimony Gathered

The Commission heard recurring themes at each of the public hearings. The testimony given can be grouped into five main categories:

Affordability of Coverage

The most common frustration voiced during the Commission's public hearings pertained to recent increases in premiums due to rate changes and mandatory higher insured limits. Many who offered testimony stated that they had never filed a claim against their policy yet, virtually overnight, faced drastic premium increases. In some instances coastal residents worried that should premiums continue the upward spiral residents would be unable to afford to stay in their homes. Some homeowners who do not have a mortgage stated they were considering the risky proposition of self-insuring their property, while those who were required to still carry insurance as a condition of their mortgage voiced frustration over the valuation of their property as established by their insurers and the amount of coverage they were consequently required to purchase.

In gathering testimony, some of the public speculated that reinsurance costs were a major issue contributing to the affordability of insurance. The correlation between the higher cost to the insurer to reinsure and the higher premiums that consumers were asked to pay was often cited as a concern. Others questioned whether catastrophic losses in Florida and the Gulf were responsible for the increased cost of reinsurance to companies in the northeast, and asked whether homeowners in the northeast were subsidizing those losses.

Some witnesses voiced their concern that the majority of these reinsurance companies were domiciled outside the United States. A number of citizens were of the opinion that property owners would be better protected if those funds remained in the country. A number of those testifying voiced fears that these companies would not honor policies in the event of a catastrophe. Others pointed to the lack of government regulation of reinsurers, and lacked confidence in the government's ability to enforce these policies against foreign companies.

Private Market Availability

Another common complaint voiced by citizens during public testimony related to companies non-renewing policies of long-time customers. Many consumers stated frustrations with existing regulations that allow companies to non-renew policies without a justifiable cause and that consumers lacked any recourse when non-renewed. Many of the homeowners who received these notices pointed out that they had never filed a claim against their insurer and the testimony frequently reflected annoyance that insurers with whom they had held policies for many years were now denying them coverage for seemingly no reason. As for the citizens who were not non-renewed by companies remaining in these areas, they too voiced frustrations about the lack of competition in the insurance market. At the same time, comments were made that the existence of the FAIR Plan made it possible for homeowners to secure comparable insurance coverage.

Hurricane Models

A recurring theme of every public hearing involved homeowners' frustration with the utilization of computerized models by the insurance industry.

The most frequent issue raised with regard to the use of hurricane models focused on the overall lack of transparency of the models. Due to the modeling companies' claims of proprietary and intellectual property protections, the modeling companies do not make their models available for public scrutiny. This "black box," or secret component of rate setting is a great source of frustration for consumers. Homeowners clearly feel that if the insurance industry is going to use hurricane models to justify price increases, the information therein should be open for review.

Homeowners also testified that the confidential nature of storm-damage models brings into question the accuracy of the data used by the insurance industry. Many homeowners felt that the models were too focused on the southern Atlantic region of the country and the Gulf Coast, not properly accounting for the general infrequency of hurricanes making landfall in Massachusetts.

The financial relationship between insurance companies and storm-damage modeling companies was also a concern for many homeowners. The Commission heard testimony from homeowners who feared that too many financial incentives exist to encourage storm-damage modeling companies to skew the data toward outcomes perceived as profitable for insurance companies. Many homeowners believed that both the insurance and storm-damage modeling companies would financially benefit from more disastrous predications.

Statewide Market

Among some witnesses testifying there was a strong desire for regulation requiring all voluntary companies who wish to write in the Commonwealth also to write in coastal areas as a condition of operation. These witnesses believed that discrimination based on geographic risk was a form of red-lining and should be regulated against. An alternative to such requirements were suggestions for the creation of incentives or disincentives for voluntary companies to write in coastal areas, specifically as it pertained to a company's FAIR Plan assessment.

Complex Insurance Product

At each public hearing the commission heard testimony from homeowners who were confused by the overall complexity of their homeowners insurance policy.

Homeowners questioned which perils their policies covered and under what circumstances. Many were unsure whether a homeowners insurance policy would cover damages caused by flooding or whether this was a factor in the increased premiums. Some were unsure how wind deductibles or mitigation measures, such as hurricane shutters and roof tie-downs, would affect their premiums. Questions were also raised regarding the insured value of their home – how it was assessed and whether it included the value of the land on which it sits. Many were unsure of the implications of underinsuring a home or the impact that co-insurance would have on their claims under a homeowners insurance policy.

While just a sample of the questions raised during the hearing process, the testimony clearly illustrated the complexities of the homeowners insurance marketplace and some of the impressions about the marketplace that exist in the general population.

Further Investigation

The Commission has held several hearings over a relatively brief time period, but has not yet had the opportunity to complete its examination of several important considerations, including, by way of example, the possible merits and drawbacks of public modeling or a public or state catastrophe fund. Massachusetts is not alone with regard to its concerns relative to the overall health of the homeowners insurance marketplace. From the Gulf Coast to Maine, every state with coastal exposure seeks creative solutions to complex problems revolving around catastrophic hurricane risks and the Commission continues to review potential solutions that may work here.

In appreciation of the important undertaking with which this Commission is charged, and in an effort to provide viable, long-term solutions to the homeowners in the Commonwealth, the Commission has resolved to continue our investigation, and to issue a supplementary report in one month’s time. After devoting additional time for examination the Commission will be in a much better position to provide additional constructive findings and potential recommendations to the legislature and the people of Massachusetts.