

Dear Citizens of the Alabama Coast,

I commend you for coming together to fight unfair and outrageous coastal homeowner premiums.

Massachusetts coastal citizens have experienced the same crisis of rates rising 400% since 2004, replacement values increasing above reason, wind deductibles increasing, all this allowed by our Division of Insurance. We began "Citizens for Homeowners Insurance Reform" a grassroots organization in 2006. We now have over 6000 members. These are coastal property owners of primary and secondary homes. Our web site ([Homeowners' Insurance Reform](http://HomeownersInsuranceReform.com)) has allowed us to keep our members updated and aware of needed actions and when we need a letter writing or phone call brigade to show our concern, all help out. We protested in Boston by bus. I urge you to set a website (www.HHII.us) up where citizens can sign on and keep informed.

We have testified before the States Financial Services Committee and a study commission on coastal homeowners insurance was established several years ago. Coastal Legislators were very aware of the unrest of the coastal citizens after we acted with a call-in to their offices.

But, be careful of Bills which will not improve the problem which is excessive and unfair premiums and high wind deductibles. Bills were written by legislators in MA, but we found much of the language seemed as if it had been added by the insurance industry and would have hurt us more. We have fought to kill the Bill.

One of our largest victories has been motivating and empowering citizens to get involved and have their voices heard collectively. This is the most powerful action you can take. Solutions will not come quick, so stay the course and demand access to your Division of Insurance. Know the Bills which exist on the Power of your Commissioner of Insurance, the Wind Pool, how it operates by statute, who puts dollars into this pool. What are the powers of your Attorney General in regards to Homeowner insurance rates?

One piece of legislation we want to pass will state in essence: "The Attorney General shall have the power to call for a Homeowner Insurance Rate hearing on any Property Casualty Company's rates, even in effect, if the Commissioner of Insurance has not denied such rate and it is thought to be excessive. The Attorney General Shall have the power to put a hold on such rate." Our hope is this legislation will give citizens the power to investigate and overturn excessive rates.

One of our important accomplishments has been the Commissioners denial of the 2007 Fair Plan's (insurer of last resort) 25% rate hike. Citizens wrote and attended all the hearings held for this rate hike. I feel that with the many citizens watching and listening, the commissioner denied the rate hike which might have passed in years past when no citizens were watching. This saved coastal citizens millions of dollars. The Fair Plan just filed for another small rate hike last week and we will be testifying and attending the hearings again. They have over \$ 200 million in profits since 2004. Why do they need a rate hike? No hurricanes and low losses in coastal MA for all perils; greed and coastal citizens subsidizing other parts of the State.

We feel our biggest problem has been our Division of Insurance, having a Commissioner who does not follow the existing statutes. Homeowner rates are to be "Actuarially Sound, Not Excessive, Inadequate or Unfairly Discriminatory. We feel our coastal rates do not reflect this mandate. We want accountability and a Division of Insurance which does it's job to protect the citizens from gouging. We want our Governor who appoints the Commissioner to be responsible to oversee the needed changes.

Elections will be coming and all coastal citizens in the US need to let legislators and Governors know that if this crisis is not corrected with fair premiums and Hurricane deductibles, they will not receive our votes!

Let's speak on the topic of re-insurance. We all are told by insurers that "this business is unregulated and reinsurance is very expensive, this is why we pay the huge coastal premiums". We all also know that reinsures use "near term hurricane models" (using 5 yr history rather than long term, 100 yr history. This falsely inflates damage outputs by 40%, and requires added amounts of reinsurance). I say reinsurance is the insurance companies problem. Citizens should not be paying for insurance companies to place 80-100% of their risk with another insurance company and only collect profits. In Massachusetts, coastal citizens pay the cost of reinsurance for the whole state, for all predicted catastrophes. This is outrageous. Maybe this is true for you are also? We all need more information from our divisions of insurance on how they review insurers information in rate filings. What data is used, what hurricane model does the insurer use? What non-

wind related losses are included in rate making and do coastal citizens pay for this? Actuaries should mandate (under Standard 38) that insurers validate all hurricane model outputs to make sure your particular state is accurately portrayed for "Hurricane Risk" and that this correlates with your historic past of hurricane experience. Are your building codes and past wind loss claims in line with model outputs? I have visited with two of the largest hurricane modeling companies, AIR-Boston and RMS of CA and I feel MA data is not studied and used by the modelers for our hurricane risk. Is your state data studied and used? Does it correlate to you historic past of hurricane losses?

Insurance companies have made millions in profits during the years of active hurricanes and other losses. Rates have always included projections of catastrophic losses. Our US land hitting hurricane frequencies have not increased according to the weather expert at the Florida Hurricane Commission.

Coastal Citizens are being gouged and our Federal and State Government have allowed the Property Casualty Insurance Industry to cry poor and shift risk to citizens. Insurance companies have lost money in the financial crisis. Many of their huge commercial real estate holdings are losing money. Are coastal citizens being charged premiums to make up these losses? I say yes and this must stop!

My hope is all coastal states can come together collectively and show support for reform. Perhaps a meeting in Washington D.C. with delegates from coastal states would be helpful for brainstorming and sharing? Also, I would like to see delegates from coastal states testifying at the National Association of Insurance Commissioners meeting (NAIC).

Our MA coastal state has concerns in the concept of a "Coastal Band Area" as you have suggested without details on how one would weight the northern states which have rare hurricane events. We do not want to have a greater problem.

I wish you success and please keep in touch. Let us share links to good legislation and improvements to Divisions of Insurance Web sites and operations.

Paula Aschettino
Chair - Founder
Citizens for Homeowners Reform
www.homeownersinsurancereform.org
508-240-5231
by e-mail Sunday, November 8, 2009