



East News

Mass. Warned About Coastal Development and Insurance

September 20, 2007

A major hurricane making landfall in Massachusetts could cause billions of dollars worth of property damage while also severely straining the resources of the state's residual homeowners' insurance market, the FAIR (Fair Access to Insurance Requirements) Plan, according to the insurance industry.

Dr. Robert Hartwig, president of the Insurance Information Institute, warned policymakers that the state is among the most financially vulnerable when it comes to insured property losses from a major storm.

"The number of Massachusetts residents living in hurricane-prone parts of the state has grown dramatically over the past three decades along with the value of the properties in which they live," said Hartwig, in testimony before the Massachusetts state Legislature's Homeowner's Study Commission. "These undeniable trends pose challenges to consumers, insurers and public policymakers."

According to Hartwig, Massachusetts is home to insured coastal properties valued cumulatively at almost \$700 billion and only three other states—Florida, New York, and Texas—are at greater financial risk in this regard.

Barnstable County, which is mostly comprised of Cape Cod, has a population five times larger than it did during the last period of intense hurricane activity in Massachusetts, an era dating back to the middle of the 20th century, Hartwig explained.

AIR Worldwide, a risk modeling firm, estimates that Massachusetts faces a 15 percent chance of a catastrophic storm within the next decade that would cost insurers \$5 billion or more.

Formed by the Massachusetts state Legislature in 1968, the state's FAIR Plan, known formally as the Massachusetts Property Insurance Underwriting Association (MPIUA), now offers homeowner's policies comparable to ones offered by private-sector insurers. But the FAIR Plan, originally set up as the state's insurer of last resort, has more than one-third of the homeowners insurance market in Cape Cod, as well as Martha's Vineyard and Nantucket, with more than 60,000 policies. As such, the FAIR Plan's exposure to losses, which stood at \$16.7 billion in 2001, grew to \$68.6 billion in 2006, an I.I.I. analysis found.

Hartwig's presentation on Massachusetts can be found at: <http://www.iii.org/media/met/massachusetts/>.

Source: Insurance Information Institute
www.iii.org