

**Study of  
Certain Insurance Claim Costs Resulting from  
The Events Occurring Between April 15 - 19, 2013  
Associated with the Bombings at  
The 2013 Boston Marathon**

Joseph G. Murphy  
Commissioner of Insurance

March 2014

The enclosed report was prepared by the Massachusetts Division of Insurance (“Division”). Gerald B. Condon, State Rating Bureau Researcher, Caleb E. Huntington, State Rating Bureau Mathematician; Walter Horn, Director of Workers Compensation Research; and Matthew Mancini, State Rating Bureau Director, prepared the report and provided the analysis. The report is based primarily on responses from certain selected companies and statistical reporting organizations reflecting certain companies’ experience in the health, commercial property and workers’ compensation insurance markets. Unless otherwise noted in the report, references to “commercial property” include coverage of damage to commercial property as well as business interruption insurance.

**The Division makes all appropriate efforts to check the completeness and consistency of data reported by insurance companies and their statistical agents, but does rely on the insurance companies for the accuracy of all reported information.**

## EXECUTIVE SUMMARY

In late April, 2013, the Massachusetts Division of Insurance (“the Division”) contacted selected companies in the health, property and casualty and workers’ compensation insurance industries to collect information about claims costs associated with the 2013 Boston Marathon bombings (“the bombings”), including events which occurred in the days following. This data collection effort continued through early 2014. Based on information reported by the selected insurance companies over that period, the health, property and casualty and workers’ compensation companies have or are projected to pay \$24.9 million for medical claims and property damage claims associated with the bombings.<sup>1</sup> These totals include:

- 170<sup>2</sup> impacted persons with projected health care costs of approximately \$22.8 million;
- 5 impacted persons with projected workers’ compensation costs of less than \$200,000, and
- 207 property and casualty claims totaling \$1.9 million.

The Division’s limited focus examination has determined that, as of January 24, 2014, almost 96% of residential and commercial property claims associated with the bombings and related events were resolved, with total insurance payments of approximately \$1.9 million (in excess of \$182,000 for personal property claims and in excess of \$1.7 million for commercial property and business interruption claims). The overall average property and casualty claim size was \$9,185. The health-related claims covered by Massachusetts insurers will remain open indefinitely; the insurers have made their best estimates of likely claims costs going forward. The Division did not consider life insurance claims which might have been made on behalf of the four individuals who were killed by the bombings or in their immediate aftermath.

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<sup>1</sup> Although four persons died as a result of the bombings, the Division does not have any information on life insurance payouts made to any of the beneficiaries of the deceased.

<sup>2</sup> Although news reports have indicated that 264 persons were injured, the Division only obtained claims information for the 170 persons who were covered within insured health plans issued in Massachusetts.

In late April, 2013, the Massachusetts Division of Insurance (“the Division”) contacted selected companies in the health, property and casualty and workers’ compensation insurance industries to collect information about claims costs associated with the Boston Marathon bombings and the events following (collectively, “the bombings”).

### **The Boston Marathon Bombings**

During the 117<sup>th</sup> Boston Marathon on Monday, April 15, 2013, two pressure-cooker bombs were detonated almost simultaneously near the finish line of the race on Boylston Street in Boston, killing three persons, injuring an estimated 264 others,<sup>3</sup> and damaging property in the vicinity of the bombing site. Within the hour, law enforcement authorities closed several blocks of Boylston and surrounding streets to both automobile and pedestrian traffic (*see City of Boston map and “civil order” in report appendix*). Over the next few days, police undertook a metropolitan area hunt for the bombing suspects; late on Thursday, April 18<sup>th</sup>, the fourth bombings-related death occurred, an on-duty police officer killed by the bombing suspects. One of the suspected bombers was killed in a police encounter a few hours later. The next morning, Friday, April 19<sup>th</sup>, Governor Deval L. Patrick issued a request to all citizens living and working in Boston and several suburbs to “shelter in place”; he further ordered the MBTA transit system to suspend operations in the affected communities. In the evening of April 19<sup>th</sup>, police captured the second bombing suspect in the Boston suburb of Watertown, bringing the state of emergency to a close. (These subsequent events on April 18<sup>th</sup> and 19<sup>th</sup> in metropolitan Boston caused additional property damage, which is also included in the data reported here.)

Within days of the bombing, President Barack Obama signed documents establishing a Presidential Emergency Declaration the Boston-area locations impacted by the bombing and ordered that federal aid supplement the local response to the bombings.

The Division issued Bulletin 2013-03, *Procedures Related to Insurance Claims Resulting From the Explosions Occurring in Boston on April 15, 2013 and Related Events*, on April 25, 2013 to provide guidance to Massachusetts insurers regarding claim handling, premium payments, and provisions concerning the vacancy of property, cancellations, non-renewals, re-rating and rating classifications (*see Bulletin 2013-03 in report appendix*).

In the days and weeks following the bombings, representatives from various state and federal agencies, including the Division, staffed the Mayor of Boston’s Business Assistance Center as part of the Back Bay Assistance Response Team, to help educate and inform citizens and business owners who had been affected by the bombings as to their options for support and financial aid. The Division specifically created a hand-out to guide business owners and consumers in preparing claim information and developed content for state government’s “one-stop web portal” for those impacted by the bombings.<sup>4</sup>

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<sup>3</sup> Although news reports have indicated that 264 persons were injured, the Division only obtained claims information for the 170 persons who were covered within insured health plans issued in Massachusetts, and it is only their insurance costs which are described by this report.

<sup>4</sup> Resources for businesses and organizations affected by the Marathon Bombings can be found at <http://www.mass.gov/governor/constituentservices/marathon-recovery-resources/businesses-organizations-marathon-recovery-resource.html>.

In late April 2013, the Division contacted selected companies in the health, property and casualty and workers' compensation insurance industries to collect information about claims costs associated with the bombings. The Division continued these "data calls" to the industry on a bi-weekly basis for the balance of 2013 and into early 2014, to measure the degree to which claims were resolved timely as well as any significant changes in aggregate claim status over time.

On January 13, 2014, the U.S. Department of Justice ("DOJ") awarded the Commonwealth of Massachusetts an Antiterrorism and Emergency Assistance Program Crime Victim grant of \$8,355,648 to cover certain public safety expenses that were incurred as a result of the bombings.

### **Health Insurance**

The Massachusetts health insurance carriers collected information regarding the number of plan members who were impacted by the bombings. Based on current data, 170<sup>5</sup> persons covered under Massachusetts health insurance plans have been identified as having received or currently receiving medical treatment associated with the bombings. The carriers have looked at actual claims costs and projected future health care needs and have estimated that the total health care claims of the 170 impacted persons will be approximately \$22.8 million<sup>6</sup>. Since health claims payments are ongoing, the carriers have identified their best estimates based on the long-term needs of persons injured by the bombings.

### **Workers' Compensation Insurance**

The Workers' Compensation Rating and Inspection Bureau ("WCRIB"), which functions as the statistical arm of the workers' compensation industry in Massachusetts, tracked the number of claims associated with the bombings. The WCRIB reported that five bombing-related workers' compensation claims were filed with Massachusetts carriers. The WCRIB further reported that the carriers examined current claims and future projected medical costs for injured persons and the collective estimated costs are not expected to exceed \$200,000.

### **Other Property and Casualty Insurance**

The Division issued special examination letters to the Massachusetts Property Insurance Underwriting Association ("MPIUA") and each of the "top 25" property and casualty insurance groups in Massachusetts to review residential property, commercial property, business interruption<sup>7</sup> and other property and casualty claims associated with the bombings and subsequent events.

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<sup>5</sup> Although news reports have indicated that 264 persons were injured, the Division only has claims information for the 170 persons who were covered within insured health plans issued in Massachusetts.

<sup>6</sup> The reported figures only include claims for persons covered by Massachusetts licensed insurance carriers and do not capture persons who may have been visiting Boston and are covered by insurance carriers licensed in other states.

<sup>7</sup> "Residential Property" is defined as any type of personal lines insurance provided against loss to real and personal property as defined in the standard fire policy and extended coverage thereon, a dwelling policy, the homeowners, tenants, and condominium unit owners multiple peril policy, mobile homeowners insurance policy, insurance against the perils of vandalism, malicious mischief, burglary, or theft, or liability insurance, or any combination thereof, delivered or issued for delivery in the Commonwealth.

"Commercial Property" includes all commercial property losses, including those on commercial Dwelling Fire and Allied Lines policies. Business interruption losses should be excluded from this category, but included on the separate "Business Interruption" category.

"Business Interruption" includes losses under a commercial policy for loss of income, operating expenses and extra expenses while a business is restoring operations.

"All Other" Lines claims exclude: 1) Workers Compensation, 2) property damage claims, 3) on-Property Casualty claims.

As of January 24, 2014, the examined companies had handled 207 bombing-related claims. The Division found that:

- 100% of the 45 residential property claims associated with the bombings had been resolved, with insurance companies paying over \$180,000 for damage to personal automobiles, homes, and associated personal property. The average claim size for residential property and personal automobiles was \$2,889 and \$10,394 respectively.
- Almost 94% of the 160 commercial property and business interruption claims associated with the bombings had been resolved, with insurance companies paying \$1.7 million for damage to commercial property and business interruption. The average claim size for commercial property and business interruption was \$10,626 and \$10,766 respectively.
- Two other types of claims were identified by respondents, both through business general liability insurance. Both claims were closed without payment.

### **Terrorism Risk Insurance**

The Division also collected data on claims with separate terrorism coverage as well as those claims impacted by a terrorism exclusion.<sup>8</sup> Approximately 13.5% of the 160 commercial property and business interruption claims had separate terrorism coverage. No residential property claims had separate terrorism coverage. None of the commercial property, business interruption and residential property claims were impacted by a terrorism exclusion.

### **Life Insurance**

The Division did not collect information about possible life insurance payments made to the beneficiaries of the four deceased individuals whose deaths resulted from the bombings and their aftermath. Collecting that information would have required contacting the families of the deceased directly; out of respect to those individuals and in the face of their losses, the Division determined it would not pursue data regarding this set of claims payments.

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<sup>8</sup> Policies typically exclude losses due to acts of terrorism as determined by the federal government. Coverage for losses due to acts of terrorism can be purchased separately. The federal government did not make an official determination that the Boston Marathon Bombings were an act of terrorism.

## **The Property and Casualty Claims Review Process**

In general, when there is an event that is covered under a property insurance policy, affected policyholders are expected to protect their property from further damage and are required to notify their insurance companies about any and all damages to property. An insurance company then sends its own claims adjusters to the property to assess the damage to the property.

In some instances, a claims adjuster will call in structural engineers or other experts to further inspect the property to determine whether the damages are more extensive than are visually apparent. When the insurance company has completed its review, it will calculate an estimate of the total insured cost under the terms of the policy to address the damages and may offer payment to the policyholder. Although an insurance company is expected to process claims expeditiously, it should take what it sees as appropriate steps to validate the claim and assess the total covered loss.

After the insurance company offers the insured a payment for the covered losses, and if the insured agrees with the offered settlement, the claim is resolved and the insured can make arrangements to address the damages. If the insured does not agree with the company's estimate of the loss, the insured can hire his/her own claims adjuster – called a public insurance adjuster, licensed by the Division under M.G.L. c. 175, §172 – to develop his/her own estimates and then deal directly with the insurance company claims adjusters to resolve claims. Hiring a public insurance adjuster may extend the time to resolve a claim but may result in a larger negotiated settlement. In the event that the parties are not able to reach resolution, there is a statutory process involving disinterested referees whose goal is to reach agreement on a final settlement.

## **Property and Casualty Resolution**

The Division's examination has concluded that as of January 24, 2014, almost 96% of property and casualty claims associated with the bombings and related events were resolved, with total insurance payments of approximately \$1.9 million (in excess of \$182,000 for personal property claims and in excess of \$1.7 million for commercial property and business interruption claims). The overall average property and casualty claim size was \$9,185. As to claims that remained open as of that date, it appears that they are largely business interruption claims, and present circumstances which are unusual in nature and may, for example, require specialized forensic accounting studies. In other cases, delays in obtaining documentation and lingering disputes among the companies and policyholders regarding the value of certain claims underlie the delay in resolution.

### **Final Observations**

The examination of events following the Boston Marathon bombings was unusual in the Division's history, in that the vast majority of claims were for health-related concerns (projected at \$22.8 million) and only a small number were for property and casualty matters (about \$1.9 million). Property and casualty claims are generally resolved within a finite period of time, while the health-related claims of those injured by the bombings will remain open far beyond the period of this examination, and may present ongoing medical challenges for the lifetimes of those individuals. The Division also recognizes that there may have been life insurance claims for the four individuals killed during the events of April 15-19, 2013. Such claims were not included in this examination and are not part of its conclusions.



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**BULLETIN 2013-03**

TO: All Insurers Licensed or Authorized to Operate in the Commonwealth of  
Massachusetts

FROM: Joseph G. Murphy, Commissioner of Insurance

DATE: April 25, 2013

RE: Procedures Related to Insurance Claims Resulting From the Explosions Occurring in  
Boston on April 15, 2013 and Related Events

**Background**

On April 15, 2013, two explosions occurred on Boylston Street in Boston during the Boston Marathon. These acts and related events caused significant injury, damage and disruption to individuals, property and businesses in Boston and the surrounding region. In order to provide ongoing support for the recovery efforts of affected individuals and businesses, the Division of Insurance ("Division") offers the following guidance and recommendations:

**Claims Handling**

- All insurers are required to promptly investigate all claims for all lines of coverage including, without limitation, business interruption insurance, home insurance, property insurance and health insurance. This includes the investigation of the causation of loss to ascertain if coverage exists on a claim-by-claim basis.
- The Division expects insurers to offer extensions to claimants who have been displaced from their homes or businesses as a result of the events if they are unable to meet reporting timelines or other requirements that are specified in their insurance policies or otherwise.
- Insurers should establish expedited claim processing procedures and simplified claim reporting forms where appropriate.

### **Premium Payments and Vacancy Provisions**

- The Division encourages all insurers to provide prompt and immediate relief to those policyholders impacted by these events, including the temporary suspension of premium payments and suspension of vacancy provisions for those temporarily displaced, as applicable.
- The Division will work with insurers to minimize any regulatory effects of an insurer's suspension of premium payments, specifically in regard to financial review requirements, as applicable.
- The term "suspension" is not intended to mean forgiveness of the premium; rather, it refers to an extended grace period for the payment of premium.
- Insurers also are encouraged to work with policyholders with regard to the collection of premiums, including granting requests for reasonable payment plans.

### **Underwriting**

- It is not appropriate for insurers to re-rate, cancel, non-renew, or refuse to provide insurance coverage due solely to an individual's or business' status as a victim of these events.
- It is not reasonable to change policyholders' rating classifications or increase their insurance rates solely because they are victims of these events.

The Division will be closely monitoring the recovery and insurance claims process related to these events. Questions regarding this Bulletin, or other claims-related issues, should be directed to Karen L. Blomquist, Deputy Commissioner of Communications and Operations at (617) 521-7362 or at [karen.blomquist@state.ma.us](mailto:karen.blomquist@state.ma.us).



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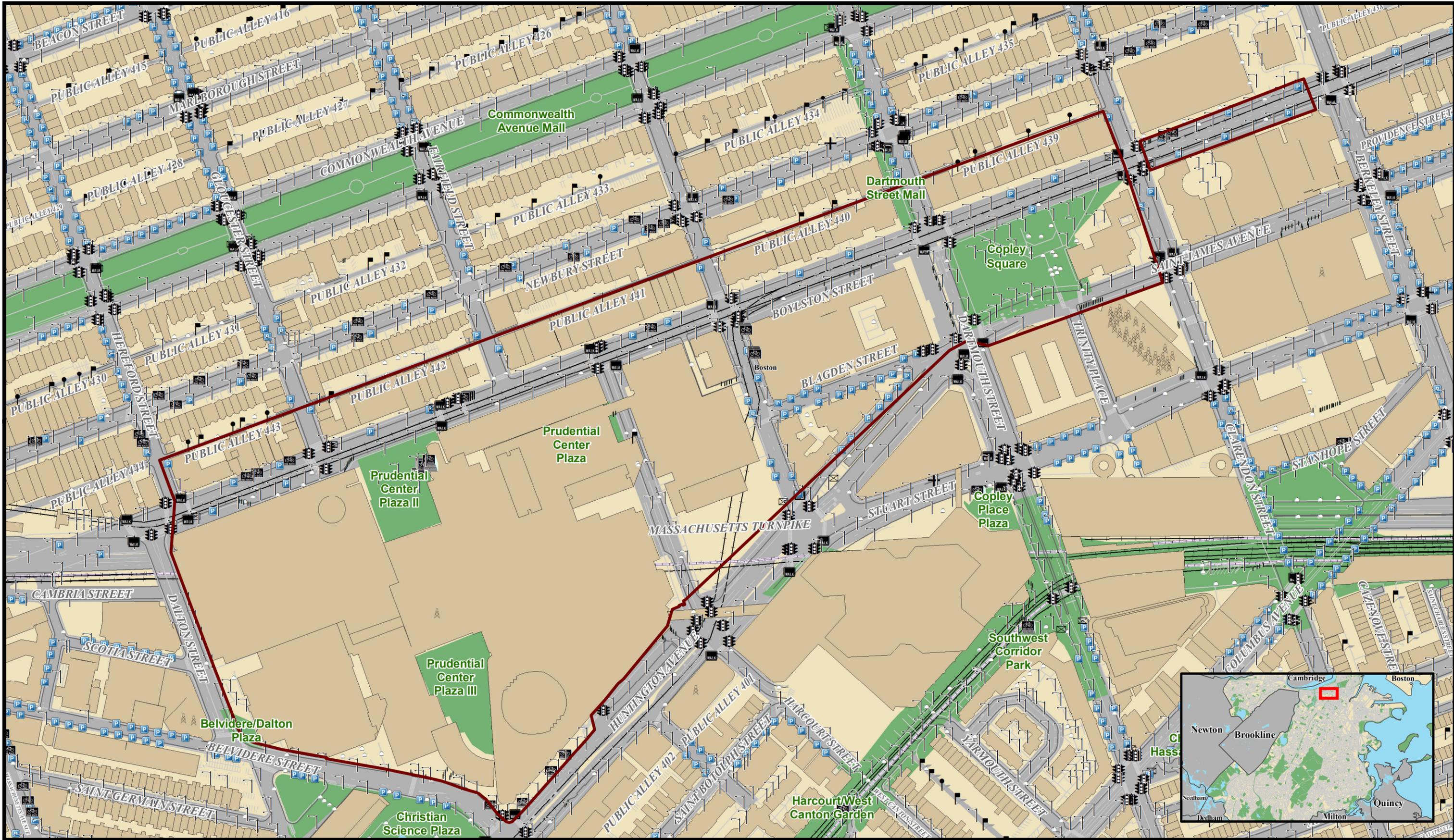
April 25, 2013

To Whom It May Concern:

The City of Boston prohibited access to the area depicted on the attached map as the AOI (Area of Impact) Security Perimeter on April 15, 2013 at or around 3:00 p.m. through April 24, 2013 at or around 3:00 a.m. because of an event causing physical damage and threatening public safety.

Very truly yours,

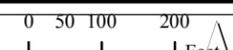
William F. Sinnott  
Corporation Counsel



**Boston Office of Emergency Management**  
**Boston Marathon Explosion Crime Scene Perimeter**  
**Planimetric Detail**

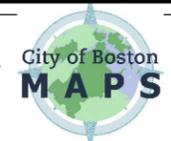
 AOI Security Perimeter

Area of Impact  
 Population Total: 1,363  
 Household Total: 1,106



1 inch = 250 feet

April 2013



Source: City of Boston, US Census 2010, MA EOT