

N.C. homeowners face steep increase in insurance rates

To prepare for storm damage at beach, N.C. association wants to raise homeowners' premiums statewide.

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Posted: Wednesday, Dec. 03, 2008

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The N.C. Rate Bureau, an insurance industry association that helps set insurance rates, is planning to propose an average 19.5 percent increase on homeowners policies across North Carolina.

The increases would vary based on factors such as geography, previous claims in the area, and the cost of rebuilding in the area:

Beach areas (primarily the Outer Banks) – between 32 percent and 51 percent.

Coastal areas (18 counties along the coast): between 42 percent and 70 percent*

Remainder of the state: between 1 percent to 23 percent

*Coastal areas: Beaufort, Brunswick, Camden, Carteret, Chowan, Craven, Currituck, Dare, Hyde, Jones, New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrrell, and Washington. It does not include the portions of these counties that lie within the beach areas.

Homeowners across North Carolina could face a steep increase in their insurance premium next year to help pay for damage to beach properties when the next major storm hits the coast.

The N.C. Rate Bureau, an insurance-company association that helps set insurance rates, released a proposed increase Tuesday that would raise homeowners' premiums by an average of 19.5 percent across the state. The rate jump would be higher on the coast, with potential increases of as much as 50 percent on North Carolina's Outer Banks and 70 percent in coastal counties.

Homeowners in the rest of the state, including Mecklenburg County, would see increases ranging from 1 percent to 22.5 percent.

State Rep. Bruce Goforth, an Asheville Democrat who sits on a special legislative committee that heard the proposal Tuesday, objected to the idea that the rest of the state would pay the insurance for the owners of beachfront mansions.

"They've got the money to pay for the insurance they should be paying," Goforth said.

Officials with the Rate Bureau said the proposed hike is driven by the need to stabilize the Beach Plan, a government-created insurance plan that has grown into the dominant policy provider on the coast.

The plan doesn't have enough money to cover the losses from a catastrophic storm.

The increase, which will be formally requested on Monday, requires the approval of the state insurance commissioner. Wayne Goodwin, a Democrat who was elected to the post last month, has called the situation a "ticking time bomb." Goodwin suggested during the campaign that North Carolina consider entering into a coastal insurance pool with South Carolina and Georgia to spread the risk.

Proposed rate hikes in the past have taken months to negotiate and often are reduced.

This proposal, though, is a little different. If it were approved, about 11 percent of every homeowner's total premium – not just the increase – would go to insurance companies in the state to sock away for a major hurricane. There is no requirement, though, that private insurance companies set that money aside for such a purpose.

The state legislature created the Beach Plan, officially called the N.C. Insurance Underwriting Association, in 1969 and expanded it in 1998 to provide a safety net for property owners in coastal counties where private insurance companies were not selling policies. Instead, it has become the insurer of choice, particularly during the explosion of beachfront development in recent years, because it has offered lower rates and more options than private companies.

Representatives of the Beach Plan board acknowledged Tuesday that the plan's rates have been too low. But they said North Carolina has benefitted, in jobs and tax revenue, from the coastal development that the plan helped make possible.

"Our goal as a board is to protect the economic development of eastern North Carolina," board member Don Evans, a Brunswick County insurance agent, told the legislative committee.

The Beach Plan now insures about \$72 billion in property. But officials say it only has enough in cash reserves and reinsurance coverage to pay for \$2.4 billion in damage.

Once that money is exhausted, if the Beach Plan has to cover more damage, it has the authority to impose an assessment on the private insurance companies that operate in the state. One private insurance company left the state earlier this year for fear of an assessment.

Rate Bureau officials said Tuesday the proposed rate increase is needed in order to have money for such an assessment.

Beach Plan representatives emphasized that in the past month they received approval from Insurance Commissioner Jim Long, who leaves office next month, to increase rates and deductibles for their customers. That rate increase, of roughly 9 percent, is scheduled to take effect in February.

Officials with the Rate Bureau said Tuesday that they may need to adjust their proposed rate hike as a result.

The February rate hike by the Beach Plan appears to be aimed at heading off more severe reforms advocated by the private insurance industry. Insurance company representatives asked legislators Tuesday to enact a law to clarify that the Beach Plan is the insurance of last resort by specifying how it sets coverage, rates and deductibles. The companies also want to limit the potential assessment on them after a major storm.

Insurance industry representatives also proposed, as a last resort, that the Beach Plan be empowered, with approval from the insurance commissioner, to add a one-time surcharge to policyholders across the state after a major storm. The money would be used to help rebuild the coast and keep catastrophic storm damage from wounding the entire state's economy.



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