

**RESOLUTION ON RECENT HUGE INCREASES IN COST OF
COASTAL HOMEOWNERS INSURANCE**

WHEREAS, the N.C. coastal region contributes significantly to the economic well-being of this State – in amounts disproportionately higher than its population; and

WHEREAS, most insurers are not willing to write Basic Homeowners' coverage in N.C. coastal areas---even with wind and hail coverage excluded -- forcing customers to buy (a) basic homeowners coverage (without wind and hail) from a few carriers still writing the coverage and (b) wind and hail coverage through the Beach / FAIR Plan; and

WHEREAS, the Cape Fear Region of Brunswick, New Hanover, and Pender Counties (“Region”) is reeling from shockingly high increases in coastal homeowners insurance costs – worse than any other part of the N.C. Coast -- threatening the Region economic recovery before it can begin; and

WHEREAS, huge jumps in the **basic rates** of coverage were approved on 12/18/08 (effective 5/1/09) by the Commissioner of Insurance (“Commissioner”) -- without prior notice or public hearing. The rate **increased** to almost **30%** for the Region west of the Intracoastal Waterway [compared to 22% for Currituck, Dare, Hyde, and Pamlico Counties] **and** 17.5% on already-high rates for areas east of the Intracoastal Waterway-- in contrast to as much as **6% decreases** for the same coverage in significant parts of N.C.’s inland; and

WHEREAS, on 11/21/08 (effective 2/1/09), the Commissioner approved huge increases in the “Beach/FAIR Plan” wind and hail coverage: **“Surcharges”** by **15% to 25% PLUS “Deductibles” of 2%** (5% for Bald Head Island) *of the amount of coverage per storm occurrence* [not a set “sum certain – flat” amount, but a % of the amount of coverage] --; and

WHEREAS, the increases threaten the economic well-being of every “inland” customer on this Region -- not just those on the barrier islands; and

WHEREAS, the increases are irrational and arbitrary, among the reasons being: (a) cumulative wind and hail losses in eastern NC from 1986 through 2005 total only 26% of statewide cumulative losses; (b) “inland damage” costs from Hurricanes Hugo and Fran were three times the coastal costs; (c) out of the 15 most costly hurricanes (the costs not including flood damage) to hit the United States, eight of them damaged N.C. -- of those eight, six hit Central and Western North Carolina; (d) the Commissioner states the increases in part cover “rising construction and repair costs”, even though the overwhelming evidence is that construction commodities prices and labor costs have gone down sharply because of the current long term recession; (e) the Commissioner relied upon computer modeling whose underlying assumptions and actuarial analyses have not been subjected to independent public scrutiny; and (f) the increases will allow insurers to collect a massive \$278 million in premiums to cover \$22 million of potential storm assessments (more than \$12 to cover \$1), yielding high insurer profits exceeding the national average, and

WHEREAS, it may still be possible during the 2009 Session of the N.C. General Assembly to lay the ground work for reforming the insurance rate process and perhaps even improve the N.C. coastal insurance costs; and

WHEREAS, immediate action is needed preventing harm to the entire State caused by the increased insurance rates undermining this Region's coastal economic recovery.

NOW, THEREFORE, BE IT RESOLVED THAT OUR ELECTED OFFICIALS AND THE COMMISSIONER OF INSURANCE TAKE THE FOLLOWING IMMEDIATE ACTIONS:

- **Stop the increases in rates, surcharges and deductibles in coastal homeowner insurance at least until May of 2011, pending implementation of direly needed changes to our State's rate-setting processes;**
- **Impose fair & equitable property and casualty insurance rates across N.C. (with equity across the State for the cost of basic HO-3 Homeowners coverage) through transparent, independent, verifiable, reliable and accountable processes -- with sufficient prior public notice and participation;**
- **Examine potential ways to improve the rate change processes, and achieve fairer results, such as:**
 - **Comprehensively reviewing the entire NC insurance rate setting system (including the NC Rate Bureau, Department of Insurance, NCJUA, and NCIUA);**
 - **Forming an independent Insurance Commission;**
 - **Placing greater weight on actuarial data over "modeling";**
 - **Requiring a rational maximum Beach/FAIR Plan coverage limit;**
 - **Allowing deductibles to be triggered statewide only by named hurricanes and, even then, cap those deductibles to 1%;**
 - **Finding ways insurance carriers will offer homeowners' coverage for the NC Coast at costs less than the "last resort" Beach / FAIR Plan;**
 - **Giving credits to builders and consumers for certain measures to protect against wind damage without regard to threshold legal requirements;**
 - **Removing caps on insurance company participation on assessments;**
 - **Declaring reserves set aside by insurers to cover catastrophic losses are exempt from NC state taxation and actively encouraging Congress to do the same regarding federal taxation; and**
 - **Discouraging both depletion of wind and hail risk reserves and unrealistic amounts required to be held in reserves.**