

The Joint Select Study Committee on the Potential Impact of Major Hurricanes met for the 7<sup>th</sup> time on January 21, 2009. The recommendations are below:

**Recommendation I.** In light of substantial increases in the total value of properties insured through the Beach Plan, the Committee recommends the following measures to make clear the General Assembly's original intentions that the Beach Plan serve as a market of last resort and to insure proper oversight of the Plan to further this goal:

- Make clear that the rates, forms, endorsements, rules, underwriting standards, operations, procedures, and other factors shall be no more favorable than corresponding factors in the voluntary market.
- Authorize the Plan to impose a differential above manual rates for dwelling and commercial coverage and separate wind and hail coverage for each, as is currently charged by the Plan for homeowners and homeowners wind and hail coverage.
- Require a report by the Plan on the differential for review every two years by the Commissioner of Insurance and require the report to be filed with the Joint Legislative Commission on Governmental Operations and the chairs of the House Insurance Committee and the Senate Commerce Committee.
- Require consideration of reinsurance and modeling with the determination of the differential.
- Provide that all Beach Plan filings for changes to the Plan of Operation shall be subject to appeal to superior court.

**Recommendation II.** The Committee recommends the following to improve the financial status of the Plan and reduce exposure to loss for properties insured by the Plan:

- Place assessments against insurers into two categories: (1) recoupable assessments which may be recouped from policyholders through a statewide surcharge; and (2) nonrecoupable assessments which may not be recouped.
- Place a cap on nonrecoupable assessments levied against insurers. For recoupable assessments, impose a statewide surcharge on policyholders in the event of a catastrophic loss to reimburse insurers for these assessments and place a cap on the amount of these surcharges.  
**(The Committee was unable to reach a consensus on the amount of the caps on both nonrecoupable assessments and on the statewide surcharge on policyholders to reimburse insurers for recoupable assessments as recommended above. The Committee recommends that the 2009 General Assembly consider the amount of these caps in its deliberations of the recommended legislation.)**
- Eliminate the return of surplus to insurers and require the surplus to be used by the Plan only to pay for losses, expenses and the purchase of reinsurance. (The Plan is expected to have \$750M in surplus by the end of March 2009.)
- Reduce maximum habitational policy coverage limits under the Plan from \$1.5 million to \$750,000, including coverage for separate policies of windstorm and hail.
- Require the Plan to reach and maintain the ability to pay losses and expenses at probable maximum loss levels of a 1:100 year storm on and after May 1, 2010 and a 1:150 year storm by mandated dates on and after May 1, 2022.

**Recommendation III.** To alleviate the impact of rate increases on residents of the State and to insure that rates accurately reflect the risks associated with individual properties, the Committee recommends the following:

- Require the Association to file a schedule of credits for policyholders based on the presence of mitigation and construction features in properties that it insures.
- Create a legislative study committee to study building code changes, premium credits, tax credits and state funding priorities and other ways to encourage property owners, including low and middle income homeowners, to make property improvements to mitigate property loss and damages resulting from hurricanes. The Committee recommends that membership on the Committee include representatives from the Department of Insurance, the NCIUA, the N.C. Rate Bureau and private insurers. The Study Committee should make an interim report to the 2010 Session of the 2009 General Assembly.
- The development as soon as feasible by the 2009 General Assembly well-designed programs to provide incentives for property owners to take cost-effective mitigation measures against wind damage.

**Recommendation IV.** The Committee recommends the following changes to enhance the accountability of the Beach Plan to its members:

- Require the Plan to make available upon request by any member company or board member information concerning the Association's activities unless the information identifies policyholders or is a trade secret.