

HOMEOWNERS INSURANCE UPDATE



Tyler Newman

Governmental Affairs Director

Business Alliance for a Sound Economy (BASE)

BASE Business Alliance for a Sound Economy

BASE covers government affairs for the coastal North Carolina residential and commercial development and real estate industries locally, regionally and at the state and federal levels.

BASE represents the members of the Jacksonville Board of REALTORS®, the Brunswick County Home Builders Association, the Brunswick County Landowners Association, the Topsail Island Association of REALTORS®, Pitt County Economic Development Partnership, the Wilmington-Cape Fear Home Builders Association and a number of individuals and independent businesses.

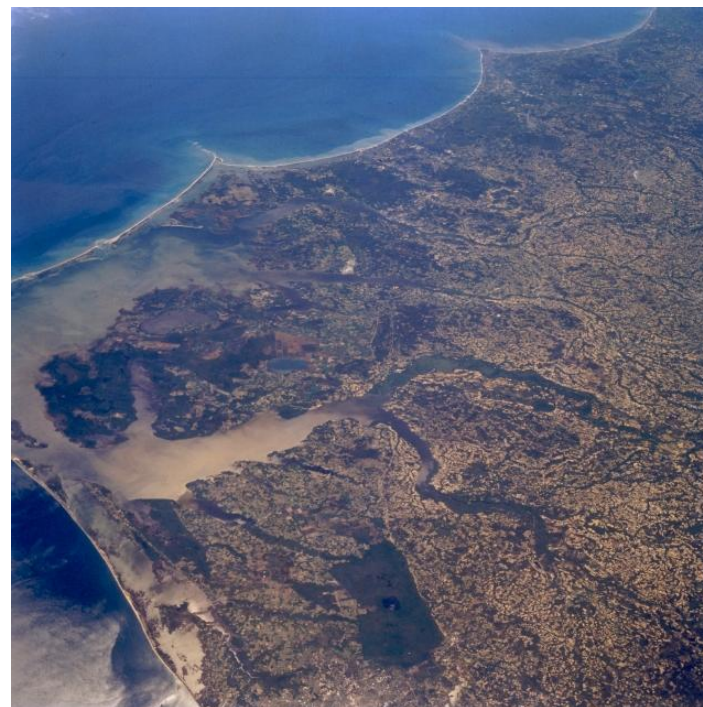
BASE works with our partners of the National Association of Home Builders (NAHB) and the North Carolina Home Builders Association (NCHBA), the North Carolina Association of REALTORS® (NCAR)

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2009 Property Insurance Increases

1. Wind/Hail :
 “Beach Plan”
 NCIUA
 Surcharges
 Deductible increases
2. Homeowners Insurance
 Perils: Fire, theft, etc.



Process:

Requests from North Carolina Rate Bureau

Action approved by former Insurance Commissioner Jim Long
December 2008



2009 Property Insurance Increases

Effective May 1, 2009, 63 Counties in North Carolina saw homeowners rates increase.

Rate Increases range from 2%-nearly 30%

Mainland New Hanover, Brunswick, Pender, Onslow and Carteret Counties homeowners insurance rates increased roughly 30% and 17.5% for the barrier islands.

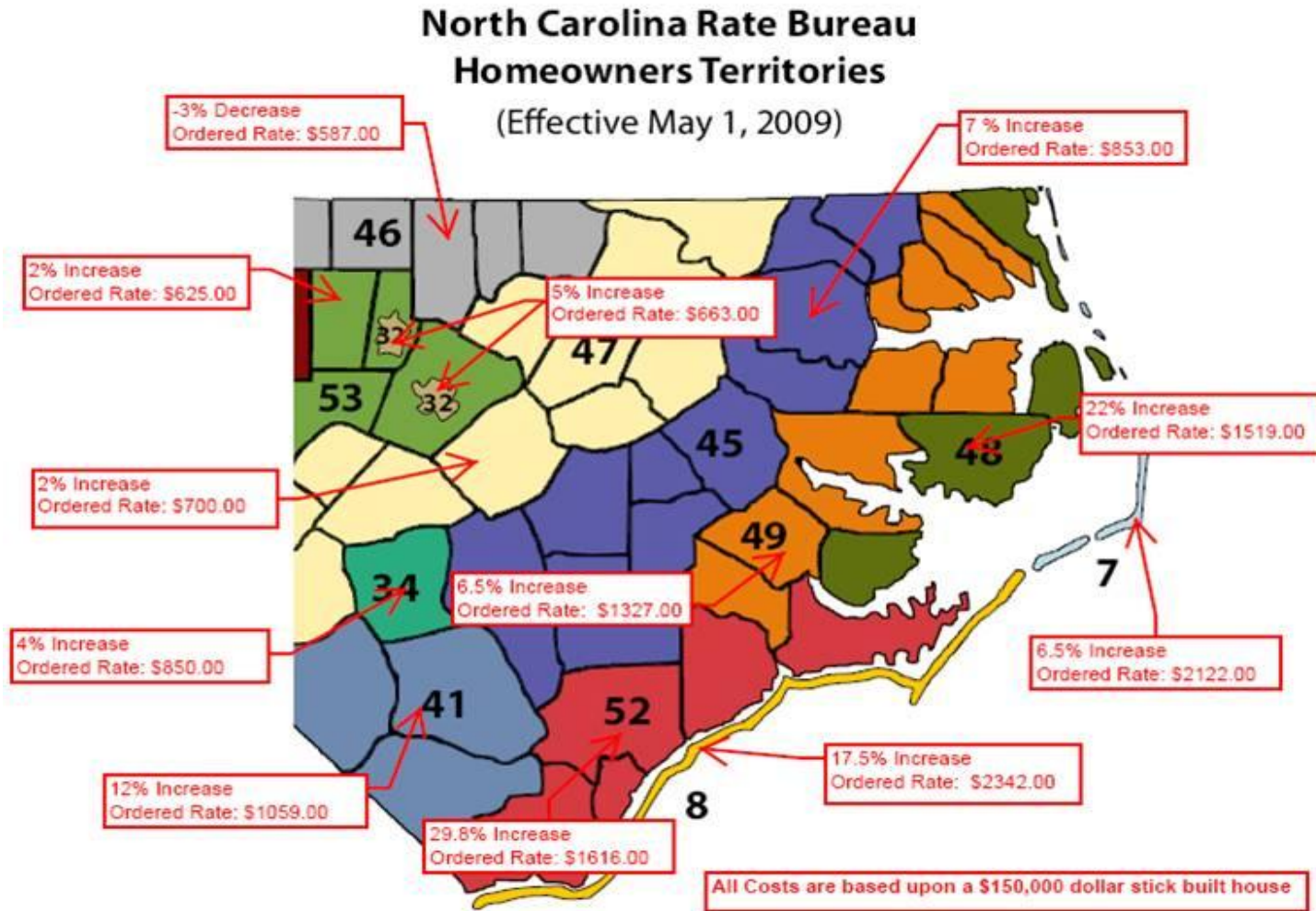
Perspective:

Coastal homeowners got increases every rate cycle since 1992--including 2005 and 2007. Charlotte area rates remain unchanged since 1992.

Over the last 6 years, the Department of Insurance estimates that homeowners insurance rates in the Beach Plan beach area have increased 90% and rates in the Beach Plan coastal area have increased 65%.



2009 “Negotiated” Increases



Legal Action

- Through the Williams Mullen Law Firm, Dare County, the Town of Nags Head, Starco Realty & Construction, Inc., and Joseph M. Geraghty initiated a number of separate legal proceedings.
 - Challenged Beach Plan increases and homeowners rate increases as approved by the NC Department of Insurance in late 2008: Direct appeal to Department of Insurance, lawsuit to Superior Court, appeal to the North Carolina Court of Appeals.
 - A number of local governments, including the **Town of Southern Shores, Duck, Nags Head, Kill Devil Hills, Pine Knoll Shores, Emerald Isle, Indian Beach, Kitty Hawk, Surf City**, and the **Counties of Dare, Currituck, Beaufort, New Hanover, Pender, Brunswick, Craven, Carteret, Hyde, and Washington** agreed to join the challenges as named parties and to provide financial support.
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NC Court of Appeals

- Court of Appeals 2009, 2010
- No relief from NC Court of Appeals
- The Court ruled, in effect, that “we” were not parties who could appeal since we were not a part of the rate making process. Only the Rate Bureau or the Commission can appeal as they were the only parties to the rate making process.
- The effect of the Court ruling is that only the two parties who agreed to the rate can appeal the rate. The court did not rule on whether the Insurance Commissioner followed the rules or not.
- The Court did recognize that the result of their ruling is that citizens, businesses, local governments (i.e. those affected by the rates) cannot challenge an improperly made rate. They said that is a matter for the legislature and not the courts to resolve.



NC Supreme Court

No. 517P10

TENTH DISTRICT

Supreme Court of North Carolina

DARE COUNTY, TOWN OF NAGS HEAD, TOWN OF SOUTHERN SHORES, STARCO REALTY & CONSTRUCTION, INC., JOSEPH M. GERAGHTY, WASHINGTON COUNTY, CURRITUCK COUNTY, HYDE COUNTY, THE TOWN OF DUCK, THE TOWN OF SOUTHERN SHORES, CARTERET COUNTY, THE TOWN OF PINE KNOLL SHORES, THE TOWN OF INDIAN BEACH, and THE TOWN OF KILL DEVIL HILLS

v

THE NORTH CAROLINA DEPARTMENT OF INSURANCE, COMMISSIONER OF INSURANCE WAYNE GOODWIN and NORTH CAROLINA RATE BUREAU

and

DARE COUNTY, WASHINGTON COUNTY, CURRITUCK COUNTY, HYDE COUNTY, CARTERET COUNTY, NEW HANOVER COUNTY, BRUNSWICK COUNTY, CHOWAN COUNTY, PERQUIMANS COUNTY, TYRREL COUNTY, PAMLICO COUNTY, PASQUOTANK COUNTY, TOWN OF NAGS HEAD, TOWN OF DUCK, TOWN OF SOUTHERN SHORES, TOWN OF INDIAN BEACH, TOWN OF PINE KNOLL SHORES, TOWN OF EMERALD ISLE, TOWN OF KILL DEVIL HILLS, TOWN OF KURE BEACH, TOWN OF CEDAR POINT, TOWN OF HERTFORD, STARCO REALTY & CONSTRUCTION, INC., JOSEPH M. GERAGHTY

v

THE NORTH CAROLINA DEPARTMENT OF INSURANCE, COMMISSIONER OF INSURANCE WAYNE GOODWIN and NORTH CAROLINA RATE BUREAU

From NC Court of Appeals
(09-1171 09-1172)
From Wake
(09CV57841 09CV51073)

ORDER

Upon consideration of the conditional petition filed on the 20th of December 2010 by Respondent (Rate Bureau) in this matter for discretionary review of the decision of the North Carolina Court of Appeals pursuant to G.S. 7A-31, the following order was entered and is hereby certified to the North Carolina Court of Appeals:

"Dismissed as moot by order of the Court in conference, this the 10th of March 2011."

Jackson, J recused.

s/ Hudson, J.
For the Court

WITNESS my hand and the seal of the Supreme Court of North Carolina, this the 14th day of March 2011.

The NC Supreme Court has decided not to hear the appeal of the Court of Appeals decision.

The effect of that decision is that Counties and Towns do not have standing to challenge a rate decisions, no matter the negative impacts and no matter whether the rules were followed.

The Court of Appeals acknowledged the problem and said it was not for the Courts to fix but for the legislature to fix. By denying the request for review, the NC Supreme Court agreed with that position.

HB1305-Omnibus Beach Plan Changes

2009 General Assembly

Most critically, **ensures financial stability** of the Beach Plan (retaining surplus in the Plan--\$41 million out in 2006)

In the event of a loss to the Beach Plan, creates \$1B assessment to Insurance Companies before statewide assessments (effectively \$3.4 Billion damages before statewide impact). Previously this amount was a critical unknown which impacted their ability to quantify their risk in NC.

Protects policyholders statewide by providing financial stability for the plan—which should encourage insurance companies to stay in North Carolina and continue to write policies **statewide**



HB1305

- Changes Beach Plan name to “Coastal Property Insurance Pool”
- Legislatively sets surcharges at 5% (wind) and 15% (full peril)
- Establishes 1% named storm deductible
- Removes the proposed requirement for flood insurance (House amendment) and removes surcharges for commercial and dwelling policies (Senate amendment)
- Additional positive provisions in the bill:
 - creates an installment payment option
 - provides mitigation credits for voluntary measures (storm shutters, roof tie-downs, etc.)***
 - creates a grant program.
- Overall, increased transparency and public input of Beach Plan activities and actions of the Rate Bureau. It is much clearer that information be made fully available upon request

***available now



Mitigation Credits

HOMEOWNER AND HOMEOWNER WINDSTORM AND HAIL MITIGATION CREDITS EFFECTIVE MAY 1, 2011

HOMEOWNER FULL PERIL POLICY CREDIT					
MITIGATION FEATURE	TERRITORY 7	TERRITORY 8	TERRITORY 48	TERRITORY 49	TERRITORY 52
HIP ROOF	4.9%	4.9%	4.6%	4.3%	4.6%
OPENING PROTECTION	5.0%	5.1%	4.6%	4.1%	4.6%
COMBINED HIP ROOF AND OPENING PROTECTION	10.0%	10.0%	9.2%	8.5%	9.2%
IBHS SAFER LIVING	16.2%	17.4%	13.1%	9.2%	15.3%
IBHS BRONZE 1	3.9%	3.9%	3.6%	3.3%	3.6%
IBHS BRONZE 2	6.1%	6.2%	5.2%	4.1%	5.7%
IBHS SILVER 1	9.7%	10.5%	7.4%	4.4%	9.4%
IBHS SILVER 2	11.7%	12.7%	8.8%	5.0%	11.4%
IBHS GOLD 1	12.4%	13.4%	9.9%	6.5%	11.7%
IBHS GOLD 2	14.4%	15.6%	11.3%	7.2%	13.7%

HOMEOWNER WINDSTORM AND HAIL POLICY CREDIT					
MITIGATION FEATURE	TERRITORY 7	TERRITORY 8	TERRITORY 48	TERRITORY 49	TERRITORY 52
HIP ROOF	6.8%	6.4%	6.8%	6.5%	6.5%
OPENING PROTECTION	6.7%	6.7%	6.6%	6.2%	6.6%
COMBINED HIP ROOF AND OPENING PROTECTION	13.3%	13.1%	13.3%	12.6%	13.0%
IBHS SAFER LIVING	21.6%	22.9%	19.0%	13.9%	21.7%
IBHS BRONZE 1	5.2%	5.2%	5.2%	5.0%	5.2%
IBHS BRONZE 2	8.1%	8.2%	7.5%	6.2%	8.1%
IBHS SILVER 1	13.0%	13.8%	10.7%	6.7%	13.3%
IBHS SILVER 2	15.6%	16.6%	12.8%	7.6%	16.2%
IBHS GOLD 1	16.6%	17.5%	14.3%	9.7%	16.6%
IBHS GOLD 2	19.2%	20.5%	16.3%	10.8%	19.5%

Current Legislation **Pending** at the General Assembly

HB820 Study Beach Plan

Primary: McElraft; Hamilton; Justice; Rapp;
Co: Cleveland; Cook; Iler; McComas; Shepard;
Spear; Wray;

SB395 Property Insurance Rate Review Board

Primary: Thom Goolsby;
Co: Brown, Clary, Daniel, Davis, Forrester, Hise,
Jackson, Preston, Rabon, Tucker, White



NORTH CAROLINA RESIDENTIAL PROPERTY 1992-2005*

TOTAL STATE LOSSES DUE TO WIND AND HAIL:	2,438,459,621
BEACH AND COASTAL AREA LOSSES:	757,619,325
STATEWIDE EXCLUDING BEACH/COAST	1,681,840,296 (69% OF WIND AND HAIL LOSSES)

*Information courtesy of NC Department of Insurance

Current Legislation **Pending** at the General Assembly

SB716 Study Statewide Property Insurance Structure

Primary: Harry Brown; Co: Thom Goolsby; Jean Preston; Bill Rabon;

- The feasibility and advisability of replacing the North Carolina Rate Bureau with a market-based rate-setting system or with a regulatory commission similar to the North Carolina Utilities Commission.
 - The adequacy under current law of legislative oversight of the Rate Bureau, the North Carolina Joint Underwriting Association, and the North Carolina Insurance Underwriting Association,
 - The adequacy under current law of Commissioner of Insurance duties pertaining to protection of policyholders and the public against the adverse effects of excessive, inadequate, or unfairly discriminatory rates.
 - Whether North Carolina citizens and policyholders should be given a voice in rate appeals under G.S. 58-2-80 through creation of a board or office independent of the Commissioner with standing to advocate on behalf of citizens and policyholders.
 - The adequacy of the review process afforded by G.S. 58-36-1(2) to persons affected by a rate or loss costs made by the Rate Bureau.
 - Whether information provided to the public by the Commissioner and the Rate Bureau is adequate to allow reasoned review by interested citizens of the assumptions, modeling, and processes used in setting rates.
 - Study any other matters pertaining to statewide property insurance rates that the Commission deems relevant.
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Dwelling, Fire Rate Case



- NCRB proposed increases on so-called "dwelling fire" and "extended coverage (wind/hail)" policies
- Would apply to one- to four-unit dwellings that are not owner-occupied and are not eligible for a normal homeowners policy.
- Statewide, increases would apply to about 395,000 dwellings, and to the contents of 175,000 dwellings
- NCRB requested an overall statewide average increase of 20.9 percent for 2011.
- By enabling a January comment period and public hearing, the Insurance Commissioner appears to be following through on his pledge to resolve some of the previous public input issues.
- Territory 42/52 (which includes the mainland areas of New Hanover, Pender, Brunswick, Onslow and Carteret) the NCRB is requesting for fire coverage a decrease of -8.1% (buildings) and -14% (contents). For extended coverage in this area, the increases are 34.6% (buildings) and 40.4% (contents)
- PUBLIC HEARING, June 21, Raleigh—
Commissioner Goodwin contested the NCRB filing



Moving Forward



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