PUBLIC INFORMATION

ITEM NO. 3

DATE OF MEETING: March 15, 2010

REQUESTED BY: Kathleen Riely, Governmental Affairs Director, Wilmington Regional Association of REALTORS

SHORT TITLE: Kathleen Riely, Governmental Affairs Director, Wilmington Regional Association of REALTORS: Presentation on Coastal Homeowner Insurance

BACKGROUND: Ms. Riely would like to make a presentation to the Board with respect to coastal homeowner insurance.

Cape Fear Coalition for Concerned Citizens

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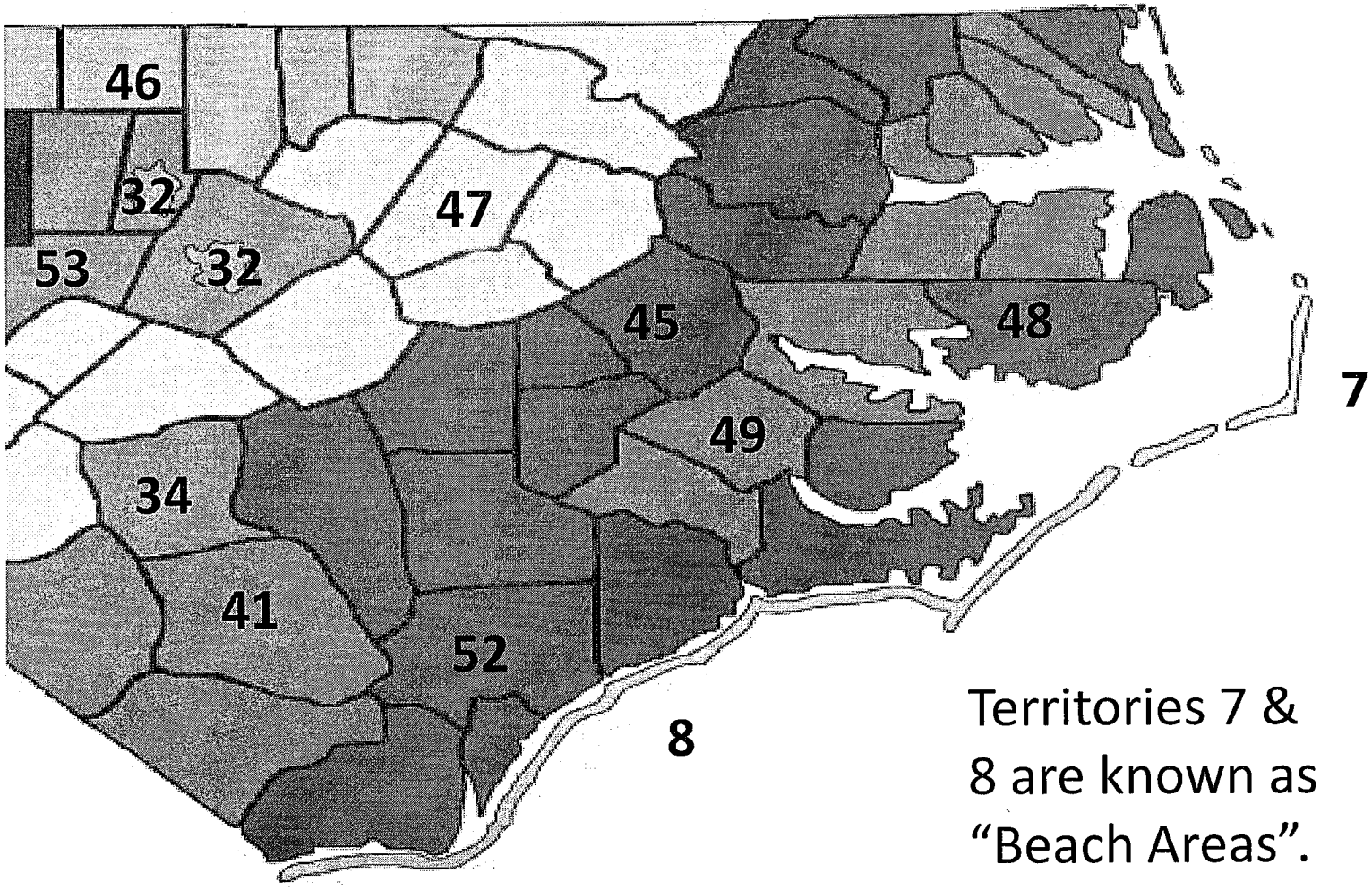
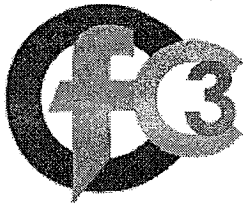
Kathleen Riely,
WRAR Governmental Affairs Director

Wilmington Regional Association of REALTORS®

North Carolina Rate Bureau
Homeowners Territories
(Effective May 1, 2009)



Territories 7 & 8 are known as "Beach Areas".



Coastal Insurance Rate Increase-2 Decisions

Basic Homeowner Insurance policies-On December 18, 2008, the Commissioner, along with the N.C. Rate Bureau, approved statewide homeowner insurance rate increases/decreases to become effective on May 1, 2009. According to the N.C. Rate Bureau, the rate changes reflect the most recent statistical data based upon the number of natural disasters that have occurred in NC over the last 25 to 100 years. See the Rate Revision Chart reflecting the overall homeowner rate changes. The Ordered % is the rate increase due to take effect on May 1, 2009.

Wind and Hail Policies-On November 21, 2008, the North Carolina Department of Insurance ("NCDOI") and the Commissioner of Insurance ("Commissioner") issued a decision that would impose increases in surcharges and deductibles to insurance plans under the North Carolina Insurance Underwriting Association (NCIUA) otherwise known as the "Beach Plan" and the North Carolina Joint Underwriting Association (NCJUA) otherwise known as the "FAIR Plan," to become effective February 1, 2009.

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H.B. 1305 only addressed the Wind and Hail policies along the coast.

Before the 2008 decision to increase deductibles and surcharges under the Beach Plan:

- Average wind and hail coverage on a $150,000 house was approximately $925
- This included a 5% surcharge for wind and hail policies and a 15% surcharge for full peril policies under the Beach Plan
- Deductible was variable depending on policy

If the 2008 ordered increases to the Beach Plan were to have taken effect:

- Average wind and hail coverage on a $150,000 house would be approximately $1390
- Includes the Rate Bureau increases of 17.5% (barrier islands) and 29.8% (inland coastal) and the Beach Plan's requested **surcharge** increase from 5% to 15% for wind and hail and 15% to 25% for full peril
- Deductible would have been 2% house value per occurrence

After House Bill 1305 was signed into law:

- Average wind and hail coverage on a $150,000 house is now approximately $1,295 (with most of the increase coming from the Rate Bureau's increases)
- Kept the Beach Plan surcharge at 5% for wind and hail instead of the requested 15% and 15% for full peril instead of the requested 25%
- Changed the deductible to 1% house value per named storm as opposed to 2% house value per occurrence
- Allows policyholders to receive credits for mitigation and construction features
- Property owners can now make installment payments as opposed to full yearly payment up front

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North Carolina Homeowners Rate Revision
Breakdown by Territory 2009

Counties/Cities Located In This	Territory	Filed %	Ordered %	Filed/NCRB	Ordered
Currituck, Dare & Hyde	7	32.1	6.5	$2,636	$2,122
Brunswick, Carteret, New Hanover, Onslow & Pender	**8**	**50.9**	**17.5**	**$3,010**	**$2,342**
Durham & Raleigh	32	32.9	5	$833	$663
Cumberland	34	15.6	4	$939	$850
Winston-Salem & Greensboro	36	13	3	$617	$562
Charlotte	38	3.9	-4	$576	$529
Gaston, Mecklenburg & Union	39	1.2	-6	$540	$499
Bladen, Columbus & Robeson	41	22.5	12	$1,150	$1,059
Brunswick, Carteret, New Hanover, Onslow & Pender	**52**	**69.8**	**29.8**	**$2,116**	**$1,616**
Currituck, Dare, Hyde, & Pamilco	48	105.9	22	$2,564	$1,519
Beaufort, Camden, Chowan, Craven, Jones, Pasquotank, Perquimans, Tyrrell & Washington	49	28.2	6.5	$1,596	$1,327

North Carolina Homeowners Rate Revision
Breakdown by Territory 2009

Counties/Cities Located In This	Territory	Filed %	Ordered %	Filed/NCRB	Ordered
Anson, Montgomery & Richmond	44	22.2	6	$774	$676
Bertie, Duplin, Gates, Greene, Hertford, Lenoir, Martin, Pitt, Sampson & Wayne	45	15.4	7	$914	$853
Caswell, Granville, Person, Vance & Warren	46	9.7	-3	$660	$587
Edgecombe, Franklin, Halifax, Harnett, Hoke, Johnston, Lee, Moore, Nash, Northhampton, Scotland & Wilson	47	13.2	2	$773	$700
Chatham, Durham, Orange & Wake	53	13.8	2	$693	$625

**Examples are based on a frame home valued at $150,000 and insured under the HO-3 policy, Protection Classes 1 - 6.*

North Carolina Homeowners Rate Revision
Breakdown by Territory 2009

Counties/Cities Located In This	Territory	Filed %	Ordered %	Filed/NCRB	Ordered
Alamance, Davidson, Forsyth, Guilford, Randolph & Yadkin	57	11.2	2	$613	$560
Alexander, Alleghany, Ashe, Avery, Buncombe, Burke, Cabarrus, Caldwell, Catawba, Cherokee, Clay, Cleveland, Davie, Graham, Haywood, Henderson, Iredell, Jackson, Lincoln, Macon, Madison, McDowell, Mitchell, Polk, Rockingham, Rowan, Rutherford, Stanly, Stoke, Surry, Swain, Transylvania, Watauga, Wilkes & Yancey	60	9.2	-1.2	$532	$480
Overall Statewide Average		**19.5**	**4.05**		

**Examples are based on a frame home valued at $150,000 and insured under the HO-3 policy, Protection Classes 1 - 6.*

North Carolina Homeowners Base Rates

Territory	Territory definition	Before 1993	1993	1998	2002	2005	2001	2009	Percent Increase/Decrease from 1993
7	Carteret, Currituck, Dare & Hyde	*550*	578	693	*901*	1,036	1,295	1,379	139%
8	Brunswick, New Hanover, Onslow & Pender	550	578	693	*901*	1,036	1,295	1,522	163%
32	Raleigh & Durham	344	358	375	398	398	410	431	20%
34	Cumberland	336	353	389	447	492	531	552	56%
36	Greensboro & Winston-Salem	334	347	347	354	354	354	365	5%
38	Charlotte	338	351	351	358	358	358	344	-2%
39	Gaston, Mecklenburg & Union	337	350	*350*	350	345	345	324	-7%
41	Columbus, Bladen, Robeson	*330*	346	381	457	*503*	614	688	99%
52	Brunswick, New Hanover, Onslow & Pender	417	438	*490*	588	647	809	*1,050*	140%
49	Beautort, Camden, Carteret, Chowan, Craven, Currituck, Dare, Hyde, Jones, Pamilco, Pasquotank, Perquimans, Tyrrell & Washington	417	438	490	588	647	809	987	125%
49		-	-	-	-	-	.	862	
44	Richmond, Montgomery, Anson	327	317	317	365	383	414	439	38%
45	Bertie, Duplin, Gates, Greene, Hertford, Lenoir, Martin, Pitt, Sampson & Wayne	337	350	385	443	465	518	554	58%
46	Caswell, Granville, Person, Vance & Warren	337	*350*	385	393	393	393	381	9%
47	Edgecombe, Franklin, Halifax, Harnett, Hoke, Johnston, Lee, Moore, Nash, Northampton, Scotland & Wilson	338	351	386	*409*	429	446	455	30%
53	Chatham, Durham, Orange & Wake	354	354	371	*390*	390	398	*406*	15%
57	Alamance, Davidson, Forsyth, Guilford, Randolph & Yadkin	337	*350*	350	357	357	357	364	4%
60	Alexander, Alleghany, Ashe, Avery, Buncombe, Burke, Cabarrus, Caldwell, Catawba, Cherokee, Clay, Cleveland, Davie, Graham, Haywood, Henderson, Iredell, Jackson, Lincoln, Macon, Madison, McDowell, Mitchell, Polk, Rockingham, Rowan, Rutherford, Stanly, Stokes	329	319	319	319	316	316	312	-2%

Total State				
		Dwelling EC Incurred loss	HO Owners Incurred loss	TOTAL Incurred loss
Charley	1986		15,655,401	15,655,401
	1987		22,495,771	22,495,771
	1988		65,492,834	65,492,834
	1989		406,198,435	406,198,435
	1990		37,503,350	37,503,350
	1991			
	1992	1,679,324	24,186,075	25,865,399
Emily	1993	17,115,568	94,875,027	111,990,595
	1994	2,598,090	26,662,873	29,260,963
	1995	3,489,841	53,051,068	56,540,909
Fran, Bertha	1996	158,289,245	813,376,837	971,666,082
	1997	3,067,948	34,988,278	38,056,226
Bonnie	1998	47,128,964	190,143,070	237,272,034
Floyd	1999	51,098,293	222,799,257	273,897,550
	2000	6,216,750	88,922,556	95,139,306
	2001	3,062,969	30,953,444	34,016,413
	2002	4,827,522	48,471,021	53,298,543
Isabel	2003	66,418,320	274,991,002	341,409,322
Charley, Alex	2004		107,485,841	107,485,841
Ophelia	2005		62,560,438	62,560,438
				2,985,805,412

Statewide excl Beach and Coast			
	Dwelling EC Incurred loss	HO Owners Incurred loss	TOTAL Incurred loss
1986		15,037,067	15,037,067
1987		21,569,973	21,569,973
1988		63,249,408	63,249,408
1989		402,641,588	402,641,588
1990		36,093,213	36,093,213
1991			
1992	1,444,646	22,327,825	23,772,471
1993	3,922,446	62,936,790	66,859,236
1994	2,231,000	25,457,623	27,688,623
1995	2,945,404	49,825,739	52,771,143
1996	39,019,111	585,665,685	624,684,796
1997	2,346,445	32,790,567	35,137,012
1998	8,520,762	133,387,666	141,908,428
1999	15,501,979	169,926,044	185,428,023
2000	5,461,231	85,083,109	90,544,340
2001	2,467,121	29,537,781	32,004,902
2002	4,119,233	47,032,265	51,151,498
2003	19,160,659	188,836,684	207,997,343
2004		96,473,406	96,473,406
2005		45,419,075	45,419,075
			2,220,431,545

Cum. Coastal Counties' Wind losses Compared to State losses $765,373,867/2,985,805,412 = 26%

The other 82 counties incurred 74% of the total wind losses.

SOURCE: various Cause of loss reports included in filings, as compiled by ISO

North Carolina Residential Property
Adjusted Incurred Losses due to Wind and Hail -1986-2005

Beach Area		DwellingEC	HO Owners	TOTAL
		Incurred Loss	Incurred Loss	Incurred loss
Charley	1986		66,149	66,149
	1987		207,729	*207J29*
	1988		51,035	51,035
	1989		727,076	727,076
	1990		145,226	145,226
	1991			
	1992	54,734	83,240	137,974
Emily	1993	11,020,794	6,386,050	17,406,844
	1994	209,938	139,876	349,814
	1995	246,083	171,808	417,891
Fran, Bertha	1996	101,465,118	32,629,711	134,094,829
	1997	470,681	183,824	654,505
Bonnie	1998	34,748,453	9,409,876	44,158,329
Floyd	1999	31,188,497	7,370,452	38,558,949
	2000	520,238	226,234	746,472
	2001	210,057	102,117	312,174
	2002	263,302	112,445	375,747
Isabel	2003	27,253,741	3,082,797	30,336,538
Charley, Alex	2004		1,869,511	1,869,511
Ophelia	2005		3,721,587	3,721,587
				274,338,379

Coastal Area		Dwelling EC	HO Owners	TOTAL
		Incurred loss	Incurred loss	Incurred loss
			552,185	552,185
			718,069	718,069
			2,192,391	2,192,391
			2,829,771	2,829,771
			1,264,911	1,264,911
1992		179,944	1,775,010	1,954,954
1993		2,172,328	25,552,187	*27J24,515*
1994		157,152	1,065,374	1,222,526
1995		298,354	3,053,521	3,351,875
1996		17,805,016	195,081,441	212,886,457
1997		250,822	2,013,887	2,264,709
1998		3,859,749	47,345,528	51,205,277
1999		4,407,817	45,502,761	49,910,578
2000		235,281	3,613,213	3,848,494
2001		385,791	1,313,546	1,699,337
2002		444,987	1,326,311	1,771,298
2003		20,003,920	83,071,521	103,075,441
2004			9,142,924	9,142,924
2005			13,419,776	13,419,776
				491,035,488

Total loss for the coastal counties: **765,373,867**

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What Does the Most Recent Court of Appeals Case Have to do with Beach/Fair Plan and HB 1305 Passed Last Legislative Session?

- The recent case before the Court of Appeals only pertains to the December 18, 2008 Consent Order allowing the **Rate Bureau** to raise rates up to 29.8% in the coastal counties and does **not** address the Beach/Fair Plan.

- The Court will only decide issues regarding the Rate Bureau and the rate-making process as defined by statute (Chapter 58).

- HB 1305 only addressed the **Beach/Fair Plan** which covers wind and hail policies pertaining exclusively to the 18 coastal counties and did not consider the Rate Bureau's rate-making process.

- The Courts will not hear appeals regarding the Beach/Plan – this has been resolved by the N.C General Assembly last session.

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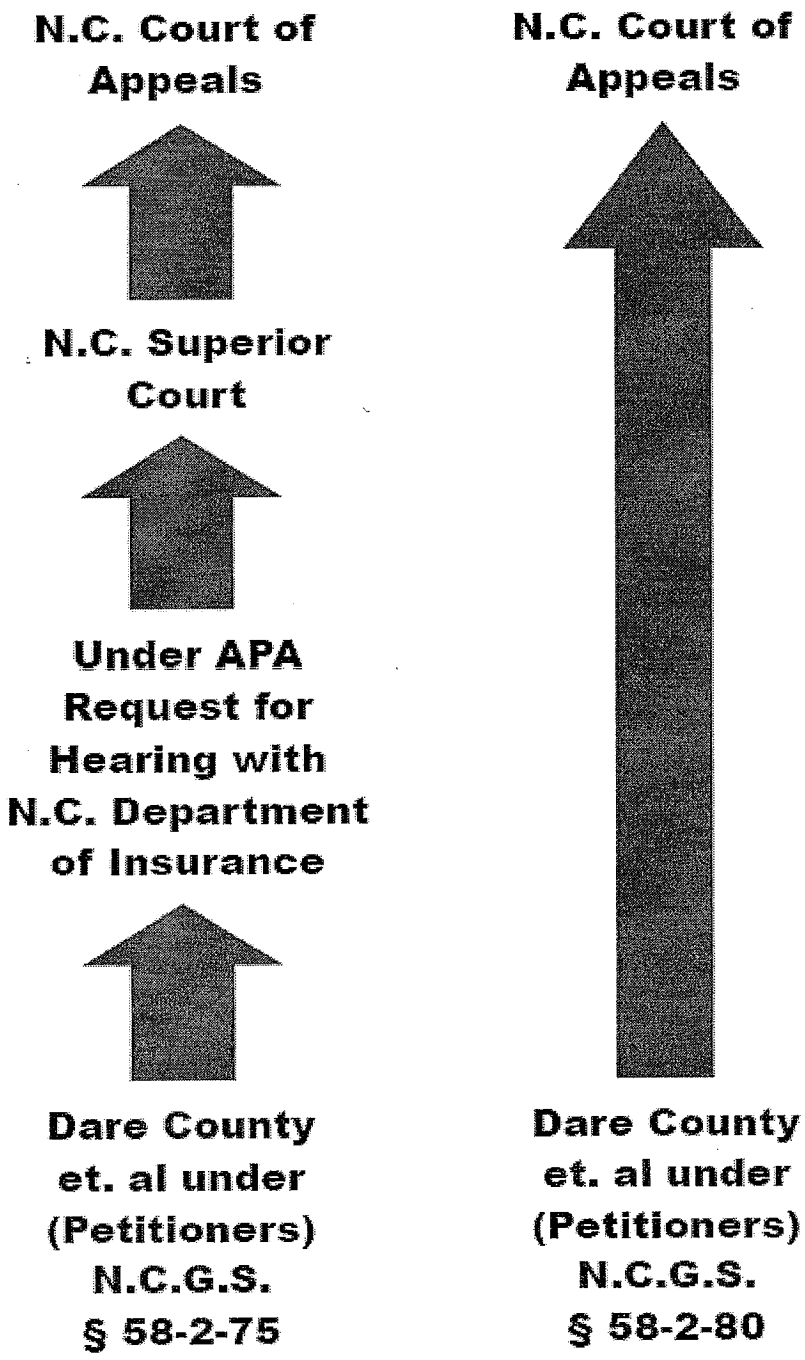

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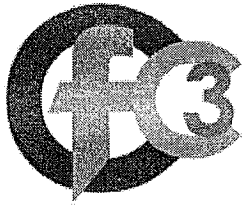

What is the Jurisdictional Hurdle that Petitioners have to Overcome to be Heard in Court?

- The Petitioners have to make the argument to the court that they are "aggrieved parties" as defined by the statute (Chapter 58).

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Main Issues to be Addressed by the N.C. Court of Appeals:

- Was the December 18, 2008 Consent Order (Consent Order), made without notice or a hearing, made in excess of the Commissioner's statutory authority, upon unlawful proceedings and upon improper procedure under the provisions of Chapter 58 of the N.C. General Statutes?

- Did the Consent Order improperly approve rate increases that were arbitrary, excessive and unreasonable based upon historical actuarial data in the coastal properties?

- Can computer models be used to support the Consent Order?

- Was the Consent Order made upon improper procedure and without the actuarial analysis as required under Chapter 58 of the N.C. General Statutes?

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What can the Coastal Homeowners, along with CFC3, do to Help Achieve Fairness in this Process?

- CFC3 has begun drafting legislation to be introduced next session and/or the following 2011 long session.

- More specifically, CFC3 wants to modify/add sections of Chapter 58 to reflect more transparency in the process, specific steps outlining "open to public inspection" (Chapter 58) and the use of more scientific date from a variety of sources.

- Keep pressure on our legislative lawmakers.

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