



FOR IMMEDIATE RELEASE
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NC 20 Sees Some Improvement in Beach Plan Bill

NC 20, a non-profit coastal advocacy group, today issued an analysis to the Eastern North Carolina counties that make up the Beach Plan territory and their respective Legislators regarding HB 1305. The Bill has been sent by the NC House Insurance Committee to the NC House Finance Committee for additional review. The Bill recommends renaming the North Carolina Beach Plan "The Coastal Property Insurance Pool."

John Gainey, V.P. for Financial Analysis for NC 20 and a founder of insurance company Beam, Cooper Gainey & Associates, found a number of positive changes in the Committee's actions.

"I was pleased to see the effort to create more stability in the plan via assessments in the event of a catastrophic event. What most people don't realize is that we have never had a Category 5 hurricane in North Carolina. In fact, we've only had five Category 3 and one category 4 storms in 153 years. Almost without exception, those storms did more damage in the Piedmont than on the Coast. Hugo and Fran are good examples. The provision for assessments to all State policyholders is really a concession to the insurance companies' nervousness over Gulf Coasts and Florida losses in the last decade. There is much less than a 1% chance of it ever being implemented."

Willo Kelly, V. P. for Governmental Affairs, was pleased to see the call for retaining the Plan's Surplus to provide for more of a cushion in the event of a major wind event.

"In 2006, the insurance companies withdrew \$41 million from the reserve account when exposure was \$53 billion and there was only \$295 million total in the fund with no reinsurance. They are now trying to make the case that the Coastal Plan is in great jeopardy. How could we go from withdrawing funds three years ago to an emergency now? Retaining the surplus funds from year to year and acquiring sufficient reinsurance will add incredible strength to the coastal insurance pool."

"I also like the provision for rewarding homeowners for strengthening their homes against wind damage using storm shutters, roof tie downs, etc. On the coast, we have

very stringent building codes, far more stringent than Piedmont. In over 19 years, our wind claims have totaled less than \$770,000,000; (flood losses are not included because they are federally insured.) News reports of \$50+ billion losses in Florida or Texas have caused much confusion here about the potential for loss. North Carolina is not on the Gulf Coast.

Donna Girardot, CEO of BASE in Wilmington, a coalition of businesses, and V.P. for Governmental Affairs of NC 20, was especially glad to see the reduction from a proposed 2% to a 1% deductible per wind event. “We still have a concern that this is a per-event deductible rather than a named storm deductible. Also, our rates are already three to five times higher than the Piedmont and Western Counties. This year alone, the Commissioner of Insurance granted rate increases of over 30 percent in some cases. There was no justification whatsoever for the higher deductibles.”

Tom Thompson, President of NC 20, was also gratified by the progress made in the current version of the Bill, but noted several areas of continued concern.

“There is still language making the Coastal Property Insurance Pool the insurer of last resort. That will force citizens to unregulated carriers that may very well be financially incapable of paying claims. That is unacceptable. There is also a provision reducing coverage limits to \$750,000. That discourages high dollar investment – such as retirement homes – and reduces our counties’ tax base. Since most of the State’s industrial recruitment efforts target the Piedmont, we rely on retirement development as a source of tax base and related jobs in construction, medical care and other fields. Why would we want to discourage any investment when it doesn’t increase overall risk in any way?”

NC 20 officials stated that they will also work to remove reductions in personal property coverage to 40% with no corresponding decrease in premiums, implementation of additional surcharges that simply are stealth rate increases, and most especially mandating flood insurance especially for home not even in a flood zone.