

North Carolina Legislation to Freeze Rates Would Risk Availability of Homeowners' Insurance Throughout

by NAMIC

INDIANAPOLIS (March 19, 2009) – A proposal to hold down homeowners' insurance rates in North Carolina would harm rather than help insurance consumers, according to the National Association of Mutual Insurance Companies (NAMIC). The North Carolina House Insurance Committee today is hearing testimony on a proposal to freeze homeowners' insurance rate modifications that were approved by the insurance commissioner.

“The sponsors of HB 426 and companion legislation SB 428 are attempting to protect coastal homeowners from necessary rate increases at the expense of an overdue focus on the long-term solvency of the Beach Plan and the private market,” said Liz Reynolds, NAMIC's Southeast state affairs manager. “HB 426 and SB 428 would put at risk the availability of property insurance throughout the entire state.”

The Beach Plan is a government program that provides homeowners insurance for North Carolina's coastal residents unable to obtain coverage in the private marketplace. In 2007, an actuarial report indicated Beach Plan rates were 76 percent inadequate.

“Commissioner Wayne Goodwin is supportive of the increases approved by his predecessor, Commissioner Jim Long, to protect the solvency of the Beach Plan,” Reynolds said. “Continuing to underfund it could ultimately threaten the homeowners' insurance market for all North Carolinians.”

In the event of catastrophic losses, under the Beach Plan other insurers would be assessed to make up the shortfall, Reynolds explained. The amount of the assessments would be based on the amount of premiums each company receives from policies in the entire state.

“We've already seen the fifth largest property insurance company, as well as several other carriers, withdraw from the North Carolina market because they could not charge actuarially sound rates,” Reynolds said. “This situation is all too familiar, as Florida policymakers are now trying to stop digging the hole their actions created. By refusing to allow these approved rate hikes to go into effect – the first such increase in two years – North Carolina lawmakers would just be burying their heads in the sand and creating a much bigger problem for homeowners in their state.”

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North Carolina Legislation to Freeze Rates Would Risk Availability of Homeowners' Insurance Throughout the Entire State, NAMIC Says by NAMIC