

Coastal coverage fix sought amid wider storm fears

by AP-News

Gary and Janice Gilbert were expecting bad news when insurer USAA told them the policy for their home just north of Wilmington would jump about 20 percent if the Gilberts wanted to renew it in July. The state insurance commissioner had approved rate increases of up to 30 percent in New Hanover County, so it could have been worse. Then, two weeks ago came another letter from USAA that said the added coverage for wind damage that could come from a hurricane would climb from \$865 to \$1,407.

The couple had never filed an insurance claim for the home they built five years ago about three miles inland from the Intracoastal Waterway, holding off until the day they might really need an insurer's help to rebuild after a big storm, Gary Gilbert, 68, said Monday.

"I just don't understand what has happened to cause our insurance to go up" by an average of \$45 a month, said Gilbert, who collects a military pension he earned after 28 years in the active Air National Guard. "I don't make many decisions any more that would cost me \$45 a month."

As investment nest eggs and property values have declined in this recession, coastal homeowners like the Gilberts are taking a further financial hit because of where they live.

Insurance companies spooked by warnings that the Atlantic and Gulf coasts may be in a period of intensified hurricane activity lasting for years have demanded much higher rates to cover their expected risk. In states where companies haven't received the rates hikes they believe they needed, some have pulled back on coverage or entirely out of markets.

Eight of the 10 costliest Atlantic hurricanes in U.S. history have hit since 2004, according to the Insurance Information Institute, including Katrina, Wilma and Rita. Since then, insurers sought to cut their losses.

In South Carolina, coastal property insurance premiums rose as much as 400 percent and insurers told as many as 30,000 homeowners their policies would be canceled. The state expanded its wind pool insurance program in areas where private insurers don't offer protection.

In Florida, which has the country's highest hurricane risk, fleeing insurers and skyrocketing rates forced the state to create the Citizens Property Insurance Corp. for consumers who couldn't get coverage on the private market. Citizens is now Florida's largest property insurer, with more than 1 million policies.

The problem involving the broader coastal insurance market comes as North Carolina lawmakers look for a way to get more insurance companies interested in issuing policies while reducing the liabilities and reliance on the state-created but independently run coastal insurance program called the Beach Plan. The solutions, outlined in legislation scheduled for a further hearing on Tuesday, involve cutting the Beach Plan's coverage and raising rates.

The Beach Plan now covers about 166,000 homes in 18 coastal counties. Its total liabilities are nearly \$74 billion, but its ability to pay claims tops out at about \$2.4 billion, including about \$1 billion charged to dozens of insurance companies that do business in North Carolina but may not insure coastal property. A bad hurricane season that pushes claims above that level would mean unlimited assessments against insurers.

The resulting incentive has been for insurers to limit their business in North Carolina. And companies have dropped wind and hail coverage or raised it to levels above what the Beach Plan would charge.

The result is an insurance market so concentrated that four insurance companies - Nationwide, North Carolina Farm Bureau Mutual, State Farm and military-specialized USAA - collected almost 80 percent of the premiums for full homeowners insurance policies on the barrier islands in 2007, the most recent period for which data is available, according to state Insurance Department figures. The four companies also collected two-thirds of the policy premiums in the 18-county coastal zone in 2007.

"I am not happy with any insurance increases but I fully understand that these increases are inevitable. However, I am dismayed at not only the huge increases but also at the lack of being able to shop around for the best rates," said Jerome Gundrum of mainland Sneads Ferry, where he runs an ice cream and sandwich shop catering to tourists on the barrier island communities on Topsail Island.

Still Gundrum said he found success after two days calling around to insurance agents for a policy for Dr. Root Beer's Hall of Foam, which he runs out of a former cinderblock gas station built in the 1950s. Nationwide agreed to write his business-owners', wind and hail, and liability policies at a price 50 percent lower than his previous carrier, he said.

But he's had to skip wind coverage for his other sandwich shop in North Myrtle Beach, S.C., and accept the risk of a big loss if a hurricane hits that shop.

"It was way, way more than I could afford," Gundrum said.

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