



NC 20
PRESS RELEASE
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Beach Plan Bill Saves Eastern NC Millions

NC 20 focused efforts this legislative session on homeowners insurance and changes to Beach Plan legislation. We are pleased to report that we were successful in advocating for legislation that would not further burden citizens with additional costs and further negatively impact our fragile economy.

Overall, citizens of eastern NC fared well in the final version of House Bill 1305 - Beach Plan Changes - that recently passed in the General Assembly. The House version of the bill included additional premium increases of 5% effective January 1, 2010 and gave the North Carolina Insurance Underwriters Association the opportunity to raise rate surcharges in the future as they felt necessary. Surcharges are a percentage amount added to the maximum rate allowed by the Department of Insurance.

NC 20 lobbied hard that the additional increases were unnecessary. The Senate version, which ultimately passed, removed the additional increases and added language that an act of the General Assembly would be required to increase surcharges in the future. With this alone, the Senate saved Eastern NC Beach Plan policyholders at least \$15 million in 2010.

Although maximum coverage limits were reduced from \$1.5 million to \$750,000, a "1% Named Storm Deductible" will now apply rather than the previously approved 2% *per wind occurrence* deductible. A new rate will be developed to correspond to the deductible and other deductibles will be offered as allowed by the North Carolina Rate Bureau. This deductible change could save policyholders millions in out-of-pocket costs in the event of wind damage.

NC 20 also advocated for these key beneficial aspects to be included in the final bill:

- Beach Plan surpluses will no longer be distributed to member companies.

- Mitigation credits to be developed: If you take additional measures to mitigate storm damage to your structure, you will get a discount on your premium. Currently, there is no premium credit.
- Premium installment plan to be developed. Currently, annual premiums are required to be paid in one lump sum.
- Personal property coverage to be lowered to 40% of dwelling value. Personal property is now automatically calculated at 70% of dwelling value. NC 20 advocated that this was unrealistic and caused the total exposure amount to be inflated. By lowering the personal property amount, a lower rate will be developed to reflect the lower coverage - thus saving policyholders premium costs.
- Greater transparency and public input. With the exception of confidential information, the Beach Plan will now be required to fulfill requests for information. The Department of Insurance and the North Carolina Rate Bureau will be required to post public notices of possible rate increases.
- The Legislative Research Commission will be reviewing the rate-making process statewide and the operations of the Beach Plan, with a final report to the General Assembly in 2011.

NC 20 will continue to follow this issue as the Legislative Research Commission convenes.