



August 20, 2009

Dear Sir:

The recent passage of House Bill 1305 regarding Coastal Insurance may leave some readers with the feeling that this is some sort of regional rivalry benefiting the coast. I would like to correct that impression, if it exists. First, the Beach Plan wasn't "broke", as so many insurance spokesmen maintain. The problem was that insurance companies in North Carolina had what they considered unlimited liability and they wanted to restrict it, which they did successfully. Their limit now, for \$74 billion in coverage on the coast, is only \$1 billion in potential claims. Second, the Coastal Wind Pool (formally the Beach Plan Wind Pool) has about \$800 million at the present time and it's growing rapidly. Ten years ago, the insurance industry withdrew \$43 million from the surplus, so any claims of potential financial catastrophe seem inflated. The 10% surcharge on non-coastal Wind Pool policies in the event of a catastrophic event was the request of the insurance industry, not the coastal residents.

What is the chance that that 10% surcharge will ever be levied? Statistically, almost nil. Many people want to refer to a Hurricane Katrina in North Carolina as if one had occurred here. We've never had a Katrina. We've never had a category 5 and only one 4, Hazel. Hurricane Fran and Floyd did almost twice the damage in the Piedmont as they did on the coast, and need I mention Hurricane Hugo and Mecklenburg County? In fact, Hurricane Hugo did \$406 million of damage in this State of which only \$3.5 million was on the Coast. In over 20 years, the total claims on the coast, which included 10 hurricanes including Fran, Floyd and Hugo, were \$765 million. If we generously double that to bring it up to present value, we are more than capable of paying an amount equal to the last 20 years worth of damage in one year, if necessary, without ever surcharging anyone else in the state.

There are many who suggest that the coast is being subsidized by the rest of the state. Nothing could be further from the truth. With the extremely high rates we have at the present time, with the total lack of any catastrophic storm experience on record, and with a surplus equal to more than 20 years worth of claims, it might be interesting to have someone explain to us how the coast is being subsidized.

Very Truly Yours,

A handwritten signature in blue ink, appearing to read 'Tommy G. Thompson', written in a cursive style.

Tommy G. Thompson  
President NC 20