

The North Carolina State Legislature is crafting legislation, House Bill 1305, that will push the burden of catastrophic hurricane losses of beach property on to the backs of all unsuspecting property owners statewide. While there are some positive changes in this legislation, it feels like to me that they are sticking it to the people who are not there watching this legislation be made, and that is all the

[people who own property in North Carolina](#)

that is not coastal property.

The good news here is that the NC legislature has finally admitted that the North Carolina Beach Plan is broken and needs a fix. The Beach Plan insures \$75 billion worth of property in coastal areas and has a meager \$1.5 billion in reinsurance and reserves to pay claims.

Clearly if a large storm hits our coast, there will not be enough money to pay the claims.

To find out how we got to this point and read more details of this problem, [click here](#).

The major parties working on this legislation are the coastal property owners and their lawmakers and the insurance companies. Right now, if a storm hits and the beach plan goes under, the bill must be paid by all the insurance companies doing business in North Carolina writing [homeowners insurance](#) and other property insurance including [commercial property policies](#).

This assessment is presently unlimited and this unlimited exposure is scaring the insurance companies in North Carolina into taking dramatic action which impacts all of their policyholders.

One drastic example is the

[consent to rate letters](#)

that some major insurance companies are now sending to their homeowners policyholders.

[House Bill 1305](#) which sailed through the house on July 15th will take care of some of the uncertainty for the insurance companies.

Right now the insurance companies face the uncertainty of unlimited assessments to bail out the Beach Plan after a major storm.

If this bill becomes law, then their assessments will be limited to \$1 billion per storm.

Still quite a lot of money but now it is a number that they can plan for.

So all in all, I think the insurance company lobby did a pretty good job of getting what they wanted.

But if you add another billion dollars to the amount available for a major storm, you will see that we still now have only \$2.5 billion to protect over \$75 billion in assets. So where does the rest of the money come from?

Well the biggest chunk is a new storm assessment that can be added to every property insurance policy in North Carolina.

If this bill becomes law, and we have a major storm, then you can expect to see an extra charge added to your homeowners insurance of up to 10%.

And it is unclear in the wording of the bill as to whether or not that is a one time charge or can go on and on until the Beach Plan is made whole again.

The open ended nature of the wording leads me to believe that this charge could remain on your policy for years and years to come.

Those owning property at the coast, who are insured through the Beach Plan, will have to give up something as well. In the event of a major storm, they will face a deductible of no less than 1% of the total value of the property. There is a clause that allows for even higher deductible percentages if needed.

I disagree with the legislators who say that our coastal property is a state treasure for all of us and all of us living in this state should be on the hook to support the coast. I think that the fairest solution is to raise the rates on beach property to more accurately reflect the risks and let those who own property or rent property at the beach carry the burden.

In South Carolina the Beach Plan rates are about 10 times what ours are and their Beach Plan is adequately funded.

This is the fairest way to handle this problem.

In all cases of insurance, the system works best when those in control of the exposure are the ones who pay for the insurance.

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