

The NC Beach Plan will likely become insolvent when the next major storm hits the NC coast. In my part I article on this topic I explained just how and why this crisis has developed. This part II article tells you what you can and must do now to protect yourself from being swept up in this disaster.

When insurance companies doing business in NC begin to renegotiate their July 1 reinsurance contracts, they will discover that they are no longer able to purchase insurance for Beach Plan assessments that will hit them when the next big storm hits the NC coast. They will then begin to scramble to lessen the impact of this potential assessment.

There are three ways that they can do this:

1. Work to have the laws in NC changed so that the insurance companies do not have to carry the losses that will be incurred by a Beach Plan that has not lived within its means...
2. Reduce the number of homeowners insurance policies that they write in NC...
3. Increase the rates on homeowners insurance policies in N.C.

How each company reacts will be a direct function of their market share. It is estimated by some experts that the assessment from a category 3 storm strike could be as much as \$5 million per 1% market share.

The largest homeowner insurance provider in NC is estimated to have a market share of nearly 25%.

That means this company is facing potential assessments of over \$125 million!

So the companies with larger market share are likely to do everything that they can to reduce their market share.

This means you will see companies raising rates, applying high percentage deductibles and non-renewing policies.

Already in NC we are seeing companies require that consumers place their auto insurance with them in order to write a home policy.

Some companies are planning to stop writing new home insurance policies in NC altogether until this crisis is settled.

The flip side of this is that some companies with very low market share in NC may take this opportunity to increase their homeowners policies. If they go from .25% market share to .5% market share, they can double the number of policies that they write and only increase their assessment risk by about \$1.25 million, a price that many could afford.

So what can you do? Here's my quick list for the steps you can take to protect yourself from getting swept up in this mess.

**1. Contact your state legislators and ask them to work to solve the Beach Plan crisis.**

The rates for those owning beach property must be increased, perhaps as much as 1000%.

**2. Make sure that you are not insured with one of the insurance carriers with the largest market share as they will be the most impacted** . The top 3 in NC are: Nationwide, Allstate, then State Farm, in that order.

Each of these companies will have a heavy burden in assessments when the big one hits.

One of these companies is already asking their customers to sign "consent to rate" forms prior to renewal that allow them to charge rates above the rates that they filed with the NC insurance department.

This is a big warning sign and should be a red flag to anyone who insures their home with this company.

**3. Place your home insurance with a company with low market share.** They will be the most flexible when times get hard and they will be most able to keep writing home insurance and the least likely to send you a non-renewal notice.

4. **Put your home and auto insurance with the same carrier.** This will give you the best rate and it will also give you more clout with that insurance company since you will be a bigger client for them.

5. **Use an independent agent.** Agents that are direct writers and only represent one insurance company like the big 3 mentioned above will not be able offer you an alternative if they close their doors for homeowners insurance. It is better to establish your relationship with an agent and a company before the market tightens up.

At Clinard Insurance Group we are an independent agency and represent many companies. Some of our companies have low market share or large surplus and they will be able to weather this homeowners crisis very well.

If you would like to know more about us and how we can help you keep your home insurance intact, please call us toll free at 877-687-7557 or visit us on the web.