

In North Carolina there is a major homeowner insurance availability crisis brewing and recent actions tell us that this crisis is about to reach a tipping point. By this time next year many people may have trouble finding insurance for their home...

at any price.

It doesn't take much to read the tea leaves on this one. But if you aren't looking you will miss it.

And since no consumers are looking, let me shine a light on this one for you.

Unless you are lucky enough to own a beach house, you probably have never heard of the Beach Plan, or its formal name: The N.C Insurance Underwriting Authority. The Beach Plan is a quasi public insurance program of last resort to insure the wind and hail exposure of homes in 18 counties on the NC coast.

You see, insurance companies have had all the losses they can stand from hurricanes and tropical storms on the coast so they have pulled out of these counties.

The Beach Plan is now holding the bag on 99% of the wind and hail exposures on our coast.

The problem is that the Beach Plan is under funded. They don't have anywhere near enough assets to pay the losses of a major storm or hurricane.

Here are some numbers: As of last August the Beach Plan was insuring \$75 billion in coastal property.

Some experts estimate that their exposure has been increasing at \$1 billion a month since then.

The Beach Plan currently has \$650 million in the bank as surplus against a large storm and they have purchased another \$1 billion in reinsurance coverage.

So you can see, they have funds available for \$1.6 billion of losses but they are insuring over \$75 billion.

One big storm and poof, no more money to pay claims.

So right now you are probably thinking, “I don’t have a beach house so I guess it’s not my problem if the Beach Plan goes belly up”. But if you think that, you couldn’t be more wrong. You see, the Beach Plan, as a governmental organization, has a little trick up its sleeve.

They have the power of assessment.

What does that mean?

In NC, every insurance company who sells homeowners insurance policies in this state, can and will be assessed for any Beach Plan shortfall according to their market share in NC. That means your insurance company (no matter who you purchase from) is vulnerable to being assessed by the Beach Plan for losses the Beach Plan may experience due to a storm.

And now these assessments are estimated to be over \$5 million per 1% market share.

That will be enough money to put many insurance companies out of business.

In the past, insurance companies have been able to purchase insurance to protect them if they

were to be assessed. As of July 1<sup>st</sup> this year, that will most likely no longer be available. Faced with the risks of crippling assessments in the event of a category 3 or higher hurricane, most companies are waking up to the fact that they have to make changes and either raise their rates or reduce the number of homeowners policies that they have in NC or both.

Many homeowners in NC

will begin to receive non-renewal notices from their insurance companies and when they try to find a new company to insure them, they will experience much higher rates or in some cases, no insurance availability at all.

So what can you do to protect yourself from this looming crisis? At Clinard Insurance Group we have a number of strategies we are already implementing to protect our clients from this crisis. Watch for part II of my blog for specific tips and tricks you can take now to protect keep yourself from being swept up in this homeowners insurance disaster.