

NC-20

Proposed Rate Increases on Dwelling Policies

Talking Points

January 17, 2011

Background:

The North Carolina Rate Bureau filed a dwelling policy rate increase request to the NC Department of Insurance on January 4, 2011 with an effective date for new policies and renewals of June 1, 2011. The filing represents an overall average increase of 20.9% on dwelling policies statewide. Dwelling policies typically cover non-owner-occupied structures such as rental homes, second homes and investment homes. Dwelling policy coverage can be as basic as Dwelling Fire only but can include Extended Coverage (windstorm and hail, vandalism, etc.) and Contents coverage. For the 18 county territory covered by the NCIUA, dwelling policyholders in the Beach Area may have a Full Dwelling Policy (Dwelling and Extended Coverage) or a Dwelling Wind Only policy; dwelling policyholders in the Coast or inland areas/counties may have a Dwelling Wind Only policy through NCIUA. These proposed rate increases affect those NCIUA policies also.

The North Carolina Department of Insurance is accepting written public comments on the dwelling rate increases through January 31, 2011. Comments can be submitted by mail at NCDOI, Attn: Bob Mack, Property & Casualty Division, 1201 Mail Service Center, Raleigh, NC 27699-1201; or faxed to: 919-733-4264, attention Bob Mack.

A public comment session will be held on January 24th from 9:30 a.m. to noon in Room 3009 in the Dobbs Building, 430 N. Salisbury St., Raleigh.

Talking Points:

- While the average statewide dwelling rate increase is reflected as 20.9% in the Rate Bureau's filing, the average increase for the Extended Coverage portion of dwelling policies – which covers windstorm and hail damage – is 41.65% statewide.
- Proposed coastal extended coverage rates are up to 10 times higher than other areas such as \$22 per \$15,000 of coverage in Charlotte vs. \$222 per \$15,000 of coverage on the Outer Banks.
- The proposed rate increases reflect a possible annual premium increase of over \$1,000 per year on a \$300,000 structure for eastern NC dwelling policyholders.
- Any increase in the cost of insurance impacts the cost of housing – from qualifying for financing to determining rental costs. Given the current economic climate, any increase in the cost of housing will negatively impact the citizens of NC.
- The rate filing does not take into consideration the stronger NC Building Code requirements for coastal development.
- The rate filing does not factor in 1% named-storm wind damage deductibles that were included in 2009 legislation. Losses were adjusted to a common \$250 deductible level. The statewide average wind and hail loss was \$3,038. Many coastal deductibles exceed this amount.
- The rate filing shows an increase in repair costs, even though housing construction costs have decreased dramatically over the last few years.
- The rate filing does not differentiate actual exposure values between replacement cost policies and actual cash value policies.