

Insurance ratepayers on the hook for major storm

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CHARLOTTE, N.C. -- If a storm the size of Hurricane Hugo hit the North Carolina coast, homeowners all over the state could be on the hook for an assessment to pay for any wind damage exceeding \$3 billion.

That's according to a geologist who studies coastal development.

Just this year state lawmakers revised the state's "beach plan" -- a 40-year-old law designed to provide disaster insurance for wind damage covering 20 coastal North Carolina counties.

The revision was controversial because some ratepayers in the piedmont and the mountains wanted to know why they might have to pay for damage to pricey beach homes. And at least two insurance companies blanketed their customers with tens of thousands of letters threatening to hike rates or even pull up stakes and leave the state if lawmakers did not revise the "beach plan."

North Carolina lawmakers responded by capping the amount homeowners could be assessed to 10 percent of their annual premium -- or about \$60 for the average homeowner, according to the state's insurance commissioner.

The commissioner says the assessment would only kick in after the state had exhausted about \$2.7 billion already set aside in the disaster insurance pools.

"I think the chances are remote our homeowners across the state will ever be assessed," says state Rep. Hugh Holliman of Lexington, who sponsored the legislation.

When constituents ask Holliman why they would have to pay an assessment for damage on the coast, Holliman responds, "I tell them you're not paying for the coast. The only time you're going to pay for the coast is if you get that one-in-100-year hurricane."

But one-in-100-year hurricanes can and do come along a lot sooner and more often than once a century.

Geologist Rob Young at the Program for the Study of Developed Shorelines at Western Carolina University points to hurricanes Isabel, Fran and Floyd all as "one-in-100-year" storms, which have struck the state in the last 15 years.

"It's not a question of if we will have another storm like that. It's a question of when," says Young.

And experts can't even agree over whether a Hugo-sized storm would top \$3 billion in wind damage. Young says depending on the path of the storm once it made landfall, it easily could.

But NC Insurance Commissioner Wayne Goodwin says it would take a Category 5 hurricane like Hazel, the likes of which North Carolina has not seen in more than 50 years, to exceed the cushion in the "beach plan."

Goodwin says without changes to the "beach plan," insurance companies had threatened to leave the state.

"We already started to see companies pulling out," says Goodwin.

And the commissioner says fewer insurance companies would invariably mean less competitions and higher premiums. The vast majority of state lawmakers agreed, voting overwhelmingly to adopt the changes in the "beach plan."

Goodwin says with the changes, North Carolina is better prepared for "the big one" than other coastal states with smaller pools of disaster insurance like Florida and Texas.