



North Carolina Joint Underwriting Association - FAIR Plan

North Carolina Insurance Underwriting Association - Coastal Property Insurance Pool

# **LRC COMMITTEE REGULATORY AND RATE ISSUES IN INSURANCE**

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LRC Committee Edition September 2016



North Carolina Joint Underwriting Association - FAIR Plan

North Carolina Insurance Underwriting Association - Coastal Property Insurance Pool



## **Gina Schwitzgebel, CPCU, CIC, ARM, AIC, CRM, AMIM General Manager**



## SEPARATE ORGANIZATIONS

	<b>Written Premiums</b>	<b>Aggregate Exposure</b>	<b>Active Policies</b>
Coastal Property Insurance Pool	\$371 Million	\$83 Billion	219,425
FAIR Plan	\$71 Million	\$17 Billion	155,721
Total	\$442 Million	\$100 Billion	375,146

Data as of August 31, 2016



## FAIR PLAN COASTAL PROPERTY INSURANCE POOL RISK PROFILE

	NCJUA		NCIUA	
	Residential	Commercial	Residential	Commercial
Average Building Value	\$73,881	\$164,767	\$223,150	\$412,383
Average Premium	\$382	\$627	\$1,545	\$1,858



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# **NORTH CAROLINA INSURANCE UNDERWRITING ASSOCIATION (NCIUA)**

## **COASTAL PROPERTY INSURANCE POOL (Formerly known as the Beach Plan)**



## COASTAL PROPERTY INSURANCE POOL STRUCTURE

- Created in 1969 by the General Assembly
- Created by North Carolina General Statute § 58-45
- Assessment of \$1 Billion dollars from Member Companies is available for catastrophic losses, in excess of surplus, annually
- Member Companies Receive **NO PROFITS** from the Coastal Property Insurance Pool



## COASTAL PROPERTY INSURANCE POOL PURPOSE DECLARED BY GENERAL ASSEMBLY



- An adequate market for essential property insurance is necessary to the economic welfare of the beach and coastal areas of the State of North Carolina
- and that without such insurance the orderly growth and development of those areas would be severely impeded
- ...the market for such insurance is not adequate and is likely to become less adequate in the future

**§ 58-45-1**



## **COASTAL PROPERTY INSURANCE POOL MAXIMUM POLICY LIMITS**

- **NORTH CAROLINA GENERAL STATUTE § 58-45-41**
  - Residential property building value \$750,000
  - Residential property contents 40% of building limit
  - Commercial property building \$3M per fire division subject to \$6M aggregate for multi-fire division structures
  - 1% Named Storm Mandatory Minimum Deductible





## COASTAL PROPERTY INSURANCE POOL BOARD OF DIRECTORS

- Seven (7) Member Companies, elected by Member Companies annually – Same Member Companies on each Board
  - Drew Klasing  
Auto-Owners
  - Corise Morrison  
USAA
  - John Milette  
The Travelers
  - Jim Rowland  
Allstate
  - Steve Carroll  
NC Farm Bureau Mutual
  - Bob Messier  
State Farm
  - Kathy Southern / Michael "Mick" Quinlan  
Nationwide





## COASTAL PROPERTY INSURANCE POOL BOARD OF DIRECTORS

- Four (4) Insurance Agents, appointed by Commissioner of Insurance – Different Insurance Agents appointed on each Board
  - Charlotte Crockett - Green Flash Marketing, Wrightsville Beach NC
  - Rod Evans – Evans & Associates, Kinston NC
  - Don Evans – Coastal Insurance & Realty, Shallotte NC
  - J. Fletcher Willey, Jr. – J. Fletcher Willey Agency, Inc., Nags Head NC





## COASTAL PROPERTY INSURANCE POOL BOARD OF DIRECTORS

- Three (3) Public Members, appointed by Commissioner of Insurance – Different Public Members appointed on each Board
  - Tim Midgett – Midgett Realty, Hatteras NC
  - Cherri Cheek – Ocean Isle Beach Realty, Ocean Isle Beach NC
  - Donald Hornstein – UNC Law School, Chapel Hill NC





## COASTAL PROPERTY INSURANCE POOL STRUCTURE

- Non-Profit
- Functions as an Insurance Company
- Partners with Member Companies

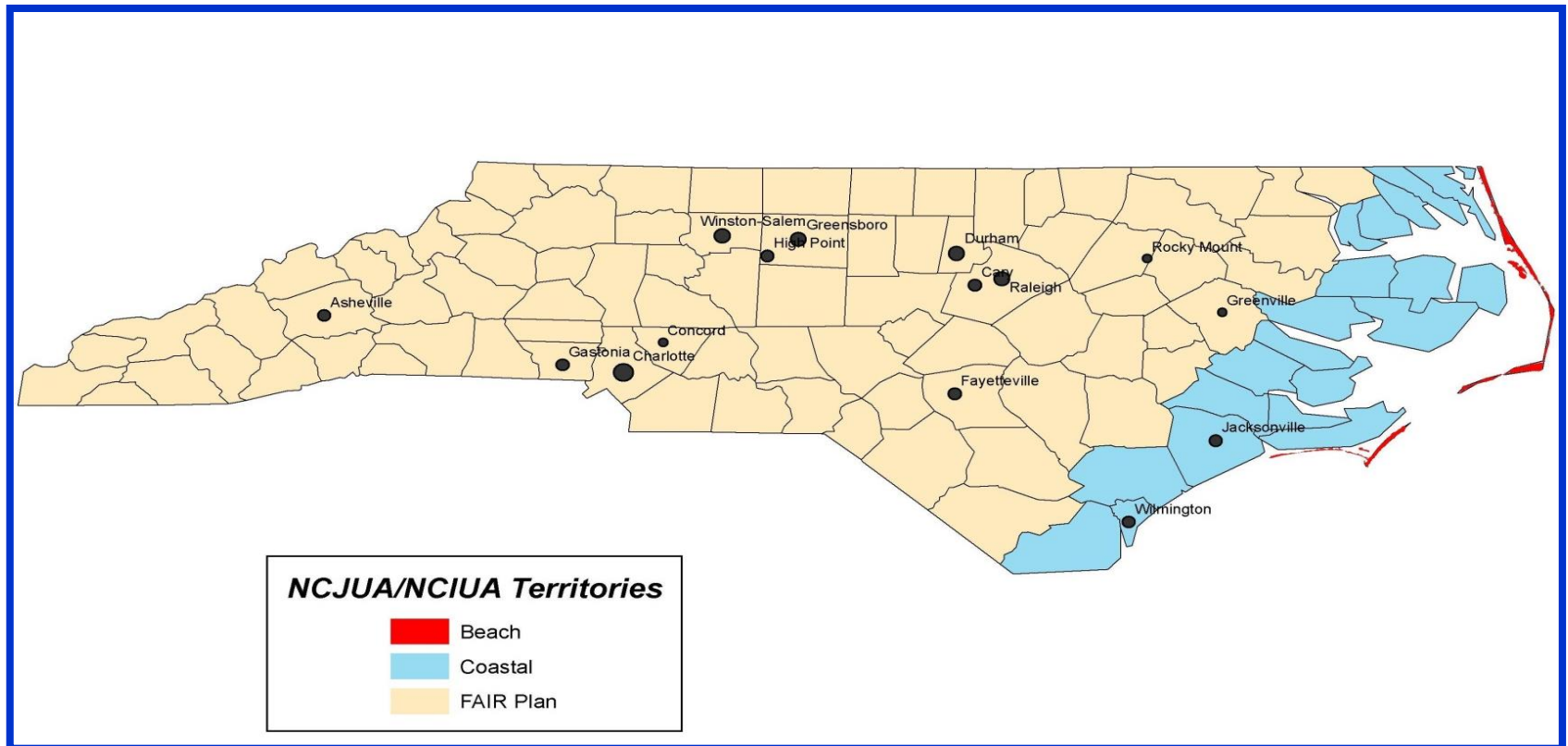


## PARTNERSHIP WITH MEMBER COMPANIES

- Aggregate Reinsurance Protection
- Claims Adjusting During Named Storm
- Active Participants on the Board of Directors



## FAIR PLAN COASTAL PROPERTY INSURANCE POOL COVERAGE TERRITORIES



Coastal Area is served by the Coastal Property Insurance Pool and the FAIR Plan. The FAIR Plan only provides Dwelling Fire and Commercial Fire coverage in the Coastal Area.



## COASTAL PROPERTY INSURANCE POOL 18 COASTAL COUNTIES





## COASTAL PROPERTY INSURANCE POOL 18 COASTAL COUNTIES

Beaufort	Jones
Brunswick	New Hanover
Camden	Onslow
Carteret	Pamlico
Chowan	Pasquotank
Craven	Pender
Currituck	Perquimans
Dare	Tyrrell
Hyde	Washington





North Carolina Joint Underwriting Association - FAIR Plan

North Carolina Insurance Underwriting Association - Coastal Property Insurance Pool

## RATES





## **RATING ORGANIZATIONS**

Rates are determined by two rating organizations with surcharges established in North Carolina General Statutes:

**NCRB – NORTH CAROLINA RATE BUREAU**

**ISO – INSURANCE SERVICES OFFICE**



## FAIR PLAN COASTAL PROPERTY INSURANCE POOL RATES

### NORTH CAROLINA GENERAL STATUTE

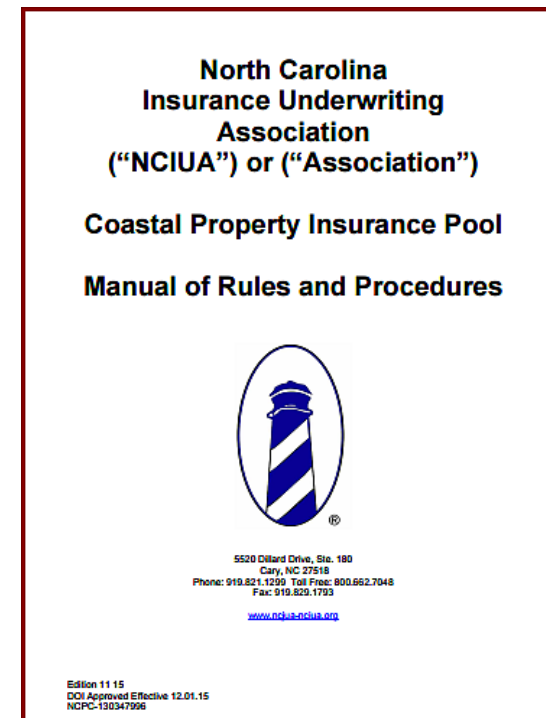
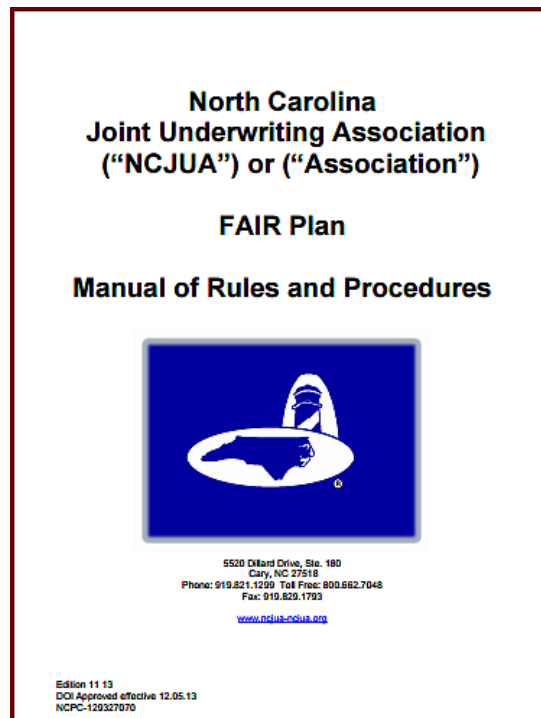
- **§ 58-45-45(a1) § 58-46-55**
- Surcharges developed to assist in maintaining status as Market of Last Resort, General Statute **58-45-1(c)**

Commercial Fire	ISO Manual Rate
Commercial Wind	ISO Manual Rate
Dwelling Fire	NCRB Manual Rate
Dwelling Wind	NCRB Manual Rate X 1.05 (5%)
Homeowner	NCRB Manual Rate X 1.15 (15%)
Homeowner Wind	NCRB Manual Rate X 1.05 (5%)



## FAIR PLAN COASTAL PROPERTY INSURANCE POOL MANUAL OF RULES AND PROCEDURES

Manual of Rules and Procedures for both Plans are located on our website at [www.ncjua-nciua.org](http://www.ncjua-nciua.org) under Operational Documents.





North Carolina Joint Underwriting Association - FAIR Plan

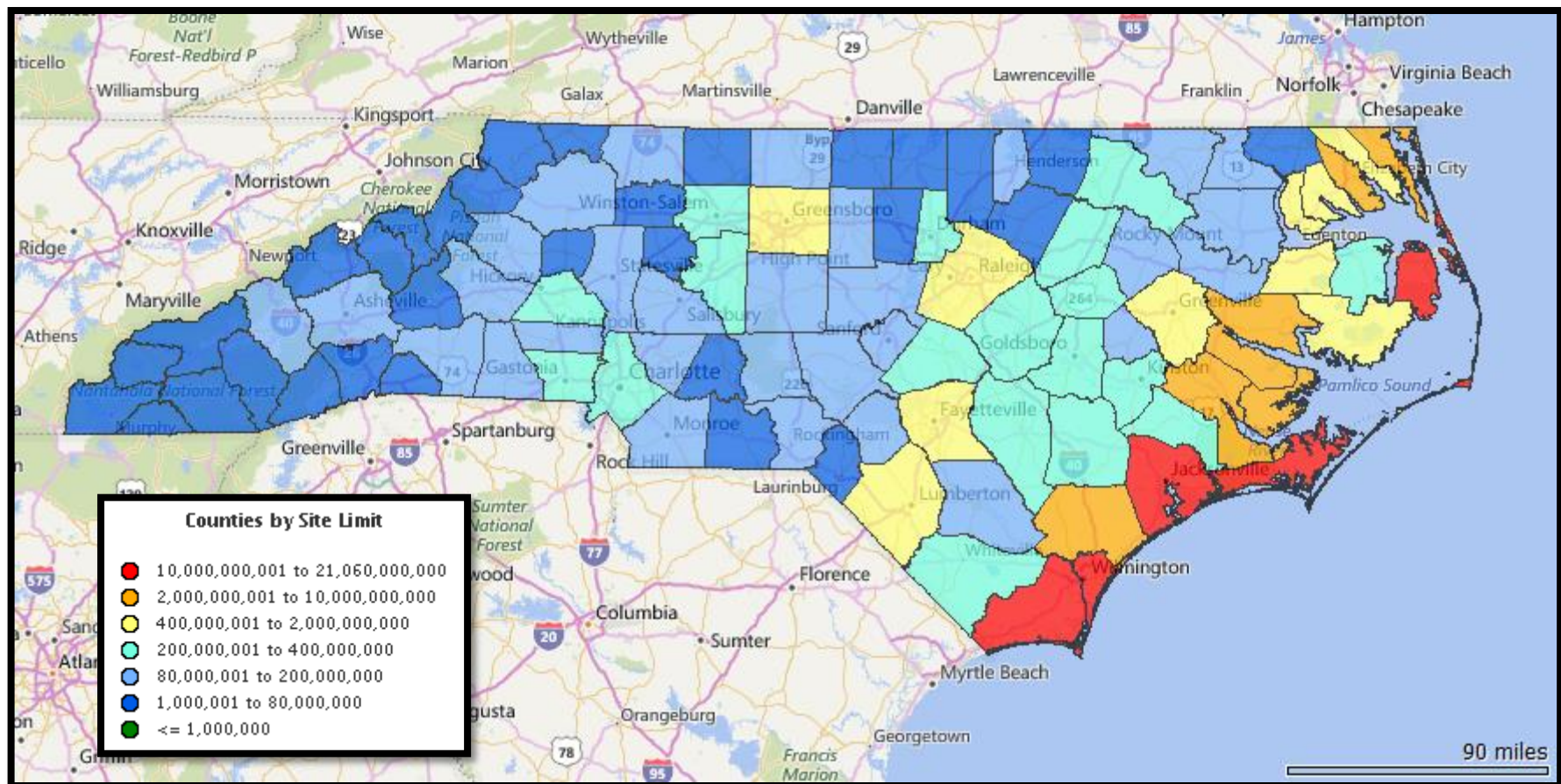
North Carolina Insurance Underwriting Association - Coastal Property Insurance Pool

## EXPOSURE



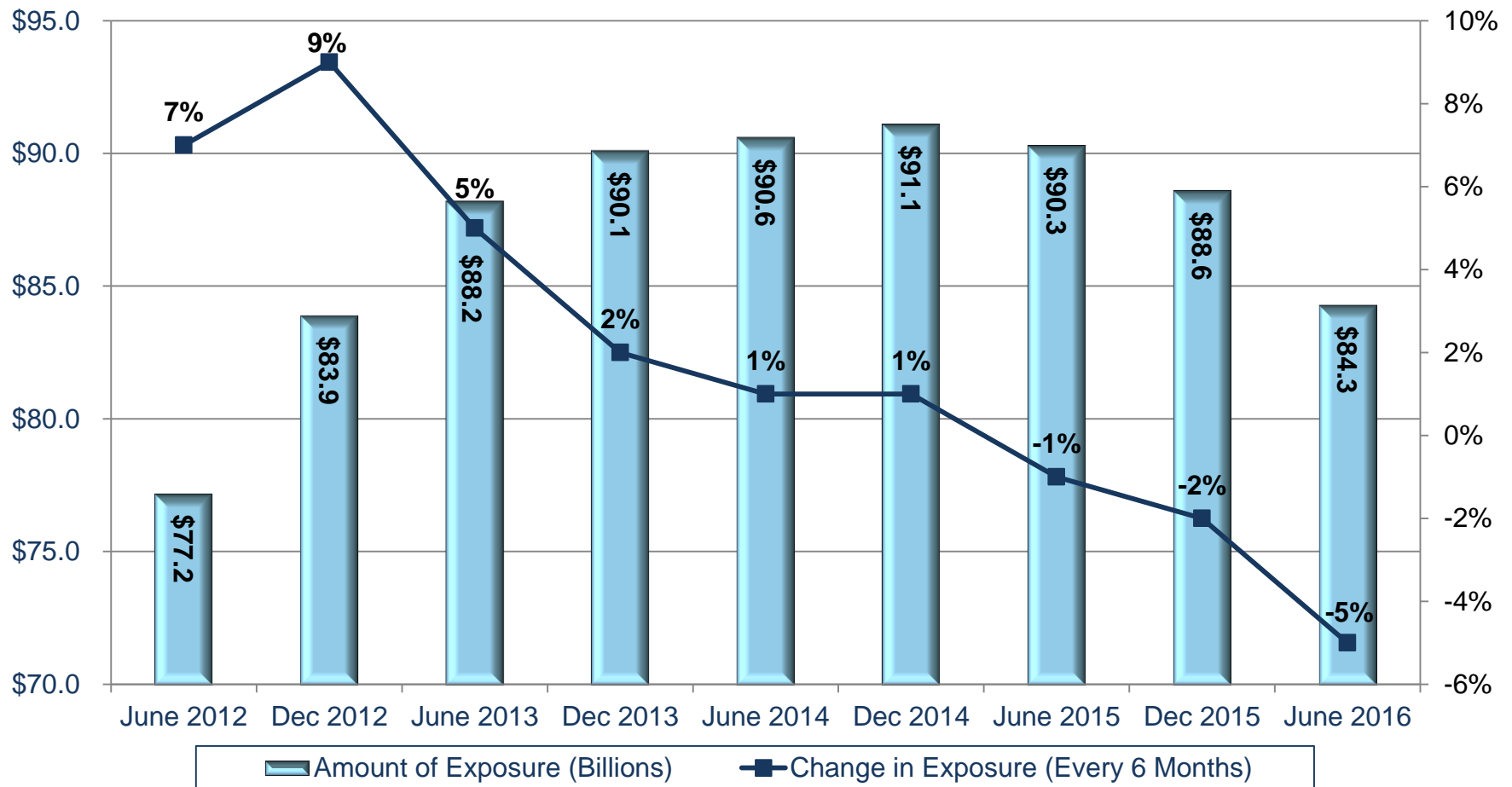


## NCJUA-NCIUA INSURED VALUES AS OF NOVEMBER 1, 2015





## COASTAL PROPERTY INSURANCE POOL PERCENT OF CHANGE IN EXPOSURE





## COASTAL PROPERTY INSURANCE POOL EXPOSURE GROWTH

	<b>As of 08/31/14</b>	<b>As of 08/31/15</b>	<b>As of 08/31/16</b>	<b>Change From 08/31/14 to 08/31/15</b>	<b>Change From 08/31/15 to 08/31/16</b>
<b>Full Coverage</b>	\$10.9B	\$11.3B	\$11.4B	3.7%	0.9%
<b>Wind Only</b>	\$80.1B	\$78.6B	\$71.5B	(1.9%)	(9.0%)
<b>Total</b>	<b>\$91.0B</b>	<b>\$89.9B</b>	<b>\$82.9B</b>	<b>(1.2%)</b>	<b>(7.8%)</b>





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## IN THE NEWS...



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## FROM THE NORTH CAROLINA HEADLINES....

One of state's largest insurers is planning a pullback from the residential property market. Beginning June 1, 2012

- **Wind coverage will be excluded for 15,000 homeowners and dwelling policies**
- **43,000 dwelling policies in non-coastal counties will not be renewed**



## FROM THE HEADLINES....

December 4, 2012:

- Chairman of National Carrier stated that weather patterns are getting more extreme and catastrophe losses are harder to cover.
- This carrier reduced the number of homes insured nationwide by 1.2 million since 2008.
- “The homeowners business made little money if weather was benign, and lost a lot of money if the weather was bad”



# **GOOD NEWS...**

# **NEW COASTAL MARKETS**



## COMPANIES COMING INTO NORTH CAROLINA

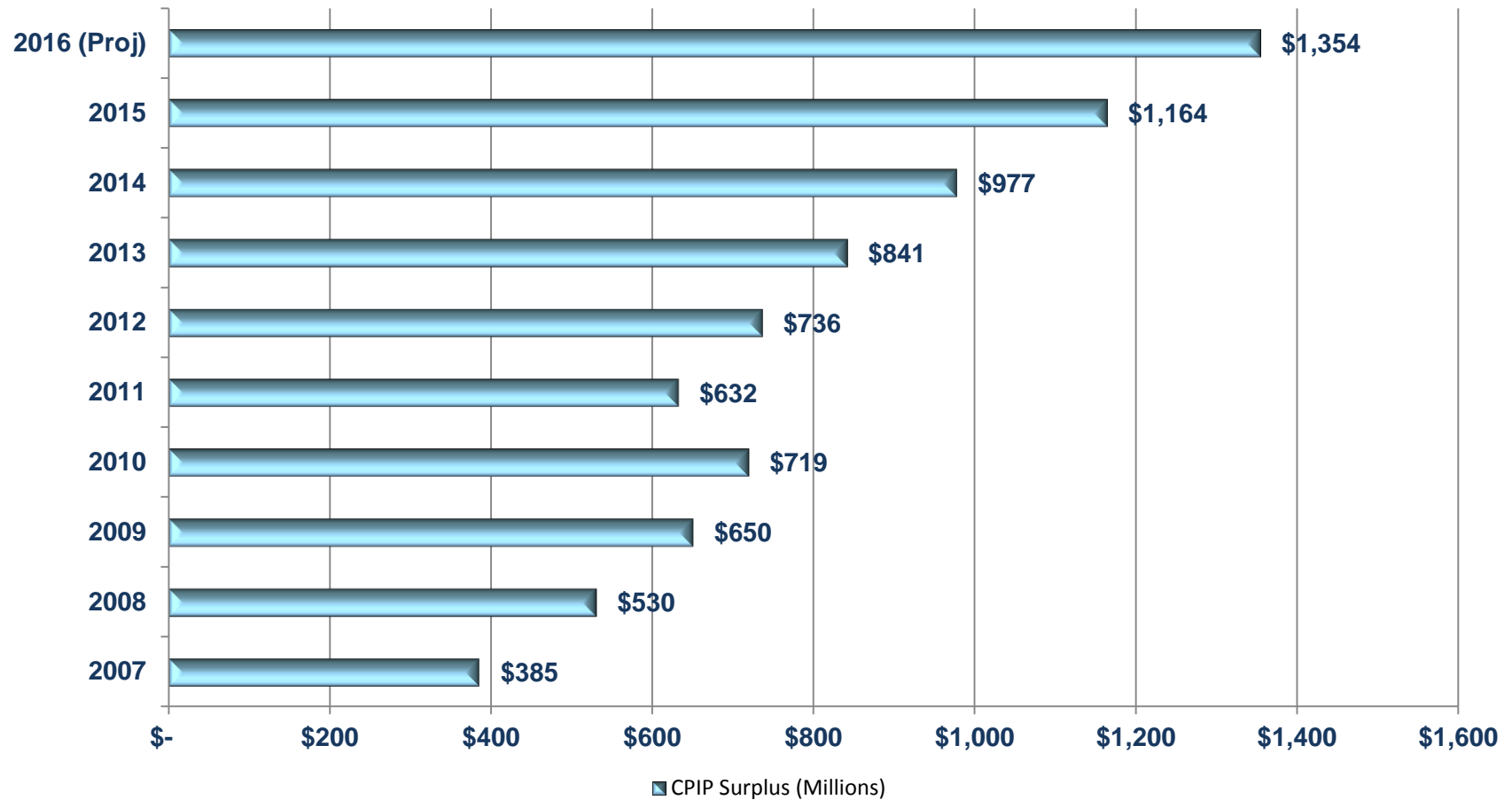
- Lighthouse Insurance
- Frontline Insurance
- UPC Insurance
- Heritage Insurance



## KEY FINANCIAL INFORMATION

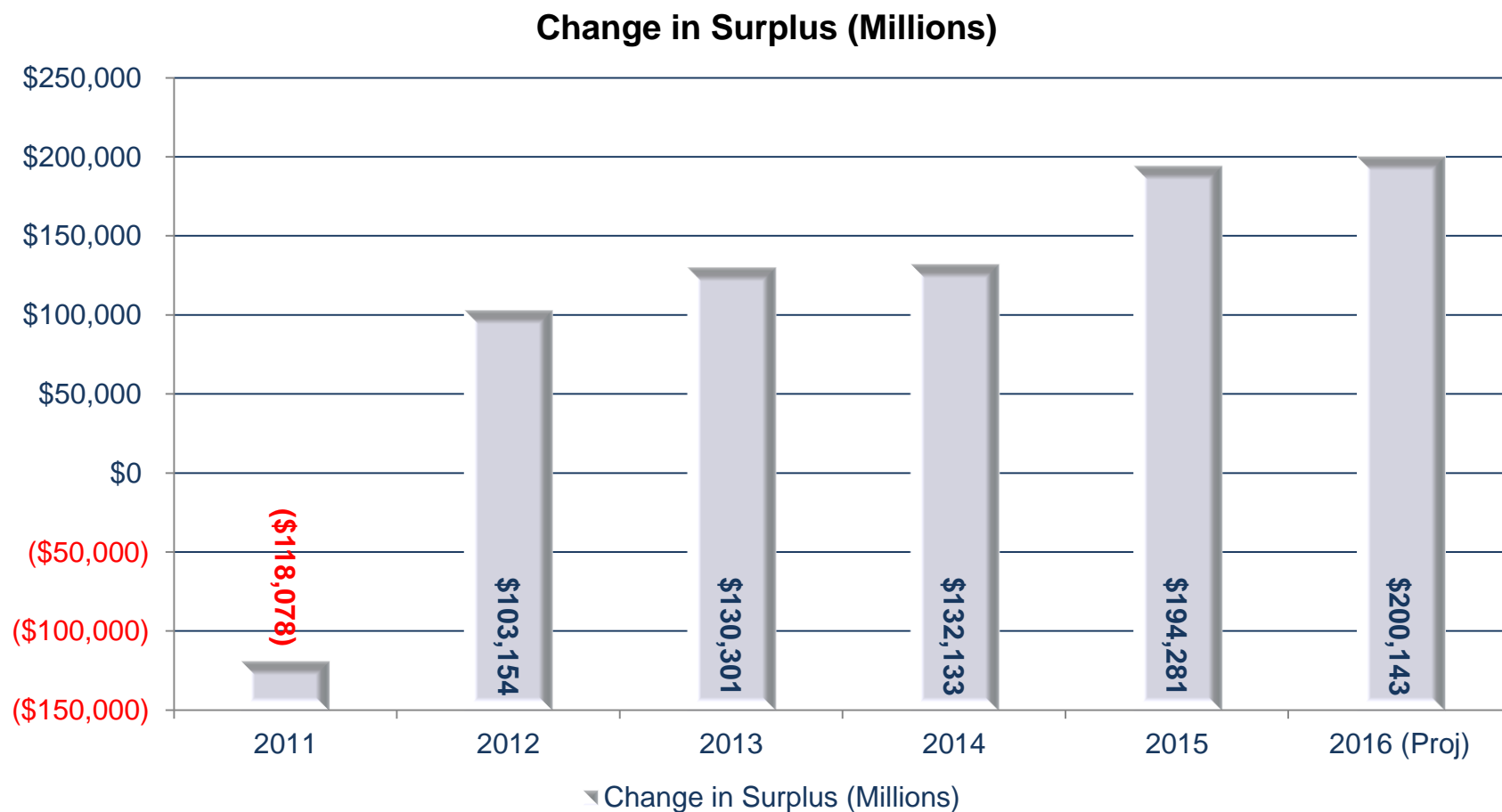


## COASTAL PROPERTY INSURANCE POOL SURPLUS





## COMBINED CHANGE IN SURPLUS







## **COMPARISON WITH OTHER PLANS – OPERATING EXPENSES**



## OPERATING EXPENSES PER POLICY ISSUED

- NC Coastal Property Insurance Pool \$ 33
- National Average for Beach Plans \*\$171

\* Includes FL and LA which combines their Beach and FAIR numbers

Note: All National Averages exclude North Carolina

Source: 2014 PIPSO Data



## COMPARISON OF PLANS – 2014 DATA

State	Percentage of Operating Expenses to Premiums (Excluding Commission and Premium Tax)
NC (NCIUA)	2.1%
Plan 1	3.9%
Plan 2	5.4%
Plan 3	6.0%
Plan 4	6.3%
Plan 5	10.1%

Source: PIPSO – Plans represented FL, TX, LA, SC, and MS. FL and LA combine their Beach and FAIR Plan



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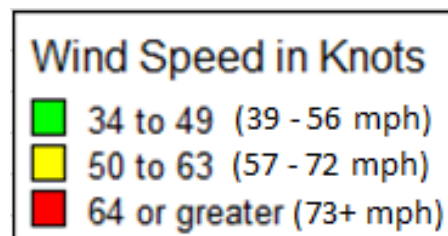
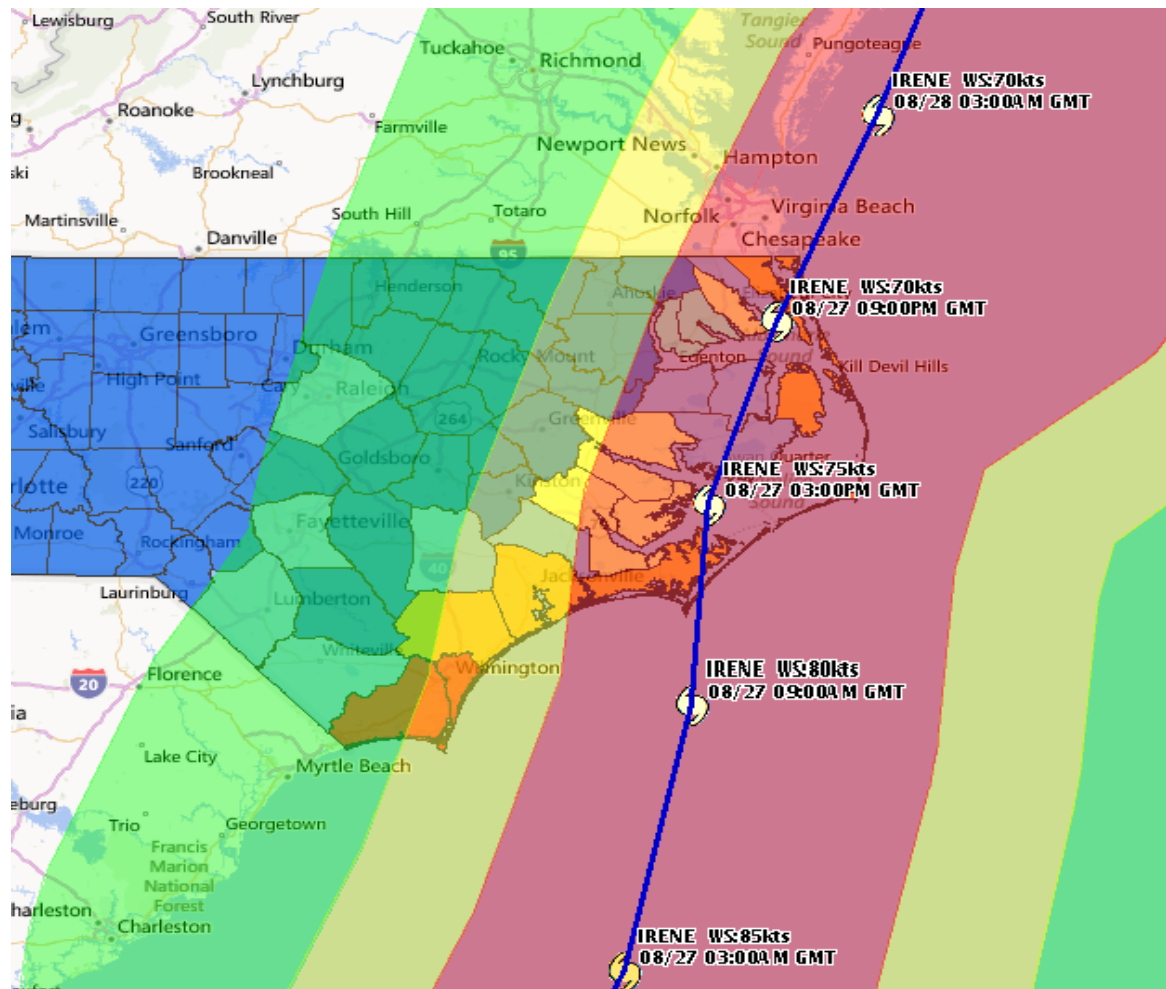
## **FINANCING FOR HURRICANE CLAIMS**

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## HURRICANE IRENE - 2011





## HURRICANE IRENE - 2011

Wind Speed	Insured Value	Number of Risks
73 – 120 mph	\$32 Billion	100,311
57 - 73 mph	\$35 Billion	113,991
39 - 57 mph	\$9 Billion	53,731
Totals	\$76 Billion	268,033

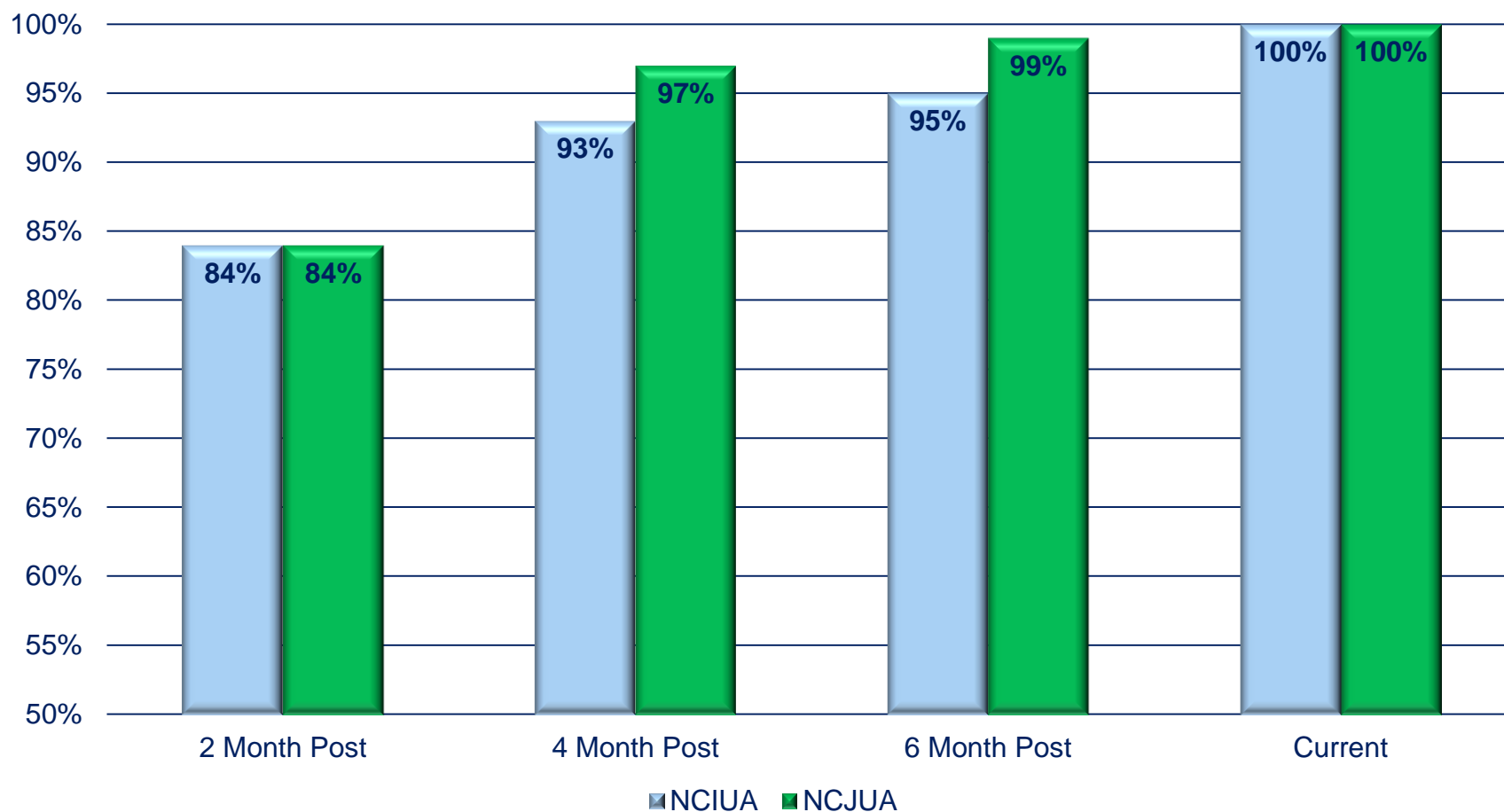


## HURRICANE IRENE - 2011

Combined Total	
Claims Received	23,291
Total Incurred Loss	\$165,317,160
Percent of Closed Claims	100.0%
Lawsuits Pending	0
Total Lawsuits Received	8



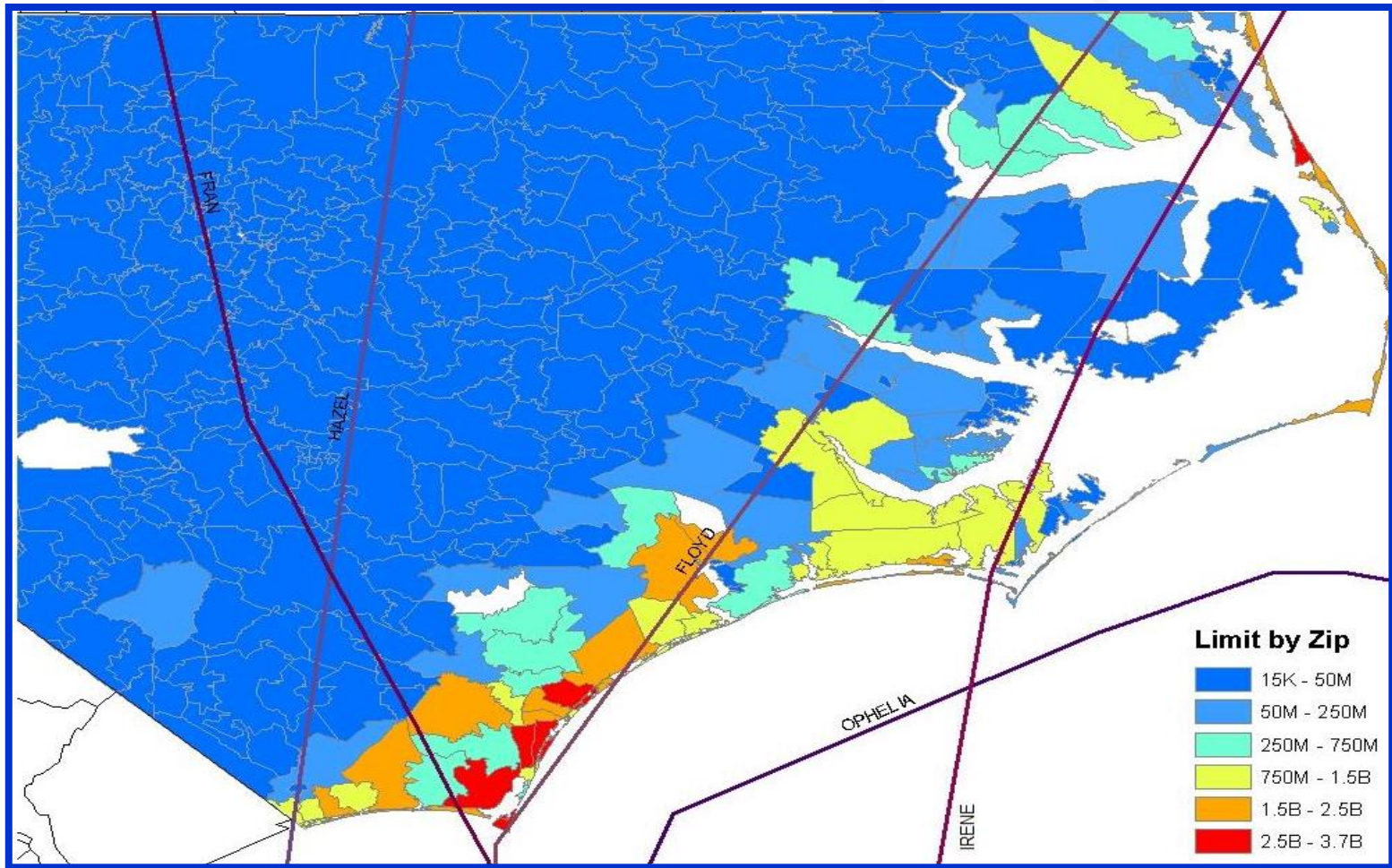
## HURRICANE IRENE CLOSING TREND





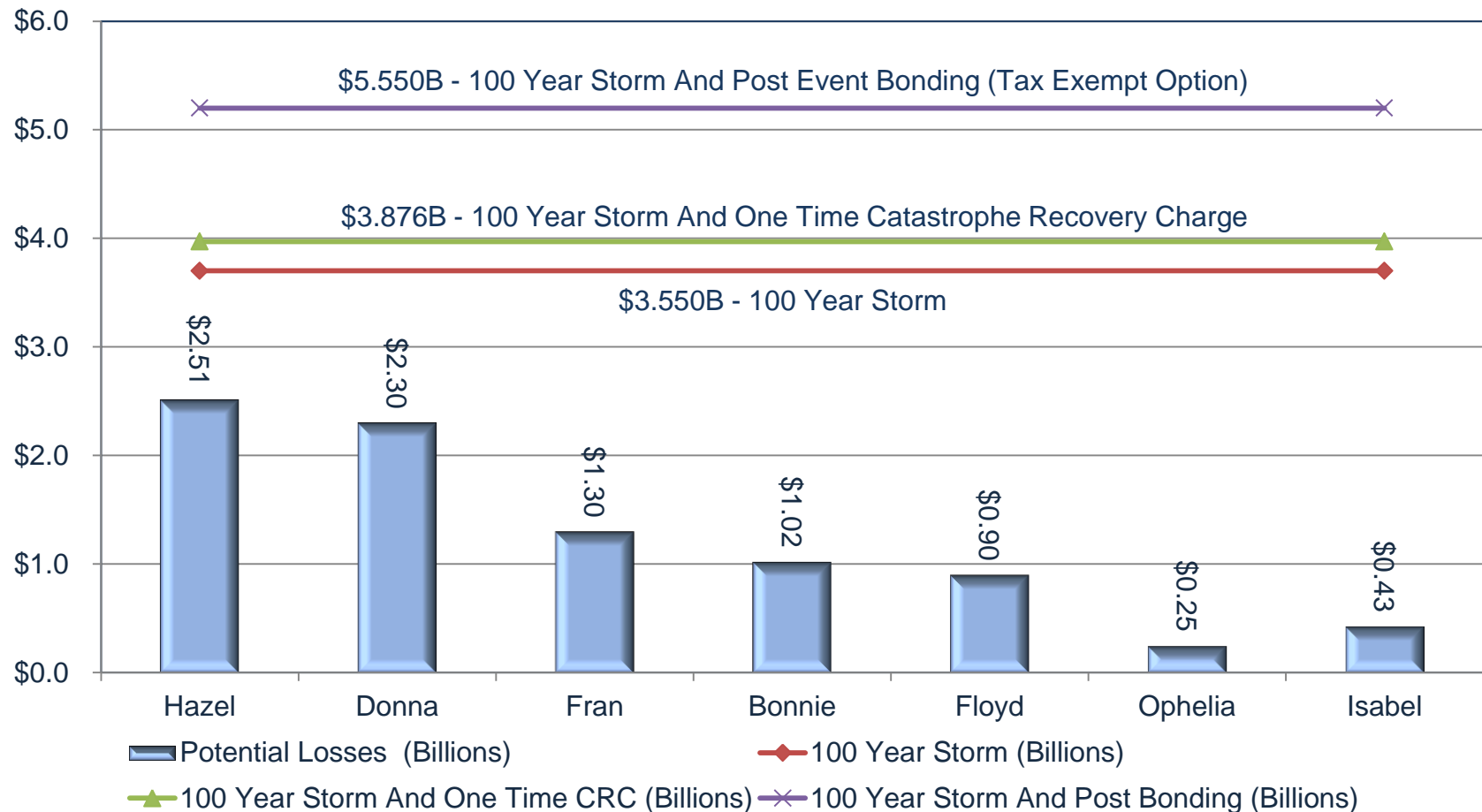


## PAST HURRICANE EVENTS





## 2014 INSURED PROPERTY VALUES COMPARED TO HISTORICAL HURRICANE PATHS



Potential Losses is blended AIR v2 and RMS v 13.1 Models



## REINSURANCE COMMITTEE OBJECTIVES

- To implement a risk financing program to provide coverage to the 100-year storm level based on a blended average of two models. Models used by the Associations include RMS and AIR.
- To secure aggregate protection for multiple event scenarios for the risk transfer plan.
- To allocate money to attritional losses from full peril policies.
- To increase retained earnings for expected losses in the Associations' working layer.
- To promote the financial soundness of the Associations in order to meet obligations that may arise in the years following a major first-year event.



## AVAILABLE 2016 FUNDING FOR CATASTROPHIC EVENT

- \$ 1.10 Billion Retained Earnings
- \$ 1.00 Billion Member Company Assessments
- \$ 2.10 Billion Available

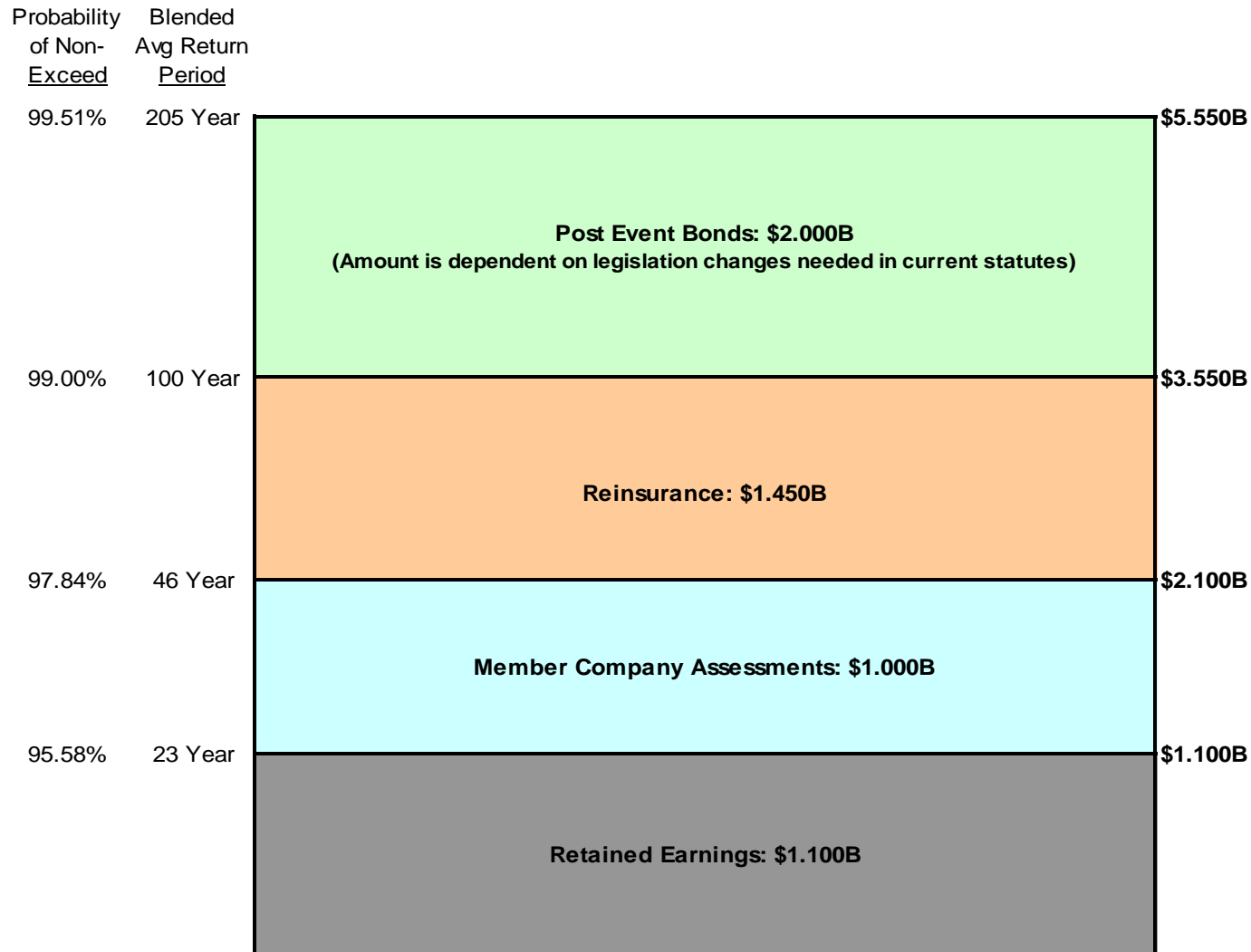
**Estimates of 100 Year Event for 2016 Exposures: \$3.55 Billion**

- Risk to Finance: \$1.45 Billion

A \$326 million Statewide Catastrophe Charge could be used to issue post-event bonds.



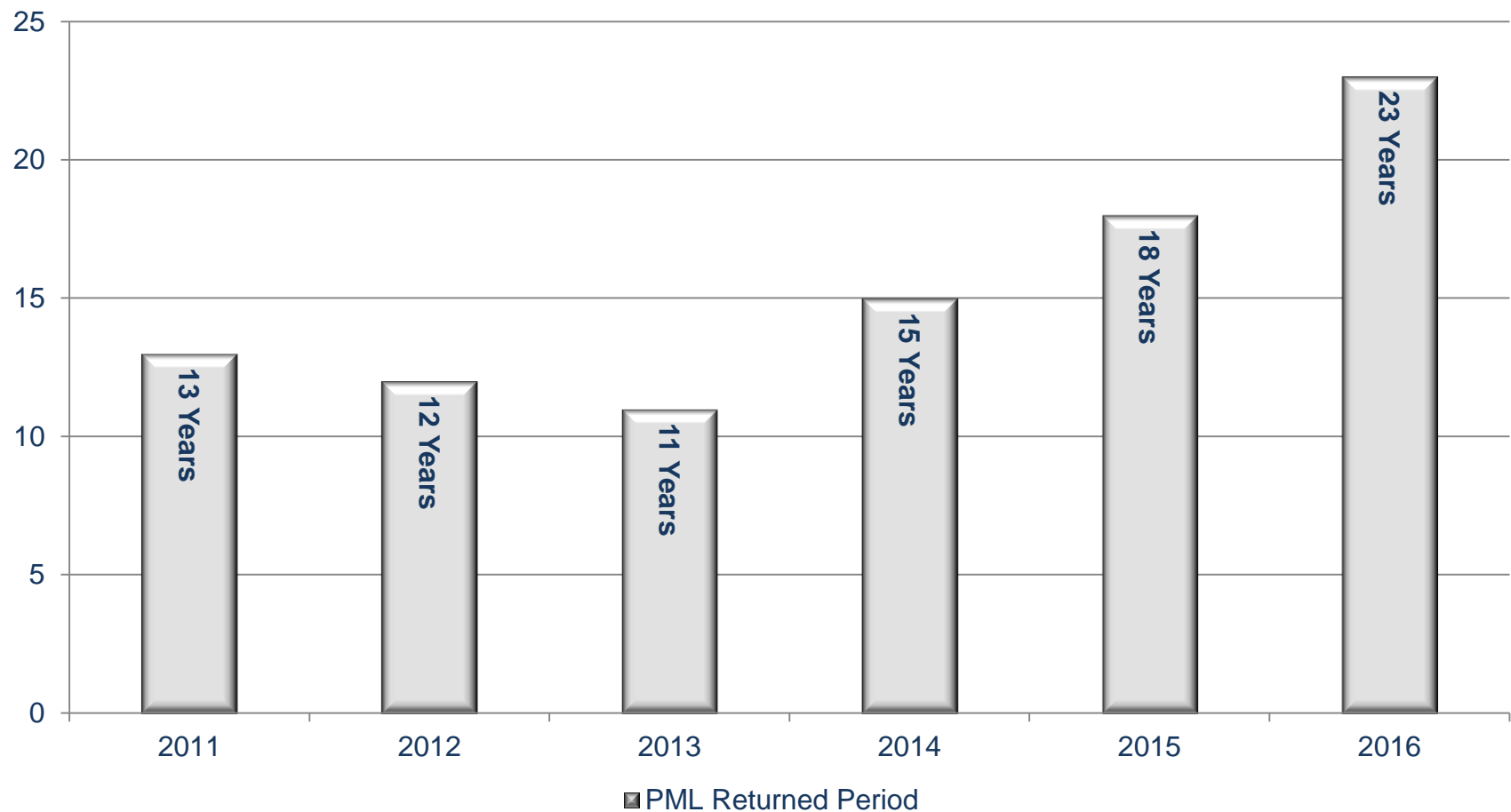
## NCIUA'S 2016 RISK FINANCING PROGRAM



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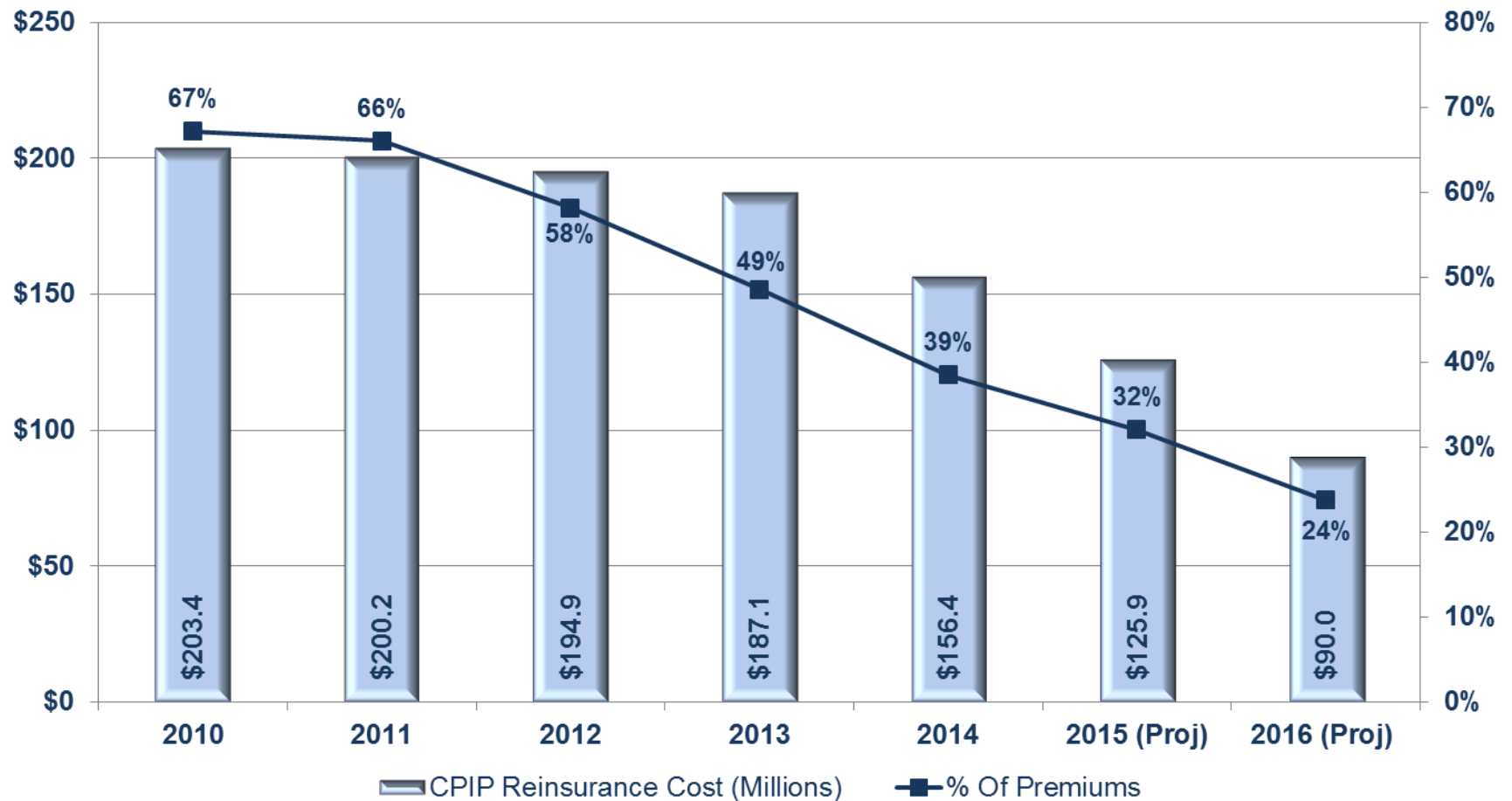


## MEMBER INSURER PML RETURN PERIOD FOR INITIAL ASSESSMENT POTENTIAL





## NCIUA REINSURANCE COST AND PERCENTAGE OF PREMIUMS





## COMPARISON WITH OTHER PLANS





## COMPARISON OF PLANS – 2014 DATA

State	Average Rate Per \$100 in Exposure	Mandatory Deductibles
NC (NCIUA)	.45	1%
Plan 1	.62	2% or 3%
Plan 2	.63	1%
Plan 3	.99	5%
Plan 4	1.03	2%
Plan 5	1.12	2%

Source: PIPSO – Plans represented FL, TX, LA, SC, and MS. FL and LA combine their Beach and FAIR Plan



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## DEDUCTIBLES MATTER



**\*Homeowner Example**  
**Wilmington Eastern Zip Codes: Territory 140**  
**\$225,000 Coverage A – Building**

<b>Deductible Option</b>	<b>Rating Factor</b>	<b>Premium</b>
\$500 All Peril with 1% Named Storm	.94	\$2,598
\$1,000 All Peril with 1% Named Storm	.89	\$2,458
\$2,500 All Peril	.75	\$2,068
\$5,000 All Peril	.65	\$1,789

**\*HO 00 03 Base coverages without additional optional coverage endorsements**



## **\*Homeowner Windstorm and Hail Example Wilmington Eastern Zip Codes: Territory 140 \$225,000 Coverage A – Building**

<b>Deductible Option</b>	<b>Rating Factor</b>	<b>Premium</b>
\$500 All Peril with 1% Named Storm	.94	\$2,036
\$1,000 All Peril with 5% Named Storm	.84	\$1,817
\$2,500 All Peril	.75	\$1,620
\$10,000 All Peril	.56	\$1,203

**\*HW 00 03 Base coverages without additional optional coverage endorsements**



## EDUCATION FOR STAKEHOLDERS



## 2016 STORM READINESS & PRODUCER CERTIFICATION SEMINARS

<b>Nags Head, NC - Tuesday, June 7</b>
<b>Durham, NC - Tuesday, June 21</b>
<b>Wilmington, NC - Thursday, June 23 and Friday, June 24</b>
<b>Greenville, NC - Tuesday, June 28</b>
<b>New Bern, NC - Wednesday, June 29</b>
<b>Concord, NC - Wednesday, July 6</b>
<b>Clemmons, NC - Wednesday, August 10</b>
<b>Asheville, NC - Wednesday, August 24</b>
<b>Hickory, NC - Thursday, August 25</b>
<b>Cary, NC – Wednesday, September 28 and Wednesday, October 5</b>



# North Carolina Joint Underwriting Association - FAIR Plan

## North Carolina Insurance Underwriting Association - Coastal Property Insurance Pool

[www.ncjua-nciua.org](http://www.ncjua-nciua.org)

NCJUA / NCIUA

North Carolina Joint Underwriting Association - FAIR Plan

North Carolina Insurance Underwriting Association - Coastal Property Insurance Pool

HOME | WHAT'S NEW | CAREER OPPORTUNITIES | CONTACT US | OPERATIONAL DOCUMENTS | BOARD OF DIRECTORS | SCHEDULED BOARD MEETINGS

**PAY ONLINE**  
Available 7 Days A Week

**Policyholder Services**  
- Manage My Policy - Login

**Producer Login**  
Member Insurers Login  
Independent Adjuster Login  
Third Party Administrator Login  
Vault Login

**Services & Coverages**  
Claims / Catastrophes  
Approved Adjusters  
Underwriting  
Financial  
Member Insurers  
Policy Forms/Endorsements  
Dynamic Web Information  
Producer Download Request Form

**PROUDLY PROVIDING COVERAGE FOR THE CITIZENS OF NORTH CAROLINA SINCE 1969**

**IMPORTANT ANNOUNCEMENT**  
**NAMED STORM COVERAGE WRITING RESTRICTIONS - LIFTED**

The Named Storm Coverage writing restrictions for Hermine were lifted at 12:01 am September 5, 2016.

**NAMED STORM HERMINE**  
**HOW TO FILE A CLAIM AND OTHER PROCEDURES**

Policyholders | Producers | Member Insurers

**NON-NAMED STORM LOSSES**  
**HOW TO FILE A CLAIM AND OTHER PROCEDURES**

Policyholders | Producers | Member Insurers

**2016** **CLICK HERE FOR SCHEDULE AND TO REGISTER**  
**STORM READINESS & PRODUCER CERTIFICATION SEMINAR**

**BREAKING NEWS**  
\* Updated May 24, 2016

**STORM ANNOUNCEMENTS**  
HOW TO FILE A CLAIM AND  
OTHER NAMED STORM PROCEDURES

**STORM TRACKER**

**NCHurriClaims.com**  
Your source for insurance information in a disaster  
North Carolina Department of Insurance

**NCJUA MISSION**  
The North Carolina Joint Underwriting Association (NCJUA), also known as the FAIR (Fair Access to Insurance Requirements) Plan, is a tax exempt association of insurance companies licensed to write and engage in writing property insurance coverage in North Carolina. The Association was created by law to act as a market of last resort to provide adequate basic property insurance to property owners having insurable property in North Carolina.

**NCIUA MISSION**  
The North Carolina Insurance Underwriting Association (NCIUA), also known as the Coastal Property Insurance Pool, is a tax exempt association of insurance companies authorized to write and engage in writing essential property insurance coverage in North Carolina. The Association was created by law to act as a market of last resort to provide adequate essential property insurance to property owners having insurable property in the Beach and Coastal Areas of North Carolina.

**Storm Announcements**  
Storm Announcements:  
How to File a Claim and Other  
Named Storm Procedures

**Named Storm Alerts**

**Important Links**  
NCDOI  
North Carolina Department of Insurance  
NCHurriClaims  
North Carolina Department of Insurance  
NCRB  
North Carolina Rate Bureau  
NHC  
National Hurricane Center  
NFIP  
National Flood Insurance Program  
IBHS  
Insurance Institute for Business & Home Safety

**NCJUA-NCIUA does not provide Flood Insurance**

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# NC HurriClaims.com

Your source for insurance information in a disaster



North Carolina  
DEPARTMENT OF INSURANCE  
WAYNE GOODWIN, COMMISSIONER

HURRICLAIMS HOME

ABOUT HURRICLAIMS

TYPES OF INSURANCE COVERAGE

BEFORE THE STORM

AFTER THE STORM

FLOOD INSURANCE

DISASTER MEDIATION

IMPORTANT CONTACTS

NCHURRICLAIMS TOOLKIT

GUIDE TO DISASTER AND RECOVERY

## NCDOI HurriClaims Center

LISTEN: WPTF INTERVIEWS COMMISSIONER GOODWIN

Questions?

- **Questions About Insurance?**  
Call the [N.C. Department of Insurance](#) consumer hotline at 855-408-1212 (toll free)
- **Questions About Flood Insurance?**  
Call the National Flood Insurance Program at 888-379-9531

## News Releases

nothing at this time...

## More News

- ✓ April 15, 2016 -- NCSU researchers predict busier than normal Atlantic hurricane season

WATCH: HURRICLAIMS INTRODUCTION

HurriClaims Introduction

RESOURCES

- ✓ [NC Department of Insurance](#)
- ✓ [Insurance Company Contact Information](#)
- ✓ [Report Insurance Fraud](#)
- ✓ [National Weather Service National Hurricane Center](#)
- ✓ [Pick up your NCHurriClaims toolkit!](#)
- ✓ [Consumer's Guide to Disaster and Recovery](#)

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# **APPENDIX A**

## **NORTH CAROLINA JOINT UNDERWRITING ASSOCIATION (FAIR PLAN)**



## FAIR PLAN PURPOSE DECLARED BY GENERAL ASSEMBLY

- An adequate market for basic property insurance may be made available to property owners having insurable property in North Carolina
- ...encourage the improvement and arrest the decline of properties

**§ 58-46-1**





## FAIR PLAN BOARD OF DIRECTORS

- Seven (7) Member Companies, elected by Member Companies annually – Same Member Companies on each Board
  - Drew Klasing  
Auto-Owners
  - Corise Morrison  
USAA
  - John Milette  
The Travelers
  - Jim Rowland  
Allstate
  - Steve Carroll  
NC Farm Bureau Mutual
  - Bob Messier  
State Farm
  - Kathy Southern / Michael "Mick" Quinlan  
Nationwide





## FAIR PLAN BOARD OF DIRECTORS

- Four (4) Insurance Agents, appointed by Commissioner of Insurance – Different Insurance Agents appointed on each Board
  - Elmer Midgett – Manteo NC
  - Jarette Sampson – Dial Insurance Agency, Pembroke NC
  - Richard Heckle – Dean, Heckle & Hill, Inc., Matthews NC
  - Murray White III – Murray White Inc., High Point NC





## **FAIR PLAN BOARD OF DIRECTORS**

- Three (3) Public Members, appointed by Commissioner of Insurance – Different Public Members appointed on each Board
- Theresa Judge – Wilbur Wright Associations Inc., Kitty Hawk NC
- Brad Lovin – NC Manufactured and Modular Homebuilders, Raleigh NC
- Caroline Thomas Goodwin – Thomas Realty Company, Rockingham NC





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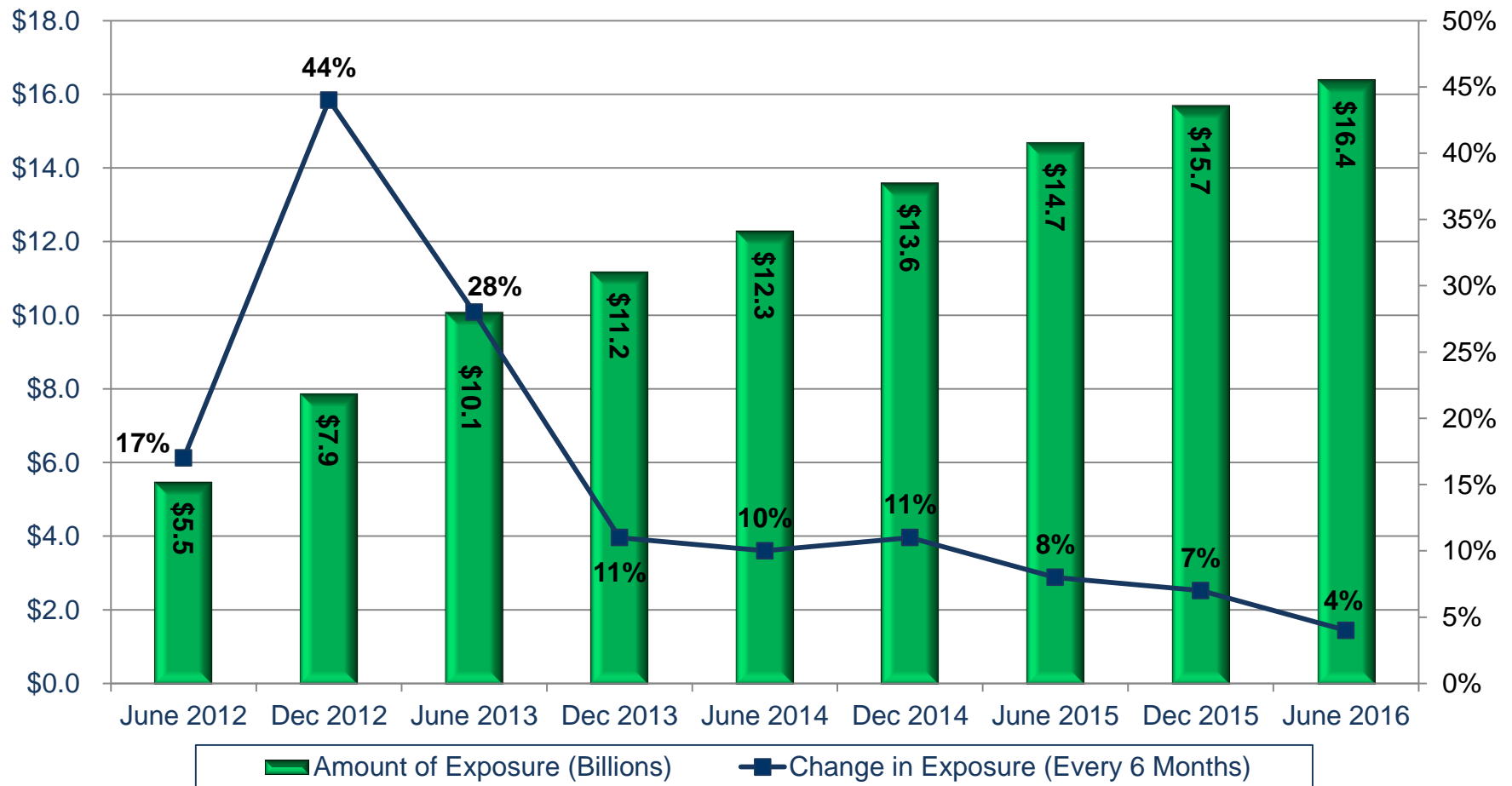
# EXPOSURE







## FAIR PLAN PERCENT OF CHANGE IN EXPOSURE





## FAIR PLAN EXPOSURE GROWTH

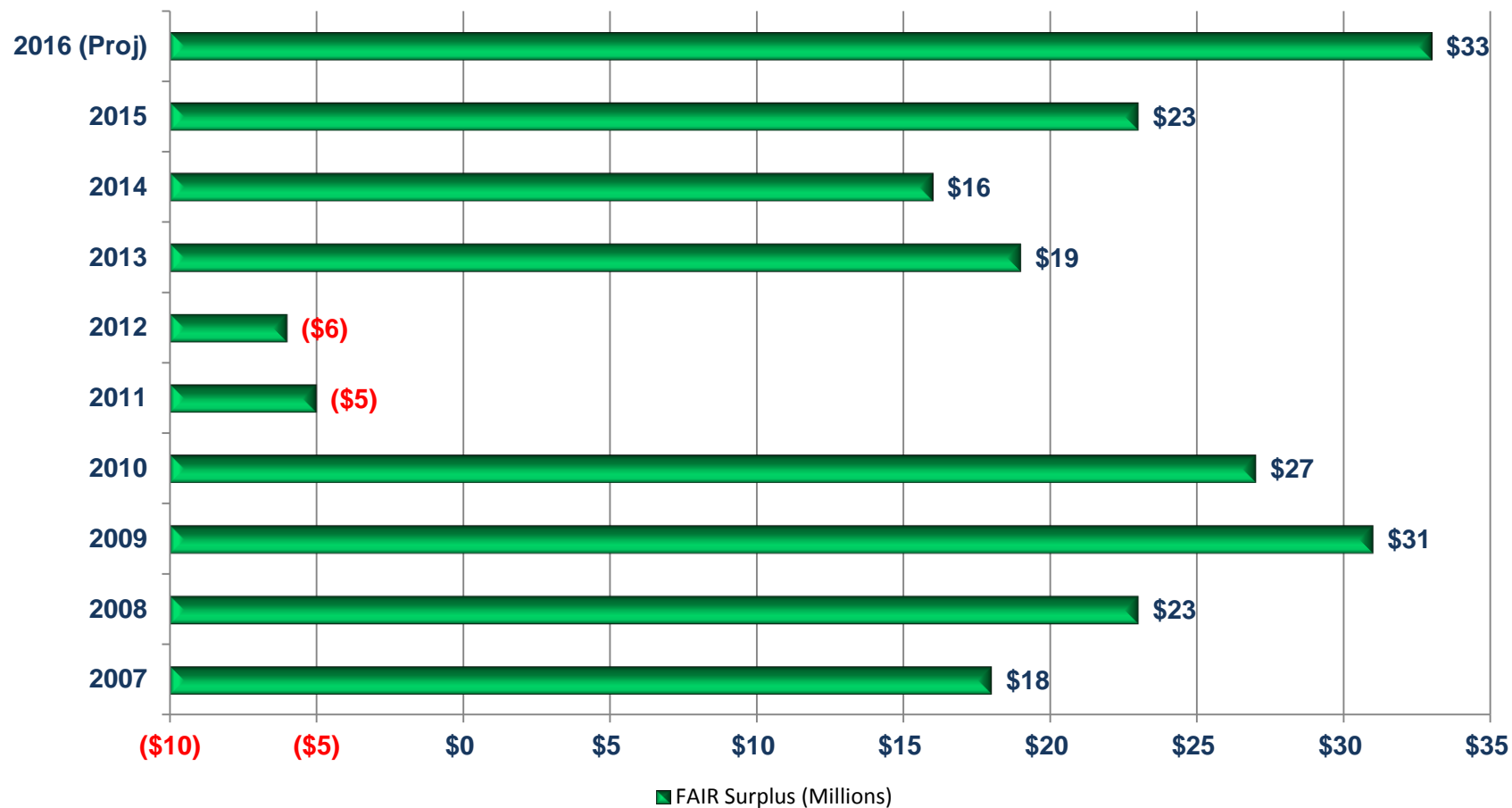
	<b>As of 08/31/14</b>	<b>As of 08/31/15</b>	<b>As of 08/31/16</b>	<b>Change From 08/31/14 to 08/31/15</b>	<b>Change From 08/31/15 to 08/31/16</b>
<b>18 Coastal Counties</b>	\$3.8B	\$4.2B	\$4.5B	10.5%	7.1%
<b>Other Counties</b>	\$9.1B	\$10.8B	\$12.1B	18.7%	12.0%
<b>Total</b>	<b>\$12.9B</b>	<b>\$15.0B</b>	<b>\$16.6B</b>	<b>16.3%</b>	<b>10.7%</b>



## KEY FINANCIAL INFORMATION



## FAIR PLAN MEMBER SURPLUS





## **COMPARISON WITH OTHER PLANS – OPERATING EXPENSES**



## OPERATING EXPENSES PER POLICY ISSUED

- NC FAIR Plan \$ 36
- National Average for FAIR Plans \$ 99

Note: All National Averages exclude North Carolina

Source: 2014 PIPSO Data



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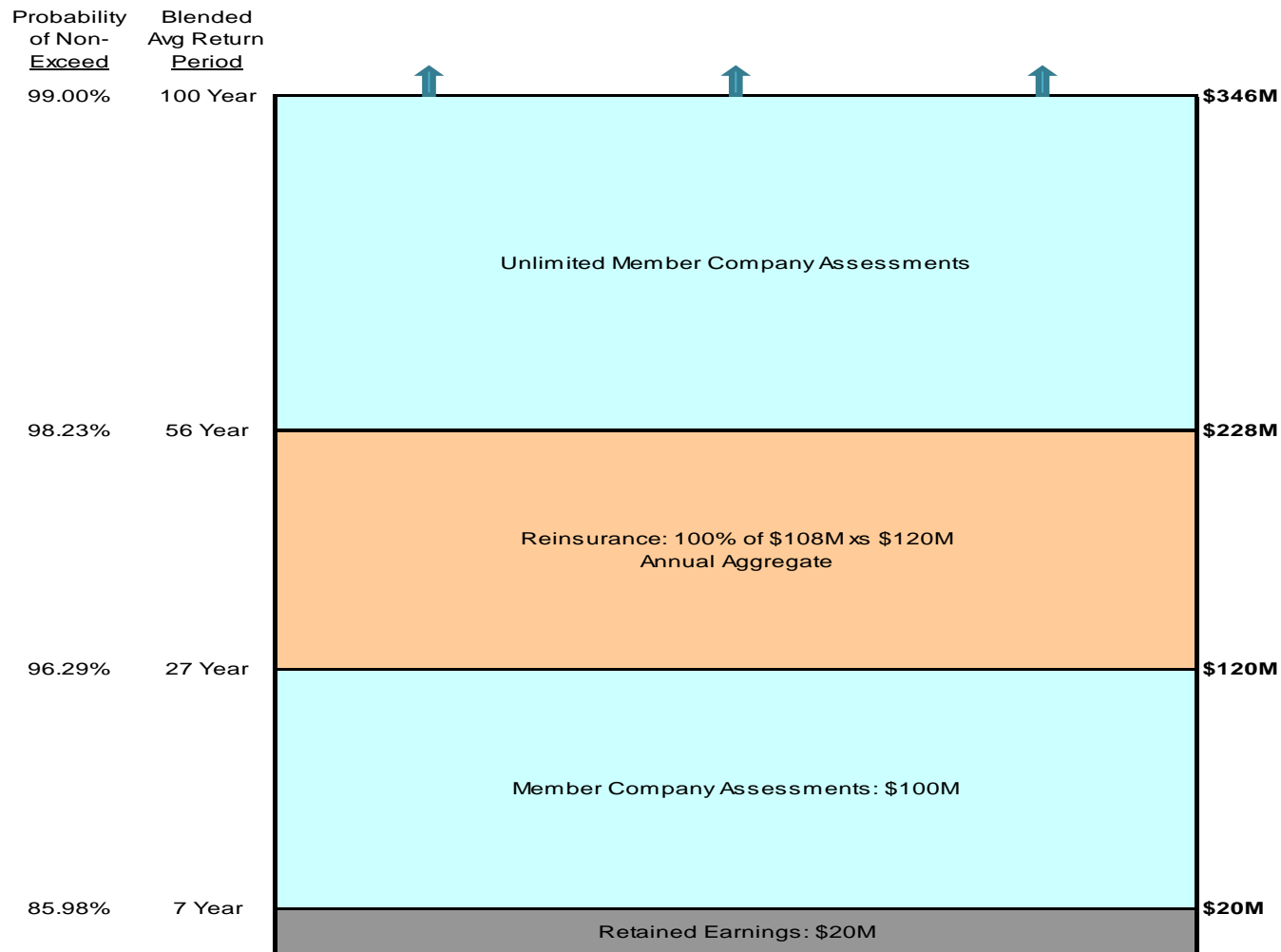
## **FINANCING FOR HURRICANE CLAIMS**

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## NCJUA'S 2016 RISK FINANCING PROGRAM







## NCJUA REINSURANCE COST AND PERCENTAGE OF PREMIUMS

