



Implementation of House Bill 1305

Now that House Bill 1305 has been ratified and enacted into law, implementation begins. There are basically three effective dates specified in the law. The loss mitigation credits and the installment payment plan required by the law are due to be implemented by May 1, 2010. The 1% Named Storm Deductible provisions will be implemented by a filing and the necessary approval by the Commissioner. Everything else became effective upon the signing of the bill by the Governor, which occurred on August 26, 2009.

The two items of House Bill 1305 that are effective immediately, and will impact agents, are the reduction in the Coverage A limit and the reduction in the personal property limits on residential policies. Prior to House Bill 1305 the Beach Plan had a Coverage A limit of \$1.0 million for Homeowners and the 50% of Coverage A applied to personal property unless the Personal Property Replacement Cost endorsement was added in which case the Coverage C limit was 70%. House Bill 1305 reduces the maximum limit for Coverage A to \$750,000 and reduces the personal property limit to 40%. (For residential properties with values in excess of \$750,000, excess insurance will have to be purchased.) The effect of the new 40% limit on personal property is to eliminate the Personal Property Replacement Cost endorsement and restrict personal property to an ACV valuation.

Therefore, effective August 26 these new limits apply on all new and renewal policies. The Beach Plan obviously has reprogramming issues that may delay the production of renewals dated August 26, 2009 and later. Patience may be necessary during this rapid transition to new requirements.

Once one steps back from the specifics of the changes and looks at the overall significance of House Bill 1305, some reflections emerge. House Bill 1305 reaffirms the proposition that the "Coastal Property Insurance Pool" (new name for the Beach Plan) is a "market of last resort." While the law has never stated clearly what that means, it certainly does not mean a "market of first resort", and that is what the Beach Plan had evolved into over that last ten to fifteen years. The market of first resort should be the voluntary market. It has become obvious to many through this recent legislative process that reviving the voluntary market in Coastal North Carolina is essential to an overall healthy residential property insurance market. If the Beach Plan continues to provide benefits that are competitive with the voluntary market, then depopulating the Beach Plan will be a difficult, if not impossible, task.

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