

South Carolina is due for insurance review

Property owners along the coast should not pay more than their risk calls for.

Six years have past since lawmakers took a close look at the cost to insure South Carolina's coastal properties against wind damage. It's time to do it again.

But given the financial impact on individuals and the economy as a whole, they should tread carefully. It's not just about making sure everyone along the coast has lower insurance costs. It's also about maintaining availability of insurance long term and accurately assessing risk.

This is big money, so there's a lot at stake. Nearly 47,000 policyholders in five coastal counties paid more than \$97 million in premiums to the state's Wind and Hail Underwriters Association in 2011, according to a Jan. 31 report to the legislature. The association is an insurer of last resort for property owners who can't buy wind and hail coverage from private insurers. The property value covered totaled more than \$17 billion. In Beaufort County, 10,832 policyholders paid \$27 million in premiums to cover \$5.7 billion in property value.

State Sen. Tom Davis of Beaufort says he wants to identify ways to attract more insurance companies to the state, with the idea that competition will lower rates. Cutting regulatory red tape is one tactic, but it's not clear yet what that would entail. New tax credits and updates to the state's hurricane damage mitigation program also could be coming.

And Davis says he wants to make it easier for homeowners to shop for the best deals on insurance. That works if there are insurance companies to choose from.

But two problems highlighted in the past year point to a need for regulatory action by the state:

- Insurance companies can raise rates up to 7 percent annually with no state oversight. Do that year after year, and it adds up quickly.

- Insurance companies use computer models to assess the risk of insuring property along the coast, but state officials do not have access to the specific information used.

In explaining why he voted "present" on the nomination of former insurance industry lobbyist Ray Farmer to be the state's new director of insurance, Davis cites Farmer's statement (later retracted) that insurance costs along the coast were not out of line with the associ-

ated risks. "That answer flies in the face of empirical data compiled by numerous independent and non-partisan industry groups," Davis writes. "Beaufort County in particular, and the Lowcountry of South Carolina in general, is a low hurricane risk relative to other areas, such as the Outer Banks in North Carolina or Gulf Port, Miss. Yet the wind-insurance premiums paid by homeowners in the former areas are comparable to, and in some cases more than, the premiums paid by those in the latter." (To read Davis' statement, go to islandpacket.com/other-voices/.)

When the state tackled insurance reform in 2007, then-Gov. Mark Sanford insisted on a "market-oriented" approach, one that didn't push insurance companies out of the market and encouraged competition among insurers. Among its provisions were dividing into tiers the coastal area covered by the Wind and Hail Underwriting Association, allowing the association to develop multiple rates to reflect the relative risk of damage. It offered tax incentives for owners to strengthen their properties against storm damage and create catastrophe savings funds of their own.

The law also required insurance companies citing climatic conditions as reasons for rate changes to base that on statistical data related to South Carolina, but no one is making sure it is done or done accurately. And it took away the state Department of Consumer Affairs' ability to challenge rate increases of less than 7 percent.

Lawmakers must balance a market approach with appropriate regulatory oversight. Property owners along the coast need someone to watch out for their interests. Very few of us have the time or the expertise to sort this out on our own. Beaufort County's Daryl Ferguson is a notable exception, and we thank him for the time and energy he has expended calling attention to this issue, especially taking the time to testify before the Senate at Farmer's confirmation hearing. Ferguson spoke forcefully and got lawmakers' attention.

Still, we don't have the clout individually that state government has. And with the relative scarcity of insurers willing to cover coastal properties, particularly in the areas covered by the Wind and Hail Association, it's nearly impossible to vote with your feet when presented with a high insurance bill.