

HOW'D YOU GET THAT RATE?



Ever wonder how coastal homeowner's insurance rates are calculated?

Contributing Factors

- 1) Coastal property is risky to insure – high probability of wind/hail losses within 25 miles of ocean.
- 2) Historical growth in our coastal communities
 - Prior to 2006
 - Moderate community growth/new construction.
 - Fewer carriers to choose from who had larger books of business on the coast
 - Expensive state windpool and specialty carriers were used frequently.
 - Average rate - \$2500 annually for midsized home.
 - Since 2006
 - Rapid community growth/new construction
 - Stricter building codes gave way to higher insurance discounts
 - Newer regional coastal carriers enter the marketplace with LOTS of capacity and lower rates
 - Average rate - \$1200 annually for midsized homes.
- 3) Many SC coastal carriers also do business in other coastal states like Florida, Texas, Louisiana, Mississippi
- 4) Coastal carriers purchase reinsurance to cover their costs and pay their claims. The more claims they experience, the higher their reinsurance costs are. The cost of reinsurance is passed on to the consumer.
- 5) Weather patterns continue to change, causing unprecedented, devastating and costly damages to coastal communities. The number of claims in all coastal states has dramatically increased in the last 5 years.

The Bottom Line

What we are seeing in the insurance marketplace is an adjustment in products, services and rates so that carriers can remain healthy and financially able to pay claims. Rates are stable, but will continue to increase as these factors play a bigger part in the carriers' pricing. Carriers will continue to re-evaluate their ability to do business in our state and other states. The market will continue to change.

