

Insurers to raise rental home rates

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Insurance rates will be going up on second homes and vacation rentals in March — an increase that's likely to be passed on to renters, local real estate executives say.

Companies may raise insurance rates an average of 13 percent statewide over the next three years for residential rentals and other properties not occupied by their owners, state insurance regulators decided this week.

“Anyone who’s renting a home should be concerned because the cost is going to be passed on somehow,” said Willo Kelly, president of NC-20, a coalition of counties in eastern North Carolina, and government affairs director for the Outer Banks Association of Realtors.

Kelly said renters who have been trying to hold onto property they can’t sell in the glutted housing market are likely to be affected the most. She doesn’t expect the rate increase will significantly affect beach vacation rentals because of strong customer demand in recent years.

Although insurance rates will go up 13 percent overall, rates for certain regions of the state will be higher than that.

For counties in Territory 49 that includes Camden, Pasquotank, Chowan and Perquimans, rates will actually go up 25 percent. Rates for \$15,000 in coverage would go up from \$100 to \$125. The same would be true for inland portions of Dare and Currituck counties.

Rates on Outer Banks properties will be higher. Barrier island property owners will pay \$43 more, from \$171 to \$214 for \$15,000 of coverage,

The rate increase will be spread out over three years, which should help property owners adjust to the added cost, said Kelly.

Jon Summerton, vice president of Twiddy and Company Realtors, said the incremental rate increase will help. Owners of beach rentals can pass on the cost without raising prices too dramatically, he said.

Summerton said he doesn’t expect the higher insurance rates — and likely higher beach rental costs — will discourage vacationers from booking their summer lodging.

“Fortunately the rental demand has been strong in the past few years despite the economy,” he said.

Doug Brindley, owner of Brindley Beach Vacations and Sales, said the added insurance costs could hurt the local economy, however. If property owners delay home improvements to offset their expenses, the local economy could suffer, he said.

The realty company officials said the impact would have been worse if even higher rates that were proposed last year had been approved.

The N.C. Rate Bureau, which represents the insurance industry, had sought a 20 percent hike for the state overall.

For properties in Territory 49, that rate hike would have meant a 38 percent increase in rates, said Kelly.

The N.C. Department of Insurance rejected the proposed rate hike and any chance to negotiate anything lower. The Rate Bureau appealed that decision to the state Court of Appeals, which prompted the recent settlement.

Kelly said the settlement made behind closed doors leaves a lot of unanswered questions about how the rates were determined.

In its earlier decision against the rate hike, the insurance department had objected to the Rate Bureau's methods for determining insurance rates. The insurance industry has yet to explain its answer publicly, said Kelly.

"We have been arguing for three years now that this process needs to be improved and to be more transparent," said Kelly.

NC-20 and Kelly have claimed for some time that residents on the East Coast unfairly pay higher insurance rates than elsewhere in the state. Kelly cited the recent dwelling policy rate hike as an example.

Under the new increase for rental property, Charlotte's rates will go up 21 percent, but property owners will still be paying 12 times less than their counterparts in the northeast, Kelly said. Part of the problem are the calculations the Rate Bureau uses for determining the rates. Counties on the East Coast pay higher rates, presumably because of higher hurricane damage risks, but historical data does not support that assertion, said Kelly.

Brindley questioned if big changes in how rates are figured will happen, despite the evidence that the process is unfair. Lawmakers in the rest of the state are not going to agree to higher rates for their constituents, he said.

"It's just not right, but it's a long battle," said Brindley.

Josh Bass, president of the Currituck Chamber of Commerce, said the trend has not gone unnoticed by local businesses.

“The East Coast seems to be shouldering more of the insurance burden than the rest of the state,” he said.

Without some reform, other proposed insurance rate increases will only add to the disparity, said Kelly. The new rate increase is only one of a few potential increases to insurance costs in the next couple years.

“In the next few years with increased insurance costs, it’s going to hit us on all sides,” said Kelly.

In June, the Department of Insurance is expected to hear a proposal for a homeowners’ insurance rate hike. In addition, the state has been examining how it determines flood insurance rates.

Summerton said flood insurance for one of his homes quadrupled a couple years ago because of the flood map changes.