Expansion of State Insurance Pools in North Carolina, South Carolina, Texas, Georgia, and Alabama

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The figures below were found on the websites of the state-sponsored insurers of last resort for North Carolina, South Carolina, Texas, Georgia, and Alabama. This data shows how quickly and dramatically insurance companies have dropped coverage in the coastal areas of other Gulf and South Atlantic states, forcing property owners into the wind pools and other state-sponsored insurance pools.

The North Carolina Beach Plan's liability grew from $17.8 billion $65.9 billion in four years -

the plan covers $16.7 billion in New Hanover County alone;

The South Carolina's Wind Pool's liability grew from $5.4 billion to $16.1 billion in four years;

The Texas Wind Pool's liability grew from $38.3 billion to $58.6 billion in ONE YEAR -

the wind pool covers $17.9 billion in Galveston County alone;

The Georgia Fair Plan's liability in windstorm-only coverage grew from $565 million to $2.17 billion in three years;

The Alabama Beach Plan's liability grew from $341 million to $1.6 billion in three years.

These state pools have severe limitations. They are not allowed to build up sufficient reserves to cover a major catastrophe, so they are forced to pay excessive rates for reinsurance coverage from a weakly regulated and uncompetitive industry. Single state pools tend to concentrate risk so that much of the pool would be hit by a single event. Mississippi, Alabama, Georgia, and South Carolina have relatively small coastlines of from two to six counties. Florida, Texas, and North Carolina have coastal cities where substantial risk is concentrated in the state pool.

The proposal to allow coastal residents to purchase wind and flood coverage in one policy from the National Flood Insurance Program would stabilize these coastal markets, spread coastal risk broadly and more efficiently, and eliminate the disputes over the cause of damages that are unavoidable when wind and flood coverage are provided by separate policies. The government would not be subject to the volatility and manipulation of the private insurance market that follows every major disaster.

The government
would be able to set risk-based premiums based on the estimated losses, using the risk models and data currently used by the state pools, state insurance commissioners, and private insurance companies.