

THE FACTS: SOUTH CAROLINA HOMEOWNERS INSURANCE



MYTH: SC homeowners pay among the highest insurance rates in the country.

FACT: SC's rates are 4th lowest among states along the Gulf Coast and Southeast (from Texas to Virginia) for homes insured for less than \$500,000. Based on the most recent data, SC's statewide average annual homeowners insurance premium was \$997 in 2010. On average, rates for SC homes valued under \$125,000 are below the national average.

Source: NAIC



MYTH: SC homeowner insurance companies make over 20% profit each year.

FACT: Property insurance requires a long term perspective, with enough revenue needed to pay for the inevitable hurricane losses that will occur, in addition to the claims that insurers pay every day. Since 1987 (the earliest data available from NAIC) SC's homeowner insurers have actually had a negative cumulative return on net worth (-8.24%).

Source: NAIC



MYTH: SC homeowners insurance companies are avoiding risk and paying fewer claims.

FACT: In 2011, homeowners insurers in SC paid 79 cents in claims for every premium dollar they collected (a year in which no hurricanes made landfall in SC). When operating expenses are added in, the top 11 carriers, on average, paid \$1.22 for every \$1 they earned in premiums.

Source: SNL Financial



MYTH: SC has a low risk of hurricane damage.

FACT: Hurricanes Hugo (1989), Hazel (1954), Gracie (1959), and the great Sea Island Storm of 1893 are all examples of the significant exposure and risk SC faces. South Carolina has \$229.6 billion in insured value along its coast, representing 28% of the state's total insured value. This percentage of coastal exposure is much higher than in the neighboring states of NC (9%) and GA (5%). Mississippi's (\$51.8B in coastal exposure) and Alabama's (\$92.5B in coastal exposure) are also smaller percentages. The reality is that no coastal state, including SC, is immune from catastrophic storms. A "100 year storm" is a storm that has a 1% chance of occurring each and every year. Over the term of the average 30 year mortgage, there is a 25% chance of a "100 year storm."

Source: AIR Worldwide



MYTH: The cost to repair/rebuild homes has decreased.

FACT: Average claim severity (the cost of claims) in South Carolina has increased almost 155% since 1997.

Source: Fast Track Monitoring System

Sources:

National Association of Insurance Commissioners (NAIC) - NAIC is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories.

AIR Worldwide (AIR) - AIR Worldwide is the scientific leader and most respected provider of risk modeling software and consulting services.

Fast Track Monitoring System - Fast Track Monitoring System reports are prepared quarterly by the Independent Statistical Service, Inc. (ISS), Insurance Services Office, Inc. (ISO), and National Independent Statistical Service (NISS). These are statistical reports reflecting multi-year trends in private passenger auto and homeowners insurance experience.

SNL Financial, Inc. - SNL Financial combines exclusive analysis and in-depth data in real time for the banking, financial services and insurance industries.

WWW.SCINSNEWS.COM