

THE BUSINESS JOURNAL

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triad.bizjournals.com

The Business Journal

is a publication of

American City**Business Journals Inc.**

120 West Morehead Street,

Charlotte, NC 28202

Ray Shaw, Chairman

(1989 - 2009)

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COMMENTARY



'Beach Plan' insurance not worth a grain of sand

If you're like me, you learned only recently that North Carolina has a "Beach Plan." At first I thought it was a strategy for taking summer vacations, but it's actually a state-run insurance program for properties along the coast. And like so much else these days, the Beach Plan is in financial trouble.

Why is North Carolina in the insurance business? And why in particular is it insuring the beachfront homes of relatively well-off people? These are darned good questions, but they've been put to the side by the urgent need to fix the Beach Plan.

The Beach Plan was established in 1969 as the insurer of last resort for property owners on barrier islands directly adjacent to the ocean. But it evolved beyond its original mission, and now the plan sells homeowner's insurance throughout the 18 counties closest to the ocean. Only a third of insured homes are on barrier islands, which obviously stretches the concept of "beach."

And because the plan now insures over half of all homes in those 18 counties, it's hardly the insurer of last resort.

Over the years, the Beach Plan has undercharged coastal residents, who paid premiums that didn't fully reflect the risk of storm damage.

As a result, the plan is severely underfunded. Its reserves of less than \$2 billion are insufficient to cover the \$5 billion or more in losses that could result from a single large hurricane.

Currently, the Beach Plan can make up the difference through special levies on insurance companies. Not surprisingly, that prospect leaves insurers cold, and many are issuing ominous warnings about leaving the state. A few have already stopped writing policies here. Further withdrawals would end up costing all homeowners, because fewer insurers means less competition and higher premiums.

A bill making its way through the General Assembly would improve things, but it's no free lunch. The legislation would



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reduce the subsidies of coastal premiums, reduce coverage limits, and encourage homeowners to seek private insurance. It would keep the special levies on insurance companies but would cap them.

One provision of the bill has raised hackles in central and western North Carolina. In the event that losses exceed the plan's capacity, insurance companies would be allowed to add a premium surcharge to all homeowners in the state. That sounds

unfair, but as noted above, homeowners would pay even sooner without a fix. At least the proposed legislation caps the cost to homeowners far from the beach.

The bill isn't ideal, but it's a start. And perhaps it will give policy makers enough breathing room to ask why we should have a Beach Plan in the first place. Is there any reason that the vast majority of coastal homeowners shouldn't be insured by private insurers?

To be sure, it's reasonable to bypass the market when there's a compelling public interest. For example, most of us get our drinking water from municipal systems (gasp — socialized water!) because we believe that the ability to pay shouldn't be the determining factor in the distribution of a necessity. But while beachfront property is on the water, it's not a necessity like water.

Ideally, fixing the Beach Plan now will help lawmakers shrink it in the future. North Carolina should provide insurance to those who truly cannot afford it. But beyond that, fostering competition among private insurers in a regulated market is bound to be a better and more sustainable solution.

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Obama on target about importance of community colleges

Somewhere in the din of noise about Michael Vick, Jessica Simpson and other generally useless information, news about an initiative to give the nation's community colleges a much-needed boost in terms of attention and money was lost.

On July 14, while speaking at a community college in Michigan, President Obama rolled out a proposal to inject \$12 billion into the nation's community colleges.

About the only sound bite to be latched on to by the media from the president's speech that day is this one: "I love these folks who helped get us in this mess and then suddenly say, well, this is Obama's economy. That's fine. Give it to me. My job is to solve problems, not to stand on the sidelines and harp and gripe."

That's not intelligence the American people need. That's an example of political grandstanding, and, unfortunately, it's such trivial and meaningless drivel that the media in this nation, by and large, has come to latch on to.

What the president had to say that day was very important and very correct: It's time to recognize the vital role that community colleges play in educating those who do the work.

The big lie perpetuated over the years by the educational establishment and the political leadership is that every American needs a four-year college degree. That's simply not true.

What is true is that every American needs to, first, learn how to learn. That's the job of parents and secondary education. Then, every American needs a skill set to take to the workplace. That's the job not only of universities but also of community colleges.

I have no better idea of where Obama intends to come up with \$12 billion for community colleges that I do of how he can pay for a health-reform program or how he intends to pay down a national debt that's north of \$1 trillion and rising.

But he's right about the need to boost community colleges. With the nation's unemployment rate spiraling toward historic levels as our industrial base continues to erode, it is imperative that we have in place the ability to retool these workers.

Here in North Carolina, we're fortunate to have one of the oldest and best community college systems in the nation. I have seen its work first-hand, and it is a valuable resource that has perpetually been overshadowed by the University of North Carolina System.

Several years ago, a friend was drifting in search of what to do with his life, work wise. He was a smart guy, but he did not have an education beyond high school, and he had developed no real skills.

So, he enrolled at Wake Technical Community College and took a curriculum that armed him with the skills needed to apply for, and get, a job at a major manufacturing company in the Triangle.

He loved his work there, and he was good at it.

While there's probably some validity to the criticism that our new president is trying to do too much in too short a time frame, I'm convinced that he is absolutely correct in his assessment that community colleges need our support.

On that count, he sure has mine.

DALE GIBSON is managing editor of the Triangle Business Journal, a sister publication.



GUEST COLUMN

DALE GIBSON