Maryland

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Fwd: MD - Mobile Homes Insurance

1 message

listening sessions -MDInsurance- <listening.sessions@maryland.gov> Fri, Oct 25, 2024 at 1:55 PM
To: Joseph Sviatko -MDInsurance- <joseph.sviatko@maryland.gov>

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From: **Hermanator** <[redacted]>
Date: Wed, Oct 23, 2024 at 7:07 PM
Subject: MD - Mobile Homes Insurance
To: <Listening.sessions@maryland.gov>
Cc: Herman Delang <[redacted]>

I joined the hearing today, and was disappointed to hear the victimhood groupthink that was going on across the participants, from the Ocean City Mayor, to a few impacted local residents who have Mobile/Mfg Home assets, Insurance Agents, to the MD Insurance Commissioner, and to the Fair Plan Management.

No real solutions or ideas were put forth in the entire 60+ minute discussion, other than to witness people complain across the board.

I am not an Insurance Underwriter or work for any insurance companies, however I have been a Broker/Client Exec for decades with the largest MultiNational Broker in the world handling large real estate Clients (with multitudes of storm risk properties); and now a Risk Manager with a large Int'l organization.

The simple truth is Insurance capacity has left the Mfg/Mobile Home insurance market, and one only has to ask themselves why, and the answer is obvious - I did not hear anyone on today's call willing to self insure the property values, because the risk is obvious!
Mobile and Mfg. homes are the first to be destroyed in all types of weather events, whether it is storm surge, straightline wind or tornadoes.
Hurricanes Milton and Helene are the most recent tropical storm examples that show the most impacted nearshore properties, are the on the ground, unraised Mobile Homes. Mfg. and Mobile Homes do not stand a chance to any type of water surge for further obvious reasons, as they are not raised up at any elevation, and are generally weaker overall building structures.
Would anyone on the call, as an Underwriter place their Employers Capital at risk, and insure that most risky of property classes?
Of course not.

So it should be no surprise that this class of building structure in a flood surge risk area is basically doomed, as sooner or later a storm surge event will destroy them, no matter how updated their interiors may be. These properties are legacy property assets that cannot stand up to coastal flood exposures, and unless somehow raised, will be an ongoing albatross.

The entire call panel suffers from differing levels of recency bias, wherein a number of people echo'd each other claiming that since there has been minimal storm related loss damages since the early 90s, that it will basically not happen again.

The OC Mayor stated that the OC is hardened against storm surge, with beach replenishment dunes, and a boardwalk sea wall that is approx 14 feet high up to 27th street (details added).
However OC has no chance against 9 foot high repeated high tide cycles over 3 days, that would repeat the March/1962 nor'easter storm. Why? because surge would flow into Assowoman Bay through the OC inlet for a number of high tide cycles, and overwash most streets north of 27th (from both the bay and ocean).
Take a look at the coastline photos on these two articles (plenty of others online)

https://www.mdhistory.org/ocean-city-the-great-march-storm-of-1962/

https://www.washingtonpost.com/blogs/capital-weather-gang/post/ash-wednesday-storm-of-1962-50-year-anniversary/2012/03/06/gIQAkSY4uR_blog.html https://www.facebook.com/watch/?v=838774549956866

The 1933 Hurricane may have been worse 29 years earlier, as that storm cut the OC inlet between Assateague and OC.

Assowoman Bay and the entire coastline would have water coming through OC Streets at more than waist high level with repeated 9 foot high tides over multiple days from a stalled nor'easter. The North Side Mfg Home community would be completely flooded with 100% of properties severely flood damaged, if not actually floated and swept away in a total loss event.

Why would any logical Insurance Company take on that risk?

And note, none of this storm surge risk to Mobile Homes is from the current Climate Change baseless hysteria, as major damaging storms have already occurred in OC's history well before atmospheric carbon became the topic of the day.

Since no one can force Insurance Underwriters to insure risks they do not want, what are the actual potential solutions to the Mfg. Home risk problem?

I see only two:

1) A gov't funded backstop/Fair plan that provides market of last report insurance at sufficient replacement cost coverage levels to satisfy Mortgage Lenders.

This is an unmitigated taxpayer funded disaster waiting for the next storm. And I doubt MD taxpayers are willing to foot the bill for a few hundred or a thousand Mobile HomeOwner's mostly vacation properties.

2) Raise the structures!

Raising the Mfg Homes to 6 feet above the lot, and 10 feet above mean high tide will likely solve the uninsurable property problem (maybe).

In any event, raising will save the properties from the next major nor'easter to come along.

Developing some type of Gov't loan program that matches Homeowner costs on a 50/50 basis for Mfg Homeowners to utilize, may be the best viable option available.

i.e. - $40,000 to raise the home = $20K loan by Gov't Entity plus $20K equity funds by Homeowner.

A starting point would be to secure real world contractor estimates as to the costs of raising Mfg Homes, to better identify the cost/benefit.

The alternative is to watch these property values decline to a level where cash buyers are willing to shoulder the property loss risk - where that level may be is difficult to know.

I would welcome an opportunity to speak with interested parties in greater detail.

Best Regards,

Herman DeLang