

THE AFFORDABILITY AND AVAILABILITY OF HOMEOWNERS INSURANCE IN NEW JERSEY

Final 12/17/07

Abstract: This NAR Research Report describes how current trends in the homeowners insurance market have impacted housing prices and values in New Jersey. The components of this research includes surveys of REALTORS[®] and registered voters, targeted surveys of REALTORS[®] in New Jersey, an analysis of New Jersey homeowners insurance trends data, and an analysis of New Jersey housing markets.

12/17/2007



EXECUTIVE SUMMARY

The Affordability and Availability of Homeowners Insurance in New Jersey

Introduction

The frequency and intensity of natural disasters in recent years has made the acquisition of adequate insurance for residential and commercial properties very difficult in some areas of the country. Insurers are pulling out of selected local and regional markets, declining to write new policies, canceling existing policies, and increasing premiums and deductibles on existing policies.

Research Approach

The National Association of REALTORS[®] collected data on insurance and housing markets, and assessed perspectives on the issue from REALTORS[®] and members of the general public in affected states. The components of this comprehensive research project included:

- *Nationwide Phone Survey of Registered Voters w/oversamples in selected states*
- *Nationwide E-mail Survey of REALTORS[®] w/oversamples in selected states*
- *Survey of REALTORS[®], experiences with their clients in selected states*
- *Survey of REALTORS[®] as Homeowners in selected states*
- *Collection of current trend data in selected state insurance markets*
- *Collection of current trend data in selected state housing markets*

Conclusions

- **Insurance Data Analysis Conclusions:** Although New Jersey ranks among the top five states in terms of total value of insured coastal property, the dramatic increases in insurance premiums seen in other coastal states have not occurred. While premiums have increased between 2000 and 2006, homeowners insurance remains relatively affordable for most homeowners from numerous national and

regional insurers, compared to other northern coastal states such as Connecticut or Massachusetts.

- **Housing Data Analysis Conclusions:** Like the rest of the country, the housing markets in New Jersey thrived during the real estate boom, but slumped towards the end of 2005. However, unlike other markets, home prices in New Jersey have held up better than the country as a whole.

While it is difficult to isolate any one factor as having caused the housing slump, an increase in insurance premiums could be a contributing factor.

- **Survey Research Conclusions:** REALTORS[®] in New York/New Jersey are generally satisfied with the affordability and availability of homeowners insurance in their state. Although 32% of REALTORS[®] surveyed believe that homeowners insurance premiums have significantly increased, this perceived increase has not translated into any widespread dissatisfaction over their ability to acquire homeowners insurance, nor has it had any perceived widespread impact on the region's real estate markets. However, a majority also do not view the rise in premiums as justified by recent weather-related events.

THE AFFORDABILITY AND AVAILABILITY OF HOMEOWNERS INSURANCE IN NEW JERSEY

1. Introduction

The frequency and intensity of natural disasters in recent years has made the acquisition of adequate insurance for residential and commercial properties very difficult in some areas of the country. Insurers are pulling out of selected local and regional markets, declining to write new policies, canceling existing policies, and increasing premiums and deductibles on existing policies.

This situation may pose serious problems for REALTORS[®] : If prospective purchasers of real property are not able to obtain insurance, they may not be able to secure a mortgage, which could result in sluggish markets and diminished property values in disaster-prone areas.

To help members and states address this issue, the National Association of REALTORS[®] embarked upon an ambitious research agenda to collect data on insurance and housing markets, and assess perspectives on the issue from REALTORS[®] and members of the general public in affected states. The components of this comprehensive research project include:

Nationwide Phone Survey of Registered Voters w/oversamples in selected states: Assess registered voters' opinions of the need for, and effectiveness of, alternative public policy approaches to address catastrophes.

Nationwide E-mail Survey of REALTORS[®] w/oversamples in selected states: Assess REALTORS[®], opinions of the need for, and effectiveness of, alternative public policy approaches to address catastrophes.

Survey of REALTORS[®]' experiences with their clients in selected states: Assess how homeowners insurance problems have impacted REALTORS[®].

Survey of REALTORS[®] as Homeowners in selected states: Assess how homeowners insurance problems have impacted REALTORS[®] as homeowners.

Collect and analyze current trend data in selected state insurance markets: Collect and analyze current trend data in insurance markets.

Collect and analyze current trend data in selected state housing markets: Analyze current trend data in housing markets to assess the extent to which turmoil in the insurance markets have impacted housing prices and values.

Using these research components, this state report will tell a robust story about the availability and affordability of homeowners insurance in New Jersey.

NAR would like to thank the New Jersey Association of REALTORS® (NJAR®) and the NJAR® Governmental Research Foundation for their assistance in developing this report.

2. General Information on Homeowners Insurance in the United States

The average expenditure for homeowners insurance was \$729 in 2004, according to a February 2007 report by the National Association of Insurance Commissioners. Factors that have led to increases in homeowners premiums in the past few years include rising home values, higher repair and rebuilding costs, and larger than average catastrophe losses in hurricane-prone areas. The Insurance Information Institute (I.I.I.) estimates that the average homeowners insurance premium increased to \$787 in 2005 and then rose by 6% to \$835 in 2006. The I.I.I. projects that the average homeowners insurance expenditure will be \$868 in 2007.

AVERAGE PREMIUMS FOR HOMEOWNERS INSURANCE, U.S. 1998-2004

Year	Homeowners ⁽¹⁾	Percent Change
1998	\$481	5.7%
1999	488	1.5
2000	508	4.1
2001	536	5.5
2002	593	10.6
2003	668	12.6
2004	729	9.1

(1) Based on the HO-3 homeowner package policy for owner-occupied dwellings, 1 to 4 family units. Provides “all risks” coverage (except those specifically excluded in the policy) on buildings, broad named-peril coverage on personal property, and is the most common package written.

Source: National Association of Insurance Commissioners

AVERAGE PREMIUMS FOR HOMEOWNERS INSURANCE IN SELECTED STATES, 2004 ⁽¹⁾

<u>State</u>	<u>Avg Homeowners Insurance Premium ⁽²⁾</u>
Texas	\$1,362
Louisiana	1,074
Oklahoma	991
Florida	929
Mississippi	907
California	835
Kansas	833
New York	785
Connecticut	777
Hawaii	726
New Jersey	641
North Carolina	623
Virginia	616
Pennsylvania	593
Delaware	488

(1) Source: National Association of Insurance Commissioners (NAIC); 2007

(2) Based on the HO-3 homeowner package policy for owner-occupied dwellings, 1 to 4 family units. Provides "all risks" coverage (except those specifically excluded in the policy) on buildings, broad named-peril coverage on personal property, and is the most common package written.

**LEADING WRITERS OF HOMEOWNERS INSURANCE IN THE U.S., BY
DIRECT PREMIUMS WRITTEN, 2005 (in \$000)**

Rank	Company/Group	Direct premiums written ⁽¹⁾	Market share (percent)
1	State Farm Mutual Group	\$12,835,980	22.2%
2	Allstate Insurance Co. Group	7,054,405	12.2
3	Farmers Insurance Group	3,936,087	6.8
4	Nationwide Group	2,703,828	4.7
5	St. Paul Travelers Companies and Affiliates	2,416,817	4.2
6	United Services Automobile Association Group	2,277,258	3.9
7	Liberty Mutual Group	1,716,041	3.0
8	Combined Federal Ins. Co. and Affiliates (Chubb)	1,611,232	2.8
9	American Family Insurance Group	1,434,809	2.5
10	Hartford Fire Group	943,717	1.6

(1) Before reinsurance transactions, excluding state funds.

Source: National Association of Insurance Commissioners (NAIC) Annual Statement Database

Causes of Homeowners Insurance Losses

Changes in the percentage contributed by each type of homeowners loss from one year to another are partially influenced by large fluctuations in the number and severity of weather-related events such as hurricanes and winter storms. There are two ways of looking at losses: by the average number of claims filed per 100 policies (frequency) and by average amount paid for each claim (severity). Incurred homeowners losses increased

to \$61.3 billion in 2006 from \$57.7 billion in 2005, according to Highline Data. Each year about 7% of insured homes have damage that results in a claim, according to the Insurance Services Office (ISO).

HOMEOWNERS INSURANCE LOSSES BY CAUSE, 2001-2005 ⁽¹⁾

Cause of Loss	2001	2002	2003	2004	2005
Property damage					
Fire, lightning and debris removal	30.8%	32.6%	31.8%	20.5%	25.1%
Wind and hail	21.7	20.7	25.5	51.2	45.0
Water damage and freezing	22.3	21.5	21.9	15.7	16.8
Theft	4.7	4.5	3.3	2.2	2.6
All other property damage (2)	13.2	12.3	10.7	6.1	6.5
Liability					
Bodily injury and property damage	6.5	7.3	5.8	3.7	3.3
Medical payments and other	0.7	0.8	0.8	0.7	0.7
Credit card and other (3)	0.2	0.3	0.2	0.1	0.1

(1) Data exclude tenants and condominium owners insurance.

(2) Includes vandalism and malicious mischief.

(3) Includes coverage for unauthorized use of fund transfer cards, and forgery and counterfeit currency.

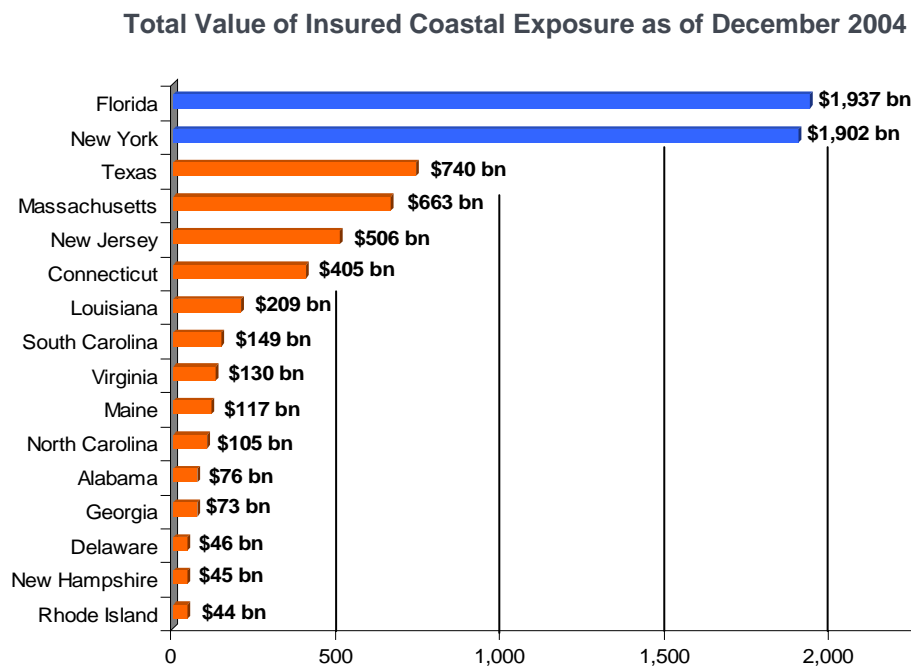
Source: ISO.

3. The Homeowners Insurance Market in New Jersey

According to recent studies, New Jersey ranks among the top five states in terms of total value of insured coastal exposure, exceeding \$506 billion in 2004. Although New Jersey is susceptible to hurricanes, a major storm has not occurred since Hurricane Gloria in 1985. While Hurricane Bob hit the Northeast in 1991, it missed New Jersey

despite causing more than \$600 million in damages to nearby New York, Connecticut, and other New England jurisdictions. Most of the state's catastrophic losses in recent years have been a result of wind damage, snow, ice, freezing, and flooding.

As evident in other coastal homeowners markets, availability issues exist in part of New Jersey due to the fact that insurers have been forced to impose stricter underwriting guidelines, including raising rates or dropping coverage for certain risks.



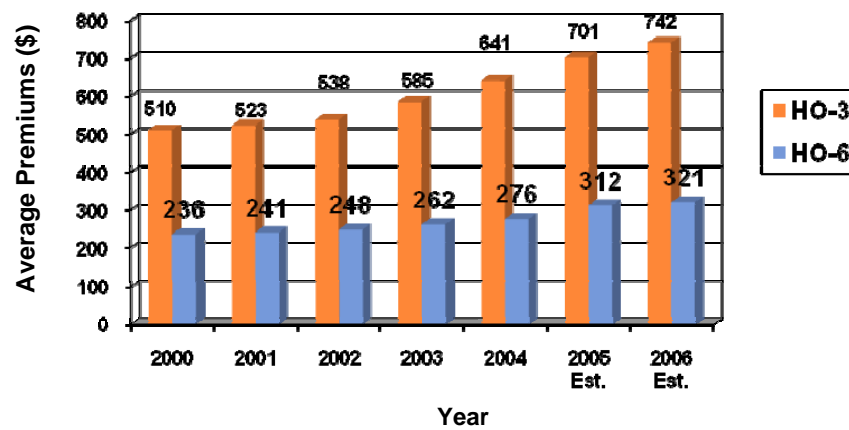
Source: Data from Applied Insurance (AIR) Worldwide

4. Types of Policies: Coverage and Premiums

For the analysis on policy coverage and premiums, HO-3, the most common homeowners policy, and HO-6, the condominium policy was used. The HO-3 policy is the broadest individual homeowner policy. It covers all perils except those specifically excluded by the policy and for many years, has been the consistent choice of more than 75% of all New Jersey homeowners. The HO-6 policy is the standard policy for condominium and co-op owners and covers the content of the owner's unit and any structural parts of the building for which unit owners are responsible.

Chart 1 shows the average premium for HO-3¹ and HO-6² homeowners insurance policies for the years 2000-2006. Chart 2 illustrates the percent change in average premiums for homeowners insurance policy types HO-3 and HO-6, 2000-2006. Chart 3 illustrates the aggregate premiums for homeowners insurance policies, 2000-2006. Charts 4 and 5 break down coverage into specific dollar amounts reflecting different insurance coverage amounts in New Jersey for HO-3 and HO-6 policies from 2000 to 2006.

Chart 1 Average Premiums for Homeowners Insurance Policy Types HO-3 and HO-6: 2000-2005 New Jersey

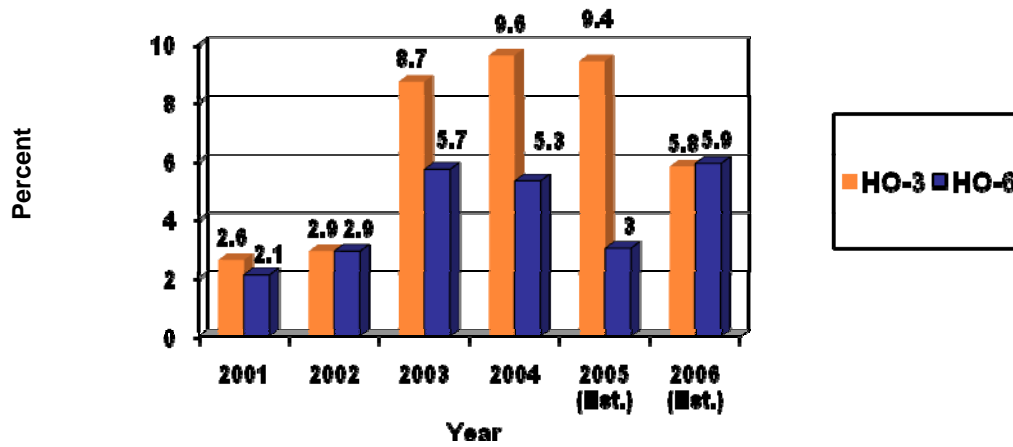


Source: NAIC data 2000-2004; A.M. Best data 2005-2006

¹ HO-3: Provides "all-risks" coverage on buildings, broad named-peril coverage on personal property; most common package written.

² HO-6 (Condo/Co-Op Insurance): Broad named-perils coverage for personal property of condominium or cooperative unit owners, as well as certain building items in which the unit owner may have an insurable interest.

Chart 2 – Prior Year Percent Change In Average Premiums for Homeowners Insurance Policy Types HO-3 and HO-6: 2000-2006 New Jersey



Source: National Association of Insurance Commissioners Homeowners Reports: 2000-2004, and A.M. Best data to estimate 2005 - 2006

Note: HO-3 Policy Type is most common homeowners insurance package written; HO-6 is for Condo/Co-op.

Chart 3 -- Aggregate Premiums for Homeowners Insurance Policies: 2000-2006 New Jersey

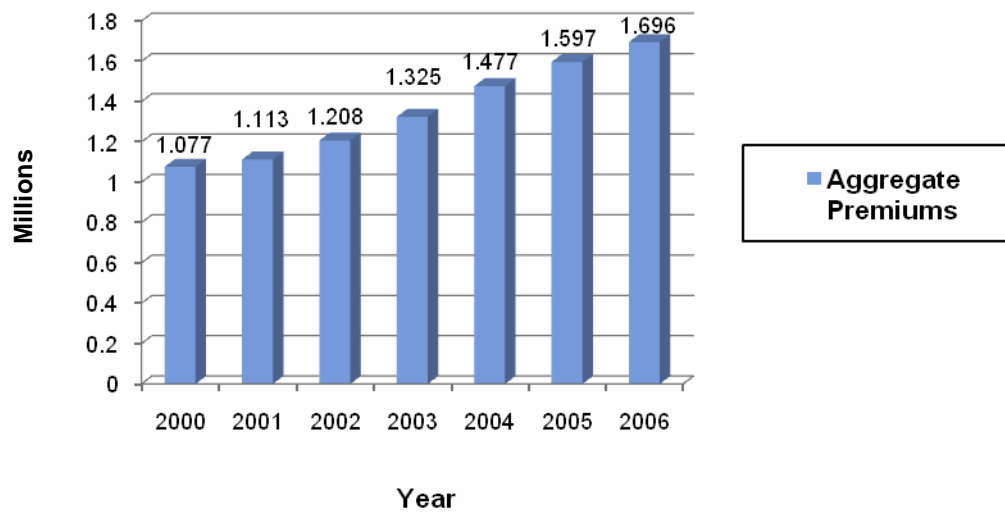
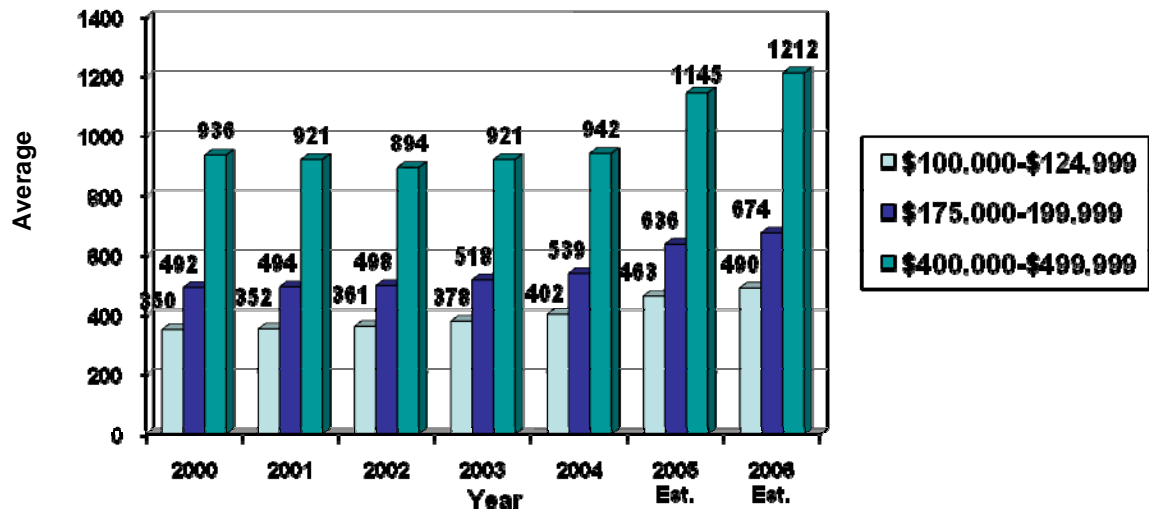
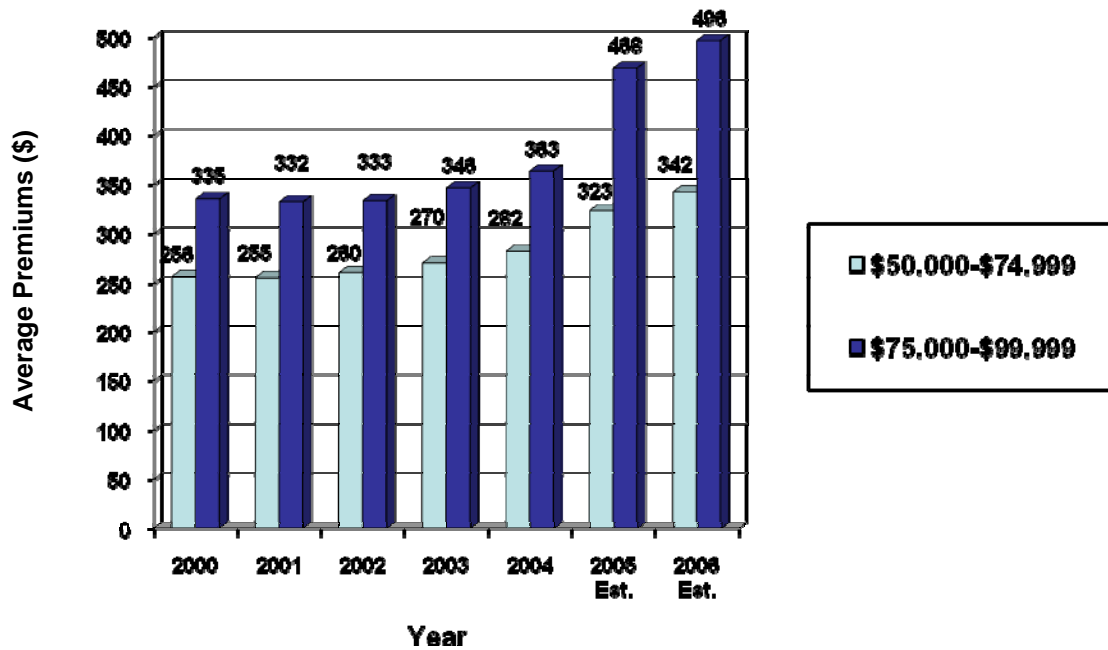


Chart 4 – HO-3 Policy Type Premiums for Selected Homeowners Insurance Ranges: 2000-2006 New Jersey



Source: NAIC data for 2000-2004; A.M. Best data for 2006

Chart 5 – HO-6 Policy Type Premiums for Selected Insurance Ranges: 2000-2005 New Jersey



Source: NAIC data for 2000-2004; A.M. Best data for 2005 - 2006

5. Claims and Loss Rates 2000-2006

The loss ratio is the ratio of the annual claims paid by an insurance company to the premiums received. The lower the loss ratio the better for the insurance companies. Higher loss ratios often indicate that an insurance company needs better risk management policies to guard against future possible insurance payouts.

There is always concern for claims activity in New Jersey due to the fact it ranks among one of the most densely settled states in the nation coupled with the market's high aggregate value of insured residential property. However, loss experience has been relatively uneventful from an insurance industry standpoint in recent years. Since 2000, the sector's adjusted loss ratio in New Jersey has been fairly consistent—ranging from a high of 61.8 in 2003 to a low of 49.9 in 2006.

It appears that New Jersey has more frequent claims activity as storms and other weather-related events can occur year-round. However another type of catastrophe, in the form of a massive wildfire, recently occurred in the New Jersey Pinelands that was approximately 20 square miles in size and impacted about 20 dwellings.

6. Leading Insurance Companies in New Jersey

Today, the New Jersey homeowners insurance market remains concentrated, with the top 10 insurers accounted for 70.04% of the state's total 2006 direct premiums written. As is the case in many markets, the top two insurers are State Farm and Allstate, which combined accounted for 26% of the homeowners premiums in the state. It should be noted that Allstate surpassed State Farm as the market leader in 2006 on the strength of 10% growth during the year.

According to A.M. Best data, total direct premiums written in New Jersey have grown at a modest rate since 2000. Overall, the top 10 insurers have remained essentially unchanged and are split between companies that are part of large national insurance groups and regional carriers.

TOP 10 NJ INSURERS / MARKET SHARE AND LOSS RATIO – 2006

INSURERS	DIRECT PREMIUMS WRITTEN (in \$000s)	STATE MARKET SHARE	ADJUSTED LOSS RATIO
Allstate	\$225,436	13.3%	44.9
State Farm	\$214,788	12.7%	49.0
Chubb	\$152,429	9.0%	41.5
Palisades	\$115,410	6.8%	50.6
NJM	\$113,775	6.7%	56.7
Travelers	\$103,261	6.1%	55.7
Liberty Mutual	\$95,928	5.7%	49.9
Franklin Mutual	\$66,512	3.9%	65.9
USAA	\$55,313	3.3%	50.0
Philadelphia Contributionship	\$50,481	3.0%	56.6

Source A.M. Best (Note: The adjusted loss ratio, which is a measure of claims activity, is defined as direct incurred losses divided by the differences between direct premiums earned and dividends paid to policyholders.)

7. Availability of Homeowners Insurance

Measuring availability is fairly subjective and more difficult to measure than insurance premiums. Availability can relate to the quality of the options available to a homeowner rather than whether the homeowner can obtain homeowners insurance at all. New Jersey has a competitive homeowners insurance market with both national and major regional companies writing homeowners coverage.

The New Jersey residual market mechanism is the New Jersey Insurance Underwriting Association (NJIUA). The NJIUA was established in the late 1960s and resulted from a recommendation of the Kerner Commission that was established following the 1968 riots. A key finding of the Commission was that the lack of insurance was a factor in the high unemployment rate and lack of development in New Jersey's urban areas. The mission of NJIUA is to provide property insurance to homeowners and others who cannot secure coverage in the private market. NJIUA does not compete with private insurers. All private homeowners insurance companies operating in New Jersey are required to be members of NJIUA.

The New Jersey legislature also has created the Windstorm Market Assistance Program (WindMAP) which is a voluntary network of private insurance companies,

agents and brokers that helps homeowners located in the coastal areas of New Jersey obtain homeowners insurance. To qualify for homeowners insurance through WindMAP, homeowners must prove that they cannot obtain insurance in the private market. WindMAP is operated by NJIUA under an agreement with the New Jersey Department of Banking and Insurance.

8. Financial Health of the Companies

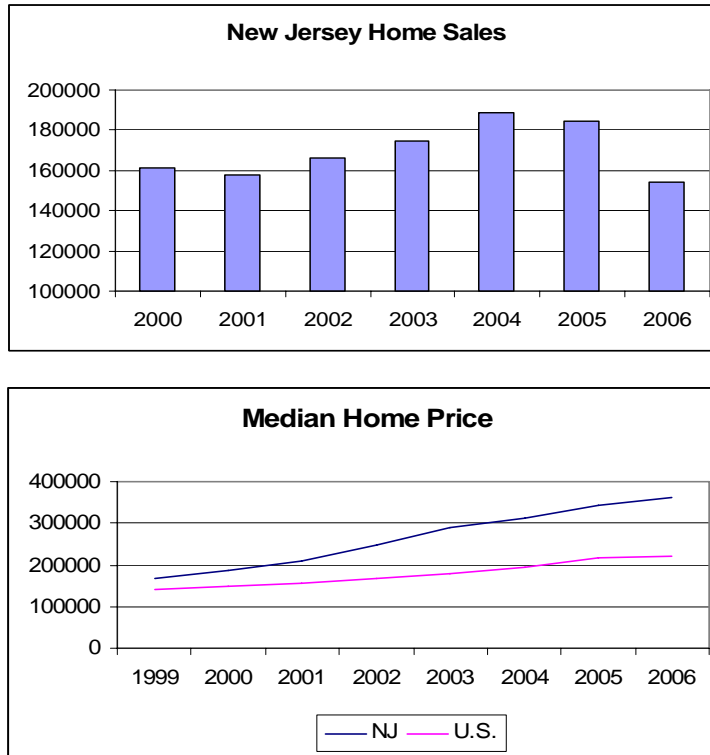
Despite the coastal exposure in New Jersey, recent years' claims activity has been relatively consistent versus some of the volatile loss experience witnessed in other U.S. coastal markets. As mentioned earlier, the market is largely insured by companies that are part of large national insurance groups that have significant capital along with regional and local insurers who also have adequate financial strength. Over the past 30 years, there has been minimal insolvency activity for New Jersey-based insurers, particularly as a result of catastrophes.

9. The Housing Market in New Jersey

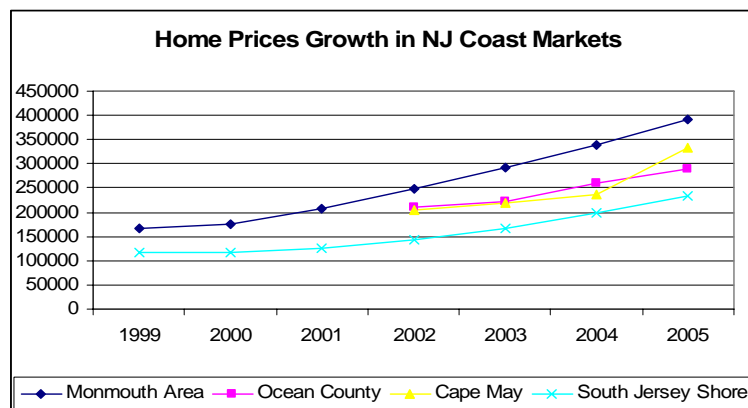
Background: In this section of the analysis, we will review housing market conditions in New Jersey statewide and in the New Jersey coastal markets. We note that at the time that this analysis there was no data available for the coastal markets in New Jersey at the zip code level. Therefore, we use aggregated county level data to assess the coastal markets, but we acknowledge that the county level data includes both coastal and non-coastal home sales, and therefore it is not a pure estimate of coastal activity. Using the best data available, we define four counties in New Jersey as “coastal markets.” Those four are: Cape May County, Atlantic County, Ocean County, and Monmouth County. We further note that the figures contained here are unpublished and based on NAR’s raw sample of Multiple Listing Services in New Jersey. Therefore, although we attempt to provide reliable information, we cannot guarantee that all of the information is accurate.

New Jersey Housing Market: Much like the rest of the Country, the housing markets in New Jersey thrived during the real estate boom. From 2001 to 2005, home sales in New Jersey rose 17.2%. Although this sales-pace is lower than the nation as a whole, which rose 32.6% over the same period, it is indicative of very healthy activity. The strongest year for home sales in New Jersey was 2004. As mortgage rates hovered near historic lows of 5.84%, home sales surged in New Jersey, rising 8.2% that year to a level of 188,600 units – an all time high for the state of New Jersey. During the boom,

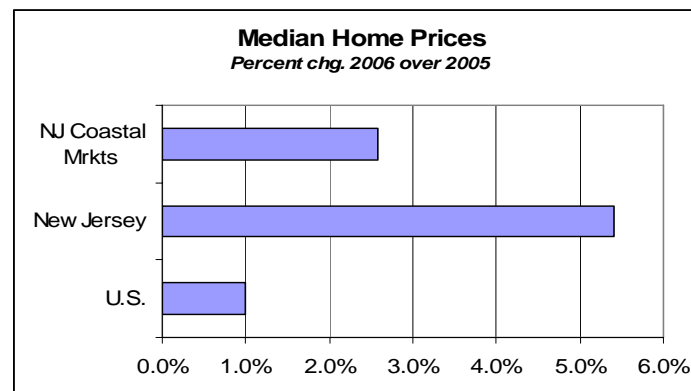
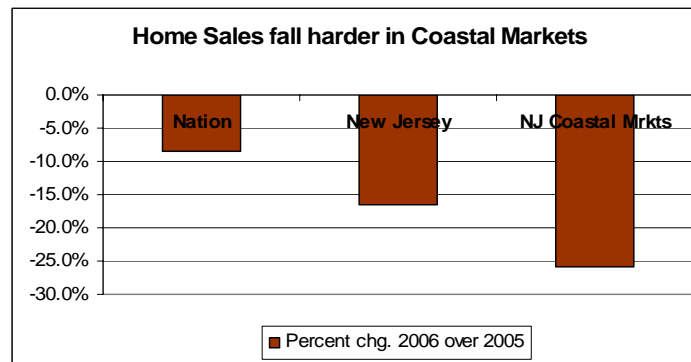
the record level of demand for homes and lean inventories placed a strong upward pressure on home prices in New Jersey. From 2000 to 2005, the median price of a home in New Jersey rose from \$186,700 to \$344,300, an increase of 84.4%. This was significantly higher than the 53% home price appreciation experienced nationwide.



New Jersey Coastal Markets: The coastal markets in New Jersey also performed exceedingly well during the housing boom. Home sales rose approximately between 15% and 20% during the boom. While home sales in certain counties like Monmouth posted more moderate growth, others like Atlantic County (South Jersey Shore) and Ocean County soared, rising nearly 10% every year from 2000 to 2005. Strong demand and limited supply caused home prices in the coastal markets to skyrocket. Overall, the coastal markets saw prices grow at an average growth rate of 103.5% during the boom, which was better than New Jersey statewide (84.4%) and almost double the rate of growth nationwide (53%).



Housing Slump: The turning point in the housing market came in October 2005. The combination of rising mortgage rates and higher home prices squeezed out many potential buyers. The effects of the downturn were felt in nearly every market of the country, with only a few rare exceptions posting increases in 2006. In New Jersey, the housing market fell more steeply than the rest of the country. In 2006, home sales fell by 16.4%, compared to the U.S. which fell 8.5%. The coastal markets in New Jersey fared even worse. On average, home sales in the four coastal counties plunged 26% in 2006. The sales declines were fairly consistent across the four counties, with all falling by over 20%.



Home prices have remained sticky during this down cycle. Nationally, home prices rose 53% during the boom. Home price growth began decelerating by April 2006, and by August, prices began falling compared to a year-earlier. In 2006, national home prices rose 1.0% (albeit, they were negative from August through the remainder of the year). In New Jersey, due to slightly leaner inventory situation, home prices have held up better than the country as a whole. In 2006, the median price of a home in New Jersey rose 5.4% to a level of \$362,900. New Jersey's Coastal Markets also fared better than most markets, rising 2.6% in 2006.

10. Perceptions of Homeowners Insurance in New Jersey

This research project conducted several surveys to “ground-truth” or validate the results of the extensive data collection and analysis activities on insurance and housing markets in New Jersey. The purpose of these surveys was to analyze perceptions of REALTORS[®] and registered voters regarding the affordability and availability of homeowners insurance in selected states. These surveys included:

Nationwide Phone Survey of Registered Voters w/oversamples in selected states: Assess registered voters' opinions of the need for, and effectiveness of, alternative public policy approaches to address catastrophes.

Nationwide E-mail Survey of REALTORS[®] w/oversamples in selected states: Assess REALTORS[®]' opinions of the need for, and effectiveness of, alternative public policy approaches to address catastrophes.

Survey of REALTORS[®]' experiences with their clients: Assess how homeowners insurance problems have impacted REALTORS[®].

Survey of REALTORS[®] as Homeowners in selected states: Assess how homeowners insurance problems have impacted REALTORS[®] as homeowners.

11. Analysis of Survey Data

Respondents to the nationwide e-mail survey of REALTORS[®] addressed a number of questions regarding the affordability and availability of homeowners insurance. The New York/New Jersey area was oversampled to get a sense of the perceptions of members in these states.

According to the following chart, REALTORS[®] in the New York/New Jersey are generally satisfied with the affordability and availability of homeowners insurance in their state. Although 32% of REALTORS[®] surveyed believe that homeowners insurance premiums have significantly increased, this perceived increase has not translated into any widespread dissatisfaction over their ability to choose homeowners insurance, nor has it had any perceived widespread impact on the region's real estate markets.

NY/NJ Homeowners Insurance Perceptions Summary

REALTORS[®]

Question		New Jersey Response		Nationwide Response
Do homeowners have a choice when choosing homeowners insurance?		78% - YES		74% - YES
Have homeowners insurance premiums gone up?		32% - Significantly UP		40% - Significantly UP
Has the cost/availability of homeowners insurance had an impact on real estate markets?		3% - Significant impact		10% - significant impact

Registered Voters

Question		New Jersey Response		Nationwide Response
Do homeowners have a choice when choosing homeowners insurance?		69% - YES		70% - YES
Have homeowners insurance premiums gone up?		50% - Significantly UP		47% - Significantly UP
How do you feel about your homeowners insurance company?		69% -Favorable 7% - Unfavorable		76% -Favorable 7% - Unfavorable

However, lack of impact on real estate markets has not prevented REALTORS® in the region from thinking through how these issues could be resolved. Sixty-three percent of NY/NJ REALTORS® surveyed believe that the federal government can play an important role to prepare for, and respond to, natural disasters. Fifty-five percent NY/NJ REALTORS® also believe that higher insurance premiums, as opposed to higher taxes, should be used to fund preparedness and response activities.

Results of Homeowners Insurance Survey of NJ REALTORS®

A sample of New Jersey REALTORS® was polled about their experiences with clients and their own experiences as homeowners relating to the availability and affordability of homeowners insurance. The goal of this survey is to gauge, from a homeowner's perspective, the impact of recent changes in the market for homeowners insurance stemming from a number of weather and natural disaster events including a particularly active 2005 hurricane season.

REALTORS® Experience as Homeowners

A far higher percentage of REALTORS® are homeowners compared with the population at-large and because of their role in the buying and selling of homes are aware, possibly to a greater degree than many homeowners, of recent changes in the market for homeowners insurance.

Among those REALTORS® surveyed, 96% were homeowners. Nearly all REALTOR®-homeowners (98%) reported that their primary residence was covered by insurance, either through New Jersey's state sponsored insurance program (5%) or through a private carrier (93%). A majority (6 %) have had the same carrier for at least four years.

The median annual insurance premium reported by this group of homeowners is \$830 in 2007. Eleven percent reported that their annual insurance premium was less than \$500, while a slightly greater percentage (12%) reported that their annual premium exceeded \$2,000. Among REALTOR®-homeowners who owned the same property in 2004, the median annual premium was approximately \$700 at that time. Thirty percent reported that their annual premium was less than \$500 while just 6% noted that their premium exceeded \$2,000 in 2004.

While premiums are an important component of the overall cost of insurance, the deductible also affects the potential out-of-pocket costs that homeowners may incur. The median deductible for REALTOR®-homeowners is \$900 in 2007. Fifty-six percent of

REALTOR[®]-homeowners reported that their deductible was less than \$1,000 with an additional 36% noting that their deductible was in the range of \$1,001 to \$2,000. Among those homeowners who owned the same property in 2004, the median deductible was \$730 at that time. Eighty percent indicated that their deductible was less than \$1,000 while 16% reported a deductible of \$1,001 to \$2,000.

Vacation homes may be located in areas more often prone to weather-related damages and loss. Among REALTOR[®]-homeowners who owned a vacation home, the median annual insurance premium was approximately \$915 with a median deductible of \$1,100. Eighty-three percent of vacation homeowners indicated that they had taken no actions, such as installing storm windows, to mitigate property damage caused by severe weather.

REALTOR[®]-homeowners generally believe that insurers are using recent hurricane damage to justify premium increases. Slightly less than two-thirds of owners (63%) disagree with the view that higher insurance premiums are justified given that insurers may face greater future risks and potentially higher payouts due to hurricanes and other natural disasters. At the same time, 69% believe premium hikes have been excessive and insurers are using the damage caused by recent hurricanes to justify these increases. A majority of REALTOR[®]-homeowners (84%) agree that homeowners need to bear some of the responsibility for initiating preventative measures to minimize damage in areas prone to natural disasters. Nearly three-quarters also agree that federal and state governments need to provide assistance to victims of catastrophes such as terrorist attacks or severe weather-related damage to property.

REALTORS[®] Experience when Working with their Clients

Seventy-five percent of REALTORS[®] indicated that their clients are aware of the cost of homeowners insurance when in the market to buy a home. Fully 20% of REALTORS[®] report that they have had at least one client postpone or cancel the purchase of a home due to the cost or availability of homeowners insurance.

More than half of REALTORS[®] agreed that homeowners insurance was a concern for their most recent client. Six percent of REALTORS[®] indicated that their most recent client decided not to move forward with their home search because of insurance cost or availability. (Because the survey asked only about REALTORS[®] most recent client, these are conservative estimates since they do not reflect the concerns and observations among a REALTORS[®] entire client base.)

For those buyers that were able to complete a purchase, REALTORS[®] reported that two-thirds secured homeowners insurance from a private insurance carrier while 8% purchased insurance through the New Jersey state insurance program.

From the perspective of home sellers, there are many reasons to consider the sale of a home. Changes in their family situation, retirement or relocation are some of the most common reasons that sellers offer for putting their home on the market. However, for 7% of sellers, the cost of homeowners insurance was a consideration in their decision to sell their home.

More than half of REALTORS[®] (58%) indicated that their clients thought that high insurance rates were having a moderate to significant effect on the real estate market.

The experience of REALTORS[®], whether as homeowners themselves or as agents for their clients, reflect many of the concerns of all homeowners. REALTORS[®], like many other homeowners, have experienced increases in insurance premiums along with higher deductibles. A majority also do not view the rise in premiums as justified by recent weather-related events and disasters. This awareness of homeowners insurance is also evident among the recent home buyer and seller clients of REALTORS[®]. In fact, in some cases, insurance cost and availability have been a factor in the decision to sell a home or to forego the purchase of a home.

CONCLUSIONS

Insurance Data Analysis Conclusions: Although New Jersey ranks among the top five states in terms of total value of insured coastal property, the dramatic increases in insurance premiums seen in other coastal states have not occurred. While premiums have increased between 2000 and 2006, homeowners insurance overall remains relatively affordable for most homeowners and available from numerous national and regional insurers, compared to other coastal states in the northeast such as Connecticut or Massachusetts.

Although Allstate decided in December of 2006 not to write any new policies in New Jersey, availability of homeowners insurance in the state does not pose a problem because of the number of other insurers, including State Farm and Chubb, which currently write policies in the state. In addition, New Jersey has established the Windstorm Market Assistance program (WindMap) to help coastal residents obtain insurance.

Housing Data Analysis Conclusions: Like the rest of the country, the housing markets in New Jersey thrived during the real estate boom, but slumped towards the end of 2005. However, unlike other markets, home prices in New Jersey have held up better than the country as a whole. In 2006, the median price of a home in New Jersey rose 5.4% to a level of \$362,900. New Jersey's Coastal Markets also fared better than most markets, rising 2.6% in 2006.

While it is difficult to isolate any one factor as having caused the housing slump, an increase in insurance premiums certainly could be a contributing factor.

Survey Research Conclusions: Sixty-nine percent of REALTORS® in the New Jersey area are satisfied with the affordability and availability of homeowners insurance in their state. Although 32% of REALTORS® surveyed believe that homeowners insurance premiums have significantly increased, this perceived increase has not translated into any widespread dissatisfaction over their ability to choose homeowners insurance, nor has it had any perceived widespread impact on the region's real estate markets. However, a majority of REALTORS® do not view the rise in premiums as justified by recent weather-related events.

The lack of impact on real estate markets has not prevented REALTORS® in the region from thinking through how these issues could be resolved. Sixty-three percent of NY/NJ REALTORS® surveyed believe that the federal government can play an important role to prepare for, and respond to, natural disasters. NY/NJ REALTORS® also believe that higher insurance premiums, as opposed to higher taxes, should be used to fund preparedness and response activities.