

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2013

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SENATE DRS35257-MH-24A\* (01/28)

Short Title: Property Insurance Rate-Making Reform. (Public)

Sponsors: Senators Sanderson and Cook (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE FAIRNESS AND EQUITY OF THE PROPERTY INSURANCE RATE-MAKING PROCESS BY PROVIDING FOR GREATER TRANSPARENCY REGARDING THE ROLE OF CATASTROPHE MODELING IN PROPERTY INSURANCE RATE FILINGS; AND BY PROVIDING THAT COSTS OF REINSURANCE INCLUDED IN A PROPERTY RATE FILING BE PROPERLY ALLOCABLE TO NORTH CAROLINA; AND BY ESTABLISHING A TWO-TIERED RATE THAT PROVIDES FOR A STATEWIDE RATE AND AN ADDITIONAL CATASTROPHE RATE BASED ON ACTUAL HISTORICAL LOSSES AS WELL AS CATASTROPHE MODELING.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 58-36-10 reads as rewritten:

**"§ 58-36-10. Method of rate making; factors considered.**

The following standards shall apply to the making and use of rates:

...

- (3) In the case of property insurance rates under this Article, consideration ~~may~~ shall be given to the experience of property insurance business during the most recent five-year period for which that experience is available. In the case of property insurance rates under this Article, consideration shall be given to the insurance public protection classifications of fire districts established by the Commissioner. The Commissioner shall establish and modify from time to time insurance public protection districts for all rural areas of the State and for cities with populations of 100,000 or fewer, according to the most recent annual population estimates certified by the State Budget Officer. In establishing and modifying these districts, the Commissioner shall use standards at least equivalent to those used by the Insurance Services Office, Inc., or any successor organization. The standards developed by the Commissioner are subject to Article 2A of Chapter 150B of the General Statutes. The insurance public protection classifications established by the Commissioner issued pursuant to the provisions of this Article shall be subject to appeal as provided in G.S. 58-2-75, et seq. The exceptions stated in G.S. 58-2-75(a) do not apply. If the Rate Bureau presents any modeled hurricane losses based upon a commercial hurricane simulation computer model with a property insurance rate filing, the Bureau shall present data from more than one such model.

...."



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1           **SECTION 2.** G.S. 58-36-15 reads as rewritten:

2   "**§ 58-36-15. Filing loss costs, rates, plans with Commissioner; public inspection of filings.**

3    ...

4       (d2) The following supporting data, at a minimum, shall be included in any property  
5 insurance rate filing where a catastrophe model is used:

6       (1) Any simulated loss from a catastrophe model should include the following:

7           a. An event identifier.

8           b. The simulation year.

9           c. The State and county of first landfall, and the wind speed, based  
10 upon the Saffir-Simpson scale, at landfall.

11           d. The gross amount of North Carolina damages before application of  
12 any deductible or other applicable policy provisions that impact the  
13 coverage, calculated with and without any applicable demand surge  
14 adjustments.

15           e. The net amount of North Carolina insured loss after application of  
16 any deductible or other applicable policy provisions that impact the  
17 coverage, calculated with and without any applicable demand surge  
18 adjustments.

19           f. Any other information required by rules promulgated by the  
20 Commissioner.

21       (2) Annual historical exposure and hurricane loss data by territory for 1987 and  
22 each subsequent year.

23       (3) If requested by the Department, a statistical analysis comparing the historic  
24 loss data required by subdivision (2) of this subsection with any simulated  
25 losses used to support the rate filing.

26       (d3) With respect to property insurance rate filings, the Bureau, no later than January 1,  
27 2015, shall transition to a two-tier system for filings for policies issued or renewed after that  
28 date. A policy holder's total rate for property insurance shall be the sum of the two rate tiers  
29 meeting all of the following requirements:

30       (1) The first rate tier shall be set on a statewide basis, based on consideration of  
31 all risks with the exception of catastrophe-related wind and hail peril. This  
32 tier shall be designated and set forth separately in all property insurance  
33 premium communications with insured parties as the "Statewide  
34 Noncatastrophe Premium." Territorial exceptions to the statewide rate will  
35 be permitted if there is credible data supporting a rate differential of at least  
36 fifteen percent (15%) from the statewide rate.

37       (2) The second rate tier will present the rate proportion needed on a regional  
38 basis to cover the costs of reinsurance and the risks for catastrophe-related  
39 wind and hail peril. This tier shall be designated and set forth separately in  
40 all property insurance premium communications with insured parties as the  
41 "Catastrophe Premium."

42    ...."

43       **SECTION 3.** This act becomes effective July 1, 2013.