

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

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HOUSE BILL 27*
Committee Substitute Favorable 2/13/13
PROPOSED COMMITTEE SUBSTITUTE H27-PCS70407-SV-24

Short Title: Workers' Comp Fund/Safety Workers Allocation.

(Public)

Sponsors:

Referred to:

January 31, 2013

1 A BILL TO BE ENTITLED
2 AN ACT MODIFYING THE ALLOCATION OF THE PROCEEDS FROM THE GROSS
3 PREMIUM TAX ON INSURANCE COMPANIES UNDER G.S. 105-228.5 TO
4 INCLUDE DEDICATED FUNDING FOR THE WORKERS' COMPENSATION FUND
5 FOR THE BENEFIT OF VOLUNTEER SAFETY WORKERS.

6 The General Assembly of North Carolina enacts:

7 **SECTION 1.** G.S. 105-228.5(d)(3) reads as rewritten:

8 "(d) Tax Rates; Disposition. –

9 ...

10 (3) Additional Rate on Property Coverage Contracts. – An additional tax at the
11 rate of seventy-four hundredths percent (0.74%) applies to gross premiums
12 on insurance contracts for property coverage. The tax is imposed on ten
13 percent (10%) of the gross premiums from insurance contracts for
14 automobile physical damage coverage and on one hundred percent (100%)
15 of the gross premiums from all other contracts for property coverage. ~~Thirty~~
16 ~~percent (30%)~~ Twenty-five percent (25%) of the net proceeds of this
17 additional tax must be credited to the Volunteer Fire Department Fund
18 established in Article 87 of Chapter 58 of the General Statutes. ~~Twenty-five~~
19 ~~percent (25%)~~ Twenty percent (20%) of the net proceeds must be credited to
20 the Department of Insurance for disbursement pursuant to G.S. 58-84-25.
21 ~~The remaining net proceeds must be credited to the General Fund. Up to~~
22 ~~twenty percent (20%), as determined in accordance with G.S. 58-87-10(f),~~
23 must be credited to the Workers' Compensation Fund. The remaining net
24 proceeds must be credited to the General Fund.

25 The following definitions apply in this subdivision:

- 26 a. Automobile physical damage. – The following lines of business
27 identified by the NAIC: private passenger automobile physical
28 damage and commercial automobile physical damage.
- 29 b. Property coverage. – The following lines of business identified by
30 the NAIC: fire, farm owners multiple peril, homeowners multiple
31 peril, nonliability portion of commercial multiple peril, ocean
32 marine, inland marine, earthquake, private passenger automobile
33 physical damage, commercial automobile physical damage, aircraft,
34 and boiler and machinery. The term also includes insurance contracts
35 for wind damage.



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c. NAIC. – National Association of Insurance Commissioners."

SECTION 2. G.S. 58-87-1(a) reads as rewritten:

"§ 58-87-1. Volunteer Fire Department Fund.

(a) Fund. – The Volunteer Fire Department Fund is created as an interest-bearing, nonreverting fund in the Department to provide matching grants to volunteer fire departments to purchase equipment and make capital improvements. The Commissioner shall administer the Fund. Up to ~~two percent (2%)~~ one percent (1%) of the Fund may be used for additional staff and resources to administer the Fund in each fiscal year."

SECTION 3. G.S. 58-84-25 reads as rewritten:

"§ 58-84-25. Disbursement of funds by Insurance Commissioner.

(a) Distribution. – The Insurance Commissioner shall deduct the sum of three percent (3%) from the tax proceeds credited to the Department pursuant to G.S. 105-228.5(d)(3) and pay the same over to the treasurer of the State Firemen's Association for general purposes. The Insurance Commissioner shall deduct the sum of ~~two percent (2%)~~ one percent (1%) from the tax proceeds and retain the same in the budget of the Department of Insurance for the purpose of administering the disbursement of funds by the board of trustees in accordance with the provisions of G.S. 58-84-35. The Insurance Commissioner shall, pursuant to G.S. 58-84-50, credit the amount forfeited by nonmember fire districts to the North Carolina State Firemen's Association. The Insurance Commissioner shall distribute the remaining tax proceeds to the treasurer of each fire district as provided in subsections (b) and (c) of this section.

...."

SECTION 4. G.S. 58-87-10 reads as rewritten:

"§ 58-87-10. Workers' Compensation Fund for the benefit of volunteer safety workers.

(a) Definition. – As used in this section, the term "eligible unit" means a volunteer fire department or volunteer rescue/EMS unit that is not part of a unit of local government and is exempt from State income tax under G.S. 105-130.11.

(b) Creation. – The Workers' Compensation Fund is created in the Department of Insurance as an expendable trust fund. Accordingly, interest and other investment income earned by the Fund accrues to it, and revenue in the Fund at the end of a fiscal year remains in the Fund and does not revert.

(c) Use. – Revenue in the Workers' Compensation Fund shall be used to provide workers' compensation benefits to members of eligible units. Chapter 97 of the General Statutes governs the payment of benefits from the Fund. Benefits are payable for compensable injuries or deaths that occur on or after July 1, 1996.

(d) Administration. – The State Fire and Rescue Commission, established under G.S. 58-78-1, shall administer the Workers' Compensation Fund and shall perform this duty by contracting with a third-party administrator. The contracting procedure is not subject to Article 3C of Chapter 143 of the General Statutes. The reasonable and necessary expenses incurred by the Commission in administering the Fund shall be paid out of the Fund by the State Treasurer. The Commission may adopt rules to implement this section.

(e) Revenue Source. – Revenue is credited to the Workers' Compensation Fund from appropriations made to the Department of Insurance for this purpose, a portion of the proceeds of the tax levied under G.S. 105-228.5(d)(3) and from an assessment on local governments served by one or more eligible units as set forth in subsection (g) of this section. In addition, every eligible unit that elects to participate shall pay into the Fund an amount set annually by the State Fire and Rescue Commission to ensure that the Fund will be able to meet its payment obligations under this section. The amount shall be set as a per capita fixed dollar amount for each member of the roster of the eligible unit.

The payment shall be made to the State Fire and Rescue Commission on or before July 1 of each year. The Commission shall remit the payments it receives to the State Treasurer, who shall credit the payments to the Fund.

1 (f) Funding Study. – The Department of Insurance shall conduct a periodic actuarial
2 study to calculate the amount required to meet the needs of the Fund. The study shall be based
3 on premiums that are the greater of the premiums paid by members of the Fund for the fiscal
4 year to which the study applies or the premiums paid by members of the Fund in fiscal year
5 2012-2013. The study shall be reviewed by the Office of State Budget and Management. On or
6 before March 1 of each year, the Office of State Budget and Management, in consultation with
7 the Department of Insurance, must notify the Secretary of Revenue of the amount required to
8 meet the needs of the Fund, as determined by the study, for the upcoming fiscal year. The
9 Secretary of Revenue shall remit that amount, subject to the twenty percent (20%) limitation in
10 G.S. 105-228.5(d)(3), to the Fund.

11 (g) Assessment for Shortfall. – If the amount remitted to the Fund by the Secretary of
12 Revenue under subsection (f) of this section is insufficient to meet the needs of the Fund, the
13 Department of Insurance shall collect the remaining amount from units of local government by
14 multiplying the remaining amount needed by a fraction, the numerator of which is the number
15 of residents in the unit of government served by an eligible unit, and the denominator of which
16 is the number of residents in the State served by all eligible units. The Department shall provide
17 written notification to the units of local government of the amount of the assessment no later
18 than April 1 of each year, and the unit of local government shall have 90 days to remit the
19 assessment to the Department for deposit into the Fund."

20 **SECTION 5.** This act becomes effective July 1, 2013.