

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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HOUSE BILL 151
PROPOSED COMMITTEE SUBSTITUTE H151-PCS40169-RG-1

Short Title: Property Insurance Rate-Making Reform.

(Public)

Sponsors:

Referred to:

March 5, 2015

1 A BILL TO BE ENTITLED
2 AN ACT TO INCREASE THE FAIRNESS AND EQUITY OF THE PROPERTY
3 INSURANCE RATE-MAKING PROCESS BY PROVIDING FOR GREATER
4 TRANSPARENCY REGARDING THE ROLE OF CATASTROPHE MODELING IN
5 PROPERTY INSURANCE RATE FILINGS, BY PROVIDING THAT MODELED
6 LOSSES IN A PROPERTY RATE FILING BE PROPERLY ALLOCABLE TO NORTH
7 CAROLINA, AND BY REQUIRING THE RATE BUREAU TO DESIGNATE IN A
8 FILING THAT PORTION OF THE RATE IN EACH TERRITORY ALLOCABLE TO
9 WIND AND HAIL.

10 The General Assembly of North Carolina enacts:

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

12 "**§ 58-36-10. Method of rate making; factors considered.**

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

14 ...

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

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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 upon
10 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 2003 and
22 each subsequent year. The Bureau shall also provide annual historical
23 exposure and hurricane loss data by territory for 1987 through 2002 to the
24 extent this data is reasonably available.

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

28 (4) Trade secret information provided under this subsection is confidential and
29 shall be handled in accordance with the provisions of G.S. 66-152 and
30 G.S. 132-1.2.

31 (d3) In all residential property insurance rate filings, the Bureau shall set forth for each
32 territory in the State (i) that portion of the rate based on all risks with the exception of wind and
33 hail and (ii) that portion of the rate based on consideration of risks and the costs of reinsurance
34 for wind and hail. The Department shall post both the filed rate and the final rate for each
35 territory on its Web site, including that portion of the filed rate and the final rate for each
36 territory based on all risks with the exception of wind and hail and that portion based on wind
37 and hail.

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39 **SECTION 3.** This act becomes effective August 1, 2015, and applies to filings by
40 the Rate Bureau on or after that date.