

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2019**

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**SENATE BILL 133
PROPOSED COMMITTEE SUBSTITUTE S133-PCS15342-TU-14**

Short Title: Rate-Making Amendments.-AB

(Public)

Sponsors:

Referred to:

February 27, 2019

1 A BILL TO BE ENTITLED
2 AN ACT TO AMEND THE INSURANCE RATE-MAKING LAWS, AS RECOMMENDED
3 BY THE DEPARTMENT OF INSURANCE.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 58-36-10(2) reads as rewritten:

6 "(2) Due consideration shall be given to actual loss and expense experience within
7 this State for the most recent three-year period for which that information is
8 available; to prospective loss and expense experience within this State; to the
9 hazards of conflagration and catastrophe; to a reasonable margin for
10 underwriting profit and to contingencies; to dividends, savings, or unabsorbed
11 premium deposits allowed or returned by insurers to their policyholders,
12 members, or subscribers; to investment income earned or realized by insurers
13 from their unearned premium, loss, and loss expense reserve funds generated
14 from business within this State; to investment income from capital and
15 surplus; to past and prospective expenses specially applicable to this State;
16 and to all other relevant factors within this State: Provided, however, that
17 countrywide expense and loss experience and other countrywide data may be
18 considered only where credible North Carolina experience or data is not
19 available."

20 **SECTION 2.(a)** G.S. 58-36-43(a) reads as rewritten:

21 "(a) Member companies writing private passenger automobile or homeowners' insurance
22 under this Article may incorporate optional enhancements to their automobile and homeowners'
23 programs as an endorsement to an automobile or homeowners' policy issued under this Article if
24 the insurer has filed the proposed enhancement with the Commissioner and if the proposed
25 enhancement is approved by the Commissioner. Any approved optional enhancements shall be
26 considered outside the authority of the Rate Bureau. If the proposed enhancement will include
27 an additional premium charge, the proposed premium charge shall be included with the proposed
28 program enhancements filed with the Commissioner. The Commissioner shall review the
29 proposed premium charges and approve them if the Commissioner finds that they are based on
30 sound actuarial principles. Amendments to private passenger automobile or homeowners'
31 program enhancements are subject to the same requirements as initial filings. ~~Neither the~~
32 ~~acceptance, renewal of a policy, nor any underwriting rating criteria shall be conditioned by a~~
33 ~~company upon the acceptance by the policyholder of any optional automobile or homeowners'~~
34 ~~enhancements.~~

35 A company shall not condition (i) the acceptance or renewal of a policy, (ii) any underwriting
36 criteria, or (iii) any rating criteria upon the acceptance by the policyholder of any optional



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1 automobile or homeowners' enhancements authorized by this section. A rate amendment
2 authorized by this section is not a rate deviation and is not subject to the requirements for rate
3 deviations set forth in G.S. 58-36-30(a)."

4 **SECTION 2.(b)** G.S. 58-36-43(b) is repealed.

5 **SECTION 3.(a)** G.S. 58-36-65(i) reads as rewritten:

6 "(i) As used in this section, "conviction" means a conviction as defined in G.S. 20-279.1
7 plea of guilty, a plea of no contest, or the determination of guilt by a jury or by a court, even if
8 no sentence has been imposed or, if imposed, has been suspended, and it includes a forfeiture of
9 bail or collateral deposited to secure appearance in court of the defendant, unless the forfeiture
10 has been vacated and means an infraction as defined in G.S. 14-3.1."

11 **SECTION 3.(b)** G.S. 58-36-65(j) reads as rewritten:

12 "(j) Subclassification plan surcharges shall be applied to a policy for a period of not less
13 nor more than three policy years. However, for convictions for which four or more points under
14 the Plan are assigned, other than convictions for speeding in excess of the posted speed limit,
15 subclassification plan surcharges shall be applied to a policy for a period of not less nor more
16 than five policy years."

17 **SECTION 3.(c)** G.S. 58-36-65(k) reads as rewritten:

18 "(k) The For insureds receiving a drivers license for the first time on or before September
19 30, 2019, the subclassification plan may provide for premium surcharges for insureds having less
20 than three years' driving experience as licensed drivers. Notwithstanding subsection (j) of this
21 section, for insureds receiving a drivers license for the first time on or after October 1, 2019, the
22 subclassification plan may provide for premium surcharges for insureds having less than eight
23 years' driving experience as licensed drivers."

24 **SECTION 3.(d)** G.S. 58-36-65 is amended by adding a new subsection to read:

25 "(k1) Licensed drivers subject to premium surcharges pursuant to subsection (k) of this
26 section for a period of up to eight years may be eligible for an inexperienced safe driver discount
27 after three full years of driving experience. To be eligible for the premium discount, an
28 inexperienced licensed driver cannot have any at-fault accidents or convictions on their driving
29 record, whether or not such at-fault accidents or convictions result in the assignment of points
30 under the Plan. Any at-fault accidents or convictions shall preclude the inexperienced licensed
31 driver from being eligible for the premium discount for a period of five years. Eligibility for the
32 premium discount terminates once the inexperienced driver has been licensed for eight years, or
33 when the inexperienced driver has any at-fault accidents or convictions. For purposes of this
34 subsection, convictions on a driving record shall include convictions for which a prayer for
35 judgment continued was granted. Any inexperienced safe driver discount shall be filed by the
36 Bureau for approval with the Commissioner."

37 **SECTION 4.** The Department of Insurance shall conduct public outreach regarding
38 how the provisions of this act may impact insurance premiums for policyholders and both
39 experienced and inexperienced drivers. This public outreach shall include information published
40 on the Department's Web site and may be coordinated with members of the insurance industry
41 and the North Carolina Rate Bureau.

42 **SECTION 5.** Subsection (b) of Section 3 becomes effective October 1, 2020, and
43 applies to drivers convicted of moving violations on or after that date. Subsection (d) of Section
44 3 becomes effective October 1, 2019. The remainder of this act is effective when it becomes law.