

GENERAL ASSEMBLY OF NORTH CAROLINA
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SENATE BILL 270
Commerce and Insurance Committee Substitute Adopted 4/22/21
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PROPOSED HOUSE COMMITTEE SUBSTITUTE S270-PCS15338-TU-23

Short Title: Insurance Technical Changes. (Public)

Sponsors:

Referred to:

March 15, 2021

A BILL TO BE ENTITLED

AN ACT REVISING THE VERIFICATION OBLIGATIONS OF AN INSURER AND ITS AGENT WITH RESPECT TO RATE EVASION FRAUD; RECODIFYING CERTIFICATE OF INSURANCE PROVISIONS; AND ESTABLISHING A CIVIL PENALTY FOR THE FRAUDULENT PREPARATION, ISSUANCE, REQUESTING, OR REQUIREMENT OF A CERTIFICATE OF INSURANCE.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-2-164 reads as rewritten:

"§ 58-2-164. Rate evasion fraud; prevention programs.

...

(c) The insurer and its agent shall also take reasonable steps to verify that the information provided by an applicant regarding the applicant's address and the place the motor vehicle is garaged is correct. The insurer may take its own reasonable steps to verify residency or eligible risk status or may rely upon the agent verification of residency or eligible risk status to meet the insurer's verification obligations under this section. The agent shall retain copies of any items obtained under this section as required under the record retention rules adopted by the Commissioner and in accordance with G.S. 58-2-185. The insurer and its agent may satisfy the requirements of this section by by, within 25 days of coverage binding, obtaining from the applicant reliable proof of North Carolina residency and the applicant's status as an eligible risk.

(c1) To the extent relevant to a particular criterion for eligible risk status and for the purpose of obtaining nonfleet private passenger motor vehicle insurance, reliable proof of North Carolina residency or eligible risk status includes one or more of the following:

...

(2) A utility bill in the name of the applicant showing the applicant's current North Carolina ~~address~~-address, including, but not limited to, a utility bill accessed electronically by the applicant.

...

(4) A receipt for personal property taxes paid by the applicant within the preceding 12-month period and showing the applicant's current North Carolina ~~address~~-address, including, but not limited to, proof of personal property taxes paid accessed electronically by the applicant.

(5) A receipt for real property taxes paid by the applicant to a North Carolina locality within the preceding 12-month period and showing the applicant's



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1 current North Carolina ~~address~~address, including, but not limited to, proof of
 2 real property taxes paid accessed electronically by the applicant.

3 ...

4 (c2) To the extent relevant to a particular criterion for eligible risk status and for the
 5 purpose of obtaining other than nonfleet private passenger motor vehicle insurance, reliable proof
 6 of North Carolina residency or eligible risk status includes two or more of the following:

- 7 (1) A utility bill in the name of the applicant showing a North Carolina address
 8 for the principal place of business of the ~~applicant~~applicant, including, but
 9 not limited to, a utility bill accessed electronically by the applicant.

10"

11 **SECTION 2.** Subsections (d), (e), (f), and (g) of G.S. 58-3-150 (Forms to be
 12 approved by Commissioner) are recodified as subsections (a), (b), (c), and (e), respectively, of
 13 G.S. 58-3-149. G.S. 58-3-149, as created by this section, reads as rewritten:

14 "**§ 58-3-149. Certificates of insurance.**

15 (a) ~~As used in this section, "certificate of insurance" means a~~For the purposes of this
 16 section, the following definitions apply:

- 17 (1) Certificate of insurance. – A document prepared or issued exclusively by an
 18 insurance company or licensed producer that is used to verify or evidence the
 19 existence of property or casualty insurance ~~coverage.~~ "Certificate" or
 20 "certificate of insurance" coverage, including a document submitted or created
 21 electronically. Certificate of insurance shall not include a document prepared
 22 or issued by an insurance company or producer that is used to verify or
 23 evidence the existence of property insurance provided to a lender covering
 24 real or personal property which serves as the lender's security for commercial
 25 mortgages. ~~For purposes of this section, "commercial mortgages" shall mean~~
 26 ~~mortgages~~

- 27 (2) Commercial mortgages. – Mortgages or other instruments given for the
 28 purpose of creating a lien encumbering office, multiunit residential,
 29 apartments, commercial, or industrial properties. Commercial mortgages shall
 30 not include a lien encumbering one- to four-family residential properties.

31 (b) A certificate of insurance is not a policy of insurance and does not amend, extend, or
 32 alter the coverage afforded by the policy to which the certificate of insurance makes reference.
 33 A certificate of insurance shall not confer to a certificate of insurance holder new or additional
 34 rights beyond what the referenced policy of insurance expressly provides.

35 (c) It is unlawful for any person to knowingly prepare, issue, request, or require a
 36 certificate of insurance that meets any of the following criteria:

- 37 (1) Has not been filed with and approved by the Commissioner.
 38 (2) Contains any false or misleading information concerning the policy of
 39 insurance to which the certificate of insurance makes reference.
 40 (3) Purports to alter, amend, or extend the coverage provided by the policy of
 41 insurance to which the certificate of insurance makes reference.

42 (d) Any person not otherwise subject to regulation under Chapter 58 of the General
 43 Statutes who prepares, issues, requests, or requires a certificate of insurance that meets the criteria
 44 of subdivision (2) or (3) of subsection (c) of this section is subject to a civil penalty of up to five
 45 thousand dollars (\$5,000). The clear proceeds of the penalty shall be remitted to the Civil Penalty
 46 and Forfeiture Fund in accordance with G.S. 115C-457.2. Payment of the civil penalty under this
 47 section shall be in addition to payment of any other penalty for a violation of the criminal laws
 48 of this State.

49 (e) A holder of a certificate of insurance shall have a legal right to notice of cancellation,
 50 nonrenewal, or any material change, or any similar notice concerning a policy of insurance, only
 51 if the holder is named within the policy or any endorsement and the policy or endorsement

1 requires notice to be provided to the holder. The terms and conditions of the notice, including the
2 required timing of the notice, are governed by the policy of insurance and cannot be altered by a
3 certificate of insurance."

4 **SECTION 3.** This act becomes effective January 1, 2022.