



Property Insurance Rate Making

Committee on Regulatory and Rate Issues in Insurance

Legislative Research Commission

April 7, 2016

Property Insurance Rate Making - Overview

Statutorily defined roles

- North Carolina Rate Bureau(NCRB)
 - Calculates and files proposed rates
- North Carolina Dept. of Insurance
 - Reviews rate filings & sets rates
 - Ensures statutory compliance

Property Insurance Rate Making - Overview

North Carolina Rate Bureau(NCRB)

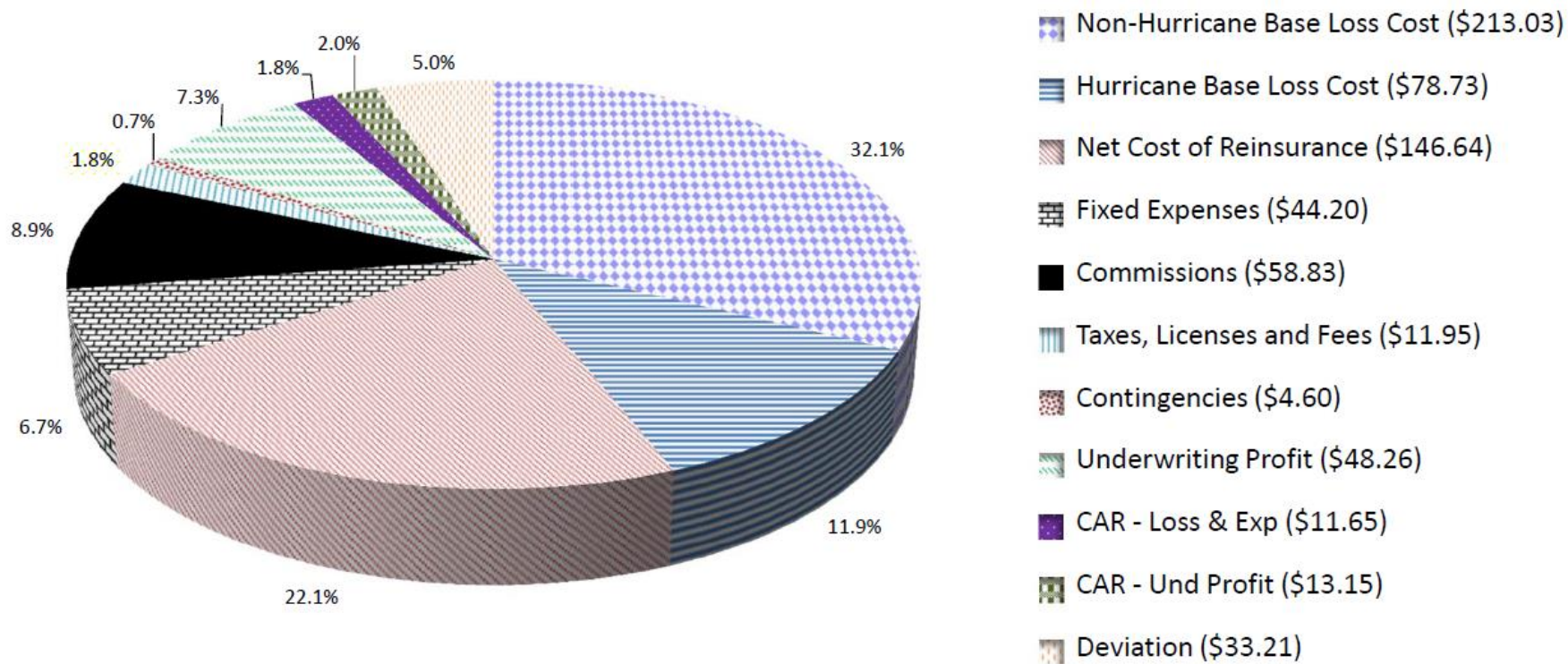
- Proposes rates for NC residential property insurance
- Rates filed on election of member companies (no required filing)
- Since 1993 – Eight homeowners' insurance rate filings

Property Insurance Rate Making - Overview

North Carolina Dept. of Insurance

- Reviews rate filings submitted by NCRB
- Ensures rates are:
 - “...not excessive, inadequate, or unfairly discriminatory.” (per GS 58-36-10.(1))
- Commissioner may order a hearing if contends filing fails to comply with requirements (GS 58-36-20.(a))
- Commissioner establishes overall rate, between existing and proposed rates

Components of NCRB Proposed Base Rate

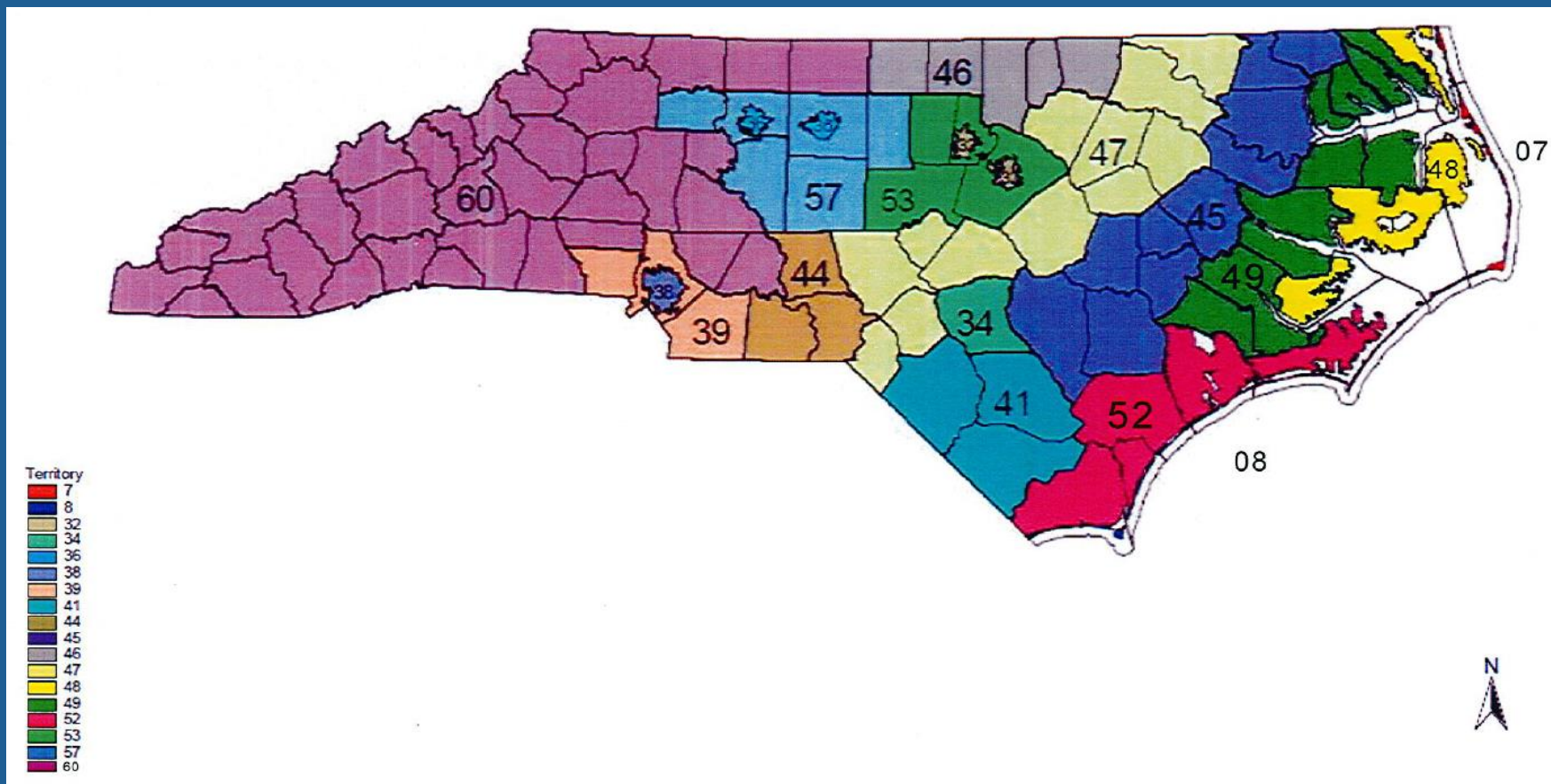


Elements of Premium Determination

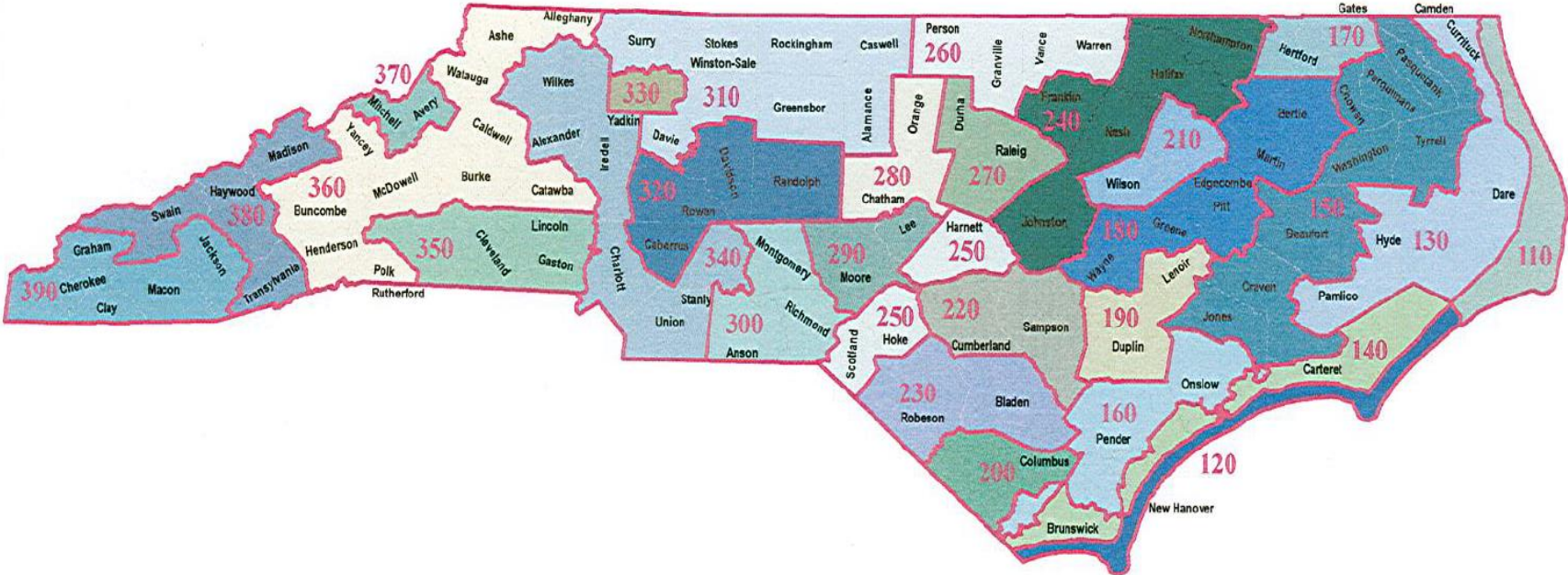
Elements used by homeowners' insurance companies in determining Homeowners' Insurance Premium:

- Territory Code (county or city locale)
- Protection Class (1-10)
- Construction of the home (frame or masonry)
- Type and extent of coverage
- Amount of insurance
- Amount of deductible
- Optional coverages
- Claims Experience

NCRB Homeowners Territories (pre-6/1/15)



Homeowners Territories Effective June 1, 2015



- Most Recent Homeowners' Insurance Rates
 - NCRB filed with NCDOI on January 3, 2014
 - Requested rate increase of 25.6%
- Commissioner convened hearing October 2015 to review NCRB property insurance rate filing (per GS 58-36-20.(a))
- Commissioner ordered 0% Statewide aggregate rate increase
 - Some territories rates' dropped, some rose, overall unchanged
- NCRB has appealed Commissioner's ordered rate (per GS 58-36-25)
 - Currently before NC Court of Appeals