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Report To The
GENERAL ASSEMBLY
of
NORTH CAROLINA

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THE FINANCIAL RESPONSIBILITY ACT OF 1957, AS AMENDED
(The North Carolina Compulsory Liability Insurance Law)

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FINAL REPORT

COMMITTEE FOR THE STUDY OF

THE FINANCIAL RESPONSIBILITY ACT OF 1957, AS AMENDED
(The North Carolina Compulsory Liability Insurance Law)

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January 1965

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LEGISLATIVE COUNCIL STUDY NO. 3
(By Joint Resolution ratified 25 June 1963)

COMMITTEE FOR THE STUDY OF
THE FINANCIAL RESPONSIBILITY ACT OF 1957, AS AMENDED
(The North Carolina Compulsory Liability Insurance Law)

Chairman : Representative Sam L. Whitehurst
Bayboro Road
New Bern, North Carolina

Ex-Officio : T. Clarence Stone, President of the Senate
H. Clifton Blue, Speaker of the House of Representatives
Hugh S. Johnson, Jr., Chairman of the Council

Members From: Senator Irwin Belk
the Council : Senator R. E. Brantley
Representative Jyles J. Coggins
Representative L. Sneed High

Others : Senator-elect Walter B. Jones

Introduced By: Senators Jordan,
Clark and Morgan of Harnett
Adopted : June 25, 1963

A JOINT RESOLUTION DIRECTING THE LEGISLATIVE COUNCIL TO MAKE
A STUDY OF THE NORTH CAROLINA COMPULSORY LIABILITY INSURANCE
LAW.

WHEREAS, much dissatisfaction has been expressed with
respect to the operation of the North Carolina compulsory motor
vehicle liability insurance law; and

WHEREAS, there has been much confusion in the minds of
the public with respect to the present law and the operation of
the Safe Driver Reward Plan; and

WHEREAS, there has been much public concern with the
question of assignment of points for insurance rate purposes and
the matter of non-deviation of rates; NOW, THEREFORE,
Be it resolved by the Senate, the House of Representatives con-
curring:

Section 1. The General Assembly of North Carolina
herewith requests and directs the Legislative Council to make
a thorough study of the compulsory motor vehicle liability
insurance laws with a view to making recommendations for the
improvement thereof or the adoption of alternative measures,
and particularly to give special attention to the present
policy of not allowing deviation in rates and to make such
findings and recommendations to the General Assembly of 1965
with a view to assuring the continuance in North Carolina of
a workable plan of liability protection for the motoring public.

Sec. 2. This Resolution shall become effective upon
its adoption.

COMMITTEE ACTIVITIES

The Insurance Committee was the first appointed by the Chairman of the Legislative Council, being named immediately after adjournment of the Council's initial meeting on July 11, 1963.

The Chairman of the Legislative Council requested the Chairman of the Insurance Committee to immediately investigate the administration of the FS-4 notice of cancellation sent by insurance companies to the Department of Motor Vehicles. From this investigation the first full meeting, concerning the use of FS-4 forms, was held on August 29, 1963. At this meeting the Committee adopted a Resolution requesting the insurance industry to continue to submit written notice to the Department of Motor Vehicles upon cancellation of automobile liability policies for any reason.

On November 9, 1963, the Committee met in order to organize its work and agreed to hold public hearings on certain phases of automobile liability insurance.

Public hearings were held on January 30, 1964, and on November 5, 1964. These hearings were on matters relative to deviation and financial responsibility.

Following the hearings, a Sub-committee which had operated from the time of appointment of the full committee, met with

those interested in automobile liability problems in order to begin formulating a final report and recommendations.

At its final meeting on January 13, 1965, the Committee met to approve the final report and recommendations. This report was accepted by the Legislative Council on January 14, 1965.

GENERAL STATEMENT ON MOTOR VEHICLE FINANCIAL RESPONSIBILITY

As pointed out in the Resolution assigning this study to the Legislative Council, dissatisfaction has been expressed with respect to the operation of the North Carolina compulsory motor vehicle liability insurance law. However, a grave social problem is posed by the inability of persons causing accidents to render proper restitution to those who are injured or whose property is damaged.

Not only North Carolina, but all other states in the Union, have failed through their traffic laws to stem the tide of death, injury, and destruction on streets and highways. Many and various groups have labored long hours in attempting to find an acceptable means with which to blunt the sharp edge of tragedy which accompanies motor vehicle accidents. Solutions employed in various jurisdictions of the United States range from a security deposit following traffic accidents to continuous compulsory responsibility by all motor vehicle owners.

The range of solutions existing in this country may be covered by classifying them into five groups.

1. Temporary Compulsory Poor Risk Responsibility. Generally, this category requires a deposit of security after accidents and compulsory proof of future responsibility for a given length of time following certain events such as traffic accidents, unsatisfied judgments or traffic violations. Some event must indicate that a person is a poor risk before future proof is required.

2. Continuous Compulsory Responsibility. Popularly called compulsory insurance, this type is recognizable by the requirement that all automobile owners must show and maintain responsibility for their automobiles as a prerequisite to registration.

3. Guaranteed Execution Funds. This group, known as unsatisfied judgment funds, is characterized by the establishment of a fund out of which injured and damaged parties may recover a limited amount when the liable party is unable to satisfy a judgment arising out of a motor vehicle accident.

4. Uninsured Motorist Insurance. Here is a proposed solution which may be voluntary or mandatory and which would have the motorist protect himself against the negligent uninsured motorist by the purchase of an insurance policy offering such protection.

5. Traffic Safety. The removal of the proven negligent driver from the highway could be made an integral part of any plan designed to insure compensation of innocent victims of traffic accidents.

More detailed information on these solutions is available in the Legislative Council office.

North Carolina has chosen compulsory automobile liability insurance as the answer best suited to the needs of this State. The present law will be discussed briefly on the following pages.

The Committee recommends the continuation of the Financial Responsibility Act of 1957 as amended. To this end there appears in this report several suggested changes in the law and proposed legislation.

However, we should like to call your attention to the fact that in hearings before this Committee alternatives to the present Financial Responsibility Act were suggested. We would urge each member of the General Assembly to study the information gathered by the Insurance Committee so that he might determine

if he favors continuation of compulsory insurance as recommended by this Committee and the Council. This information is available in the Council office.

* * * * *

Recommendation

That North Carolina continue to require continuous financial responsibility on all automobiles.

COMPULSORY AUTOMOBILE RESPONSIBILITY ACT IN NORTH CAROLINA

North Carolina's version of the compulsory responsibility law became effective on January 1, 1958. The Act was originally enacted to expire on May 15, 1961 unless re-enacted by the Legislature. The 1961 General Assembly amended the 1957 Act by striking out the clause which terminated the provisions of the Financial Responsibility Act, thus extending the law indefinitely.

A very general outline of the Financial Responsibility Act is given below:

1. Who Must Show Responsibility and When

As a prerequisite to the registration of any self-propelled vehicle in North Carolina, the owner must certify that he is insured or possesses surety covering the vehicle to be registered. Responsibility must be maintained continuously.

2. Form and Content of Contract of Security

Any such contract must insure the automobile for accidents in the United States of America or the Dominion of Canada, and coverage must amount to at least 5/10/5. The insurance or surety contract need not be conterminous with the registration period but one of the forms of responsibility must be maintained continuously. When the registrant chooses to make a deposit in lieu of furnishing an insurance or surety contract, the cash or securities must value \$15,000 or more.

The Commissioner of Insurance sets the rates for automobile liability insurance and is required by law to set up some plan to rate and reward careful drivers. North Carolina also has an assigned risk plan designed to allocate poor risks among the insurance companies doing business in this state and to provide that most persons will be able to insure their automobiles if they are turned down on the open market.

3. Cancellation

In the event a motorist's contract of insurance or surety is cancelled or is not renewed or his security deposit or qualification as a self-insurer is withdrawn, his automobile registration is revoked. Any cancellation or failure to renew a contract or insurance or surety must be preceded by 15 days notice to the insured, and the Commissioner of Motor Vehicles. There is no provision for appeal of a refusal or cancellation to a board or the courts, though the assigned risk plan discussed above can be utilized by a motorist to purchase insurance.

4. How Financed

The cost of enforcing the compulsory responsibility plan in North Carolina is financed out of the general funds of the state, and no assessment is made on the insurance industry.

While compulsory insurance fails to stimulate public awareness toward traffic safety problems, it does provide North Carolina drivers with protection against financial disaster.

In line with this thought, we quote below a portion of Commissioner Lanier's December 18, 1964, decision.

"However, the Commissioner feels compelled to point out that the public must face, if it will, that wishing for safety on the highways is one thing, and paying the prices for such safety is another thing. Also, the public should face up to the fact, if it will, that individuals' driving habits and attitudes largely determine both highway safety and the ultimate cost of automobile liability insurance. Careless drivers, reckless drivers, selfish drivers, discourteous drivers, thoughtless drivers, drinking drivers, and drivers of cars with defective equipment, determine, in part, the premium rates which the public---safe drivers and unsafe drivers---has to pay for automobile liability insurance."

The solution to the problem of motor vehicle accidents lies outside the field of insurance. However, the Committee believes that compulsory insurance does provide a solution to the grave financial problems facing innocent traffic victims.

Compliance with the law is estimated to be approximately 92% by the Motor Vehicles Department. The Committee believes that the philosophy of the law is generally acceptable to the public although disagreement may be found on various aspects of the law.

It is interesting to note that prior to passage of the present automobile liability law, estimates showed that approximately 35% of North Carolina's motor vehicles were uninsured. If this were true today, there would be about 700,000 uninsured vehicles on North Carolina highways.

DEVIATION OF RATES

In 1961, deviation of automobile liability rates was allowed. At that time a company, upon filing its statement and receiving the approval of the North Carolina Insurance Commissioner, could charge a lower than standard rate for premium charges. North Carolina now uses a standard rate method wherein the Commissioner of Insurance is empowered to establish rates which every insurance company must apply in setting the premium values of policies issued in North Carolina.

Many states allow deviation of rates. However, the 1961 General Assembly enacted G.S. 58-248.2 which prevents insurance companies from setting rates which vary from those authorized by the North Carolina Commissioner of Insurance.

Discussions concerning deviation quickly dissolve into a mass of technical data. However, arguments for and against deviation contain highlights which will assist Legislators in discussing this question.

Proponents of deviation report that by its failure to allow deviation, North Carolina places a burden of unnecessarily high rates on its best class of drivers. The practice of non-deviation also inhibits wholesome price competition. On the basis of these reasons, proponents of deviation submit that deviation is solidly in the best interest of North Carolina drivers.

On the other hand, opponents point out that the deviation actually produced a higher basic policy rate than does the present uniform rate system. They note that deviation tends to encourage over-selective underwriting, wherein a company will voluntarily insure only the best drivers. In addition deviation promotes a higher frequency of cancellation since the best drivers do not continuously maintain completely clean records. In addition, the North Carolina Safe Driver Reward plan establishes that decreased rates must be charged for those insurance policies issued to safe drivers. Members of the insurance industry report that 88 - 90 per cent of the motor vehicle owners are receiving decreased rates under the Safe Driver Reward Plan. Finally, the uniform rate structure tends to prevent insolvency of insurance companies. Furthermore, it should be noted that there is nothing in the North Carolina Financial Responsibility Act to prevent payment of dividends by the companies to the insured.

Therefore, it is our opinion that non-deviating practices may possibly benefit some motor vehicle owners in North Carolina. However, our concern must be with all of the motor vehicle owners. This leads this Committee to the final conclusion that deviation should not be permitted and that the present act regulating deviation should remain.

* * * * *

Recommendation

That the General Assembly retain the provisions of G.S. 58-248.2, that is, not allow deviation.

NOTICE OF CANCELLATION

One of the major steps in enforcing the Financial Responsibility Act of 1957 as amended is the notification sent by insurance companies to the Motor Vehicles Department of cancellation of automobile liability policies. Notification of cancellation is accomplished by the submission of an FS-4 form.

By passage of an amendment offered on the Floor of the House of Representatives, the 1963 General Assembly intended to continue requirement of the FS-4 form as an essential procedure in enforcement of the Financial Responsibility Act. However, through a ruling of the Attorney General's office which came to the attention of the Chairman of the Insurance Committee, it appeared that FS-4 forms would be required by the Motor Vehicles Department only in a case where the insurer initiated cancellation.

Therefore, following consultation with those parties affected, the Insurance Committee through a duly adopted Resolution requested members of the insurance industry to voluntarily continue notification of cancellation to the Motor Vehicles Department when an automobile liability policy was cancelled or terminated by the insured or the insurer. The entire state will benefit by the spirit of cooperation evidenced by the insurance industry in

complying with this request. Without its willingness to comply, North Carolina would have been burdened with a very expensive and difficult enforcement problem.

In an effort to solve the notification problem, the Chairman of the Legislative Council appointed the Insurance Committee on July 10, 1963 and it began immediately to search for the proper solution.

* * * * *

Recommendation

That the insurer notify the Motor Vehicles Department when a liability policy is cancelled or terminated for any reason or by either party of the contract.

INTRODUCED BY:

Referred to:

1 A BILL TO BE ENTITLED AN ACT TO AMEND G.S. 20-309(e) RELATING
2 TO NOTICE TO THE DEPARTMENT OF MOTOR VEHICLES OF THE TERMINATION
3 OF INSURANCE.

4 The General Assembly of North Carolina do Enact:

5 Section 1. Subsection (e) of G.S. 20-309, as the
6 same appears in the 1963 Cumulative Supplement to Recompiled
7 Volume 1C of the General Statutes of North Carolina, is
8 hereby amended by rewriting the same to read as follows:

9 "(e) No insurance policy provided in Subsection (d)
10 may be terminated by cancellation or otherwise without the
11 insurer giving the North Carolina Department of Motor Vehicles
12 notice of such termination fifteen (15) days prior to the
13 effective date of the termination. The provisions of this sub-
14 section apply to terminations by both the insurer and the
15 insured."

16 Sec. 2. All laws and clauses of laws in conflict
17 with this Act are hereby repealed.

18 Sec. 3. This Act shall be in full force and effect
19 from and after its ratification.

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SUSPENSION OF REGISTRATION PLATES
AND DRIVER'S LICENSE FOR VIOLATION OF THE
FINANCIAL RESPONSIBILITY ACT

Under the provisions of G.S. 20-311, the period of revocation and suspension of registration and driver's license begins on the date that revocation and suspension notice is filed. Again, an enforcement problem has developed since it may be several days or even weeks before the party in offense can be located in order that his plates and license may be surrendered to authority.

Hence, the period of revocation and suspension may have actually elapsed before enforcement has been applied.

In order to insure the enforcement of revocation and suspension, the provisions of G.S. 20-311 should be amended to state that the period of revocation and suspension shall begin on the date when registration and driver's license are actually surrendered to authority and shall continue for the duration of time specified.

* * * * *

Recommendation

That the 1965 General Assembly amend Section 20-311 of the General Statutes in accordance with the attached proposed legislation.

INTRODUCED BY:

Referred to:

1 A BILL TO BE ENTITLED AN ACT TO AMEND G.S. 20-311 RELATING
2 TO REVOCATION OF REGISTRATION AND SUSPENSION OF DRIVER'S
3 LICENSE WHEN FINANCIAL RESPONSIBILITY IS NOT IN EFFECT.

4 The General Assembly of North Carolina do Enact:

5 Section 1. The second sentence of G.S. 20-311,
6 as the same appears in the 1963 Cumulative Supplement to
7 Recompiled Volume 1C of the General Statutes of North Carolina,
8 is hereby rewritten to read as follows:

9 "In no case shall the operator's or chauffeur's
10 licenses of such owner be reinstated nor shall any vehicle,
11 the registration of which has been revoked for failure to have
12 financial responsibility, be re-registered in the name of
13 such owner, his spouse or any child or spouse of any child of
14 the owner within less than thirty (30) days after the regis-
15 tration plates and operator's or chauffeur's licenses have
16 been surrendered to the Department."

17 Sec. 2. All laws and clauses of laws in conflict
18 with this Act are hereby repealed.

19 Sec. 3. This Act shall be in full force and effect
20 from and after its ratification.

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UNINSURED MOTORIST COVERAGE

Many complaints arise from innocent parties of traffic accidents wherein they must endure lengthy litigations and suits which arise from a denial of coverage. In many instances a serious financial burden must be met by the innocent injured party, and in many instances this individual may have uninsured motorist coverage as well as liability coverage.

In this type of situation, should the company insuring the individual driving the offending vehicle deny coverage, litigation results and may extend for long periods of time. However, should the innocent party have uninsured motorist coverage, any expenses incurred in the accident will normally be covered, whether under the other driver's liability policy or under his own uninsured motorist's coverage.

For this reason it appears that an unnecessary burden must be assumed by the innocent party when a question of coverage arises. He should not be forced to assume this burden.

This Committee believes that when a situation such as that described above develops, the innocent driver's uninsured motorist endorsement should automatically step in to relieve the insured of financial burden during the period of litigation. If it develops at a later date that the policy covering the offending vehicle

did in fact apply, then the company carrying that coverage would be required to reimburse the company of any claims paid under uninsured motorist coverage to the innocent party or parties.

In addition, the Committee recognizes that many automobile owners with uninsured motorists endorsements to their policies mistakenly believe that this endorsement also covers cases of property damage caused by hit-and-run drivers. Uninsured motorist endorsements do cover (with a \$100.00 deductible) situations of hit-and-run personal injury. The proposed legislation included herein will also enable a person to recover damages in cases of hit-and-run property damage. Again, the \$100.00 deductible will apply.

* * * * *

Recommendation

That the 1965 General Assembly amend Section 20-279.21(b)(3) in accordance with the proposed legislation.

INTRODUCED BY:

Referred to:

1 A BILL TO BE ENTITLED AN ACT TO AMEND G. S. 20-279.21(b)(3)
2 RELATING TO UNINSURED MOTORISTS PROVISION OF A MOTOR VEHICLE
3 LIABILITY INSURANCE POLICY.

4 The General Assembly of North Carolina do Enact:

5 Section 1. G. S. 20-279.21(b)(3), as the same
6 appears in the 1963 Cumulative Supplement to Recompiled
7 Volume 1C of the General Statutes of North Carolina, is
8 hereby amended by adding a new sentence after the second
9 from the last sentence of said section reading as follows:

10 "Such provision shall further provide that a
11 written statement by the liability insurer, whose name
12 appears on the application for registration made by the
13 owner of any vehicle involved in an accident with the
14 insured, that such other motor vehicle was not covered by
15 insurance at the time of the accident with the insured
16 shall operate as a prima facie presumption that the operator
17 of such other motor vehicle was uninsured at the time of the
18 accident with the insured, for the purposes of recovery
19 under this provision of the insureds liability insurance
20 policy."

21 Sec. 2. G. S. 20-279.21(b)(3), as the same appears
22 in the 1963 Cumulative Supplement to Recompiled Volume 1C
23 of the General Statutes of North Carolina, is hereby amended
24 by inserting the words "and hit-and-run motor vehicles"

1 immediately following the word "vehicles" and immediately
2 preceding the word "because" in line 12.

3 Sec. 3. G. S. 20-279.21(b)§), as the same appears
4 in the 1963 Cumulative Supplement to Recompiled Volume 1C of
5 the General Statutes of North Carolina, is hereby amended
6 by adding at the end thereof the following:

7 "Für the purpose of this section an 'uninsured
8 motor vehicle shall be a vehicle on which there is no policy
9 of liability insurance meeting the financial responsibility
10 requirements of this article or if there is liability
11 insurance meeting such requirements, the insurance does not
12 compensate for injury or damage suffered by the insured."

13 Sec. 5. All laws and clauses of laws in conflict
14 with this Act are hereby repealed.

15 Sec. 6. This Act shall be in full force and effect
16 from and after its ratification.

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FINANCIAL RESPONSIBILITY FOR PROVISIONAL LICENSEES

Under the 1963 Provisional License Act, the Motor Vehicles Department must suspend the license of sixteen to eighteen year old drivers for certain offenses. These offenses are not always the same as those which require suspension of a non-provisional licensee, and are in fact less serious offenses.

Under the administration of the Financial Responsibility Law, a driver whose license has been suspended must show proof of financial responsibility in order to reinstate his driver's license. In the case of the provisional licensee who owns a motor vehicle, he simply files an SR-22 form which notes his insuring company and the policy number.

However, should a provisional license be suspended and the licensee does not own a motor vehicle it appears that he must purchase an operator's policy before reinstatement may proceed. The family liability policy generally does not satisfy this requirement.

Furthermore, the operator's policy specifies that it applies only when the vehicle driven is uninsured or, if it is insured, when the policy limits are exhausted.

This Committee believes that this places an unnecessary burden on our provisional licensee since his family already

pays a higher premium rate and since he must apparently purchase an additional liability policy.

* * * * *

Recommendation

That provisional licensees who do not own their own motor vehicle show proof of responsibility through their family policies upon reinstatement of a suspended driver's license.

(If the recommendation of the Legislative Council is followed by the 1965 General Assembly, the attached bill may need a clarifying amendment.)

INTRODUCED BY:

Referred to:

1 A BILL TO BE ENTITLED AN ACT TO AMEND G. S. 20-13 OF THE
2 GENERAL STATUTES OF NORTH CAROLINA RELATING TO FILING OF
3 FINANCIAL RESPONSIBILITY OF PROVISIONAL LICENSEES.

4 The General Assembly of North Carolina do Enact:

5 Section 1. G. S. 20-13, as the same appears in
6 the 1963 Cumulative Supplement to Recompiled Volume 1C
7 of the General Statutes of North Carolina, is hereby amended
8 by adding a new subsection at the end thereof to be designated
9 (g) and to read as follows:

10 "(g) Operators whose license have been suspended
11 under the provisions of this section shall not be required
12 to maintain proof of financial responsibility upon reissuance
13 of the license solely because of suspension pursuant to this
14 section, unless such licensee is the registered owner of a
15 motor vehicle."

16 Sec. 2. All laws and clauses of laws in conflict
17 with this Act are hereby repealed.

18 Sec. 3. This Act shall become effective from and
19 after its ratification.
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CANCELLATION OF AUTOMOBILE LIABILITY POLICIES

Many members of the General Assembly recognize that there is a problem relating to termination of insurance by the companies. This Committee worked long and hard in attempting to solve this problem. A number of solutions have been suggested and we realize that no solution will please everyone. However, we offer in this report one solution. Under this recommendation, as at the present time, a company has sixty days to investigate an applicant for liability insurance. During this sixty-day period, the company may reject the application without indicating the reason for rejection. After sixty days the policy may not be cancelled by the company unless:

- "(1) The named insured fails to discharge when due any of his obligations in connection with the payment of premium for the policy or any installment thereof;
- "(2) The insured violates any of the terms and conditions of the policy not in conflict with the provisions of this subsection;
- "(3) The named insured or any other operator who customarily operates an automobile insured under this policy:
 - a. Has had his driver's license suspended or revoked during the policy period, for more than thirty (30) days, or
 - b. Is convicted of or forfeits bail, during the policy period, for
 1. Any felony;
 2. Theft of a motor vehicle;
 3. A third violation, for any one operator, within a period of eighteen (18) months, of any moving traffic offense."

These conditions would remain under the terms of the proposed legislation. The company will have sixty days to terminate if advisable, but once the contract is accepted and if the insurer violates none of the conditions listed in G.S. 20-310(b), then the company must remain continuously on the contract.

The Committee urgently requests that the General Assembly continue the search for the best method of eliminating the forcing of individuals into the Assigned Risk Plan. We also call attention to the fact that 15.3% of all North Carolina motorists are now in the Assigned Risk Plan. It should be pointed out that costs to the motorists for a 5/10/5 policy or a 10/20/5 policy under the Assigned Risk Plan are no higher than for the so-called "clean risk" in the voluntary market; however, there appears to be a stigma attached to being assigned to the plan and restrictions are placed on the policies available.

At the present time, there appear to be some advantages for those people whose driving records do not call for higher rates but who are placed in the Assigned Risk Plan. One of these is the fact that a policy issued under the Assigned Risk Plan may not be cancelled by the company for a three-year period. Needless to say, it is the Committee's opinion that there are too many people being assigned to the plan and the General Assembly should thoroughly examine this problem.

In making the recommendation listed here, it is the Committee's hope that cancellation of liability policies of long-standing will cease when none of the provisions of G.S. 20-310(b) have been violated.

* * * * *

Recommendation

That insurance companies not be allowed to cancel a liability policy after the sixty-day investigation period except for those reasons listed in G.S. 20-310(b).

INTRODUCED BY:

Referred to:

1 A BILL TO BE ENTITLED AN ACT TO AMEND G. S. 20-310(b)
2 RELATING TO TERMINATION OF INSURANCE BY THE INSURER.

3 The General Assembly of North Carolina do Enact:

4 Section 1. G. S. 20-310(b), as the same appears in
5 the 1963 Cumulative Supplement to Recompiled Volume 1C of
6 the General Statutes of North Carolina, is hereby amended by
7 striking lines 1 and 2 thereof and substituting therefor the
8 following:

9 "In addition, no contract of insurance which has
10 been in effect for sixty (60) days may be terminated by the
11 insurer either by cancellation or failure to renew unless:"

12 Sec. 2. All laws and clauses of laws in conflict
13 with this Act are hereby repealed.

14 Sec. 3. This Act shall be in full force and effect
15 from and after its ratification.

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BINDING AUTHORITY UNDER THE ASSIGNED RISK PLAN

The Committee feels that the following recommendation is one of the most important in this report. Now when an individual goes into an insurance agency to buy a liability insurance policy the agent takes his application. After discussing the conditions of the policy with him the agent may feel certain that a policy on the voluntary market cannot be obtained. Therefore, the agent may advise the individual to apply to the Assigned Risk Plan. The agent takes this application and \$50.00 to apply toward payment of the premium. The application is then sent to the rating bureau and it may be three to seven days before assignment of the risk is complete. During this period the individual does not have insurance and the Committee finds that frequently the individual assumes he is covered by a policy upon payment of \$50.00. However, he is actually operating a vehicle without coverage until his application is processed. The Committee feels that this situation is undesirable.

Therefore, under this recommendation the licensed agent will bind the contract upon receipt of the application.

* * * * *

Recommendation

That licensed agents be granted binding authority in the Assigned Risk Plan.

INTRODUCED BY:

Referred to:

1 A BILL TO BE ENTITLED AN ACT TO AMEND G.S. 20-279.34
2 RELATING TO ASSIGNED RISK PLANS FOR MOTOR VEHICLE LIABILITY
3 INSURANCE.

4 The General Assembly of North Carolina do Enact:

5 Section 1. G.S. 20-279.34, as the same appears
6 in the 1963 Cumulative Supplement to Recompiled Volume 1C
7 of the General Statutes of North Carolina, is hereby amended
8 by adding at the end of the first paragraph thereof the
9 following sentence:

10 "Any such Plan approved by the Commissioner shall
11 provide that the acceptance by a licensed agent of an
12 application for liability insurance under the Plan shall
13 have the effect of immediately binding the coverage applied
14 for with the company to whom the insured is subsequently
15 assigned."

16 Sec. 2. All laws and clauses of laws in conflict
17 with this Act are hereby repealed.

18 Sec. 3. This Act shall be in full force and effect
19 from and after its ratification.

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RESPONSIBILITIES OF THE NORTH CAROLINA INSURANCE DEPARTMENT

Shown below is a statement from The Honorable Edwin S. Lanier, North Carolina Insurance Commissioner.

This Committee concurs with Commissioner Lanier's statement that the Department needs a more adequate staff in order to perform its many and varied duties. From the investigation of these duties, such as administration of building and loan operations, we find that no other state agency might assume them since there is no State Department of Commerce. It may well be that the General Assembly might wish to consider this matter.

"North Carolina's Department of Insurance was established in 1899. At that time, the Department was given two general duties by the General Assembly: (1) to administer North Carolina's Insurance Laws; and (2) to perform any other duties assigned to the Department from time to time by the General Assembly. Today, the Department is administering the Insurance Laws and performing many other duties assigned to it by the General Assembly.

"It appears that the Department, in terms of present-day insurance activities and in terms of the Department's total load of work, is inadequately staffed and equipped for thorough, prompt performance of all its many responsibilities. It is clearly in the public's interest, the insurance industry's interest and for the maintenance of state regulation of insurance activities (rather than ultimately get Federal regulation in place of state regulation) that the Department be adequately staffed and equipped. We understand the Department's present budget is the equivalent of about 4¢ of each dollar of insurance premium tax and fees which the Department collects and deposits in the State's General Fund. If compared on this basis with other states, the North

Carolina Insurance Department's present budget is one of the lowest in the United States.

"We request the General Assembly, as nearly as it can, provide the Department of Insurance an adequate operating budget for 1965-67."

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Recommendation

That the Insurance Department be adequately staffed to handle its many and varied duties.