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LEGISLATIVE RESEARCH COMMISSION

AUTOMOBILE INSURANCE



REPORT TO THE 1989 GENERAL ASSEMBLY OF NORTH CAROLINA 1989 SESSION

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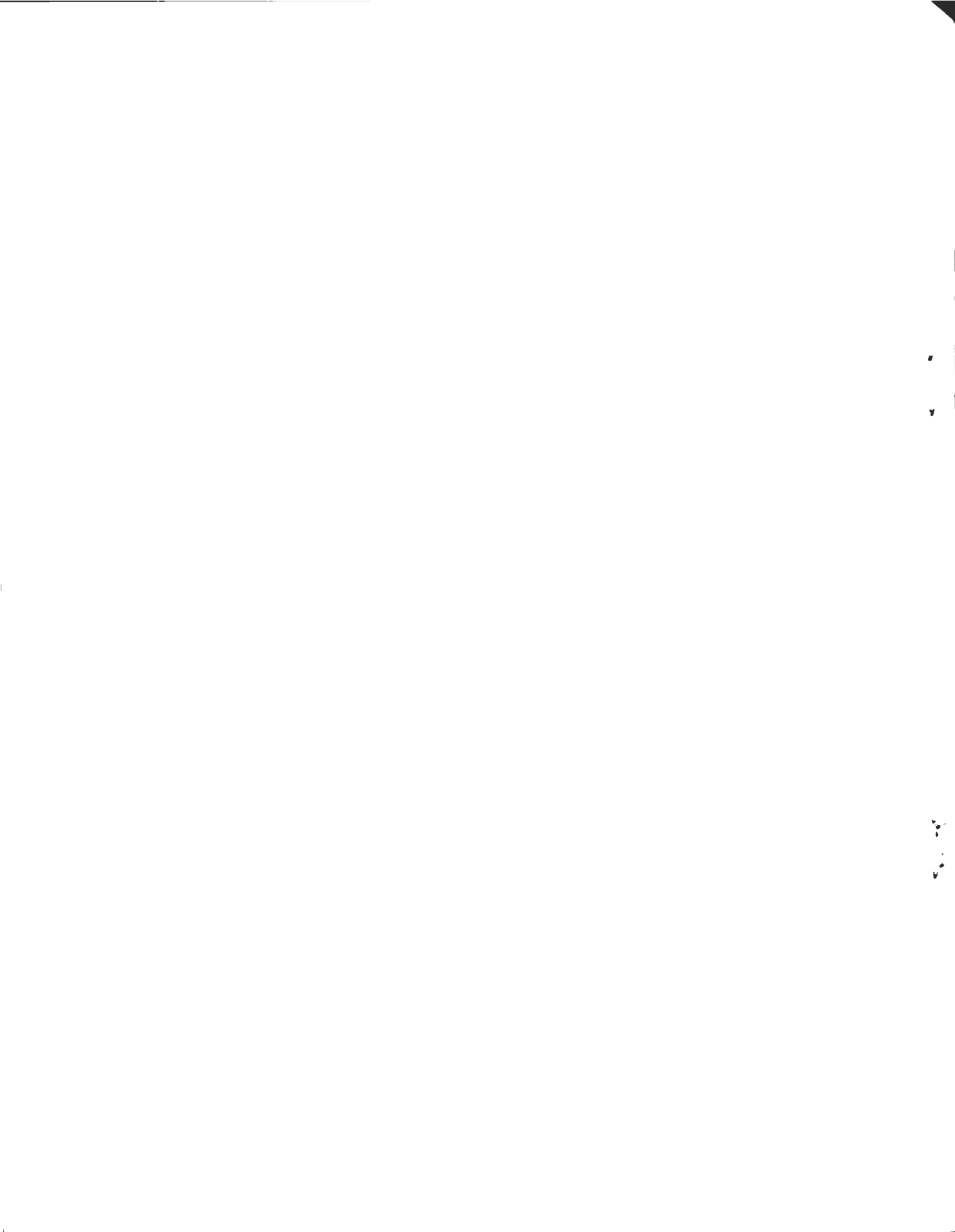
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STATE OF NORTH CAROLINA
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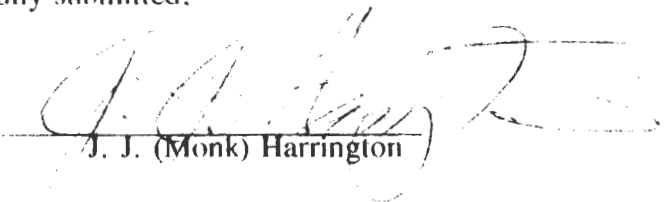
December 14, 1988

TO THE MEMBERS OF THE 1989 GENERAL ASSEMBLY:

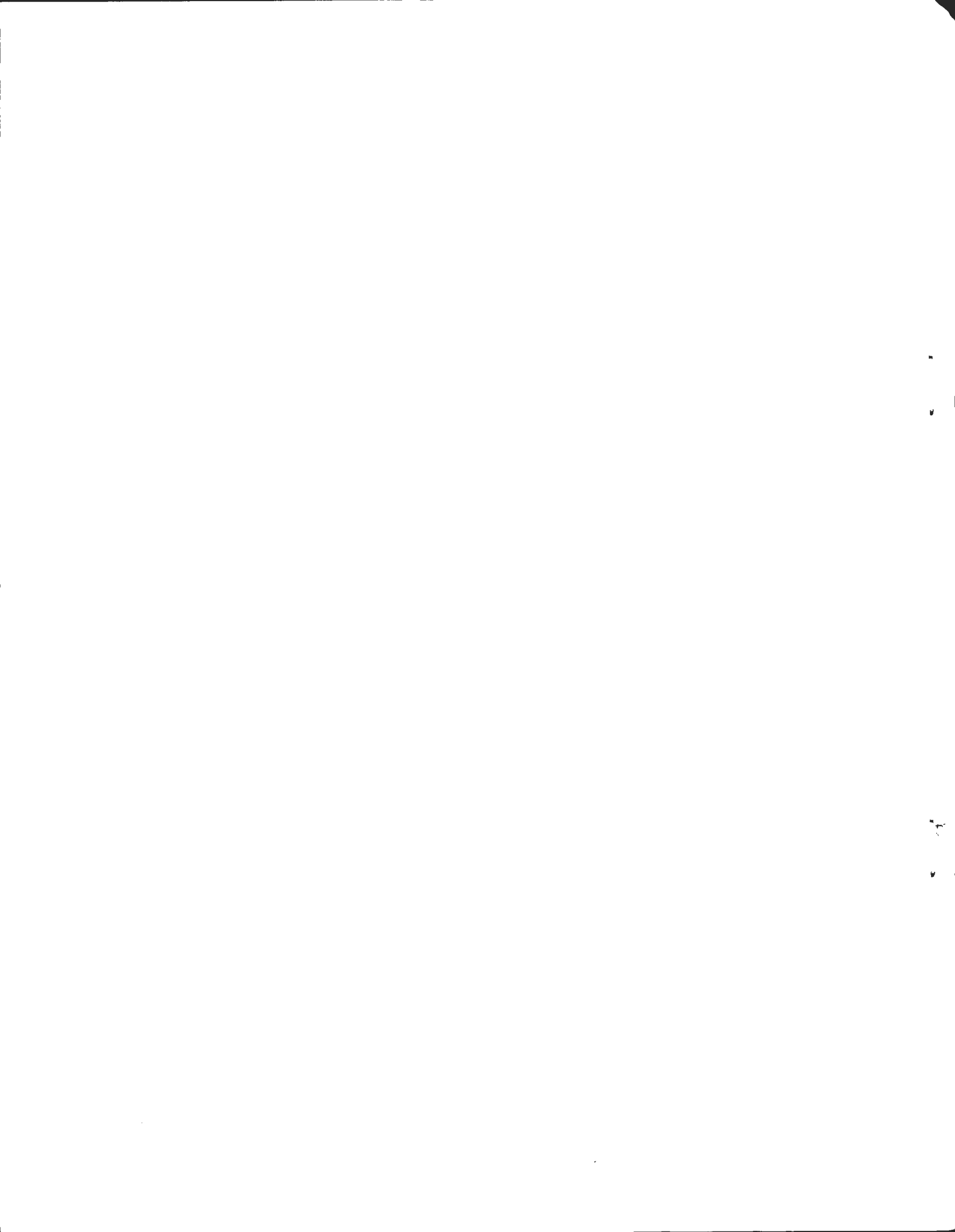
The Legislative Research Commission herewith submits to you for your consideration its final report on automobile insurance. The report was prepared by the Legislative Research Commission's Committee on Automobile Insurance pursuant to Section 2.1 of Chapter 873 of the 1987 Session Laws.

Respectfully submitted,


Liston B. Ramsey


J. J. (Monk) Harrington

Cochairmen
Legislative Research Commission



1987-1988

LEGISLATIVE RESEARCH COMMISSION MEMBERSHIP

Speaker of the House of
Representatives
Liston B. Ramsey, Cochair

Rep. John T. Church

Rep. Bruce Ethridge

Rep. Aaron Fussell

Rep. Vernon James

Rep. Josephus Mavretic

President Pro Tempore of
the Senate

J. J. Harrington, Cochair

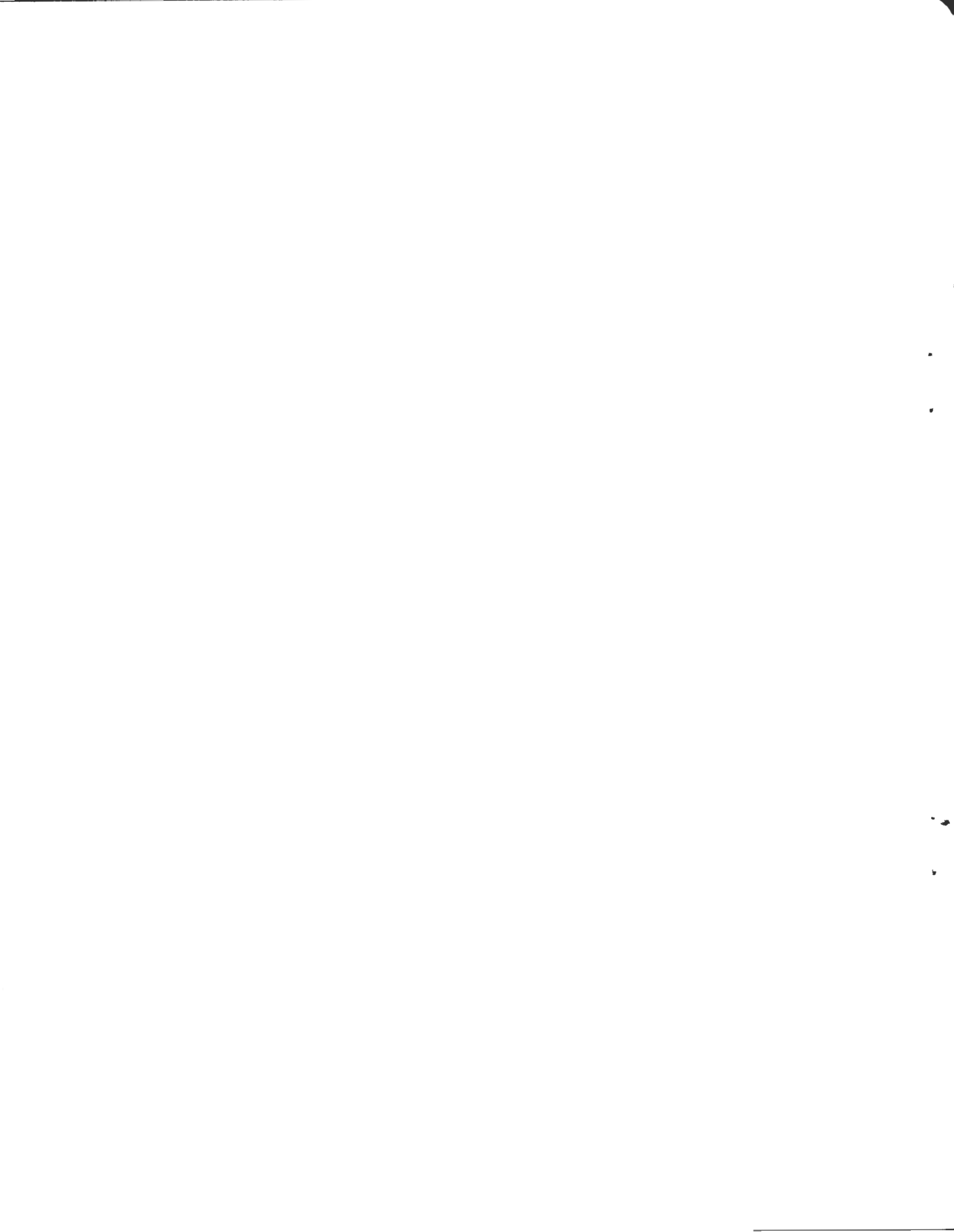
Senator Henson P. Barnes

Senator A. D. Guy

Senator R. L. Martin

Senator James Richardson

Senator Lura Tally



PREFACE

The Legislative Research Commission, established by Article 6B of Chapter 120 of the General Statutes, is a general purpose study group. The Commission is co-chaired by the Speaker of the House and the President Pro Tempore of the Senate and has five additional members appointed from each house of the General Assembly. Among the Commission's duties is that of making or causing to be made, upon the direction of the General Assembly, "such studies of and investigations into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most efficient and effective manner" (G.S. 120-30.17(1)).

At the direction of the 1987 General Assembly, the Legislative Research Commission has undertaken studies of numerous subjects. These studies were grouped into broad categories and each member of the Commission was given responsibility for one category of study. The Co-chairs of the Legislative Research Commission, under the authority of G.S. 120-30.10(b) and (c), appointed committees consisting of members of the General Assembly and the public to conduct the studies. Co-chairs, one from each house of the General Assembly, were designated for each committee.

The study of automobile insurance was authorized by Section 2.1(47e) of Chapter 873 of the 1987 Session Laws (1987 Session). That act states that the Commission may consider House Bill 2159 in determining the nature, scope and aspects of the study. Section 3 of House Bill 2159 reads in part: "The Commission is authorized to study automobile insurance in this State and in other states, including all aspects of State regulation of automobile insurance and the nature of the business of automobile insurance." The relevant portions of Chapter 873 and House Bill 2159 are included in Appendix A. The Legislative Research Commission grouped this study in its Transportation and Agriculture area under the direction of Representative Vernon

James. The Committee was chaired by Senator David R. Parnell and Representative R. D. Beard. The full membership of the Committee is listed in Appendix B of this report. A committee notebook containing the committee minutes and all information presented to the committee is filed in the Legislative Library.

INTRODUCTION

The LRC Committee on Automobile Insurance determined that its primary objective was to monitor the effects of implementation of Chapter 869 of the 1987 Session Laws (House Bill 1158), a copy of which is located in Appendix D. House Bill 1158, ratified on August 14, 1987, represents an effort by the General Assembly to correct inequities within this State's automobile insurance system. Through enactment of House Bill 1158, the General Assembly sought to spread the burden of payment for the losses of the North Carolina Motor Vehicle Reinsurance Facility ("Reinsurance Facility") in a more equitable manner, reduce excessive surcharges that attach when an insured commits a minor traffic violation or has a minor accident, and reduce the likelihood that drivers will attempt to drive uninsured and insureds will attempt to avoid payment of proper premiums.

A major portion of House Bill 1158 has been incorporated into a revised Safe Driver Incentive Plan ("SDIP"), which will not go into effect until May 15, 1989. For this reason, the LRC Committee on Automobile Insurance was able to monitor the implementation and effects of only a portion of House Bill 1158. The Committee placed special emphasis on review of the provisions of the bill that require proof of financial responsibility from certain driver's license applicants and from people seeking limited driving privileges.

In addition to monitoring House Bill 1158, the LRC Committee on Automobile Insurance discussed a number of issues ranging from the membership of the Governing Board of the Reinsurance Facility to the possibility of establishing a deviated upward market in North Carolina as a way of reducing the population of the Reinsurance Facility.

COMMITTEE PROCEEDINGS

The LRC Committee on Automobile Insurance met five times to review House Bill 1158 and other issues that affect automobile insurance consumers and the automobile insurance industry in North Carolina.

February 9th Meeting

The LRC Committee on Automobile Insurance held its organizational meeting on February 9, 1988, in Raleigh, North Carolina. This meeting provided Committee members with an educational overview of the history of North Carolina's automobile insurance system. (See Appendix C for Agenda.)

John Watkins, General Manager of the North Carolina Rate Bureau ("Rate Bureau") and the Reinsurance Facility, provided a thorough summary of the operations of these organizations. Mr. Watkins noted that the primary function of the Rate Bureau is "to establish, subject to the approval of the Commissioner of Insurance, standard rates, rating plans, classification systems, and forms" for non-fleet private passenger automobile insurance, residential property insurance, and workers compensation insurance. He then described the Reinsurance Facility as "a mechanism for pooling of insurance risks who cannot obtain coverage by ordinary methods." Mr. Watkins stated that insurance companies do not benefit from placing business in the Reinsurance Facility, since any opportunity for making a profit on a risk is forfeited by the company once the risk is ceded to the Facility. Mr. Watkins also provided an overview of the Facility's operating results, noting that Facility net operating losses

from inception to September 30, 1987, were \$524 million, of which \$304 million have been recovered through recoupments.

William K. Hale, Deputy Commissioner of the N.C. Department of Insurance then presented a brief history of automobile insurance regulation legislation in North Carolina. This history began in 1931, with the enactment of the first financial responsibility law and continued through 1987, with the enactment of House Bill 1158.

Dave Gregorino, from Charlotte, North Carolina, then shared his views as an insurance consumer. Mr. Gregorino stated his opinions on House Bill 1158, but focused primarily on his discontent with the consent-to-rate system for physical damage coverage.

The Committee members responded with questions and discussion, and then expressed opinions as to future topics for Committee consideration.

March 9th Meeting

The LRC Committee on Automobile Insurance held its second meeting on Wednesday, March 9, 1988, in Raleigh, North Carolina. At this meeting, the Committee reviewed a wide range of topics, including the concerns of auto insurance agents, the viewpoints of the public members who sit on the Rate Bureau Governing Committee, recommendations of the Division of Motor Vehicles, and the views of the military on Territory 19. (See Appendix C for Agenda.)

The Committee first heard from Thomas Kane, Carroll Pledger, Steve Pittard, and Larry Clark, who spoke on behalf of Auto Insurance Agents of North Carolina, Inc. The issues discussed by these agents included: the need to increase the 10% commission that agents now receive; the need to provide an enforcement mechanism for

the new proof of financial responsibility requirements for certain driver's license applicants; and the problems of insuring out-of-state drivers.

John S. Freeman and Woodrow W. Winchester, public members of the Rate Bureau Governing Committee, shared some of the experiences they have had while serving on that Committee. They stressed the fact that serving on the Committee provides them with an extraordinary educational opportunity. The public members, who are non-voting members, indicated that they saw no real need for a vote since they believe that the voting Committee members take the public members' opinions into consideration.

William Hiatt, Commissioner of the North Carolina Division of Motor Vehicles, updated the Committee on the effects of implementation of the provisions of House Bill 1158 that require proof of financial responsibility from certain applicants seeking a driver's license. Commissioner Hiatt stressed that the Division must have additional funds and staff if these provisions are to be properly administered. Noting that the Division had received excessive numbers of complaints from the public regarding these new requirements, he suggested some changes in the provisions in order to eliminate some of the burden on the public, to provide more clarity, and to help the Division administer these requirements. These suggested changes included: eliminate the requirement that those who take the written exam when renewing a license furnish proof of financial responsibility; limit the proof requirement to those who own registered vehicles; clarify the definition of household so that students in dorms and military personnel in barracks will be exempt from the proof requirements if they don't own a car or drive another person's car; exempt people who seek restoration of a license that has been suspended because of failure to pay a citation for an infraction from the proof requirements; and appropriate adequate funds for additional personnel to handle the increased work load caused by the proof requirements.

Major Joseph M. Poirier, Director, of the Joint Law Center, Marine Corp Air Station, Cherry Point, North Carolina, addressed the Committee on the method of determining automobile insurance rates for U.S. military personnel living in military installations in the State. Major Poirier, speaking on behalf of all military personnel stationed in North Carolina, contended that the practice of grouping all military installations in the State into one territory - Territory 19 - for automobile insurance rate purposes violates State anti-discrimination laws designed to protect members of the military, and possibly violates the federal and State Constitutions. He then proposed that Territory 19 be abolished and that the individual military installations be incorporated into the most appropriate neighboring insurance rate territories.

John W. Watkins, General Manager of the Rate Bureau, spoke in response to Major Poirier's presentation. He pointed out the variables that cause losses to vary by territory and, thus, justify the use of territories in automobile insurance rating. These variables included: vehicle density; population density; road design and maintenance; availability of off-street parking; availability of mass transportation; law enforcement; economic condition; and attitude on claim settlement. Mr. Watkins also noted that eliminating territories or combining urban areas with suburban areas would result in: (1) large numbers of people paying more so that a few people would pay less; and (2) market availability problems since insurance companies would seek out the "over-priced" business and avoid obtaining the "under-priced" business.

Committee members questioned all of the speakers at length and then discussed plans for the next meeting.

August 2nd Meeting

The LRC Committee on Automobile Insurance held its third meeting on Tuesday, August 2, 1988, in Raleigh, North Carolina. The Committee discussed a variety of topics, including the possibility of establishing a third market in North Carolina as an alternative to the voluntary and involuntary markets; the pros and cons of providing physical damage coverage through the Reinsurance Facility; implementation of computer access to motor vehicle reports; and problems faced by the North Carolina Division of Motor Vehicles in administering House Bill 1158. (See Appendix C for Agenda.)

David Harris, Operations Manager for State Farm Insurance Companies, Charlottesville, Virginia, spoke to the Committee about the possibility of establishing a third auto insurance market in North Carolina in order to provide price flexibility and reduce the population in the Reinsurance Facility. Mr. Harris described State Farm's preferred auto/standard auto slotting program, which is used by State Farm in almost every State. State Farm's "preferred" rate or "best" rate is offered to the best risks and a "standard" rate is offered to "other acceptable risks" that have certain characteristics that prevent them from qualifying for the preferred rate. The standard rate is still lower than the residual market rate. Mr. Harris pointed out that in order for such a program to work in North Carolina the requirement that clean risks ceded to the Facility be charged the same rate as clean risks in the voluntary market would have to be eliminated.

Art Ivey, Regional Underwriting manager, Allstate Insurance Companies, discussed South Carolina's experience with respect to providing physical damage coverage as well as liability coverage through its Reinsurance Facility. Mr. Ivey then noted that currently there is no problem with the availability of physical damage coverage in

North Carolina. He stressed that if North Carolina adds physical damage coverage to the Reinsurance Facility, the State would also add to Facility population, Facility losses, and Facility recoupment.

Dottie Ellis, System Analyst with State Information Processing Services ("SIPS") reviewed the "MVR ON-LINE" system. SIPS implemented this system on July 1, 1988, in order to comply with the requirements of House Bill 1158. According to Ms. Ellis, this system allows insurance agents, insurance companies, and insurance support organizations to retrieve Motor Vehicle Records via a computer terminal or personal computer. Ms. Ellis noted that, to date, only four agents had applied to participate in this system.

William S. Hiatt, Commissioner of Motor Vehicles, Department of Transportation, appeared before the Committee for a second time. Commissioner Hiatt again discussed the proof of financial responsibility requirements for obtaining drivers' licenses as imposed by House Bill 1158. Contending that driver's license services for North Carolina's 4.5 million licensed motorists are adversely affected by these requirements, Commissioner Hiatt requested that the Committee support repeal of these requirements.

Committee Counsel then distributed and reviewed information requested by the Committee concerning the concept of insuring the driver rather than the motor vehicle and the recent controversy over rental cars and collision damage waivers.

The Committee responded to each speaker with considerable discussion. Prior to adjourning, the Committee questioned William K. Hale, Deputy Commissioner of the Department of Insurance, as to implementation of the remaining provisions of House Bill 1158, and requested that the Department report to the next meeting with additional details.

October 13th Meeting

At the fourth meeting of the Committee, which was held on October 13, 1988, in Raleigh, North Carolina, the members heard an update from the Department of Insurance, a consumer advocate's viewpoint, and an insurance company presentation as to how to improve the State's automobile insurance system. (See Appendix C for Agenda.)

As requested at the last meeting, William K. Hale, Deputy Commissioner of the Department of Insurance, updated the Committee on implementation of the provisions of House Bill 1158 that had to be incorporated into a revised SDIP. Mr. Hale assured the Committee that the Commissioner of Insurance planned to approve the revised SDIP by early November, noting that it had taken the Department nine months to review the SDIP due to its complexity and the need to reach agreement with the Rate Bureau on points of conflict within the SDIP. Mr. Hale informed the Committee of the upcoming Rate Hearings to determine whether to approve or deny the 6.4% rate increase requested by the Rate Bureau. He also reviewed several other issues including territories, collision damage waivers, and after-market parts.

Dave Gregorino appeared before the Committee again to air some of his concerns as an insurance consumer. Mr. Gregorino expressed concerns regarding the provisions of House Bill 1158. He then discussed physical damage coverage, noting that this type coverage is not regulated by statute and is unavailable for certain kinds of cars.

Don Yantis and Bob Moone representing State Auto Insurance Company made a slide presentation to the Committee. This presentation reviewed ways that the State could reduce the population and losses of the Reinsurance Facility. The presentation endorsed the use of a competitive market that would encompass new rating concepts and the ability to change rates more frequently.

Committee Counsel then discussed possible issues for recommendation to the 1989 General Assembly. These issues included revision to the membership requirements of the Reinsurance Facility Governing Board and response to the administrative difficulties that have arisen in implementing the proof of financial responsibility requirements in House Bill 1158.

The Committee discussed these proposals and then decided to make a final determination of recommendations at the next meeting.

November 21st Meeting

The LRC Committee on Automobile Insurance held its fifth and final meeting on November 21, 1988, in Raleigh, North Carolina. The Committee reviewed the revised Safe Driver Incentive Plan and determined final recommendations. (See Appendix C for Agenda.)

William K. Hale, Deputy Commissioner of the Department of Insurance, appeared before the Committee to inform them that the revised SDIP had been approved by the Commissioner of Insurance on November 15, 1988. (See Appendix E for Summary of SDIP.) He reminded the Committee that the revised SDIP, although now approved, would not become effective until May 15, 1989. Mr. Hale presented a detailed review of the new provisions of the plan and responded to numerous questions from the Committee members. Mr. Hale also informed the Committee that the Rate Bureau is reviewing its Territory definitions and may redefine the military territory - Territory 19 so that each military base in the State would be designated as a separate territory. Separate data would then be collected on each base and appropriate rates established.

As a follow-up to the discussion of proposals that began at the last meeting, Committee Counsel presented two bills for Committee review. The first bill proposed

expansion of the Reinsurance Facility Governing Board and assurance that domestic insurance companies will have representation on the Board. The second bill proposed changes to the proof of financial responsibility requirements of House Bill 1158 in response to difficulties encountered by the Division of Motor Vehicles while administering these new requirements.

After discussion, the Committee approved the bill amending the Facility Governing Board membership. The Committee then reviewed the bill proposing changes to the financial responsibility requirements. The Committee adopted a number of revisions to this bill before voting their approval. Prior to adjournment, the Committee authorized Cochairman Parnell and Cochairman Beard to approve the Final Report of the Committee, incorporating the two bills, for transmittal to the Legislative Research Commission.

Approval of Final Report

As authorized by the LRC Committee on Automobile Insurance at its November 21st meeting, the Committee Cochairmen, Senator David R. Parnell and Representative R. D. Beard, reviewed and approved the Final Report of the Committee on December 2, 1988, for transmittal to the Legislative Research Commission.

FINDINGS

(1) THE LRC COMMITTEE ON AUTOMOBILE INSURANCE FINDS THAT HOUSE BILL 1158 REPRESENTS A THOROUGH AND DILIGENT EFFORT BY THE GENERAL ASSEMBLY TO CORRECT INEQUITIES WITHIN NORTH CAROLINA'S AUTOMOBILE INSURANCE SYSTEM. During the 1987 Session, the General Assembly undertook the formidable task of attempting to alleviate some of the burdens of the State's automobile insurance system. House Bill 1158 is the result of in-depth review and discussion by the General Assembly of the inequities encountered by North Carolina automobile insurance consumers and of possible ways to eliminate these inequities. Specifically, House Bill 1158 seeks to spread the burden of payment for Reinsurance Facility shortfalls in a more equitable manner, reduce excessive surcharges that attach when an insured commits a minor traffic violation or has a minor accident, and reduce the likelihood that drivers attempt to drive uninsured and insureds will attempt to avoid payment of proper premiums.

(2) THE LRC COMMITTEE ON AUTOMOBILE INSURANCE FINDS THAT PROVISIONS OF HOUSE BILL 1158 THAT WILL BE INCORPORATED INTO A SAFE DRIVER INCENTIVE PLAN SHOULD BE MONITORED BY THE GENERAL ASSEMBLY ONCE THEY ARE FULLY IMPLEMENTED. The revised Safe Driver Incentive Plan, which incorporates provisions of House Bill 1158, will become effective May 15, 1989. Once the revised SDIP is in operation, the General Assembly should monitor its effects to determine whether the revised SDIP is a more equitable plan for North Carolina insurance consumers.

(3) THE LRC COMMITTEE ON AUTOMOBILE INSURANCE FINDS THAT THE PROVISIONS OF HOUSE BILL 1158 THAT REQUIRE PROOF OF FINANCIAL RESPONSIBILITY FOR DRIVERS' LICENSES AND LIMITED DRIVING PRIVILEGES REPRESENT AN IMPORTANT STEP FORWARD IN THE EFFORT TO REDUCE THE NUMBER OF DRIVERS WHO DRIVE UNINSURED AND INSUREDS WHO AVOID PAYMENT OF PROPER PREMIUMS. By attempting to reduce the possibility that people will try to beat the system, the General Assembly sought to create an automobile insurance system that operates more efficiently and provides better insurance protection for all of the State's driving public, at a fairer rate. The General Assembly had important goals when drafting and enacting these provisions. The new proof of financial responsibility provisions have been in effect for less than a year. More time is needed to determine their impact. The new provisions should be given sufficient time and every opportunity to succeed.

(4) THE LRC COMMITTEE ON AUTOMOBILE INSURANCE FINDS THAT DIFFICULTIES ENCOUNTERED BY THE DIVISION OF MOTOR VEHICLES IN ADMINISTERING THE NEW PROOF OF FINANCIAL RESPONSIBILITY REQUIREMENTS OF HOUSE BILL 1158 SHOULD BE ADDRESSED. While the provisions of House Bill 1158 that require proof of financial responsibility should remain substantially intact, some revisions should be made to the provisions to provide more clarity and more ease in administering them.

(5) THE LRC COMMITTEE ON AUTOMOBILE INSURANCE FINDS THAT THE STATE'S INSURANCE LAWS SHOULD REQUIRE THAT INSURANCE COMPANIES DOMICILED IN NORTH CAROLINA HAVE REPRESENTATION ON THE GOVERNING BOARD OF THE NORTH CAROLINA MOTOR VEHICLE

REINSURANCE FACILITY. Domestic companies are responsible for a significant amount of Reinsurance Facility business. Under current law there is no requirement that any of the Facility Governing Board members represent companies that are domiciled in North Carolina. Domestic companies should be assured by statute that they will be represented on the Governing Board.

RECOMMENDATIONS

(1) THE LRC COMMITTEE ON AUTOMOBILE INSURANCE RECOMMENDS THAT THE GENERAL ASSEMBLY AMEND THE PROOF OF FINANCIAL RESPONSIBILITY REQUIREMENTS FOR 'DRIVERS' LICENSES AND LIMITED DRIVING PRIVILEGES. The amendments will clarify these requirements and facilitate execution of the requirements. (See Appendix F for Legislation and Summary.)

(2) THE LRC COMMITTEE ON AUTOMOBILE INSURANCE RECOMMENDS THAT THE GENERAL ASSEMBLY AMEND MEMBERSHIP REQUIREMENTS FOR THE GOVERNING BOARD OF THE NORTH CAROLINA MOTOR VEHICLE REINSURANCE FACILITY. The amendments will expand the membership from nine voting members to eleven voting members and ensure that domestic insurance companies have representation on the Governing Board. (See Appendix G for Legislation and Summary.)

APPENDIX A

GENERAL ASSEMBLY OF NORTH CAROLINA
1987 SESSION
RATIFIED BILL

CHAPTER 873
HOUSE BILL 1

AN ACT TO AUTHORIZE STUDIES BY THE LEGISLATIVE RESEARCH COMMISSION, TO CREATE AND CONTINUE VARIOUS COMMITTEES AND COMMISSIONS, TO MAKE APPROPRIATIONS THEREFOR, AND TO AMEND STATUTORY LAW.

The General Assembly of North Carolina enacts:

PART I. TITLE

Section 1. This act shall be known as "The Study Commissions and Committees Act of 1987."

...

PART II.-----LEGISLATIVE RESEARCH COMMISSION

Sec. 2.1. The Legislative Research Commission may study the topics listed below. Listed with each topic is the 1987 bill or resolution that originally proposed the issue or study and the name of the sponsor. The Commission may consider the original bill or resolution in determining the nature, scope and aspects of the study. The topics are:

...

(47E) Automobile Insurance (H.B. 2159-Beard)

...

Sec. 2.6. Reporting Dates. For each of the topics the Legislative Research Commission decides to study under this act or pursuant to G.S. 120-30.17(1), the Commission may report its findings, together with any recommended legislation to the 1989 General Assembly.

Sec. 2.7. Bills and Resolution References. The listing of the original bill or resolution in this Part is for reference purposes only and shall not be deemed to have incorporated by reference any of the substantive provisions contained in the original bill or resolution.

...

-EFFECTIVE DATE

Sec. 31. This act is effective on July 1, 1987.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1987

H

I

HOUSE BILL 2159

Short Title: Automobile Insurance Study.

(Public)

Sponsors: Representative Beard; Bowman.

Referred to: Insurance.

July 13, 1987

1 A BILL TO BE ENTITLED
2 AN ACT TO CREATE THE AUTOMOBILE INSURANCE STUDY COMMISSION
3 AND TO APPROPRIATE FUNDS THEREFOR.

4 The General Assembly of North Carolina enacts:

5 Section 1. There is created the North Carolina Automobile Insurance Study
6 Commission, hereinafter referred to as the Commission. The Commission shall consist
7 of 12 members, six members of the House to be appointed by the Speaker of the House
8 and six members of the Senate to be appointed by the President of the Senate.

9 Sec. 2. In the event of any vacancy, the appropriate appointing authority
10 shall appoint a replacement to serve the remainder of the unexpired term. Members of
11 the Commission shall be paid subsistence and mileage allowances authorized by G.S.
12 120 3.1 for services on the Commission when the General Assembly is not in session.
13 The appointing authorities shall each designate a cochairman from the Commission's
14 membership.

15 Sec. 3. The Commission is authorized to study automobile insurance in this
16 State and in other states, including all aspects of State regulation of automobile
17 insurance and the nature of the business of automobile insurance. The Commission is
18 authorized to determine the scope of its study of automobile insurance without
19 limitation by this act.

1 Sec. 4. With the prior approval of the Legislative Services Commission, the
2 Commission may meet in the State Legislative Building or in the Legislative Office
3 Building and utilize the services of the staffs of the Legislative Services Office. The
4 Commission may also employ additional clerical or professional staff in carrying out the
5 provisions of this act.

6 Sec. 5. The Commission is authorized to report to the 1987 General
7 Assembly, Regular Session 1988. The Commission shall submit its final report to the
8 1989 General Assembly on its convening date.

9 Sec. 6. There is appropriated from the General Fund to the Legislative
10 Services Commission for fiscal years 1987-88 and 1988-89 the sum of fifty thousand
11 dollars (\$50,000) to carry out the provisions of this act.

12 Sec. 7. This act is effective upon ratification.

APPENDIX B

MEMBERSHIP OF LRC COMMITTEE ON AUTOMOBILE INSURANCE

Pres. Pro Tem's Appointments

Sen. David R. Parnell, Cochair
Post Office Box 100
Parkton, NC 28371
(919) 858-3521

Sen. Joseph E. Johnson
Box 750
Raleigh, NC 27602
(919) 787-5200

Sen. R. L. Martin
Post Office Box 387
Bethel, NC 27812
(919) 825-4361

Mr. Charles A. Paxton
Post Office Box 212
Harrisburg, NC 28075
(704) 455-2807

Sen. Robert V. Somers
113 West Council Street
Salisbury, NC 28144
(704) 636-7931

Staff: Ms. Catherine Hubbard
Legislative Services Office
(919) 733-2578

Clerk: Ms. Martha Swindell
(919) 733-5603 (O)
(919) 467-9307 (H)

LRC Member: Rep. Vernon G. James

Speaker's Appointments

Rep. R. D. Beard, Cochair
2918 Skye Drive
Fayetteville, NC 28303
(919) 484-9935

Rep. Gerald L. Anderson
Post Office Box 568
Bridgeton, NC 28519
(919) 633-2830

Rep. John C. Hasty
Post Office Box 338
Maxton, NC 28364
(919) 844-5257

Rep. Foyle Hightower, Jr.
Route 2, Box 2
Wadesboro, NC 28170
(704) 694-2515

Rep. Harry E. Payne, Jr.
Post Office Box 1147
Wilmington, NC 28402
(919) 762-5505



APPENDIX C

STATE OF NORTH CAROLINA
LEGISLATIVE RESEARCH COMMISSION
STATE LEGISLATIVE BUILDING
RALEIGH 27611

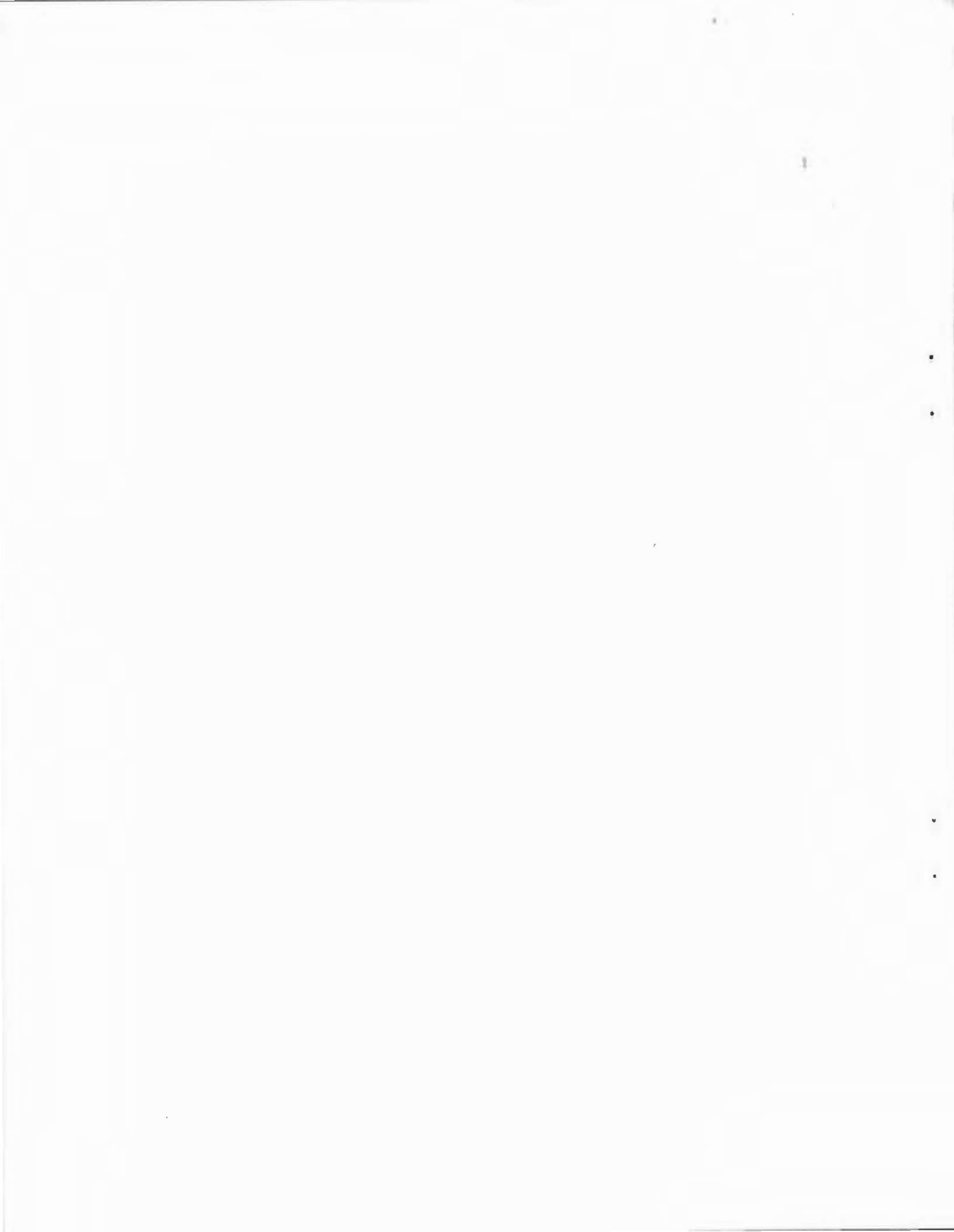


AUTOMOBILE INSURANCE STUDY COMMITTEE

February 9, 1988
10:30 a.m.
Room 1228, State Legislative Building

AGENDA

- I. Introductions and Opening Remarks
Cochairmen: Senator David R. Parnell
Representative R.D. Beard
- II. Review of Authorizing Legislation
- III. Adoption of Budget
- IV. Speakers
William K. Hale, Deputy Commissioner
N.C. Department of Insurance
John W. Watkins, General Manager
N.C. Rate Bureau and N.C. Reinsurance Facility
- V. Committee Discussion
- VI. Directions to Staff - Next Meeting Date
- VII. Adjournment



STATE OF NORTH CAROLINA
LEGISLATIVE RESEARCH COMMISSION
STATE LEGISLATIVE BUILDING
RALEIGH 27611



AUTOMOBILE INSURANCE STUDY COMMITTEE

Wednesday, March 9, 1988
10:30 A.M.
Room 1228, State Legislative Building

AGENDA

I. Opening Remarks

-Cochairmen: Representative R.D. Beard
Senator David R. Parnell

II. Adoption of Minutes

III. Presentations

-Public Members' Views of the North Carolina Rate Bureau

John S. Freeman, Public Member, N.C. Rate Bureau
Board

Woodrow W. Winchester, Public Member, N.C. Rate
Bureau Board

-Recommendations of the Division of Motor Vehicles

William S. Hiatt, Commissioner, Division of Motor
Vehicles

Keith Clark, Director, Drivers License Section,
Division of Motor Vehicles

-Discussion of Territory 19 - Military Installations

Major Joseph M. Poirier, Director, Joint Law Center
Marine Corp Air Station, Cherry Point, NC

John W. Watkins, General Manager, N.C. Rate Bureau

-Concerns of Auto Insurance Agents

Sam Johnson, Legal Counsel, Auto Insurance Agents
of North Carolina, Inc.

Thomas Kane, President, Auto Insurance Agents of
North Carolina, Inc.

Carroll Pledger, Treasurer, Auto Insurance Agents
of North Carolina, Inc.

Steve Pittard, Director, Auto Insurance Agents of
North Carolina, Inc.

Larry Clark, Member, Auto Insurance Agents of
North Carolina, Inc.

IV. **Committee Counsel Report**

V. **Committee Discussion**

VI. **Adjournment**

AUTOMOBILE INSURANCE STUDY COMMITTEE

Tuesday, August 2, 1988
10:00 a.m.
Room 1228, State Legislative Building

AGENDA

I. Opening Remarks

Representative R.D. Beard, Cochairman
Senator David Parnell, Cochairman

II. Adoption of Minutes

III. Distribution of Handouts

- N.C. Reinsurance Facility Statistics
- Insuring the Driver: Pros & Cons
- Collision Damage Waivers

IV. Presentations

- a. **Deviated Upward Market**
David Harris, Operations Manager, State Farm Insurance Companies
- b. **South Carolina Reinsurance Facility**
Art Ivey, Regional Underwriting Manager, Allstate Insurance Companies
- c. **Computer Access to MVRs**
Dottie Ellis, System Analyst, State Information Processing Services
- d. **Proof of Financial Responsibility Forms**
William Hiatt, Commissioner, N.C. Division of Motor Vehicles

IV. Committee Discussion

V. Directions for Next Meeting

VI. Adjournment



STATE OF NORTH CAROLINA
LEGISLATIVE RESEARCH COMMISSION
STATE LEGISLATIVE BUILDING
RALEIGH 27611



LRC STUDY COMMITTEE ON AUTOMOBILE INSURANCE

Thursday, October 13, 1988
10:00 a.m.
Room 1228, State Legislative Building

AGENDA

I. OPENING REMARKS

Representative R.D. Beard, Cochairman
Senator David R. Parnell, Cochairman

II. ADOPTION OF MINUTES FROM AUGUST 2ND MEETING

III. SPEAKERS

N.C. Department of Insurance

William K. Hale, Deputy Commissioner

Consumer Viewpoint

Dave Gregorino

IV. SLIDE PRESENTATION

State Auto Insurance Company

Don Yantis
Bob Moone

V. STAFF PRESENTATION

VI. COMMITTEE DISCUSSION

VII. ADJOURNMENT

STATE OF NORTH CAROLINA
LEGISLATIVE RESEARCH COMMISSION
STATE LEGISLATIVE BUILDING
RALEIGH 27611



LRC COMMITTEE ON AUTOMOBILE INSURANCE

MONDAY, NOVEMBER 21, 1988
1:00 P.M.
ROOM 1425, STATE LEGISLATIVE BUILDING

AGENDA

I. OPENING REMARKS

Senator David R. Parnell, Cochairman
Representative R. D. Beard, Cochairman

II. ADOPTION OF MINUTES FROM OCTOBER 13TH MEETING

III. UPDATE ON IMPLEMENTATION OF HOUSE BILL 1158

Bill Hale, Deputy Commissioner, Department of
Insurance

IV. COMMITTEE DISCUSSION OF RECOMMENDATIONS FOR
PRESENTATION TO THE LEGISLATIVE RESEARCH COMMISSION

V. ADJOURNMENT



APPENDIX D

CHAPTER 869

Session Laws — 1987

H.B. 1158

CHAPTER 869

AN ACT TO AUTHORIZE AUTOMOBILE INSURANCE RATE DISCOUNTS FOR PERSONS WHO ARE 55 YEARS OF AGE OR OLDER; TO FACILITATE RECOVERY OF LOSSES OF THE MOTOR VEHICLE REINSURANCE FACILITY; TO REVISE AND IMPROVE THE SUBCLASSIFICATION PLAN FOR NONFLEET PRIVATE PASSENGER AUTOMOBILE INSURANCE; AND TO REQUIRE PROOF OF FINANCIAL RESPONSIBILITY UPON APPLICATIONS FOR DRIVERS' LICENSES AND LIMITED DRIVING PRIVILEGES.

The General Assembly of North Carolina enacts:

Section 1. G.S. 58-124.23 is amended by adding the following:

"(d) Notwithstanding any other provision of law prohibiting insurance rate differentials based on age, with respect to nonfleet private passenger motor vehicle insurance under the jurisdiction of the Bureau, any member of the Bureau may apply for and use in this State, subject to the Commissioner's approval, a downward deviation in the rates for insureds who are 55 years of age or older."

Sec. 2. Article 25A of General Statute Chapter 58 is amended by adding the following section:

"§ 58-248.41. *Modification of nonfleet private passenger motor vehicle insurance recoupment.*--(a) During the period beginning on July 1, 1988, through June 30, 1989, eighty percent (80%) of the Facility's losses shall be recouped according to G.S. 58-248.34(f) and

twenty percent (20%) shall be allocated among all policies.

(b) During the period beginning on July 1, 1989, through June 30, 1990, sixty percent (60%) of the Facility's losses shall be recouped according to G.S. 58-248.34(f) and forty percent (40%) shall be allocated among all policies.

(c) During the period beginning on July 1, 1990, through June 30, 1991, forty percent (40%) of the Facility's losses shall be recouped according to G.S. 58-248.34(f) and sixty percent (60%) shall be allocated among all policies.

(d) During the period beginning on July 1, 1991, through June 30, 1992, twenty percent (20%) of the Facility's losses shall be recouped according to G.S. 58-248.34(f) and eighty percent (80%) shall be allocated among all policies.

(e) Beginning on July 1, 1992, the Facility's losses shall be allocated among all policies.

(f) Recoupment and allocation of Facility losses under this section shall be made during the periods specified for the purpose of equitably distributing assessments made on member companies as a result of Facility losses. The recoupment and allocation of such losses shall not be considered as the collection or imposition of rates or premiums for any purposes.

(g) This section applies only to losses from, recoupment on, and allocation among nonfleet private passenger motor vehicle insurance policies. This section does not in any way affect the procedures for recouping losses from other motor vehicle insurance policies reinsured by the Facility."

Sec. 3. G.S. 58-248.33(g)(8) is amended by inserting after "G.S. 58-248.34(f)" the following: "or which cannot be recouped or allocated under G.S. 58-248.41,".

Sec. 4. G.S. 58-248.33(1) is amended:

(1) In the third sentence by substituting "58-124.31" for "58-30.4"; and

(2) In the twelfth sentence by inserting immediately after "58-248.34(f)" the following: "or allocated pursuant to G.S. 58-248.41".

Sec. 5. G.S. 58-248.34(f) is amended:

(1) In the first sentence by substituting "a" for "an identifiable";

(2) In the third sentence by substituting "58-124.31" for "58-30.4"; and

(3) In the third sentence by inserting immediately after "said plan" the following: ", subject to the provisions of G.S. 58-124.33".

Sec. 6. Article 12B of General Statute Chapter 58 is amended by adding a new section to read:

"§ 58-124.33. *At-fault accidents and certain moving traffic violations*

under the Safe Driver Incentive Plan.--(a) The subclassification plan promulgated pursuant to G.S. 58-124.31(b) may provide for separate surcharges for major, intermediate, and minor accidents. A 'major accident' is an at-fault accident that results in either (i) bodily injury or death or (ii) only property damage of two thousand dollars (\$2,000) or more. An 'intermediate accident' is an at-fault accident that results in only property damage of more than one thousand dollars (\$1,000) but less than two thousand dollars (\$2,000). A 'minor accident' is an at-fault accident that results in only property damage of one thousand dollars (\$1,000) or less. The subclassification plan may also exempt certain minor accidents from the Facility recoupment surcharge.

(b) The subclassification plan promulgated pursuant to G.S. 58-124.31(b) shall provide that with respect to a conviction for any moving traffic violation that is not listed in subsection (c) of this section, there shall be no Motor Vehicle Reinsurance Facility recoupment surcharge pursuant to G.S. 58-248.34(f) unless (i) the vehicle owner, principal operator, or any licensed operator in the owner's household has a driving record consisting of one or more convictions for a moving traffic violation, other than the conviction for the exempt violation, or one or more at-fault accidents during the three-year period immediately preceding the date of the application for a policy or the date of the preparation of the renewal of a policy, or (ii) the moving traffic violation for which the operator has been convicted occurred at the time of an accident for which he was at fault. Nothing in this section affects any provisions in the subclassification plan for premium surcharges for moving traffic violations or at-fault accidents.

(c) The subclassification plan promulgated pursuant to G.S. 58-124.31(b) shall provide for facility recoupment surcharges pursuant to G.S. 58-248.34(f) and G.S. 58-248.41, in addition to premium surcharges, for convictions for the following moving traffic violations:

General Statute	Description of Offense
20-12.1	Being impaired while accompanying a permittee who is learning to drive
20-28	Driving while license is suspended or revoked
20-138.1	Driving a vehicle while impaired
20-138.3	Driving by provisional licensee after consuming alcohol or drugs
20-140(a)	Driving carelessly and heedlessly in willful or wanton disregard of the rights of others

20-140(b)	Driving without due caution in a manner so as to endanger other people or property
20-141(a)	Only driving at least 11 miles per hour over the posted speed limit or driving in excess of the speed limit established by the State Department of Transportation under G.S. 20-141(d)(2)
20-141(j)	Driving in excess of 55 mph and at least 15 mph over legal limit, while fleeing or attempting to elude arrest by a law enforcement officer
20-141(j1)	Driving more than 15 mph over legal limit
20-141.1	Speeding in a school zone
20-141.3(a)	Engaging in prearranged speed competition with another motor vehicle
20-141.3(b)	Willfully engaging in speed competition with another motor vehicle (not prearranged)
20-141.3(c)	Allowing or authorizing others to use one's motor vehicle in prearranged speed competition or placing or receiving a bet or wager on a prearranged speed competition
20-141.4(a1)	Death by vehicle (unintentionally causing death of another while engaged in impaired driving)
20-141.4(a2)	Death by vehicle (unintentionally causing death of another as a result of a violation of motor vehicle law intended to regulate traffic or used to control operation of a vehicle)
20-166(a)	Failure to stop by driver who knew or should have known he was involved in accident and that accident caused death or injury to any person
20-166(c)	Failure of driver involved in accident causing property damage or personal injury or death (if driver did not know of injury or death) to stop at scene of accident
20-175.2	Failure to yield right-of-way to blind person at crossings, intersections, and traffic control signal points
20-217	Failure to stop and remain stopped when approaching a stopped school bus engaged in receiving or discharging passengers and while bus has mechanical stop signal displayed
14-18	Voluntary manslaughter
14-18	Involutionary manslaughter

(d) There shall be no Facility recoupment surcharge under G.S. 58-248.34(f) for accidents or conviction for speeding violations occurring when operating a firefighting, rescue squad, or law enforcement vehicle in response to an emergency if the operator of the vehicle at the time of the accident or speeding violation was a paid or volunteer member of any fire department, rescue squad, or any law enforcement agency. This exception does not include an accident or speeding violation occurring after the vehicle ceases to be used in response to such emergency.

(e) There shall be no Facility recoupment surcharge under G.S. 58-248.34(f) for any accident involving only damage to the operator's vehicle or to the property of another for which full payment or compensation has been made by the operator at fault; and when the motor vehicle insurer of the operator has not made any payment under any kind of insurance policy for such property damage to or on behalf of such operator. Notwithstanding the provision of this subsection, an insured still has a duty to report such accident to his insurer and to law enforcement authorities if such duty is required by the insurance contract or by law.

(f) The subclassification plan shall provide that with respect to a conviction for a 'violation of speeding 10 miles per hour or less over the speed limit' there shall be no premium surcharge nor any assessment of points unless there is a driving record consisting of a conviction or convictions for a moving traffic violation or violations, except for a prayer for judgment continued for any moving traffic violation, during the three years immediately preceding the date of application or the preparation of the renewal. The subclassification plan shall also provide that with respect to a prayer for judgment continued for any moving traffic violation, there shall be no premium surcharge nor any assessment of points unless the vehicle owner, principal operator, or any licensed operator in the owner's household has a driving record consisting of a prayer or prayers for judgment continued for any moving traffic violation or violations during the three years immediately preceding the date of application or the preparation of the renewal. For the purpose of this subsection, a 'prayer for judgment continued' means a determination of guilt by a jury or a court though no sentence has been imposed. For the purpose of this subsection, a 'violation of speeding 10 miles per hour or less over the speed limit' does not include the offense of speeding in a school zone in excess of the posted school zone speed limit nor any offense of speeding in excess of 65 miles per hour.

(f1) The subclassification plan shall provide that in the event an insured is at fault in an accident and is convicted of a moving traffic violation in connection with the accident, only the higher plan premium surcharge between the accident and the conviction shall be assessed on the policy.

(g) As used in this section 'conviction' means a conviction as defined in G.S. 20-279.1 and means an infraction as defined in G.S. 14-3.1."

Sec. 7. G.S. 58-30.4 is repealed.

Sec. 8. G.S. 58-30.5 is repealed.

Sec. 9. G.S. 58-124.31 is amended:

(1) By adding the following subsections:

"(h) If an insured disputes his insurer's determination that the operator of an insured vehicle was at fault in an accident, such dispute shall be resolved pursuant to G.S. 58-124.17(2), unless there has been an adjudication or admission of negligence of such operator.

(i) As used in this section, 'conviction' means a conviction as defined in G.S. 20-279.1 and means an infraction as defined in G.S. 14-3.1.

(j) Subclassification plan surcharges shall be applied to a policy for a period of not less nor more than three policy years.

(k) The subclassification plan may provide for premium surcharges for insureds having less than three years' driving experience as licensed drivers.

(l) Except as provided in G.S. 58-124.23(d), no classification or subclassification plan for nonfleet private passenger motor vehicle insurance shall be based, in whole or in part, directly or indirectly, upon the age or gender of insureds."; and

(2) By amending the first sentence of subsection (b) by substituting "at-fault" for "chargeable".

Sec. 10. G.S. 20-7 is amended by adding the following subsection:

"(c1) In addition to the other requirements of this section, no person shall be issued a driver's license until such person has furnished proof that he is financially responsible. Proof of financial responsibility shall be in the form of a written certificate of any insurance carrier duly authorized to do business in this State certifying that there is in effect a nonfleet private passenger motor vehicle liability policy for the benefit of the person required to furnish proof of financial responsibility. Such certificate shall state that the policy is in effect on the date of the issuance of the driver's license but shall not in and of itself constitute a binder or policy of insurance.

The preceding provisions of this subsection do not apply to applicants who do not own motor vehicles and who do not operate nonfleet private passenger motor vehicles that are owned by other persons and who do not reside in a household wherein any other household member owns a motor vehicle. In such cases, the applicant shall sign a written certificate to that effect. Such certificate shall be furnished by the Division and may be incorporated into the license application form. Any material misrepresentation made by such person on such certificate shall be grounds for suspension of that person's license for a period of 90 days.

For the purpose of this subsection, the term 'nonfleet private passenger motor vehicle' has the definition ascribed to it in Article 13C of General Statute Chapter 58.

The Commissioner may require that certificates required by this subsection be on a form approved by the Commissioner.

Nothing in this subsection precludes any person from showing proof of financial responsibility in any other manner authorized by Articles 9A and 13 of this Chapter."

Sec. 11. G.S. 20-7(f) is amended by adding the following paragraphs:

"Provided further, that no person who applies for the renewal of his driver's license and who must take the written examination pursuant to this section shall be issued a renewed license unless such person has furnished proof that he is financially responsible. Proof of financial responsibility shall be in the form of a written certificate of any insurance carrier duly authorized to do business in this State certifying that there is in effect a nonfleet private passenger motor vehicle liability policy for the benefit of the person required to furnish proof of financial responsibility. Such certificate shall state that the policy is in effect on the date of the renewal of the driver's license but shall not in and of itself constitute a binder or policy of insurance.

The provisions of the preceding paragraph do not apply to applicants who do not own motor vehicles and who do not operate nonfleet private passenger motor vehicles that are owned by other persons and who do not reside in a household wherein any other household member owns a motor vehicle. In such cases, the applicant shall sign a written certificate to that effect. Such certificate shall be furnished by the Division and may be incorporated into the license application form. Any material misrepresentation made by such person on such certificate shall be grounds for suspension of that person's license for a period of 90 days.

For the purpose of this subsection, the term 'nonfleet private passenger motor vehicle' has the definition ascribed to it in Article 13C of General Statute Chapter 58.

The Commissioner may require that certificates required by this subsection be on a form approved by the Commissioner.

Nothing in this subsection precludes any person from showing proof of financial responsibility in any other manner authorized by Articles 9A and 13 of this Chapter."

Sec. 12. G.S. 20-13.2 and G.S. 20-19 are each amended by respectively adding new subsections (e) and (k) to read:

"Before the Division restores a driver's license that has been suspended or revoked under any provision of this Article, the person seeking to have his driver's license restored shall submit to the Division proof that he has notified his insurance agent or company of his seeking the restoration and that he is financially responsible. Proof of financial responsibility shall be in the form of a written certificate of any insurance carrier duly authorized to do business in this State certifying that there is in effect a nonfleet private passenger motor vehicle liability policy for the benefit of the person required to furnish proof of financial responsibility. Such certificate shall state that the policy is in effect on the date of the restoration of the driver's license but shall not in and of itself constitute a binder or policy of insurance.

The preceding provisions of this subsection do not apply to applicants who do not own motor vehicles and who do not operate nonfleet private passenger motor vehicles that are owned by other persons and who do not reside in a household wherein any other household member owns a motor vehicle. In such cases, the applicant shall sign a written certificate to that effect. Such certificate shall be furnished by the Division and may be incorporated into the license application form. Any material misrepresentation made by such person on such certificate shall be grounds for suspension of that person's license for a period of 90 days.

For the purposes of this subsection, the term 'nonfleet private passenger motor vehicle' has the definition ascribed to it in Article 13C of General Statute Chapter 58.

The Commissioner may require that certificates required by this subsection be on a form approved by the Commissioner. The financial responsibility required by this subsection shall be kept in effect for not less than three years after the date that the license is restored. Failure to maintain financial responsibility as required by this subsection shall be grounds for suspending the restored driver's license for a period of thirty (30) days. Nothing in this subsection precludes any person from showing proof of financial responsibility in any other manner authorized by Articles 9A and 13 of this Chapter."

Sec. 13. G.S. 20-16.1 and G.S. 20-179.3 are each amended by respectively adding new subsections (g) and (l) to read:

"Any judge granting limited driving privileges under this section shall, prior to granting such privileges, be furnished proof and be satisfied that the person being granted such privileges is financially responsible. Proof of financial responsibility shall be in the form of a written certificate of any insurance carrier duly authorized to do business in this State certifying that there is in effect a nonfleet private passenger motor vehicle liability policy for the benefit of the person required to furnish proof of financial responsibility. Such certificate shall state that the policy is in effect on the date such privileges are granted but shall not in and of itself constitute a binder or policy of insurance.

The preceding provisions of this subsection do not apply to applicants who do not own motor vehicles and who do not operate nonfleet private passenger motor vehicles that are owned by other persons and who do not reside in a household wherein any other household member owns a motor vehicle. In such cases, the applicant shall sign a written certificate to that effect. Such certificate shall be furnished by the Division. Any material misrepresentation made by such person on such certificate shall be grounds for suspension of that person's license for a period of 90 days.

For the purpose of this subsection 'nonfleet private passenger motor vehicle' has the definition ascribed to it in Article 13C of General Statute Chapter 58.

The Commissioner may require that certificates required by this subsection be on a form approved by the Commissioner. Such granting of limited driving privileges shall be conditioned upon the maintenance of such financial responsibility during the period of the limited driving privilege. Nothing in this subsection precludes any person from showing proof of financial responsibility in any other manner authorized by Articles 9A and 13 of this Chapter."

Sec. 14. G.S. 20-13(e) and G.S. 20-16.1(f) are repealed.

Sec. 15. G.S. 58-248.33(g)(6) is amended by rewriting the second paragraph to read:

"With respect to business produced by designated agents, adequate provision shall be made by the Facility to assure that such business is rated using Facility rates. All business produced by designated agents may be ceded to the Facility, except designated agents appointed prior to September 1, 1987, may place liability insurance policies with a voluntary carrier, provided that all policies written by the voluntary carrier are retained by the voluntary carrier unless ceded to the Facility using Facility rates. Designated agents must provide the Facility with a list of such policies written by the voluntary carrier at least annually, or as requested by the Facility, on a form approved by the Facility. If no insurer is willing to contract with any such agent on terms acceptable to the Board, the Facility shall license such agent to write directly on behalf of the Facility. However, for this purpose the Facility does not act as an insurer, but acts only as the statutory agent of all of the members of the Facility, which shall be bound on risks written by the Facility's appointed agent. The Facility may contract with one or more servicing carriers and shall promulgate fair and reasonable underwriting procedures to require that business produced by Facility agents and written through said servicing carriers shall be rated using Facility rates. All business produced by Facility agents may be ceded to the Facility."

Sec. 16. G.S. 20-26 is amended by adding two new subsections to read:

"(e) In the event of a mistake on the part of any person in ordering license records under subsection (c) of this section, the Commissioner may refund or credit to that person up to sixty-five percent (65%) of the amount paid for the license records.

(f) On and after July 1, 1988, the Division shall expeditiously furnish to insurance agents, insurance companies, and to insurance support organizations as defined in G.S. 58-383(12), for the purpose of rating nonfleet private passenger motor vehicle insurance policies, through electronic data processing means or otherwise, copies of or information pertaining to license records that are required to be kept pursuant to subsection (a) of this section."

Sec. 17. The North Carolina Rate Bureau shall file in accordance with G.S. 58-124.31, a revised subclassification plan to reflect the provisions of this act. The Bureau shall make the filing no later than February 1, 1988, and such plan shall become effective six months after the date the plan is approved by the Commissioner. Such revised plan shall apply only to new and renewal nonfleet private passenger motor vehicle insurance policies written on and after the effective date of the plan. With respect to any moving traffic violations that occur before the effective date of the plan, the surcharge levied under G.S. 58-248.34(f) shall be determined by the revised subclassification plan. With respect to at fault accidents that occur before the effective date of the plan, the premium surcharges under the plan shall be determined by the subclassification plan in effect at

the time such at fault accidents occur.

Sec. 18. Any adjustments in rates for nonfleet private passenger motor vehicle insurance that are necessary to offset any change in premium level due to the implementation of the provisions of this act shall be made through adjustments in the base rates for the affected coverages. Such adjustments shall be filed by the Bureau with the Commissioner in accordance with Articles 12B and 25A of General Statute Chapter 58.

Sec. 19. In the event any provision of this act is held to be invalid by any court of competent jurisdiction, the court's holding as to that provision shall not affect the validity or operation of other provisions of this act; and to that end the provisions of this act are severable.

Sec. 20. Sections 4(1), 5(2), 5(3), 6, 7, 8, and 9 of this act shall become effective six months after the date the revised subclassification plan is approved by the Commissioner of Insurance as provided in Section 17 of this act. Sections 10 through 14 of this act shall become effective January 1, 1988. The remaining sections of this act are effective upon ratification.

In the General Assembly read three times and ratified this the 14th day of August, 1987.

APPENDIX E



DEPARTMENT OF INSURANCE

State of North Carolina

P O BOX 26387

RALEIGH N C 27611

JIM LONG
COMMISSIONER OF INSURANCE

(919) 733-7343

SUMMARY OF REVISED SAFE DRIVER INCENTIVE PLAN
AND AUTOMOBILE CLASSIFICATION PLAN

REINSURANCE FACILITY RECOUPMENT

With respect to moving traffic violations, the new plan will be revised to exempt convictions for certain minor moving traffic violations from the Facility recoupment surcharge that is levied under a 1981 law, known back then as House Bill 7. For these minor moving traffic violations, the insured will still be subject to the comparatively smaller SDIP premium surcharge. In order to qualify for this exemption, the insured must not have caused an accident at the time of the violation, and everyone insured by the policy must have a clean record for the preceding three years. The recoupment surcharge will continue to apply to at-fault accidents. The recoupment surcharge is levied only on the liability premium; and the percentage of the recoupment surcharge is multiplied against the sum of the base premium and the SDIP surcharge. The more serious violations for which drivers will be subject to the SDIP surcharge and Facility recoupment surcharge are:

<u>Statute Reference</u>	<u>Description of Offense</u>
20-12.1	Being impaired while accompanying permittee who is learning to drive
20-28	Driving while license is suspended or revoked
20-138.1	Driving while impaired
20-138.3	Driving by provisional licensee after consuming alcohol or drugs
20-140	Reckless driving
20-141(a)	Driving over 65 mph on rural interstate or at least 11 mph over limit
20-141(j)	Driving over 55 mph and at least 15 mph over limit while fleeing law enforcement officer
20-141(j1)	Driving more than 15 mph over legal limit
20-141.1	Speeding in school zone
20-141.3	Highway racing
20-141.4	Death by vehicle
20-166	Hit-and-run
20-175.2	Failure to yield to blind pedestrian
20-217	Passing stopped school bus
14-18	Manslaughter

If any law enforcement officer, fireman, or rescue squad worker causes an accident or is convicted of speeding while driving an official vehicle in response to an emergency, the company that insures his or her personal automobile can not levy the Facility recoupment surcharge on the personal auto policy because of that accident or speeding violation. Under the old SDIP, the personal auto insurer was not prohibited from doing that except for accidents involving vehicles covered by a business policy.

If a person causes an accident in which there is only property damage to his vehicle or to the property of another (i.e., no personal injury), and if that person sees to it that the damage is paid for without payment from his or her auto insurance company, the company can not levy the Facility recoupment surcharge on his or her policy. The company will still levy the SDIP surcharge on the policy if the person was negligent. This exception does not relieve the driver from any duty to report the accident to his insurer or to law enforcement authorities.

SDIP POINT AND SURCHARGE EXCEPTIONS

The 1983 law that exempted some speeding violations of ten miles per hour or less over the speed limit will be continued, with one exception: No one convicted of speeding in excess of sixty-five miles per hour (rural interstate highway) will be entitled to the exemption. Under the 1983 law, which went into effect on January 1, 1984, an individual could be convicted of driving up to and including ten miles per hour over the speed limit and not be charged SDIP points if (1) the violation was not speeding in a school zone during school hours and (2) the individual had no moving traffic violation convictions for the preceding three years. Under the new SDIP, an isolated prayer for judgment continued (PJC) will not count as a prior conviction for the purpose of this exception. It should also be pointed out that this exception does not and never has applied to the offense commonly known as "exceeding a safe speed".

There will also be an exemption from the SDIP and recoupment surcharges for one (PJC) -- for any moving traffic violation -- for each household every three years. This will be true regardless of the driving record of anyone insured under the policy or resident in the household, except for prior PJC's within the three-year period. It could therefore be possible for a four person family to have one PJC and four individual convictions for driving ten miles per hour over the speed limit and not have any SDIP points or surcharges.

There will also be a provision in the event an insured is at fault in an accident and is convicted for a moving traffic violation in connection with the accident, only the higher of the SDIP surcharges will be levied on the policy. Under the old SDIP, points and surcharges for both accident and violation were

counted. This will eliminate the so-called "double whammy" a number of drivers experienced under the old SDIP.

AIR BAG DISCOUNT

There will be a discount on the premium for medical payments coverage for vehicles that are equipped with factory installed airbags. If there is one bag on the driver's side, the discount will be 20%. If there are airbags in both front outboard seats, the discount is 30%.

CAR USE CLASSIFICATION FACTORS

There will be some slight revisions in the rating factors for the ways cars are used. These are, from lowest to highest, (1) farm use, (2) pleasure use, (3) commuting less than ten miles to work, (4) commuting ten or more miles to work, and (5) business use. There will be a slight increase in the factor for commuting less than ten miles to work; and a slight decrease in the factors for business use and commuting ten or more miles to work.

SDIP POINTS AND PERCENTAGE SURCHARGES

There will be some revisions in the SDIP points and percentage surcharges for moving traffic violations. The impaired driving offenses will change from ten to twelve points and from a premium surcharge of 350% to 400%. The changes in the percentage surcharges for violations will be as follows:

<u>SDIP Points</u>	<u>Old Percentage Surcharge</u>	<u>New Percentage Surcharge</u>
1	10%	15%
2	40%	40%
3	70%	65%
4	100%	90%
5	130%	120%
6	170%	150%
7	210%	180%
8	250%	220%
9	300%	260%
10	350%	300%
11	400%	350%
12	450%	400%

PROPERTY DAMAGE MONEY THRESHOLDS

New property damage money thresholds, for the purpose of insurance points and premium surcharge percentages, will be established in the new Safe Driver Incentive Plan (SDIP) for accidents for which a driver is at fault. Under the old SDIP the threshold was \$500. If a driver caused property damage of \$500 or less, there was an assignment of one point and a surcharge of 10%.

Property damage over \$500 brought two points and a surcharge of 40%. Bodily injury or death brought two points and a 40% surcharge regardless of the amount of property damage. These dollar amounts are the total damage to all property involved in the accident. For a single car policy, the surcharge is levied on the total premium. For a multi-car policy, the surcharge is applied to the highest rated car and then allocated among all cars in the policy.

The new SDIP will provide for the following points (and premium surcharges in the following situations:

- Property damage not over \$1,000: 1 point (15%)
- Property damage over \$1,000, not over \$2,000: 2 points (40%)
- Property damage over \$2,000: 3 points (65%)
- Bodily injury or death: 3 points (65%)

There will be somewhat of a dual system for rating and surcharging at-fault accidents under the new SDIP. The old points will apply to accidents that occurred before the effective date of the new SDIP, and the new points will apply to accidents that occur on and after the effective date of the new SDIP. However, the new surcharge percentage for one-point accidents (15%) will apply to those accidents that occurred before the effective date of the plan. As in the old SDIP, an insured's negligence must cause or contribute to the accident before that insured can be surcharged.

INEXPERIENCED OPERATORS

There will be a significant change in the present law with respect to the inexperienced operator surcharge. The new plan will have an inexperience period of three instead of two years of driving experience as a licensed driver. This means that for the first three years of driving experience as licensed drivers people will pay a higher premium. However, the new plan will recognize whether the inexperienced operator is a principal or occasional driver of a vehicle in a multi-vehicle policy. Where a driver is listed as a principal operator of a specific car, the surcharge will be applied to that car. Where a driver is listed as an occasional operator, the surcharge will be applied to the car most frequently operated by that driver. The surcharge is less for an occasional operator than for a principal operator. There is also a "grandfather" provision in the new plan, which provides that the three-year period will not apply to those operators who were first licensed prior to May 15, 1987.

EFFECTIVE DATES AND APPLICATION TO POLICIES

These changes apply to all new and renewal policies written on or after May 15, 1989; and apply to all renewal policies written before May 15, 1989, that will become effective on or after July 1, 1989. There is no standard definition of when a policy is "written", but it usually means (1) when an application for a new policy is completed and accepted by the insurance company or (2) when a renewal policy is prepared by the insurance company. It

does not mean when a policy is issued by the company or delivered to the policyholder.

In this situation, for example, a six-month auto policy could have renewal (or anniversary) dates of June 1 and December 1. The renewal will be prepared by the company before May 15 (probably around April 1 to April 15) and the renewal policy will become effective on June 1, which is before July 1. Therefore, the new plan will not apply to that policy until December 1.

If an application for a new policy is completed and accepted by the company on or after May 15, or if a renewal policy is prepared by the company on or after May 15, the new plan will apply to that policy.

Providing for these different effective dates for new and renewal policies is necessary whenever there are changes in premium rates or classifications. This is necessary to provide for an orderly transition in the issuance of policies.

1 driver's license to the applicant, the Division shall retain the certificate until the
2 expiration of the driver's license.

3 If the applicant's insurer is authorized to do business in this State but does not have
4 an agent resident in this State, the applicant may show proof of financial responsibility
5 by producing a binder for or policy of nonfleet private passenger motor vehicle liability
6 insurance, under which the applicant is insured. If the applicant is the registered owner
7 of a motor vehicle in this State, the applicant may show proof of financial responsibility
8 by producing the registration certificate issued by the Division.

9 The preceding provisions of this subsection do not apply to applicants who do not
10 own motor vehicles and who do not operate nonfleet private passenger motor vehicles
11 that are owned by other persons and ~~who do not reside in a household wherein any~~
12 ~~other household member owns a motor vehicle~~ that are not insured under commercial
13 motor vehicle liability insurance policies. In such cases, the applicant shall sign a
14 written certificate to that effect. Such certificate shall be furnished by the Division and
15 may be incorporated into the license application form. Any material misrepresentation
16 made by such person on such certificate shall be grounds for suspension of that
17 person's license for a period of 90 days.

18 For the purpose of this subsection, the term 'nonfleet private passenger motor
19 vehicle' has the definition ascribed to it in Article 13C of General Statute Chapter 58.

20 The Commissioner may require that certificates required by this subsection be on a
21 form approved by the Commissioner.

22 Nothing in this subsection precludes any person from showing proof of financial
23 responsibility in any other manner authorized by Articles 9A and 13 of this Chapter."

24 Sec. 2. G.S. 2-7(f) reads as rewritten:

25 "(f) The drivers' licenses issued under this section shall automatically expire on the
26 birthday of the licensee in the fourth year following the year of issuance; and no new
27 license shall be issued to any operator after the expiration of his license until such
28 operator has again passed the examination specified in this section. Any operator may
29 at any time within 60 days prior to the expiration of his license apply for a new license
30 and if the applicant meets the requirements of this Article, the Division shall issue a
31 new license to him. A new license issued within 60 days prior to the expiration of an
32 applicant's old license or within 12 months thereafter shall automatically expire four
33 years from the date of the expiration of the applicant's old license.

1 Any person serving in the armed forces of the United States on active duty and
2 holding a valid driver's license properly issued under this section and stationed outside
3 the State of North Carolina may renew his license by making application to the
4 Division by mail. Any other person, except a nonresident as defined in this Article,
5 who holds a valid driver's license issued under this section and who is temporarily
6 residing outside North Carolina, may also renew by making application to the Division
7 by mail. For purposes of this section 'temporarily' shall mean not less than 30 days
8 continuous absence from North Carolina. In either case, the Division may waive the
9 examination and color photograph ordinarily required for the renewal of a driver's
10 license, and may impose in lieu thereof such conditions as it may deem appropriate to
11 each particular application; provided that such license shall expire 30 days after licensee
12 returns to North Carolina, and such license shall be designated as temporary.

13 Provided further, that no person who applies for the renewal of his driver's license
14 shall be required to take a written examination or road test as a part of any such
15 examination unless such person has been convicted of a traffic violation or had prayer
16 for judgment continued with respect to any traffic violation within a four-year period
17 immediately preceding the date of such person's renewal application or unless such
18 person suffers from a mental or physical condition which impairs his ability to operate
19 a motor vehicle.

20 Provided further, that no person who applies for the renewal of his driver's license
21 and who must take the written examination pursuant to this section shall be issued a
22 renewed license unless such person has furnished proof that he is financially
23 responsible. Proof of financial responsibility shall be in the form of a written certificate
24 of any insurance carrier duly authorized to do business in this State certifying that there
25 is in effect a nonfleet private passenger motor vehicle liability policy for the benefit of
26 the person required to furnish proof of financial responsibility. Such certificate shall
27 state the effective date and expiration date of the nonfleet private passenger motor
28 vehicle liability policy and shall state the date that the certificate is issued. Such
29 certificate shall state that the policy is in effect on the date of the renewal of the
30 driver's license shall remain effective proof of financial responsibility for a period of 30
31 consecutive days following the date the certificate is issued but shall not in and of itself
32 constitute a binder or policy of insurance. After the Division accepts such certificate as
33 effective proof of an applicant's financial responsibility and renews the applicant's

1 driver's license, the Division shall retain the certificate until the expiration of the
2 driver's license.

3 If the applicant's insurer is authorized to do business in this State but does not have
4 an agent resident in this State, the applicant may show proof of financial responsibility
5 by producing a binder for or 'policy of nonfleet private passenger motor vehicle
6 liability insurance, under which the applicant is insured. If the applicant is the
7 registered owner of a motor vehicle in this State, the applicant may show proof of
8 financial responsibility by producing the registration certificate issued by the Division.

9 The provisions of the preceding paragraph do not apply to applicants who do not
10 own motor vehicles and who do not operate nonfleet private passenger motor vehicles
11 that are owned by other persons and ~~who do not reside in a household wherein any~~
12 ~~other household member owns a motor vehicle~~ that are not insured under commercial
13 motor vehicle liability insurance policies . In such cases, the applicant shall sign a
14 written certificate to that effect. Such certificate shall be furnished by the Division and
15 may be incorporated into the license application form. Any material misrepresentation
16 made by such person on such certificate shall be grounds for suspension of that
17 person's license for a period of 90 days.

18 For the purpose of this subsection, the term 'nonfleet private passenger motor
19 vehicle' has the definition ascribed to it in Article 13C of General Statute Chapter 58.

20 The Commissioner may require that certificates required by this subsection be on a
21 form approved by the Commissioner.

22 Nothing in this subsection precludes any person from showing proof of financial
23 responsibility in any other manner authorized by Articles 9A and 13 of this Chapter."

24 Sec. 3. G.S. 20-13.2(e) reads as rewritten:

25 "(e) Before the Division restores a driver's license that has been suspended or
26 revoked under any provision of this Article, the person seeking to have his driver's
27 license restored shall submit to the Division proof that he has notified his insurance
28 agent or company of his seeking the restoration and that he is financially responsible.
29 Proof of financial responsibility shall be in the form of a written certificate of any
30 insurance carrier duly authorized to do business in this State certifying that there is in
31 effect a nonfleet private passenger motor vehicle liability policy for the benefit of the
32 person required to furnish proof of financial responsibility. Such certificate shall state
33 the effective date and expiration date of the nonfleet private passenger motor vehicle
34 liability policy and shall state the date that the certificate is issued. Such certificate shall

1 ~~state that the policy is in effect on the date of the restoration of the driver's license~~
2 ~~shall remain effective proof of financial responsibility for a period of 30 consecutive~~
3 ~~days following the date the certificate is issued but shall not in and of itself constitute a~~
4 ~~binder or policy of insurance. After the Division accepts such certificate as effective~~
5 ~~proof of an applicant's financial responsibility and issues a driver's license to the~~
6 ~~applicant, the Division shall retain the certificate until the expiration of the driver's~~
7 ~~license.~~

8 If the applicant's insurer is authorized to do business in this State but does not have
9 an agent resident in this State, the applicant may show proof of financial responsibility
10 by producing a binder for or policy of nonfleet private passenger motor vehicle liability
11 insurance, in which the applicant is a named insured. If the applicant is the registered
12 owner of a motor vehicle in this State, the applicant may show proof of financial
13 responsibility by producing the registration certificate issued by the Division.

14 The preceding provisions of this subsection do not apply to applicants who do not
15 own motor vehicles and who do not operate nonfleet private passenger motor vehicles
16 that are owned by other persons and ~~who do not reside in a household wherein any~~
17 ~~other household member owns a motor vehicle~~ that are not insured under commercial
18 motor vehicle liability insurance policies. In such cases, the applicant shall sign a
19 written certificate to that effect. Such certificate shall be furnished by the Division and
20 may be incorporated into the ~~license restoration~~ application form. Any material
21 misrepresentation made by such person on such certificate shall be grounds for
22 suspension of that person's license for a period of 90 days.

23 For the purposes of this subsection, the term 'nonfleet private passenger motor
24 vehicle' has the definition ascribed to it in Article 13C of General Statute Chapter 58.

25 The Commissioner may require that certificates required by this subsection be on a
26 form approved by the Commissioner. The financial responsibility required by this
27 subsection shall be kept in effect for not less than three years after the date that the
28 license is restored. Failure to maintain financial responsibility as required by this
29 subsection shall be grounds for suspending the restored driver's license for a period of
30 thirty (30) days. Nothing in this subsection precludes any person from showing proof
31 of financial responsibility in any other manner authorized by Articles 9A and 13 of this
32 Chapter." Sec. 4. G.S. 20-16.1(g) reads as rewritten:

33 "(g) Any judge granting limited driving privileges under this section shall, prior to
34 granting such privileges, be furnished proof and be satisfied that the person being

1 granted such privileges is financially responsible. Proof of financial responsibility shall
2 be in the form of a written certificate of any insurance carrier duly authorized to do
3 business in this State certifying that there is in effect a nonfleet private passenger motor
4 vehicle liability policy for the benefit of the person required to furnish proof of
5 financial responsibility. Such certificate shall state the effective date and expiration date
6 of the nonfleet private passenger motor vehicle liability policy and shall state the date
7 that the certificate is issued. ~~Such certificate shall state that the policy is in effect on~~
8 ~~the date such privileges are granted shall remain effective proof of financial~~
9 ~~responsibility for a period of 30 consecutive days following the date the certificate is~~
10 ~~issued but shall not in and of itself constitute a binder or policy of insurance.~~

11 If the applicant's insurer is authorized to do business in this State but does not have
12 an agent resident in this State, the applicant may show proof of financial responsibility
13 by producing a binder for or policy of nonfleet private passenger motor vehicle liability
14 insurance, in which the applicant is a named insured. If the applicant is the registered
15 owner of a motor vehicle in this State, the applicant may show proof of financial
16 responsibility by producing the registration certificate issued by the Division.

17 The preceding provisions of this subsection do not apply to applicants who do not
18 own motor vehicles and who do not operate nonfleet private passenger motor vehicles
19 that are owned by other persons and ~~who do not reside in a household wherein any~~
20 ~~other household member owns a motor vehicle~~ and that are not insured under
21 commercial motor vehicle liability insurance policies. In such cases, the applicant shall
22 sign a written certificate to that effect. Such certificate shall be furnished by the
23 Division. Any material misrepresentation made by such person on such certificate shall
24 be grounds for suspension of that person's license for a period of 90 days.

25 For the purpose of this subsection 'nonfleet private passenger motor vehicle' has the
26 definition ascribed to it in Article 13C of General Statute Chapter 58.

27 The Commissioner may require that certificates required by this subsection be on a
28 form approved by the Commissioner. Such granting of limited driving privileges shall
29 be conditioned upon the maintenance of such financial responsibility during the period
30 of the limited driving privilege. Nothing in this subsection precludes any person from
31 showing proof of financial responsibility in any other manner authorized by Articles 9A
32 and 13 of this Chapter."

33 Sec. 5. G.S. 20-19(k) reads as rewritten:

1 "(k) Before the Division restores a driver's license that has been suspended or
2 revoked under any provision of this Article, the person seeking to have his driver's
3 license restored shall submit to the Division proof that he has notified his insurance
4 agent or company of his seeking the restoration and that he is financially responsible.
5 Proof of financial responsibility shall be in the form of a written certificate of any
6 insurance carrier duly authorized to do business in this State certifying that there is in
7 effect a nonfleet private passenger motor vehicle liability policy for the benefit of the
8 person required to furnish proof of financial responsibility. Such certificate shall state
9 the effective date and expiration date of the nonfleet private passenger motor vehicle
10 liability policy and shall state the date that the certificate is issued. Such certificate
11 ~~shall state that the policy is in effect on the date of the restoration of the driver's~~
12 ~~license shall remain effective proof of financial responsibility for a period of 30~~
13 ~~consecutive days following the date the certificate is issued but shall not in and of itself~~
14 ~~constitute a binder or policy of insurance.~~ After the Division accepts such certificate as
15 effective proof of an applicant's financial responsibility, the Division shall retain the
16 certificate until the expiration of the driver's license.

17 If the applicant's insurer is authorized to do business in this State but does not have
18 an agent resident in this State, the applicant may show proof of financial responsibility
19 by producing a binder for or policy of nonfleet private passenger motor vehicle liability
20 insurance, in which the applicant is a named insured. If the applicant is the registered
21 owner of a motor vehicle in this State, the applicant may show proof of financial
22 responsibility by producing the registration certificate issued by the Division.

23 The preceding provisions of this subsection do not apply to applicants who do not
24 own motor vehicles and who do not operate nonfleet private passenger motor vehicles
25 that are owned by other persons and ~~who do not reside in a household wherein any~~
26 ~~other household member owns a motor vehicle~~ that are not insured under commercial
27 motor vehicle liability insurance policies. In such cases, the applicant shall sign a
28 written certificate to that effect. Such certificate shall be furnished by the Division and
29 may be incorporated into the ~~license restoration~~ application form. Any material
30 misrepresentation made by such person on such certificate shall be grounds for
31 suspension of that person's license for a period of 90 days.

32 For the purposes of this subsection, the term 'nonfleet private passenger motor
33 vehicle' has the definition ascribed to it in Article 13C of General Statute Chapter 58.

1 The Commissioner may require that certificates required by this subsection be on a
2 form approved by the Commissioner. The financial responsibility required by this
3 subsection shall be kept in effect for not less than three years after the date that the
4 license is restored. Failure to maintain financial responsibility as required by this
5 subsection shall be grounds for suspending the restored driver's license for a period of
6 thirty (30) days. Nothing in this subsection precludes any person from showing proof
7 of financial responsibility in any other manner authorized by Articles 9A and 13 of this
8 Chapter."

9 Sec. 6. G.S. 20-179.3(l) reads as rewritten:

10 "(l) Any judge granting limited driving privileges under this section shall, prior to
11 granting such privileges, be furnished proof and be satisfied that the person being
12 granted such privileges is financially responsible. Proof of financial responsibility shall
13 be in the form of a written certificate of any insurance carrier duly authorized to do
14 business in this State certifying that there is in effect a nonfleet private passenger motor
15 vehicle liability policy for the benefit of the person required to furnish proof of
16 financial responsibility. Such certificate shall state the effective date and expiration
17 date of the nonfleet private passenger motor vehicle liability policy and shall state the
18 date that the certificate is issued. Such certificate shall state that the policy is in effect
19 on the date such privileges are granted shall remain effective proof of financial
20 responsibility for a period of 30 consecutive days following the date the certificate is
21 issued but shall not in and of itself constitute a binder or policy of insurance.

22 If the applicant's insurer is authorized to do business in this State but does not have
23 an agent resident in this State, the applicant may show proof of financial responsibility
24 by producing a binder for or policy of nonfleet private passenger motor vehicle liability
25 insurance, in which the applicant is a named insured. If the applicant is the registered
26 owner of a motor vehicle in this State, the applicant may show proof of financial
27 responsibility by producing the registration certificate issued by the Division.

28 The preceding provisions of this subsection do not apply to applicants who do not
29 own motor vehicles and who do not operate nonfleet private passenger motor vehicles
30 that are owned by other persons and ~~who do not reside in a household wherein any~~
31 ~~other household member owns a motor vehicle~~ that are not insured under commercial
32 motor vehicle liability insurance policies. In such cases, the applicant shall sign a
33 written certificate to that effect. Such certificate shall be furnished by the Division.

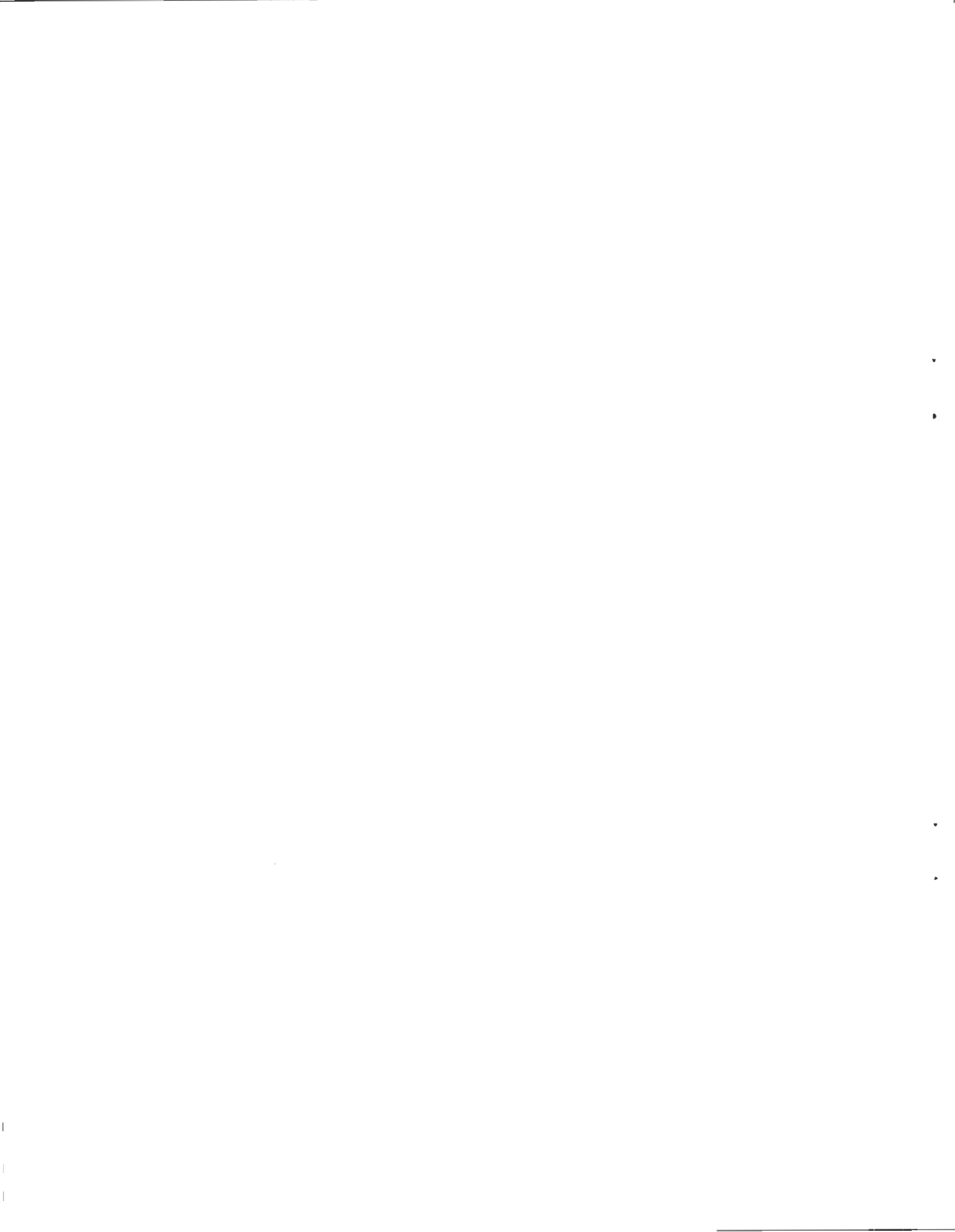
1 Any material misrepresentation made by such person on such certificate shall be
2 grounds for suspension of that person's license for a period of 90 days.

3 For the purpose of this subsection 'nonfleet private passenger motor vehicle' has the
4 definition ascribed to it in Article 13C of General Statute Chapter 58.

5 The Commissioner may require that certificates required by this subsection be on a
6 form approved by the Commissioner. Such granting of limited driving privileges shall
7 be conditioned upon the maintenance of such financial responsibility during the period
8 of the limited driving privilege. Nothing in this subsection precludes any person from
9 showing proof of financial responsibility in any other manner authorized by Articles 9A
10 and 13 of this Chapter."

11 Sec. 7. This act is effective upon ratification.

12



SUMMARY

A BILL TO BE ENTITLED AN ACT TO AMEND THE PROOF OF FINANCIAL RESPONSIBILITY REQUIREMENTS FOR OBTAINING DRIVERS' LICENSES AND LIMITED DRIVING PRIVILEGES.

This bill proposes to resolve some of the difficulties that have arisen in administering the proof of financial responsibility requirements set forth in House Bill 1158.

The proposed changes include:

- (1) Require that the certificate of proof of financial responsibility (DL-123) state the effective date and expiration date of the nonfleet private passenger motor vehicle liability policy and the date that the certificate is issued.
- (2) Eliminate the requirement that the certificate state that the policy is in effect on the date of the issuance of the driver's license or limited driving privilege.
- (3) Provide that the certificate is effective proof of financial responsibility for 30 days after the date the certificate is issued.
- (4) Require the Division of Motor Vehicles to retain an applicant's certificate until the expiration of the applicant's driver's license.
- (5) Allow an applicant whose insurance company doesn't have an agent in North Carolina to show proof of financial responsibility through a binder for or policy of nonfleet private passenger motor vehicle liability insurance.
- (6) Allow an applicant who is the registered owner of a motor vehicle in North Carolina to show proof of financial responsibility by showing the registration certificate.
- (7) Eliminate the criterion for exemption from the proof of financial responsibility requirements that states that the applicant must not reside in a household wherein any other household member owns a motor vehicle.
- (8) Clarify that an applicant can drive a commercial motor vehicle and still be exempt from the proof of financial responsibility requirements, if he meets the exemption criteria.



1 other nonstock insurers not affiliated with the above groups. The Commissioner of
2 Insurance shall appoint two members of the Board that shall be Facility insurance
3 company members that are domiciled in this State. The Commissioner of Insurance
4 shall appoint four members of the Board who shall be fire and casualty insurance agents
5 licensed in this State and actively engaged in writing motor vehicle insurance in this
6 State. The Commissioner shall select one agent from among a list of two nominees
7 submitted by the Independent Insurance Agents of North Carolina, Inc., and one agent
8 from among a list of two nominees submitted by the Carolinas Association of
9 Professional Insurance Agents. The initial term of office of said Board members shall
10 be two years. Following completion of initial terms, successors to the members of the
11 original Board of Governors shall be selected to serve three years. All members of the
12 Board of Governors shall serve until their successors are selected and qualified and the
13 Commissioner may fill any vacancy on the Board from any of the aforementioned
14 classifications until such vacancies are filled in accordance with the provisions of this
15 Article. The Board of Governors of the Facility shall also have as nonvoting members
16 two persons who are not employed by or affiliated with any insurance company or the
17 Department of Insurance and who are appointed by the Governor to serve at his
18 pleasure."

19 Sec. 2. This act is effective upon ratification.

20

SUMMARY

A BILL TO BE ENTITLED AN ACT TO AMEND THE MEMBERSHIP REQUIREMENTS FOR THE BOARD OF GOVERNORS OF THE NORTH CAROLINA MOTOR VEHICLE REINSURANCE FACILITY.

This bill proposes to expand the Reinsurance Facility Governing Board from nine voting members to eleven voting members. The two new voting members would represent insurance companies domiciled in North Carolina and would be appointed by the Commissioner of Insurance.

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