June 6, 2002

H 1586. HOMEOWNERS' REINSURANCE FACILITY (=S 1279). *TO ESTABLISH A REINSURANCE FACILITY FOR HOMEOWNER'S INSURANCE IN NORTH CAROLINA*. Adds new Part 2 to Art. 46 of GS Ch. 58 to create the North Carolina Homeowners' Reinsurance Facility and, with specified exceptions, requires all insurers authorized to write on a direct basis homeowner's insurance in NC to be a member of the Facility. Requires the Facility to submit for approval of the Comm'r of Insurance a Plan of Operation that provides for the economical, fair, and nondiscriminatory administration and provision of homeowner's insurance to all eligible risks. Defines "eligible risk" to mean a person who has an insurable interest in insurable property located in NC, except persons who have not tendered timely payment of premium, have a valid unsatisfied judgment of record against them, or do not furnish information necessary to effect insurance. When the plan is effective, all insurance companies licensed to write homeowner's insurance in NC must subscribe to and participate in the plan as a prerequisite to further engage in the writing of insurance. Provides for the appointment of designated agents to contract with the Facility for insurance business that may be "ceded" (defined to mean the act of transferring the risk of loss from an individual insurer to all insurers through the operation of the Facility). As a prerequisite to further engaging in the writing of homeowner's insurance, all insurers must accept and insure any otherwise unacceptable applicant who is an eligible risk if cession of the coverage applied for is authorized in accordance with the act. Each member must provide the same service to ceded business that it provides for voluntary market business. No member may terminate insurance to the extent that cession of a particular type of coverage and limits is available under the act except for limited reasons specified in the act. Each Facility member must participate in the expenses, profits, and losses of the Facility in the proportion that the member's written exposure in NC during the preceding calendar year for residential properties bears to the aggregate written exposure for residential properties by all members.

Facility to be administered by a board of directors comprised of the following 15 members: (1) seven members, at least two of which are domestic insurers, elected annually by the members; (2) three individuals appointed by the commissioner of insurance who are not employed by, or otherwise affiliated with, insurers, insurance agents, insurance brokers, producers, or other entities of the insurance industry; (3) four individuals appointed by the Comm'r who are NC licensed insurance agents or brokers; and (4) the Comm'r as an ex officio member. Powers of the board include the power to sue and be sued in the name of the Facility, to receive and record cessions, to assess members to cover anticipated or incurred costs, to contract for goods and services, to purchase reinsurance on behalf of members, to maintain data relative to all risks reinsured in the Facility and to require each member to furnish statistics relative to insurance reinsured by the Facility, to establish procedures for reviewing claims practices of members, and to adopt and enforce rules that are necessary to accomplish the purpose of the Facility. Provides good faith immunity to the Facility, its board, member insurers, and agents or employees, and to the Comm'r for acts performed within the scope of their powers and duties set forth in the act. Sets forth procedures for the appeal of Facility decisions to the Comm'r, authorizes the Comm'r to adopt rules for the hearing of appeals (this authority effective when the Plan of Operation becomes effective) and includes other miscellaneous provisions.

Intro. by Redwine, Dedmon, Hurley, McComas, Nye, Smith, Wright.

Ref. to Insurance	GS 58