

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

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**HOUSE BILL 426**

Short Title: Stay on Homeowners Insurance Actions. (Public)

Sponsors: Representatives Spear, Wainwright, Owens, McElraft (Primary Sponsors);  
Cleveland, Grady, Hughes, Justice, McComas, Mobley, Underhill, and Williams.

Referred to: Insurance, if favorable, Commerce, Small Business, and Entrepreneurship.

March 5, 2009

A BILL TO BE ENTITLED

1 AN ACT TO IMPOSE A TEMPORARY STAY ON INCREASED SURCHARGES AND  
2 DEDUCTIBLES UNDER THE BEACH PLAN AND THE FAIR PLAN AND TO  
3 TEMPORARILY STAY PROPERTY INSURANCE RATE INCREASES FOR  
4 HOMEOWNERS POLICIES ACROSS THE STATE.  
5

6 Whereas, the economy of the State is in historic decline, as evidenced by the  
7 projected \$2.2 billion shortfall in revenue for the 2009-2010 fiscal year; and

8 Whereas, the unemployment rate for December 2008 by the Employment Security  
9 Commission was 8.7%, an increase of 85% over the rate in December 2007; and

10 Whereas, over 53,995 homes in North Carolina entered foreclosure in 2008, and an  
11 additional 2,221 homes entered foreclosure in January 2009; and

12 Whereas, the homeowners insurance rate increase approved by the Department of  
13 Insurance in December 2008 and scheduled to take effect in May 2009 increases rates by 22%  
14 in portions of Currituck, Hyde, Dare, and Pamlico Counties and increases rates by 29.8% in  
15 portions of Brunswick, New Hanover, Onslow, and Pender Counties; and

16 Whereas, over the last six years, the Department of Insurance estimates that  
17 homeowners insurance rates in the Beach Plan beach area have increased 90%, and rates in the  
18 Beach Plan coastal area have increased 65%; and

19 Whereas, seven of the counties included in the Beach Plan's beach and coastal areas  
20 are classified by the Department of Commerce as Tier One counties, meaning that they are  
21 among the 40 most economically distressed counties in the State and are eligible for the highest  
22 level of economic development incentives; and

23 Whereas, nine of the counties included in the Beach Plan's beach and coastal areas  
24 have poverty rates above the statewide average and median family income below the statewide  
25 average, according to U.S. Census Bureau 2007 estimates; and

26 Whereas, 57% of properties insured by the Beach Plan have an insured value for  
27 building and contents of \$300,000 or less; and

28 Whereas, the citizens of North Carolina who are struggling to hold onto their homes  
29 and jobs should not be required to pay higher insurance rates during this economic crisis; Now,  
30 therefore,

31 The General Assembly of North Carolina enacts:

32 **SECTION 1.** The filing by the North Carolina Insurance Underwriting Association  
33 (NCIUA) approved by the Department of Insurance on November 21, 2008, and designated by  
34 the Department as PC121215 increasing from fifteen percent (15%) to twenty-five percent  
35 (25%) the factor or surcharge for homeowners coverage shall not take effect.



1           **SECTION 2.** The filing by the NCIUA approved by the Department on November  
2 21, 2008, and designated by the Department as PC122445 increasing from five percent (5%) to  
3 fifteen percent (15%) the factor or surcharge for homeowners windstorm and hail only  
4 coverage shall not take effect.

5           **SECTION 3.** The residential deductible guideline submitted by the NCIUA,  
6 approved by the Department on November 21, 2008, and designated by the Department as  
7 PC122635 shall not take effect.

8           **SECTION 4.** The residential deductible guideline submitted by the North Carolina  
9 Joint Underwriting Association (NCJUA), approved by the Department on November 21, 2008,  
10 and designated by the Department as PC122682 shall not take effect.

11           **SECTION 5.** The commercial deductible guideline submitted by the NCIUA,  
12 approved by the Department on November 21, 2008, and designated by the Department as  
13 PC122637 shall not take effect.

14           **SECTION 6.** The commercial deductible guideline submitted by the NCJUA,  
15 approved by the Department on November 21, 2008, and designated by the Department as  
16 PC122683 shall not take effect.

17           **SECTION 7.** There shall be no surcharge or deductible increases or changes for  
18 coverages as specified in Sections 1 through 6 of this act on or after the effective date of this  
19 act.

20           **SECTION 8.** Rate increases resulting from the 2008 Rate Filing approved by the  
21 Commissioner of Insurance in the Consolidated Settlement Agreement and Consent Order  
22 dated December 18, 2008, shall not take effect, nor shall these rate increases be used by the  
23 NCIUA or the NCJUA when determining rates for coverage. In addition, there shall be no rate  
24 increases for coverage as specified in this section subsequent to the effective date of this act.

25           **SECTION 9.** Premiums or deductibles paid in violation of this act shall be  
26 refunded by insurers, the NCIUA, and the NCJUA, as applicable.

27           **SECTION 10.** Sections 1 through 9 of this act are effective when they become law  
28 and apply to policies issued or renewed on or after that date. The remainder of this act is  
29 effective when it becomes law. This act expires July 1, 2010.