

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2015**

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**HOUSE BILL 151**

Short Title: Property Insurance Ratemaking Reform. (Public)

Sponsors: Representatives Tine, Setzer, J. Bell, and Jackson (Primary Sponsors).

*For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.*

Referred to: Insurance.

March 5, 2015

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE FAIRNESS AND EQUITY OF THE PROPERTY INSURANCE RATE-MAKING PROCESS BY PROVIDING FOR GREATER TRANSPARENCY REGARDING THE ROLE OF CATASTROPHE MODELING IN PROPERTY INSURANCE RATE FILINGS, BY PROVIDING THAT MODELED LOSSES IN A PROPERTY RATE FILING BE PROPERLY ALLOCABLE TO NORTH CAROLINA, AND BY REQUIRING THE RATE BUREAU TO DESIGNATE IN A FILING THAT PORTION OF THE RATE IN EACH TERRITORY ALLOCABLE TO WIND AND HAIL.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 58-36-10 reads as rewritten:

**"§ 58-36-10. Method of rate making; factors considered.**

The following standards shall apply to the making and use of rates:

...

- (3) In the case of property insurance rates under this Article, consideration may be given to the experience of property insurance business during the most recent five-year period for which that experience is available. In the case of property insurance rates under this Article, consideration shall be given to the insurance public protection classifications of fire districts established by the Commissioner. The Commissioner shall establish and modify from time to time insurance public protection districts for all rural areas of the State and for cities with populations of 100,000 or fewer, according to the most recent annual population estimates certified by the State Budget Officer. In establishing and modifying these districts, the Commissioner shall use standards at least equivalent to those used by the Insurance Services Office, Inc., or any successor organization. The standards developed by the Commissioner are subject to Article 2A of Chapter 150B of the General Statutes. The insurance public protection classifications established by the Commissioner issued pursuant to the provisions of this Article shall be subject to appeal as provided in G.S. 58-2-75, et seq. The exceptions stated in G.S. 58-2-75(a) do not apply. If the Rate Bureau presents any modeled hurricane losses based upon a commercial hurricane simulation computer model with a property insurance rate filing, the Bureau shall present data from more than one such model. The Commissioner may consider modeled hurricane losses presented by the Rate Bureau.



1           ...."

2           **SECTION 2.** G.S. 58-36-15 reads as rewritten:

3       "**§ 58-36-15. Filing loss costs, rates, plans with Commissioner; public inspection of filings.**

4       ...

5       (d2) The following supporting data, at a minimum, shall be included in any property  
6 insurance rate filing where a catastrophe model is used:

7           (1) Any simulated loss from a catastrophe model should include the following:

8               a. An event identifier.

9               b. The simulation year.

10              c. The State and county of first landfall, and the wind speed, based  
11 upon the Saffir-Simpson scale, at landfall.

12              d. The gross amount of North Carolina damages before application of  
13 any deductible or other applicable policy provisions that impact the  
14 coverage, calculated with and without any applicable demand surge  
15 adjustments.

16              e. The net amount of North Carolina insured loss after application of  
17 any deductible or other applicable policy provisions that impact the  
18 coverage, calculated with and without any applicable demand surge  
19 adjustments.

20              f. Any other information required by rules promulgated by the  
21 Commissioner.

22           (2) Annual historical exposure and hurricane loss data by territory for 2003 and  
23 each subsequent year. The Bureau shall also provide annual historical  
24 exposure and hurricane loss data by territory for 1987 through 2002 to the  
25 extent this data is reasonably available.

26           (3) If requested by the Department, a statistical analysis comparing the historic  
27 loss data required by subdivision (2) of this subsection with any simulated  
28 losses used to support the rate filing.

29           (4) Trade secret information provided under this subsection is confidential and  
30 shall be handled in accordance with the provisions of G.S. 66-152 and  
31 G.S. 132-1.2.

32       (d3) In all residential property insurance rate filings, the Bureau shall set forth for each  
33 territory in the State (i) that portion of the rate based on all risks with the exception of wind and  
34 hail and (ii) that portion of the rate based on consideration of risks and the costs of reinsurance  
35 for wind and hail. The Department shall post both the filed rate and the final rate for each  
36 territory on its Web site, including that portion of the filed rate and the final rate for each  
37 territory based on all risks with the exception of wind and hail and that portion based on wind  
38 and hail.

39       ...."

40       **SECTION 3.** This act becomes effective August 1, 2015, and applies to filings by  
41 the Rate Bureau on or after that date.