

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2019

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HOUSE BILL 221\*  
Committee Substitute Favorable 4/11/19

Short Title: Rate-Making Amendments.-AB

(Public)

Sponsors:

Referred to:

February 28, 2019

1 A BILL TO BE ENTITLED  
2 AN ACT TO AMEND THE INSURANCE RATE-MAKING LAWS, AS RECOMMENDED  
3 BY THE DEPARTMENT OF INSURANCE.

4 The General Assembly of North Carolina enacts:

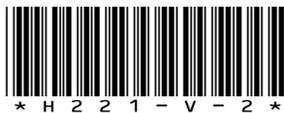
5 **SECTION 1.** G.S. 58-36-10(2) reads as rewritten:

6 "(2) Due consideration shall be given to actual loss and expense experience within  
7 this State for the most recent three-year period for which that information is  
8 available; to prospective loss and expense experience within this State; to the  
9 hazards of conflagration and catastrophe; to a reasonable margin for  
10 underwriting profit and to contingencies; to dividends, savings, or unabsorbed  
11 premium deposits allowed or returned by insurers to their policyholders,  
12 members, or subscribers; to investment income earned or realized by insurers  
13 from their unearned premium, loss, and loss expense reserve funds generated  
14 from business within this State; to investment income from capital and  
15 surplus; to past and prospective expenses specially applicable to this State;  
16 and to all other relevant factors within this State: Provided, however, that  
17 countrywide expense and loss experience and other countrywide data may be  
18 considered only where credible North Carolina experience or data is not  
19 available."

20 **SECTION 2.(a)** G.S. 58-36-43(a) reads as rewritten:

21 "(a) Member companies writing private passenger automobile or homeowners' insurance  
22 under this Article may incorporate optional enhancements to their automobile and homeowners'  
23 programs as an endorsement to an automobile or homeowners' policy issued under this Article if  
24 the insurer has filed the proposed enhancement with the Commissioner and if the proposed  
25 enhancement is approved by the Commissioner. Any approved optional enhancements shall be  
26 considered outside the authority of the Rate Bureau. If the proposed enhancement will include  
27 an additional premium charge, the proposed premium charge shall be included with the proposed  
28 program enhancements filed with the Commissioner. The Commissioner shall review the  
29 proposed premium charges and approve them if the Commissioner finds that they are based on  
30 sound actuarial principles. Amendments to private passenger automobile or homeowners'  
31 program enhancements are subject to the same requirements as initial filings. ~~Neither the~~  
32 ~~acceptance, renewal of a policy, nor any underwriting rating criteria shall be conditioned by a~~  
33 ~~company upon the acceptance by the policyholder of any optional automobile or homeowners'~~  
34 ~~enhancements.~~

35 A company shall not condition (i) the acceptance or renewal of a policy, (ii) any underwriting  
36 criteria, or (iii) any rating criteria upon the acceptance by the policyholder of any optional



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1 automobile or homeowners' enhancements authorized by this section. A rate amendment  
2 authorized by this section is not a rate deviation and is not subject to the requirements for rate  
3 deviations set forth in G.S. 58-36-30(a)."

4 **SECTION 2.(b)** G.S. 58-36-43(b) is repealed.

5 **SECTION 3.(a)** G.S. 58-36-65(i) reads as rewritten:

6 "(i) As used in this section, "conviction" means a conviction as defined in G.S. 20-279.1  
7 plea of guilty, a plea of no contest, or the determination of guilt by a jury or by a court, even if  
8 no sentence has been imposed or, if imposed, has been suspended, and it includes a forfeiture of  
9 bail or collateral deposited to secure appearance in court of the defendant, unless the forfeiture  
10 has been vacated and means an infraction as defined in G.S. 14-3.1."

11 **SECTION 3.(b)** G.S. 58-36-65(j) reads as rewritten:

12 "(j) Subclassification plan surcharges shall be applied to a policy for a period of not less  
13 nor more than three policy years. However, for convictions for which four or more points under  
14 the Plan are assigned, other than convictions for speeding in excess of the posted speed limit,  
15 subclassification plan surcharges shall be applied to a policy for a period of not less nor more  
16 than five policy years."

17 **SECTION 3.(c)** G.S. 58-36-65(k) reads as rewritten:

18 "(k) The For insureds receiving a drivers license for the first time on or before September  
19 30, 2019, the subclassification plan may provide for premium surcharges for insureds having less  
20 than three years' driving experience as licensed drivers. Notwithstanding subsection (j) of this  
21 section, for insureds receiving a drivers license for the first time on or after October 1, 2019, the  
22 subclassification plan may provide for premium surcharges for insureds having less than eight  
23 years' driving experience as licensed drivers."

24 **SECTION 3.(d)** G.S. 58-36-65 is amended by adding a new subsection to read:

25 "(k1) Licensed drivers subject to premium surcharges pursuant to subsection (k) of this  
26 section for a period of up to eight years may be eligible for an inexperienced safe driver discount  
27 after three full years of driving experience. To be eligible for the premium discount, an  
28 inexperienced licensed driver cannot have any at-fault accidents or convictions on their driving  
29 record, whether or not such at-fault accidents or convictions result in the assignment of points  
30 under the Plan. Any at-fault accidents or convictions shall preclude the inexperienced licensed  
31 driver from being eligible for the premium discount for a period of five years. Eligibility for the  
32 premium discount terminates once the inexperienced driver has been licensed for eight years, or  
33 when the inexperienced driver has any at-fault accidents or convictions. For purposes of this  
34 subsection, convictions on a driving record shall include convictions for which a prayer for  
35 judgment continued was granted. Any inexperienced safe driver discount shall be filed by the  
36 Bureau for approval with the Commissioner."

37 **SECTION 4.** Subsection (b) of Section 3 becomes effective October 1, 2020, and  
38 applies to drivers convicted of moving violations on or after that date. Subsection (d) of Section  
39 3 becomes effective October 1, 2019. The remainder of this act is effective when it becomes law.