

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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SENATE BILL 688*

Short Title: Insurance Rate Equity.

(Public)

Sponsors: Senator Sands.

Referred to: Insurance.

April 18, 1991

A BILL TO BE ENTITLED

AN ACT TO PROVIDE REDUCED INSURANCE RATES FOR REDUCED COVERAGES.

The General Assembly of North Carolina enacts:

Section 1. G.S. 20-279.21(b)(4) reads as rewritten:

"(4) Shall, in addition to the coverages set forth in subdivisions (2) and (3) of this subsection, provide underinsured motorist coverage, to be used only with policies that are written at limits that exceed those prescribed by subdivision (2) of this section and that afford uninsured motorist coverage as provided by subdivision (3) of this subsection, in an amount equal to the policy limits for automobile bodily injury liability as specified in the owner's ~~policy~~ policy, unless the owner of the policy selects such lower limits as provided by his insurance carrier or the underinsured motorist coverage is rejected as provided in this subdivision. An 'uninsured motor vehicle,' as described in subdivision (3) of this subsection, includes an 'underinsured highway vehicle,' which means a highway vehicle with respect to the ownership, maintenance, or use of which, the sum of the limits of liability under all bodily injury liability bonds and insurance policies applicable at the time of the accident is less than the applicable limits of liability under the owner's policy. For the purposes of this subdivision, the term 'highway vehicle' means a land motor vehicle or trailer other than (i) a farm-type tractor or other vehicle designed for use principally off public roads and while not upon public roads, (ii) a vehicle operated on

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1 rails or crawler-treads, or (iii) a vehicle while located for use as a
2 residence or premises. The provisions of subdivision (3) of this
3 subsection shall apply to the coverage required by this subdivision.
4 Underinsured motorist coverage shall be deemed to apply when, by
5 reason of payment of judgment or settlement, all liability bonds or
6 insurance policies providing coverage for bodily injury caused by the
7 ownership, maintenance, or use of the underinsured highway vehicle
8 have been exhausted. Exhaustion of such liability coverage for purpose
9 of any single liability claim presented for underinsured motorist
10 coverage shall be deemed to occur when either (a) the limits of
11 liability per claim have been paid upon such claim, or (b) by reason of
12 multiple claims, the aggregate per occurrence limit of liability has been
13 paid. Underinsured motorist coverage shall be deemed to apply to the
14 first dollar of an underinsured motorist coverage claim beyond
15 amounts paid to the claimant pursuant to the exhausted liability policy.

16 In any event, the limit of underinsured motorist coverage
17 applicable to any claim is determined to be the difference between the
18 amount paid to the claimant pursuant to the exhausted liability policy
19 and the total limits of the owner's underinsured motorist coverages
20 provided in the owner's policies of insurance; it being the intent of this
21 paragraph to provide to the owner, in instances where more than one
22 policy may apply, the benefit of all limits of liability of underinsured
23 motorist coverage under all such policies: Provided that this paragraph
24 shall apply only to nonfleet private passenger motor vehicle insurance
25 as defined in G.S. 58-131.36(9) and (10).

26 An underinsured motorist insurer may at its option, upon a claim
27 pursuant to underinsured motorist coverage, pay moneys without there
28 having first been an exhaustion of the liability insurance policy
29 covering the ownership, use, and maintenance of the underinsured
30 highway vehicle. In the event of such payment, the underinsured
31 motorist insurer shall be either: (a) entitled to receive by assignment
32 from the claimant any right or (b) subrogated to the claimant's right
33 regarding any claim the claimant has or had against the owner,
34 operator, or maintainer of the underinsured highway vehicle, provided
35 that the amount of the insurer's right by subrogation or assignment
36 shall not exceed payments made to the claimant by the insurer. No
37 insurer shall exercise any right of subrogation or any right to approve
38 settlement with the original owner, operator, or maintainer of the
39 underinsured highway vehicle under a policy providing coverage
40 against an underinsured motorist where the insurer has been provided
41 with written notice in advance of a settlement between its insured and
42 the underinsured motorist and the insurer fails to advance a payment
43 to the insured in an amount equal to the tentative settlement within 30
44 days following receipt of such notice. Further, the insurer shall have

1 the right, at its election, to pursue its claim by assignment or
2 subrogation in the name of the claimant, and the insurer shall not be
3 denominated as a party in its own name except upon its own election.
4 Assignment or subrogation as provided in this subdivision shall not,
5 absent contrary agreement, operate to defeat the claimant's right to
6 pursue recovery against the owner, operator, or maintainer of the
7 underinsured highway vehicle for damages beyond those paid by the
8 underinsured motorist insurer. The claimant and the underinsured
9 motorist insurer may join their claims in a single suit without requiring
10 that such insurer be named as a party. Any claimant who intends to
11 pursue recovery against the owner, operator, or maintainer of the
12 underinsured highway vehicle for moneys beyond those paid by the
13 underinsured motorist insurer shall prior to doing so give notice to
14 such insurer and give such insurer, at its expense, the opportunity to
15 participate in the prosecution of such claim. Upon the entry of
16 judgment in a suit upon any such claim in which the underinsured
17 motorist insurer and claimant are joined, payment upon such judgment,
18 unless otherwise agreed to, shall be applied **pro rata** to the claimant's
19 claim beyond payment by the insurer of the owner, operator or
20 maintainer of the underinsured highway vehicle and the claim of the
21 underinsured motorist insurer.

22 A party injured by the operation of an underinsured highway
23 vehicle who institutes a suit for the recovery of moneys for such
24 injuries and in such an amount that, if recovered, would support a
25 claim under underinsured motorist coverage shall give notice of the
26 initiation of the suit to the underinsured motorist insurer as well as to
27 the insurer providing primary liability coverage upon the underinsured
28 highway vehicle. Upon receipt of such notice, the underinsured
29 motorist insurer shall have the right to appear in defense of such claim
30 without being named as a party therein, and without being named as a
31 party may participate in such suit as fully as if it were a party. The
32 underinsured motorist insurer may elect, but may not be compelled, to
33 appear in such action in its own name and present therein a claim
34 against other parties; provided that application is made to and
35 approved by a presiding superior court judge, in any such suit, any
36 insurer providing primary liability insurance on the underinsured
37 highway vehicle may upon payment of all of its applicable limits of
38 liability be released from further liability or obligation to participate in
39 the defense of such proceeding. However, prior to approving any such
40 application, the court shall be persuaded that the owner, operator, or
41 maintainer of the underinsured highway vehicle against whom a claim
42 has been made has been apprised of the nature of the proceeding and
43 given his right to select counsel of his own choice to appear in such
44 action on his separate behalf. In the event that an underinsured

1 motorist insurer, following the approval of such application, pays in
2 settlement or partial or total satisfaction of judgment moneys to the
3 claimant, such insurer shall be subrogated to or entitled to an
4 assignment of the claimant's rights against the owner, operator, or
5 maintainer of the underinsured highway vehicle and, provided that
6 adequate notice of right of independent representation was given to
7 such owner, operator, or maintainer, a finding of liability or the award
8 of damages shall be **res judicata** between the underinsured motorist
9 insurer and the owner, operator, or maintainer of underinsured
10 highway vehicle.

11 The coverage required under this subdivision shall not be
12 applicable where any insured named in the policy selects lower limits
13 as are provided by his insurance carrier or rejects the coverage. Such
14 selection or rejection by an owner of the policy shall be valid and
15 binding on all insureds and vehicles under the policy.

16 If the named insured rejects the coverage required under this
17 subdivision, the insurer shall not be required to offer the coverage in
18 any renewal, reinstatement, substitute, amended, altered, modified,
19 transfer or replacement policy unless the named insured makes a
20 written request for the coverage. Rejection of this coverage for
21 policies issued after October 1, 1986, shall be made in writing by the
22 named insured on a form promulgated by the North Carolina Rate
23 Bureau and approved by the Commissioner of Insurance."

24 Sec. 2. Within 60 days after the ratification of this act the North Carolina
25 Rate Bureau shall make appropriate filings with the Commissioner of Insurance to
26 reflect the provisions of this act, including a filing to make the multivehicle rate for
27 underinsured motorist coverage the same per vehicle as the single vehicle rate. Section
28 1 of this act becomes effective 60 days after approval by the Commissioner of Insurance
29 of all filings made by the Bureau under this section.

30 Sec. 3. This act is effective upon ratification.