

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

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SENATE BILL 690*

Short Title: Property Insurance Rate-Making Reform. (Public)

Sponsors: Senators Sanderson, Cook (Primary Sponsors); Goolsby and Jenkins.

Referred to: Insurance.

April 4, 2013

A BILL TO BE ENTITLED

1 AN ACT TO INCREASE THE FAIRNESS AND EQUITY OF THE PROPERTY
2 INSURANCE RATE-MAKING PROCESS BY PROVIDING FOR GREATER
3 TRANSPARENCY REGARDING THE ROLE OF CATASTROPHE MODELING IN
4 PROPERTY INSURANCE RATE FILINGS; AND BY PROVIDING THAT COSTS OF
5 REINSURANCE INCLUDED IN A PROPERTY RATE FILING BE PROPERLY
6 ALLOCABLE TO NORTH CAROLINA; AND BY ESTABLISHING A TWO-TIERED
7 RATE THAT PROVIDES FOR A STATEWIDE RATE AND AN ADDITIONAL
8 CATASTROPHE RATE BASED ON ACTUAL HISTORICAL LOSSES AS WELL AS
9 CATASTROPHE MODELING.
10

11 The General Assembly of North Carolina enacts:

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

13 "**§ 58-36-10. Method of rate making; factors considered.**

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

15 ...

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

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

2 "**§ 58-36-15. Filing loss costs, rates, plans with Commissioner; public inspection of filings.**

3 ...

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

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

7 a. An event identifier.

8 b. The simulation year.

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

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

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

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

21 (2) Annual historical exposure and hurricane loss data by territory for 1987 and
22 each subsequent year.

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

26 (d3) With respect to property insurance rate filings, the Bureau, no later than January 1,
27 2015, shall transition to a two-tier system for filings for policies issued or renewed after that
28 date. A policy holder's total rate for property insurance shall be the sum of the two rate tiers
29 meeting all of the following requirements:

30 (1) The first rate tier shall be set on a statewide basis, based on consideration of
31 all risks with the exception of catastrophe-related wind and hail peril. This
32 tier shall be designated and set forth separately in all property insurance
33 premium communications with insured parties as the "Statewide
34 Noncatastrophe Premium." Territorial exceptions to the statewide rate will
35 be permitted if there is credible data supporting a rate differential of at least
36 fifteen percent (15%) from the statewide rate.

37 (2) The second rate tier will present the rate proportion needed on a regional
38 basis to cover the costs of reinsurance and the risks for catastrophe-related
39 wind and hail peril. This tier shall be designated and set forth separately in
40 all property insurance premium communications with insured parties as the
41 "Catastrophe Premium."

42 "

43 **SECTION 3.** This act becomes effective July 1, 2013.