



HOUSE BILL 151: Property Insurance Ratemaking Reform

**This Bill Analysis
reflects the contents
of the bill as it was
presented in
committee.**

2015-2016 General Assembly

Committee:	House Insurance	Date:	March 24, 2015
Introduced by:	Reps. Tine, Setzer, J. Bell, Jackson	Prepared by:	Tim Hovis
Analysis of:	PCS to First Edition H151-CSR-1		Committee Counsel

SUMMARY: *House Bill 151 makes the following changes to the law governing property insurance rate filings: (1) requires the Rate Bureau to submit data from more than one model if modeled losses are used; and (2) requires supporting data specific to North Carolina be included in a rate filing when a catastrophe model is used. Each filing must also include annual historical loss data by territory for 2003 and each subsequent year and for 1987 to 2002 to the extent the data is reasonably available.*

The bill also adds a new subsection to require the Rate Bureau to set forth in all residential property rate filings that portion of the rate in each territory based on risks other than wind and hail and that portion based on wind and hail. The Department is required to post the respective filed rate and the final rate for each territory on its Web site.

BACKGROUND: Article 36 of Chapter 58 requires the N.C. Rate Bureau to file with the Commissioner for approval the proposed rates and rating plans for insurance against loss to residential real property. The burden of proving that a proposed rate meets the necessary standard of not being “excessive, inadequate, or unfairly discriminatory” is on the Rate Bureau. When deciding upon a rate, due consideration must be given to a number of factors including actual and prospective loss and expense experience within the State, the hazards of catastrophe, and a reasonable margin for underwriting profit.

BILL ANALYSIS:

Section 1 requires the Rate Bureau to submit data from more than one catastrophe model in a rate filing, if modeled losses are used, and provides that the Commissioner shall consider modeled losses presented by the Bureau.

Section 2 adds two new subsections to G.S. 58-36-15 governing rate filings. The first subsection requires any simulated loss from a catastrophe model to include specific information such as the amount of N.C. damages before and after the application of any deductible, specific information concerning first N.C. landfall or entry, wind speed, and other information. If requested by the Department, a statistical analysis comparing the historic data with any simulated losses from the catastrophe model must also be provided.

Section 2 also adds a new subsection to require the Rate Bureau to set forth in all residential property rate filings that portion of the rate in each territory based on risks other than wind and hail and that portion based on wind and hail. The Department is required to post the respective filed rate and the final rate for each territory on its Web site.

EFFECTIVE DATE: The act becomes effective August 1, 2015 and applies to filings made by the Rate Bureau on or after that date.

