



HOUSE BILL 182: Property Insurance Fairness

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

2015-2016 General Assembly

Committee:	House Finance	Date:	May 7, 2015
Introduced by:	Reps. Millis, Lewis, Hager	Prepared by:	Greg Roney Committee Counsel
Analysis of:	PCS to Second Edition H182-CSR-4		

SUMMARY: *The Proposed Committee Substitute (PCS) for House Bill 182 would*

- *Make certain property insurance data public.*
- *Create the North Carolina Recovery Finance Authority (Authority) as a new public agency.*
- *Authorize the Authority to finance deficits of the North Carolina Insurance Underwriting Association related to catastrophic events, including the authority to issue tax-exempt revenue bonds as a municipality.*
- *Require notice when seeking consent to rate policies.*
- *Modify the catastrophe modeling used for property rate-making purposes.*
- *Create the Joint Legislative Study Committee on Property Insurance Rate Making.*

Compared to the second edition, the PCS makes technical changes, makes changes to the language related to catastrophic modeling in Section 4 to limit the requirements to only hurricane losses, and adds public members to the study established in Section 5.

[As introduced, this bill was identical to S208, as introduced by Sens. Cook, Brown, Hartsell, which is currently in Senate Insurance.]

BILL ANALYSIS:

Section 1 of the PCS for House Bill 182 requires the Rate Bureau to submit detailed information on losses related to homeowners insurance rate filings including the following:

- Direct incurred losses, house years, and statewide expenses for the most recent five years.
- Computations by territory where available.
- Wind and hail information if requested by the Department of Insurance based on a specific event.

The Department is required to post any information received on its website.

Section 2 of the PCS creates the North Carolina Recovery Finance Authority housed within the Department. The Authority would be considered a municipality and would be allowed to issue bonds to pay claims with respect to insurance policies issued by the North Carolina Insurance Underwriting Association, often referred to as the Beach Plan. Bonds issued by the Authority would be exempt from taxation.

Section 3 makes changes to the consent to rate provisions with regard to residential real property insurance, G.S. 58-36-30, to require a 30-day written notice in 10 point type of the rate provided, the actual approved rate and the actual percentage above the approved rate. As under the current law,

O. Walker Reagan
Director



Research Division
(919) 733-2578

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written consent of the insured would only be required for an initial consent to rate. However, the notice would be required on any homeowner's policy renewal if the rate is increased.

Section 4 requires the Rate Bureau to present more than one catastrophe model with a property insurance rate filing and would require the model to conform to maximum load designs contained in the State Building Code.

Section 5 establishes a Study on Property Insurance Rate Making and would require an interim report to the 2016 General Assembly in 2016 and a final report to the 2017 General Assembly.

Section 6 removes obsolete references to the "Beach Plan."

EFFECTIVE DATE: Section 1 of the PCS for H182 is effective when it becomes law. The remaining sections become effective July 1, 2015.

Tim Hovis with the Research Division substantially contributed to this summary.