



HOUSE BILL 496: Surcharge Transparency

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

2015-2016 General Assembly

Committee:	Rules, Calendar, and Operations of the House	Date:	April 29, 2015
Introduced by:	Reps. Collins, Cleveland, Jordan, Baskerville	Prepared by:	Kristen Harris
Analysis of:	PCS to First Edition H496-CSTU-16		Committee Counsel

SUMMARY: House Bill 496 would provide that auto insurance surcharges imposed to subsidize the losses of the North Carolina Motor Vehicle Reinsurance Facility be itemized and displayed to the policyholder.

[As introduced, this bill was identical to S428, as introduced by Sen. Brock, which is currently in Senate Insurance.]

CURRENT LAW: Under current law, an insurer may cede to the Reinsurance Facility any eligible risk it chooses for liability and other required coverages. The Facility is required to establish a separate subclassification for owners and operators who are "clean risks." A "clean risk" is defined as "any owner of a nonfleet private passenger motor vehicle...if the owner, principal operator, and each licensed operator in the owner's household have two years' driving experience...and none of the persons has been assigned any Safe Driver Incentive Plan Points" in the preceding three years. All rates in the Facility must be actuarially sound and calculated to not produce a profit or loss. However, the rates for clean risks may not exceed rates for clean risks outside of the Facility, even if the rate is not actuarially sound. This rate is the base rate approved by the Commissioner for all drivers.

The difference in the actuarially sound rate for clean risks and the rate charged to clean risks in the Facility is recouped by a surcharge on all policies in the State, known as the "Facility surcharge." Currently, law requires that this rate be "combined with and displayed as a part of the applicable premium charges."

BILL ANALYSIS: House Bill 496 would require that the surcharge be itemized and displayed to the policyholder in the same manner as the premium.

EFFECTIVE DATE: House Bill 496 is effective when it becomes law and applies to auto policies issued or renewed on or after January 1, 2017.

Staff Attorney Tim Hovis substantially contributed to this summary.

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