



# HOUSE BILL 221: Rate-Making Amendments.

2019-2020 General Assembly

<b>Committee:</b>	House Transportation. If favorable, re-refer to Rules, Calendar, and Operations of the House	<b>Date:</b>	April 25, 2019
<b>Introduced by:</b>	Reps. Setzer, Bumgardner, Corbin	<b>Prepared by:</b>	Howard Marsilio
<b>Analysis of:</b>	Second Edition		Committee Counsel

**OVERVIEW:** *House Bill 221 would amend North Carolina's insurance rate-making laws. Specifically, it would 1) create a five-year surcharge for convictions assigned 4 or more points under the State's Safe Driver Incentive Plan (SDIP), 2) extend the existing three-year inexperienced driver surcharge to eight years, and 3) create an inexperienced safe driver discount which would be available after three full years of driving experience under certain conditions.*

### CURRENT LAW AND BACKGROUND:

#### Safe Driver Incentive Plan (SDIP)

Currently, subclassification plan surcharges cannot be applied to an insurance policy for not less nor more than three years.

The following convictions and at-fault accidents are charged four or more points under SDIP:

- Four points: reckless driving, hit and run resulting in property damage only, passing a stopped school bus, speeding in excess of 75 mph when the speed limit is less than 70 mph, speeding in excess of 80 mph when the speed limit is 70 mph or higher, or driving by a person less than 21 after consuming alcohol or drugs.
- Eight points: driving during revocation or suspension of license or registration or aggressive driving.
- Ten points: highway racing or knowingly lending a motor vehicle for highway racing, or speeding to elude arrest.
- Twelve points: manslaughter or negligent homicide, prearranged highway racing or knowingly lending a motor vehicle for prearranged highway racing, hit and run resulting in bodily injury or death, driving with a blood-alcohol level of 0.08 or more, driving commercial vehicle with a blood-alcohol level of 0.04 or more, DWI, or transporting illegal intoxicating liquor for sale.

### BILL ANALYSIS:

**Section 1** would require investment income from capital and surplus to be considered in insurance ratemaking.

**Section 2(a)** would amend existing law that prohibits an insurance company from conditioning the acceptance or renewal of a policy, or underwriting and rating criteria, on the acceptance of any optional enhancement by a policyholder.

**Section 2(b)** would repeal the requirement that an insurer report its optional enhancement premiums and losses.

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**Section 3(a)** would amend the definition of "conviction" for the purposes of driver classifications and Safe Driver Incentive Plan statute for nonfleet private passenger motor vehicle insurance.

**Section 3(b)** would authorize a five-year surcharge for convictions assigned 4 or more SDIP points, but would not include convictions for speeding over the posted limit.

**Section 3(c)** would create an eight-year inexperienced driver surcharge for drivers receiving a license for the first time on or after October 1, 2019. For drivers receiving a first license on or before September 30, 2019, the surcharge would continue to be limited to three years' driving experience.

**Section 3(d)** would create an inexperienced safe driver discount for drivers subject to the new premium surcharges for a period of 8 years (i.e. for drivers receiving their first license on or after October 1, 2019) that would be available after three full years of driving without any at-fault accidents or convictions, including convictions for which a prayer for judgment continued was granted.

**EFFECTIVE DATE:** Subsection (b) of Section 3 becomes effective October 1, 2020, and applies to drivers convicted of moving violations on or after that date. Subsection (d) of Section 3 becomes effective October 1, 2019. The remainder of this act is effective when it becomes law.