



SENATE BILL 452: NC Department of Insurance Omnibus .

2023-2024 General Assembly

Committee:	House Rules, Calendar, and Operations of the House	Date:	June 28, 2023
Introduced by:	Sens. Johnson, Craven, Britt	Prepared by:	Alex Ramirez
Analysis of:	PCS to Fourth Edition S452-CSCL-34		Susan Sitze Staff Attorneys

OVERVIEW: *The Proposed Committee Substitute (PCS) to Senate Bill 452 would make various changes to the insurance laws of North Carolina.*

CURRENT LAW: North Carolina's insurance laws are found in Chapter 58 of the General Statutes.

BILL ANALYSIS:

PART I. SURPLUS LINES ACT CLARIFYING CHANGES

Section 1 would make clarifying changes and technical corrections to "The Surplus Lines Act" and incorporate model language from the National Association of Insurance Commissioners (NAIC).

PART II. TECHNICAL CORRECTIONS TO REFLECT COMPENDIUM NAME CHANGE

Section 2 would make a technical correction to change the publisher's name.

PART III. CHANGES RELATED TO THE INSURANCE GUARANTY ACT

Section 3 would make technical changes to the "Insurance Guaranty Association Act" and increase the Association's covered claim limit from \$300,000 to \$500,000. This section would be effective October 1, 2023, and apply to covered claims arising from orders of liquidation becoming final on or after that date.

PART IV. CHANGES RELATED TO TRANSACTIONS WITHIN AN INSURANCE HOLDING COMPANY SYSTEM

Section 4 would amend the "Insurance Holding Company System Regulatory Act" and add model language from the NAIC. This section would be effective October 1, 2023 and apply to contracts issued, renewed, or amended on or after that date.

PART V. TECHNICAL CORRECTION TO REFLECT REPEAL OF PART 2 OF ARTICLE 38 AND ENACTMENT OF ARTICLE 38A OF CHAPTER 1 OF THE GENERAL STATUTES

Section 5 would make a technical correction to the "North Carolina Receivership Act."

PART VI. CHANGES RELATED TO THE ADMINISTRATION OF WORKERS' COMPENSATION LARGE DEDUCTIBLE POLICIES AND INSURED COLLATERAL IN LIQUIDATION PROCEEDINGS

Section 6 would add a new section to Article 30 (Insurers Supervision, Rehabilitation, and Liquidation) of Chapter 58 (Insurance) that would apply to workers' compensation large deductible policies issued by an insurer subject to an order of liquidation. Under certain circumstances, large deductible claims would be turned over to the North Carolina Insurance Guaranty Association or the foreign guaranty association

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for handling and administration. If a deductible claim is paid by a guaranty association, the association would have a right to reimbursement. A liquidator of the insurer would utilize collateral, when available, to secure the obligation of the insured to fund or reimburse deductible claims or other secured obligations. This section would become effective October 1, 2023, and apply to insurance contracts issued, renewed, or amended on or after that date.

PART VII. TECHNICAL CORRECTION TO ADD OMITTED WORD

Section 7 would make a technical correction to G.S. 58-33-5. License required.

PART VIII. AMEND ON-SITE AUDIT REQUIREMENTS FOR THIRD-PARTY ADMINISTRATORS

Section 8 would allow an insurer to conduct a review of a third-party administrator's operations either on-site or virtually. Currently, the review must be done on-site.

PART IX. INCREASE OR IMPLEMENT CRIMINAL PENALTIES FOR CERTAIN VIOLATIONS

Section 9.(a) would amend the penalties for when a person, with the intent to injure, defraud, or deceive an insurer or insurance claimant, either: 1) presents or causes to be presented a written or oral statement related to a claim for insurance payment or benefit knowing the statement is false or misleading, or 2) assists, abets, solicits, or conspires with another person to make a written or oral statement related to a claim for an insurance payment or benefit knowing it is false or misleading. Currently, the penalty is a Class H felony. **Section 9.(a)** would make it a Class H felony if the amount of the claim for payment or other benefit is less than \$100,000. If the amount of the claim for payment or other benefit is \$100,000 or more, a violation would be a Class C felony.

Section 9.(b) would make it a Class 1 misdemeanor to willfully and knowingly conduct business as a public adjuster in violation of Article 33A (Public Adjusters) of Chapter 58 (Insurance).

Section 9.(c) This section would be effective December 1, 2023, and apply to offenses committed on or after that date.

PART X. ADDITIONAL CERTIFICATE OF INSURANCE PROHIBITIONS

Section 10 would prohibit a person from knowingly preparing, issuing, requesting, or requiring a certificate of insurance that includes information not contained in the underlying insurance policy. This section would be effective October 1, 2023.

PART XI. AUTHORIZE INSURANCE PREMIUM CONVENIENCE FEES

Section 11 would allow an insurer to accept electronic payment of a premium and charge a convenience fee up to 4% of the electronic payment. This section would be effective October 1, 2023.

PART XII. INCREASE MINIMUM LIABILITY LIMITS FOR INSURANCE REQUIRED BY THE STATE

Sections 12.(a) through (d) would:

- Increase the State's minimum per-person and per-accident motor vehicle liability insurance requirements for bodily injury from \$30,000 to \$50,000 and \$60,000 to \$100,000 and increase the minimum property damage insurance requirements from \$25,000 to \$50,000. Both uninsured and underinsured motorist coverage would be mandatory at \$50,000.
- Modify a statutorily required provision for vehicle policies of liability insurance to allow an insurer in a civil action to be issued a summons, complaint, or other process outside of the statute

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of limitations and still have them be bound by a final judgement taken by against an uninsured motorist.

- Change the way the applicable limits of UIM are calculated.

Section 12.(e) would amend the requirements for a sufficient motor vehicle insurance policy to clarify that UIM coverage is required.

Sections 12.(f) would increase the amount of money or securities a person could show to prove financial responsibility from \$85,000 to \$150,000.

Section 12.(g) and (h) would apply the increased mandatory minimum motor vehicle bodily injury and property damage insurance limits to rental cars and the North Carolina Reinsurance Facility's policies.

Section 12.(i) This section would be effective October 1, 2023, and apply to policies issued, amended, or renewed on or after that date.

PART XIII. CLARIFY TIMELINE FOR COMPLIANCE WITH MEDICAL RECORDS SUBPOENA

Section 13 would require medical providers that wish to place a lien on damages recovered during a civil suit to provide the requisite medical records within 60 days of receiving a request by an attorney for the lien to be valid.

PART XIV. INCREASING SMALL EMPLOYER ACCESS TO STOP LOSS, CATASTROPHIC, AND REINSURANCE COVERAGE

Small employers who self-fund employee insurance plans may purchase stop loss coverage to protect themselves against large payouts under those employee insurance plans.

Section 14 would lower the maximum number of employees of an employer who may purchase stop loss insurance from 20 to 5.

PART XV. RAISING BEACH PLAN POLICY LIMITS

The Coastal Property Insurance Pool, formerly known as "the Beach Plan," is governed by the North Carolina Insurance Underwriting Association. The Association was created by the General Assembly in 1967 in Article 47 (Essential Property Insurance for Beach Area Property) of Chapter 58 (Insurance) of the General Statutes.

Section 15.(a) would increase the maximum amount of insurance issued by the Association for habitational properties from \$750,000 to \$1,000,000. For commercial properties, the increase would be from \$3,000,000 to \$4,000,000 on any freestanding structure or building unit within multiple firewall divisions. The aggregate insurance on structures with multiple firewall divisions, previously capped at \$6,000,000, could not exceed \$10,000,000 on all interest at one risk.

Section 15.(b) These changes would be effective July 1, 2023, and apply to contracts issued, amended, and renewed on or after that date.

PART XVI. EFFECTIVE DATE

EFFECTIVE DATE: Except as otherwise provided, this act would be effective when it becomes law.

**Kristen Harris, Legislative Analyst, substantially contributed to this summary.*