



SENATE BILL 452: NC Department of Insurance Omnibus.

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

2023-2024 General Assembly

Committee:	Senate Commerce and Insurance. If favorable, re-refer to Judiciary. If favorable, re-refer to Rules and Operations of the Senate	Date:	April 25, 2023
Introduced by:	Sens. Johnson, Craven, Britt	Prepared by:	Kristen L. Harris Committee Co-Counsel
Analysis of:	First Edition		

OVERVIEW: Senate Bill 452 would make various changes to the insurance laws of North Carolina, as recommended by the Department of Insurance.

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. ADJUSTMENT TO AGE REQUIREMENT FOR MANDATORY COLORECTAL CANCER SCREENING COVERAGE

Section 2 would adjust the age for colorectal cancer screening from 50 to 45 years of age.

PART III. TECHNICAL CORRECTIONS TO REFLECT COMPENDIUM NAME CHANGE

Section 3 would make a technical correction to change the publisher's name.

PART IV. CHANGES RELATED TO THE INSURANCE GUARANTY ACT

Section 4 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 V. CHANGES RELATED TO TRANSACTIONS WITHIN AN INSURANCE HOLDING COMPANY SYSTEM

Section 5 would amend the "Insurance Holding Company System Regulatory Act" and incorporate 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 VI. TECHNICAL CORRECTION TO REFLECT REPEAL OF PART 2 OF ARTICLE 38 AND ENACTMENT OF ARTICLE 38A OF CHAPTER 1 OF THE GENERAL STATUTES

Section 6 would make a technical correction to the "North Carolina Receivership Act."

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

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Section 7 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 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 VIII. TECHNICAL CORRECTION TO ADD OMITTED WORD

Section 8 would make a technical correction to G.S. 58-33-5. License required.

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

Section 9 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 X. INCREASE OR IMPLEMENT CRIMINAL PENALTIES FOR CERTAIN VIOLATIONS

Section 10.(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 10.(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 10.(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 10.(c) This section would be effective December 1, 2023, and apply to offenses committed on or after that date.

PART XI. ADDITIONAL CERTIFICATE OF INSURANCE PROHIBITIONS

Section 11 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 XII. AUTHORIZE INSURANCE PREMIUM CONVENIENCE FEES

Section 12 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 XIII. INCREASE MINIMUM LIABILITY LIMITS FOR INSURANCE REQUIRED BY THE STATE

Sections 13.(a) through (c) 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 motor vehicle property damage insurance requirements from \$25,000 to \$50,000.

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Section 13.(d) would amend the definition of an "underinsured highway vehicle." For an accident involving one claimant, the definition would change from being the difference between the total applicable liability insurance coverage and the total applicable underinsured coverage to being the difference between the total applicable liability insurance coverage and the total damages sustained by an individual seeking payment of benefits. For an accident involving multiple claimants, the amended definition would change from being the difference between the total amount paid to a claimant from all applicable liability coverage and the total applicable underinsured coverage to being the difference between the amount paid to the claimant from the exhaustion of all applicable liability coverage and the total damages sustained by an individual seeking payment of benefits. **Section 13.(d)** would no longer allow a setoff or credit to be applied against any underinsured motorist coverage applicable to a claim, including liability insurance, except for workers' compensation insurance. If a claimant is insured under multiple underinsured policies, the total amount applicable to the claimant would be the sum of combining the highest limit available under each policy with no setoff, except for workers' compensation insurance. **Section 13.(d)** would make underinsured motorist coverage mandatory in North Carolina.

Section 13.(e) would increase the amount of money or securities a person may show to prove financial responsibility from \$85,000 to \$125,000.

Section 13.(f) 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 13.(h) This section would be effective October 1, 2023, and apply to policies issued, amended, or renewed on or after that date.

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