



# HOUSE BILL 356: Permitted Trade Practices/Insurance Rebates.

2025-2026 General Assembly

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<b>Committee:</b>	House Finance. If favorable, re-refer to Rules, Calendar, and Operations of the House	<b>Date:</b>	May 6, 2025
<b>Introduced by:</b>	Reps. Humphrey, Balkcom, Setzer	<b>Prepared by:</b>	Greg Roney Staff Attorney
<b>Analysis of:</b>	PCS to First Edition H356-CSTM-7		

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**OVERVIEW:** *The Proposed Committee Substitute (PCS) for House Bill 356 would clarify permitted trade practices with respect to insurance rebates.*

*Compared to the First Edition, the PCS delays the effective date of the prohibition on the use of additional insurance as an inducement to purchase another policy until January 1, 2027, and clarifies the prohibition with the phrase "about the policy sale or purchase."*

**CURRENT LAW:** G.S. 58-33-85 prohibits any insurer, insurance producer, or limited representative from providing any rebate, discount, abatement, credit, reduction in premium, or any special favor or advantage, or any valuable consideration or inducement not specified in the insurance policy. The statute does not prohibit (i) the payment of commissions or other compensation to duly licensed insurance producers and limited representatives, (ii) any participating insurer from distributing to its policyholders dividends, savings or the unused or unabsorbed portion of premiums and premium deposits, or (iii) the trade practices permitted by G.S. 58-63-16.

G.S. 58-63-16 allows an insurer, insurance producer, or limited representative to offer or provide products or services if one of the following conditions is met:

- The products or services are connected to the marketing, purchase, or retention of an insurance contract and do not exceed an aggregate retail value of \$250 per person per year.
- The products or services are offered without a fee or at a reduced fee and are related to servicing an insurance contract or are offered or undertaken to provide risk control for the benefit of the insured.
- The products and services are offered without a fee or at a reduced fee if the following conditions are met:
  - The receipt of products or services is not contingent upon the purchase of insurance.
  - The products and services are offered on the same terms to all potential insurance customers.
  - These requirements are conspicuously disclosed in writing.

G.S. 58-63-15 defines the acts that constitute an unfair method of competition or an unfair and deceptive act or practice in the business of insurance. G.S. 58-63-15(8)b.4. provides that trade practices under G.S. 58-63-16 do not constitute an unfair method of competition or an unfair and deceptive act or practice in the business of insurance.

## **BILL ANALYSIS:**

**Section 1** would repeal G.S. 58-63-15(8)b.4. and G.S. 58-63-16.

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# House 356 PCS

Page 2

**Section 2** would do the following:

- Clarify that the following acts do not constitute unfair discrimination or rebates that are prohibited under G.S. 58-63-15:
  - Engaging in an arrangement that would not violate section 106 of the federal Bank Holding Company Act Amendments of 1972 or section 5q of the federal Home Owners' Loan Act.
  - Offering or providing value-added products or services that are not specified in the insurance policy at no or reduced cost, if the product or service meets all of the following criteria:
    - Relates to the insurance coverage.
    - Is primarily designed to satisfy one or more of the following:
      1. Providing loss mitigation or loss control.
      2. Reducing claim costs or claim settlement costs.
      3. Providing education about liability risks or risk of loss to persons or property.
      4. Monitoring or assessing risk, identifying sources of risk, or developing strategies for eliminating or reducing risk.
      5. Enhancing health.
      6. Enhancing financial wellness through items such as education or financial planning services.
      7. Providing post-loss services.
      8. Incentivizing behavioral changes to improve the health or reduce the risk of death or disability of a customer.
      9. Assisting in the administration of the employee or retiree benefit insurance coverage.
    - The cost to the insurer or producer offering the product or service must be reasonable in comparison to the customer's premiums or insurance coverage for the policy class.
    - The insurer or producer must provide the customer with customer with contact information to assist the customer, if the insurer or producer is providing the product or service offered.
    - The availability of the value-added product or service must be based on documented objective criteria and offered in a manner that is not unfairly discriminatory.
  - Offering or providing products or services that otherwise meet the criteria in the section above, where the insurer or producer does not have sufficient evidence to demonstrate, but has a good faith belief, that the products or services satisfy one or more of the conditions listed in 1-9.
    - The insurer or producer shall offer or provide the products and services in a manner that is not unfairly discriminatory as part of a pilot or testing program for no more than one year. The insurer or producer must notify the Department of Insurance of the pilot or testing program prior to implementation and may proceed with the program unless the Department objects within 21 days of notice.
  - Offering or gifting noncash gifts, items, or services, including meals to or charitable donations on behalf of a customer, if all of the following conditions are met:
    - The noncash gifts, items, or services are made to or on behalf of customers in connection with the marketing, sale, purchase, or retention of insurance contracts.
    - The cost of the noncash gifts, items, or services does not exceed \$250 per policy term.
    - The offer or gift is made in a manner that is not unfairly discriminatory.
    - The customer is not required to purchase, continue to purchase, or renew a policy in exchange for the offer or gift.

# House 356 PCS

Page 3

- Conducting drawings or raffles, to the extent they are otherwise permitted by law, if all of the following conditions are met:
  - There is no financial cost to entrants to participate in the drawing or raffle.
  - The drawing or raffle does not obligate participants to purchase insurance.
  - The prizes of the drawing or raffle are not valued in excess of \$250.
  - The drawing or raffle is open to the public and conducted in a manner that is not unfairly discriminatory.
  - The customer is not required to purchase, continue to purchase, or renew a policy in exchange for participation in the drawing or raffle.
- Provide that the trade practices permitted by this section are not prohibited rebates under G.S. 58-63-15.
- Prohibit an insurer, producer, or representative of either from offering or providing insurance as an inducement to the purchase of another policy or using the words "free," "no cost," or similar words in an advertisement.

**Section 3** would provide that the trade practices permitted by Section 2 are not prohibited rebates under G.S. 58-33-85.

**EFFECTIVE DATE:** The prohibition on the use of additional insurance as an inducement to purchase another policy is effective January 1, 2027. The remainder of House Bill 356 would become effective when it becomes law and would apply to trade practices related to insurance contracts issued, renewed, or amended on or after that date.

**BACKGROUND:** The National Association of Insurance Commissioners (NAIC) issued the language of House Bill 356 as a model rule.

*Karyl Smith, with the Legislative Analysis Division, substantially contributed to this summary.*