

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2011

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SENATE BILL 836

Short Title: Improve Property Insurance Rate Making. (Public)

Sponsors: Senator Brown.

Referred to: Insurance.

May 22, 2012

A BILL TO BE ENTITLED

1 AN ACT TO IMPROVE THE RATE-MAKING PROCESS AND THE AFFORDABILITY  
2 OF PROPERTY INSURANCE FOR LOW-INCOME HOMEOWNERS BY REQUIRING  
3 THAT MORE THAN ONE CATASTROPHE MODEL BE USED TO ESTIMATE  
4 POTENTIAL LOSSES FOR PURPOSES OF A RATE FILING; AND BY REQUIRING  
5 THAT THE RATE BUREAU CREATE A RATING PLAN FOR A PROPERTY  
6 INSURANCE POLICY THAT EXCLUDES COVERAGE FOR THE PERILS OF  
7 WINDSTORM AND HAIL; AND BY REQUIRING THE DEPARTMENT OF  
8 INSURANCE TO ACCEPT PUBLIC COMMENT ON ALL PROPERTY INSURANCE  
9 RATE FILINGS; AND BY PROVIDING FOR A PREHEARING CONFERENCE FOR  
10 THE COMMISSIONER OF INSURANCE TO SCRUTINIZE CATASTROPHE  
11 MODELING WHEN SUCH MODELING IS THE BASIS FOR ANY FACTOR IN A  
12 RATE FILING FOR WHICH THE COMMISSIONER HAS ISSUED A NOTICE OF  
13 HEARING; AND BY PROVIDING THE COMMISSIONER WITH THE POWER TO  
14 SPECIFY THE APPROPRIATE RATE LEVEL OR LEVELS UPON A FINDING THAT  
15 A RATE FILING DOES NOT COMPLY WITH APPLICABLE LAW; AND BY  
16 REQUIRING THAT, WHEN THE COST OF REINSURANCE IS INCLUDED AS A  
17 FACTOR IN A PROPOSED RATE, CERTAIN SUPPORTING INFORMATION BE  
18 PROVIDED AND THAT THE FILING INCLUDE ONLY THE REINSURANCE COST  
19 SPECIFIC TO PROPERTY INSURANCE LOSSES IN NORTH CAROLINA; AND BY  
20 REQUIRING THAT THE RATE BUREAU AND THE DEPARTMENT OF INSURANCE  
21 STUDY THE FAIRNESS AND EFFICACY OF THE CURRENT PROPERTY  
22 INSURANCE GEOGRAPHIC RATE TERRITORIES, AS RECOMMENDED BY THE  
23 LEGISLATIVE RESEARCH COMMISSION COMMITTEE ON PROPERTY  
24 INSURANCE RATE MAKING.

25 The General Assembly of North Carolina enacts:

26 **SECTION 1.** G.S. 58-36-10 reads as rewritten:

27 **"§ 58-36-10. Method of rate making; factors considered.**

28 The following standards shall apply to the making and use of rates:

- 29 (1) Rates or loss costs shall not be excessive, inadequate or unfairly  
30 discriminatory.  
31 (2) Due consideration shall be given to actual loss and expense experience  
32 within this State for the most recent three-year period for which that  
33 information is available; to prospective loss and expense experience within  
34 this State; to the hazards of conflagration and catastrophe; to a reasonable  
35



margin for underwriting profit and to contingencies; to dividends, savings, or unabsorbed premium deposits allowed or returned by insurers to their policyholders, members, or subscribers; to investment income earned or realized by insurers from their unearned premium, loss, and loss expense reserve funds generated from business within this State; to past and prospective expenses specially applicable to this State; and to all other relevant factors within this State: Provided, however, that countrywide expense and loss experience and other countrywide data may be considered only where credible North Carolina experience or data is not available.

(3) In the case of property insurance rates under this Article, consideration may be given to the experience of property insurance business during the most recent five-year period for which that experience is available. In the case of property insurance rates under this Article, consideration shall be given to the insurance public protection classifications of fire districts established by the Commissioner. The Commissioner shall establish and modify from time to time insurance public protection districts for all rural areas of the State and for cities with populations of 100,000 or fewer, according to the most recent annual population estimates certified by the State Budget Officer. In establishing and modifying these districts, the Commissioner shall use standards at least equivalent to those used by the Insurance Services Office, Inc., or any successor organization. The standards developed by the Commissioner are subject to Article 2A of Chapter 150B of the General Statutes. The insurance public protection classifications established by the Commissioner issued pursuant to the provisions of this Article shall be subject to appeal as provided in G.S. 58-2-75, et seq. The exceptions stated in G.S. 58-2-75(a) do not apply. If the Rate Bureau presents any modeled losses with a property insurance rate filing, the Bureau shall present data from more than one catastrophe model."

**SECTION 2.** Article 36 of Chapter 58 of the General Statutes is amended by adding a new section to read:

**"§ 58-36-42. Development of policy form or endorsement for residential property insurance that does not include coverage for perils of windstorm or hail.**

With respect to residential property insurance under its jurisdiction, the Bureau shall develop an optional policy form or endorsement to be filed with the Commissioner for approval that provides residential property insurance coverage without coverage for the perils of windstorm or hail. Insurers that sell such policies shall comply with the provisions of G.S. 58-44-60 and through such compliance shall be deemed to have given notice to all insured and persons claiming benefits under such policies that such policies do not include coverage for the perils of windstorm or hail."

**SECTION 3.** G.S. 58-44-60 reads as rewritten:

**"§ 58-44-60. Notice to property insurance policyholder about flood, earthquake, mudslide, mudflow, ~~and~~ landslide, and windstorm or hail insurance coverage.**

(a) Every insurer that sells residential or commercial property insurance policies that do not provide coverage for the perils of flood, earthquake, mudslide, mudflow, ~~or~~ landslide, or windstorm or hail shall, upon the issuance and renewal of each policy, identify to the policyholder which of these perils are not covered under the policy. The insurer shall print the following warning, citing which peril is not covered, in Times New Roman 16-point font or other equivalent font and include it in the policy on a separate page immediately before the declarations page:

"WARNING: THIS PROPERTY INSURANCE POLICY DOES NOT PROTECT YOU AGAINST LOSSES FROM [FLOODS], [EARTHQUAKES], [MUDSLIDES], [MUDFLOWS], [~~LANDSLIDES~~], [~~LANDSLIDES~~], [WINDSTORM OR HAIL]. YOU SHOULD CONTACT YOUR INSURANCE COMPANY OR AGENT TO DISCUSS YOUR OPTIONS FOR OBTAINING COVERAGE FOR THESE LOSSES. THIS IS NOT A COMPLETE LISTING OF ALL OF THE CAUSES OF LOSSES NOT COVERED UNDER

1 YOUR POLICY. YOU SHOULD READ YOUR ENTIRE POLICY TO UNDERSTAND  
2 WHAT IS COVERED AND WHAT IS NOT COVERED."

3 (b) As used in this section, "insurer" includes an entity that sells property insurance  
4 under Articles 21, 45, or 46 of this Chapter."

5 SECTION 4. G.S. 58-36.20 reads as rewritten:

6 "**§ 58-36-20. Disapproval; hearing, order; adjustment of premium, review of filing.**

7 (a) ~~At any time within 50 days after the date of any filing, the Commissioner may give~~  
8 ~~written notice to the Bureau specifying in what respect and to what extent the Commissioner~~  
9 ~~contends the filing fails to comply with the requirements of this Article and fixing a date for~~  
10 ~~hearing not less than 30 days from the date of mailing of such notice. With respect to any~~  
11 ~~property insurance rate filing, except as provided in G.S. 58-36-25, or any Workers'~~  
12 ~~Compensation loss cost filing, a filing made by the Bureau under G.S. 58-36-15 is not effective~~  
13 ~~until approved by the Commissioner or unless 50 days have elapsed since the making of a~~  
14 ~~proper filing under that subsection and the Commissioner has not called for a hearing on the~~  
15 ~~filing. If the Commissioner calls for a hearing, the Commissioner must give written notice to~~  
16 ~~the Bureau, specify in the notice in what respect the filing fails to comply with this Article, and~~  
17 ~~fix a date for the hearing that is not less than 30 days from the date the notice is mailed. Once~~  
18 ~~begun, hearings must proceed without undue delay. At the hearing the burden of proving that~~  
19 ~~the proposed rates or loss costs are not excessive, inadequate, or unfairly discriminatory is on~~  
20 ~~the Bureau. At the hearing the factors specified in G.S. 58-36-10 shall be considered. If the~~  
21 ~~Commissioner after hearing finds that the filing does not comply with the provisions of this~~  
22 ~~Article, he may issue his order determining wherein and to what extent such filing is deemed to~~  
23 ~~be improper and fixing a date thereafter, within a reasonable time, after which the filing shall~~  
24 ~~no longer be effective. Any order issued after a hearing shall be issued within 45 days after the~~  
25 ~~completion of the hearing. If no order is issued within 45 days after the completion of the~~  
26 ~~hearing, the filing shall be deemed to be approved.~~

27 (b) ~~In the event that no notice of hearing shall be issued within 50 days from the date of~~  
28 ~~any such filing, the filing shall be deemed to be approved. If the Commissioner disapproves~~  
29 ~~such filing pursuant to subsection (a) as not being in compliance with G.S. 58-36-10, he may~~  
30 ~~order an adjustment of the premium to be made with the policyholder either by collection of an~~  
31 ~~additional premium or by refund, if the amount exceeds five dollars (\$5.00). The Commissioner~~  
32 ~~may thereafter review any filing in the manner provided; but if so reviewed, no adjustment of~~  
33 ~~any premium on any policy then in force may be ordered.~~

34 (c) ~~For workers' compensation insurance and employers' liability insurance written in~~  
35 ~~connection therewith, the period between the date of any filing and the date the Commissioner~~  
36 ~~may give written notice as described in subsection (a) of this section and the period between the~~  
37 ~~date of any filing and the deadline for giving notice of hearing as described in subsection (b) of~~  
38 ~~this section shall be 60 days.~~

39 (d) All property insurance rate filings shall be open to the public except as provided in  
40 this Article where necessary to maintain the confidentiality of certain testimony. At least 30  
41 days before a notice of hearing issues, the Department shall accept comments from the public  
42 regarding a property insurance rate filing. The comments may be provided to the Department  
43 by e-mail, mail, or in person at a time and place set by the Department. All public comments  
44 shall be shared with the Rate Bureau in a timely manner. Only comments from the public that  
45 are made a part of the Notice of Hearing may be considered by the Commissioner or the  
46 Commissioner's designated hearing officer during the hearing.

47 (e) With respect to any property insurance rate filing, except as provided in  
48 G.S. 58-36-30, where a catastrophe model is used in the calculation for any factor in the filing  
49 and where the Commissioner has called for a hearing, the hearing process shall proceed as  
50 follows:

- 1           (1) No earlier than 30 days after a Notice of Hearing is issued, the  
2 Commissioner shall schedule a prehearing that may be attended only by the  
3 parties to the case and any experts who will present testimony regarding the  
4 catastrophe model or models used in the filing. The prehearing shall be  
5 called solely for the purpose of providing the Department and its expert  
6 witnesses with the opportunity to see and review all materials and  
7 documents pertinent to the catastrophe model or models used in the property  
8 rate filing. Because the materials and documents subject to discovery may be  
9 confidential in nature, the prehearing shall be closed to the public. The  
10 Commissioner shall preside over the prehearing and shall resolve any  
11 disputes that arise between the parties. A proper record shall be kept at the  
12 prehearing, and said record shall be treated as confidential unless a ruling  
13 from a court of competent jurisdiction determines that the record of the  
14 conference shall be available to the public. Discovery not related to the  
15 catastrophe model shall be conducted pursuant to normal hearing  
16 procedures.
- 17           (2) At the prehearing, the Rate Bureau and its experts shall present any relevant  
18 data, materials, computations, spreadsheets, or documents regarding the  
19 catastrophe model or models that were excluded from the filing. Copies of  
20 all materials presented at the prehearing shall be provided to the Department  
21 and its experts for further analysis. Any materials provided at the prehearing  
22 to the Department and its experts that are marked as confidential shall be  
23 treated as confidential unless a ruling from a court of competent jurisdiction  
24 determines that the materials shall be available to the public. Based upon the  
25 materials presented both in the filing and at the prehearing, the Department  
26 and its experts may request additional data, materials, computations,  
27 spreadsheets, or documents, or may make specific inquiries that require a  
28 written explanation in order to further understand the available materials.
- 29           (3) There shall be no limit on the number of discovery materials requested  
30 regarding the catastrophe model. However, the Commissioner may make a  
31 determination at the prehearing whether the requested materials are relevant,  
32 reasonable, and not unduly burdensome.
- 33           (4) The Commissioner shall set a date by which all discovery materials  
34 regarding the catastrophe model shall be delivered to the Department. All  
35 materials marked by the Rate Bureau as "confidential" shall be individually  
36 numbered by the Rate Bureau so that they may be referred to by number, if  
37 necessary, by the Commissioner in subsequent documents or orders. The  
38 Rate Bureau shall provide an index of the confidential documents marked  
39 confidential in order that the documents may be easily identified and  
40 referenced in subsequent pleadings, testimony, and orders. All materials  
41 marked by the Rate Bureau as "confidential" shall be treated by the  
42 Department and its experts as confidential unless a ruling from a court of  
43 competent jurisdiction determines that the materials shall be available to the  
44 public. Once the requested discovery materials have been delivered to the  
45 Department as required, the Commissioner may schedule additional  
46 prehearings to address additional discovery materials that may be requested  
47 by the Department. Once all of the Department's discovery requests related  
48 to the catastrophe model or models have been finalized, the Commissioner  
49 shall schedule a final prehearing conference to ensure that there are no other  
50 discovery issues pending and that both parties are ready to proceed to  
51 hearing. All prehearings shall also be closed to the public in the event that

1 potentially confidential materials may be discussed. Any data from  
2 catastrophe models that is not disclosed at the prehearing at least 30 days  
3 prior to the submission of prefiled testimony of Department witnesses shall  
4 be inadmissible at the hearing on the filing.

5 (5) Once the discovery process for the catastrophe model has been completed,  
6 the hearing may proceed pursuant to statute. The Department witnesses shall  
7 file all prefiled testimony as required under G.S. 58-36-15(i). However, any  
8 prefiled testimony regarding the catastrophe model or models used in the  
9 filing shall be filed as a separate document and marked as "confidential."  
10 The prefiled testimony of the Department witnesses relating to the  
11 catastrophe models may contain references to data, testimony, or exhibits  
12 pertaining to confidential materials submitted by the Rate Bureau, and,  
13 therefore, shall be treated as confidential by the Department and its experts  
14 unless a ruling from a court of competent jurisdiction determines that the  
15 prefiled testimony shall be made available to the public. All references to  
16 confidential materials used by the Department witnesses shall utilize the  
17 individual identification numbers assigned by the Rate Bureau in the  
18 discovery materials.

19 (6) Prior to commencement of the hearing, the Commissioner shall determine  
20 the order of testimony to be heard at the hearing. However, any oral  
21 testimony taken at the hearing on direct, cross-examination, or on rebuttal  
22 with regard to the catastrophe model will be closed to the public, if  
23 necessary, in order to preserve confidentiality. Transcripts from hearing  
24 proceedings closed to the public shall be treated as confidential by the  
25 Department, its experts, and by the court reporters unless a ruling from a  
26 court of competent jurisdiction determines that the prefiled testimony shall  
27 be made available to the public.

28 (7) At the conclusion of the hearing, the Commissioner, in the Commissioner's  
29 final order, shall make the Commissioner's determination as to whether the  
30 catastrophe model is valid for the purpose it was used in the filing, the  
31 weight to be applied to the modeled results, and the extent to which the  
32 results of the model should be modified, if at all.

33 (f) If the Commissioner finds that a filing complies with the provisions of this Article,  
34 either after the hearing or at any other time after the filing has been properly made, the  
35 Commissioner may issue an order approving the filing. If the Commissioner after the hearing  
36 finds that the filing does not comply with the provisions of this Article, the Commissioner may  
37 issue an order disapproving the filing, determining in what respect the filing is improper, and  
38 specifying the appropriate rate level or levels that may be used by the members of the Bureau  
39 instead of the rate level or levels proposed by the Bureau filing, unless there has not been data  
40 admitted into evidence in the hearing that is sufficiently credible for arriving at the appropriate  
41 rate level or levels. Any order issued after a hearing shall be issued within 45 days after the  
42 completion of the hearing. If no order is issued within 45 days after the completion of the  
43 hearing, the filing shall be deemed to be approved. The Commissioner may thereafter review  
44 any filing in the manner provided; but if so reviewed, no adjustment of any premium on any  
45 policy then in force may be ordered. The escrow provisions of G.S. 58-36-25(b) apply to an  
46 appeal of any order of the Commissioner under this subsection."

47 **SECTION 5.** G.S. 58-36-15 reads as rewritten:

48 **"§ 58-36-15. Filing loss costs, rates, plans with Commissioner; public inspection of filings.**

49 (a) The Bureau shall file with the Commissioner copies of the rates, loss costs,  
50 classification plans, rating plans and rating systems used by its members. Each rate or loss costs  
51 filing shall become effective on the date specified in the filing, but not earlier than 210 days

1 from the date the filing is received by the Commissioner: Provided that (1) rate or loss costs  
2 filings for workers' compensation insurance and employers' liability insurance written in  
3 connection therewith shall not become effective earlier than 210 days from the date the filing is  
4 received by the Commissioner or on the date as provided in G.S. 58-36-100, whichever is  
5 earlier; and (2) any filing may become effective on a date earlier than that specified in this  
6 subsection upon agreement between the Commissioner and the Bureau.

7 (b) A filing shall be open to public inspection immediately upon submission to the  
8 Commissioner.

9 (c) The Bureau shall maintain reasonable records, of the type and kind reasonably  
10 adapted to its method of operation, of the experience of its members and of the data, statistics  
11 or information collected or used by it in connection with the rates, rating plans, rating systems,  
12 loss costs and other data as specified in G.S. 58-36-100, underwriting rules, policy or bond  
13 forms, surveys or inspections made or used by it.

14 (d) With respect to the filing of rates for nonfleet private passenger motor vehicle  
15 insurance, the Bureau shall, on or before February 1 of each year, or later with the approval of  
16 the Commissioner, file with the Commissioner the experience, data, statistics, and information  
17 referred to in subsection (c) of this section and any proposed adjustments in the rates for all  
18 member companies of the Bureau. The filing shall include, where deemed by the  
19 Commissioner to be necessary for proper review, the data specified in subsections (c), (e), (g)  
20 and (h) of this section. Any filing that does not contain the data required by this subsection may  
21 be returned to the Bureau and not be deemed a proper filing. Provided, however, that if the  
22 Commissioner concludes that a filing does not constitute a proper filing he shall promptly  
23 notify the Bureau in writing to that effect, which notification shall state in reasonable detail the  
24 basis of the Commissioner's conclusion. The Bureau shall then have a reasonable time to  
25 remedy the defects so specified. An otherwise defective filing thus remedied shall be deemed to  
26 be a proper and timely filing, except that all periods of time specified in this Article will run  
27 from the date the Commissioner receives additional or amended documents necessary to  
28 remedy all material defects in the original filing.

29 (d1) With respect to property insurance rates, the Bureau shall file no later than May 1,  
30 2010, a schedule of credits for policyholders based on the presence of mitigation and  
31 construction features and on the condition of buildings that it insures in the beach and coastal  
32 areas of the State. The Bureau shall develop rules applicable to the operation of the schedule  
33 and the mitigation program with approval by the Commissioner. The schedule shall not be  
34 unfairly discriminatory and shall be reviewed by the Bureau annually, with the results reported  
35 annually to the Commissioner.

36 (d2) The following supporting data, at a minimum, shall be included in any property  
37 insurance rate filing where a catastrophe model is used or where a factor for any costs of  
38 reinsurance is included in the rate calculations or where both a catastrophe model and a factor  
39 for costs of reinsurance are used.

40 (1) Any simulated loss from a catastrophe model should include the following:

41 a. An event identifier.

42 b. The simulation year.

43 c. The annual probability of occurrence for the event.

44 d. The gross amount of North Carolina damages before application of  
45 any deductible or other applicable policy provisions that impact the  
46 coverage, calculated with and without any applicable demand surge  
47 adjustments.

48 e. The net amount of North Carolina insured loss after application of  
49 any deductible or other applicable policy provisions that impact the  
50 coverage, calculated with and without any applicable demand surge  
51 adjustments.

- 1            f.        The State and county of first and any subsequent landfalls.  
2            g.        The Saffir-Simpson category at first and any subsequent landfalls.  
3            h.        The maximum sustained windspeed at first and any subsequent  
4            landfalls.  
5            i.        The North Carolina county of first entry, if applicable, whether first  
6            entry is from water or land.  
7            j.        The Saffir-Simpson category at first entry into North Carolina, if  
8            applicable, whether first entry is from water or land.  
9            k.        The maximum sustained windspeed at first entry into North Carolina,  
10           if applicable, whether first entry is from water or land.  
11           l.        For storms with no landfall in North Carolina, the county of closest  
12           approach.  
13           m.       For storms with no landfall in North Carolina, the Saffir-Simpson  
14           category at closest approach.  
15           n.       For storms with no landfall in North Carolina, the maximum  
16           sustained windspeed at closest approach.  
17           o.       Any other information required by rules promulgated by the  
18           Commissioner.  
19        (2)    Any factor for cost of reinsurance shall be based upon the aggregated  
20        property reinsurance costs of the member companies of the Bureau writing  
21        property insurance in North Carolina for the specific lines of insurance  
22        covered by the filing. The costs of reinsurance for the North Carolina  
23        Insurance Underwriting Association and North Carolina Joint Underwriting  
24        Association shall not be considered for any line of property coverage under  
25        the jurisdiction of the Bureau. For each of the member companies, the costs  
26        of reinsurance that are specific to North Carolina and the line of business for  
27        which the filing is being made must be allocated using an appropriate  
28        method that shall be stated along with the applicable provisions for the  
29        current reinsurance contract that covers the North Carolina line of business  
30        for which the filing is being made. Any filing must also take into account  
31        expected recoveries from the reinsurance. Use of a model to make the  
32        allocation to the appropriate line of business and state shall not be  
33        permissible. The Commissioner may promulgate rules setting forth the  
34        information needed to evaluate reinsurance costs as well as the method used  
35        to determine the cost of reinsurance allocated to North Carolina.  
36        (e)    The Commissioner may require the filing of supporting data including:  
37            (1)    The Bureau's interpretation of any statistical data relied upon;  
38            (2)    Descriptions of the methods employed in setting the rates;  
39            (3)    Analysis of the incurred losses submitted on an accident year or policy year  
40            basis into their component parts; to wit, paid losses, reserves for losses and  
41            loss expenses, and reserves for losses incurred but not reported;  
42            (4)    The total number and dollar amount of paid claims;  
43            (5)    The total number and dollar amount of case basis reserve claims;  
44            (6)    Earned and written premiums at current rates by rating territory;  
45            (7)    Earned premiums and incurred losses according to classification plan  
46            categories; and  
47            (8)    Income from investment of unearned premiums and loss and loss expense  
48            reserves generated by business within this State.

49    Provided, however, that with respect to business written prior to January 1, 1980, the  
50    Commissioner shall not require the filing of such supporting data which has not been required  
51    to be recorded under statistical plans approved by the Commissioner.

1 (f) On or before September 1 of each calendar year, or later with the approval of the  
2 Commissioner, the Bureau shall submit to the Commissioner the experience, data, statistics,  
3 and information referred to in subsection (c) of this section and required under G.S. 58-36-100  
4 and a residual market rate or prospective loss costs review based on those data for workers'  
5 compensation insurance and employers' liability insurance written in connection therewith. Any  
6 rate or loss costs increase for that insurance that is implemented under this Article shall become  
7 effective solely to insurance with an inception date on or after the effective date of the rate or  
8 loss costs increase.

9 (g) The following information must be included in policy form, rule, and rate or loss  
10 costs filings under this Article and under Article 37 of this Chapter:

11 (1) A detailed list of the rates, loss costs, rules, and policy forms filed,  
12 accompanied by a list of those superseded; and

13 (2) A detailed description, properly referenced, of all changes in policy forms,  
14 rules, prospective loss costs, and rates, including the effect of each change.

15 (h) Except to the extent the Commissioner determines that this subsection is  
16 inapplicable to filings made under G.S. 58-36-100 and except for filings made under  
17 G.S. 58-36-30, all policy form, rule, prospective loss costs, and rate filings under this Article  
18 and Article 37 of this Chapter that are based on statistical data must be accompanied by the  
19 following properly identified information:

20 (1) North Carolina earned premiums at the actual and current rate level; losses  
21 and loss adjustment expenses, each on paid and incurred bases without  
22 trending or other modification for the experience period, including the loss  
23 ratio anticipated at the time the rates were promulgated for the experience  
24 period;

25 (2) Credibility factor development and application;

26 (3) Loss development factor derivation and application on both paid and  
27 incurred bases and in both numbers and dollars of claims;

28 (4) Trending factor development and application;

29 (5) Changes in premium base resulting from rating exposure trends;

30 (6) Limiting factor development and application;

31 (7) Overhead expense development and application of commission and  
32 brokerage, other acquisition expenses, general expenses, taxes, licenses, and  
33 fees;

34 (8) Percent rate or prospective loss costs change;

35 (9) Final proposed rates;

36 (10) Investment earnings, consisting of investment income and realized plus  
37 unrealized capital gains, from loss, loss expense, and unearned premium  
38 reserves;

39 (11) Identification of applicable statistical plans and programs and a certification  
40 of compliance with them;

41 (12) Investment earnings on capital and surplus;

42 (13) Level of capital and surplus needed to support premium writings without  
43 endangering the solvency of member companies; and

44 (14) Such other information that may be required by any rule adopted by the  
45 Commissioner.

46 Provided, however, that no filing may be returned or disapproved on the grounds that such  
47 information has not been furnished if insurers have not been required to collect such  
48 information pursuant to statistical plans or programs or to report such information to the Bureau  
49 or to statistical agents, except where the Commissioner has given reasonable prior notice to the  
50 insurers to begin collecting and reporting such information, or except when the information is  
51 readily available to the insurers.



1 (i) The Bureau shall file with and at the time of any rate or prospective loss costs filing  
2 all testimony, exhibits, and other information on which the Bureau will rely at the hearing on  
3 the rate filing. The Department shall file all testimony, exhibits, and other information on  
4 which the Department will rely at the hearing on the rate filing 20 days in advance of the  
5 convening date of the hearing. Upon the issuance of a notice of hearing the Commissioner shall  
6 hold a meeting of the parties to provide for the scheduling of any additional testimony,  
7 including written testimony, exhibits or other information, in response to the notice of hearing  
8 and any potential rebuttal testimony, exhibits, or other information. This subsection also applies  
9 to rate filings made by the North Carolina Motor Vehicle Reinsurance Facility under Article 37  
10 of this Chapter."

11 **SECTION 6.** The North Carolina Rate Bureau, with the assistance of the  
12 Department of Insurance, shall study the current geographic territories established by the  
13 Bureau for rating purposes. The study shall address the following issues:

- 14 (1) Whether risks of the same class and essentially the same hazard are charged  
15 premiums that are commensurate with the risk of loss, actuarially correct,  
16 and not unfairly discriminatory.
- 17 (2) Whether geographic territories in the beach and coastal areas (as defined in  
18 G.S. 58-45-5) currently meet the standards and mandates set forth in  
19 G.S. 58-36-10(6).
- 20 (3) Whether current technology and statistical data sources make possible any  
21 practical and cost-effective alternative to the geographic territory system for  
22 property insurance rate setting.

23 The Bureau shall submit a final report, including any recommendations for changes  
24 to the geographic territories or alternatives to the geographic territory rating system, to the 2013  
25 General Assembly.

26 **SECTION 7.** Sections 2 and 3 of this act become effective December 1, 2012.  
27 Section 6 of this act is effective when it becomes law. The remainder of this act becomes  
28 effective July 1, 2012.