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**SENATE BILL 271** 

**Short Title:** Rate-Making Legislation. (Public) Sponsors: Senators Johnson, Burgin, and Sawyer (Primary Sponsors). Referred to: Rules and Operations of the Senate

March 15, 2021

## A BILL TO BE ENTITLED

AN ACT TO AMEND THE INSURANCE RATE-MAKING LAWS.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 58-36-10(2) reads as rewritten:

Due consideration shall be given to actual loss and expense experience within this State for the most recent three-year period for which that information is available; to prospective loss and expense experience within this State; to the hazards of conflagration and catastrophe; to a reasonable 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 investment income from capital and surplus; 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."

## **SECTION 2.(a)** G.S. 58-36-43(a) reads as rewritten:

Member companies writing private passenger automobile or homeowners' insurance under this Article may incorporate optional enhancements to their automobile and homeowners' programs as an endorsement to an automobile or homeowners' policy issued under this Article if the insurer has filed the proposed enhancement with the Commissioner and if the proposed enhancement is approved by the Commissioner. Any approved optional enhancements shall be considered outside the authority of the Rate Bureau. If the proposed enhancement will include an additional premium charge, the proposed premium charge shall be included with the proposed program enhancements filed with the Commissioner. The Commissioner shall review the proposed premium charges and approve them if the Commissioner finds that they are based on sound actuarial principles. Amendments to private passenger automobile or homeowners' program enhancements are subject to the same requirements as initial filings. Neither the acceptance, renewal of a policy, nor any underwriting rating criteria shall be conditioned by a company upon the acceptance by the policyholder of any optional automobile or homeowners' enhancements.

A company shall not condition (i) the acceptance or renewal of a policy, (ii) any underwriting criteria, or (iii) any rating criteria upon the acceptance by the policyholder of any optional automobile or homeowners' enhancements authorized by this section. A rate amendment



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authorized by this section is not a rate deviation and is not subject to the requirements for rate deviations set forth in G.S. 58-36-30(a)."

**SECTION 2.(b)** G.S. 58-36-43(b) is repealed.

**SECTION 3.(a)** G.S. 58-36-65(i) reads as rewritten:

"(i) As used in this section, "conviction" means a conviction as defined in G.S. 20-279.1 plea of guilty, a plea of no contest, or the determination of guilt by a jury or by a court, even if no sentence has been imposed or, if imposed, has been suspended, and it includes a forfeiture of bail or collateral deposited to secure appearance in court of the defendant, unless the forfeiture has been vacated, and means an infraction as defined in G.S. 14-3.1."

**SECTION 3.(b)** G.S. 58-36-65(j) reads as rewritten:

"(j) Subclassification plan surcharges shall be applied to a policy for a period of not less nor more than three policy years. However, for convictions for which four or more points under the Plan are assigned, other than convictions for speeding in excess of the posted speed limit, subclassification plan surcharges shall be applied to a policy for a period of not less nor more than five policy years."

**SECTION 3.(c)** G.S. 58-36-65(k) reads as rewritten:

"(k) The For insureds receiving a drivers license for the first time on or before September 30, 2021, the subclassification plan may provide for premium surcharges for insureds having less than three years' driving experience as licensed drivers. Notwithstanding subsection (j) of this section, for insureds receiving a drivers license for the first time on or after October 1, 2021, the subclassification plan may provide for premium surcharges for insureds having less than eight years' driving experience as licensed drivers."

**SECTION 3.(d)** G.S. 58-36-65 is amended by adding a new subsection to read:

"(k1) Licensed drivers subject to premium surcharges pursuant to subsection (k) of this section for a period of up to eight years may be eligible for an inexperienced safe driver discount after three full years of driving experience. To be eligible for the premium discount, an inexperienced licensed driver cannot have any at-fault accidents or convictions on their driving record, whether or not such at-fault accidents or convictions result in the assignment of points under the Plan. Any at-fault accidents or convictions shall preclude the inexperienced licensed driver from being eligible for the premium discount for a period of five years. Eligibility for the premium discount terminates once the inexperienced driver has been licensed for eight years, or when the inexperienced driver has any at-fault accidents or convictions. For purposes of this subsection, convictions on a driving record shall include convictions for which a prayer for judgment continued was granted. Any inexperienced safe driver discount shall be filed by the Bureau for approval with the Commissioner."

**SECTION 4.** G.S. 58-36-75(f) reads as rewritten:

"(f) The subclassification plan shall provide that with respect to a conviction for a "violation of speeding 10 miles per hour or less over the speed limit" there shall be no premium surcharge nor any assessment of points unless there is a driving record consisting of a conviction or convictions for a moving traffic violation or violations, except for a prayer for judgment continued for any moving traffic violation, during the three-five years immediately preceding the date of application or the preparation of the renewal. The subclassification plan shall also provide that with respect to a prayer for judgment continued for any moving traffic violation, there shall be no premium surcharge nor any assessment of points unless the vehicle owner, principal operator, or any licensed operator in the owner's household has a driving record consisting of a prayer or prayers for judgment continued for any moving traffic violation or violations during the three-five years immediately preceding the date of application or the preparation of the renewal. For the purpose of this subsection, a "prayer for judgment continued" means a determination of guilt by a jury or a court though no sentence has been imposed. For the purpose of this subsection, a "violation of speeding 10 miles per hour or less over the speed limit" does

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limit."

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**SECTION 5.** The Department of Insurance shall conduct public outreach regarding how the provisions of this act may impact insurance premiums for policyholders and both experienced and inexperienced drivers. This public outreach shall include information published on the Department's website and may be coordinated with members of the insurance industry and the North Carolina Rate Bureau.

not include the offense of speeding in a school zone in excess of the posted school zone speed

SECTION 6. Subsection (b) of Section 3 becomes effective October 1, 2022, and applies to drivers convicted of moving violations on or after that date. Subsection (d) of Section 3 and Section 4 become effective October 1, 2021. The remainder of this act is effective when it becomes law.