

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011**

H

1

HOUSE BILL 820

Short Title: Study Beach Plan. (Public)

Sponsors: Representatives McElraft, Hamilton, Justice, and Rapp (Primary Sponsors).
For a complete list of Sponsors, see Bill Information on the NCGA Web Site.

Referred to: Insurance.

April 7, 2011

A BILL TO BE ENTITLED
AN ACT TO ESTABLISH THE JOINT LEGISLATIVE STUDY COMMISSION ON
COASTAL PROPERTY INSURANCE RATES.

The General Assembly of North Carolina enacts:

SECTION 1. There is created the Joint Legislative Study Commission on Coastal Property Insurance Rates. The Commission shall consist of 14 members appointed as follows:

- (1) The Commissioner of Insurance or his designee, serving ex officio.
- (2) A representative of the North Carolina Rate Bureau.
- (3) A representative of the North Carolina Insurance Underwriting Association.
- (4) Three members appointed by the Governor, to include one member of the general public who resides in the coastal area of the State, one member of the general public who resides in the beach area of the State, and one member of the general public who resides outside the beach and coastal areas of the State. For purposes of this subdivision, "coastal area" and "beach area" shall have the definitions specified by G.S. 58-45-5.
- (5) Four members appointed by the Speaker of the House of Representatives, to include three members of the House of Representatives and one member to represent the interests of companies writing property insurance policies in the State.
- (6) Four members appointed by the President Pro Tempore of the Senate, to include three members of the Senate and one person who represents the interests of insurance agents.

Vacancies on the Commission shall be filled by the appointing authority. A quorum of the Commission shall consist of eight members.

The Speaker of the House of Representatives and the President Pro Tempore of the Senate shall each appoint a cochair for the Commission. The Commission may meet at any time upon the joint call of the cochairs.

The Commission, while in the discharge of its official duties, may exercise all the powers provided under the provisions of G.S. 120-19 through G.S. 120-19.4, including the power to request all officers, agents, agencies, and departments of the State to provide any information, data, or documents within their possession, ascertainable from the records, or otherwise available to them, and the power to subpoena witnesses.

The Commission may contract for professional, clerical, or consultant services as provided by G.S. 120-32.02.

SECTION 2. Purpose. – The Commission shall study the following:



- 1 (1) The feasibility and advisability of replacing the North Carolina Insurance
2 Underwriting Association and the North Carolina Joint Underwriting
3 Association with a statewide catastrophic fund which pools the risks to
4 North Carolina policy holders from all types of natural disasters.
- 5 (2) Whether coastal insurance rates on policies ceded to the North Carolina
6 Insurance Underwriting Association, the composition of the Association's
7 Board of Directors, and the Association's plan of operations are efficient,
8 economical, fair, and nondiscriminatory in protecting the interests of beach
9 and coastal areas of the State, compared to other coastal states.
- 10 (3) Whether the data and methodologies used by the North Carolina Insurance
11 Underwriting Association in estimating probable maximum loss accurately
12 model insurable risks for property located in the beach and coastal areas of
13 the State.
- 14 (4) The feasibility and advisability of offering coastal and beach area property
15 owners the option of self-insuring by declining wind and hail coverage in
16 situations where no third party has an insurable interest in the property.
- 17 (5) The adequacy of accounting and oversight of the North Carolina Insurance
18 Underwriting Association's accumulated surplus.
- 19 (6) Whether the mitigation credits provided by the North Carolina Insurance
20 Underwriting Association pursuant to G.S. 58-45-45(e) are fair and
21 nondiscriminatory and whether the schedule of credits, when compared to
22 the cost of mitigation measures provides adequate incentive for beach and
23 coastal area property owners to invest in such measures.

24 **SECTION 3.** Staff. – Upon approval of the Legislative Services Commission, the
25 Legislative Services Officer shall assign professional and clerical staff to assist in the work of
26 the Commission. Clerical staff shall be furnished to the Commission through the offices of the
27 House of Representatives and Senate Supervisors of Clerks.

28 **SECTION 4.** Meeting location. – The Commission may meet in the Legislative
29 Building or Legislative Office Building upon the approval of the Legislative Services
30 Commission.

31 **SECTION 5.** Expenses of members. – Members of the Commission shall receive
32 per diem, subsistence, and travel allowances at the rate established in G.S. 120-3.1.

33 **SECTION 6.** Report. – The Commission shall submit an interim report to the 2012
34 Regular Session of the 2011 General Assembly prior to its reconvening and shall make a final
35 report to the 2013 Regular Session of the General Assembly prior to its convening. The report
36 shall contain the Commission's findings, recommendations, legislative proposals, and cost
37 analyses. The Commission shall terminate upon filing its final report or upon the convening of
38 the 2013 General Assembly, whichever is earlier.

39 **SECTION 7.** Funding. – Of the funds appropriated to the General Assembly for
40 the 2011-2012 fiscal year and for the 2012-2013 fiscal year, the Legislative Services
41 Commission shall allocate funds for the purpose of supporting the study established by this act.

42 **SECTION 8.** This act becomes effective July 1, 2011.