

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2015

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HOUSE BILL 496  
Committee Substitute Favorable 4/29/15

Short Title: Surcharge Transparency.

(Public)

Sponsors:

Referred to:

April 2, 2015

1 A BILL TO BE ENTITLED  
2 AN ACT TO PROVIDE THAT NORTH CAROLINA AUTO INSURANCE SURCHARGES  
3 IMPOSED TO SUBSIDIZE THE LOSSES OF THE NORTH CAROLINA MOTOR  
4 VEHICLE REINSURANCE FACILITY BE CLEARLY COMMUNICATED TO  
5 POLICYHOLDERS.

6 The General Assembly of North Carolina enacts:

7 **SECTION 1.** G.S. 58-37-40(f) reads as rewritten:

8 "(f) The plan of operation shall provide that every member shall, following payment of  
9 any pro rata assessment, begin recoupment of that assessment by way of a surcharge on motor  
10 vehicle insurance policies issued by the member or through the Facility until the assessment has  
11 been recouped. Any surcharge under this subsection or under subsection (e) of this section shall  
12 be a percentage of premium adopted by the Board of Governors of the Facility; and the charges  
13 determined on the basis of the surcharge shall be ~~combined with and displayed as a part of the~~  
14 ~~applicable premium charges.~~ itemized and displayed to the policyholder at the time of policy  
15 issuance and renewal on the declaration page or renewal notice approved by the Commissioner  
16 below the coverage and premium information only as follows:

17 "The Premium Clean Risk Surcharge is \$ \_\_\_\_\_ and is included in your premium above."

18 Recoupment of losses sustained by the Facility since September 1, 1977, with respect to  
19 nonfleet private passenger motor vehicles may be made only by surcharging nonfleet private  
20 passenger motor vehicle insurance policies. If the amount collected during the period of  
21 surcharge exceeds assessments paid by the member to the Facility, the member shall pay over  
22 the excess to the Facility on a date specified by the Board of Governors. If the amount collected  
23 during the period of surcharge is less than the assessments paid by the member to the Facility,  
24 the Facility shall pay the difference to the member. Except as otherwise provided in this  
25 Article, the amount of recoupment shall not be considered or treated as a rate or premium for  
26 any purpose. The Board of Governors shall adopt and implement a plan for compensation of  
27 agents of Facility members when recoupment surcharges are imposed; that compensation shall  
28 not exceed the compensation or commission rate normally paid to the agent for the issuance or  
29 renewal of the automobile liability policy issued through the North Carolina Reinsurance  
30 Facility affected by the surcharge. However, the surcharge shall include an amount necessary to  
31 recover the amount of the assessment to member companies and the compensation paid by each  
32 member, under this section, to agents."

33 **SECTION 2.** This act is effective when it becomes law and applies to motor  
34 vehicle insurance policies issued or renewed on or after January 1, 2017.

