

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2021

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HOUSE BILL 308

Short Title: Reinsurance Fac. Reasonable Policy Red. Act. (Public)

Sponsors: Representatives Warren, Howard, and Moffitt (Primary Sponsors).
For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Transportation, if favorable, Insurance, if favorable, Rules, Calendar, and
Operations of the House

March 16, 2021

A BILL TO BE ENTITLED

AN ACT TO LIMIT CESSION OF INSURANCE PREMIUMS TO THE REINSURANCE
FACILITY OVER A FIVE-YEAR PERIOD.

The General Assembly of North Carolina enacts:

SECTION 1.(a) G.S. 58-37-40(e) is amended by adding a new subdivision to read:

"(3) For insurers that cede more than seventy-five percent (75%) of their direct written motor vehicle insurance premiums in North Carolina to the Facility, the ceding expense allowance paid to such member shall not exceed twenty percent (20%) of the total North Carolina motor vehicle insurance premiums the member writes on ceded business."

SECTION 1.(b) G.S. 58-37-45 reads as rewritten:

"§ 58-37-45. **Procedure for cession provided in plan of operation; limitation.**

Upon receipt by the company of a risk which it does not elect to retain, the company shall follow such procedures for ceding the risk as are established by the plan of operation. The plan of operation shall limit cession to the Facility to no more than ninety-five percent (95%) of any company's direct written motor vehicle insurance premiums in the State unless the company has obtained the specific approval of the Commissioner."

SECTION 1.(c) G.S. 58-37-45, as rewritten by subsection (b) of this section, reads as rewritten:

"§ 58-37-45. **Procedure for cession provided in plan of operation; limitation.**

Upon receipt by the company of a risk which it does not elect to retain, the company shall follow such procedures for ceding the risk as are established by the plan of operation. The plan of operation shall limit cession to the Facility to no more than ~~ninety-five percent (95%)~~ ninety percent (90%) of any company's direct written motor vehicle insurance premiums in the State unless the company has obtained the specific approval of the Commissioner."

SECTION 1.(d) G.S. 58-37-45, as rewritten by subsections (b) and (c) of this section, reads as rewritten:

"§ 58-37-45. **Procedure for cession provided in plan of operation; limitation.**

Upon receipt by the company of a risk which it does not elect to retain, the company shall follow such procedures for ceding the risk as are established by the plan of operation. The plan of operation shall limit cession to the Facility to no more than ~~ninety percent (90%)~~ eighty-five percent (85%) of any company's direct written motor vehicle insurance premiums in the State unless the company has obtained the specific approval of the Commissioner."



1 **SECTION 1.(e)** G.S. 58-37-45, as rewritten by subsections (b), (c), and (d) of this
2 section, reads as rewritten:

3 "**§ 58-37-45. Procedure for cession provided in plan of operation; limitation.**

4 Upon receipt by the company of a risk which it does not elect to retain, the company shall
5 follow such procedures for ceding the risk as are established by the plan of operation. The plan
6 of operation shall limit cession to the Facility to no more than ~~eighty-five percent (85%)~~ eighty
7 percent (80%) of any company's direct written motor vehicle insurance premiums in the State
8 unless the company has obtained the specific approval of the Commissioner."

9 **SECTION 1.(f)** G.S. 58-37-45, as rewritten by subsections (b), (c), (d), and (e) of
10 this section, reads as rewritten:

11 "**§ 58-37-45. Procedure for cession provided in plan of operation; limitation.**

12 Upon receipt by the company of a risk which it does not elect to retain, the company shall
13 follow such procedures for ceding the risk as are established by the plan of operation. The plan
14 of operation shall limit cession to the Facility to no more than ~~eighty percent (80%)~~ seventy-five
15 percent (75%) of any company's direct written motor vehicle insurance premiums in the State
16 unless the company has obtained the specific approval of the Commissioner."

17 **SECTION 2.** There is appropriated from the General Fund to the North Carolina
18 Rate Bureau the sum of five thousand dollars (\$5,000) for the 2021-2022 fiscal year to support
19 costs associated with notifying insurers in this State who will be affected by this act.

20 **SECTION 3.** Sections 1(a) and 1(f) of this act become effective January 1, 2026.
21 Section 1(e) of this act becomes effective January 1, 2025. Section 1(d) of this act becomes
22 effective January 1, 2024. Section 1(c) of this act becomes effective January 1, 2023. Section
23 1(b) of this act becomes effective January 1, 2022. Section 2 of this act becomes effective July
24 1, 2021.