

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2023**

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**SENATE BILL 125**

Short Title: Rate-Making Legislation. (Public)

Sponsors: Senators Johnson, Burgin, and Sawyer (Primary Sponsors).

Referred to: Rules and Operations of the Senate

February 20, 2023

1 A BILL TO BE ENTITLED  
2 AN ACT TO AMEND THE INSURANCE RATE-MAKING LAWS.  
3 The General Assembly of North Carolina enacts:

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

5 "(2) Due consideration shall be given to actual loss and expense experience within  
6 this State for the most recent three-year period for which that information is  
7 available; to prospective loss and expense experience within this State; to the  
8 hazards of conflagration and catastrophe; to a reasonable margin for  
9 underwriting profit and to contingencies; to dividends, savings, or unabsorbed  
10 premium deposits allowed or returned by insurers to their policyholders,  
11 members, or subscribers; to investment income earned or realized by insurers  
12 from their unearned premium, loss, and loss expense reserve funds generated  
13 from business within this State; to investment income from capital and  
14 surplus; to past and prospective expenses specially applicable to this State;  
15 and to all other relevant factors within this State: Provided, however, that  
16 countrywide expense and loss experience and other countrywide data may be  
17 considered only where credible North Carolina experience or data is not  
18 available."

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

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

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



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

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

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

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

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

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

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

17 "(k) ~~The~~ For insureds receiving a drivers license for the first time on or before September  
18 30, 2022, the subclassification plan may provide for premium surcharges for insureds having less  
19 than three years' driving experience as licensed drivers. Notwithstanding subsection (j) of this  
20 section, for insureds receiving a drivers license for the first time on or after September 30, 2022,  
21 the subclassification plan may provide for premium surcharges for insureds having less than eight  
22 years' driving experience as licensed drivers."

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

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

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

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

1 not include the offense of speeding in a school zone in excess of the posted school zone speed  
2 limit."

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

8           **SECTION 6.** Subsection (b) of Section 3 of this act becomes effective October 1,  
9 2024, and applies to drivers convicted of moving violations on or after that date. Subsection (d)  
10 of Section 3 and Section 4 of this act become effective October 1, 2023. The remainder of this  
11 act is effective when it becomes law.