

NORTH CAROLINA GENERAL ASSEMBLY
1967 SESSION

CHAPTER 1111
SENATE BILL 482

1 AN ACT AMENDING CHAPTER 58 OF THE GENERAL STATUTES OF NORTH
2 CAROLINA, SO AS TO PROVIDE FOR AND PERMIT THE ADOPTION OF A
3 VOLUNTARY PLAN WHEREBY ADEQUATE FIRE AND EXTENDED COVERAGE
4 INSURANCE WILL BE OFFERED AND MADE AVAILABLE TO OWNERS OF
5 PROPERTY IN THE COASTAL AREA OF THE STATE, AND IN THE ABSENCE OF
6 SUCH A VOLUNTARY PLAN TO PERMIT THE COMMISSIONER OF INSURANCE
7 TO FORMULATE A FAIR AND EQUITABLE PLAN TO PROVIDE FOR ADEQUATE
8 FIRE AND EXTENDED COVERAGE IN SUCH AREA.
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10 WHEREAS, the business of insurance has been declared to be a business affected
11 with and affecting the public interest of this State; and

12 WHEREAS, it has come to the attention of the General Assembly that along the
13 several coastal counties of North Carolina that many owners of property in such area have been
14 unable, and are now unable to procure adequate insurance coverage against the risks of fire and
15 extended coverage; and

16 WHEREAS, it appears that such situation has existed for several years and is due to
17 a measurable extent to the reluctance and refusal of a substantial number of companies licensed
18 in this State to write fire and extended coverage insurance upon such property; and

19 WHEREAS, it appears that in many instances the refusal to write, the refusal to
20 renew, or the cancellation of policies, is without good and just cause, and is based on restricted
21 and stringent underwriting procedures; and

22 WHEREAS, the reluctance and refusal of some of the licensed insurers of this State
23 to offer adequate coverage in the coastal county area has, in the past, and is now tending to
24 impede the normal economic growth and well-being of such area; and

25 WHEREAS, the entire State of North Carolina is in some measure affected by this
26 impediment to growth and well-being; and

27 WHEREAS, this matter is of such serious nature that it requires and demands
28 remedial legislation: Now, therefore,
29

30 The General Assembly of North Carolina do enact:
31

32 **Section 1.** Chapter 58 of the General Statutes of North Carolina is hereby amended
33 by adding thereto a new Article immediately after the present Article 18 and immediately
34 before the present Article 19, to be designated as "Article 18A", and reading as follows:
35

"ARTICLE 18A.

"Fire and Extended Coverage for Beach Area Property.

36
37 **§ 58-173.1. Fire and Casualty Companies to Submit Plan to Commissioner for Fire and
38 Extended Coverage; Commissioner to Formulate Plan if None Submitted or Approved.**

39 The Commissioner of Insurance, after consultation with representatives of insurance carriers
40 licensed to write fire and extended coverage insurance in this State, shall consider for approval
41 a reasonable plan and procedures which such insurance carriers may submit to him for the
42 voluntary writing of fire and extended coverage in the 'beach area' of the 'seacoast territory
43 (Zone 1)' as hereinafter defined in this Article, and after a public hearing.

1 "The Commissioner of Insurance may, approve any such plan and procedures thus
2 submitted to him, if he finds such plan and procedures to be adequate for the purposes of this
3 Act. In the event no plan is approved by the Commissioner of Insurance, or in the event no plan
4 is submitted by the insurance carriers, the Commissioner of Insurance, in the exercise of his
5 discretion, and after a public hearing, shall formulate and put into effect a reasonable plan and
6 procedures for the writing of fire and extended coverage insurance upon insurable properties in
7 the 'beach area'. For the purposes of this Section, an insurable risk is one which meets the
8 standards of insurability prevailing throughout the insurance industry for fire and extended
9 coverage as it relates to 'beach properties'.

10 **"§ 58-173.2. Companies to Report Rejection of Application for Fire and Extended**
11 **Coverage and to Report Cancellation of Existing Policies Giving Reasons.** Every licensed
12 insurer writing fire and extended coverage in the State of North Carolina, upon its cancellation
13 of or refusal to write or renew any policy of fire and extended coverage insurance upon
14 property located in the 'beach area', as the same is hereinafter defined, shall, within 20 days of
15 such cancellation or refusal to write or renew, furnish to the North Carolina Commissioner of
16 Insurance a written report stating that it has cancelled, refused to write or renew fire or
17 extended coverage on the property in question, giving the name and address of the applicant or
18 policyholder, the location and description of the risk, along with an explanation giving the
19 actual reason or reasons for its cancellation, refusal to write or renew such policy of insurance.

20 "Such report and explanation shall be privileged, and shall not constitute grounds for any
21 cause of action against the insurer, its representative, or any person, firm or corporation, who in
22 good faith furnishes to the Commissioner of Insurance the information upon which the reasons
23 are based.

24 "Provided, however, that such reports shall not be required in the case of policies which are
25 cancelled or nonrenewed for nonpayment of premium, transfer of ownership of property,
26 cancellation by insured, termination of agency, change of insurance to other companies, and
27 other reasons acceptable to the Commissioner of Insurance. Written reports of refusal to write
28 which are filed with the North Carolina Fire Insurance Rating Bureau under the terms of a
29 voluntary plan approved by the Commissioner of Insurance shall be deemed to comply with the
30 requirements of this Section, provided such reports are filed in duplicate and one copy thereof
31 is submitted to the Commissioner of Insurance.

32 **"§ 58-173.3. Agents to Report to Commissioner of Insurance Failure to Take and Submit**
33 **Applications.** Every insurance agent licensed to write fire and extended coverage insurance in
34 the State, who shall refuse to take and submit an application for fire and extended coverage
35 insurance to an insurer for whom he is licensed, upon property within the 'beach area', as
36 hereinafter defined, must, if requested in writing by the policyholder or applicant for insurance,
37 within 20 days of such refusal to take and submit the application, furnish to the North Carolina
38 Commissioner of Insurance a written report giving the name and address of the applicant, the
39 location and description of the risk and an explanation of the actual reason or reasons for the
40 refusal to take and submit the application. Such report and explanation shall be privileged and
41 shall not constitute grounds for any cause of action against the agent, or any person, firm or
42 corporation who in good faith furnishes to the Insurance Commissioner the information upon
43 which the reasons are based in compliance with this Section.

44 **"§ 58-173.4. Commissioner of Insurance to Make Periodic Reports to the Legislative**
45 **Research Commission with Respect to Fire and Extended Coverage Insurance in the**
46 **'Beach Area'.** When a voluntary plan as provided in this Article, or in the absence of a
47 voluntary plan, any plan formulated by the Commissioner of Insurance shall be put into effect,
48 the Commissioner of Insurance may make periodic reports to the Legislative Research
49 Commission concerning the results of the plan, the amount of fire and extended coverage
50 insurance written with respect to property in the 'beach area' and any other information which
51 may be useful to the Legislative Research Commission. The Commissioner of Insurance may at

1 the request of the Legislative Research Commission, make such supplemental reports and
2 submit such supplemental data concerning the success of any plan adopted as may be requested
3 by the Legislative Research Commission. For the purpose of the reports which may be filed
4 hereunder, the Commissioner of Insurance may require the North Carolina Fire Insurance
5 Rating Bureau to furnish such pertinent data and statistics in such manner and on such forms as
6 he may approve.

7 **"§ 58-173.5. Companies to Report on Fire and Extended Coverage Insurance in All Zones**
8 **of North Carolina at Least Annually.** Every licensed insurer writing fire and extended
9 coverage insurance in the State of North Carolina, except any town or county mutual insurance
10 association as is authorized by G.S. 58-77(5)d., shall on or before July first of each year file
11 with the North Carolina Commissioner of Insurance a comprehensive and detailed report,
12 which report shall, among other things, disclose: (1) the amount of insurance written by such
13 insurer and the number of risks it has insured against fire and extended coverage in the 'beach
14 area' within the State of North Carolina; and (2) the gross insurance premiums by zones and
15 'beach area' collected for the insurance or renewal of fire and extended coverage insurance in
16 each zone and the 'beach area' within the State of North Carolina.

17 "Licensed insurers writing fire and extended coverage insurance in the State of North
18 Carolina and required to report under this Section may adopt a form for the purpose of
19 reporting the information required by this Section, which form shall be subject to the approval
20 of the North Carolina Commissioner of Insurance.

21 **"§ 58-173.6. Definition of 'Beach Area'.** 'Beach area' as used in this Article shall consist of
22 the following areas within the State of North Carolina: All localities South and East of the
23 Inland Waterway from the South Carolina line to Fort Macon (Beaufort Inlet), thence South
24 and East of Core, Pamlico, Roanoke and Currituck Sounds to the Virginia line, being those
25 portions of land generally known as the Outer Banks.

26 **"§58-173.7. Definition of 'Seacoast Territory (Zone 1)'.** 'Seacoast territory (Zone 1)' as used
27 in this Article shall consist of the following counties: Beaufort, Brunswick, Camden, Carteret,
28 Chowan, Craven, Currituck, Dare, Hyde, Jones, New Hanover, Onslow, Pamlico, Pasquotank,
29 Pender, Perquimans, Tyrrell and Washington.

30 **"§ 58-173.8. Commissioner of Insurance Authorized to Promulgate Reasonable Rules and**
31 **Regulations.** The Commissioner of Insurance shall have authority to make reasonable rules
32 and regulations, not inconsistent with the law, to enforce, carry out and make effective the
33 provisions of this Article. The Commissioner of Insurance shall also have authority to propose
34 and promulgate reasonable regulations with respect to any voluntary plan adopted pursuant to
35 the provisions of this Article. The Commissioner of Insurance shall not be liable for any act or
36 omission in connection with the administration of the duties imposed upon him by the
37 provisions of this Article, except upon proof of malfeasance."

38 Sec. 2. If any provision of this Act or the application thereof to any person or
39 circumstance is held invalid, such invalidity shall not affect other provisions or applications of
40 the Act which can be given effect without the invalid provision or application, and to this end
41 the provisions of this Act are declared to be severable.

42 **Sec. 3.** This Act shall not apply with respect to any policy or policies of fire or
43 extended coverage insurance already in existence covering property in the 'beach area', but the
44 same shall be applicable to policies of insurance which are written or renewed on or after the
45 adoption of a plan pursuant to the provisions of this Act.

46 **Sec. 4.** This Act shall become effective from and after its ratification.

47 In the General Assembly read three times and ratified, this the 4th day of July, 1967.