

NORTH CAROLINA GENERAL ASSEMBLY
1979 SESSION

CHAPTER 732
HOUSE BILL 641

AN ACT TO REQUIRE INSURERS TO PROVIDE TO POLICYHOLDERS NOTICE OF
AND REASONS FOR CESSIONS OF AUTOMOBILE INSURANCE POLICIES TO
THE MOTOR VEHICLE REINSURANCE EXCHANGE AND TO GRANT CERTAIN
IMMUNITIES.

The General Assembly of North Carolina enacts:

Section 1. G.S. 58-248.31 is amended by designating that section as subsection (a) and by adding two new subsections to read:

"(b) Each insurer will provide the same type of service to ceded business that it provides for its voluntary market. Records provided to agents and brokers will include an indication that the business is ceded. When an insurer cedes a policy or renewal thereof to the Facility and the Facility premium for such policy is higher than the premium that the insurer would normally charge for such policy if retained by the insurer, the policyholder will be informed that (1) his policy is ceded, (2) the coverages are written at the Facility rate, which rate differential must be specified, (3) the reason or reasons for the cession to the Facility, (4) the specific reason or reasons for the cession to the Facility will be provided upon the written request of the policyholder to the insurer, and (5) the policyholder may seek insurance through other insurers who may elect not to cede his policy. If such policyholder obtains motor vehicle liability insurance through another insurer who elects not to cede his policy to the Facility and the policyholder cancels his ceded policy within 45 days of the effective date of such ceded policy, the earned premium for such ceded policy shall be calculated on the pro rata basis, except that the pro rata calculation shall not apply to a cancellation by any insurance premium finance company as provided in G.S. 58-60.

(c) Upon the written request of any eligible risk who has been notified pursuant to subsection (b) of this section that his motor vehicle insurance policy has been ceded to the Facility, the insurer ceding the insurance policy must provide in writing to that eligible risk the specific reason or reasons for the decision to cede that policy to the Facility. Proof of mailing of the written reason or reasons is sufficient proof of compliance with this obligation. With regard to any notice of cession or any written or oral communications specifying the reason or reasons for cession, there will be no liability on the part of, and no cause of action of any nature will arise against, (1) any insurer or its authorized representatives, agents, or employees, or (2) any licensed agent, broker, or persons who furnished to the insurer information as to the reason or reasons for the cession, for any communications or statements made by them, unless the communications or statements are shown to have been made in bad faith with malice in fact."

Sec. 2. This act will become effective October 1, 1979.

In the General Assembly read three times and ratified, this the 1st day of June, 1979.