

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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SENATE BILL 1004*

Short Title: Beach and Fair Plan Amendments.

(Public)

Sponsors: Senators Block, Hunt, Johnson, and Pollard.

Referred to: Insurance.

May 28, 1992

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR IMPROVEMENTS IN THE OPERATIONS OF THE
FAIR AND BEACH PLANS.

The General Assembly of North Carolina enacts:

Section 1. G.S. 58-45-35 reads as rewritten:

"§ 58-45-35. Persons eligible to apply to Association for coverage; contents of application.

(a) Any person having an insurable interest in insurable property, may, on or after the effective date of the plan of operation, be entitled to apply to the Association for such coverage and for an inspection of the property. ~~Such application may be made on behalf of the applicant by a broker or agent authorized by him.~~ A broker or agent authorized by the applicant may apply on the applicant's behalf. Each application shall contain a statement as to whether or not there are any unpaid premiums due from the applicant for essential property insurance on the property.

The term 'insurable interest' as used in this subsection shall ~~be deemed to include~~ any lawful and substantial economic interest in the safety or preservation of property from loss, destruction or pecuniary damage.

(b) If the Association determines that the property is insurable and that there is no unpaid premium due from the applicant for prior insurance on the property, the ~~Association~~ Association, upon receipt of the premium, or ~~such portion thereof,~~ part of the premium, as is prescribed in the plan of operation, shall cause to be issued a policy of essential property insurance and shall offer additional extended coverage, optional perils endorsements, crime insurance, separate policies of windstorm and hail insurance, or their successor forms of coverage, for a term of one year. Any policy issued ~~pursuant to~~

1 under the provisions of this section shall be renewed annually, upon ~~application therefor,~~
2 application, so long as the property meets the definition of 'insurable property' set forth
3 in G.S. 58-45-5(5).

4 (c) If the Association, for any reason, denies an application and refuses to cause
5 to be issued an insurance policy on insurable property to any applicant or takes no
6 action on an application within the time prescribed in the plan of operation, ~~such the~~
7 applicant may appeal to the Commissioner and the Commissioner, ~~or a member of his~~
8 staff designated by him, or the Commissioner's designee from the Commissioner's staff,
9 after reviewing the facts, may direct the Association to issue or cause to be issued an
10 insurance policy to the applicant. In carrying out ~~his the Commissioner's duties pursuant~~
11 to under this section, the Commissioner may request, and the Association shall ~~provide~~
12 provide, any information the Commissioner deems necessary to a determination
13 concerning the reason for the denial or delay of the application.

14 (d) An agent who is licensed under Article 33 of this Chapter as an agent of a
15 company which is a member of the Association established under this Article shall not
16 be deemed an agent of the Association.

17 (e) Policies of windstorm and hail insurance provided for in subsection (b) of this
18 section are available only for risks for which essential property insurance has been
19 written by licensed insurers. Whenever such other essential property insurance written
20 by licensed insurers includes replacement cost coverage, the Association shall also offer
21 replacement cost coverage. In order to be eligible for a policy of windstorm and hail
22 insurance, the applicant shall provide the Association, along with the premium payment
23 for the windstorm and hail insurance, a certificate that the essential property insurance is
24 in force. ~~Notwithstanding G.S. 58-45-45, the rates, rating plans, and rating rules for~~
25 ~~windstorm and hail insurance shall be filed by the Association with the Commissioner for his~~
26 ~~approval.~~ The policy forms for windstorm and hail insurance shall be filed by the
27 Association with the Commissioner for his approval before they may be used."

28 Sec. 2. G.S. 58-45-45 reads as rewritten:

29 "**§ 58-45-45. Rates, rating plans, rating rules, and forms applicable.**

30 (a) Except as provided in subsection (b) of this section, the ~~The~~ rates, rating
31 plans, rating rules, and forms applicable to the insurance written by the Association
32 shall be in accordance with the most recent manual rates or adjusted loss costs and
33 forms that are legally in effect in the State. No special surcharge, other than those
34 presently in effect, may be applied to the property insurance rates of properties located
35 in the beach area.

36 (b) The rates, rating plans, and rating rules for the separate policies of windstorm
37 and hail insurance described in G.S. 58-45-35(b) shall be filed by the Association with
38 the Commissioner for the Commissioner's approval, disapproval, or modification. The
39 provisions of Articles 40 and 41 of this Chapter shall govern the filings."

40 Sec. 3. G.S. 58-46-55 reads as rewritten:

41 "**§ 58-46-55. Rates, rating plans, rating rules, and forms applicable.**

42 The rates, rating plans, rating rules, and forms applicable to the insurance written by
43 the association shall be in ~~accord~~ accordance with the most recent manual rates or
44 adjusted loss costs and forms that are legally in effect in this State. No special

1 surcharge, other than those presently in effect, may be applied to the property insurance
2 rates of properties located in the geographic areas to which this Article applies."

3 Sec. 4. G.S. 58-45-5(5) reads as rewritten:

4 "(5) 'Insurable property' means real property at fixed locations in ~~the beach~~
5 ~~areas~~ Beach area of the State as that term is hereinafter defined or the
6 tangible personal property located therein, but shall not include
7 insurance on motor ~~vehicles~~, vehicles or farm and ~~manufacturing risks~~,
8 risks; which property is determined by the Association, after
9 inspection and ~~pursuant to~~ under the criteria specified in the plan of
10 operation, to be in an insurable ~~condition~~. ~~Provided, however,~~ condition.
11 However, any one and two family dwellings built in substantial
12 accordance with the Federal Manufactured Home Construction and
13 Safety Standards, any predecessor or successor federal or State
14 construction or safety standards, and any further construction or safety
15 standards promulgated by the association and approved by the
16 Commissioner, or the North Carolina Uniform Residential Building
17 Code and any structure or building built in substantial compliance with
18 the North Carolina Building Code, including the design-wind
19 requirements, which is not otherwise rendered uninsurable by reason
20 of use or occupancy, shall be an insurable risk within the meaning of
21 this ~~Article~~, but Article. However, none of the following factors shall
22 be considered in determining insurable condition: neighborhood, area,
23 location, environmental hazards beyond the control of the applicant or
24 owner of the ~~property shall not be considered in determining insurable~~
25 ~~condition~~. ~~Provided further, that~~ property. Also, any structure
26 commenced begun on or after January 1, 1970, not built in substantial
27 compliance with the Federal Manufactured Home Construction and
28 Safety Standards, any predecessor or successor federal or State
29 construction or safety standards, and any further construction or safety
30 standards promulgated by the association and approved by the
31 Commissioner, or the North Carolina Uniform Residential Building
32 Code or the North Carolina Building Code, including the design-wind
33 requirements therein, shall not be an insurable risk. The owner or
34 applicant shall furnish with the application proof in the form of a
35 certificate from a local building inspector, contractor, engineer or
36 architect that the structure is built in substantial accordance with the
37 Federal Manufactured Home Construction and Safety Standards, any
38 predecessor or successor federal or State construction or safety
39 standards, and any further construction or safety standards
40 promulgated by the association and approved by the Commissioner, or
41 the North Carolina Uniform Residential Building Code or the North
42 Carolina Building Code; ~~provided, however, such an individual~~
43 ~~certificate shall not be necessary in those cases~~ where the structure is
44 located within a political subdivision which has certified to the

1 Association on an annual basis that it is enforcing the North Carolina
2 Uniform Residential Building Code or the North Carolina Building
3 Code and has no plans to discontinue enforcing these codes during that
4 year."

5 Sec. 5. G.S. 58-45-30 reads as rewritten:

6 **"§ 58-45-30. Directors to submit plan of operation to Commissioner; review and**
7 **approval; amendments.**

8 (a) Within 90 days after April 17, 1969, the directors of the Association shall
9 submit to the Commissioner for his review and approval, a proposed plan of operation.
10 Such proposed plan shall set forth the number, qualifications, terms of office, and
11 manner of election of the members of the board of directors, and shall grant proper
12 credit annually to each member of the Association for essential property insurance
13 voluntarily written in the beach area and shall provide for the efficient, economical, fair
14 and nondiscriminatory administration of the Association and for the prompt and
15 efficient provision of essential property insurance in the beach areas of North Carolina
16 so as to promote orderly community development in those areas and to provide means
17 for the adequate maintenance and improvement of the property in such areas. Such
18 proposed plan may include a preliminary assessment of all members for initial expenses
19 necessary to the commencement of operation; the establishment of necessary facilities;
20 management of the Association; plan for the assessment of members to defray losses
21 and expenses; underwriting standards; procedures for the acceptance and cession of
22 reinsurance; procedures for determining the amounts of insurance to be provided to
23 specific risks; time limits and procedures for processing applications for insurance and
24 for such other provisions as may be deemed necessary by the Commissioner to carry out
25 the purposes of this Article.

26 (b) The proposed plan shall be reviewed by the Commissioner and approved by
27 him if he finds that such plan fulfills the purposes provided by G.S. 58-45-1. In the
28 review of the proposed plan the Commissioner may, in his discretion, consult with the
29 directors of the Association and may seek any further information which he deems
30 necessary to his decision. If the Commissioner approves the proposed plan, he shall
31 certify such approval to the directors and the plan shall become effective 10 days after
32 such certification. If the Commissioner disapproves all or any part of the proposed plan
33 of operation he shall return the same to the directors with his written statement for the
34 reasons for disapproval and any recommendations he may wish to make. The directors
35 may alter the plan in accordance with the Commissioner's recommendation or may
36 within 30 days from the date of disapproval return a new plan to the Commissioner.
37 Should the directors fail to submit a proposed plan of operation within 90 days of April
38 17, 1969, or a new plan which is acceptable to the Commissioner, or accept the
39 recommendations of the Commissioner within 30 days after his disapproval of the plan,
40 the Commissioner shall promulgate and place into effect a plan of operation certifying
41 the same to the directors of the Association. Any such plan promulgated by the
42 Commissioner shall take effect 10 days after certification to the directors: Provided,
43 however, that until a plan of operation is in effect, pursuant to the provisions of this

1 Article, any existing temporary placement facility may be continued in effect on a
2 mandatory basis on such terms as the Commissioner may determine.

3 (c) The directors of the Association may, subject to the approval of the
4 Commissioner, amend the plan of operation at any time. The Commissioner may
5 review the plan of operation at any time ~~he~~the Commissioner deems expedient or
6 prudent, but not less than once in each calendar year. After review of ~~such~~the plan the
7 Commissioner may amend the plan after consultation with the directors and upon
8 certification to the directors of ~~such~~the amendment.

9 (d) The Commissioner may designate the kinds of property insurance policies on
10 principal residences to be offered by the association, including insurance policies under
11 Article 36 of this Chapter, and the commission rates to be paid to agents or brokers for
12 these policies, if ~~he~~the Commissioner finds, after a hearing held in accordance with
13 G.S. 58-2-50, that the public interest requires the designation. The provisions of
14 Chapter 150B do not apply to any procedure under this paragraph, except that G.S.
15 150B-39 and G.S. 150B-41 shall apply to a hearing under this paragraph. Within 30
16 days after the receipt of notification from the Commissioner of a change in designation
17 pursuant to this paragraph, the association shall submit a revised plan and articles of
18 association for approval in accordance with this section.

19 (e) The Association shall, subject to the Commissioner's approval or
20 modification, provide in the plan of operation for coverage for appropriate classes of
21 manufacturing risks.

22 (f) As used in this section, 'plan of operation' includes all written rules, practices,
23 and procedures of the Association, except for staffing and personnel matters."

24 Sec. 6. G.S. 58-46-20 is amended by adding a new subsection to read:

25 "(d) As used in this section and in G.S. 58-46-15, 'FAIR Plan', 'plan of operation',
26 and 'articles of association' include all written rules, practices, and procedures of the
27 Association, except for staffing and personnel matters."

28 Sec. 7. Article 45 of Chapter 58 of the General Statutes is amended by
29 adding a new section to read:

30 "**§ 58-45-85. Assessment; inability to pay.**

31 If any insurer fails, by reason of insolvency, to pay any assessment as provided in
32 this Article, the amount assessed each insurer shall be immediately recalculated,
33 excluding the insolvent insurer, so that its assessment is assumed and redistributed
34 among the remaining insurers. Any assessment against an insolvent insurer shall not be
35 a charge against any special deposit fund held under the provisions of Article 5 of this
36 Chapter for the benefit of policyholders."

37 Sec. 8. Within 30 days after the effective date of this act, the North Carolina
38 Insurance Underwriting Association and the North Carolina Joint Underwriting
39 Association shall file, with the Commissioner of Insurance for approval or modification,
40 all written rules, practices, and procedures that are in effect on that date.

41 Sec. 9. This act is effective upon ratification.