

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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HOUSE BILL 1298
Committee Substitute Favorable 5/22/07

Short Title: Disclosure of Recoupment Surcharge.

(Public)

Sponsors:

Referred to:

April 4, 2007

A BILL TO BE ENTITLED

AN ACT TO REQUIRE DISCLOSURE OF RECOUPMENT SURCHARGE ON
AUTOMOBILE LIABILITY INSURANCE POLICIES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-37-40(f) reads as rewritten:

"(f) The plan of operation shall provide that every member shall, following payment of any pro rata assessment, begin recoupment of that assessment by way of a surcharge on motor vehicle insurance policies issued by the member or through the Facility until the assessment has been recouped. Any surcharge under this subsection or under subsection (e) of this section shall be a percentage of premium adopted by the Board of Governors of the Facility; and the charges determined on the basis of the surcharge shall be ~~combined with and~~ displayed as a part of separately from the applicable premium charges. The following language shall be prominently displayed on all motor vehicle insurance policies to which recoupment surcharge is applicable issued by every member: "RECOUPMENT" IS AN ADDITIONAL CHARGE ON YOUR AUTOMOBILE LIABILITY INSURANCE TO SUBSIDIZE LOSSES IN THE NORTH CAROLINA REINSURANCE FACILITY AS REQUIRED BY LAW."

Recoupment of losses sustained by the Facility since September 1, 1977, with respect to nonfleet private passenger motor vehicles may be made only by surcharging nonfleet private passenger motor vehicle insurance policies. If the amount collected during the period of surcharge exceeds assessments paid by the member to the Facility, the member shall pay over the excess to the Facility on a date specified by the Board of Governors. If the amount collected during the period of surcharge is less than the assessments paid by the member to the Facility, the Facility shall pay the difference to the member. Except as otherwise provided in this Article, the amount of recoupment shall not be considered or treated as a rate or premium for any purpose. The Board of Governors shall adopt and implement a plan for compensation of agents of Facility members when recoupment surcharges are imposed; that compensation shall not exceed the compensation or commission rate normally paid to the agent for the issuance or

1 renewal of the automobile liability policy issued through the North Carolina
2 Reinsurance Facility affected by the surcharge. However, the surcharge shall include an
3 amount necessary to recover the amount of the assessment to member companies and
4 the compensation paid by each member, under this section, to agents."

5 **SECTION 2.** This act becomes effective July 1, 2008, and applies to policies
6 issued on or after that date.