

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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HOUSE BILL 193

Short Title: Amend Homeowners' Ins. Coverage.

(Public)

Sponsors: Representative Preston.

Referred to: Insurance.

March 1, 1999

A BILL TO BE ENTITLED

AN ACT TO ALLOW PERSONS TO OBTAIN HOMEOWNERS' INSURANCE WITHOUT PURCHASING COVERAGE FOR STRUCTURES OTHER THAN RESIDENTIAL DWELLINGS.

The General Assembly of North Carolina enacts:

Section 1. Article 36 of Chapter 58 of the General Statutes is amended by adding the following new section to read:

"§ 58-36-105. Other structures coverage in homeowners' insurance.

(a) All insurers shall offer insureds or prospective insureds purchasing coverage against loss to real property under this Article the option to purchase coverage for dwellings or structures without purchasing coverage for other structures on the property on which the dwelling or structure is located, whether or not other structures exist on the property at the time coverage is purchased. Insurers shall not require as a condition for issuing or renewing coverage against loss to real property that the insured or prospective insured purchase coverage for other structures. Insurers may not refuse to issue or renew coverage against loss to real property under this Article solely on grounds that the insured or prospective insured declines to accept coverage that includes coverage for other structures.

1 (b) Insurers shall disclose in writing to insureds or prospective insureds purchasing
2 insurance against loss to real property that they are not required to purchase coverage for
3 other structures.

4 (c) As used in this section, the term 'other structures' means structures on the real
5 property set apart from the dwelling or structure that is the subject of the policy by clear
6 space, including structures connected to the dwelling or structure that is the subject of the
7 policy by only a fence, utility line, or similar connection."

8 Section 2. Article 44 of Chapter 58 of the General Statutes is amended by
9 adding a new section to read:

10 **"§ 58-44-60. Other structures coverage in real property insurance.**

11 (a) All insurers shall offer insureds or prospective insureds purchasing coverage
12 against loss to real property under this Article the option to purchase coverage for
13 dwellings or structures without purchasing coverage for other structures on the property
14 on which the dwelling or structure is located, whether or not other structures exist on the
15 property at the time coverage is purchased. Insurers shall not require as a condition for
16 issuing or renewing coverage against loss to real property that the insured or prospective
17 insured purchase coverage for other structures. Insurers may not refuse to issue or renew
18 coverage against loss to real property under this Article solely on grounds that the insured
19 or prospective insured declines to accept coverage that includes coverage for other
20 structures.

21 (b) Insurers shall disclose in writing to insureds or prospective insureds purchasing
22 insurance against loss to real property that they are not required to purchase coverage for
23 other structures.

24 (c) As used in this section, the term 'other structures' means structures on the real
25 property set apart from the dwelling or structure that is the subject of the policy by clear
26 space, including structures connected to the dwelling or structure that is the subject of the
27 policy by only a fence, utility line, or similar connection.

28 (d) This section does not apply to commercial real property."

29 Section 3. G.S. 58-45-35 reads as rewritten:

30 **"§ 58-45-35. Persons eligible to apply to Association for coverage; contents of**
31 **application.**

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

38 The term "insurable interest" as used in this subsection shall include any lawful and
39 substantial economic interest in the safety or preservation of property from loss,
40 destruction or pecuniary damage.

41 (b) If the Association determines that the property is insurable and that there is no
42 unpaid premium due from the applicant for prior insurance on the property, the
43 Association, upon receipt of the premium, or part of the premium, as is prescribed in the

1 plan of operation, shall cause to be issued a policy of essential property insurance and
2 shall offer additional extended coverage, optional perils endorsements, business income
3 and extra expense coverage, crime insurance, separate policies of windstorm and hail
4 insurance, or their successor forms of coverage, for a term of one year or three years.
5 Short term policies may also be issued. Any policy issued under this section shall be
6 renewed, upon application, as long as the property is insurable property.

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

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

19 (e) Policies of windstorm and hail insurance provided for in subsection (b) of this
20 section are available only for risks in the beach and coastal areas for which essential
21 property insurance has been written by licensed insurers. Whenever such other essential
22 property insurance written by licensed insurers includes replacement cost coverage, the
23 Association shall also offer replacement cost coverage. In order to be eligible for a policy
24 of windstorm and hail insurance, the applicant shall provide the Association, along with
25 the premium payment for the windstorm and hail insurance, a certificate that the essential
26 property insurance is in force. The policy forms for windstorm and hail insurance shall be
27 filed by the Association with the Commissioner for his approval before they may be used.
28 Catastrophic losses, as determined by the Association and approved by the
29 Commissioner, that are covered under the windstorm and hail coverage in the beach and
30 coastal areas shall be adjusted by the licensed insurer that issued the essential property
31 insurance and not by the Association. Expenses incurred by the licensed insurer in
32 adjusting windstorm and hail losses shall be reimbursed by the Association.

33 (f) Policies shall comply with the provisions of G.S. 58-36-105."

34 Section 4. Article 46 of Chapter 58 of the General Statutes is amended by
35 adding a new section to read:

36 "**§ 58-46-60. Compliance with law governing coverage of other structures.**

37 Policies under this Article shall comply with the provisions of G.S. 58-36-105."

38 Section 5. The North Carolina Rate Bureau shall amend applicable rules and
39 plans to implement this act no later than October 1, 1999. In accordance with sound
40 actuarial principles, the North Carolina Rate Bureau shall adjust the premium rates for
41 coverage against loss to residential real property under the applicable Articles of Chapter
42 58 of the General Statutes to implement this act. Amendments to rules or plans pursuant

1 to this section shall become effective January 1, 2000, and shall apply to policies issued
2 or renewed on or after that date.

3 Section 6. This act is effective when it becomes law and applies to policies
4 issued or renewed on or after January 1, 2000.