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GENERAL ASSEMBLY OF NORTH CAROLINA
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SENATE BILL DRS15430-NEa-130B

Short Title:	Increase Insurance Rate Transparency.	(Public)
Sponsors:	Senator Murdock (Primary Sponsor).	
Referred to:		

A BILL TO BE ENTITLED

AN ACT MODIFYING THE CONSENT AND NOTIFICATION REQUIREMENTS FOR INSURANCE RATE DEVIATIONS, PROHIBITING THE USE OF CREDIT SCORING TO RATE NONCOMMERCIAL PRIVATE PASSENGER MOTOR VEHICLE AND RESIDENTIAL PROPERTY INSURANCE, DIRECTING THE DEPARTMENT OF INSURANCE TO STUDY THE GRADUAL REDUCTION OF CONSENT TO RATE DEVIATIONS BY INSURERS, DIRECTING THE DEPARTMENT OF INSURANCE TO CONDUCT A PUBLIC AWARENESS CAMPAIGN ON CONSENT TO RATE DEVIATIONS, AND APPROPRIATING FUNDS TO THE DEPARTMENT OF INSURANCE.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-36-30 reads as rewritten:

"**§ 58-36-30. Deviations.**

…

(b1) This subsection applies only to insurance against loss to residential property with not more than four housing units. A rate in excess of that promulgated by the Bureau may be charged by an insurer on any specific risk if the higher rate is charged in accordance with rules adopted by the ~~Commissioner. An insurer shall give notice to the insured that the rates used to calculate the premium for the policy are greater than those rates that are applicable in the State of North Carolina. by including the following language in the policy on page one of the declarations page or on a separate page before the declarations page, in at least 14 point type or in a font size larger than the remainder of the document whichever is larger, bolded, and all capitalized:~~

~~NOTICE: IN ACCORDANCE WITH G.S. 58-36-30(b1), THE PREMIUM BASED UPON THE APPROVED RATES IN NORTH CAROLINA FOR RESIDENTIAL PROPERTY INSURANCE COVERAGE APPLIED FOR WOULD BE $____. OUR PREMIUM FOR THIS COVERAGE IS $____.~~

~~The disclosure statement noted above in this subsection shall be included on any renewal of or endorsement to the policy when the rates charged exceed the approved manual rate. The insurer shall retain consent to rate information for each insured and make this information available to the Commissioner, upon request of the Commissioner.~~Commissioner and with the knowledge and consent of the insured.

At least 60 days prior to charging a higher rate an insurer shall notify the insured: (i) that the rates used to calculate the premium for the policy will be greater than those rates that are applicable in the State of North Carolina, (ii) what the premium based upon approved rates in

North Carolina for residential property would be, (iii) what the insurer's premium for this coverage will be, (iv) of the specific justification for charging the greater rate, and (v) of any actions the insured could take to mitigate the insurer's justification for charging a higher rate. The notice and consent required by this subsection may be in electronic form and delivered by electronic means.

Any data obtained by the Commissioner under this subsection is proprietary and confidential and is not a public record under G.S. 132-1 or G.S. 58-2-100.

(b2) Notwithstanding subsection (b1) of this section, the Commissioner shall collect annually from all insurers and publish on the Department's website no later than July 1 the following data aggregated across all insurers for each geographical rate-making territory:

(1) ~~The percentage of policies for which a consent to rate has been obtained.~~The number of policies in effect, or other exposures insured. For the purposes of this subsection, "policies in effect" shall mean the number of policies written in the reporting year, and "other exposures," if any, shall mean any coverage extended other than policies written, and shall be described in the report in sufficient detail to identify the coverage provided.

(2) ~~The average difference between the approved premium and the consented premium.~~The number of applications for coverage.

(3) The number of applications for which coverage was not provided, classified according to applications withdrawn, applications denied, and applications still in process.

(4) The number of policies not renewed, classified according to nonrenewals initiated by the insurer, and nonrenewals initiated by the policyholder, with subclassifications to include the following reasons for nonrenewal:

a. For nonrenewals initiated by the insurer: (i) lack of payment, (ii) misrepresentation, (iii) property features, (iv) climate risk, (v) reduction in service area, or (vi) other.

b. For nonrenewals initiated by the policyholder: (i) cost, (ii) untimely settlement of claims, (iii) unsatisfactory customer service, (iv) identification of more suitable insurance options, (v) vacating property, or (vi) other.

(5) The number of policies canceled or terminated.

(6) The number of claims filed.

(7) The number of claims approved, classified according to in whole, in part, and number of days lapsed from claim filed to approval.

(8) The number of claims denied, classified according to in whole, in part, and number of days lapsed from claim filed to denial.

(9) The dollar amounts of the losses incurred.

(10) The dollar amounts of the losses paid.

(11) The dollar amounts of the premium charged for coverage.

(12) Applicable rates for each form of property insurance and rating classification, including rates by tier in multitier programs, and differentiating between policies with varying types of benefits, including, but not limited to, guaranteed replacement cost, standard or limited replacement cost, market value or actual cash value, and differentiating among policies issued for single-family homes, multifamily homes, condominium or cooperative units, and business properties or farms.

(13) The deductible, classified as a percentage of the insured property's value.

(14) For covered insurance companies distributing through direct solicitation, the number of direct mail or telephone solicitations.

(15) The number of agents appointed by the covered insurance company.

(16) The street addresses of all offices issuing or servicing policies.

(17) Languages spoken, other than English, with sufficient fluency to conduct business in that language by personnel within each office.

(18) Whether the covered insurance company issues policies in a language other than English and, if so, identifying the languages in which policies are issued and the number of policies issued in each language.

(19) For each of the categories of information described in subdivisions (1) through (13) of this subsection, further classifications and aggregated data according to race, national origin, ethnicity, household income level, and gender of the insureds or applicants according to categories and subcategories as defined by the federal Office of Management and Budget's Statistical Policy Directive No. 15 for race and ethnicity data, as well as classifications and aggregated data by race, national origin, ethnicity, and income level characteristics of the census tract in which the insured risk is located including whether the insured risk is located in a disadvantaged community. Where an insurer applies any other classification which affects the premium rate at which the policy is issued, such as credit score or credit-based insurance score, the insurer shall provide totals by race, national origin, ethnicity, household income level, and gender for each such classification and applicable premium rate based on the modifying classification. Notwithstanding any other provisions of this subsection, data collected pursuant to subdivision (13) of this subsection will not be reported as aggregated data but as individual record data as described in subdivision (23) of this subsection.

(20) The information upon which an insurer, rate service organization, or group of insurers filed with the Commissioner in support of the rates as required to be filed with the Commissioner. An insurer or group of insurers which are members or subscribers of a rate service organization which makes or files rates on its behalf shall be responsible for filing of the information as part of the report required by this subdivision.

(21) The total dollar amount of financing to fossil fuel businesses, including investments and underwriting in terms of total gross premiums in dollars, disaggregated by company and project in a format determined by the Commissioner.

(22) The total dollar amount of financing for new fossil fuel projects, including investments and underwriting in terms of total gross premiums in dollars, disaggregated by company and project in a format determined by the Commissioner.

(23) In addition to aggregate data required to be reported under this subsection, each insurer shall file with the Commissioner, and make available to the public, the individual record data collected pursuant to subdivisions (1) through (13) of this subsection, as well as data related to modifying classifications if relevant as described in subdivision (17) of this subsection, from which the report summaries were tabulated. Such data shall be provided in an online electronic database format prescribed by the Commissioner, and the Commissioner shall make such database files available directly to the public. The Commissioner shall require that all information which would personally identify any individual applicant or policyholder be deleted. The categories of data to be made available for each individual record shall include all of the same categories of information collected pursuant to subdivisions (1) through (13) of this subsection, as well as data related to modifying classifications if relevant as described in subdivision (17) of this subsection,

contained in the aggregate report and shall be presented in accordance with standardized classification codes to be established by the Commissioner.

The Commissioner shall designate the format and manner to collect the data to be published.

Any nonaggregated data obtained by the Commissioner, including data identifying individual insurers or insureds, under this subsection is proprietary and confidential and is not a public record under G.S. 132-1 or G.S. 58-2-100. This subsection applies only to insurance against loss to residential real property with not more than four housing units.

…."

SECTION 2. G.S. 58-36-90 reads as rewritten:

"**§ 58-36-90. ~~Prohibitions on using~~ Using credit scoring to rate noncommercial private passenger motor vehicle and residential property ~~insurance; exceptions.~~insurance prohibited.**

(a) Definitions. – As used in this section:

~~(1) "Adverse action" has the same meaning as in section 1681a(k) of the federal Fair Credit Reporting Act and includes a denial or cancellation of, an increase in any charge for, or a reduction or other adverse or unfavorable change in the terms of coverage or amount of any insurance, existing or applied for, in connection with the underwriting of insurance.~~

(2) "Credit report" means any written, oral, or other communication of any information by a consumer reporting agency that bears on a consumer's credit worthiness, credit standing, or credit capacity. Credit report does not include accident or traffic violation records as maintained by the North Carolina Division of Motor Vehicles or any other law enforcement agency, a property loss report or claims history that does not include information that bears on a consumer's credit worthiness, credit standing, or credit capacity, or any report containing information solely as to transactions or experiences between the consumer and the person making the report.

(3) "Credit score" means a score that is derived by utilizing data from an individual's credit report in an algorithm, computer program, model, or other process that reduces the data to a number or rating.

~~(4) "Noncommercial private passenger motor vehicle" means a "private passenger motor vehicle," as defined by G.S. 58-40-10, that is neither insured under a commercial policy nor used for commercial purposes.~~

~~(5) "Private passenger motor vehicle" has the same meaning as set forth in G.S. 58-40-10.~~

~~(6) "Residential property" means real property with not more than four housing units located in this State, the contents thereof and valuable interest therein, and insurance coverage written in connection with the sale of that property. It also includes mobile homes, modular homes, townhomes, condominiums, and insurance on contents of apartments and rental property used for residential purposes.~~

(b) Prohibitions; Exceptions. – In the rating and underwriting of noncommercial private passenger motor vehicle and residential property insurance coverage, insurers shall not use credit scoring as ~~the sole~~ a basis for terminating an existing policy or any coverage in an existing policy or subjecting a policy to consent to rate as specified in ~~G.S. 58-36-30(b) without consideration of any other risk factors, but insurers~~ G.S. 58-36-30. Insurers may use credit scoring as the sole basis for discounting rates. For purposes of this subsection only, "existing policy" means a policy that has been in effect for more than 60 days.

~~(c) Notification. – If a credit report is used in conjunction with other criteria to take an adverse action, the insurer shall provide the applicant or policyholder with written notice of the~~

~~action taken, in a form approved by the Commissioner. The notification shall include, in easily understandable language:~~

~~(1) The specific reason for the adverse action and, if the adverse action was based upon a credit score, a description of the factors that were the primary influence on the score.~~

~~(2) The name, address, and toll-free telephone number of the credit bureau that provided the insurer with the credit-based information.~~

~~(3) The fact that the consumer has the right to obtain a free copy of the consumer's credit report from the appropriate credit bureau.~~

~~(4) The fact that the consumer has the right to challenge information contained in the consumer's credit report.~~

~~(d) Disputed Credit Report Information. — If it is determined through the dispute resolution process set forth in the federal Fair Credit Reporting Act, 15 U.S.C. § 1681i(a)(5), that the credit information of a current insured was incorrect or incomplete and if the insurer receives notice of such determination from either the consumer reporting agency or from the insured, the insurer shall re-underwrite or re-rate the consumer within 30 days of receiving the notice. After re-underwriting or re-rating the insured, the insurer shall make any adjustments necessary, consistent with its underwriting guidelines. If an insurer determines the insured has overpaid premium, the insurer shall refund to the insured the amount of overpayment calculated back to the shorter of either the last 12 months of coverage or the actual policy period.~~

~~(e) Indemnification. — An insurer shall indemnify, defend, and hold insurance producers harmless from and against all liability, fees, and costs arising out of or relating to the actions, errors, or omissions of an insurance producer who obtains or uses credit information or credit scores for an insurer, provided the insurance producer follows the instructions or procedures established by the insurer and complies with any applicable law or regulation. Nothing in this subsection shall be construed to provide a consumer or other insured with a cause of action that does not exist in the absence of this subsection.~~

~~(f) Filing. — Insurers that use credit scores to underwrite and rate risks shall file their scoring models, or other scoring processes, with the Department. A filing that includes credit scoring may include loss experience justifying the applicable surcharge or credit. A filer may request that its credit score data be considered a trade secret and may designate parts of its filings accordingly.~~"

SECTION 3. The Department of Insurance shall adopt rules to implement Sections 1 and 2 of this act.

SECTION 4.(a) The Department of Insurance (DOI) shall study the feasibility of and methodology for gradually reducing the number of rate deviations authorized by G.S. 58-36-30. The study shall develop a plan for reducing the percentage of households consenting to rates in excess of that promulgated by the North Carolina Rate Bureau pursuant to G.S. 58-36-30 to twenty percent (20%) of the statement insurance market or lower. The plan shall (i) implement the reduction in usage of deviations pursuant to G.S. 58-36-30 by no later than January 1, 2040, and (ii) include strategies for preserving access to insurance while gradually reducing the usage of deviations pursuant to G.S. 58-36-30.

SECTION 4.(b) Beginning January 1, 2027, DOI shall conduct a public awareness campaign on the usage of rate deviations pursuant to G.S. 58-36-30 by insurers. The campaign shall include education and recommendations relating to risk reduction and home resilience for insureds.

SECTION 4.(c) No later than October 1, 2027, DOI shall report specific proposals for implementing the plan developed pursuant to subsection (a) of this section to the chairs of the Joint Legislative Oversight Committee on General Government.

SECTION 5. There is appropriated from the General Fund to the Department of Insurance the sum of fifty thousand dollars ($50,000) in nonrecurring funds for the 2026-2027 fiscal year to conduct the study and public awareness campaign required by this act.

SECTION 6. Sections 1 and 2 of this act become effective October 1, 2027, and apply to policies issued, amended, or renewed on or after that date. Section 5 of this act becomes effective July 1, 2026. The remainder of this act is effective when it becomes law.