

MARKET BULLETIN

REF: Y4004

Title	North Carolina – Senate Bill 277
Purpose	To notify the market of the North Carolina law SB 227 and to draw attention to Sections 1, 2 and 3 of the bill which apply to surplus lines insurers.
Type	Event
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Date	5 April 2007
Deadline	Effective immediately
Related links	http://www.ncga.state.nc.us/Sessions/2005/Bills/Senate/PDF/S277v5.pdf

1. Introduction

This bulletin will be of interest to managing agents, underwriters and Lloyd's brokers underwriting or arranging contracts insuring North Carolina property risks.

Section 1 details a mediation programme for emergency or disaster related property insurance claims.

Section 2 is a notice requirement that must be provided by every insurer that sells property insurance that excludes coverage for the perils of flood, earthquake, mudslide, mudflow, or landslide. This section was effective from **1 January 2007**.

Section 3 details the extension of time periods in property insurance policies and the requirement for property insurers to adjust windstorm policies, in disaster situations.

The key points of each section are summarised in this bulletin, and a copy of this legislation can be found via the link above.

2. Mediation Programme, Section 1 of SB 277

The legislation creates a non adversarial alternative dispute resolution procedure for a facilitated claim resolution. The mediation programme only applies if a state of disaster has been proclaimed for North Carolina or for an area within North Carolina by the Governor; or

if the President of the United States has issued a major disaster declaration for North Carolina or for an area within the state under the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

Full details of the mediation programme, including procedures regarding notifying the policyholder of the right to mediate, how the policyholder should request mediation, how the mediation conference will be arranged and conducted can be found in Section 1 of the legislation. The legislation also advises of how mediation fees will be collected, and of post mediation arrangements.

3. Notice requirement, Section 2 of SB 277

The effective date of this section is 1 January, 2007.

Every insurer (including surplus lines insurers) selling property insurance policies that exclude coverage for the perils of flood, earthquake, mudslide, mudflow, or landslide must identify to the policyholder which of these perils are not covered under the policy. This must be done at the issue and renewal of each policy.

The insurer shall print the following warning, citing which peril is not covered, in Times New Roman 16-point font or other equivalent font and include it in the policy on a separate page immediately before the declarations page:

"WARNING: THIS PROPERTY INSURANCE POLICY DOES NOT PROTECT YOU AGAINST LOSSES FROM [FLOODS], [EARTHQUAKES], [MUDSLIDES], [MUDFLOWS], [LANDSLIDES]. YOU SHOULD CONTACT YOUR INSURANCE COMPANY OR AGENT TO DISCUSS YOUR OPTIONS FOR OBTAINING COVERAGE FOR THESE LOSSES. THIS IS NOT A COMPLETE LISTING OF ALL OF THE CAUSES OF LOSSES NOT COVERED UNDER YOUR POLICY. YOU SHOULD READ YOUR ENTIRE POLICY TO UNDERSTAND WHAT IS COVERED AND WHAT IS NOT COVERED."

4. State of Disaster-extension of time periods for property insurance policies and requirement to adjust windstorm losses, Section 3 of SB 277

Whenever a state of disaster is proclaimed for North Carolina or for an area within the state, or whenever the President of the United States issues a major disaster declaration for the state or for an area within the state under the Stafford Act, then requirements for the insured to file a proof of loss within a certain period of time after the occurrence of the loss on policies insuring real property and its contents, shall be extended until the expiry of the

disaster proclamation and all renewals of the proclamation or for 45 days, whichever is later.

In addition, all insurers, including surplus lines insurers, must give policyholders in the affected area the option of deferring premium or debt payments that are due during the time period covered by the proclamation or declaration. This deferral period shall be 30 days from the last day the premium or debt payment may be made under the terms of the policy or contract.

Further, if the insured has a separate windstorm policy written by an insurer other than the Underwriting Association, then losses shall be adjusted by the insurer that issued the property insurance and not by the insurer that issued the windstorm policy. The insurer that issued the windstorm policy shall reimburse the property insurer for reasonable expenses incurred in adjusting the windstorm losses.

Expanded details on these requirements are contained within the text of SB 277.

5. Further information

If you have any queries about this market bulletin, please contact Lloyd's International Trading Advice:

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This market bulletin has been sent to active underwriters and to the compliance officers of managing agents and Lloyd's brokers.