



July 22, 2024

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Personal Auto S.L. 2023-133 and S.L. 2024-29

On July 2, 2024, the Governor signed into law Session Law 2024-29 (former S.B. 319), which includes technical corrections to certain provisions of Session Law 2023-133 (former S.B. 452) and moves the effective date of provisions pertaining to auto insurance from January 1, 2025 to July 1, 2025.

By Circular Letter to All Member Companies RF-24-7 dated May 1, 2024, the Reinsurance Facility distributed revised Private Passenger Automobile and Motorcycle insurance rates for Other Than Clean risks that become effective December 1, 2024 and apply to policies becoming effective on and after that date. That circular also noted that other changes to the rates for Other Than Clean risks would be coming later due to the law changes in S.L. 2023-133 and that those changes were then scheduled to become effective January 1, 2025.

By Circular Letter to All Member Companies RF-24-8 dated May 21, 2024, the Facility distributed revised Clean Risks and Other Than Clean Risks liability base rates and increased limit factors. These revisions were necessitated by that portion of Part XII of S.L. 2023-133 that increases what are commonly referred to as the automobile insurance minimum liability limits under the Financial Responsibility Act from 30/60/25 to 50/100/50. That circular announced that, in accordance with S.L. 2023-133, those rates would become effective January 1, 2025 and apply to policies becoming effective on and after that date.

As noted above, S.L. 2024-29 provides that the effective date of the law changes in S.L. 2023-133 and S.L. 2024-29 will be July 1, 2025 (instead of January 1, 2025) and apply to policies issued or renewed on or after that date. Consequently, the revised rates and increased limit factors distributed in Circular RF-24-8 will become effective July 1, 2025 and apply to policies issued or renewed on or after that date, and the revised rates distributed in Circular RF-24-7 (and becoming effective December 1, 2024) will continue in effect until they are replaced by the rates becoming effective July 1, 2025.

Also, the aforementioned circulars noted that there were additional outstanding filings with the Department of Insurance (DOI) pertaining to S.L. 2023-133. These filings include changes to revised premium rates for Combined Uninsured and Underinsured Motorist coverages, revised rules, and revised endorsements. These filings are still outstanding with the DOI but will become effective July 1, 2025 for policies issued on or after that date once approved.

Considering S.L. 2023-133 together with S.L. 2024-29, Underinsured Motorist Coverage, in its revised form, will be mandatory on all policies, including minimum limits policies. As a practical matter, that means that every liability policy will include Combined Uninsured/Underinsured Motorists Coverage.

Further, be advised that S.L. 2024-29 included an additional, related change to North Carolina's Financial Responsibility Act. The North Carolina Supreme Court issued an opinion in the *North Carolina Farm Bureau v. Hebert* case on March 22, 2024, that significantly changed the law on UIM coverage. In conjunction with the technical corrections contained within S.L. 2024-29, the Legislature effectively nullified the *Hebert* decision and restored the pre-*Hebert* interpretation of UIM coverage for private passenger autos. Note, however, that this change only applies from July 2, 2024 until the other legislative changes to UIM coverage become effective on July 1, 2025. Member companies are advised to consult their own legal counsel on all of the these matters.

Please note that there are other pending revisions necessitated by S.L. 2023-133, namely the expansion of the surcharge period for inexperienced operators to up to 8 years and the expansion of the surcharge period for certain SDIP point assignments to five years. The effective date of these legislative changes likewise was moved to July 1, 2025 by S.L. 2024-29. We will distribute those revisions to all member companies of the North Carolina Rate Bureau once they are approved.

Please see to it that this Circular is brought to the attention of all interested personnel in your company.

Sincerely,

Andy Montano

Auto Manager, Personal Lines

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RF-24-12