

North Carolina law prohibits the requesting of a replacement cost estimator (RCE) from an insurance company or their designated agent. Violations of this law are subject to investigation and sanction by the NC Department of Insurance.

NCGS § 58-3-137. Prohibition on provisions relating to replacement cost estimators.

(a) No person may require an insurance company or their designated agent to provide the replacement cost estimator or other underwriting or related proprietary business information of an insurer underwriting an insurance policy covering real property, as a condition precedent or condition subsequent to the lending of money or extension of credit to be secured by real property. For purposes of this section, "proprietary business information of an insurer" means information, regardless of form or characteristics, which is owned or controlled by an insurer, or a person or an affiliated person who seeks acquisition of controlling stock in a domestic stock insurer or controlling company, and which (i) is intended to be and is treated by the insurer or the person as private in that the disclosure of the information would cause harm to the insurer, the person, or the company's business operations and that the information has not been disclosed unless disclosed pursuant to a statutory requirement, an order of a court or administrative body, or a private agreement that provides that the information will not be released to the public and (ii) is not otherwise readily ascertainable or publicly available by proper means by other persons from another source in the same configuration as requested by the office. This subsection does not apply to sales of insurance regulated under Articles 35, 57, and 58 of this Chapter or under 12 U.S.C. §§ 4901-4910.

(b) The Department of Insurance may investigate the affairs of any person to whom this section applies to determine whether such person has violated this section. If a violation of this section is found to have been committed knowingly, the person in violation shall be subject to the same procedures and penalties as provided in Articles 3 and 63 of this Chapter.

NOTICE

A replacement cost estimator is (RCE) is provided solely for the benefit of the policy holder, and no other person may rely on it for any purpose. An RCE is NOT a valuation of real property, and cannot be used in any manner to substantiate a property appraisal or to satisfy conditions set forth in the underwriting of a loan made for the purchase of real property. Lenders accept all liability for the inappropriate or unlawful use of an RCE.

Further, lenders are given notice: should the lawful declination by an insurance agent to a request from a lender for an RCE be followed by a request by the lender that coverage limits be raised to the amount of the loan, a lender may be committing insurance fraud, and shall be reported to the NC Department of Insurance as such for a full criminal investigation and prosecution as provided for by state law.

Questions can be directed to Joe Stewart, IIANC Vice President of Governmental Affairs

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