

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

SESSION LAW 2025-45
HOUSE BILL 737

AN ACT TO ELIMINATE THE TRAINING COURSE REQUIREMENTS FOR INSURANCE PRODUCER LICENSURE, TO CLARIFY THE APPLICABILITY OF THE CAP ON INSURANCE REFERRAL FEES PAID TO NONLICENSED PERSONS, TO MAINTAIN NAIC ACCREDITATION OF THE DEPARTMENT OF INSURANCE BY IMPLEMENTING GROUP CAPITAL CALCULATION AND LIQUIDITY STRESS TEST REQUIREMENTS, TO AMEND THE NORTH CAROLINA PROFESSIONAL EMPLOYER ORGANIZATION ACT, TO REVISE THE INSURANCE GUARANTY ASSOCIATION ACT, TO CLARIFY INSURANCE REBATE PERMITTED TRADE PRACTICES, TO CLARIFY THE LAWS RELATING TO THE EXCHANGE OF BUSINESS BETWEEN INSURANCE PRODUCERS, TO REQUIRE DRIVERS SUBJECT TO THE INEXPERIENCED DRIVER PREMIUM SURCHARGE TO MAINTAIN OR BENEFIT FROM CONTINUOUS LIABILITY COVERAGE, TO PLACE RESTRICTIONS ON RESIDENTIAL LEASES REQUIRING RENTERS INSURANCE, TO MAKE CHANGES TO THE EFFECTIVE DATE OF CERTAIN PROVISIONS CONCERNING THE CALCULATION OF UNDERINSURED MOTORIST COVERAGE AND INSURANCE RATEMAKING LAWS IN S.L. 2023-133, AS AMENDED BY S.L. 2024-29, TO AUTHORIZE SALESMEN TO REGISTER WITH MULTIPLE DEALERS UNDER COMMON OWNERSHIP OR CONTROL, AND TO AUTHORIZE POLICY CANCELLATION UPON CHARGEBACK OF A CREDIT CARD PREMIUM PAYMENT.

The General Assembly of North Carolina enacts:

PART I. ELIMINATE TRAINING COURSE REQUIREMENTS FOR INSURANCE PRODUCER LICENSURE

SECTION 1.(a) G.S. 58-33-30 reads as rewritten:

"§ 58-33-30. License requirements.

The Commissioner shall not issue or continue any license of an insurance producer, limited representative, adjuster, or motor vehicle damage appraiser except as follows:

...

(d) Education and Training. –

- (1) Each applicant must ~~have had special education, training, or experience of sufficient duration and extent reasonably to satisfy the Commissioner that the applicant possesses the competence necessary to fulfill the responsibilities of~~ comply with all education, training, or experience requirements of this Chapter to be licensed as an insurance producer, limited representative, adjuster, or motor vehicle damage appraiser. The Commissioner shall not require an individual who applies for an insurance producer license in this State to complete any specific amount of instruction or any specific course of instruction.
- (2) ~~All individual applicants for licensing as insurance producers under G.S. 58-33-26(c1)(1), (2), (4), (6), or (7) shall furnish evidence~~



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~~satisfactory to the Commissioner of successful completion of at least 20 hours of instruction for each license, which shall in all cases include the general principles of insurance and any other topics relevant to the license that the Commissioner establishes by administrative rules. Any applicant who submits satisfactory evidence of having successfully completed a producer training course that has been approved by the Commissioner and that is offered by or under the auspices of a property, casualty, life or accident and health or sickness insurance company admitted to do business in this State or a professional insurance association shall be deemed to have satisfied the educational requirements of this subdivision.~~

- (3) ~~Each resident applicant for a Medicare supplement and long-term care insurance license shall furnish evidence satisfactory to the Commissioner of successful completion of 10 hours of instruction, which shall in all cases include the principles of Medicare supplement and long-term care insurance and federal and North Carolina law relating to such insurance. A resident applicant who submits satisfactory evidence of having successfully completed a producer training course that has been approved by the Commissioner and that is offered by or under the auspices of a licensed life or health insurer or a professional insurance association satisfies the educational requirements of this subdivision.~~

(e) Examination. –

...

- (5) The Commissioner shall collect in advance the examination and registration fees provided in G.S. 58-33-125 and in ~~subsection~~ subdivision (4) of this section. The Commissioner shall make or cause to be made available to all applicants, for a reasonable fee to offset the costs of production, materials that he considers necessary for the applicants' proper preparation for examinations. The Commissioner may contract directly with publishers and other suppliers for the production of the preparatory materials, and contracts so let by the Commissioner shall not be subject to Article 3 of Chapter 143 of the General Statutes. However, the Commissioner shall: (i) submit all proposed contracts for supplies, materials, printing, equipment, and contractual services that exceed one million dollars (\$1,000,000) authorized by this subdivision to the Attorney General or the Attorney General's designee for review as provided in G.S. 114-8.3; and (ii) include in all contracts to be awarded by the Commissioner under this subdivision a standard clause which provides that the State Auditor and internal auditors of the Commissioner may audit the records of the contractor during and after the term of the contract to verify accounts and data affecting fees and performance. The Commissioner shall not award a cost plus percentage of cost contract for any purpose.

...."

SECTION 1.(b) G.S. 58-33-32 reads as rewritten:

"§ 58-33-32. Interstate reciprocity in producer licensing.

...

(g) An individual who applies for an insurance producer license in this State who was previously licensed for the same lines of authority in that individual's home state shall not be

required to complete any ~~prelicensing education or~~ examination. This exemption is available only if:

...."

SECTION 1.(c) This section becomes effective October 1, 2025, and applies to licensure applications submitted on or after that date.

PART II. CLARIFY INSURANCE FEE REFERRAL CAP

SECTION 2.(a) G.S. 58-33-82(f) reads as rewritten:

"(f) No commission, fee, or other valuable consideration authorized under subsection (e) of this section for the referral of insurance business by an unlicensed individual to a ~~licensed insurance agent or broker~~ producer licensed under G.S. 58-33-26(c1)(6) shall exceed fifty dollars (\$50.00) in value. A violation of this subsection may be punished by a fine not to exceed two thousand dollars (\$2,000) for each violation. ~~This subsection shall not apply to title insurance.~~"

SECTION 2.(b) This section becomes effective October 1, 2025, and applies to any referral of personal lines insurance business made on or after that date.

PART III. MAINTAIN NAIC ACCREDITATION OF DOI

SECTION 3.(a) Article 19 of Chapter 58 of the General Statutes is amended by adding the following new sections to read:

"§ 58-19-26. Group capital calculation.

(a) Reporting Requirement. – The ultimate controlling person of every insurer subject to registration pursuant to G.S. 58-19-25 shall concurrently file with the registration an annual group capital calculation report. The report shall be filed with the lead state commissioner.

(b) Exemptions. – The ultimate controlling person of any of the following is exempt from the filing requirement of subsection (a) of this section:

- (1) An insurance holding company system that (i) has only one insurer within its holding company structure, (ii) only writes insurance business, (iii) is only licensed in its state of domicile, and (iv) assumes no business from any other insurer.
- (2) An insurance holding company system that is required to perform a group capital calculation specified by the United States Federal Reserve Board. When this exemption applies, the lead state commissioner shall request the calculation from the United States Federal Reserve Board. If the United States Federal Reserve Board cannot share the calculation with the lead state commissioner under the terms of any information sharing agreements in effect, then the insurance holding company system is not exempt from the group capital calculation filing.
- (3) An insurance holding company system whose non-United States group-wide supervisor is located within a reciprocal jurisdiction that recognizes the United States state regulatory approach to group supervision and group capital.
- (4) An insurance holding company system that meets both of the following requirements:
 - a. The insurance holding company system provides information to the lead state commissioner that meets the requirements for accreditation under the NAIC financial standards and accreditation program. The insurance holding company may provide this information either directly or indirectly through its group-wide supervisor. If provided indirectly through a group-wide supervisor, the supervisor is responsible for determining whether the information provided is sufficient to permit the lead state commissioner to comply with the

NAIC group supervision approach, as detailed in the NAIC Financial Analysis Handbook.

- b. The insurance holding company system's non-United States group-wide supervisor is not in a reciprocal jurisdiction but nonetheless recognizes the group capital calculation as the worldwide group capital assessment for United States insurance groups who operate in that jurisdiction.

(c) Recognition of Group Capital Calculation. – For purposes of subdivision (b)(4) of this section, a non-United States jurisdiction recognizes the group capital calculation if it satisfies any of the following criteria:

- (1) A competent regulatory authority in the jurisdiction affirms that insurers and insurance groups whose lead state is accredited by the NAIC under the NAIC accreditation program shall be subject only to worldwide prudential insurance group supervision, including worldwide group governance, solvency and capital, and reporting, as applicable, by that jurisdiction's lead state commissioner and will not be subject to group supervision, including worldwide group governance, solvency and capital, and reporting, at the level of the worldwide parent undertaking of the insurance or reinsurance group by the non-United States jurisdiction.
- (2) A competent regulatory authority in the jurisdiction affirms that information regarding insurers and their parent, subsidiary, or affiliated entities, if applicable, shall be provided to the lead state commissioner in accordance with an information sharing agreement in the form of a memorandum of understanding or similar document. Acceptable information sharing agreements include the International Association of Insurance Supervisors Multilateral Memorandum of Understanding or other multilateral memoranda of understanding coordinated by the NAIC. The jurisdiction does not satisfy this criteria if the lead state commissioner determines, in consultation with the NAIC, that the requirements of the information sharing agreements are no longer in force.
- (3) If no United States insurance groups operate in the non-United States jurisdiction, that non-United States jurisdiction notifies the lead state commissioner and the International Association of Insurance Supervisors in writing that the jurisdiction considers the group capital calculation an acceptable international capital standard.

(d) Limitation of Exemptions. – Notwithstanding subsection (b) of this section, the lead state commissioner shall require filing of the group capital calculation for United States operations of any non-United States based insurance holding company system if the lead state commissioner determines that the filing is required for (i) prudential oversight and solvency monitoring purposes or (ii) ensuring the competitiveness of the insurance marketplace.

(e) Consideration and Correction of NAIC Materials. – The lead state commissioner shall consider any relevant lists, reports, and recommendations published by the NAIC in determining whether the exceptions of subdivision (b)(4) of this section apply to an insurer. If the lead state commissioner's determination differs from relevant materials published by the NAIC, the lead state commissioner shall provide the NAIC with written justification for the difference supported by documentation. If published NAIC materials indicate that a non-United States jurisdiction recognizes the group capital calculation and the lead state commissioner determines that the jurisdiction no longer meets the requirements of subsection (c) of this section, the lead state commissioner may recommend a correction of the materials to the NAIC.

(f) Discretionary Exemptions. – The lead state commissioner may either (i) exempt the ultimate controlling person of an insurance holding company system from the filing requirement

of subsection (a) of this section or (ii) authorize the ultimate controlling person of an insurance holding company to file a limited group capital filing in lieu of the filing requirement of subsection (a) of this section if all of the following apply:

- (1) The insurance holding company system has annual direct written and unaffiliated assumed premium, including international direct and assumed premium, but excluding premiums reinsured with the Federal Crop Insurance Corporation and Federal Flood Program, of less than one billion dollars (\$1,000,000,000).
- (2) The insurance holding company system does not include insurers within its holding company structure that are domiciled outside of the United States or one of its territories.
- (3) The insurance holding company system does not include a banking, depository, or other financial entity that is subject to an identified regulatory capital framework within its holding company structure.
- (4) The insurance holding company system attests that there are no material changes in transactions between insurers and non-insurers in the group that have occurred since the last filing of an annual group calculation report, if any.
- (5) The non-insurers within the insurance holding company system do not pose a material financial risk to the insurer's ability to honor policyholder obligations.

(g) Resumption of Filings. – If the lead state commissioner determines that an insurance holding company system exempted from the filing requirements of subsection (a) of this section no longer meets the requirements for an exemption, the insurance holding company system shall file the group capital calculation at the next annual filing date unless given an extension by the lead state commissioner based on reasonable grounds shown. If the lead state commissioner, pursuant to subsection (f) of this section, either grants a discretionary exemption or authorizes a limited group capital filing, the lead state commissioner may require the ultimate controlling person of that insurance holding company system to file an annual group calculation at any time if any of the following apply:

- (1) Any insurer within the insurance holding company system is in a risk-based capital action level event as set forth in Article 12 of this Chapter or a similar standard for a non-United States insurer.
- (2) Any insurer within the insurance holding company system meets one or more of the standards of an insurer deemed to be in hazardous financial condition pursuant to the criteria provided in G.S. 58-30-60.
- (3) Any insurer within the insurance holding company system otherwise exhibits qualities of a troubled insurer as determined by the lead state commissioner based on unique circumstances, including the type and volume of business written, ownership and organizational structure, federal agency requests, and international supervisor requests.

"§ 58-19-27. Liquidity stress test.

(a) Participation and Reporting Requirement. – The ultimate controlling person of every insurer subject to registration pursuant to G.S. 58-19-25 shall be included in the NAIC liquidity stress test framework and file a report with the lead state commissioner detailing the results of a specific year's liquidity stress test if either of the following applies:

- (1) The insurer meets the scope criteria of that data year's NAIC liquidity stress test framework.
- (2) The insurer did not meet the scope criteria of that data year's liquidity stress test framework, but the lead state commissioner, in consultation with the NAIC Financial Stability Task Force or its successor, nonetheless determines the insurer should be included in the NAIC liquidity stress test framework for

that data year. In making this determination, the lead state commissioner shall attempt to avoid the frequent inclusion or exclusion of insurers.

(b) The performance of, and filing of the results from, a specific year's liquidity stress test shall comply with (i) the NAIC liquidity stress test framework's instructions and reporting templates for that year and (ii) all lead state commissioners' directives issued in consultation with the NAIC Financial Stability Task Force or its successor.

(c) Exemptions. – The lead state commissioner may, in consultation with the NAIC Financial Stability Task Force or its successor, exempt an ultimate controlling person from the reporting requirements of subsection (a) of this section. The lead state commissioner shall consider the intent of regulators to avoid having insurers scoped in and out of the NAIC liquidity stress test framework on a frequent basis when making this determination.

"§ 58-19-28. Dissemination prohibited.

(a) Unless otherwise provided by law, the making, publishing, disseminating, circulating, or placing before the public, or causing directly or indirectly to be made, published, disseminated, circulated, or placed before the public in a newspaper, magazine, or other publication, or in the form of a notice, circular, pamphlet, letter, or poster, or over any radio or television station or any electronic means of communication available to the public, or in any other way as an advertisement, announcement, or statement containing a representation or statement with regard to the group capital calculation, group capital ratio, the liquidity stress test results, or supporting disclosures for the liquidity stress test of any insurer or any insurer group, or of any component derived in the calculation by any insurer, broker, or other person engaged in any manner in the insurance business is prohibited.

(b) Notwithstanding subsection (a) of this section, if any materially false statement with respect to the group capital calculation, resulting group capital ratio, an inappropriate comparison of any amount to an insurer's or insurance group's group capital calculation or resulting group capital ratio, liquidity stress test result, supporting disclosures for the liquidity stress test, or an inappropriate comparison of any amount to an insurer's or insurance group's liquidity stress test result, or supporting disclosures is published in any written publication and the insurer is able to demonstrate to the Commissioner with substantial proof the falsity or inappropriateness of the statement, then the insurer may publish announcements in a written publication if the sole purpose of the announcement is to rebut the materially false or inappropriate statement."

SECTION 3.(b) G.S. 58-19-5 reads as rewritten:

"§ 58-19-5. Definitions.

As used in this Article, unless the context requires otherwise, the following terms have the following meanings:

...

(10a) Group capital calculation. – A report, completed in accordance with the group capital calculation instructions as adopted and amended by the NAIC, used to evaluate the capital adequacy of insurance holding company systems that includes information on the sources of capital within the system, where that capital is located, and sources of risk.

~~(10a)~~(10b) Group-wide supervisor. – The regulatory official authorized to engage in conducting and coordinating group-wide supervision activities who is determined or acknowledged by the Commissioner under G.S. 58-19-38 to have sufficient significant contacts with the internationally active insurance group.

...

(12b) Lead state commissioner. – The person responsible for regulating the insurance holding company system as determined by the Commissioner in accordance with the procedures within the Financial Analysis Handbook adopted by the NAIC.

- (12c) Limited group capital filing. – A simplified version of the group capital calculation, completed in accordance with procedures adopted by the NAIC, where an insurance holding company system only provides a limited amount of data, allowing them to avoid the filing of a full group capital calculation.
- (12d) Liquidity stress test. – A process simulating extreme market conditions to assess an entity's ability to maintain sufficient liquidity in response to adverse events.
- (12e) NAIC. – The National Association of Insurance Commissioners.
- (12f) NAIC liquidity stress test framework. – A publication, adopted and amended by the NAIC in accordance with procedures adopted by the NAIC, which includes a history of the NAIC's development of regulatory liquidity stress testing, the scope criteria applicable for a specific data year, and the liquidity stress test instructions and reporting templates for a specific data year.
- ...
- (13a) Reciprocal jurisdiction. – As defined in G.S. 58-7-21(b)(4b).
- (13b) Scope criteria. – Designated exposure bases, detailed in the NAIC liquidity stress test framework along with minimum magnitudes thereof for the specified data year, used to establish a preliminary list of insurers included in the NAIC liquidity stress test framework for that data year.

...."

SECTION 3.(c) G.S. 58-19-15 reads as rewritten:

"§ 58-19-15. Acquisition of control of or merger with domestic insurer.

...

(b) The statement to be filed with the Commissioner under subsection (a) of this section shall be furnished on a Form A as prescribed by the Commissioner, made under oath or affirmation, and shall contain the following information:

...

- (11a) An agreement by the person required to file the statement referred to in subsection (a) of this section that it will provide the annual report, as specified in ~~G.S. 58-19-25~~, G.S. 58-19-25(l), for so long as control exists.

...."

SECTION 3.(d) G.S. 58-19-25 reads as rewritten:

"§ 58-19-25. Registration of ~~insurers~~insurers; disclaimer of affiliation; enterprise risk filings.

...

(c) No information need be disclosed on the registration statement filed pursuant to subsection (b) of this section if such information is not ~~material for the purposes of this section.~~ Unless the Commissioner by rule or order provides otherwise, all material. For purposes of this section, all sales, purchases, exchanges, loans or extensions of credit, investments, or guarantees involving one-half of one percent (~~1/2%~~) (0.5%) or less of an insurer's admitted assets as of the preceding December 31 are not material for the purposes of this section. material, unless the Commissioner by rule or order provides otherwise. This subsection does not apply to the reporting requirements of G.S. 58-19-26 and G.S. 58-19-27.

...

(l) Effective January 1, 2016, the ultimate controlling person of every insurer subject to registration shall also file an annual enterprise risk report on Form F as prescribed by the Commissioner. The report shall, to the best of the ultimate controlling person's knowledge and belief, identify the material risks within the insurance holding company system that could pose enterprise risk to the insurer. The report shall be filed with the lead state ~~commissioner of the insurance holding company system as determined by the procedures within the Financial Analysis Handbook adopted by the NAIC.~~ commissioner."

SECTION 3.(e) G.S. 58-19-40 reads as rewritten:

"§ 58-19-40. Confidential treatment.

(a) Documents, materials, or other information in the possession or control of the Department that are obtained by or disclosed to the Commissioner or any other person in the course of an examination or investigation made pursuant to G.S. 58-19-35, and all information reported or provided to the Department pursuant to subdivisions (11a) and (11b) of G.S. 58-19-15(b), G.S. 58-19-25, G.S. 58-19-30 and G.S. 58-19-38 are recognized by this State as being proprietary and to contain trade secrets, and shall be confidential by law and privileged, shall not be considered a public record under either G.S. 58-2-100 or Chapter 132 of the General Statutes, shall not be subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private civil action. However, the Commissioner is authorized to use the documents, materials, or other information in the furtherance of any regulatory or legal action brought as a part of the Commissioner's official duties. The Commissioner shall not otherwise make the documents, materials, or other information public without the prior written consent of the insurer to which it pertains unless the Commissioner, after giving the insurer and its affiliates who would be affected thereby notice and opportunity to be heard, determines that the interest of policyholders, shareholders, or the public will be served by the publication thereof, in which event the Commissioner may publish all or any part of the information in such manner as may be deemed appropriate.

(a1) With respect to information provided to the Department pursuant to G.S. 58-19-26 and G.S. 58-19-27, the Commissioner shall:

- (1) Maintain the confidentiality of the group capital calculation and group capital ratio produced within the calculation and any group capital information received from an insurance holding company system supervised by the Federal Reserve Board or any United States group-wide supervisor.
- (2) Maintain the confidentiality of the liquidity stress test results and supporting disclosures and any liquidity stress test information received from an insurance holding company system supervised by the Federal Reserve Board and non-United States group-wide supervisors.

...

(c) In order to assist in the performance of the duties imposed by this Article, the Commissioner:

- (1) May share documents, materials, or other information, including the confidential and privileged documents, materials, or information subject to subsection (a) of this section, including proprietary and trade secret documents and materials, with other all of the following:
 - a. Other state, federal, and international regulatory agencies, with the NAIC and its affiliates and subsidiaries, and with state, agencies.
 - b. The NAIC.
 - c. Any third-party consultants designated by the Commissioner.
 - d. State, federal, and international law enforcement authorities, including members of any supervisory college described in G.S. 58-19-37, provided that the recipient agrees in writing to maintain the confidentiality and privileged status of the document, material, or other information and has verified in writing the legal authority to maintain confidentiality.
- (2) Notwithstanding subdivision (1) of this subsection, may only share confidential and privileged documents, material, or information reported pursuant to ~~G.S. 58-19-25~~ G.S. 58-19-25(l) with Commissioners of states having statutes or regulations substantially similar to subsection (a) of this section and who have agreed in writing not to disclose such information.

- (3) May receive documents, materials, or information, including otherwise confidential and privileged documents, materials, or ~~information~~ information, including proprietary and trade-secret information, from the NAIC and its affiliates and subsidiaries and from regulatory and law enforcement officials of other foreign or domestic jurisdictions, and shall maintain as confidential or privileged any document, material, or information received with notice or the understanding that it is confidential or privileged under the laws of the jurisdiction that is the source of the document, material, or information.
- (4) Shall enter into written agreements with the NAIC and any third-party consultant designated by the Commissioner governing sharing and use of information provided pursuant to this Article consistent with this subsection that ~~shall~~ shall do all of the following:
- a. Require a recipient to maintain the confidentiality and privileged status of any documents, materials, or information. Specify procedures and protocols regarding the confidentiality and security of information shared with the NAIC and its affiliates and subsidiaries or a third-party consultant designated by the Commissioner pursuant to this Article, including procedures and protocols for sharing by the NAIC with other state, federal, or international regulators; regulators. The agreement shall require a recipient to verify in writing that the recipient has reviewed the legal authority supporting any confidentiality or privilege.
 - b. Specify that ownership of information shared with the NAIC and its affiliates and subsidiaries or a third-party consultant pursuant to this Article remains with the Commissioner, and the NAIC's use of the information by the NAIC or third-party consultant designated by the Commissioner is subject to the direction of the Commissioner; Commissioner.
 - c. Prohibit the NAIC or third-party consultant designated by the Commissioner from storing the information shared pursuant to this section in a permanent database after the underlying analysis is completed. This sub-subdivision does not apply to documents, material, or information reported pursuant to G.S. 58-19-27.
 - e-d. Require prompt notice to be given to an insurer whose confidential information in the possession of the NAIC or a third-party consultant designated by the Commissioner pursuant to this Article is subject to a request or subpoena to the NAIC for disclosure or production; and production.
 - d-e. Require the NAIC and its affiliates and subsidiaries or a third-party consultant designated by the Commissioner to consent to intervention by an insurer in any judicial or administrative action in which the NAIC and its affiliates and subsidiaries or a third-party consultant designated by the Commissioner may be required to disclose confidential information about the insurer shared with the NAIC and its affiliates and subsidiaries or a third-party consultant designated by the Commissioner pursuant to Article 19 of this Chapter.
 - f. Require the Commissioner to notify an insurer when documents, materials, or information confidential or privileged to that insurer are shared with a third-party consultant. The notification shall include the identity of the third-party consultant. This sub-subdivision only

applies to documents, materials, or information shared pursuant to G.S. 58-19-27.

...
(f) Documents, materials, or other information in the possession or control of the NAIC or a third-party consultant designated by the Commissioner pursuant to a requirement of this Article shall be confidential by law and privileged, shall not be considered a public record under G.S. 58-2-100 or Chapter 132 of the General Statutes, shall not be subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private civil action."

SECTION 3.(f) This section becomes effective January 1, 2026.

PART IV. CHANGES TO THE NORTH CAROLINA PROFESSIONAL EMPLOYER ORGANIZATION ACT

SECTION 4.(a) G.S. 58-89A-5 reads as rewritten:

"§ 58-89A-5. Definitions.

In this Article:

...
(3) "Audited ~~GAAP~~ financial statement" means a financial statement that is audited by an independent certified public accountant and presented in accordance with generally accepted accounting principles.

...
(17) "Tangible net worth" means the difference between total tangible assets and total liabilities. For purposes of this definition, tangible assets are physical assets and do not include goodwill, patents, copyrights, intellectual property, trademarks, and any other non-physical asset.

~~(17)~~(18) "Temporary employees" means persons employed under an arrangement by which an organization hires its own employees and assigns them to a client company to support or supplement the client's workforce in a special work situation, including:

...
(19) "Working capital" means the difference between current assets and current liabilities."

SECTION 4.(b) G.S. 58-89A-35 reads as rewritten:

"§ 58-89A-35. License required; professional employer organization groups.

...
(b) Two or more ~~professional employer organizations~~ persons that are controlled by the same ultimate parent, entity, or persons may be licensed as a professional employer organization group. A professional employer organization group may satisfy the reporting and financial requirements of this Article on a consolidated or combined basis. As a condition of licensure as a professional employer organization group, each ~~professional employer organization person~~ that is proposes to be a member of the a professional employer organization group shall guarantee payment of all financial obligations of every other member. Notwithstanding the definition of "person" in this Article, whenever two or more entities ~~combine to~~ seek issuance of a single license under this Article, the requirements for group licensure under this subsection shall be met before issuance of a license and any license issued will be a professional employer organization group license issued pursuant to this subsection."

SECTION 4.(c) G.S. 58-89A-50 reads as rewritten:

"§ 58-89A-50. Surety bond; letter of credit; other deposits.

(a) An applicant for licensure shall file with the Commissioner a surety bond, or other items as set forth in subsection (f) of this section, in the amount of one hundred thousand dollars (\$100,000) for the benefit of the Commissioner. An applicant ~~whose current assets do not exceed current liabilities~~ or licensee who does not have positive working capital pursuant to

G.S. 58-89A-60(b) shall file an additional surety bond or other items set forth in subsection (f) of this section equal to or in excess of ~~current liabilities less current assets.~~the applicant's or licensee's negative working capital.

...."

SECTION 4.(d) G.S. 58-89A-60(g) is repealed.

SECTION 4.(e) G.S. 58-89A-60, as amended by Section 4(d) of this act, reads as rewritten:

"§ 58-89A-60. License application.

(a) Every applicant for licensure shall file with the Commissioner, on a form prescribed by the Commissioner, the following information:

...

(3) A list of all ~~officers~~officers, directors, and other controlling persons of the applicant, their biographical information, including their education, management background, and business experience, and an affidavit from each attesting to his or her good moral character and management competence.

...

(6) Any other reasonable information the Commissioner deems necessary ~~and requires by rule~~ to establish that the applicant and the officers and controlling persons are of good moral character, have business integrity, have applicable educational and business experience, and have financial responsibility.

(b) Every applicant shall file with the Commissioner an audited ~~GAAP~~ financial statement, prepared as of a date not more than 90-120 days before the date of application that demonstrates that the applicant ~~or licensee's current assets exceed current liabilities and attached has a tangible net worth of not less than fifty thousand dollars (\$50,000) and positive working capital.~~ The applicant shall attach to which is the audited financial statement a separate document signed by the applicant's chief executive and the chief financial officer certifying that (i) each has reviewed the audited financial statement; (ii) based on each signatory's knowledge, the audited financial statement does not contain any untrue or misleading statement of material fact or omit a fact with respect to the period covered by the audited financial statement; and (iii) based on each signatory's knowledge, the audited financial statement fairly presents in all material respects the financial condition of the licensee-applicant as of, and for, the period presented in the audited financial statement.

Notwithstanding the requirements of this subsection, the Commissioner may, in the Commissioner's discretion, accept an audited ~~GAAP~~ financial statement that has been prepared more than 90-120 days before submission to the Commissioner if the Commissioner deems such acceptance appropriate. The Commissioner may, in the Commissioner's discretion, impose conditions upon such acceptance of audited financial statements prepared more than 90-120 days prior to submission.

The audited ~~GAAP~~ financial statement shall be prepared ~~in accordance with generally accepted accounting principles and audited~~ by an independent certified public accountant licensed to practice in the jurisdiction in which such accountant is located and shall be without qualification as to the going concern status of the ~~PEO. A PEO group applicant.~~ Persons applying for a professional employer organization group license may submit combined or consolidated audited financial statements to meet the requirements of this section, except that a PEO provided that the combined or consolidated audited financial statement include a combining or consolidating balance sheet and statement of operations of each proposed member as supplemental information to the combined or consolidated audited financial statement. An applicant that has not had sufficient operating history to have audited financial statements based upon does not have at least 12 months of operating history must may meet the financial capacity requirements of this subsection and present by filing with the Commissioner financial statements

that have been reviewed by a-an independent certified public accountant-accountant and that have been prepared as of a date not more than 90 days before the date of application.

(b1) The Commissioner may accept the audited financial statement of an applicant's parent company, if the audited financial statement includes either a combining or consolidating balance sheet, income statement, statement of changes in equity, and statement of cash flows as supplemental information to the audited financial statement, the contents of which will allow the Commissioner to determine the financial condition and financial responsibility of the applicant.

(b2) The Commissioner may accept the audited financial statement of an applicant's parent company and consider the financial condition and financial responsibility of the parent company in lieu of the applicant, if all of the following requirements are satisfied:

- (1) The parent executes a guaranty agreement, in a form prescribed by the Commissioner, for the guaranty of all obligations related to the applicant's current and future client companies, including its obligations for payroll, payroll-related taxes, workers' compensation insurance, and employee benefits.
- (2) The applicant files with the Commissioner documentation acceptable to the Commissioner evidencing the parent's control.
- (3) The applicant submits an audited financial statement that meets the requirements of subsection (b1) of this section that allows the Commissioner to determine the financial condition and financial responsibility of the parent and the applicant.

...

(d) Every applicant shall furnish the Commissioner a complete set of fingerprints of each officer, director, and controlling person in a form prescribed by the Commissioner. Each set of fingerprints shall be certified by an authorized law enforcement officer.

Upon request by the Department, the State Bureau of Investigation shall provide to the Department from the State and National Repositories of Criminal Histories the criminal history of any applicant and the officer, director, and controlling person of any applicant. Along with the request, the Department shall provide to the State Bureau of Investigation the fingerprints of the person that is the subject of the request, a form signed by the person that is the subject of the request consenting to the criminal record check and use of fingerprints and other identifying information required by the State and National Repositories, and any additional information required by the State Bureau of Investigation. The person's fingerprints shall be used by the State Bureau of Investigation for a search of the State's criminal history record file, and the State Bureau of Investigation may forward a set of fingerprints to the Federal Bureau of Investigation for a national criminal history record check. The Department shall keep all information obtained pursuant to this subsection confidential. The State Bureau of Investigation may charge a fee to offset the cost incurred by it to conduct a criminal record check under this section. The fee shall not exceed the actual cost of locating, editing, researching, and retrieving the information.

In the event that an applicant has secured a professional employer organization license in another state in which the professional employer organization's controlling persons have completed a criminal background investigation within 12 months of this application, a certified copy of the report from the appropriate authority of that state may satisfy the requirement of this subsection. This subsection also applies to a change in a-the officers, directors, and other controlling party-persons of a-professional employer organization-organizations and professional employer organization groups licensed under this Article. For purposes of investigation under this subsection, the Commissioner shall have all the power conferred by G.S. 58-2-50 and other applicable provisions of this Chapter.

...

(g1) The Commissioner may deny the license of an applicant under this Article if the Commissioner finds any of the following:

- (1) That an officer, director, or other controlling person has:
 - a. Not met the requirements of G.S. 58-89A-40.
 - b. Made any untrue material statement or omitted any material information regarding their background or experience.
 - c. Violated, or failed to comply with, any professional employer services law or any rule or order of the Commissioner or of any other State official responsible for the regulation of any aspect of the applicant's business.
 - d. Obtained or attempted to obtain the license through misrepresentation or fraud.
 - e. Been convicted of a felony.
 - f. Been found in a final judgment or administrative proceeding to have committed fraud or an unfair trade practice.
 - g. Been an officer, director, or other controlling person in another professional employer organization that has had its license or registration suspended, terminated, or revoked by any state.
- (2) That the applicant is not current with respect to all of its obligations for payroll, payroll-related taxes, workers' compensation insurance, and employee benefits and the applicant has failed to satisfy the Commissioner as to the reasons why.
- (3) That the applicant does not possess:
 - a. A tangible net worth of not less than fifty thousand dollars (\$50,000).
 - b. Positive working capital, or in lieu of positive working capital, substitute security as provided under G.S. 58-89A-50(a).
- (4) That the applicant has not provided evidence satisfactory to the Commissioner of financial responsibility.
- (5) That the applicant has failed to satisfy the requirements of G.S. 58-89A-50.
- (6) That a ground upon which the Commissioner could take disciplinary action against a licensee or other person subject to licensure requirements pursuant to G.S. 58-89A-155 applies to the applicant.

(h) If the Commissioner finds that the applicant has not fully met the requirements for licensure, the Commissioner shall refuse to issue the license and shall notify the applicant in writing of the denial, stating the grounds for the denial. ~~The application may also be denied for any reason for which a license may be suspended or terminated under G.S. 58-89A-155.~~ To obtain a review to determine the reasonableness of the Commissioner's denial, the applicant shall make written demand upon the Commissioner within 30 days after notice is given under G.S. 150B-38(c). The review shall be completed without undue delay, and the applicant shall be notified promptly in writing as to the outcome of the review. If the applicant disagrees with the outcome of the review and seeks a hearing, under Article 3A of Chapter 150B of the General Statutes, on the outcome of the review, the applicant shall make a written demand upon the Commissioner for the hearing within 30 days after notice of the outcome of the review is given under G.S. 150B-38(c).

(i) Removal, demotion, or discharge of ~~a~~ an officer, director, or other controlling person in response to an order of the Commissioner of the alleged unsuitability of that person is an affirmative defense to any claim by that individual based on the removal, demotion, or discharge.
...."

SECTION 4.(f) G.S. 58-89A-70 reads as rewritten:

"§ 58-89A-70. License issuance and maintenance.

...

(c) By obtaining licensure under this Article, the officers, directors, and other controlling persons of a licensee certify, under penalty of law, their compliance with the requirements of licensure and of operation as a professional employer organization pursuant to this Article.

(d) Within 120 days after the end of each fiscal year, each licensee shall file with the Commissioner all of the following information:

(1) ~~Evidence of "financial responsibility" as set forth in G.S. 58-89A-60(b).~~ An audited financial statement of the licensee or, if allowed by the Commissioner, an audited financial statement of the licensee's parent. The audited financial statement shall be in the form required by G.S. 58-89A-60(b), (b1), or (b2), as appropriate.

...

(4) An attestation, executed by the chief financial officer and the chief executive officer of the licensee, that the licensee is current with respect to all of its obligations for payroll, payroll-related taxes, workers' compensation insurance, and employee benefits. If any of the obligations listed in this subdivision are in dispute with a client and the disputed amount is material when considered in the context of the licensee's most recent audited financial statement, then the licensee shall disclose the nature of the dispute causing the obligations to be unpaid and the amount of money in controversy.

~~(4)(5)~~ Any other reasonable information the Commissioner determines is needed for the review of a licensee.

(e) In order to maintain licensure, each licensee may be required to file with the Commissioner no later than ~~45-60~~ days after the end of each quarter of the fiscal year:

(1) A financial statement for the preceding quarter that is not audited but is set forth in a format similar to the annual audited GAAP financial statement; and

(2) ~~An attestation, executed by the chief financial officer and the chief executive officer of the licensee, that the licensee is current with respect to all of its obligations for payroll, payroll-related taxes, workers' compensation insurance, and employee benefits. If any of the obligations listed in this subdivision are in dispute with a client and the disputed amount is material when considered in the context of the licensee's most recent audited financial statement, then the licensee shall disclose the nature of the dispute causing the obligations to be unpaid and the amount of money in controversy.~~ attestation in the form required by subdivision (4) of subsection (d) of this section."

SECTION 4.(g) G.S. 58-89A-75 reads as rewritten:

"§ 58-89A-75. De minimis registration.

(a) A person who seeks to offer limited professional employer services in this State shall be eligible for de minimis registration status upon compliance with this section and may operate as a de minimis registrant in this State upon notification pursuant to this section. A person shall satisfy the requirements for a de minimis registration only if the professional employer organization:

(1) Does not maintain a physical professional employer organization office located in this State;

(2) Is not domiciled in this State;

~~(2)(3)~~ Does not employ salespersons who reside or direct their sales activities in this State;

~~(3)(4)~~ Does not employ directly or in common control with another person, as defined in G.S. 58-89A-5(12), more than 50 assigned employees in this State;

~~(4)(5)~~ Does not advertise through any media outlet physically located in this State; State, provided, however, that this subdivision shall not prohibit a person from advertising through publications, trade journals, directories, radio,

television, or the internet if such advertising is not expressly directed toward employers in this State.

(5)(6) Is a licensed ~~or registered~~ professional employer organization in at least one other state of the United States; and

(6)(7) Is operated by and under the control of persons of good moral character.

A professional employer organization operating under a de minimis registration shall be subject to all of the responsibilities and authority of a licensee under this Article except for G.S. 58-89A-50, 58-89A-60 and 58-89A-70(c), (d), and (e).

...."

SECTION 4.(h) This section is effective when it becomes law and applies to applications for license issuance or renewal submitted on or after that date.

PART V. INSURANCE GUARANTY ASSOCIATION ACT REVISIONS

SECTION 5.(a) G.S. 58-48-10 reads as rewritten:

"§ 58-48-10. Scope.

This Article shall apply to all kinds of direct insurance, but shall not be applicable to:

...

(5) ~~Insurance~~ Other than coverages that may be set forth in a cybersecurity insurance policy, insurance of warranties or service contracts;

...."

SECTION 5.(b) G.S. 58-48-20 reads as rewritten:

"§ 58-48-20. Definitions.

As used in this Article:

...

(4) Covered claim. – An unpaid claim, including one of unearned premiums, which is in excess of fifty dollars (\$50.00) and arises out of and is within the coverage and not in excess of the applicable limits of an insurance policy to which this Article applies ~~as issued by an insurer, if that insurer~~ if the policy was issued by an insurer that becomes an insolvent insurer after the effective date of this Article and (i) the claimant or insured is a resident of this State at the time of the insured event; or (ii) the property from which the claim arises is permanently located in this State. "Covered claim" includes claim obligations that arose through the issuance of an insurance policy by a member insurer, which are later allocated, transferred, merged into, novated, assumed by, or otherwise made the sole responsibility of a member or nonmember insurer if (i) the original member insurer has no remaining obligations on the policy after the transfer, (ii) a final order of liquidation with a finding of insolvency has been entered against the insurer that assumed the member's coverage obligations by a court of competent jurisdiction in the insurer's state of domicile, (iii) the claim would have been a covered claim, as defined in this subdivision, if the claim had remained the responsibility of the original member insurer and the order of liquidation had been entered against the original member insurer, with the same claim submission date and liquidation date, and (iv) in cases where the member's coverage obligations were assumed by a nonmember insurer, the transaction received prior regulatory or judicial approval. "Covered claim" shall not include any amount awarded (i) as punitive or exemplary damages; (ii) sought as a return of premium under any retrospective rating plan; or (iii) due any reinsurer, insurer, insurance pool, or underwriting association, as subrogation or contribution recoveries or otherwise. "Covered claim" also shall not include fines or penalties, including attorneys' fees, imposed against an insolvent insurer or its insured or claims

- of any claimant whose net worth exceeds fifty million dollars (\$50,000,000) on December 31 of the year preceding the date the insurer becomes insolvent.
- (4a) Cybersecurity insurance. – Includes first and third-party coverage, in a policy or endorsement, written on a direct, admitted basis by a member insurer for losses and loss mitigation arising out of or relating to data privacy breaches, unauthorized information network security intrusions, computer viruses, ransomware, cyber extortion, identity theft, and similar exposures.

...."

SECTION 5.(c) G.S. 58-48-35 reads as rewritten:

"§ 58-48-35. Powers and duties of the Association.

(a) The Association shall:

- (1) Be obligated to the extent of the covered claims existing prior to the determination of insolvency and arising within 30 days after the determination of insolvency, or before the policy expiration date if less than 30 days after the determination, or before the insured replaces the policy or causes its cancellation, if he does so within 30 days of the determination. This obligation includes only the amount of each covered claim that is in excess of fifty dollars (\$50.00) and is less than five hundred thousand dollars (\$500,000). However, the Association shall pay the full amount of a covered claim for benefits under a workers' compensation insurance coverage, and shall pay an amount not exceeding ten thousand dollars (\$10,000) per policy for a covered claim for the return of unearned premium. In no event shall the Association be obligated to pay an amount in excess of five hundred thousand dollars (\$500,000) for all first and third-party claims under a policy or endorsement providing, or that is found to provide, cybersecurity insurance coverage and arising out of or related to a single insured event, regardless of the number of claims made or the number of claimants. The Association has no obligation to pay a claimant's covered claim, except a claimant's workers' compensation claim, if:

...

- (4) Investigate claims brought against the Association and adjust, compromise, settle, and pay covered claims to the extent of the Association's obligation and deny all other claims ~~and may review settlements, releases and judgments to which the insolvent insurer or its insureds were parties to determine the extent to which such settlements, releases and judgments may be properly contested claims.~~ This requirement is subject to the following provisions:

- a. When investigating, adjusting, compromising, or settling claims, the Association may appoint, substitute, and direct legal counsel for the defense of covered claims and appoint and direct other service providers for covered services.
- b. The Association may pay in any order that it deems reasonable, including the payment of claims as they are received from the claimants or in groups or categories of claims.

...

- (8) Have the right to review and contest settlements, releases, compromises, waivers, and judgments to which the insolvent insurer or its insureds were parties prior to the entry of the order of liquidation. This right is subject to the following provisions:

- a. In addition to any defenses available to the insurer, the Association may assert any statutory defenses or rights of offset against any settlement, release, compromise, or waiver executed by an insured or the insurer or any judgment taken against the insured or the insurer.

- b. The Association is not bound by a settlement, release, compromise, or waiver executed by an insured or the insurer or any judgment entered against an insured or the insurer by consent or through a failure to exhaust all appeals if the settlement, release, compromise, waiver, or judgment was:
 - 1. Executed or entered within 120 days prior to the entry of an order of liquidation, and the insured or the insurer did not use reasonable care in entering into the settlement, release, compromise, waiver, or judgment, or did not pursue all reasonable appeals of an adverse judgment; or
 - 2. Executed by or taken against an insured or the insurer based on default, fraud, collusion, or the insurer's failure to defend.
- c. If a court of competent jurisdiction finds that the Association is not bound by a settlement, release, compromise, waiver, or judgment for any of the reasons described in sub-subdivision b. of this subdivision, the settlement, release, compromise, waiver, or judgment shall be set aside, and the Association shall be permitted to defend any covered claim on the merits. The settlement, release, compromise, waiver, or judgment may not be considered as evidence of liability or damages in connection with any claim brought against the Association or any other party under this Article.
- d. Any covered claims arising from any judgment under any decision, verdict, or finding based on the default of the insolvent insurer or its failure to defend an insured shall, upon application and notice by the Association, be vacated and set aside by the same court in which such judgment, order, decision, verdict, or finding is entered, and the Association either on its own behalf or on behalf of any insured or an insolvent insurer shall be permitted to defend against such claim on the merits. Any party who has obtained any such judgment or order shall have the right, upon application and notice, to have the judgment or order restored if within 90 days following the entry of the judgment or order the Association has not notified such party and the court that it intends to defend the matter on the merits.

...."

SECTION 5.(d) G.S. 58-48-50 reads as rewritten:

"§ 58-48-50. Effect of paid claims.

...

(a1) The Association shall have the right to recover from the following persons the amount of any "covered claim" paid and any and all expenses incurred, including attorneys' fees and costs of defense, in connection with any claim against the person or the person's affiliate pursuant to this Article:

- (1) Any insured whose net worth on December 31 of the year next preceding the date the insurer becomes insolvent exceeds fifty million dollars (\$50,000,000) and whose liability obligations to other persons are satisfied in whole or in part by payments under this ~~Article; Article~~, provided that an insured's net worth on that date shall be deemed to include the aggregate net worth of the insured and all of its subsidiaries and affiliates as calculated on a consolidated basis; or

...."

SECTION 5.(e) G.S. 58-48-85 reads as rewritten:

"§ 58-48-85. Stay of ~~proceedings; reopening of default judgments.~~proceedings.

All proceedings in which the insolvent insurer is a party or is obligated to defend a party in any court or before any administrative agency or the North Carolina Industrial Commission shall be stayed automatically for 120 days and such additional time thereafter as may be determined by the court from the date the insolvency is determined or any ancillary proceedings are initiated in this State, whichever is later, to permit proper defense by the Association of all pending causes of action. Any party to any proceeding which is stayed pursuant to this section shall have the right, upon application and notice, to seek a vacation or modification of such stay. ~~Any covered claims arising from any judgment under any decision, verdict or finding based on the default of the insolvent insurer or its failure to defend an insured, shall, upon application and notice by the Association be vacated and set aside by the same court in which such judgment, order, decision, verdict, or finding is entered and the Association either on its own behalf or on behalf of any insured or an insolvent insurer, shall be permitted to defend against such claim on the merits. Any party who has obtained any such judgment or order shall have the right, upon application and notice, to have the judgment or order restored if within 90 days following the entry of the judgment or order the Association has not notified such party and the court that it intends to defend the matter on the merits."~~

SECTION 5.(f) This section is effective when it becomes law.

PART VI. CLARIFY PERMITTED TRADE PRACTICES WITH RESPECT TO INSURANCE REBATES

SECTION 6.(a) G.S. 58-63-15(8)b.4. and G.S. 58-63-16 are repealed.

SECTION 6.(b) G.S. 58-63-15 reads as rewritten:

"§ 58-63-15. Unfair methods of competition and unfair or deceptive acts or practices defined.

The following are hereby defined as unfair methods of competition and unfair and deceptive acts or practices in the business of insurance:

...
(8) Rebates. –

...
b. Nothing in subdivision (7) or ~~paragraph a~~ ~~sub-subdivision a.~~ of subdivision (8) of this section shall be construed as including within the definition of discrimination or rebates any of the following practices:

- ...
5. Engaging in an arrangement that would not violate section 106 of the Bank Holding Company Act Amendments of 1972 (12 U.S.C. § 1972), as interpreted by the Board of Governors of the Federal Reserve System, or section 5(q) of the Home Owners' Loan Act, 12 U.S.C. § 1464(q).
 6. The offer or provision by insurers or producers, by or through employees, affiliates, or third-party representatives, of value-added products or services at no or reduced cost when such products or services are not specified in the policy of insurance if all of the following criteria are met:
 - I. Relates to the insurance coverage and is primarily designed to satisfy one or more of the following:
 - A. Providing loss mitigation or loss control.
 - B. Reducing claim costs or claim settlement costs.
 - C. Providing education about liability risks or risk of loss to persons or property.

- D. Monitoring or assessing risk, identifying sources of risk, or developing strategies for eliminating or reducing risk.
 - E. Enhancing health.
 - F. Enhancing financial wellness through items such as education or financial planning services.
 - G. Providing post-loss services.
 - H. Incentivizing behavioral changes to improve the health or reduce the risk of death or disability of a customer. For purposes of this sub-sub-sub-sub-subdivision, "customer" means a policyholder, potential policyholder, certificate holder, potential certificate holder, insured, potential insured, or applicant.
 - I. Assisting in the administration of the employee or retiree benefit insurance coverage.
 - II. If the insurer or producer is providing the product or service offered, the insurer or producer must ensure that the customer is provided with contact information to assist the customer with questions regarding the product or service.
 - III. The availability of the value-added product or service must be based on documented objective criteria and offered in a manner that is not unfairly discriminatory. The documented criteria must be maintained by the insurer or producer and produced upon request by the Department.
- 7. The offer or provision of products or services that otherwise meet the criteria of sub-sub-subdivision 6. of this sub-subdivision, where the insurer or producer does not have sufficient evidence to demonstrate but has a good-faith belief that the products or service satisfies one or more of the conditions listed in sub-sub-sub-sub-subdivisions A. through I. of sub-sub-sub-subdivision I. of sub-sub-subdivision 6. of this sub-subdivision. The products and services shall be offered or provided in a manner that is not unfairly discriminatory as part of a pilot or testing program for no more than one year. An insurer or producer offering or providing products or services pursuant to this sub-sub-subdivision must notify the Department of the pilot or testing program prior to implementation and may proceed with the program unless the Department objects within 21 days of notice.
- 8. The offer or gifting by an insurer or producer of noncash gifts, items, or services, including meals to or charitable donations on behalf of a customer, if all of the following criteria are met:
 - I. The noncash gifts, items, or services are made to, or on behalf of, customers, including commercial or institutional customers, in connection with the marketing, sale, purchase, or retention of contracts of insurance.

- II. The cost of the noncash gifts, items, or services does not exceed two hundred fifty dollars (\$250.00) per policy term.
 - III. The offer or gift is made in a manner that is not unfairly discriminatory.
 - IV. The customer is not required to purchase, continue to purchase, or renew a policy in exchange for the offer or gift.
- 9. The conducting of drawings or raffles by an insurer or producer, to the extent they are otherwise permitted by law, if all of the following criteria are met:
 - I. There is no financial cost to entrants to participate in the drawing or raffle.
 - II. The drawing or raffle does not obligate participants to purchase insurance.
 - III. The prizes of the drawing or raffle are not valued in excess of two hundred fifty dollars (\$250.00).
 - IV. The drawing or raffle is open to the public and conducted in a manner that is not unfairly discriminatory.
 - V. The customer is not required to purchase, continue to purchase, or renew a policy in exchange for participation in the drawing or raffle.
- c. No insurer or employee thereof, and no insurance producer shall pay, allow, or give, or offer to pay, allow, or give, directly or indirectly, as an inducement to insurance, or after insurance has been effected, any rebate, discount, abatement, credit or reduction of the premium named in a policy of insurance, or any special favor or advantage in the dividends or other benefits to accrue thereon, or any valuable consideration or inducement whatever, not specified in the policy of insurance. Nothing herein contained shall be construed as ~~prohibiting~~ prohibiting: (i) the payment of commissions or other compensation to regularly appointed and licensed insurance producers duly licensed by this State; nor as prohibiting State, (ii) any participating insurer from distributing to its policyholders dividends, savings or the unused or unabsorbed portion of premiums and premium deposits; deposits, or (iii) the trade practices permitted by sub-subdivision b. of this subdivision.
- d. An insurer, producer, or representative of either may not offer or provide insurance as an inducement to the purchase of another policy or otherwise use the words "free," "no cost," or words of similar import about the policy sale or purchase, in an advertisement. The prohibition on the use of the words "free" and "no cost" in this sub-subdivision does not apply to products or services described in sub-sub-subdivision 6., 7., 8., or 9. of sub-subdivision b. of subdivision (8) of this section or in G.S. 58-63-16(a).

...."

SECTION 6.(c) G.S. 58-33-85 reads as rewritten:

"§ 58-33-85. Rebates and charges in excess of premium prohibited; exceptions.

(a) No insurer, insurance producer, or limited representative shall knowingly charge, demand or receive a premium for any policy of insurance except in accordance with the

applicable filing approved by the Commissioner. No insurer, insurance producer, or limited representative shall pay, allow, or give, or offer to pay, allow, or give, directly or indirectly, as an inducement to insurance, or after insurance has been effected, any rebate, discount, abatement, credit, or reduction of the premium named in a policy of insurance, or any special favor or advantage in the dividends or other benefits to accrue thereon, or any valuable consideration or inducement whatever, not specified in the policy of insurance. No insured named in a policy of insurance, nor any employee of such insured, shall knowingly receive or accept, directly or indirectly, any such rebate, discount, abatement or reduction of premium, or any special favor or advantage or valuable consideration or inducement. Nothing herein contained shall be construed as prohibiting (i) the payment of commissions or other compensation to duly licensed insurance producers and limited representatives, (ii) any participating insurer from distributing to its policyholders dividends, savings or the unused or unabsorbed portion of premiums and premium deposits, or (iii) the trade practices permitted by ~~G.S. 58-63-16, sub-subdivision b. of subdivision (8) of G.S. 58-63-15.~~ As used in this section the word "insurance" includes suretyship and the word "policy" includes bond.

...."

SECTION 6.(d) Section 6(b) of this act is effective January 1, 2027, and applies to trade practices related to insurance contracts issued, renewed, or amended on or after that date. The remainder of this section is effective when it becomes law and applies to trade practices related to insurance contracts issued, renewed, or amended on or after that date.

PART VII. CLARIFY LAWS RELATING TO THE EXCHANGE OF BUSINESS BETWEEN INSURANCE PRODUCERS

SECTION 7.(a) G.S. 58-33-10 reads as rewritten:

"§ 58-33-10. Definitions.

As used in this Article, the following definitions apply:

...

(4a) "Exchange business," "exchange of business," or "proper exchange of business" means the forwarding of insurance business from one producer duly licensed for the line of insurance being forwarded to another producer duly licensed for that line of insurance where both producers are duly appointed as required by this Article.

(4a)(4b) "FINRA" means the Financial Industry Regulatory Authority or any successor entity.

...."

SECTION 7.(b) G.S. 58-33-82 reads as rewritten:

"§ 58-33-82. Commissions.

...

(e) Commissions, fees, or other valuable consideration for the sale, solicitation, or negotiation of insurance may be assigned or directed to be paid in the following circumstances:

...

(4) To an agency principal who is an owner, shareholder, member, partner, director, employee, or agent of that agency for business placed by a producer on behalf of that agency who is duly licensed and appointed as required by this Article.

(5) In connection with the exchange of business where both producers are duly licensed and appointed as required by this Article and have complied with all of the requirements of G.S. 58-33-82.1.

...."

SECTION 7.(c) Article 33 of Chapter 58 of the General Statutes is amended by adding a new section to read:

"§ 58-33-82.1. Exchange of business.

(a) Producers may exchange business, and split the commission involved with that business, if the producer forwarding the business and the producer receiving the business both:

- (1) Are licensed in all lines of insurance involved in the exchange and appointed as required by this Article.
- (2) Sign or include their National Producer Numbers on the insurer's insurance application and provide written or electronic notice to the insurer and consumer of the business exchange.
- (3) Have a good-faith belief that the exchange of business complies with the requirements of this Article.

(b) This section does not limit:

- (1) The exchange of business in connection with specialty lines or nonstandard and professional liability business that is either:
 - a. Placed through a surplus lines producer; or
 - b. Written at an excess rate or on an individually rated and risked basis.
- (2) The exchange of business in connection with risk sharing plans."

SECTION 7.(d) This section is effective when it becomes law and applies to contracts entered into or renewed on or after that date.

PART VIII. INEXPERIENCED OPERATOR CONTINUOUS COVERAGE

SECTION 8.(a) G.S. 20-16 reads as rewritten:

"§ 20-16. Authority of Division to suspend license.

(a) The Division shall have authority to suspend the license of any operator with or without a preliminary hearing upon a showing by its records or other satisfactory evidence that the licensee:

- ...
- (6a) Has violated G.S. 20-309(a3);
-"

SECTION 8.(b) G.S. 20-309 reads as rewritten:

"§ 20-309. Financial responsibility prerequisite to registration; must be maintained throughout registration period.

...

(a3) No person subject to an inexperienced operator premium surcharge pursuant to G.S. 58-36-65(k) shall operate a motor vehicle unless the liability insurance policy benefiting that person includes any required premium surcharge. This subsection shall not apply to persons who demonstrate financial responsibility in an authorized manner other than a liability insurance policy.

...."

SECTION 8.(c) G.S. 20-309.2 reads as rewritten:

"§ 20-309.2. Insurer shall notify Division of actions on insurance policies.

(a) Notice Required. – An insurer shall notify the Division upon any of the following with regard to a motor vehicle liability policy:

- ...
- (4) A person subject to an inexperienced operator premium surcharge pursuant to G.S. 58-36-65(k) is added to or removed from the policy's coverage, or if a policy to which a person subject to the inexperienced operator surcharge pursuant to G.S. 58-36-65(k) was added has been canceled.

(a1) Division Records. – The Division shall ensure that its records accurately reflect the insurance coverage status ~~of of:~~ (i) each owner of a motor vehicle registered or required to be registered in this State and (ii) persons subject to an inexperienced operator premium surcharge pursuant to G.S. 58-36-65 by reconciling all notices received under this section pertaining to that

individual or motor vehicle owner. A termination notice received under subdivision (2) of subsection (a) of this section shall not be recorded as a lapse in financial responsibility or initiate action by the Division under G.S. 20-311 if an earlier notice received by the Division under this section establishes that the owner of the motor vehicle has met the duty to have continuous financial responsibility for the vehicle, as required under G.S. 20-309, through a motor vehicle liability policy that is not the subject of the later termination notice.

...."

SECTION 8.(d) This section becomes effective July 1, 2026.

PART X. RESTRICTIONS ON RESIDENTIAL LEASES REQUIRING RENTERS INSURANCE

SECTION 10. G.S. 42-46 reads as rewritten:

"§ 42-46. Authorized fees, costs, and expenses.

...

(l) The following provisions apply to any lease that requires a tenant to maintain insurance coverage for the leased premises:

- (1) The tenant shall not be required to obtain the required insurance coverage from a designated carrier or through a designated agent.
- (2) The landlord may charge the tenant for the actual cost incurred by the landlord to obtain the required insurance coverage and an administrative fee not to exceed fifty dollars (\$50.00) per year, only if the tenant fails to provide, within three business days after the request of the landlord, proof that the tenant has obtained the required insurance coverage."

PART XI. TECHNICAL CHANGE TO EFFECTIVE DATE PROVISION IN S.L. 2023-133, AS AMENDED BY S.L. 2024-29

SECTION 11. Section 16(j) of S.L. 2023-133, as amended by Section 9(b) of S.L. 2024-29, reads as rewritten:

"SECTION 16.(j) This section becomes effective July 1, 2025. Section 16(e) of this act becomes effective July 1, 2025, and applies to convictions occurring on or after that date. Section 16(h) of this act becomes effective July 1, 2025, and applies to ~~prior~~ convictions for a "violation of speeding 10 miles per hour or less over the speed limit" and prayers for judgment continued occurring on or after that date; provided, however, that, for the purpose of determining whether there shall be a premium surcharge or assignment of points under the subclassification plan, convictions for a "violation of speeding 10 miles per hour or less over the speed limit" or prayers for judgment continued occurring before July 1, 2025, must occur within the three years immediately preceding the date of application or the preparation of the renewal."

PART XII. AUTHORIZE SALESMEN TO REGISTER WITH MULTIPLE DEALERS UNDER COMMON OWNERSHIP OR CONTROL

SECTION 12.(a) G.S. 78A-36(b) reads as rewritten:

"(b) It is unlawful for any dealer to employ a salesman unless the salesman is registered. The registration of a salesman is not effective during any period when he is not associated with a particular dealer registered under this Chapter. When a salesman begins or terminates those activities which make him a salesman, the salesman as well as the dealer shall promptly notify the Administrator.

The Administrator may by rule or order require the return of a salesman's license upon the termination of those activities which make him a salesman or, if such return is impossible, require a bond or evidence satisfactory to the Administrator of such impossibility. No salesman may be registered with more than one ~~dealer~~ dealer unless each of the dealers that employs or associates

with the salesman is under common ownership or control, or the registration is otherwise allowed by a rule or order of the Administrator."

SECTION 12.(b) This section becomes effective October 1, 2025.

PART XIII. CANCELLATION OF POLICY UPON CHARGEBACK OF CREDIT CARD PREMIUM PAYMENT

SECTION 13. G.S. 58-41-15(a) reads as rewritten:

"§ 58-41-15. Certain policy cancellations prohibited.

(a) No insurance policy or renewal thereof may be cancelled by the insurer prior to the expiration of the term or anniversary date stated in the policy and without the prior written consent of the insured, except for any one of the following reasons:

(1) Nonpayment of premium in accordance with the policy terms;

...

(b) ~~Any~~ Except as otherwise provided in subsection (b1) of this section, cancellation permitted by subsection (a) of this section is not effective unless written notice of cancellation has been delivered or mailed to the insured, not less than 15 days before the proposed effective date of cancellation. The notice must be given or mailed to the insured, and any designated mortgagee or loss payee at their addresses shown in the policy or, if not indicated in the policy, at their last known addresses. The notice must state the precise reason for cancellation. Failure to send this notice to any designated mortgagee or loss payee invalidates the cancellation only as to the mortgagee's or loss payee's interest.

(b1) The chargeback of a premium payment made by credit card shall be deemed to be a nonpayment of premium for purposes of this section. In the event of a chargeback of a premium payment made by credit card, any cancellation permitted by subsection (a) shall be effective retroactively to the date the premium payment was made by credit card.

...."

PART XIV. EFFECTIVE DATE

SECTION 14. Except as otherwise provided, this act is effective when it becomes law.

In the General Assembly read three times and ratified this the 25th day of June, 2025.

s/ Rachel Hunt
President of the Senate

s/ Destin Hall
Speaker of the House of Representatives

s/ Josh Stein
Governor

Approved 10:19 a.m. this 1st day of July, 2025