§ 66-482. Requirements for offering vehicle value protection agreements.

(a) Vehicle value protection agreements in compliance with this Article may be offered, sold, or given to consumers in this State.

(b) A provider may perform as an administrator or may utilize a third-party administrator or other designee to be responsible for any and all of the administration of vehicle value protection agreements in compliance with this Article.

(c) A contract holder that has been sold a vehicle value protection agreement shall be given or provided access to a copy of the agreement.

(d) Notwithstanding any other provision of law to the contrary, any amount charged or financed for a vehicle value protection agreement is an authorized charge that must be separately stated and is not to be considered a finance charge or interest. The amount charged or financed for the agreement may be included within the amount financed under G.S. 25A-9 and shall not be considered a part of the finance charge or interest thereunder.

(e) In order to assure the faithful performance of the provider's obligations to its contract holders, each provider shall comply with one of the following requirements:

(1) Reimbursement insurance policy. – The insurance of all of vehicle value protection agreements under a reimbursement insurance policy issued by an insurer licensed, registered, or otherwise authorized to do business in this State that meets one of the following criteria:

a. The insurer issuing the reimbursement policy must continuously maintain surplus as to policyholders and paid-in capital of at least fifteen million dollars ($15,000,000).

b. The insurer issuing the reimbursement insurance policy must continuously maintain surplus as to policyholders and paid-in capital of less than fifteen million dollars ($15,000,000) but at least ten million dollars ($10,000,000), and the company maintains a ratio of net written premiums, wherever written, to surplus as to policyholders and paid-in capital of not greater than three-to-one (3:1).

(2) Maintenance of net worth. – A provider shall do all of the following:

a. Maintain, or together with its parent company maintain, a net worth or stockholders' equity of at least one hundred million dollars ($100,000,000).

b. Maintain a copy of the provider's or the provider's parent company's most recent Form 10-K or Form 20-F filed with the Securities and Exchange Commission (SEC) within the last calendar year, or if the company does not file with the SEC, a copy of the company's audited financial statements, which shows a net worth of the provider or its parent company of at least one hundred million dollars ($100,000,000). If the provider's parent company's Form 10-K, Form 20-F, or financial statements are utilized to meet the provider's financial security requirement, then the parent company shall agree to guarantee the obligations of the provider relating to vehicle value protection agreements sold by the provider in this State.

Except for the requirements specified in this subsection, no other financial security requirements shall be required for vehicle value protection agreement providers.

(f) Neither the extension of credit, nor the terms of credit, nor the terms of the related motor vehicle sale or lease shall be conditioned upon the consumer's payment for or financing of any charge for a vehicle value protection agreement. Vehicle value protection agreements may be discounted or given at no charge in connection with the purchase of other noncredit-related goods or services.

(g) A vehicle value protection agreement shall include a term stating that if a contract holder cancels the agreement within the free-look period, the contract holder will be entitled to a full refund of the purchase price paid by the contract holder, if any, so long as no benefits have been provided. A free-look period must be at least 30 days.

(h) If the provider of the vehicle value protection agreement cancels the agreement, the provider shall mail a written notice to the contract holder at the last known address of the contract holder contained in the records of the provider at least five days prior to cancellation. Prior notice to the contract holder is not required if the reason for cancellation is nonpayment of the provider fee, a material misrepresentation by the contract holder to the provider or administrator, or a substantial breach of duties by the contract holder relating to the covered product or its use. The notice shall state the effective date of the cancellation and the reason for the cancellation. If a vehicle value protection agreement is cancelled by the provider for a reason other than nonpayment of the provider fee, the provider shall refund to the contract holder one hundred percent (100%) of the unearned pro rata provider fee paid by the contract holder, if any. If coverage under the vehicle value protection agreement continues after a claim, then any refund may deduct claims paid. A reasonable administrative fee, not exceeding seventy-five dollars ($75.00), may be charged by the provider. (2021-172, s. 3.)