

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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HOUSE BILL 788

Short Title: Options For Bond Requirements.

(Public)

Sponsors: Representative Hasty.

Referred to: Commerce.

April 15, 1991

A BILL TO BE ENTITLED
AN ACT TO PROVIDE FOR OPTIONS FOR CERTAIN BOND REQUIREMENTS
OF VARIOUS LICENSEES OF THE DEPARTMENT OF INSURANCE.

The General Assembly of North Carolina enacts:

Section 1. G.S. 58-21-65(b) reads as rewritten:

"(b) The Commissioner shall issue a surplus lines license to any qualified holder of a current fire and casualty broker's or agent's license, but only when the broker or agent has:

- (1) Remitted the fifty dollars (\$50.00) annual fee to the Commissioner;
- (2) Submitted a completed license application on a form supplied by the Commissioner, and the application has been approved by the Commissioner;
- (3) Passed a qualifying examination approved by the Commissioner; except that all holders of a license prior to July 11, 1985 shall be deemed to have passed such an examination; and
- (4) Filed with the Commissioner, and maintains during the term of the license, in force and unimpaired a bond in favor of this State in the sum of ten thousand dollars (\$10,000), aggregate liability, with corporate sureties approved by the Commissioner. The bond shall be conditioned that the surplus lines licensee will conduct business in accordance with the provisions of this Article and will promptly remit the taxes as provided by law. No bond shall be terminated unless at least 30 days prior written notice is given to the licensee and Commissioner. A person required by this subdivision to maintain a

1 bond may, in lieu of that bond, deposit with the Commissioner the
2 equivalent amount in cash, in certificates of deposit issued by banks
3 organized under the laws of the State of North Carolina, or any
4 national bank having its principal office in North Carolina, or
5 securities, which shall be held in accordance with Article 5 of this
6 Chapter. Securities may only be obligations of the United States or of
7 federal agencies listed in G.S. 147-69.1(c)(2) guaranteed by the United
8 States, obligations of the State of North Carolina, or obligations of a
9 city or county of this State. Any proposed deposit of an obligation of a
10 city or county of this State is subject to the prior approval of the
11 Commissioner."

12 Sec. 2. G.S. 58-33-30(f) reads as rewritten:

13 "(f) Brokers.

14 (1) Bond. Prior to issuance of a license as a broker, the applicant shall file
15 with the Commissioner and thereafter, for as long as the license
16 remains in effect, shall keep in force a bond in favor of the State of
17 North Carolina for the use of aggrieved parties in the sum of not less
18 than fifteen thousand dollars (\$15,000), executed by an authorized
19 corporate surety approved by the Commissioner. The aggregate
20 liability of the surety for any and all claims on any such bond shall in
21 no event exceed the sum thereof. The bond shall be conditioned on the
22 accounting by the broker (i) to any person requesting the broker to
23 obtain insurance for moneys or premiums collected in connection
24 therewith, (ii) to any licensed insurer or agent who provides coverage
25 for such person with respect to any such moneys or premiums, and (iii)
26 to any premium finance company or to any association of insurers
27 under any plan or plans for the placement of insurance under the laws
28 of North Carolina which afforded coverage for such person with
29 respect to any such moneys or premiums. No such bond shall be
30 terminated unless at least 30 days' prior written notice thereof is given
31 by the surety to the licensee and the Commissioner. Upon termination
32 of the license for which the bond was in effect, the Commissioner shall
33 notify the surety within 10 business days. A person required by this
34 subdivision to maintain a bond may, in lieu of that bond, deposit with
35 the Commissioner the equivalent amount in cash, in certificates of
36 deposit issued by banks organized under the laws of the State of North
37 Carolina, or any national bank having its principal office in North
38 Carolina, or securities, which shall be held in accordance with Article
39 5 of this Chapter. Securities may only be obligations of the United
40 States or of federal agencies listed in G.S. 147-69.1(c)(2) guaranteed
41 by the United States, obligations of the State of North Carolina, or
42 obligations of a city or county of this State. Any proposed deposit of
43 an obligation of a city or county of this State is subject to the prior
44 approval of the Commissioner.

1 (2) Other Requirements. An applicant must hold a valid agent's license at
2 the time of application for the broker's license and throughout the
3 duration of the broker's license. A broker's license shall be issued to
4 cover only those kinds of insurance authorized by his agent's license.
5 Suspension or revocation of the agent's license shall cause immediate
6 revocation of the broker's license."

7 Sec. 3. G.S. 58-35-15(a) reads as rewritten:

8 "(a) Within 60 days after the filing of an application for a license accompanied by
9 payment of the fees for license and examination, the Commissioner shall issue the
10 license or may refuse to issue the license and so advise the applicant. The applicant
11 shall submit with such application any and all information which the Commissioner
12 may require to assist him in determining the financial condition, business integrity,
13 method of operation and protection to the public offered by the person filing such
14 application. The Commissioner may require a bond not to exceed twenty-five thousand
15 dollars (\$25,000) on applications and any renewal thereof. Such license to engage in
16 business in accordance with the provisions of this Article at the location specified in the
17 application shall be executed in duplicate by the Commissioner and he shall transmit
18 one copy to the applicant and retain a copy on file. A person required by this subsection
19 to maintain a bond may, in lieu of that bond, deposit with the Commissioner the
20 equivalent amount in cash, in certificates of deposit issued by banks organized under the
21 laws of the State of North Carolina, or any national bank having its principal office in
22 North Carolina, or securities, which shall be held in accordance with Article 5 of this
23 Chapter. Securities may only be obligations of the United States or of federal agencies
24 listed in G.S. 147-69.1(c)(2) guaranteed by the United States, obligations of the State of
25 North Carolina, or obligations of a city or county of this State. Any proposed deposit of
26 an obligation of a city or county of this State is subject to the prior approval of the
27 Commissioner."

28 Sec. 4. G.S. 58-70-20 reads as rewritten:

29 **"§ 58-70-20. Bond requirement.**

30 As a condition precedent to the issuance of any permit under G.S. 58-70-1, any
31 applicant for such permit shall file with the Commissioner of Insurance and shall
32 thereafter maintain in force while licensed a bond in favor of the State of North Carolina
33 and executed by a surety company duly authorized to transact business in this State.
34 The bond shall be continuous in form and shall remain in full force and effect until all
35 moneys collected have been accounted for, and it shall be expressly stated in the bond
36 that it is for the benefit of any person, firm or corporation for whom such collection
37 agency engages in the collection of accounts. Such bond shall be in the amount of five
38 thousand dollars (\$5,000) for the initial permit. The amount of such bond for any
39 renewal permit shall be no less than five thousand dollars (\$5,000) nor more than fifty
40 thousand dollars (\$50,000), and shall be computed as follows: The total collections paid
41 directly to the collection agency less commissions earned by the collection agency on
42 those collections for the calendar year ending immediately prior to the date of
43 application, multiplied by one-sixth.

1 A person required by this section to maintain a bond may, in lieu of that bond,
2 deposit with the Commissioner the equivalent amount in cash, in certificates of deposit
3 issued by banks organized under the laws of the State of North Carolina, or any national
4 bank having its principal office in North Carolina, or securities, which shall be held in
5 accordance with Article 5 of this Chapter. Securities may only be obligations of the
6 United States or of federal agencies listed in G.S. 147-69.1(c)(2) guaranteed by the
7 United States, obligations of the State of North Carolina, or obligations of a city or
8 county of this State. Any proposed deposit of an obligation of a city or county of this
9 State is subject to the prior approval of the Commissioner."

10 Sec. 5. This act becomes effective October 1, 1991.