

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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SENATE BILL 586*
Insurance Committee Substitute Adopted 5/6/93

Short Title: Insurance Technical Amendments.

(Public)

Sponsors:

Referred to:

March 29, 1993

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE TECHNICAL AMENDMENTS, CLARIFICATIONS, AND
3 CORRECTIONS IN VARIOUS INSURANCE AND INSURANCE-RELATED
4 LAWS.

5 The General Assembly of North Carolina enacts:

6 Section 1. G.S. 58-2-165 reads as rewritten:

7 "**§ 58-2-165. Annual, semiannual, monthly, or quarterly statements to be filed with**
8 **Commissioner.**

9 (a) Every insurance company shall file in the Commissioner's office, on or before
10 March 1 of each year, a statement showing the business standing and financial condition
11 of the company, association, or order on the preceding December 31, signed and sworn
12 to by the chief managing agent or officer thereof, before the Commissioner or some
13 officer authorized by law to administer oaths. Provided, the Commissioner may, for
14 good and sufficient cause shown by an applicant company, extend the filing date of the
15 company's annual statement, for a reasonable period of time, not to exceed 30 days.
16 ~~However, In addition, the Commissioner may require any insurance company,~~
17 ~~association, or order to file its statement semiannually or quarterly semiannually,~~
18 ~~quarterly, or monthly.~~

19 (b) The Commissioner may require statements under this section, G.S. 58-2-170,
20 G.S. 58-2-175, and G.S. 58-2-190 to be filed in a format that can be read by electronic
21 data processing equipment; ~~and may require these readable statements to be filed on a~~
22 ~~monthly basis.~~ equipment.

1 (c) All statements filed under this section must be prepared in accordance with
2 the appropriate NAIC Annual Statement Instructions Handbook and pursuant to the
3 NAIC Accounting Practices and Procedures Manual and on the NAIC Model Financial
4 Statement Blank, unless further modified by the Commissioner as the Commissioner
5 considers to be appropriate."

6 Sec. 2. G.S. 58-4-5 reads as rewritten:

7 **"§ 58-4-5. Filing requirements.**

8 (a) Each domestic, foreign, and alien insurer that is authorized to transact
9 insurance in this State shall file with the NAIC a copy of its financial statements
10 required by G.S. 58-2-165, applicable rules, and legal directives and bulletins issued by
11 the Department. The statements shall, in the Commissioner's discretion, be filed
12 annually, semiannually, ~~or quarterly~~, or monthly and shall be filed in a form or format
13 prescribed or permitted by the Commissioner. The Commissioner may require the
14 statements to be filed in a format that can be read by electronic data processing
15 equipment. Any amendments and addenda to the financial statement that are
16 subsequently filed with the Commissioner shall also be filed with the NAIC.

17 (b) Foreign insurers that are domiciled in a state that has a law or regulation
18 substantially similar to this Article shall be deemed to be in compliance with this
19 section."

20 Sec. 3. G.S. 58-5-55 reads as rewritten:

21 **"§ 58-5-55. Deposits of capital and surplus by domestic insurance companies.**

22 (a) In addition to other requirements of Articles 1 through 64 of this Chapter, all
23 domestic stock insurance companies shall deposit their required statutory capital with
24 the Department. Such deposits shall be under the exclusive control of the Department,
25 for the protection of ~~all policyholders wheresoever situated~~ policyholders.

26 (b) In addition to other requirements of Articles 1 through 64 of this Chapter,
27 all domestic mutual insurance companies shall deposit at least fifty percent (50%) of
28 their minimum required surplus with the Department, with the amount of the deposit to
29 be determined by the Commissioner. Such deposits shall be under the exclusive control
30 of the Department, for the protection of ~~all policyholders wheresoever situated~~.
31 policyholders."

32 Sec. 4. The final paragraph of G.S. 58-7-35 reads as rewritten:

33 ~~"Any Subject to G.S. 58-8-5, any proposed change in or amendment to the articles of~~
34 ~~incorporation, charter, or bylaws incorporation shall be promptly filed with the~~
35 ~~Commissioner. Commissioner, who shall examine the change. If the Commissioner~~
36 approves the change, the Commissioner shall place a certificate of approval on the
37 change, and forward it to the Secretary of State."

38 Sec. 5. G.S. 58-7-45 reads as rewritten:

39 **"§ 58-7-45. Bylaws; classification and election of ~~directors~~ directors; amendments.**

40 (a) A domestic company may adopt bylaws for the conduct of its business that
41 are not repugnant to law or its charter, articles of incorporation and therein provide for
42 the division of its board of directors into two, three, or four classes, and the election
43 thereof at its annual meetings so that the members of one class only shall retire and their

1 successors be chosen each year. Vacancies in any such class may be filled by election
2 by the board for the unexpired term.

3 (b) Any change in the bylaws of a domestic company shall be promptly filed
4 with the Commissioner."

5 Sec. 6. G.S. 58-7-183(b) reads as rewritten:

6 "(b) In no case shall the investments authorized under this section being held by
7 an insurer be greater than the amount by which the insurer's policyholders' surplus
8 exceeds the minimum ~~reserves and policyholders' surplus~~ required to be maintained."

9 Sec. 7. G.S. 58-13-5 reads as rewritten:

10 **"§ 58-13-5. Purposes.**

11 The purposes of this Article are to require insurers to maintain unencumbered assets
12 in amounts equal to ~~reserve-policyholder-related~~ liabilities and minimum required capital
13 and minimum required surplus; to provide preferential claims against insurers' assets in
14 favor of owners, beneficiaries, assignees, and holders of insurance policies and
15 certificates; and to prevent the pledging, hypothecation, or encumbrance of assets
16 without a prior written order of the Commissioner."

17 Sec. 8. G.S. 58-13-15(4) reads as rewritten:

18 "(4) ~~'Reserve-'Policyholder-related~~ liabilities' means those liabilities that are
19 required to be established by an insurer for all of its outstanding
20 insurance policies in accordance with Articles 1 through 64 of this
21 Chapter and G.S. 58-65-95."

22 Sec. 9. G.S. 58-13-20(a) reads as rewritten:

23 "(a) This Article does not apply to those reserve assets of an insurer that are held,
24 deposited, pledged, hypothecated, or otherwise encumbered as provided in this section
25 to secure, offset, protect, or meet those ~~reserve-policyholder-related~~ liabilities of the
26 insurer that are established, incurred, or required under the provisions of a reinsurance
27 agreement whereby the insurer has reinsured the insurance policy liabilities of a ceding
28 insurer, provided:

29 (1) The ceding insurer and the reinsurer are both licensed to transact
30 business in this State;

31 (2) Pursuant to a written agreement between the ceding insurer and the
32 reinsurer, reserve assets substantially equal to the ~~reserve-policyholder-~~
33 related liabilities required to be established by the reinsurer on the
34 reinsured business are either (i) deposited by or are withheld from the
35 reinsurer and are in the custody of the ceding insurer as security for the
36 payment of the reinsurer's obligations under the reinsurance
37 agreement, and such assets are held subject to withdrawal by and
38 under the separate or joint control of the ceding insurer, or (ii)
39 deposited and held in trust account for that purpose and under those
40 conditions with a State or national bank domiciled in this State."

41 Sec. 10. G.S. 58-13-25 reads as rewritten:

42 **"§ 58-13-25. Prohibition of hypothecation.**

43 (a) Every insurer subject to this Article shall at all times have and maintain free
44 and unencumbered reserve assets equal to an amount that is at least ten percent (10%)

1 more than the total of its ~~reserve~~-policyholder-related liabilities and its required
2 minimum capital and minimum surplus and shall not pledge, hypothecate, or otherwise
3 encumber those reserve assets. The Commissioner, upon application made to the
4 Commissioner, may issue a written order approving the pledging, hypothecation, or
5 encumbrance of any of the assets of an insurer not otherwise prohibited upon a finding
6 that the pledging, hypothecation, or encumbrance will not adversely affect the insurer's
7 solvency.

8 (b) Every insurer shall file, along with ~~its~~-any statement filed under G.S. 58-2-
9 165, a statement sworn to by the chief executive officer of the insurer that: (i) Title to
10 assets in an amount equal to the ~~reserve~~-policyholder-related liabilities and minimum
11 required capital and minimum required surplus of the insurer that are not pledged,
12 hypothecated, or otherwise encumbered is vested in the insurer; (ii) the only assets of
13 the insurer that are pledged, hypothecated, or otherwise encumbered are as identified
14 and reported in the sworn statement and no other assets of the insurer are pledged,
15 hypothecated, or otherwise encumbered; and (iii) the terms and provisions of the
16 transaction of the pledge, hypothecation, or encumbrance are as reported in the sworn
17 statement.

18 (c) Any person that accepts a pledge, hypothecation, or encumbrance of any asset
19 of an insurer, as security for a debt or other obligation of the insurer, not in accordance
20 with this Article, is deemed to have accepted the asset subject to a superior, preferential,
21 and automatically perfected lien in favor of claimants: Provided, that said lien does not
22 apply to the assets of an insurer in a delinquency proceeding under Article 30 of this
23 Chapter if the Commissioner or the court, whichever is appropriate, approves the
24 pledge, hypothecation, or encumbrance of the assets.

25 (d) In the event of the liquidation of any insurer subject to this Article, claimants
26 of the insurer shall have a prior and preferential claim against all assets of the insurer
27 except those that have been pledged, hypothecated, or encumbered in accordance with
28 this Article. Subject to Article 30 of this Chapter, all claimants have equal status; and
29 their prior and preferential claims are superior to any claim or cause of action against
30 the insurer by any other person."

31 Sec. 11. G.S. 58-19-10(b) reads as rewritten:

32 "(b) In addition to investments in common stock, preferred stock, debt obligations,
33 and other securities permitted under all other sections of Articles 1 through 64 of this
34 Chapter, a domestic insurer may also:

- 35 (1) Invest, in common stock, preferred stock, debt obligations, and other
36 securities of one or more subsidiaries, amounts that do not exceed the
37 lesser of ten percent (10%) of such insurer's admitted assets or fifty
38 percent (50%) of such insurer's surplus as regards policyholders,
39 provided that after such investments, the insurer's surplus as regards
40 policyholders will be reasonable in relation to the insurer's outstanding
41 liabilities and adequate to its financial needs. In calculating the
42 amount of such investments, investments in domestic or foreign
43 insurance subsidiaries shall be excluded, and there shall be included:
44 (i) total net monies or other consideration expended and obligations

1 assumed in the acquisition or formation of a subsidiary, including all
2 organizational expenses and contributions to capital and surplus of
3 such subsidiary whether or not represented by the purchase of capital
4 stock or issuance of other securities; and (ii) all amounts expended in
5 acquiring additional common stock, preferred stock, debt obligations,
6 and other securities, and all contributions to the capital or surplus, of a
7 subsidiary subsequent to its acquisition or formation;

8 (2) Invest any amount in common stock, preferred stock, debt ~~obligation~~
9 obligations and other securities of one or more subsidiaries engaged or
10 organized to engage exclusively in the ownership and management of
11 assets authorized as investments for the insurer; provided that such
12 subsidiary agrees to limit its investments in any asset so that such
13 investments will not cause the amount of the total investment of the
14 insurer to exceed any of the investment limitations specified in
15 subdivision (b)(1) of this section or in Article 7 of this Chapter
16 applicable to the insurer. For the purposes of this section, 'the total
17 investment of the insurer' includes: (i) any direct investment by the
18 insurer in an asset; and (ii) the insurer's proportionate share of any
19 investment in an asset by any subsidiary of the insurer, which shall be
20 calculated by multiplying the amount of the subsidiary's investment by
21 the percentage of the ownership of such subsidiary.

22 (3) With the approval of the Commissioner, invest any greater amount in
23 common stock, preferred stock, debt obligations, or other securities of
24 one or more subsidiaries; provided that after such investment the
25 insurer's surplus as regards policyholders will be reasonable in relation
26 to the insurer's outstanding liabilities and adequate to its financial
27 needs."

28 Sec. 12. G.S. 58-19-15(e) reads as rewritten:

29 "(e) The public hearing referred to in subsection (d) of this section shall be held
30 within 120 days after the statement required by subsection (a) of this section is filed,
31 and the Commissioner shall give at least 30 days notice of the hearing to the person
32 filing the statement, to the insurer, and to such other persons as may be designated by
33 the Commissioner. The Commissioner shall make a determination as expeditiously as it
34 reasonably practicable after the conclusion of the hearing. At the hearing, the person
35 filing the statement, the insurer, any person to whom notice of hearing was sent, and any
36 other person whose interest may be affected by the hearing shall have the right to
37 present evidence, examine and cross-examine witnesses, and offer oral or written
38 arguments; and in connection therewith shall be entitled to conduct discovery
39 proceedings at any time after the statement is filed with the Commissioner under this
40 section and in the same manner as is presently allowed in the superior courts of this
41 State. In connection with discovery proceedings authorized by this section, the
42 Commissioner may issue such protective orders and other orders governing the timing
43 and scheduling of discovery proceedings as might otherwise have been issued by a
44 superior court of this State in connection with a civil proceeding. If any party fails to

1 make reasonable and adequate response to discovery on a timely basis or fails to comply
2 with any order of the Commissioner with respect to discovery, the Commissioner on the
3 Commissioner's own motion or on motion of any other party or person may order that
4 the hearing be postponed, recessed, convened, or reconvened, as the case may be,
5 following proper completion of discovery and reasonable notice to the person filing the
6 statement, to the insurer, and to such other persons as may be designated by the
7 Commissioner."

8 Sec. 13. G.S. 58-19-25(c) reads as rewritten:

9 "(c) No information need be disclosed on the registration statement filed pursuant
10 to subsection (b) of this section if such information is not material for the purposes of
11 this section. Unless the Commissioner by rule or order provides otherwise, all sales,
12 purchases, exchanges, loans or extensions of credit, investments, or guarantees
13 involving one-half of one percent (1/2%) or less of an insurer's admitted assets as of the
14 ~~31st day of December next preceding~~ December 31 are not material for the purposes of
15 this section."

16 Sec. 14. G.S. 58-19-50(a) reads as rewritten:

17 "(a) Any person failing, without just cause, to file any registration statement as
18 required in this Article shall pay, after notice and hearing, a civil penalty of one hundred
19 dollars (\$100.00) for each day's delay, not to exceed a total penalty of one thousand
20 dollars (\$1,000), to the Commissioner, who shall forward the clear proceeds to the
21 General Fund of this State."

22 Sec. 15. G.S. 58-26-1(b) reads as rewritten:

23 "(b) Such companies shall be subject to:

- 24 (1) The same capital, surplus and investment requirements as govern the
25 formation and operation of domestic stock casualty companies.
26 (2) The same deposit requirements governing the operation of other ~~state~~
27 domestic or foreign casualty companies in this State; and
28 (3) Repealed by Session Laws 1985, c. 666, s. 43."

29 Sec. 16. G.S. 58-23-40 reads as rewritten:

30 "**§ 58-23-40. Pools not covered by guaranty associations or solvency funds.**
31 **associations.**

32 The provisions of Articles 48 and 62 of this Chapter and of ~~Articles 3 and Article~~ 4 of
33 Chapter 97 of the General Statutes do not apply to any risks retained by local
34 governments pursuant to this Article."

35 Sec. 17. G.S. 58-26-10 reads as rewritten:

36 "**§ 58-26-10. Financial statements and licenses required.**

37 Title insurance companies are subject to G.S. ~~58-2-131, 58-2-132, 58-2-133, 58-2-~~
38 ~~165-58-2-165, and 58-2-180~~ 58-2-180, and 58-6-5. The Commissioner may require title
39 insurance companies to separately report their experience in insuring titles and in
40 insuring closing services. The Commissioner shall annually license such companies and
41 their agents, and have the same power and authority to visit and examine such corporations as
42 he has in the case of other domestic insurance companies, and the duties and liabilities of such
43 corporations and their agents in reference to such examinations are the same as those of other
44 ~~domestic insurance companies agents.~~

1 Sec. 18. G.S. 58-26-15 reads as rewritten:

2 "**§ 58-26-15. Investment of capital. Limitation of risk.**

3 ~~Any real estate title insurance company having a capital stock of more than fifty~~
4 ~~thousand dollars (\$50,000), may, with the consent of the Commissioner, after investing~~
5 ~~fifty thousand dollars (\$50,000) of the capital, as provided in Articles 1 through 64 of~~
6 ~~this Chapter, invest not to exceed one fourth of the total capital stock in abstract or title~~
7 ~~plants, and no such company~~ No real estate title insurance company shall guarantee or
8 insure in any one risk on real property located in North Carolina more than forty percent
9 (40%) of its combined capital and surplus without first having the approval of the
10 Commissioner, which approval shall be endorsed upon the policy."

11 Sec. 19. G.S. 58-26-20 reads as rewritten:

12 "**§ 58-26-20. Unearned premium reserve.**

13 Every domestic title insurance company shall, in addition to other reserves, establish
14 and maintain a reserve to be known as the 'unearned premium reserve' for title
15 insurance, which shall at all times and for all purposes be considered and constitute
16 unearned portions of the original risk premiums and shall be charged as a reserve
17 liability of such title insurance company in determining its financial conditions. ~~While~~
18 ~~said sums are so reserved they~~ The unearned premium reserve shall be withdrawn from the
19 use of the insurer for its general purposes and impressed with a trust placed in a trust
20 account, as approved by the Commissioner, in favor of the holders of title policies and
21 held available for reinsurance of the title policies in the event of insolvency of the
22 insurer. Nothing herein contained shall preclude such an insurer from investing said
23 reserve in investments authorized by law for such an insurer, and the income from such
24 invested reserve shall be included in the general income of the insurer to be used by
25 such insurer for any lawful purpose."

26 Sec. 20. G.S. 58-28-5(a) reads as rewritten:

27 "(a) Except as hereinafter provided, it shall be unlawful for any company to enter
28 into a contract of insurance as an insurer or to transact insurance business in this State as
29 set forth in G.S. 58-28-10, without a certificate of authority issued by the
30 Commissioner. This section shall not apply to the following acts or transactions:

- 31 (1) The procuring of a policy of insurance upon a risk within this State
32 where the applicant is unable to procure coverage in the open market
33 with admitted companies and is otherwise in compliance with Article
34 21 of this Chapter;
- 35 (2) Contracts of reinsurance; but not including assumption reinsurance
36 transactions, whereby the reinsuring company succeeds to all of the
37 liabilities of and supplants the ceding company on the insurance
38 contracts that are the subject of the transaction, unless prior approval
39 has been obtained from the Commissioner;
- 40 (3) Transactions in this State involving a policy lawfully solicited, written
41 and delivered outside of this State covering only subjects of insurance
42 not resident, located or expressly to be performed in this State at the
43 time of issuance, and which transactions are subsequent to the issuance
44 of such policy;

- 1 (4) Transactions in this State involving group life insurance, group
 2 annuities, or group, blanket, or franchise accident and health insurance
 3 where the master policy of such insurance was lawfully issued and
 4 delivered in a state where the company was authorized to transact
 5 business;
- 6 (5) Transactions in this State involving all policies of insurance issued
 7 prior to July 1, 1967;
- 8 (6) The procuring of contracts of insurance issued to a nuclear insured;
- 9 (7) Insurance independently procured, as specified in subsection (b) of this
 10 section;
- 11 (8) Insurance on vessels or craft, their cargoes, marine builders' risks,
 12 marine protection and indemnity, or other risks commonly insured
 13 under marine insurance policies, as distinguished from inland marine
 14 insurance policies."

15 Sec. 21. G.S. 58-31-55 reads as rewritten:

16 **"§ 58-31-55. Insurance and official fidelity bonds for State agencies to be placed by**
 17 **Department; exception; costs of placement.**

18 Except as provided in G.S. 58-32-15, all insurance and all official fidelity and surety
 19 bonds authorized for State departments, institutions, and agencies shall be effected and
 20 placed by the Department, and the cost of such placement shall be paid by the
 21 ~~Department, State department,~~ institution, or agency involved upon bills rendered to and
 22 approved by the Commissioner."

23 Sec. 22. G.S. 58-33-25(c) reads as rewritten:

24 "(c) An agent or broker may be licensed for the following kinds of insurance:

- 25 (1) ~~Life, Accident~~ Life and Health Insurance
 26 (2) Accident and Health Insurance
 27 (3) ~~Fire and Casualty~~ Property and Liability Insurance
 28 (4) Repealed by Session Laws 1989, c. 485, s. 17, effective June 28, 1989.
 29 (5) Title Insurance
 30 (6) Repealed by Session Laws 1989, c. 485, s.17, effective June 28, 1989.
 31 (7) Automobile Physical Damage.
 32 (8) Medicare Supplement Insurance and Long-Term Care Insurance, as a
 33 supplement to a license for the kinds of insurance listed in subdivision
 34 (1) of this subsection.

35 ~~Any person who holds a valid license on February 1, 1988, which grants authority to act~~
 36 ~~as an agent for the kinds of insurance described in this subsection shall be issued the~~
 37 ~~equivalent agent's license for such kinds of insurance."~~

38 Sec. 23. G.S. 58-33-25(d) reads as rewritten:

39 "(d) A ~~fire and casualty property and liability~~ insurance license shall not authorize
 40 an agent to sell accident and health insurance. An agent must hold a ~~life, accident~~ life
 41 and health insurance license ~~or an accident and health insurance license~~ to sell accident and
 42 health insurance."

43 Sec. 24. G.S. 58-33-25(d1) reads as rewritten:

1 "(d1) A ~~life, accident~~ life and health insurance license ~~shall authorize~~ authorizes an
2 agent to sell variable contracts, ~~provided that if~~ the licensee ~~agent~~ satisfies the
3 Commissioner that he has met the NASD requirements of the Secretary of State of
4 North Carolina."

5 Sec. 25. G.S. 58-33-25(d2) reads as rewritten:

6 "(d2) A ~~life, accident, life~~ and health license ~~or an accident and health license~~
7 authorizes an agent to sell Medicare supplement and long-term care insurance policies
8 as defined respectively in Articles 54 and 55 of this Chapter, provided that the licensee
9 takes and passes a supplemental written examination for such insurance as provided in
10 G.S. 58-33-30(e) and pays the supplemental registration fee provided in G.S. 58-33-
11 125(c)."

12 Sec. 26. G.S. 58-33-30(g) reads as rewritten:

13 "(g) Denial of License. – If the Commissioner finds that the applicant has not fully
14 met the requirements for licensing, he shall refuse to issue the license and shall notify in
15 writing the applicant and the appointing insurer, if any, of such denial, stating the
16 grounds therefor. The application may also be denied for any reason for which a license
17 may be suspended or revoked or not renewed under G.S. 58-33-45(a). Within 30 days
18 after service of the notification, the applicant may make a written demand upon the
19 Commissioner for a review to determine the reasonableness of the Commissioner's
20 action. The review shall be completed without undue delay, and the applicant shall be
21 notified promptly in writing as to the outcome of the review. Within 30 days after
22 service of the notification as to the outcome, the applicant may make a written demand
23 upon the Commissioner for a hearing under Article 3A of Chapter 150B of the General
24 Statutes if the applicant disagrees with the outcome."

25 Sec. 27. The catch line of G.S. 58-33-45 reads as rewritten:

26 "**§ 58-33-45. ~~Denial, suspension, Suspension, revocation, or nonrenewal of licenses~~**
27 **~~and appointments. licenses.~~**"

28 Sec. 27.1. G.S. 58-33-45(a) reads as rewritten:

29 "(a) The Commissioner may suspend, revoke, or refuse to ~~issue or~~ renew any
30 license issued under this Article if, ~~after notice to the licensee or applicant and hearing in~~
31 accordance with the provisions of Article 3A of Chapter 150B, he finds as to the
32 licensee any one or more of the following conditions:

- 33 (1) Any untrue material statement in the license application;
- 34 (2) Any cause for which issuance of the license could have been refused
35 had it then existed and been known to the Commissioner at the time of
36 issuance;
- 37 (3) Violation of, or noncompliance with, any insurance laws, or of any
38 lawful rule, or order of the Commissioner or of a Commissioner of
39 another state;
- 40 (4) Obtaining or attempting to obtain any such license through
41 misrepresentation or fraud;
- 42 (5) Improperly withholding, misappropriating, or converting to his own
43 use any moneys belonging to policyholders, insurers, beneficiaries or
44 others received in the course of his insurance business;

- 1 (6) Misrepresentation of the terms of any actual or proposed insurance
2 contract;
3 (7) Willfully overinsuring property;
4 (8) Conviction of a misdemeanor involving moral turpitude, or conviction
5 of a felony;
6 (9) The person has been found guilty of any unfair trade practice or fraud;
7 (10) In the conduct of his affairs under the license, the licensee has used
8 fraudulent, coercive or dishonest practices, or has shown himself to be
9 incompetent, untrustworthy, or financially irresponsible;
10 (11) His license has been suspended or revoked in any other state, province,
11 district, or territory;
12 (12) The person has forged another's name to an application for insurance;
13 or
14 (13) The person has cheated on an examination for an insurance license."

15 Sec. 28. G.S. 58-33-45(c) is repealed.

16 Sec. 29. G.S. 58-33-50 reads as rewritten:

17 **"§ 58-33-50. Notices; loss of residency; duplicate licenses. ~~Surrender, loss or~~**
18 **~~destruction of license.~~**

19 (a) The Commissioner shall notify ~~all appointing insurers, where applicable, and the~~
20 ~~licensee regarding every appointing insurer about~~ any suspension, revocation, or
21 nonrenewal of a license by the ~~Commissioner.~~ Commissioner and about any surrender of
22 a license by a licensee, whether by consent order or otherwise.

23 (b) Upon suspension, ~~revocation~~ revocation, nonrenewal, surrender, or
24 reinstatement of any license, the Commissioner shall notify the Central Office of the
25 NAIC.

26 (c) Any licensee who ceases to maintain his residency in this State ~~as defined in~~
27 ~~G.S. 58-33-30~~ shall deliver his insurance license or licenses to the Commissioner by
28 personal delivery or by mail within 30 days after terminating ~~said~~ residency.

29 (d) The Commissioner may issue a duplicate license for any lost, stolen, or
30 destroyed license issued pursuant to this Article upon a written request from the licensee
31 and payment of appropriate fees."

32 Sec. 30. G.S. 58-48-125 reads as rewritten:

33 **"§ 58-48-125. Payments by the Association.**

34 The accounts created in G.S. 58-48-115 and G.S. 58-48-120 shall be used to pay the
35 claims against insolvent stock workers' compensation insurers and insolvent mutual
36 workers' compensation insurers, respectively, pursuant to G.S. ~~58-48-35,~~ 58-48-110(4)
37 where the insolvency occurred prior to January 1, 1993. The expenses of
38 administering these accounts, including loss adjustment expenses, shall be paid out of
39 the respective accounts."

40 Sec. 31. G.S. 97-99(a) reads as rewritten:

41 "(a) Every policy for the insurance of the compensation herein provided, or
42 against liability therefor, shall be deemed to be made subject to the provisions of this
43 Article. No corporation, association or organization shall enter into any such policy of
44 insurance unless its form shall have been approved by the Commissioner of Insurance.

1 No policy form shall be approved unless the same shall provide a 30-day prior notice of
2 an intention to cancel same by the carrier to the insured by registered mail or certified
3 mail. This shall not apply to the expiration date shown in the policy. The carrier may
4 cancel the policy for nonpayment of premium on 10 days' written notice to the insured,
5 and the insured may cancel the policy on 10 days' written notice ~~by registered mail or~~
6 ~~certified mail~~ to the carrier. Whenever notice of intention to cancel is required to be
7 given by registered or certified mail, no cancellation by the insurer shall be effective
8 unless and until such method is employed and completed."

9 Sec. 32. G.S. 58-51-30 reads as rewritten:

10 **"§ 58-51-30. Policies to cover newborn infants and adopted children.**

11 Every policy of insurance and every hospital service or medical service plan as
12 defined in Articles 65 and 66 of this Chapter, and any health care plan operated by a
13 health maintenance organization as defined in Article 67 of this Chapter (regardless of
14 whether any of such policies or plans shall be defined as individual, family, group,
15 blanket, franchise, industrial or otherwise) that provides benefits on account of any
16 sickness, illness, or disability of any minor child or that provides benefits on account of
17 any medical treatment or service authorized or permitted to be furnished by a hospital
18 under the laws of this State to any minor child shall provide the benefits for those
19 occurrences beginning with the moment of the child's birth if the birth occurs while the
20 policy, subscriber contract, or evidence of coverage with such a plan is in force.
21 Adoptive children shall be treated the same as newborn infants and eligible for coverage
22 on the same basis upon placement in the adoptive home, regardless of whether a final
23 decree of adoption has been entered; provided that a petition for adoption has been duly
24 filed and is pursued to a final ~~degree~~ decree of adoption.

25 Benefits in such insurance policies, plans, or evidence of coverage shall be the same
26 for congenital defects or anomalies as are provided for most sicknesses or illnesses
27 suffered by minor children which are covered by the policies, plans, or evidence of
28 coverage. Benefits for congenital defects or anomalies shall specifically include, but not
29 be limited to, all necessary treatment and care needed by individuals born with cleft lip
30 or cleft palate.

31 No policy or plan subscriber contract or evidence of coverage shall be approved by
32 the Commissioner of Insurance pursuant to the provisions of this Article or the
33 provisions of Articles 65, 66, and 67 of this Chapter that does not comply with the
34 provisions of this section.

35 The provisions of this section ~~shall~~ apply both to insurers governed by the provisions
36 of Articles 1 through 64 of this Chapter and to corporations governed by the provisions
37 of Articles 65, 66, and 67 of this Chapter."

38 Sec. 33. G.S. 58-71-85 reads as rewritten:

39 **~~"§ 58-71-85. Notice and hearing before refusal, suspension, revocation, etc., of~~**
40 **license. License sanction and denial procedures.**

41 (a) ~~No license shall be suspended, revoked, or renewal refused except on~~
42 ~~reasonable notice and opportunity to be heard afforded the person licensed or renewal~~
43 ~~thereof. The suspension or revocation of, or refusal to renew, any license under G.S.~~
44 58-71-80 shall be in accordance with the provisions of Article 3A of Chapter 150B of

1 the General Statutes. (b) Whenever the Commissioner denies an initial application for
2 a license, ~~license or an application for a reissuance of a license,~~ he shall notify the
3 applicant and advise, in writing, the applicant of the reasons for the denial of the license.
4 The application may also be denied for any reason for which a license may be
5 suspended or revoked or not renewed under G.S. 58-71-80(a). Within 30 days ~~of~~ after
6 ~~receipt~~ service of the notification, the applicant may make a written demand upon the
7 Commissioner for a ~~hearing~~ review to determine the reasonableness of the
8 Commissioner's action. ~~Such hearing~~ The review shall be ~~scheduled within 30 days~~
9 ~~from the date of receipt of the written demand.~~ completed without undue delay, and the
10 applicant shall be notified promptly in writing as to the outcome of the review. Within
11 30 days after service of the notification as to the outcome, the applicant may make a
12 written demand upon the Commissioner for a hearing under Article 3A of Chapter 150B
13 of the General Statutes if the applicant disagrees with the outcome."

14 Sec. 34. G.S. 143-143.14 reads as rewritten:

15 "**§ 143-143.14. Notice and hearing.**

16 (a) ~~The Board shall not suspend, revoke or deny a license, or refuse the renewal~~
17 ~~of a license, or impose a civil penalty, until a written notice of the complaint has been~~
18 ~~furnished to the licensee or applicant against whom the same is directed, and a hearing~~
19 ~~thereon has been held before the Board. At least 30 days' written notice of the time and~~
20 ~~place of the hearing shall be given to the licensee or applicant by certified mail to his~~
21 ~~last known address, as shown on the license or other record of information in possession~~
22 ~~of the Board. At any such hearing, the licensee or applicant shall have the right to be~~
23 ~~heard in person or through counsel. After the hearing, the Board shall have the power to~~
24 ~~deny, suspend, revoke or refuse to renew the license in question, or to impose a civil~~
25 ~~penalty for violation of the provisions of this Article. Immediate notice of any such~~
26 ~~action by the Board shall be given to the licensee or applicant in the same manner as~~
27 ~~provided herein for furnishing notice of the hearing.~~ License suspensions, revocations,
28 and renewal refusals are subject to the provisions of Chapter 150B of the General
29 Statutes.

30 (b) Within 30 days after receipt of a notification that an application for a license
31 has been denied, the applicant may make a written demand upon the Board for a review
32 by a member of the Department staff designated by the Board to determine the
33 reasonableness of the Board's action. The review shall be completed without undue
34 delay, and the Board shall be notified promptly in writing as to the outcome of the
35 review. Within 30 days after service of the notification as to the outcome, the Board
36 may make a written demand upon the Commissioner for a hearing under Article 3A of
37 Chapter 150B of the General Statutes if the Board disagrees with the outcome."

38 Sec. 35. G.S. 143-150 reads as rewritten:

39 "**§ 143-150. No electricity to be furnished units not in compliance.**

40 ~~It shall be is unlawful for any individual natural person, partnership, firm or~~
41 ~~corporation person to allow any electric current for use in any manufactured home to be~~
42 ~~turned on or to continue to initially furnish electricity for use in such any manufactured~~
43 ~~home without having first ascertained that either a label of compliance is permanently~~
44 ~~attached to said manufactured home or a certificate of compliance has been issued for~~

1 such manufactured home, provided this section shall not apply if electricity to such
2 manufactured home had been turned on or furnished prior to September 1, 1971, by said
3 firm or corporation or if the owner of said manufactured home shall have obtained a
4 certificate of title for said manufactured home as required by G.S. 20-52 prior to
5 September 1, 1971, or his predecessor in title shall have obtained such certificate prior
6 to September 1, 1971, or the owner furnishes other satisfactory evidence on file with the
7 North Carolina Department of Motor Vehicles that said manufactured home was
8 manufactured prior to September 1, 1971. first ascertaining that the manufactured home
9 and its electrical supply has been inspected pursuant to G.S. 143-139 by the inspection
10 authority having jurisdiction and found to comply with the requirements of the State
11 Electrical Code. The certificate of compliance issued by the inspection jurisdiction
12 shall be accepted as evidence of compliance."

13 Sec. 36. G.S. 143-151.17 is amended by adding a new subsection to read:

14 "(d) The Board may deny an application for a certificate for any of the grounds for
15 suspension, revocation, or refusal to grant that are described in subsection (a) of this
16 section. Within 30 days after receipt of a notification that an application for a certificate
17 has been denied, the applicant may make a written demand upon the Board for a review
18 by a member of the Department staff designated by the Board to determine the
19 reasonableness of the Board's action. The review shall be completed without undue
20 delay, and the Board shall be notified promptly in writing as to the outcome of the
21 review. Within 30 days after service of the notification as to the outcome, the Board
22 may make a written demand upon the Commissioner for a hearing under Article 3A of
23 Chapter 150B of the General Statutes if the Board disagrees with the outcome."

24 Sec. 37. G.S. 58-33-30(d)(2) reads as rewritten:

25 "(2) All individual applicants for licensing as ~~life, accident-life~~ and health
26 agents or as ~~fire and casualty property and liability~~ agents shall furnish
27 evidence satisfactory to the Commissioner of successful completion of
28 at least 40 hours of instruction, which shall in all cases include the
29 general principles of insurance and any other topics that the
30 Commissioner establishes by regulation; and which shall, in the case
31 of ~~life, accident-life~~ and health insurance applicants, include the
32 principles of life, accident, and health insurance and, in the case of ~~fire
33 and casualty property and liability~~ insurance applicants, shall include
34 instruction in ~~fire and casualty property and liability~~ insurance. Any
35 applicant who submits satisfactory evidence of having successfully
36 completed an agent training course that has been approved by the
37 Commissioner and that is offered by or under the auspices of a ~~fire and
38 easualty property or liability~~ or life or health insurance company
39 admitted to do business in this State or a professional insurance
40 association shall be deemed to have satisfied the educational
41 requirements of this subdivision. The requirement in this subdivision
42 for completion of 40 hours of instruction applies only to applicants for
43 ~~life, accident-life~~ and health or ~~fire and casualty property and liability~~
44 insurance licenses. The provisions of this subdivision also apply to the

1 applicants for accident and health insurance licenses; except that such
2 applicants shall be required to successfully complete 20 hours of
3 instruction. Such instruction shall in all cases include the general
4 principles of insurance and the principles of accident and health
5 insurance."

6 Sec. 38. This act is effective upon ratification.