

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2007

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SENATE DRS35321-MA-214\* (3/7)

Short Title: Bonding Requirements for License Plate Agents. (Public)

Sponsors: Senator Jenkins.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO REQUIRE BONDS FOR CONTRACTS ISSUED BY THE DIVISION  
OF MOTOR VEHICLES TO COMMISSION CONTRACTORS WHO OPERATE  
LICENSE PLATE AGENCIES.

The General Assembly of North Carolina enacts:

**SECTION 1.** Chapter 20 of the General Statutes is amended by adding a  
new section to read:

**"§ 20-63A. Bonds required for commission contractors.**

(a) A guaranty bond is required for each commission contractor that is granted a contract to issue license plates or conduct business pursuant to G.S. 20-63. Provided, however, a commission contractor that is unable to secure a bond may, with the consent of the Division, provide an alternative to a guaranty bond, as provided in subsection (c) of this section.

The Division may revoke a contract with a commission contractor that fails to maintain a bond or an alternative to a bond, pursuant to this section.

(b) (1) When application is made for a contract or contract renewal, the applicant shall file a guaranty bond with the clerk of the superior court of the county in which the commission contractor will be located. The bond shall be in favor of the Division. The bond shall be executed by the applicant as principal and by a bonding company authorized to do business in this State. The bond shall be conditioned to provide indemnification to the Division for a loss of revenue for any reason including bankruptcy, foreclosure, or ceasing to operate.

(2) The bond shall be in an amount determined by the Division to be adequate to provide indemnification to the Division under the terms of the bond. The bond amount for a commission contractor shall be at least equal to one hundred fifty percent (150%) of the revenues held at

1           any time during the last fiscal year by a commission contractor. The  
2           bond amount shall also be at least ten thousand dollars (\$10,000).

3           Each application for a commission contract shall include a letter  
4           signed by an authorized representative of the applicant showing in  
5           detail the calculations made and the method of computing the amount  
6           of the bond, pursuant to this subdivision and the rules of the Division.  
7           If the Division finds that the calculations made and the method of  
8           computing the amount of the bond are inaccurate or that the amount of  
9           the bond is otherwise inadequate to provide indemnification under the  
10           terms of the bond, the Division may require the applicant to provide an  
11           additional bond.

12           (3)   The bond shall remain in force and effect until cancelled by the  
13           guarantor. The guarantor may cancel the bond upon 30-days notice to  
14           the Division. Cancellation of the bond shall not affect any liability  
15           incurred or accrued prior to the termination of the notice period.

16           (c)   An applicant that is unable to secure a bond may seek a waiver of the  
17           guaranty bond from the Division and approval of one of the guaranty bond alternatives  
18           set forth in this subsection. With the approval of the Division, an applicant may file with  
19           the clerk of the superior court of the county in which the commission contractor will be  
20           located, in lieu of a bond:

21           (1)   An assignment of a savings account in an amount equal to the bond  
22           required (i) which is in a form acceptable to the Division; (ii) which is  
23           executed by the applicant; (iii) which is executed by a state or federal  
24           savings and loan association, state bank, or national bank that is doing  
25           business in North Carolina and whose accounts are insured by a  
26           federal depositors corporation; and (iv) for which access to the account  
27           in favor of the State of North Carolina is subject to the same conditions  
28           as for a bond in subsection (b) of this section.

29           (2)   A certificate of deposit (i) which is executed by a state or federal  
30           savings and loan association, state bank, or national bank which is  
31           doing business in North Carolina and whose accounts are insured by a  
32           federal depositors corporation; (ii) which is either payable to the State  
33           of North Carolina, unrestrictively endorsed to the Division of Motor  
34           Vehicles; in the case of a negotiable certificate of deposit, is  
35           unrestrictively endorsed to the Division of Motor Vehicles; or in the  
36           case of a nonnegotiable certificate of deposit, is assigned to the  
37           Division of Motor Vehicles in a form satisfactory to the Division; and  
38           (iii) for which access to the certificate of deposit in favor of the State  
39           of North Carolina is subject to the same conditions as for a bond in  
40           subsection (b) of this section."

41           **SECTION 2.** This act becomes effective July 1, 2007.