

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

SESSION LAW 2011-222
HOUSE BILL 575

AN ACT TO PROVIDE THAT IN LIEU OF CONTRACTUAL LIABILITY INSURANCE, A SERVICE CONTRACT PROVIDER MAY MAINTAIN A FUNDED RESERVE ACCOUNT FOR ITS OBLIGATIONS UNDER SERVICE CONTRACTS ISSUED AND OUTSTANDING IN THIS STATE.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 66-373 reads as rewritten:

"§ 66-373. Insurance policy requirements.

(a) Each company or person subject to this section shall maintain contractual liability insurance or service agreement reimbursement insurance with an authorized insurer for one hundred percent (100%) of claims exposure, including reported and incurred but not reported claims and claims expenses, on business written in this State unless the company or ~~person;~~person complies with all of the following:

- (1) Maintains an audited net worth of ~~one hundred million dollars (\$100,000,000);~~one hundred million dollars (\$100,000,000).
- (2) Has offered service agreement contracts or warranties, as applicable to the respective company, its parent company, or person, for at least the preceding ~~10 years;~~and years.
- (3) Either is required to file and has filed an SEC Form 10K or Form 20-F with the Securities and Exchange Commission (SEC) within the last calendar year or, if the company does not file with the SEC, can produce, upon request, a copy of the company's audited financial statements, which show a net worth of the company or person of at least one hundred million dollars (\$100,000,000). A company or person may utilize its parent company's Form 10-K, Form 20-F, or audited financial statements to satisfy this requirement if the parent company agrees to guarantee the obligations of the company or person relating to service agreement contracts or warranties, as applicable to the respective company or person, sold by the company or person in this State.

In lieu of complying with subdivisions (1), (2), and (3) of this subsection, the company or person may maintain a funded reserve account for the purpose of meeting its obligations under contracts issued and outstanding in this State. The reserves shall not be less than forty percent (40%) of gross consideration received, less claims paid, on the sale of the service contract for all in-force contracts.

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SECTION 2. This act becomes effective July 1, 2011.

In the General Assembly read three times and ratified this the 15th day of June,
2011.

s/ Walter H. Dalton
President of the Senate

s/ Thom Tillis
Speaker of the House of Representatives

s/ Beverly E. Perdue
Governor

Approved 12:28 p.m. this 23rd day of June, 2011