

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2011

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SENATE DRS35148-MH-56B (03/24)

Short Title: Service Agreements/Allow Reserve Account.

(Public)

Sponsors: Senator Vaughan.

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO PROVIDE THAT IN LIEU OF CONTRACTUAL LIABILITY INSURANCE,  
3 SERVICE CONTRACT PROVIDERS MAY MAINTAIN A FUNDED RESERVE  
4 ACCOUNT FOR ITS OBLIGATIONS UNDER SERVICE CONTRACTS ISSUED AND  
5 OUTSTANDING IN THIS STATE.

6 The General Assembly of North Carolina enacts:

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

8 "§ 66-373. Insurance policy requirements.

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

14 (1) Maintains an audited net worth of ~~one hundred million dollars~~  
15 ~~(\$100,000,000);~~ one hundred million dollars (\$100,000,000).

16 (2) Has offered service agreement contracts or warranties, as applicable to the  
17 respective company, its parent company, or person, for at least the preceding  
18 ~~10 years;~~ and years.

19 (3) Either is required to file and has filed an SEC Form 10K or Form 20-F with  
20 the Securities and Exchange Commission (SEC) within the last calendar year  
21 or, if the company does not file with the SEC, can produce, upon request, a  
22 copy of the company's audited financial statements, which show a net worth  
23 of the company or person of at least one hundred million dollars  
24 (\$100,000,000). A company or person may utilize its parent company's Form  
25 10-K, Form 20-F, or audited financial statements to satisfy this requirement  
26 if the parent company agrees to guarantee the obligations of the company or  
27 person relating to service agreement contracts or warranties, as applicable to  
28 the respective company or person, sold by the company or person in this  
29 State.

30 In lieu of complying with subdivisions (1), (2), and (3) of this subsection, the company or  
31 person may maintain a funded reserve account for the purpose of meeting its obligations under  
32 contracts issued and outstanding in this State. The reserves shall not be less than forty percent  
33 (40%) of gross consideration received, less claims paid, on the sale of the service contract for  
34 all in-force contracts. The reserve account shall be subject to examination and review by the  
35 Commissioner upon request.



1 ...."

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