

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

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SENATE BILL 651

Short Title: Service Agreements/Allow Reserve Account. (Public)

Sponsors: Senator Vaughan.

Referred to: Commerce.

April 20, 2011

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.

36"

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

