

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2023

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SENATE BILL 452
Commerce and Insurance Committee Substitute Adopted 4/25/23
Judiciary Committee Substitute Adopted 4/26/23
House Committee Substitute Favorable 6/21/23

Short Title: NC Department of Insurance Omnibus .-AB

(Public)

Sponsors:

Referred to:

April 3, 2023

A BILL TO BE ENTITLED
AN ACT TO MAKE VARIOUS CHANGES TO THE INSURANCE LAWS OF NORTH
CAROLINA.

The General Assembly of North Carolina enacts:

PART I. SURPLUS LINES ACT CLARIFYING CHANGES

SECTION 1.(a) G.S. 58-21-10 reads as rewritten:

"§ 58-21-10. Definitions.

As used in this Article:

- (1) ~~"Admitted insurer" means an~~ Admitted insurer. – An insurer licensed to engage in the business of insurance in this State.
- (1a) ~~"Affiliate" means, with~~ Affiliate. – With respect to an insured, includes any entity that controls, is controlled by, or is under common control with the insured.
- (1b) ~~"Affiliated group" means any~~ Affiliated group. – Any group of entities that are all affiliated.
- (2) ~~"Capital", as~~ Capital. – As used in the financial requirements of G.S. 58-21-20, ~~means~~ includes funds paid in for stock or other evidence of ownership.
- (2a) ~~"Control" means an~~ Control. – An entity ~~that has 'control'~~ control over another entity if either of the following occurs:
 - a. The entity directly or indirectly or acting through one or more other persons owns, controls, or has the power to vote twenty-five percent (25%) or more of any class of voting securities of the other entity.
 - b. The entity controls in any manner the election of a majority of the directors or trustees of the other entity.
- (3) ~~"Eligible surplus lines insurer" means an~~ Eligible surplus lines insurer. – An alien insurer as defined in G.S. 58-21-17, a nonadmitted domestic surplus lines insurer, or a nonadmitted insurer with which a surplus lines licensee may place surplus lines insurance under G.S. 58-21-20.
- (4) ~~"Export" means to~~ Export. – To place surplus lines insurance with a nonadmitted domestic surplus lines insurer or a nonadmitted insurer.



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- (4a) ~~"Nonadmitted domestic surplus lines insurer" means an Nonadmitted domestic surplus lines insurer. – An insurer that is domiciled in and authorized pursuant to G.S. 58-21-21 to transact surplus lines insurance in this State.~~
- (5) ~~"Nonadmitted insurer" means an Nonadmitted insurer. – An insurer not licensed to do an insurance business in this State. "Nonadmitted insurer" includes insurance exchanges authorized under the laws of various states. "Nonadmitted insurer" does not include a risk retention group, as defined in G.S. 58-22-10(10).~~
- (6) ~~"Producing broker" means an Producing broker. – An insurance producer licensed under Article 33 of this Chapter who deals directly with the party seeking insurance and who may also be a surplus lines licensee.~~
- (6a) ~~"Salary protection insurance" means insurance Salary protection insurance. – Insurance against financial loss caused by the cessation of earned income because of disability from sickness, ailment, or bodily injury.~~
- (7) ~~"Surplus", as Surplus. – As used in the financial requirements of G.S. 58-21-20, means includes funds over and above liabilities and capital of the company for the protection of policyholders.~~
- (8) ~~"Surplus lines insurance" means any Surplus lines insurance. – Any insurance in this State of risks resident, located, or to be performed in this State, permitted to be placed through a surplus lines licensee with a nonadmitted domestic surplus lines insurer or a nonadmitted insurer eligible to accept such that insurance, including salary protection insurance. The term does not include reinsurance, commercial aircraft insurance, wet marine and transportation insurance, insurance independently procured pursuant to G.S. 58-28-5, life and accident or health insurance, and annuities.any of the following:~~
- a. Reinsurance.
 - b. Commercial aircraft insurance.
 - c. Insurance of property and operations of railroads engaged in interstate or foreign commerce.
 - d. Wet marine and transportation insurance.
 - e. Insurance independently procured pursuant to G.S. 58-28-5.
 - f. Life and accident or health insurance, and annuities.
 - g. Personal and commercial automobile liability insurance required to be written by licensed insurers pursuant to G.S. 58-37-5, excluding excess automobile liability insurance.
- (9) ~~"Surplus lines licensee" means a Surplus lines licensee. – A person licensed under G.S. 58-21-65 to place insurance on risks resident, located, or to be performed in this State with a nonadmitted domestic surplus lines insurer or with nonadmitted insurers eligible to accept such that insurance.~~
- (10) ~~"Wet marine and transportation insurance" means any Wet marine and transportation insurance. – Includes any of the following:~~
- ...
 - e. Ocean marine insurance, as defined in G.S. 58-48-20."

SECTION 1.(b) G.S. 58-21-40(a) reads as rewritten:

"(a) The North Carolina Surplus Lines Association (NCSLA) shall serve as the regulatory support organization of surplus lines licensees and shall carry out the following functions:

- ...
- (5) Provide other services to its members that are incidental or related to the purposes of the association."

SECTION 1.(c) G.S. 58-21-85(b) reads as rewritten:

"(b) ~~At the same time that he files his quarterly report as set forth in G.S. 58-21-80, each surplus lines licensee shall pay the premium receipts tax due for the period covered by the report.~~ Payment of the premium receipts tax shall be due:

- (1) For risk purchasing groups, at the same time the licensee files a quarterly report with the Commissioner.
- (2) For surplus lines insurers receiving invoices issued by the North Carolina Surplus Lines Stamping Office SLIP system, 30 days after the end of each quarter."

PART II. TECHNICAL CORRECTION TO REFLECT COMPENDIUM NAME CHANGE

SECTION 2.(a) G.S. 58-51-59(a)(2) reads as rewritten:

"(2) The ~~Thomson~~Micromedex DrugDex; Micromedex DrugDex System;"

SECTION 2.(b) G.S. 58-65-94(a)(2) reads as rewritten:

"(2) The ~~Thomson~~Micromedex DrugDex; Micromedex DrugDex System;"

SECTION 2.(c) G.S. 58-67-78(a)(2) reads as rewritten:

"(2) The ~~Thomson~~Micromedex DrugDex; Micromedex DrugDex System;"

PART III. CHANGES RELATED TO THE INSURANCE GUARANTY ACT

SECTION 3.(a) G.S. 58-48-20 reads as rewritten:

"§ 58-48-20. Definitions.

As used in this Article:

- (1) ~~"Account" means any Account.~~ – Any one of the three accounts created by G.S. 58-48-25.
- (1a) ~~"Affiliate" means a Affiliate.~~ – A person who directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with an insolvent insurer on December 31 of the year next preceding the date the insurer becomes an insolvent insurer.
- (2) ~~"Association" means the Association.~~ – The North Carolina Insurance Guaranty Association created under G.S. 58-48-25.
- (2a) ~~"Claimant" means any Claimant.~~ – Any insured making a first party claim or any person instituting a liability claim; provided that no person who is an affiliate of the insolvent insurer may be a claimant.
- (3) Repealed by Session Laws 1991, c. 720, s. 6.
- (3a) ~~"Control" means the Control.~~ – The possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, other than a commercial contract for goods or nonmanagement services, or otherwise, unless the power is the result of an official position with or corporate office held by the person. Control shall be presumed to exist if any person, directly or indirectly owns, controls, holds with the power to vote, or holds proxies representing ten percent (10%) or more of the voting securities of any other person. This presumption may be rebutted by a showing that control does not exist in fact.
- (4) ~~"Covered claim" means an Covered claim.~~ – An unpaid claim, including one of unearned premiums, which is in excess of fifty dollars (\$50.00) and arises out of and is within the coverage and not in excess of the applicable limits of an insurance policy to which this Article applies as issued by an insurer, if ~~such that~~ insurer becomes an insolvent insurer after the effective date of this Article and (i) the claimant or insured is a resident of this State at the time of the insured event; or (ii) the property from which the claim arises is

permanently located in this State. "Covered claim" shall not include any amount awarded (i) as punitive or exemplary damages; (ii) sought as a return of premium under any retrospective rating plan; or (iii) due any reinsurer, insurer, insurance pool, or underwriting association, as subrogation or contribution recoveries or otherwise. "Covered claim" also shall not include fines or penalties, including ~~attorneys~~attorneys' fees, imposed against an insolvent insurer or its insured or claims of any claimant whose net worth exceeds fifty million dollars (\$50,000,000) on December 31 of the year preceding the date the insurer becomes insolvent.

(5) ~~"Insolvent insurer" means Insolvent insurer. – An insurer:~~ (i) ~~an insurer~~ licensed and authorized to transact insurance in this State either at the time the policy was issued or when the insured event occurred and (ii) against whom an order of liquidation with a finding of insolvency has been entered after the effective date of this Article by a court of competent jurisdiction in the insurer's state of domicile or of this State under the provisions of Article 30 of this Chapter, and which order of liquidation has not been stayed or been the subject of a writ of supersedeas or other comparable order.

(6) ~~"Member insurer" means any Member insurer. – Any person who~~ (i) writes any kind of insurance to which this Article applies under G.S. 58-48-10, including the exchange of reciprocal or interinsurance contracts, and (ii) is licensed and authorized to transact insurance in this State.

(7) ~~"Net direct written premiums" means direct Net direct written premiums. – Direct gross premiums~~ written in this State on insurance policies to which this Article applies, less return premiums thereon and dividends paid or credited to policyholders on ~~such that~~ direct business. "Net direct written premiums" does not include premiums on contracts between insurers or reinsurers.

(7a) ~~"Ocean marine insurance" includes Ocean marine insurance. – Includes:~~ (i) marine insurance as defined in G.S. 58-7-15(20)a., except for inland marine, (ii) marine protection and indemnity insurance as defined in G.S. 58-7-15(21), and (iii) any other form of insurance, regardless of the name, label, or marketing designation of the insurance policy, which insures against maritime perils or risks and other related perils or risks, which are usually insured by traditional marine insurance such as hull and machinery, marine builders' risks, and marine protection and indemnity. The perils and risks insured against include loss, damage, or expense, or legal liability of the insured for loss, damage, or expense, arising out of, or incident to, ownership, operation, chartering, maintenance, use, repair, or construction of any vessel, craft, or instrumentality in use in ocean or inland waterways, including liability of the insured for personal injury, illness, death, or for loss or damage to the property of the insured or another person. "Ocean marine insurance" does not include insurance on vessels or vehicles under five tons gross weight.

(8) ~~"Person" means any Person. – Any individual,~~ corporation, partnership, association or voluntary organization.

(9) ~~"Policyholder" means the Policyholder. – The person to whom an insurance policy to which this Article applies was issued by an insurer which has become an insolvent insurer.~~

(10) ~~"Resident" means:~~ Resident. – Includes all of the following:
...."

SECTION 3.(b) G.S. 58-48-35(a)(1) reads as rewritten:

"(a) The Association shall:

(1) Be obligated to the extent of the covered claims existing prior to the determination of insolvency and arising within 30 days after the determination of insolvency, or before the policy expiration date if less than 30 days after the determination, or before the insured replaces the policy or causes its cancellation, if he does so within 30 days of the determination. This obligation includes only the amount of each covered claim that is in excess of fifty dollars (\$50.00) and is less than ~~three hundred thousand dollars (\$300,000)~~ five hundred thousand dollars (\$500,000). However, the Association shall pay the full amount of a covered claim for benefits under a workers' compensation insurance coverage, and shall pay an amount not exceeding ten thousand dollars (\$10,000) per policy for a covered claim for the return of unearned premium. The Association has no obligation to pay a claimant's covered claim, except a claimant's workers' compensation claim, if:

- a. The insured had primary coverage at the time of the loss with a solvent insurer equal to or in excess of ~~three hundred thousand dollars (\$300,000)~~ five hundred thousand dollars (\$500,000) and applicable to the claimant's loss; or
- b. The insured's coverage is written subject to a self-insured retention equal to or in excess of ~~three hundred thousand dollars (\$300,000)~~ five hundred thousand dollars (\$500,000).

If the primary coverage or the self-insured retention is less than ~~three hundred thousand dollars (\$300,000)~~ five hundred thousand dollars (\$500,000), the Association's obligation to the claimant is reduced by the coverage and the retention. The Association shall pay the full amount of a covered claim for benefits under a workers' compensation insurance coverage to a claimant notwithstanding any self-insured retention, but the Association has the right to recover the amount of the self-insured retention from the employer.

In no event shall the Association be obligated to a policyholder or claimant in an amount in excess of the obligation of the insolvent insurer under the policy from which the claim ~~arises~~ arises, including any applicable specific and aggregate limits. Notwithstanding any other provision of this Article, a covered claim shall not include any claim filed with the Association after the final date set by the court for the filing of claims against the liquidator or receiver of an insolvent insurer."

SECTION 3.(c) This section becomes effective October 1, 2023, and applies to covered claims arising from orders of liquidation becoming final on or after that date.

PART IV. CHANGES RELATED TO TRANSACTIONS WITHIN AN INSURANCE HOLDING COMPANY SYSTEM

SECTION 4.(a) G.S. 58-19-30 reads as rewritten:

"§ 58-19-30. Standards and management of an insurer within an insurance holding company system.

(a) Transactions within an insurance holding company system to which an insurer subject to registration is a party are subject to all of the following standards:

...

- (7) If the Commissioner determines that the continued operation of an insurer subject to this Article is hazardous to the insurer's policyholders, creditors, or the general public under G.S. 58-30-60(b), then the Commissioner may require the insurer to elect between securing and maintaining either (i) a deposit held by the Commissioner or (ii) a bond with respect to any contract or agreement entered into by the insurer. The bond or deposit shall be

maintained until the existing contract or agreement is no longer affected by the existence of the hazardous condition. The Commissioner shall determine the amount of the deposit or bond, not to exceed the total annual value of the contracts or agreements affected by the existence of the hazardous condition.

(8) All records and data of the insurer held by an affiliate remain the property of the insurer and are subject to control of the insurer. For purposes of this subdivision, "records and data" includes claims and claim files, policyholder lists, application files, litigation files, premium records, rate books, underwriting manuals, personnel records, financial records, or similar information within the possession, custody, or control of the affiliate. An affiliate holding the records and data of an insurer shall do all of the following:

a. Ensure, at no additional cost to the insurer, that the records and data controlled by the insurer are identifiable and segregated, or readily capable of segregation, from all other persons' records and data.

b. Provide to any receiver of the insurer, upon request: (i) a complete set of all records and data of any type that pertain to the insurer's business, (ii) access to the operating systems on which the records and data are maintained, and (iii) the software that runs those systems either through assumption of licensing agreements or otherwise. The receiver may restrict the use of the records and data by the affiliate if the affiliate is not operating the insurer's business.

c. In the event of the affiliate's default under a lease or other agreement, secure a waiver of any landlord lien or other encumbrance to provide the insurer access to all records and data.

(9) Premiums or other funds belonging to the insurer that are collected by or held by an affiliate are the exclusive property of the insurer and are subject to the control of the insurer. Any right of offset in the event an insurer is placed into receivership shall be subject to Article 30 of this Chapter.

(b) The following transactions involving a domestic insurer and any person in its holding company system, including amendments or modifications of affiliated agreements that were previously filed pursuant to this section and that are subject to any materiality standards contained in ~~subdivision (1) through (7) of this section~~ subdivisions (1) through (6) of this subsection, may not be entered into unless the insurer has notified the Commissioner in writing of its intention to enter into the transaction at least 30 days before the transaction, or ~~such a~~ shorter period as the Commissioner permits, and the Commissioner has not disapproved it within that period. The notice for amendments or modifications shall include the reason for the change and the financial impact on the domestic insurer. Informal notice shall be given to the Commissioner, within 30 days after termination of a previously filed agreement, so that the Commissioner may determine the type of filing required, if any. An insurer required to give notice of a proposed transaction pursuant to this subsection shall furnish the required information on a Form D, as prescribed by the Commissioner:

...
(4) All management agreements, service contracts, tax allocation agreements, or cost-sharing ~~arrangements. Management agreements, service contracts, and cost-sharing arrangements shall at a minimum and shall,~~ as applicable:

...
f. Define ~~books and records~~ and data of the insurer to include all ~~books and records~~ information developed or maintained under or related to the ~~agreement~~ contract or agreement that are otherwise the property of the insurer. The definition of records and data shall include claims and claim files, policyholder lists, application files, litigation files,

premium records, rate books, underwriting manuals, personnel records, financial records, or similar information within the possession, custody, or control of the affiliate.

- g. ~~Specify that all books and records and data of the insurer are and insurer: (i) remain the property of the insurer and are subject to the control of the insurer-insurer, (ii) are subject to the control of the insurer, and (iii) must, at no additional cost to the insurer, be held in a manner that ensures that the records and data controlled by the insurer are identifiable and segregated, or readily capable of segregation, from all other persons' records and data.~~

...

- i. Include standards for termination of the contract or agreement with and without cause.

- j. Include provisions for indemnification of the ~~insurer-insurer~~: (i) in the event of gross negligence or willful misconduct on the part of the affiliate providing the ~~services-services~~ or (ii) if the affiliate violates the terms required by sub-subdivisions k. through o. of this subdivision.

- k. Specify that, if the insurer is placed in supervision, conservatorship, or receivership or seized by the Commissioner under Article 30 of this Chapter:

1. All of the rights of the insurer under the contract or agreement extend to the ~~receiver-receiver, conservator, or Commissioner.~~
2. All ~~books and records will immediately be made available to the receiver or the Commissioner and shall be turned over to the receiver or Commissioner immediately upon the receiver's or the Commissioner's request.~~ and data of the insurer shall, at no additional cost to the receiver or Commissioner, be identifiable and segregated, or readily capable of segregation, from all other persons' records and data.
3. All records and data of the insurer shall be turned over to the receiver or Commissioner immediately upon the receiver's or the Commissioner's request. The records and data shall be turned over in a usable format, and the cost to transfer the records and data to the receiver or the Commissioner shall be fair and reasonable.
4. At the direction of the receiver or Commissioner, the affiliate shall make available all employees required to maintain the continued performance of operations or services of the insurer deemed essential by the receiver or Commissioner.

- l. Specify that the affiliate has no automatic right to terminate the agreement if the insurer is placed in ~~receivership pursuant to supervision, conservatorship, or receivership, or seized by the Commissioner under Article 30 of this Chapter.~~

- m. ~~Specify that the affiliate will continue to maintain any systems, programs, or other infrastructure notwithstanding a seizure by the Commissioner under Article 30 of this Chapter, and will make them available to the receiver, for so long as the affiliate continues to receive timely payment for services rendered.~~ all of the following with respect to the performance of services after termination of the contract or agreement if the insurer is placed in supervision, conservatorship,

receivership, or seized by the Commissioner under Article 30 of this Chapter.

1. That the affiliate shall, at the direction of the conservator or Commissioner, provide services deemed essential after termination of the contract or agreement.

2. That the contract or agreement shall specify the minimum period of time essential services shall be performed after the termination of the contract or agreement.

3. That, until the insured is released by the receiver, Commissioner, or a court order, performance of essential services after the termination of the contract or agreement shall be provided without regard to pre-receivership unpaid fees, if the affiliate continues to receive timely payment for post-receivership services rendered.

n. Specify that, if the insurer is placed in supervision, conservatorship, receivership, or seized by the Commissioner under Article 30 of this Chapter, the affiliate will do all of the following:

1. Maintain any systems, programs, or other infrastructure necessary to the performance of the contract or agreement.

2. Until the insured is released by the receiver, Commissioner, or a court order, make any systems, programs, or other infrastructure necessary to the performance of the contract or agreement available to the receiver or Commissioner, if the affiliate continues to receive timely payment for post-receivership services rendered.

o. Specify that, if the insurer is placed into receivership pursuant to Article 30 of this Chapter and portions of the insurer's policies or contracts are eligible for coverage by one or more guaranty associations, then, subject to the receiver's authority over the insurer, the affiliate's commitments under sub-subdivisions k. through n. of this subdivision will extend to the affected guaranty associations.

...

Nothing in this section authorizes or permits any transactions that, in the case of an insurer, not a member of the same insurance holding company system, would be otherwise contrary to law. A domestic insurer may not enter into transactions that are part of a plan or series of like transactions with persons within the insurance holding company system if the purpose of those separate transactions is to avoid the statutory threshold amount and thus avoid the review that would otherwise occur. If the Commissioner determines that such separate transactions were entered into over any 12-month period for that purpose, the Commissioner may exercise the Commissioner's authority under G.S. 58-19-50. The Commissioner, in reviewing transactions pursuant to this subsection, shall consider whether the transactions comply with the standards set forth in subsection (a) of this section and whether they may adversely affect the interests of policyholders. The Commissioner shall be notified within 30 days after any investment of a domestic insurer in any one corporation if, as a result of the investment, the total investment in the corporation by the insurance holding company system exceeds ten percent (10%) of the corporation's voting securities.

...

(d) For the purposes of this Article, in determining whether an insurer's surplus as regards policyholders is reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs, the factors set forth in subdivisions (1) through (11) of this subsection, among others, shall be considered. In determining the adequacy of an insurer's surplus, no single factor

is controlling. The Commissioner will consider the net effect of all of the factors in subdivisions (1) through (11) of this subsection, plus other factors bearing on the financial condition of the insurer. The factors are:

...

(f) Any affiliate that is party to an agreement or contract with a domestic insurer that is subject to subdivision (b)(4) of this section shall be subject to the jurisdiction of any supervision, seizure, conservatorship, or receivership proceedings against the insurer and to the authority of the Commissioner or any supervisor, conservator, rehabilitator, or liquidator for the insurer appointed pursuant to Article 30 of this Chapter for the purpose of interpreting, enforcing, and overseeing the affiliate's obligations under the agreement or contract to perform services for the insurer that meet any of the following requirements:

- (1) The services are an integral part of the insurer's operations, including management, administrative, accounting, data processing, marketing, underwriting, claims handling, investment, or any other similar functions.
- (2) The services are essential to the insurer's ability to fulfill its obligations under insurance policies.

The Commissioner may require that an agreement or contract pursuant to subdivision (b)(4) of this section for the provision of services described in subdivisions (1) and (2) of this subsection specify that the affiliate consents to the jurisdiction as set forth in this subsection."

SECTION 4.(b) This section becomes effective October 1, 2023, and applies to contracts issued, renewed, or amended on or after that date.

PART V. TECHNICAL CORRECTION TO REFLECT REPEAL OF PART 2 OF ARTICLE 38 AND ENACTMENT OF ARTICLE 38A OF CHAPTER 1 OF THE GENERAL STATUTES

SECTION 5. G.S. 58-30-1(a) reads as rewritten:

"(a) This Article does not limit powers granted to the Commissioner by any other provision of law. To the extent practicable, the Commissioner may supplement the provisions of this Article with those of ~~Part 2 of Article 38~~ Article 38A of Chapter 1 of the General Statutes."

PART VI. CHANGES RELATED TO THE ADMINISTRATION OF WORKERS' COMPENSATION LARGE DEDUCTIBLE POLICIES AND INSURED COLLATERAL IN LIQUIDATION PROCEEDINGS

SECTION 6.(a) Article 30 of Chapter 58 of the General Statutes is amended by adding a new section to read:

"§ 58-30-262. Administration of large deductible policies and insured collateral.

(a) Definitions. – The following definitions apply in this section:

- (1) Association. – As defined in G.S. 58-48-20.
- (2) Collateral. – Any cash, letters of credit, surety bond, or any other form of security posted by or on behalf of the insured or any person to secure the obligation of the insured under the large deductible policy to pay deductible claims or to reimburse the insurer for deductible claim payments. Collateral may also secure an insured's obligation to reimburse or pay to the insurer as may be required for other secured obligations.
- (3) Commercially reasonable. – To act in good faith using prevailing industry practices and making all reasonable efforts considering the facts and circumstances of the matter.
- (4) Deductible claim. – Any claim, including a claim for loss and defense and cost containment expense, unless those expenses are excluded, under a large deductible policy that is within the deductible.
- (5) Large deductible policy. – Includes any of the following:

- a. A combination of one or more workers' compensation policies and endorsements issued to an insured and contracts or security agreements entered into between the insurer and the insured in which the insured has agreed with the insurer to do either of the following:
1. Pay directly the initial portion of any claim under the policy up to a specified dollar amount, or the expenses related to any claim.
 2. Reimburse the insurer for its payment of any claim or related expenses under the policy up to the specified dollar amount of the deductible.
- b. Any policy which contains an aggregate limit on the insured's liability for all deductible claims in addition to a per claim deductible limit. The primary purpose and distinguishing characteristic of a large deductible policy is the shifting of a portion of the ultimate financial responsibility under the large deductible policy to pay claims from the insurer to the insured, even though the obligation to initially pay claims may remain with the insurer.
- c. Any policy with a deductible of one hundred thousand dollars (\$100,000) or greater.

"Large deductible policy" does not include: (i) policies, endorsements, or agreements which provide that the initial portion of any covered claim shall be self-insured and further that the insurer shall have no payment obligation within the self-insured retention or (ii) policies that provide for retrospectively rated premium payments by the insured or reinsurance arrangements or agreements, except to the extent that those arrangements assume, secure, or pay the large deductible obligations of an insured.

- (6) Other secured obligations. – Obligations of an insured to an insurer other than those under or resulting from a large deductible policy, such as those under a reinsurance agreement or other agreement involving retrospective premium obligations the performance of which is secured by collateral that also secures obligations of an insured under a large deductible policy.

(b) Applicability. – This section shall apply to workers' compensation large deductible policies insuring workers' compensation liabilities under the Workers' Compensation Act of this State issued by an insurer subject to an order of liquidation as set forth in G.S. 58-30-105 that has become final in the state of entry, whether the liquidation order is entered in this State or in a reciprocal state.

(c) Exceptions. – This section shall not apply to claims funded by the Association or a foreign guaranty association net of the deductible unless subsection (d) of this section applies.

(d) Handling of Large Deductible Claims. – Large deductible policies shall be administered in accordance with their terms, except to the extent those terms conflict with this section. All large deductible claims resulting from the handling or administration of one or more covered claims of a claimant as defined by G.S. 58-48-20 or the applicable guaranty laws of a foreign guaranty association, including those that may have been funded by an insured before liquidation, shall be turned over to the Association for handling and administration or shall be turned over to the foreign guaranty association in the state where the claim is pending for handling and administration. To the extent the insured funds or pays the deductible claim, pursuant to an agreement with the Association or a foreign guaranty association or otherwise, the funding or payment of a deductible claim directly or to the Association or a foreign guaranty association by or on behalf of the insured will extinguish the obligations, if any, of the liquidator, the Association, or the foreign guaranty association to pay the claim. No charge or claim of any

kind shall be made against the liquidator, the Association, or a foreign guaranty association on the basis of the funding or payment of a deductible claim by or on behalf of an insured.

(e) Deductible Claims Paid by the Association or a Foreign Guaranty Association. –

(1) To the extent the Association or a foreign guaranty association pays any deductible claim for which the insurer would have been entitled to reimbursement from the insured, the Association or foreign guaranty association shall be entitled to the full amount of the reimbursement and available collateral as provided for under this section to the extent necessary to reimburse the Association or the foreign guaranty association. Reimbursements paid to the Association or to a foreign guaranty association pursuant to this subdivision shall not be included in any proposal submitted to the court to disburse assets under G.S. 58-30-180 in any report submitted to the court under G.S. 58-30-225, or as any distribution of assets by the liquidator in the domiciliary state.

(2) To the extent that the Association or a foreign guaranty association pays a deductible claim that is not reimbursed either from collateral or by payments by an insured, or incurred expenses in connection with large deductible policies that are not reimbursed under this section, the Association or a foreign guaranty association shall be entitled to assert a claim for those amounts in the liquidation proceeding in this State or in the domiciliary state.

(3) Nothing in this subsection limits any rights of the Association or a foreign guaranty association that may otherwise arise or exist under applicable law to obtain reimbursement from insureds for claim payments made by the Association or the foreign guaranty association under policies of the insurer or for the Association's or foreign guaranty association's related expenses, including without limitation, those rights arising under G.S. 58-48-35 and G.S. 58-48-50, or those arising or existing under similar laws of other states.

(f) Collections. –

(1) Unless otherwise agreed to with the liquidator of the insurer in this State or the domiciliary state, the Association or a foreign guaranty association shall collect reimbursements owed for deductible claims as provided for herein and shall take all commercially reasonable actions to collect those reimbursements. The Association or a foreign guaranty association shall promptly bill insureds for reimbursement of covered claims paid by the Association or a foreign guaranty association. The liquidator of the insurer in this State or the domiciliary state shall have the obligation to collect all other reimbursements owed for deductible claims and shall promptly bill insureds or the other responsible persons for reimbursement of deductible claims (i) paid by the insurer prior to liquidation or (ii) paid by the liquidator.

(2) If the insured does not make payment within the time specified in the large deductible policy, or within 60 days after the date of billing if no time is specified, the liquidator, the Association, or a foreign guaranty association shall take all commercially reasonable actions to collect any reimbursements owed.

(3) Neither the insolvency of the insurer, nor its inability to perform any of its obligations under the large deductible policy, shall be a defense to the insured's reimbursement obligations under the large deductible policy.

(4) Allegations of improper handling or excessive or wrongful payment of a deductible claim by the insurer, by the liquidator of the insurer in this State or the domiciliary state, or by the Association or foreign guaranty association

shall not be a defense to the insured's reimbursement obligations under the large deductible policy.

(5) The liquidator of the insurer in this State or the domiciliary state is entitled to recover through billings to the insured all reasonable expenses incurred in fulfilling the liquidator's collection obligations pursuant to subdivision (1) of this subsection.

(g) Collateral. –

(1) Subject to the provisions of this subsection and the rights of the Association or a foreign guaranty association, the liquidator of the insurer in this State or the domiciliary state shall utilize collateral, when available, to secure the obligation of the insured to fund or reimburse deductible claims or other secured obligations. The Association or a foreign guaranty association shall be entitled to all collateral as provided for in this subsection to the extent needed to reimburse the Association or a foreign guaranty association for the payment of deductible claims. Any distributions made to the Association or to a foreign guaranty association pursuant to this subsection shall not be included in any proposal submitted by the liquidator to the court to disburse assets under G.S. 58-30-180, or in any report submitted to the court under G.S. 58-30-225, or as any distribution of assets in the domiciliary state.

(2) All claims against the collateral shall be paid in the order received, and no claim of the liquidator of the insurer in this State or the domiciliary state, including those described in or arising under this subsection, shall supersede or take priority over any other claim against the collateral made by the Association or a foreign guaranty association. However, to the extent that the collateral is subject to other known secured obligations, or if more than one creditor has a valid claim against the same collateral and the available collateral, including future billing and collection efforts, are together insufficient to pay each creditor in full, the liquidator of the insurer in this State or in the domiciliary state may prorate payments from the proceeds of the collateral based on the ratio of the amount of claims each creditor has to the sum or all claims of all creditors with claims against the involved collateral.

(3) The liquidator of the insurer in this State or the domiciliary state shall draw down collateral to the extent necessary in the event that the insured fails to do any of the following:

a. Perform its funding or payment obligations under any large deductible policy.

b. Pay deductible claim reimbursements within the time specified in the large deductible policy or within 60 days after the date of the billing if no time is specified.

c. Pay amounts due the estate for pre-liquidation obligations.

d. Timely fund any other secured obligation.

e. Timely pay expenses.

(4) Excess collateral may be returned to the insured as determined by the liquidator of the insurer in this State or the domiciliary state after a periodic review of claims paid, outstanding case reserves and a factor for incurred but not reported claims.

(5) This section shall not limit or adversely affect any rights or powers the Association or a foreign guaranty association may have pursuant to other applicable state law to obtain reimbursement from certain classes of policyholders for claims payments made by the Association or a foreign

1 guaranty association arising under policies of the insolvent insurer, or for
2 related expenses the Association or a foreign guaranty association incurs.
3 (6) Notwithstanding any other provision of this section, if the liquidator of the
4 insurer in this State or the domiciliary state and the Association or a foreign
5 guaranty association agree that the liquidator will collect reimbursements
6 owed for deductible claims, the liquidator is entitled to deduct from the large
7 deductible claim collateral or from the deductible reimbursements reasonable
8 and actual expenses incurred in connection with the collection of the large
9 deductible claim collateral and deductible reimbursements."

10 **SECTION 6.(b)** This section becomes effective October 1, 2023, and applies to
11 insurance contracts issued, renewed, or amended on or after that date.

12 13 **PART VII. TECHNICAL CORRECTION TO ADD OMITTED WORD TO G.S. 58-33-5**

14 **SECTION 7.** G.S. 58-33-5 reads as rewritten:

15 **"§ 58-33-5. License required.**

16 A person shall not sell, solicit, or negotiate insurance in this State for any kind of insurance
17 unless the person is licensed for that line of authority in accordance with this Article."

18 19 **PART VIII. AMEND ON-SITE AUDIT REQUIREMENTS FOR THIRD-PARTY** 20 **ADMINISTRATORS**

21 **SECTION 8.** G.S. 58-56-26(c) reads as rewritten:

22 "(c) In cases where a TPA administers benefits for more than 100 certificate holders on
23 behalf of an insurer, the insurer shall, at least semiannually, conduct a review of the operations
24 of the TPA. At least one semiannual review shall be an ~~on-site~~ audit of the operations of the TPA.
25 The insurer may conduct that audit either on-site or virtually. On July 1, 2010, and annually
26 thereafter, every insurer shall file with the Commissioner a certification of completion of the
27 audits as required by this subsection and performed during the previous calendar year, in the
28 format, content, and manner as specified by the Commissioner. The insurer shall maintain in its
29 corporate records documentation of the audits conducted to support its certification of audits for
30 a period of five years or, if a domestic insurer, until the completion of the next quinquennial
31 examination."

32 33 **PART IX. INCREASE OR IMPLEMENT CRIMINAL PENALTIES FOR CERTAIN** 34 **VIOLATIONS**

35 **SECTION 9.(a)** G.S. 58-2-161 reads as rewritten:

36 **"§ 58-2-161. False statement to procure or deny benefit of insurance policy or certificate.**

37 (a) Definitions. – For the purposes of this section:

38 ...

39 (b) ~~Any person who, Prohibited Act.~~ – It is unlawful for a person to, with the intent to
40 injure, defraud, or deceive an insurer or insurance claimant; claimant, do either of the following:

41 (1) ~~Presents~~ Present or ~~causes~~ cause to be presented a written or oral statement,
42 including computer-generated documents as part of, in support of, or in
43 opposition to, a claim for payment or other benefit pursuant to an insurance
44 policy, knowing that the statement contains false or misleading information
45 concerning any fact or matter material to the ~~claim, or claim.~~

46 (2) ~~Assists, abets, solicits, or conspires~~ Assist, abet, solicit, or conspire with
47 another person to prepare or make any written or oral statement that is
48 intended to be presented to an insurer or insurance claimant in connection
49 with, in support of, or in opposition to, a claim for payment or other benefit
50 pursuant to an insurance policy, knowing that the statement contains false or
51 misleading information concerning a fact or matter material to the ~~claim~~ claim.

1 is ~~guilty of a Class H felony~~. Each claim shall be considered a separate count. Upon conviction,
2 if the court imposes probation, the court may order the defendant to pay restitution as a condition
3 of probation. In determination of the amount of restitution pursuant to G.S. 15A-1343(d), the
4 reasonable costs and attorneys' fees incurred by the victim in the investigation of, and efforts to
5 recover damages arising from, the claim, may be considered part of the damage caused by the
6 defendant arising out of the offense.

7 In a civil cause of action for recovery based upon a claim for which a defendant has been
8 convicted under this section, the conviction may be entered into evidence against the defendant.
9 The court may award the prevailing party compensatory damages, attorneys' fees, costs, and
10 reasonable investigative costs. If the prevailing party can demonstrate that the defendant has
11 engaged in a pattern of violations of this section, the court may award treble damages.

12 (c) Punishment. – Violations of this section are punishable as follows:

13 (1) If the amount of the claim for payment or other benefit is less than one hundred
14 thousand dollars (\$100,000), a violation shall be punishable as a Class H
15 felony.

16 (2) If the amount of the claim for payment or other benefit is one hundred
17 thousand dollars (\$100,000) or more, a violation shall be punishable as a Class
18 C felony."

19 **SECTION 9.(b)** Article 33A of Chapter 58 of the General Statutes is amended by
20 adding a new section to read:

21 **"§ 58-33A-93. Criminal penalties.**

22 Except as otherwise provided in this Article, any person who willfully and knowingly
23 conducts business as a public adjuster in violation of this Article is guilty of a Class 1
24 misdemeanor."

25 **SECTION 9.(c)** This section becomes effective December 1, 2023, and applies to
26 offenses committed on or after that date.

27 **PART X. ADDITIONAL CERTIFICATE OF INSURANCE PROHIBITIONS**

28 **SECTION 10.(a)** G.S. 58-3-149(c) reads as rewritten:

29 (c) It is unlawful for any person to knowingly prepare, issue, request, or require a
30 certificate of insurance that meets any of the following criteria:

31 ...
32 (4) Includes information not contained in the underlying insurance policy."

33 **SECTION 10.(b)** This section becomes effective October 1, 2023.

34 **PART XI. AUTHORIZE INSURANCE PREMIUM CONVENIENCE FEES**

35 **SECTION 11.(a)** G.S. 58-3-145 reads as rewritten:

36 **"§ 58-3-145. Solicitation, negotiation or payment of premiums on insurance policies.**

37 (a) An insurer or insurance producer may accept ~~payment~~ electronic payment, as defined
38 in G.S. 147-86.20, of an insurance premium ~~by credit card or debit card~~ if the insurer ~~accepting~~
39 ~~payment by credit card or debit card~~ meets the following conditions:

40 (1) ~~The insurer or insurance producer~~ complies with the prohibition against unfair
41 discrimination contained in G.S. 58-63-15(7).

42 (2) ~~The insurer pays the fees charged by the credit card company or debit card~~
43 ~~issuer for the payment of premiums by credit card or debit card.~~

44 (b) An insurer or insurance producer accepting electronic payment by credit or debit card
45 may charge the person using electronic payment a convenience fee in an amount not to exceed
46 four percent (4%) of the electronic payment."

47 **SECTION 11.(b)** This section becomes effective October 1, 2023.

**PART XII. INCREASE MINIMUM LIABILITY LIMITS FOR INSURANCE
REQUIRED BY THE STATE AND CHANGE THE MANNER OF CALCULATING THE
TOTAL APPLICABLE AMOUNT OF UNDERINSURANCE COVERAGE**

SECTION 12.(a) G.S. 20-279.1(11) reads as rewritten:

"(11) "Proof of financial responsibility": Proof of ability to respond in damages for liability, on account of accidents occurring subsequent to the effective date of said proof, arising out of the ownership, maintenance or use of a motor vehicle, in the amount of ~~thirty thousand dollars (\$30,000)~~ fifty thousand dollars (\$50,000) because of bodily injury to or death of one person in any one accident, and, subject to said limit for one person, in the amount of ~~sixty thousand dollars (\$60,000)~~ one hundred thousand dollars (\$100,000) because of bodily injury to or death of two or more persons in any one accident, and in the amount of ~~twenty-five thousand dollars (\$25,000)~~ fifty thousand dollars (\$50,000) because of injury to or destruction of property of others in any one accident. Nothing contained herein shall prevent an insurer and an insured from entering into a contract, not affecting third parties, providing for a deductible as to property damage at a rate approved by the Commissioner of Insurance."

SECTION 12.(b) G.S. 20-279.5(c) reads as rewritten:

"(c) This section shall not apply under the conditions stated in G.S. 20-279.6 nor:

...

No such policy or bond shall be effective under this section unless issued by an insurance company or surety company authorized to do business in this State, except that if such motor vehicle was not registered in this State, or was a motor vehicle which was registered elsewhere than in this State at the effective date of the policy or bond, or the most recent renewal thereof, or if such operator not an owner was a nonresident of this State, such policy or bond shall not be effective under this section unless the insurance company or surety company if not authorized to do business in this State shall execute a power of attorney authorizing the Commissioner to accept service on its behalf of notice or process in any action upon such policy, or bond arising out of such accident, and unless said insurance company or surety company, if not authorized to do business in this State, is authorized to do business in the state or other jurisdiction where the motor vehicle is registered or, if such policy or bond is filed on behalf of an operator not an owner who was a nonresident of this State, unless said insurance company or surety company, if not authorized to do business in this State, is authorized to do business in the state or other jurisdiction of residence of such operator; provided, however, every such policy or bond is subject, if the accident has resulted in bodily injury or death, to a limit, exclusive of interest and cost, of not less than ~~thirty thousand dollars (\$30,000)~~ fifty thousand dollars (\$50,000) because of bodily injury to or death of one person in any one accident and, subject to said limit for one person, to a limit of not less than ~~sixty thousand dollars (\$60,000)~~ one hundred thousand dollars (\$100,000) because of bodily injury to or death of two or more persons in any one accident, and, if the accident has resulted in injury to or destruction of property, to a limit of not less than ~~twenty-five thousand dollars (\$25,000)~~ fifty thousand dollars (\$50,000) because of injury to or destruction of property of others in any one accident."

SECTION 12.(c) G.S. 20-279.15 reads as rewritten:

"§ 20-279.15. Payment sufficient to satisfy requirements.

In addition to other methods of satisfaction provided by law, judgments herein referred to shall, for the purpose of this Article, be deemed satisfied:

- (1) When ~~thirty thousand dollars (\$30,000)~~ fifty thousand dollars (\$50,000) has been credited upon any judgment or judgments rendered in excess of that amount because of bodily injury to or death of one person as the result of any one accident; or

- (2) When, subject to such limit of ~~thirty thousand dollars (\$30,000)~~ fifty thousand dollars (\$50,000) because of bodily injury to or death of one person, the sum of ~~sixty thousand dollars (\$60,000)~~ one hundred thousand dollars (\$100,000) has been credited upon any judgment or judgments rendered in excess of that amount because of bodily injury to or death of two or more persons as the result of any one accident; or
- (3) When ~~twenty five thousand dollars (\$25,000)~~ fifty thousand dollars (\$50,000) has been credited upon any judgment or judgments rendered in excess of that amount because of injury to or destruction of property of others as a result of any one accident;

Provided, however, payments made in settlement of any claims because of bodily injury, death or property damage arising from a motor vehicle accident shall be credited in reduction of the amounts provided for in this section."

SECTION 12.(d) G.S. 20-279.21(b) reads as rewritten:

"(b) Except as provided in G.S. 20-309(a2), such owner's policy of liability insurance:

...

- (2) Shall insure the person named therein and any other person, as insured, using any such motor vehicle or motor vehicles with the express or implied permission of such named insured, or any other persons in lawful possession, against loss from the liability imposed by law for damages arising out of the ownership, maintenance or use of such motor vehicle or motor vehicles within the United States of America or the Dominion of Canada subject to limits exclusive of interest and costs, with respect to each such motor vehicle, as follows: ~~thirty thousand dollars (\$30,000)~~ fifty thousand dollars (\$50,000) because of bodily injury to or death of one person in any one accident and, subject to said limit for one person, ~~sixty thousand dollars (\$60,000)~~ one hundred thousand dollars (\$100,000) because of bodily injury to or death of two or more persons in any one accident, and ~~twenty five thousand dollars (\$25,000)~~ fifty thousand dollars (\$50,000) because of injury to or destruction of property of others in any one accident; and
- (3) No policy of bodily injury liability insurance, covering liability arising out of the ownership, maintenance, or use of any motor vehicle, shall be delivered or issued for delivery in this State with respect to any motor vehicle registered or principally garaged in this State unless coverage is provided therein or supplemental thereto, under provisions filed with and approved by the Commissioner of Insurance, for the protection of persons insured thereunder who are legally entitled to recover damages from owners or operators of uninsured motor vehicles and hit-and-run motor vehicles because of bodily injury, sickness or disease, including death, resulting therefrom. The limits of such uninsured motorist bodily injury coverage shall be equal to the highest limits of bodily injury liability coverage for any one vehicle insured under the policy; provided, however, that (i) the limits shall not exceed one million dollars (\$1,000,000) per person and one million dollars (\$1,000,000) per accident regardless of whether the highest limits of bodily injury liability coverage for any one vehicle insured under the policy exceed those limits and (ii) a named insured may purchase greater or lesser limits, except that the limits shall not be less than the bodily injury liability limits required pursuant to subdivision (2) of this subsection, and in no event shall an insurer be required by this subdivision to sell uninsured motorist bodily injury coverage at limits that exceed one million dollars (\$1,000,000) per person and one million dollars (\$1,000,000) per accident. When the policy is issued and

renewed, the insurer shall notify the named insured as provided in subsection (m) of this section. The provisions shall include coverage for the protection of persons insured under the policy who are legally entitled to recover damages from owners or operators of uninsured motor vehicles because of injury to or destruction of the property of such insured. The limits of such uninsured motorist property damage coverage shall be equal to the highest limits of property damage liability coverage for any one vehicle insured under the policy; provided, however, that (i) the limits shall not exceed one million dollars (\$1,000,000) per accident regardless of whether the highest limits of property damage liability coverage for any one vehicle insured under the policy exceed those limits and (ii) a named insured may purchase lesser limits, except that the limits shall not be less than the property damage liability limits required pursuant to subdivision (2) of this subsection. When the policy is issued and renewed, the insurer shall notify the named insured as provided in subsection (m) of this section. For uninsured motorist property damage coverage, the limits purchased by the named insured shall be subject, for each insured, to an exclusion of the first one hundred dollars (\$100.00) of such damages. The provision shall further provide that a written statement by the liability insurer, whose name appears on the certification of financial responsibility made by the owner of any vehicle involved in an accident with the insured, that the other motor vehicle was not covered by insurance at the time of the accident with the insured shall operate as a prima facie presumption that the operator of the other motor vehicle was uninsured at the time of the accident with the insured for the purposes of recovery under this provision of the insured's liability insurance policy.

If a person who is legally entitled to recover damages from the owner or operator of an uninsured motor vehicle is an insured under the uninsured motorist coverage of a policy that insures more than one motor vehicle, that person shall not be permitted to combine the uninsured motorist limit applicable to any one motor vehicle with the uninsured motorist limit applicable to any other motor vehicle to determine the total amount of uninsured motorist coverage available to that person. If a person who is legally entitled to recover damages from the owner or operator of an uninsured motor vehicle is an insured under the uninsured motorist coverage of more than one policy, that person may combine the highest applicable uninsured motorist limit available under each policy to determine the total amount of uninsured motorist coverage available to that person. The previous sentence shall apply only to insurance on nonfleet private passenger motor vehicles as described in G.S. 58-40-10(1) and (2).

In addition to the above requirements relating to uninsured motorist insurance, every policy of bodily injury liability insurance covering liability arising out of the ownership, maintenance or use of any motor vehicle, which policy is delivered or issued for delivery in this State, shall be subject to the following provisions which need not be contained therein.

- a. A provision that the insurer shall be bound by a final judgment taken by the insured against an uninsured motorist if the insurer has been served with copy of summons, complaint or other process in the action against the uninsured motorist by registered or certified mail, return receipt requested, or in any manner provided by law; ~~provided however, that the law.~~ The insurer may also be issued a summons, complaint, or other process as an unnamed party and served by

1 registered or certified mail, return receipt requested, or in any manner
2 provided by law. Service outside of the statute of limitations shall be
3 valid so long as the summons has been properly issued, preserved, and
4 served pursuant to North Carolina Rule of Civil Procedure 4. The
5 determination of whether a motorist is uninsured may be decided only
6 by an action against the insurer alone. The insurer, upon being served
7 as herein provided, shall be a party to the action between the insured
8 and the uninsured motorist though not named in the caption of the
9 pleadings and may defend the suit in the name of the uninsured
10 motorist or in its own name. The insurer, upon being served with copy
11 of summons, complaint or other pleading, shall have the time allowed
12 by statute in which to answer, demur or otherwise plead (whether the
13 pleading is verified or not) to the summons, complaint or other process
14 served upon it. The consent of the insurer shall not be required for the
15 initiation of suit by the insured against the uninsured motorist:
16 Provided, however, no action shall be initiated by the insured until 60
17 days following the posting of notice to the insurer at the address shown
18 on the policy or after personal delivery of the notice to the insurer or
19 its agent setting forth the belief of the insured that the prospective
20 defendant or defendants are uninsured motorists. No default judgment
21 shall be entered when the insurer has timely filed an answer or other
22 pleading as required by law. The failure to post notice to the insurer
23 60 days in advance of the initiation of suit shall not be grounds for
24 dismissal of the action, but shall automatically extend the time for the
25 filing of an answer or other pleadings to 60 days after the time of
26 service of the summons, complaint, or other process on the insurer.

- 27 ...
- (4) Shall, in addition to the coverages set forth in subdivisions (2) and (3) of this subsection, provide underinsured motorist coverage, to be used only with a policy that is written at limits that exceed those prescribed by subdivision (2) of this subsection. The limits of such underinsured motorist bodily injury coverage shall be equal to the highest limits of bodily injury liability coverage for any one vehicle insured under the policy; provided, however, that (i) the limits shall not exceed one million dollars (\$1,000,000) per person and one million dollars (\$1,000,000) per accident regardless of whether the highest limits of bodily injury liability coverage for any one vehicle insured under the policy exceed those limits, (ii) a named insured may purchase greater or lesser limits, except that the limits shall exceed the bodily injury liability limits required pursuant to subdivision (2) of this subsection, and in no event shall an insurer be required by this subdivision to sell underinsured motorist bodily injury coverage at limits that exceed one million dollars (\$1,000,000) per person and one million dollars (\$1,000,000) per accident, and (iii) the limits shall be equal to the limits of uninsured motorist bodily injury coverage purchased pursuant to subdivision (3) of this subsection. When the policy is issued and renewed, the insurer shall notify the named insured as provided in subsection (m) of this section. An "uninsured motor vehicle," as described in subdivision (3) of this subsection, includes an "underinsured highway vehicle," which means a highway vehicle with respect to the ownership, maintenance, or use of which, the sum of the limits of liability under all bodily injury liability bonds and insurance policies applicable at the time of the accident is less than the applicable limits of underinsured motorist coverage

for the vehicle involved in the accident and insured under the owner's policy. the total damages sustained by an individual seeking payment of benefits under this subdivision. For purposes of an underinsured motorist claim asserted by a person injured in an accident where more than one person is injured, a highway vehicle will also be an "underinsured highway vehicle" if all bodily injury liability bonds and insurance policies applicable to such highway vehicle at the time of the accident are exhausted and the total amount actually paid to that person ~~under~~ from the exhaustion of all bodily injury liability bonds and insurance policies applicable to such highway vehicle at the time of the accident is less than the applicable limits of underinsured motorist coverage for the vehicle involved in the accident and insured under the owner's policy. the total damages sustained by such person seeking payment of benefits under this subdivision. Notwithstanding the immediately preceding sentence, a highway vehicle shall not be an "underinsured motor vehicle" for purposes of an underinsured motorist claim under an owner's policy insuring that vehicle unless the owner's policy insuring that vehicle provides underinsured motorist coverage with limits that are greater than that policy's bodily injury liability limits. limits, in which event the available underinsured motorist coverage is that amount of underinsured motorist coverage under the owner's policy insuring that vehicle which exceeds the policy's bodily injury liability limits. For the purposes of this subdivision, the term "highway vehicle" means a land motor vehicle or trailer other than (i) a farm-type tractor or other vehicle designed for use principally off public roads and while not upon public roads, (ii) a vehicle operated on rails or crawler-treads, or (iii) a vehicle while located for use as a residence or premises. The provisions of subdivision (3) of this subsection shall apply to the coverage required by this subdivision. Underinsured motorist coverage is deemed to apply when, by reason of payment of judgment or settlement, all liability bonds or insurance policies providing coverage for bodily injury caused by the ownership, maintenance, or use of the underinsured highway vehicle have been exhausted. Exhaustion of that liability coverage for the purpose of any single liability claim presented for underinsured motorist coverage is deemed to occur when either (a) the limits of liability per claim have been paid or tendered upon the claim, or (b) by reason of multiple claims, the aggregate per occurrence limit of liability has been paid. paid or tendered. Underinsured motorist coverage is deemed to apply to the first dollar of an underinsured motorist coverage claim beyond amounts paid to the claimant under the exhausted liability policy-policy or policies applicable to the underinsured highway vehicle at the time of the accident. The amount of underinsured motorist coverage applicable to any claim for benefits under this subdivision shall not be reduced by a setoff or credit against any coverage, including liability insurance, except for workers' compensation coverage to the extent provided for in subsection (e) of this section. If a claimant is an insured under the underinsured motorist coverage on separate or additional policies, the total amount of underinsured motorist coverage applicable to the claimant is the sum of the limits of the claimant's underinsured motorist coverages as determined by combining the highest limit available under each policy, and shall not be reduced by a setoff against any coverage, including liability insurance, except for workers' compensation coverage to the extent provided for in subsection (e) of this section.

~~In any event, the limit of underinsured motorist coverage applicable to any claim is determined to be the difference between the amount paid to the claimant under the exhausted liability policy or policies and the limit of underinsured motorist coverage applicable to the motor vehicle involved in the accident. Furthermore, if a claimant is an insured under the underinsured motorist coverage on separate or additional policies, the limit of underinsured motorist coverage applicable to the claimant is the difference between the amount paid to the claimant under the exhausted liability policy or policies and the total limits of the claimant's underinsured motorist coverages as determined by combining the highest limit available under each policy; provided that this sentence shall apply only to insurance on nonfleet private passenger motor vehicles as described in G.S. 58-40-15(9) and (10). The underinsured motorist limits applicable to any one motor vehicle under a policy shall not be combined with or added to the limits applicable to any other motor vehicle under that policy.~~

An underinsured motorist insurer may at its option, upon a claim pursuant to underinsured motorist coverage, pay moneys without there having first been an exhaustion of the liability insurance policy covering the ownership, use, and maintenance of the underinsured highway vehicle. In the event of payment, the underinsured motorist insurer shall be either: (a) entitled to receive by assignment from the claimant any right or (b) subrogated to the claimant's right regarding any claim the claimant has or had against the owner, operator, or maintainer of the underinsured highway vehicle, provided that the amount of the insurer's right by subrogation or assignment shall not exceed payments made to the claimant by the insurer. No insurer shall exercise any right of subrogation or any right to approve settlement with the original owner, operator, or maintainer of the underinsured highway vehicle under a policy providing coverage against an underinsured motorist where the insurer has been provided with written notice before a settlement between its insured and the underinsured motorist and the insurer fails to advance a payment to the insured in an amount equal to the tentative settlement within 30 days following receipt of that notice. Further, the insurer shall have the right, at its election, to pursue its claim by assignment or subrogation in the name of the claimant, and the insurer shall not be denominated as a party in its own name except upon its own election. Assignment or subrogation as provided in this subdivision shall not, absent contrary agreement, operate to defeat the claimant's right to pursue recovery against the owner, operator, or maintainer of the underinsured highway vehicle for damages beyond those paid by the underinsured motorist insurer. The claimant and the underinsured motorist insurer may join their claims in a single suit without requiring that the insurer be named as a party. Any claimant who intends to pursue recovery against the owner, operator, or maintainer of the underinsured highway vehicle for moneys beyond those paid by the underinsured motorist insurer shall before doing so give notice to the insurer and give the insurer, at its expense, the opportunity to participate in the prosecution of the claim. Upon the entry of judgment in a suit upon any such claim in which the underinsured motorist insurer and claimant are joined, payment upon the judgment, unless otherwise agreed to, shall be applied pro rata to the claimant's claim beyond payment by the insurer of the owner, operator or maintainer of the underinsured highway vehicle and the claim of the underinsured motorist insurer.

1 A party injured by the operation of an underinsured highway vehicle who
2 institutes a suit for the recovery of moneys for those injuries and in such an
3 amount that, if recovered, would support a claim under underinsured motorist
4 coverage shall give notice of the initiation of the suit to the underinsured
5 motorist insurer as well as to the insurer providing primary liability coverage
6 upon the underinsured highway vehicle. Upon receipt of notice, the
7 underinsured motorist insurer shall have the right to appear in defense of the
8 claim without being named as a party therein, and without being named as a
9 party may participate in the suit as fully as if it were a party. The underinsured
10 motorist insurer may elect, but may not be compelled, to appear in the action
11 in its own name and present therein a claim against other parties; provided
12 that application is made to and approved by a presiding superior court judge,
13 in any such suit, any insurer providing primary liability insurance on the
14 underinsured highway vehicle may upon payment of all of its applicable limits
15 of liability be released from further liability or obligation to participate in the
16 defense of such proceeding. However, before approving any such application,
17 the court shall be persuaded that the owner, operator, or maintainer of the
18 underinsured highway vehicle against whom a claim has been made has been
19 apprised of the nature of the proceeding and given his right to select counsel
20 of his own choice to appear in the action on his separate behalf. If an
21 underinsured motorist insurer, following the approval of the application, pays
22 in settlement or partial or total satisfaction of judgment moneys to the
23 claimant, the insurer shall be subrogated to or entitled to an assignment of the
24 claimant's rights against the owner, operator, or maintainer of the
25 underinsured highway vehicle and, provided that adequate notice of right of
26 independent representation was given to the owner, operator, or maintainer, a
27 finding of liability or the award of damages shall be res judicata between the
28 underinsured motorist insurer and the owner, operator, or maintainer of
29 underinsured highway vehicle.

30 As consideration for payment of policy limits by a liability insurer on
31 behalf of the owner, operator, or maintainer of an underinsured motor vehicle,
32 a party injured by an underinsured motor vehicle may execute a contractual
33 covenant not to enforce against the owner, operator, or maintainer of the
34 vehicle any judgment that exceeds the policy limits. A covenant not to enforce
35 judgment shall not preclude the injured party from pursuing available
36 underinsured motorist benefits, unless the terms of the covenant expressly
37 provide otherwise, and shall not preclude an insurer providing underinsured
38 motorist coverage from pursuing any right of subrogation.

39 Notwithstanding the provisions of this subsection, no policy of motor
40 vehicle liability insurance applicable solely to commercial motor vehicles as
41 defined in G.S. 20-4.01(3d) or applicable solely to fleet vehicles shall be
42 required to provide underinsured motorist coverage. When determining
43 whether a policy is applicable solely to fleet vehicles, the insurer may rely
44 upon the number of vehicles reported by the insured at the time of the issuance
45 of the policy for the policy term in question. In the event of a renewal of the
46 policy, when determining whether a policy is applicable solely to fleet
47 vehicles, the insurer may rely upon the number of vehicles reported by the
48 insured at the time of the renewal of the policy for the policy term in question.
49 Any motor vehicle liability policy that insures both commercial motor
50 vehicles as defined in G.S. 20-4.01(3d) and noncommercial motor vehicles
51 shall provide underinsured motorist coverage in accordance with the

provisions of this subsection in an amount equal to the highest limits of bodily injury liability coverage for any one noncommercial motor vehicle insured under the policy, subject to the right of the insured to purchase greater or lesser underinsured motorist bodily injury liability coverage limits as set forth in this subsection. For the purpose of the immediately preceding sentence, noncommercial motor vehicle shall mean any motor vehicle that is not a commercial motor vehicle as defined in G.S. 20-4.01(3d), but that is otherwise subject to the requirements of this subsection."

SECTION 12.(e) G.S. 20-279.21(m) reads as rewritten:

"(m) Every insurer that sells motor vehicle liability policies subject to the requirements of subdivisions (b)(3) and (b)(4) of this section shall, when issuing and renewing a policy, give reasonable notice to the named insured of all of the following:

(1) The named insured is required to purchase uninsured motorist bodily injury coverage, uninsured motorist property damage coverage, ~~and, if applicable,~~ and underinsured motorist bodily injury coverage.

...

(4) The named insured's underinsured motorist bodily injury coverage ~~limits, if applicable, limits~~ shall be equal to the highest limits of bodily injury liability coverage for any one vehicle insured under the policy unless the insured elects to purchase greater or lesser limits for underinsured motorist bodily injury coverage.

...

An insurer shall be deemed to have given reasonable notice if it includes the following or substantially similar language on the policy's original and renewal declarations pages or in a separate notice accompanying the original and renewal declarations pages in at least 12 point type:

NOTICE: YOU ARE REQUIRED TO PURCHASE UNINSURED MOTORIST BODILY INJURY COVERAGE, UNINSURED MOTORIST PROPERTY DAMAGE COVERAGE AND, IN SOME CASES, UNDERINSURED MOTORIST BODILY INJURY COVERAGE. THIS INSURANCE PROTECTS YOU AND YOUR FAMILY AGAINST INJURIES AND PROPERTY DAMAGE CAUSED BY THE NEGLIGENCE OF OTHER DRIVERS WHO MAY HAVE LIMITED OR ONLY MINIMUM COVERAGE OR EVEN NO LIABILITY INSURANCE. YOU MAY PURCHASE UNINSURED MOTORIST BODILY INJURY COVERAGE AND, IF APPLICABLE, UNDERINSURED MOTORIST COVERAGE WITH LIMITS UP TO ONE MILLION DOLLARS (\$1,000,000) PER PERSON AND ONE MILLION DOLLARS (\$1,000,000) PER ACCIDENT OR AT SUCH LESSER LIMITS YOU CHOOSE. YOU CANNOT PURCHASE COVERAGE FOR LESS THAN THE MINIMUM LIMITS FOR THE BODILY INJURY AND PROPERTY DAMAGE COVERAGE THAT ARE REQUIRED FOR YOUR OWN VEHICLE. IF YOU DO NOT CHOOSE A GREATER OR LESSER LIMIT FOR UNINSURED MOTORIST BODILY INJURY COVERAGE, A LESSER LIMIT FOR UNINSURED MOTORIST PROPERTY DAMAGE COVERAGE, AND/OR A GREATER OR LESSER LIMIT FOR UNDERINSURED MOTORIST BODILY INJURY COVERAGE, THEN THE LIMITS FOR THE UNINSURED MOTORIST BODILY INJURY COVERAGE AND, IF APPLICABLE, THE UNDERINSURED MOTORIST BODILY INJURY COVERAGE WILL BE THE SAME AS THE HIGHEST LIMITS FOR BODILY INJURY LIABILITY COVERAGE FOR ANY ONE OF YOUR OWN VEHICLES INSURED UNDER THE POLICY AND THE LIMITS FOR THE UNINSURED MOTORIST PROPERTY DAMAGE COVERAGE WILL BE THE SAME AS THE HIGHEST LIMITS FOR PROPERTY DAMAGE LIABILITY COVERAGE FOR ANY ONE OF YOUR OWN VEHICLES INSURED UNDER THE POLICY. IF YOU WISH TO PURCHASE UNINSURED MOTORIST AND, IF APPLICABLE, UNDERINSURED MOTORIST COVERAGE AT

1 DIFFERENT LIMITS THAN THE LIMITS FOR YOUR OWN VEHICLE INSURED UNDER
2 THE POLICY, THEN YOU SHOULD CONTACT YOUR INSURANCE COMPANY OR
3 AGENT TO DISCUSS YOUR OPTIONS FOR OBTAINING DIFFERENT COVERAGE
4 LIMITS. YOU SHOULD ALSO READ YOUR ENTIRE POLICY TO UNDERSTAND WHAT
5 IS COVERED UNDER UNINSURED AND UNDERINSURED MOTORIST COVERAGES."

6 **SECTION 12.(f)** G.S. 20-279.25(a) reads as rewritten:

7 "(a) Proof of financial responsibility may be evidenced by the certificate of the State
8 Treasurer that the person named therein has deposited with him ~~eighty-five thousand dollars~~
9 ~~(\$85,000)~~ one hundred fifty thousand dollars (\$150,000) in cash, or securities such as may legally
10 be purchased by savings banks or for trust funds of a market value of ~~eighty-five thousand dollars~~
11 ~~(\$85,000)~~ one hundred fifty thousand dollars (\$150,000). The State Treasurer shall not accept
12 any such deposit and issue a certificate therefor and the Commissioner shall not accept such
13 certificate unless accompanied by evidence that there are no unsatisfied judgments of any
14 character against the depositor in the county where the depositor resides."

15 **SECTION 12.(g)** G.S. 20-281 reads as rewritten:

16 "**§ 20-281. Liability insurance prerequisite to engaging in business; coverage of policy.**

17 From and after July 1, 1953, it shall be unlawful for any person, firm or corporation to engage
18 in the business of renting or leasing motor vehicles to the public for operation by the rentee or
19 lessee unless such person, firm or corporation has secured insurance for his own liability and that
20 of his rentee or lessee, in such an amount as is hereinafter provided, from an insurance company
21 duly licensed to sell motor vehicle liability insurance in this State. Each such motor vehicle leased
22 or rented must be covered by a policy of liability insurance insuring the owner and rentee or
23 lessee and their agents and employees while in the performance of their duties against loss from
24 any liability imposed by law for damages including damages for care and loss of services because
25 of bodily injury to or death of any person and injury to or destruction of property caused by
26 accident arising out of the operation of such motor vehicle, subject to the following minimum
27 limits: ~~thirty thousand dollars (\$30,000)~~ fifty thousand dollars (\$50,000) because of bodily injury
28 to or death of one person in any one accident, and ~~sixty thousand dollars (\$60,000)~~ one hundred
29 thousand dollars (\$100,000) because of bodily injury to or death of two or more persons in any
30 one accident, and ~~twenty-five thousand dollars (\$25,000)~~ fifty thousand dollars (\$50,000)
31 because of injury to or destruction of property of others in any one accident. Provided, however,
32 that nothing in this Article shall prevent such operators from qualifying as self-insurers under
33 terms and conditions to be prepared and prescribed by the Commissioner of Motor Vehicles or
34 by giving bond with personal or corporate surety, as now provided by G.S. 20-279.24, in lieu of
35 securing the insurance policy hereinbefore provided for."

36 **SECTION 12.(h)** G.S. 58-37-35(b)(1) reads as rewritten:

37 "(1) For the following coverages of motor vehicle insurance and in at least the
38 following amounts of insurance:

- 39 a. Bodily injury liability: ~~thirty thousand dollars (\$30,000)~~ fifty thousand
40 dollars (\$50,000) each person, ~~sixty thousand dollars (\$60,000)~~ one
41 hundred thousand dollars (\$100,000) each accident;
- 42 b. Property damage liability: ~~twenty-five thousand dollars (\$25,000)~~ fifty
43 thousand dollars (\$50,000) each accident;
- 44 c. Medical payments: one thousand dollars (\$1,000) each person; except
45 that this coverage shall not be available for motorcycles or mopeds;
- 46 d. Uninsured motorist: ~~thirty thousand dollars (\$30,000)~~ fifty thousand
47 dollars (\$50,000) each person; ~~sixty thousand dollars (\$60,000)~~ one
48 hundred thousand dollars (\$100,000) each accident for bodily injury;
49 ~~twenty-five thousand dollars (\$25,000)~~ fifty thousand dollars
50 (\$50,000) each accident property damage (one hundred dollars
51 (\$100.00) deductible);

- e. Any other motor vehicle insurance or financial responsibility limits in the amounts required by any federal law or federal agency regulation; by any law of this State; or by any rule duly adopted under Chapter 150B of the General Statutes or by the North Carolina Utilities Commission."

SECTION 12.(i) This section becomes effective October 1, 2025, and applies to policies issued or renewed on or after that date.

PART XIII. CLARIFY TIME LINE FOR COMPLIANCE WITH MEDICAL RECORDS SUBPOENA

SECTION 13. G.S. 44-49(b) reads as rewritten:

"(b) Notwithstanding subsection (a) of this section, no lien provided for under subsection (a) of this section is valid with respect to any claims whatsoever unless the physician, dentist, nurse, hospital, corporation, or other person entitled to the lien furnishes, without charge to the attorney as a condition precedent to the creation of the lien, upon request to the attorney representing the person in whose behalf the claim for personal injury is made, within 120 days of receipt of the request, an itemized statement, hospital record, or medical report for the use of the attorney in the negotiation, settlement, or trial of the claim arising by reason of the personal injury, and a written notice to the attorney of the lien claimed."

PART XIV. STANDARDIZATION OF EVIDENCE TO PROVE A DEBT STARTING AT THE POINT OF CHARGE-OFF

SECTION 14.(a) G.S. 58-70-90 reads as rewritten:

"§ 58-70-90. Definitions.

As used in this Part, the following terms have the meanings specified:

- (1) ~~"Collection agency"~~ means a Collection agency. – A collection agency as defined in G.S. 58-70-15 which engages, directly or indirectly, in debt collection from a consumer.
- (2) ~~"Consumer"~~ means an Consumer. – An individual, aggregation of individuals, corporation, company, association, or partnership that has incurred a debt or alleged debt.
- (3) ~~"Debt"~~ means any Debt. – Any obligation owed or due or alleged to be owed or due from a consumer.
- (4) Itemized accounting. – An accounting of the amount claimed to be owed, which shall include at least the following:
 - a. If the debt has not been charged off: (i) the amount of principal; (ii) each additional amount added for any interest, fees, or charges; and (iii) the identity of the person imposing each additional amount.
 - b. If the debt has been charged off: (i) the charge-off balance; (ii) any post charge-off interest and fees; and (iii) any post charge-off payments or credits.

SECTION 14.(b) G.S. 58-70-115 reads as rewritten:

"§ 58-70-115. Unfair practices.

No collection agency shall collect or attempt to collect any debt by use of any unfair practices. Such practices include, but are not limited to, the following:

- ...
- (5) When the collection agency is a debt buyer or acting on behalf of a debt buyer, bringing suit or initiating an arbitration proceeding against the debtor, or otherwise attempting to collect on the debt without access to (i) valid documentation that the debt buyer is the owner of the specific debt instrument or account at issue and (ii) reasonable verification of the amount of the debt

allegedly owed by the debtor. For purposes of this subdivision, reasonable verification shall include documentation of the name of the original creditor, the name and address of the debtor as appearing on the original creditor's records, the original consumer account number, a copy of the contract or other document evidencing the consumer debt, and an itemized accounting of the amount claimed to be owed, including all fees and charges.

...."

SECTION 14.(c) G.S. 58-70-155(b) reads as rewritten:

"(b) The only evidence sufficient to establish the amount and nature of the debt shall be properly authenticated business records that satisfy the requirements of Rule 803(6) of the North Carolina Rules of Evidence. The authenticated business records shall include at least all of the following items:

- (1) The original account number.
- (2) The original creditor.
- (3) ~~The amount of the original debt.~~ An itemized accounting, as defined in G.S. 58-70-90.
- (4) ~~An itemization of charges and fees claimed to be owed.~~
- (5) ~~The original charge off balance, or, if the balance has not been charged off, an explanation of how the balance was calculated.~~
- (6) ~~An itemization of post charge off additions, where applicable.~~
- (7) ~~The date of last payment.~~
- (8) ~~The amount of interest claimed and the basis for the interest charged."~~

PART XV. INCREASING SMALL EMPLOYER ACCESS TO STOP LOSS, CATASTROPHIC, AND REINSURANCE COVERAGE

SECTION 15.(a) G.S. 58-50-130(a)(5) reads as rewritten:

- "(5) No small employer carrier, insurer, subsidiary of an insurer, or controlled individual of an insurance holding company shall provide stop loss, catastrophic, or reinsurance coverage to small employers who employ fewer than ~~20~~ five eligible employees that does not comply with the underwriting, rating, and other applicable standards in this Act. An insurer shall not issue a stop loss health insurance policy to any person, firm, corporation, partnership, or association defined as a small employer that does any of the following:
- a. Provides direct coverage of health expenses payable to an individual.
 - b. Has an annual attachment point for claims incurred per individual that is lower than twenty thousand dollars (\$20,000) for plan years beginning in 2013. For subsequent policy years, the amount shall be indexed using the Consumer Price Index for Medical Services for All Urban Consumers for the South Region and shall be rounded to the nearest whole thousand dollars. The index factor shall be the index as of July of the year preceding the change divided by the index as of July 2012.
 - c. Has an annual aggregate attachment point lower than the greater of one of the following:
 1. One hundred twenty percent (120%) of expected claims.
 2. Twenty thousand dollars (\$20,000) for plan years beginning in 2013. For subsequent policy years, the amount shall be indexed using the Consumer Price Index for Medical Services for All Urban Consumers for the South Region and shall be rounded to the nearest whole thousand dollars. The index factor shall be

the index as of July of the year preceding the change divided by the index as of July 2012.

Nothing in this subsection prohibits an insurer from providing additional incentives to small employers with benefits promoting a medical home or benefits that provide health care screenings, are focused on outcomes and key performance indicators, or are reimbursed on an outcomes basis rather than a fee-for-service basis."

SECTION 15.(b) This section becomes effective October 1, 2023, and applies to contracts issued, renewed, or amended on or after that date.

PART XVI. EFFECTIVE DATE

SECTION 16. Except as otherwise provided, this act is effective when it becomes law.