

NORTH CAROLINA GENERAL ASSEMBLY  
1963 SESSION

CHAPTER 943  
SENATE BILL 360

1 AN ACT TO AMEND G.S. 58-77 RELATING TO THE AMOUNT OF CAPITAL AND/OR  
2 SURPLUS REQUIRED OF INSURANCE COMPANIES.

3  
4 The General Assembly of North Carolina do enact:

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6 **Section 1.** G.S. 58-77 of the General Statutes is hereby rewritten to read as follows:  
7 "**G.S. 58-77. Amount of Capital and/or Surplus Required.** The amount of capital and/or  
8 surplus requisite to the formation and organization of companies under the provisions of this  
9 Chapter shall be as follows:

10 (1) Stock Life Insurance Companies.

11 (a) A stock corporation may be organized in the manner prescribed in this  
12 Chapter and licensed to do the business of life insurance, only when it shall  
13 have a paid-in capital of at least three hundred thousand dollars  
14 (\$300,000.00) and a paid-in initial surplus of an amount at least equal to  
15 such capital, and it may in addition do any one or more of the kinds of  
16 business specified in subdivisions (2) and (3) of G.S. 58-72, without having  
17 additional capital or surplus. Every such company shall at all times thereafter  
18 maintain a minimum capital of not less than three hundred thousand dollars  
19 (\$300,000.00) and a minimum surplus of at least seventy-five thousand  
20 dollars (\$75,000.00).

21 (b) If the Commissioner, after such investigation as he may deem it expedient to  
22 make, finds that a corporation may be organized to do the business of life  
23 insurance, or the writing of annuities or both, that its operations are restricted  
24 solely to one state, and that the organization of such corporation is in the  
25 public interest, he may permit the organization of a stock corporation to do  
26 on such restricted plan either or both of the kinds of business specified in  
27 subdivisions (1) and (2) of G.S. 58-72, with the minimum paid-in capital and  
28 a minimum paid-in surplus in an amount to be prescribed by him, but in no  
29 event to be less than a paid-in capital of two hundred thousand dollars  
30 (\$200,000.00) and a paid-in surplus of two hundred thousand dollars  
31 (\$200,000.00). Every such company shall at all times thereafter maintain  
32 such prescribed minimum capital and a minimum surplus of at least fifty  
33 thousand dollars (\$50,000.00).

34 (2) Stock Accident and Health Insurance Companies.

35 a. A stock corporation may be organized in the manner prescribed in this  
36 Chapter and licensed to do only the kind of insurance specified in  
37 subdivision (3) a. of G.S. 58-72, when it shall have a paid-in capital of not  
38 less than two hundred thousand dollars (\$200,000.00), and a paid-in surplus  
39 at least equal to such capital. Every such company shall at all times  
40 thereafter maintain a minimum capital of not less than two hundred thousand  
41 dollars (\$200,000.00) and a minimum surplus of at least fifty thousand  
42 dollars (\$50,000.00).

1           b. Any company organized under the provisions of paragraph a. of this  
2 subdivision may, by the provisions of its original Charter or any amendment  
3 thereto, acquire the power to do the kind of business specified in paragraph  
4 b. of subdivision (3) of G.S. 58-72, if it has a paid-in capital at least equal to  
5 three hundred thousand dollars (\$300,000.00), and a paid-in initial surplus at  
6 least equal to such capital. Every such company shall at all times maintain a  
7 minimum capital of not less than three hundred thousand dollars  
8 (\$300,000.00) and a minimum surplus of at least fifty thousand dollars  
9 (\$50,000.00).

10       (3) Stock Fire and Marine Companies. A stock corporation may be organized in the  
11 manner prescribed in this Chapter and licensed to do one or more of the kinds of insurance  
12 specified in subdivisions (4), (5),(6), (7), (8), (11), (12), (19), (20), (21) and (22) of G.S. 58-72  
13 only when it shall have a paid-in capital of not less than four hundred thousand dollars  
14 (\$400,000.00) and a contributed surplus equivalent to not less than such paid-in capital. Every  
15 such company shall at all times thereafter maintain a minimum capital of not less than four  
16 hundred thousand dollars (\$400,000.00) and a minimum surplus of at least one hundred  
17 thousand dollars (\$100,000.00) provided that, any such corporation may do all the kinds of  
18 insurance authorized for casualty, fidelity and surety companies, as set out in subdivision (4)  
19 hereof where its Charter so permits, when and if it meets all additional requirements as to  
20 capital and surplus as fixed in said Section, and maintains the same.

21       (4) Stock Casualty and Fidelity and Surety Companies. A stock corporation may be  
22 organized in the manner prescribed in this Chapter and licensed to do one or more of the kinds  
23 of insurance specified in subdivisions (3), (6), (7), (8), (9), (10), (11), (12), (13), (14), (15),  
24 (16), (17),(18), (19), (21) and (22) of G.S. 58-72 only when it shall have a paid-in capital of not  
25 less than five hundred thousand dollars (\$500,000.00) and a contributed surplus equivalent to  
26 not less than such paid-in capital. Every such company shall at all times thereafter maintain a  
27 minimum capital of not less than five hundred thousand dollars (\$500,000.00) and a minimum  
28 surplus of at least one hundred and twenty-five thousand dollars (\$125,000.00). If the  
29 Commissioner, after such investigation as he may deem it expedient to make, finds that a  
30 corporation may be organized to do one or more of such kinds of insurance, that its operations  
31 are restricted solely to one state, and that the organization of such corporation is in the public  
32 interest, he may permit such corporation to be organized and licensed to write the lines set out  
33 in this Section with a paid-in capital of not less than three Hundred thousand dollars  
34 (\$300,000.00) and a contributed surplus equivalent to not less than such paid-in capital, and  
35 every such company shall hereafter maintain a minimum capital of not less than three hundred  
36 thousand dollars (\$300,000.00) and a minimum surplus of at least seventy-five thousand dollars  
37 (\$75,000.00) provided that, any casualty, fidelity and surety corporation may do all the kinds of  
38 insurance authorized for fire and marine companies, as set out in subdivision (3) hereof where  
39 its Charter so permits, when and if it meets all additional requirements as to capital and surplus  
40 as fixed in said Section, and maintains the same.

41       (5) Mutual Fire and Marine Companies.

42       a. Limited assessment companies. A limited assessment mutual company may  
43 be organized in the manner prescribed in this Chapter and licensed to do one  
44 or more of the kinds of insurance specified in subdivisions (4), (5), (6), (7),  
45 (8), (11), (12), (19), (20), (21), and. (22) of G.S. 58-72 only when it has no  
46 less than five hundred thousand dollars (\$500,000.00) of insurance in not  
47 fewer than five hundred separate risks subscribed with a contributed initial  
48 surplus of at least one hundred thousand dollars (\$100,000.00), which  
49 surplus shall at all times be maintained. The assessment liability of a  
50 policyholder of a company organized in accordance with the provisions of  
51 this paragraph shall not be limited to less than five annual premiums;

1 provided, such limited assessment company may reduce the assessment  
2 liability of its policyholders from five annual premiums as set out herein to  
3 one additional annual premium when the free surplus of such company  
4 amounts to not less than two hundred thousand dollars (\$200,000.00), which  
5 surplus shall at all times be maintained.

6 b. Assessable mutual companies. An assessable mutual company may be  
7 organized in the manner prescribed in this Chapter and licensed to do one or  
8 more of the kinds of insurance specified in subdivisions (4), (5), and (6) of  
9 G.S. 58-72 with an unlimited assessment liability of its policyholders only  
10 when it shall have not less than five hundred thousand dollars (\$500,000.00)  
11 of insurance in not fewer than five hundred separate risks subscribed with  
12 contributed surplus equal to twice the amount of the maximum net retained  
13 liability under the largest policy of insurance issued by such company; but  
14 not less than twenty thousand dollars (\$20,000.00), which surplus shall at all  
15 times be maintained. Provided such company, when its Charter so permits,  
16 in addition may be licensed to do one or more of the kinds of insurance  
17 specified in subdivisions (7), (8), (11), (12), (19), (20), (21) and (22) of G.S.  
18 58-72, with an unlimited assessment liability of its policyholders, when its  
19 free surplus amounts to not less than fifty thousand dollars (\$50,000.00),  
20 which surplus shall at all times be maintained.

21 c. Nonassessable mutual companies. A nonassessable mutual company may be  
22 organized in the manner prescribed in this Chapter and licensed to do one or  
23 more of the kinds of insurance specified in subdivisions (4), (5), (6), (7), (8),  
24 (11), (12), (19), (20), (21), and (22) of G.S. 58-72 and may be authorized to  
25 issue policies under the terms of which a policyholder is not liable for any  
26 assessments in addition to the premium set out in the policy only when it  
27 shall have not less than five hundred thousand dollars (\$500,000.00) of  
28 insurance in not fewer than five hundred separate risks subscribed with a  
29 contributed initial surplus of not less than four hundred thousand dollars  
30 (\$400,000.00), which surplus shall at all times be maintained.

31 d. Town or county mutual insurance companies. A town or county mutual  
32 insurance company, with unlimited assessment liability, may be organized in  
33 the manner prescribed in this Chapter and licensed to do the kinds of  
34 insurance specified in subdivision (4) of G.S. 58-72 only when it shall have  
35 not less than fifty thousand dollars (\$50,000.00) of insurance in not fewer  
36 than fifty separate risks subscribed with a contributed surplus at all times not  
37 less than the maximum net retained liability under the largest risk written or  
38 to be written whichever is the greater sum, which surplus shall at all times be  
39 maintained. A town or county mutual insurance company may, in addition to  
40 writing the business specified in subdivision (4) of G.S. 58-72, cover in the  
41 same policy the hazards usually insured against under an extended coverage  
42 endorsement when such company has and at all times maintains in addition  
43 to the surplus hereinbefore required, an additional surplus of not less than  
44 twenty-five thousand dollars (\$25,000.00) or not less than an amount  
45 equivalent to one per cent (1%) of the total amount of net retained insurance  
46 in force, whichever is the larger sum: Provided, that such company may not  
47 operate in more than three adjacent counties in this State.

48 (6) Mutual Life, Accident and Health Insurance Companies. A nonassessable mutual  
49 insurance company may be organized in the manner prescribed in this Chapter, and licensed to  
50 do only one or more of the kinds of insurance specified in subdivisions (1), (2) and (3) of G.S.

1 58-72 when it has complied with the requirements of this Chapter and with those hereinafter set  
2 forth in paragraphs (a) to (d), inclusive, of this subdivision, whichever shall be applicable.

- 3 a. If organized to do only the kinds of insurance specified in subdivisions (1)  
4 and (2) of G.S. 58-72, such company shall have not less than five hundred  
5 bona fide applications for life insurance in an aggregate amount not less than  
6 five hundred thousand dollars (\$500,000.00), and shall have received from  
7 each such applicant in cash the full amount of one annual premium on the  
8 policy applied for by him, in an aggregate amount at least equal to ten  
9 thousand dollars (\$10,000.00), and shall in addition have a contributed  
10 surplus of one hundred thousand dollars (\$100,000.00), and shall have and  
11 maintain at all times a minimum surplus of fifty thousand dollars  
12 (\$50,000.00).
- 13 b. If organized to do only the kind of insurance specified in paragraph a. of  
14 subdivision (3) of G.S. 58-72 such company shall have not less than two  
15 hundred and fifty bona fide applications for such insurance, and shall have  
16 received from each such applicant in cash the full amount of one annual  
17 premium on the policy applied for by him in an aggregate amount of at least  
18 ten thousand dollars (\$10,000.00), and shall have a contributed surplus of  
19 one hundred thousand dollars (\$100,000.00) and shall have and maintain at  
20 all times a minimum surplus of fifty thousand dollars (\$50,000.00).
- 21 c. If organized to do the kinds of insurance specified in subdivision (1) and in  
22 paragraph a. of subdivision (3) of G.S. 58-72, such company shall have  
23 complied with the provisions of both paragraph a. and paragraph b. hereof.
- 24 d. If organized to do the kind of insurance specified in paragraph H. B. of  
25 subdivision (3) of G.S. 58-72, in addition to the kind or kinds of insurance  
26 designated in any one of the foregoing paragraphs of this subdivision, such  
27 company shall have a contributed surplus, and shall maintain a minimum  
28 surplus, each in an amount of at least fifty thousand dollars (\$50,000.00) in  
29 excess of the respective amounts required by paragraphs a., b. and c. hereof  
30 where applicable.

31 (7) Organization of Mutual Casualty Fidelity and Surety Companies, a. Nonassessable  
32 mutual companies. A mutual insurance company with no assessment liability provided for its  
33 policyholders may be organized in the manner prescribed in this Chapter and licensed to do one  
34 or more of the kinds of insurance specified in subdivisions (3), (6), (7), (8), (9), (10), (11), (12),  
35 (13), (14), (15), (16), (17), (18), (19), (21) and (22) of G.S. 58-72 when it has a minimum  
36 contributed surplus of five hundred thousand dollars (\$500,000.00) and not less than five  
37 hundred thousand dollars (\$500,000.00) in insurance subscribed in not less than five hundred  
38 separate risks. The surplus of such company shall at all times be maintained at or above the  
39 amount required hereinabove for organization of such company.

40 b. Assessable mutual companies. A mutual insurance company with assessment  
41 liability provided for its policyholders may be organized in the manner prescribed in this  
42 Chapter and licensed to do one or more of the kinds of insurance specified in subdivisions (3),  
43 (6), (7), (8), (9), (10), (11), (12), (13), (14), (15), (16), (17), (18), (19), (21), and (22) of G. S.  
44 58-72 when it has a minimum contributed surplus of two hundred thousand dollars  
45 (\$200,000.00) and not less than five hundred thousand dollars (\$500,000.00) of insurance  
46 subscribed in not less than five hundred separate risks. Such company shall at all times  
47 maintain a surplus in an amount not less than two hundred thousand dollars (\$200,000.00). The  
48 assessment liability of a policyholder of such company shall not be limited to less than one  
49 annual premium.

50 (8) a. A company may do all the kinds of insurance authorized to be done by a company  
51 organized under the provisions of paragraph a. of subdivision (5), and paragraph b. of

1 subdivision (7) where its Charter so permits when and if it meets the combined maximum  
2 requirements of said paragraphs. The assessment liability of policyholders of such a company  
3 shall not be limited to less than one annual premium within any one policy year.

4 b. A company may do all the kinds of insurance authorized to be done by a  
5 company organized under the provisions of paragraph c. of subdivision (5),  
6 and paragraph a. of subdivision (7) where its Charter so permits when and if  
7 it meets the combined maximum requirements of said paragraphs. The  
8 policyholder of such a company shall not be subject to any assessment  
9 liability.

10 (9) Any domestic, foreign or alien company licensed to do business in North Carolina  
11 prior to July 1, 1963, shall be permitted to continue to do the same kinds of business which it  
12 was authorized to do on such date without being required to increase its capital and/or surplus,  
13 provided, however, such insurers shall increase the capital and surplus requirements to the  
14 amounts set forth herein on or before July 1, 1969, but the requirements of this Section as to  
15 capital and surplus shall apply to such companies as a prerequisite to writing additional lines of  
16 business.

17 (10) Whenever the Commissioner finds from a financial statement made by any such  
18 company, or from a report of examination of any such company, that its admitted assets are less  
19 than the aggregate amount of its liabilities and its outstanding capital stock and/or required  
20 minimum surplus, he shall determine the amount of such impairment of capital and/or surplus  
21 and issue an order in writing requiring the company to eliminate the impairment within such  
22 period of not more than ninety (90) days as he shall designate. The Commissioner may, by  
23 order served upon the company, prohibit the company from issuing any new policies while  
24 such impairment exists. If at the expiration of the designated period the company has not  
25 satisfied the Commissioner that the impairment has been eliminated, an order for the  
26 rehabilitation or liquidation of the company may be entered as provided in Article 17A,  
27 Chapter 58 of the General Statutes of North Carolina."

28 **Sec. 2.** All laws and clauses of laws in conflict with this Act are hereby repealed.

29 **Sec. 3.** This Act shall be in full force and effect on and after July 1, 1963.

30 In the General Assembly read three times and ratified, this the 18th day of June,  
31 1963.