

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

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SENATE BILL 967

Short Title: Insurance Financial Amendments Omnibus.

(Public)

Sponsors: Senators Dalton; and Dorsett.

Referred to: Commerce.

April 3, 2003

A BILL TO BE ENTITLED

AN ACT TO MAKE SUBSTANTIVE AND TECHNICAL AMENDMENTS IN THE
LAWS CONCERNING INSURANCE COMPANY SOLVENCY.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-5-5 reads as rewritten:

"§ 58-5-5. Amount of deposits required of foreign or alien fire and/or marine insurance companies.

Unless otherwise provided in this Article, every fire, marine, or fire and marine insurance company chartered by any other state or foreign government shall make and maintain deposits of securities with the Commissioner in the amount of ~~twenty-five thousand dollars (\$25,000)~~ one hundred thousand dollars (\$100,000) market value."

SECTION 2. G.S. 58-5-10 reads as rewritten:

"§ 58-5-10. Amount of deposits required of foreign or alien fidelity, surety and casualty insurance companies.

Unless otherwise provided in this Article, every fidelity, surety or casualty insurance company chartered by any other state or foreign government shall make and maintain deposits of securities with the Commissioner in the amount of ~~fifty thousand dollars (\$50,000)~~ two hundred thousand dollars (\$200,000) market value."

SECTION 3. G.S. 58-5-50 reads as rewritten:

"§ 58-5-50. Deposits of foreign life insurance companies.

In addition to other requirements of Articles 1 through 64 of this Chapter, all foreign life insurance companies shall deposit securities, as specified in G.S. 58-5-20, having a market value of ~~one hundred thousand dollars (\$100,000)~~ four hundred thousand dollars (\$400,000) as a prerequisite of doing business in this State. All foreign life insurance companies shall deposit an additional ~~one hundred thousand dollars (\$100,000)~~ two hundred thousand dollars (\$200,000) where such companies cannot show three years of net operational gains prior to admission. Foreign life insurance companies that are licensed on or before the effective date of this section shall have one year from that date to comply with this section."

1 **SECTION 4.** G.S. 58-7-162(2) reads as rewritten:

2 "(2) Investments, securities, properties, and loans acquired or held in
3 accordance with this Chapter, ~~and in connection therewith the~~
4 following items:

- 5 a. ~~Interest due or accrued on any bond or evidence of indebtedness~~
6 ~~that is not in default.~~
- 7 b. ~~Declared and unpaid dividends on stock and shares, unless that~~
8 ~~amount has otherwise been allowed as an asset.~~
- 9 c. ~~Interest due or accrued upon a collateral loan in an amount not~~
10 ~~to exceed one year's interest thereon.~~
- 11 d. ~~Interest due or accrued on deposits in solvent banks, savings~~
12 ~~and loan associations, and trust companies, and interest due or~~
13 ~~accrued on other assets, if the interest is, in the Commissioner's~~
14 ~~judgment, a collectible asset.~~
- 15 e. ~~Interest due or accrued on a current mortgage loan, in an~~
16 ~~amount not exceeding in any event the amount, if any, of the~~
17 ~~excess of the value of the property less delinquent taxes thereon~~
18 ~~over the unpaid principal; but in no event shall interest accrued~~
19 ~~for a period in excess of 90 days be allowed as an asset.~~
- 20 f. ~~Rent due or accrued on real property if the rent is not in arrears~~
21 ~~for more than three months, and rent more than three months in~~
22 ~~arrears if the payment of the rent is adequately secured by~~
23 ~~property held in the tenant's name and conveyed to the insurer~~
24 ~~as collateral and the underlying collateral is admissible under~~
25 ~~this Chapter.~~
- 26 g. ~~The unaccrued portion of taxes paid before the due date on real~~
27 ~~property.~~
- 28 Chapter."

29 **SECTION 5.** G.S. 58-7-162(5) and G.S. 58-7-162(7) are repealed.

30 **SECTION 6.** G.S. 58-7-162(12) reads as rewritten:

31 "(12) Electronic and mechanical machines, including operating and system
32 software constituting a management information system, ~~if the cost of~~
33 ~~the system is at least twenty five thousand dollars (\$25,000) but not~~
34 ~~more than two percent (2%) of total admitted assets; the cost shall be~~
35 ~~amortized in full over a period not to exceed seven calendar~~
36 ~~years.system."~~

37 **SECTION 7.** G.S. 58-7-163 reads as rewritten:

38 "**§ 58-7-163. Assets not allowed.**

39 In addition to assets impliedly excluded by the provisions of G.S. 58-7-162, the
40 following expressly shall not be allowed as assets in any determination of the financial
41 condition of an insurer:

- 42 (1) ~~Goodwill, trade names, and other like intangible assets.~~

- 1 (2) Advances (other than policy loans) to officers, directors, and
2 controlling stockholders, whether secured or not, and advances to
3 employees, agents, and other persons on personal security only.
- 4 (3) Stock of the insurer or any material equity therein or loans secured
5 thereby, or any material proportionate interest in the stock acquired or
6 held through the ownership by the insurer of an interest in another
7 firm, corporation, or business unit.
- 8 (4) ~~Furniture, fixtures, other equipment, safes, vehicles, libraries,
9 stationery, literature, and supplies, other than data processing and
10 accounting systems authorized under G.S. 58-7-162(12), except in the
11 ease of title insurers the materials and plants which G.S. 58-7-182
12 expressly authorizes the insurer to invest in, and except, in the case of
13 any insurer, any personal property that the insurer is permitted to hold
14 under this Chapter, or that is acquired through foreclosure of chattel
15 mortgages acquired under G.S. 58-7-180, or that is reasonably
16 necessary for the maintenance and operation of real estate that the
17 insurer uses for a home office, branch office, and similar purposes.~~
- 18 (5) The amount, if any, by which the aggregate book value of investments
19 as carried in the ledger assets of the insurer exceeds the aggregate
20 value of the investments as determined under this Chapter.
- 21 (6) Bonds, notes, or other evidences of indebtedness that are secured by
22 mortgages or deeds of trust that are in default, to the extent of the cost
23 or carrying value that is in excess of the value as determined pursuant
24 to other provisions of this Chapter.
- 25 ~~(7) Prepaid and deferred expenses.~~
- 26 (8) Certificates of ~~contribution~~ contribution, surplus notes, or other similar
27 evidences of ~~indebtedness~~ indebtedness, to the extent that admission of
28 these investments results in the double counting of these investments
29 in the reporting entity's balance sheet.
- 30 (9) Any asset that is encumbered in any manner unless the asset is
31 authorized under G.S. 58-7-187 or G.S. 58-7-162(13)."

32 **SECTION 8.** G.S. 58-7-192 reads as rewritten:

33 **"§ 58-7-192. Valuation of securities and investments.**

34 (a) ~~All securities, investments, and evidences of debt, other than those for which
35 valuation methodologies are specifically set forth in this Chapter, that are held by an
36 insurer shall be valued at their market values, at their appraised values, or at prices
37 determined by the insurer as representing their fair market values, subject to the
38 Commissioner's approval.~~

39 (b) ~~Preferred or guaranteed stocks or shares while paying full dividends may be
40 carried at a fixed value in lieu of market value, in the Commissioner's discretion and in
41 accordance with a method of valuation that the Commissioner approves.~~

42 (c) ~~Stock of a subsidiary corporation of an insurer shall not be valued at an
43 amount in excess of its net value as based upon those assets only of the subsidiary that~~

1 ~~would be eligible under this Chapter and G.S. 58-19-10 for investment of the funds of~~
2 ~~the insurer direct.~~

3 (d) ~~No valuations under this section shall be greater than any applicable valuation~~
4 ~~or method contained in the latest edition of the NAIC publications entitled "Valuations~~
5 ~~of Securities"~~"Purposes and Procedures Manual of the NAIC Securities Valuation
6 Office" or the "Accounting Practices and Procedures Manual", unless the Commissioner
7 determines that another valuation method is appropriate when it results in a more
8 conservative valuation.

9 (e) ~~All bonds or fully secured indebtedness having a stated term and a rate of~~
10 ~~interest that are held by an insurer shall be valued in accordance with the procedures~~
11 ~~and instructions contained in the NAIC publication entitled "Valuations of Securities";~~
12 ~~unless the Commissioner determines that a more conservative valuation is appropriate."~~

13 **SECTION 9.** G.S. 58-7-193 reads as rewritten:

14 "**§ 58-7-193. Valuation of property.**

15 (a) ~~Real property acquired pursuant to a mortgage loan or contract for sale shall~~
16 ~~be valued at the net realizable value, but in no event shall the property be valued at an~~
17 ~~amount greater than the unpaid principal of the defaulted loan or contract at the date of~~
18 ~~the acquisition and the cost of improvements thereafter made by the insurer and any~~
19 ~~amounts thereafter paid by the insurer on assessments levied for improvements in~~
20 ~~connection with the property.~~

21 (b) ~~Other real property held by an insurer shall not be valued at an amount in~~
22 ~~excess of fair market value as determined by recent appraisal and as approved by the~~
23 ~~Commissioner. If valuation is based on an appraisal more than three years old, the~~
24 ~~Commissioner may call for and require a new appraisal in order to determine fair value.~~

25 (c) Personal property acquired pursuant to chattel mortgages made in accordance
26 with G.S. 58-7-180 shall not be valued at an amount greater than the unpaid balance of
27 principal on the defaulted loan at the date of acquisition, or the fair market value of the
28 property, whichever amount is less.

29 (d) If the Commissioner and an insurer do not agree on the value of real or
30 personal property of an insurer, in carrying out the Commissioner's responsibilities
31 under this section, the Commissioner may retain the services of a qualified real or
32 personal property appraiser. The insurer shall reimburse the Commissioner for the costs
33 of the services of any appraiser incurred with respect to the Commissioner's
34 responsibilities under this section."

35 **SECTION 10.** G.S. 58-7-195 is repealed.

36 **SECTION 11.** G.S. 58-7-179(d) reads as rewritten:

37 "(d) In the case of a purchase money mortgage given to secure the purchase price
38 of real estate sold by the insurer, the amount lent or invested shall not exceed the unpaid
39 part of the purchase price ~~and shall be valued in accordance with G.S. 58-7-195.~~price."

40 **SECTION 12.** G.S. 58-23-26(c) reads as rewritten:

41 "(c) Each pool is subject to G.S. 58-2-131, 58-2-132, 58-2-133, 58-2-134,
42 58-2-150, 58-2-155, 58-2-165, 58-2-180, 58-2-185, 58-2-190, 58-2-200, 58-3-71,
43 58-3-75, 58-3-81, 58-3-105, 58-6-5, 58-7-21, 58-7-26, 58-7-30, 58-7-31, 58-7-50,
44 58-7-55, 58-7-140, 58-7-160, 58-7-162, 58-7-163, 58-7-165, 58-7-167, 58-7-168,

1 58-7-170, 58-7-172, 58-7-173, 58-7-175, 58-7-179, 58-7-180, 58-7-183, 58-7-185,
2 58-7-187, 58-7-188, 58-7-192, 58-7-193, ~~58-7-195~~, 58-7-197, 58-7-200, and Articles
3 13, 19, and 34 of this Chapter. Annual financial statements required by G.S. 58-2-165
4 shall be filed by each pool within 60 days after the end of the pool's fiscal year, subject
5 to extension by the Commissioner."

6 **SECTION 13.** G.S. 58-47-80 reads as rewritten:

7 "**§ 58-47-80. Assets and invested assets.**

8 Funds shall be held and invested by the board under G.S. 58-7-160, 58-7-162,
9 58-7-163, 58-7-165, 58-7-167, 58-7-168, 58-7-170, 58-7-172, 58-7-173, 58-7-178,
10 58-7-179, 58-7-180, 58-7-183, 58-7-185, 58-7-187, 58-7-188, 58-7-192, 58-7-193,
11 ~~58-7-195~~, 58-7-197, 58-7-200, and 58-19-10."

12 **SECTION 14.** G.S. 58-8-15 reads as rewritten:

13 "**§ 58-8-15. Directors in mutual companies.**

14 Every mutual insurance company shall elect by ballot a board of not less than seven
15 directors, who shall manage and conduct its business and hold office for one year or for
16 such term as the bylaws provide and until their successors are qualified. The directors
17 need not be residents of this State or members of the company. In companies with a
18 guaranty capital, no more than one-half ~~one-half~~ of the directors shall be ~~chosen~~ elected
19 by and from the stockholders ~~holders of guaranty capital~~, except where guaranty capital
20 holders are policyholders. Policyholders which are holders of guaranty capital shall be
21 entitled to one vote for each policy that person holds and one vote for each unit of
22 guaranty capital that person holds."

23 **SECTION 15.** G.S. 58-8-20 reads as rewritten:

24 "**§ 58-8-20. Mutual companies with a guaranty capital.**

25 (a) A mutual insurance company formed as provided in Articles 1 through 64 of
26 this Chapter, in lieu of the contributed surplus required for the organization of mutual
27 companies under the provisions of G.S. 58-7-75, or a mutual insurance company now
28 existing, may, with the prior approval of the Commissioner, ~~establish~~ tender a guaranty
29 capital offering of not less than fifty thousand dollars (\$50,000), divided into ~~shares~~
30 units of one hundred dollars (\$100.00) each, which shall be invested in the same manner
31 as is provided in this Chapter for the investment of the capital stock of insurance
32 companies.

33 (a1) Guaranty capital may be issued by an existing domestic mutual insurance
34 company only under the following terms and conditions:

35 (1) To aid and assist a financially troubled domestic mutual insurance
36 company which otherwise faces rehabilitation or liquidation by this
37 Department; or

38 (2) For any other reason as presented in a petition to the Commissioner
39 and which is found by the Commissioner to be reasonable, justifiable,
40 and in the best interest of all the policyholders of the company.

41 Guaranty capital issued under subdivision (2) of this subsection shall require written
42 notification of the action proposed by the board of directors of the company to be
43 mailed to the policyholders of the company not less than 30 days before the meeting
44 when the action may be taken. The written notification shall be advertised in two

1 newspapers of general circulation, approved by the Commissioner, not less than three
2 times a week for a period of not less than four weeks before the meeting. The written
3 notification to policyholders shall include a proxy statement to allow policyholders to
4 vote on the proposed action without personal attendance at the meeting, and the
5 Commissioner shall approve both the written notification and the proxy statement. The
6 proposed action shall be effected by a vote of two-thirds of the policyholders voting
7 thereon in person or by proxy.

8 (b) ~~The board of directors of a company may declare and pay dividends to the~~
9 ~~stockholders of the guaranty capital of a company, subject to the notification~~
10 ~~requirements of G.S. 58-19-25(d) and the prior approval requirements of G.S.~~
11 ~~58-19-30(e), distribute interest to the holders of guaranty capital in accordance with the~~
12 guaranty capital filing approved by the Department.

13 (c) ~~The guaranty~~ Guaranty capital shall be applied to the payment of losses only
14 when the company has exhausted its cash in hand and the invested assets, exclusive of
15 uncollected premiums, and when thus impaired, the directors may make good the whole
16 or any part of it by assessments upon the contingent funds of the company at the date of
17 such impairment. ~~In the event of a merger, demutualization, or other event where the~~
18 ~~entity ceases to exist, guaranty capital shall only be returned or repaid to the certificate~~
19 ~~holders to the extent that the guaranty capital had been contributed together with~~
20 ~~accrued income as specified in the certificate. Any amounts in excess shall be for the~~
21 ~~benefit of the policyholders.~~

22 (d) ~~Shareholders and members of such companies are subject to the same~~
23 ~~provisions of law in respect to their right to vote as apply respectively to shareholders in~~
24 ~~stock companies and policyholders in mutual companies. Guaranty capital holders are~~
25 entitled to one vote per unit of guaranty capital. Guaranty capital holders who are not
26 policyholders are not entitled to participate in the policyholder votes prescribed under
27 subdivision (a1)(2) and subsection (e) of this section.

28 (e) ~~This guaranty~~ Guaranty capital may be reduced or retired by vote of the
29 policyholders of the company and the assent of the Commissioner, if the net assets of
30 the company above its reserve and all other claims and obligations, exclusive of
31 guaranty capital, for two years immediately preceding and including the date of its last
32 annual statement, is not less than twenty-five percent (25%) of the guaranty capital. Due
33 notice of such proposed action on the part of the company must be mailed to each
34 policyholder of the company not less than 30 days before the meeting when the action
35 may be taken, and must also be advertised in two papers of general circulation,
36 approved by the Commissioner, not less than three times a week for a period of not less
37 than four weeks before such meeting. ~~No insurance company with a guaranty capital~~
38 ~~which has ceased to do new business, shall divide to its stockholders any part of its~~
39 ~~assets or guaranty capital, except income from investments, until it has performed or~~
40 ~~canceled its policy obligations. In the event of a merger, demutualization, or other event~~
41 ~~where the entity ceases to exist, guaranty capital shall only be returned or repaid to the~~
42 ~~certificate holders to the extent that the guaranty capital had been contributed together~~
43 ~~with accrued income as specified in the certificate. Any amounts in excess shall be for~~
44 ~~the benefit of the policyholders.~~

1 (f) No insurance company with guaranty capital shall distribute to its holders of
2 guaranty capital its assets, except as provided in the guaranty capital filing as approved
3 by the Commissioner.

4 (g) In the event of a merger, demutualization, or other event where the entity
5 ceases to exist, guaranty capital shall only be returned or repaid to the holders of
6 guaranty capital to the extent that the guaranty capital has been contributed together
7 with accrued interest as specified in the filing approved by the Commissioner."

8 **SECTION 16.** G.S. 58-8-50 reads as rewritten:

9 **"§ 58-8-50. Guaranty against assessments prohibited.**

10 If any director, officer, or agent of a mutual insurance company, either officially or
11 privately, ~~shall give~~ gives a guaranty to a policyholder ~~thereof of the company~~ against
12 an assessment to which ~~such that~~ policyholder would otherwise be liable, ~~he the~~
13 director, officer, or agent shall be punished by a fine not exceeding one hundred dollars
14 (\$100.00) one thousand dollars (\$1,000) for each offense."

15 **SECTION 17.** G.S. 58-65-1 reads as rewritten:

16 **"§ 58-65-1. Regulation and definitions; application of other laws; profit and**
17 **foreign corporations prohibited.**

18 (a) Any corporation organized under the general corporation laws of the State of
19 North Carolina for the purpose of maintaining and operating a nonprofit hospital or
20 medical or dental service plan whereby hospital care or medical or dental service may
21 be provided in whole or in part by the corporation or by hospitals, physicians, or
22 dentists participating in the plan, or plans, shall be governed by this Article and Article
23 66 of this Chapter and shall be exempt from all other provisions of the insurance laws of
24 this State, unless otherwise provided.

25 The term "hospital service plan" as used in this Article ~~and Article 66 of this Chapter~~
26 includes the contracting for certain fees for, or furnishing of, hospital care, laboratory
27 facilities, X-ray facilities, drugs, appliances, anesthesia, nursing care, operating and
28 obstetrical equipment, accommodations or any other services authorized or permitted to
29 be furnished by a hospital under the laws of the State of North Carolina and approved
30 by the North Carolina Hospital Association or the American Medical Association.

31 The term "medical service plan" as used in this Article ~~and Article 66 of this Chapter~~
32 includes the contracting for the payment of fees toward, or furnishing of, medical,
33 obstetrical, surgical or any other professional services authorized or permitted to be
34 furnished by a duly licensed physician or other provider listed in G.S. 58-50-30. The
35 term "medical services plan" also includes the contracting for the payment of fees
36 toward, or furnishing of, professional medical services authorized or permitted to be
37 furnished by a duly licensed provider of health services licensed under Chapter 90 of the
38 General Statutes.

39 The term "dental service plan" as used in this Article ~~and Article 66 of this Chapter~~
40 includes contracting for the payment ~~2 of~~ of fees toward, or furnishing of dental or any
41 other professional services authorized or permitted to be furnished by a duly licensed
42 dentist.

43 The term "hospital service corporation" as used in this Article ~~and Article 66 of this~~
44 ~~Chapter~~ is intended to mean any nonprofit corporation operating a hospital or medical

1 or dental service plan, as defined in this section. Any corporation organized and subject
2 to the provisions of this ~~Article and Article 66 of this Chapter, Article~~, the certificate of
3 incorporation of which authorizes the operation of either a hospital or medical or dental
4 service plan, or any or all of them, may, with the approval of the ~~Commissioner of~~
5 ~~Insurance, Commissioner~~, issue subscribers' contracts or certificates approved by the
6 Commissioner of Insurance, for the payment of either hospital or medical or dental fees,
7 or the furnishing of such services, or any or all of them, and may enter into contracts
8 with hospitals for physicians or dentists, or any or all of them, for the furnishing of fees
9 or services respectively under a hospital or medical or dental service plan, or any or all
10 of them.

11 The term "preferred provider" as used in this Article ~~and Article 66 of this Chapter~~
12 with respect to contracts, organizations, policies or otherwise means a health care
13 service provider who has agreed to accept, from a corporation organized for the
14 purposes authorized by this Article ~~and Article 66 of this Chapter~~ or other applicable
15 law, special reimbursement terms in exchange for providing services to beneficiaries of
16 a plan administered pursuant to this ~~Article and Article 66 of this Chapter, Article~~.
17 Except to the extent prohibited either by G.S. 58-65-140 or by rules ~~promulgated~~
18 ~~adopted~~ by the ~~Department of Insurance Commissioner~~ not inconsistent with this
19 ~~Article and Article 66 of this Chapter, Article~~, the contractual terms and conditions for
20 special reimbursement shall be those which the corporation and preferred provider find
21 to be mutually agreeable.

22 ~~licensed licensed~~

23 (b) through (c) Repealed by Session Laws 2001-297.

24 ~~licensed licensed Social Work and Licensure~~

25 (d) No foreign or alien hospital or medical or dental service corporation as herein
26 defined shall be authorized to do business in this State."

27 **SECTION 18.** G.S. 58-65-95(a) reads as rewritten:

28 "(a) ~~No corporation Corporations~~ subject to this Article shall invest in ~~any~~
29 ~~securities other than securities or hold only those assets~~ permitted by Article 7 of this
30 Chapter for ~~the investment of assets of life and health insurance companies."~~

31 **SECTION 19.** G.S. 58-67-5(i) reads as rewritten:

32 "(i) "Net worth" means the excess of total assets over the total liabilities and may
33 include borrowed funds that are repayable only from the net earned income of the health
34 maintenance organization and repayable only with the advance permission of the
35 Commissioner. For the purposes of this subsection, "assets" means (i) tangible assets
36 and (ii) other investments permitted under ~~G.S. 58-67-60; provided, however, that the~~
37 ~~depreciated cost of office furniture and equipment in the principal office shall not~~
38 ~~exceed ten percent (10%) of a health maintenance organization's net worth.~~ G.S.
39 58-67-60."

40 **SECTION 20.** G.S. 58-67-40 is repealed.

41 **SECTION 21.** G.S. 58-67-110 reads as rewritten:

42 "§ 58-67-110. **Protection against insolvency.**

43 (a) The Commissioner shall require deposits in accordance with the provisions of
44 G.S. 58-67-25.

1 (b) Each full service ~~medical~~ health maintenance organization shall maintain a
2 minimum net worth of ~~not less than one million dollars (\$1,000,000)~~, which shall be
3 ~~increased by the amount of the contingency reserves calculated annually in accordance~~
4 ~~with the provisions of G.S. 58-67-40. The net worth calculation shall be computed in~~
5 ~~accordance with statutory accounting principles generally recognized in the regulation~~
6 ~~of health maintenance organizations and the Commissioner may promulgate such~~
7 ~~regulations as he deems appropriate to carry out the provisions of this section. If a~~
8 ~~health maintenance organization fails to comply with the net worth requirement of this~~
9 ~~subsection or subsections (c) or (d) of this section, the Commissioner is authorized to~~
10 ~~take appropriate action to assure that the continued operation of the health maintenance~~
11 ~~organization will not be hazardous to its enrollees. equal to the greater of one million~~
12 ~~dollars (\$1,000,000) or the amount required pursuant to the risk-based capital provisions~~
13 ~~of Article 12 of this Chapter. Each single service health maintenance organization shall~~
14 ~~maintain a minimum net worth equal to the greater of fifty thousand dollars (\$50,000)~~
15 ~~or that amount required pursuant to the risk-based capital provisions of Article 12 of this~~
16 ~~Chapter.~~

17 (c) ~~The minimum net worth for a health maintenance organization authorized to~~
18 ~~operate on July 17, 1987, and having a net worth of less than one million dollars~~
19 ~~(\$1,000,000) shall be as follows:~~

- 20 (1) ~~\$150,000 by December 31, 1987~~
- 21 (2) ~~\$300,000 by December 31, 1988~~
- 22 (3) ~~\$450,000 by December 31, 1989~~
- 23 (4) ~~\$750,000 by December 31, 1990~~
- 24 (5) ~~\$1,000,000 by December 31, 1991~~

25 ~~The net worth amounts required by this section shall be in addition to the contingency~~
26 ~~reserves required by G.S. 58-67-40.~~

27 (d) ~~Notwithstanding any other provision of this Article, a health maintenance~~
28 ~~organization authorized to offer only a single health care service plan providing a single~~
29 ~~health care service must have a minimum net worth of fifty thousand dollars (\$50,000).~~
30 ~~The minimum net worth for such plan authorized to operate on July 17, 1987, and~~
31 ~~having a net worth of less than fifty thousand dollars (\$50,000) shall be as follows:~~

- 32 (1) ~~Twenty five thousand dollars (\$25,000) by December 31, 1987; and~~
- 33 (2) ~~Fifty thousand dollars (\$50,000) by December 31, 1988;~~

34 ~~The net worth amounts required by this section shall be in addition to the contingency~~
35 ~~reserves required by G.S. 58-67-40.~~

36 (e) Every full service medical health maintenance organization shall have and
37 maintain at all times an adequate plan for protection against insolvency acceptable to
38 the Commissioner. In determining the adequacy of such a plan, the Commissioner may
39 consider:

- 40 (1) A reinsurance agreement preapproved by the Commissioner covering
41 excess loss, stop loss, or catastrophes. The agreement must provide
42 that the Commissioner will be notified no less than 60 days prior to
43 cancellation or reduction of coverage.

(2) A conversion policy or policies that will be offered by an insurer to the enrollees in the event of the health maintenance organization's insolvency.

(3) Any other arrangements offering protection against insolvency that the Commissioner may require."

SECTION 22. G.S. 58-67-140(a)(3) reads as rewritten:

"(3) ~~No longer maintains the financial reserve specified in G.S. 58-67-40 or is~~ Is no longer financially responsible and may reasonably be expected to be unable to meet its obligations to enrollees or prospective enrollees."

SECTION 23. G.S. 58-67-140(a)(7) reads as rewritten:

"(7) Has knowingly published or made to the Department or to the public any false statement or report, including any report or any data that serves as the basis for any report, required to be submitted under ~~G.S. 58-3-210.~~G.S. 58-3-191."

SECTION 24. G.S. 58-47-65(a) reads as rewritten:

"(a) No group shall self-insure its workers' compensation liabilities under the Act unless it is licensed by the Commissioner under this Part. This subsection does not apply to a group that was organized and approved under the North Carolina law before July 1, 1995, and whose authority to self-insure its workers' compensation liabilities under the Act has not terminated after that date."

SECTION 25. G.S. 97-170(a) reads as rewritten:

"(a) No employer shall self-insure its workers' compensation liabilities under the Act unless it is licensed by the Commissioner under this Article. This subsection does not apply to an employer authorized to self-insure its workers' compensation liabilities under the Act prior to December 1, 1997, whose authority to self-insure its workers' compensation liabilities under the Act has not terminated after that date."

SECTION 26.(a) G.S. 58-6-7 reads as rewritten:

"§ 58-6-7. ~~Annual license Licenses; annual license renewal fees for insurance companies.~~

(a) In order to do business in this State, an insurance company shall apply for and obtain a license from the ~~Commissioner~~ Commissioner. If an application for licensure is received by March 1 of each year. The and approved by the Commissioner, the license shall become effective the following July 1 and July 1. Applications received after March 1 shall become effective July 1 of the next year, unless the Commissioner authorizes an earlier effective date. A license shall remain in effect for one year, subject to timely payment of the annual license renewal fee in accordance with this Chapter and any other provision of the insurance laws in this State, until the insurance company is no longer authorized as a licensee under this Chapter or has ceased doing business in this State. Except as provided in subsection (b) of this section, the insurance company shall pay an annual license renewal fee ~~for the license~~ as follows:

- For each domestic farmer's mutual assessment fire insurance company \$ 25.00
- For each fraternal order 100.00

1 For each of all other insurance companies, except

2 mutual burial associations taxed under G.S.105-121.1 1,000.00

3 The fees levied in this subsection are in addition to those specified in G.S. 58-6-5.

4 (b) When the paid-in capital stock or surplus, or both, of an insurance company,
5 other than a farmer's mutual assessment company or a fraternal order, does not exceed
6 one hundred thousand dollars (\$100,000), the fee levied in this section shall be one-half
7 the amount specified.

8 (c) Upon payment of the fee specified above and the fees and taxes elsewhere
9 specified each insurance company, exchange, bureau, or agency, shall be entitled to do
10 the types of business specified in Chapter 58, of the General Statutes of North Carolina
11 as amended, to the extent authorized therein, except that: Insurance companies
12 authorized to do either the types of business specified for (i) life insurance companies,
13 or (ii) for fire and marine companies, or (iii) for casualty and fidelity and surety
14 companies, in G.S. 58-7-75, which shall also do the types of business authorized in one
15 or both of the other of the above classifications shall in addition to the fees above
16 specified pay one hundred dollars (\$100.00) for each such additional classification of
17 business done. All fees and charges collected by the Commissioner under this Chapter
18 are nonrefundable.

19 (d) Any rating bureau established by action of the General Assembly of North
20 Carolina shall be exempt from the fees in this section."

21 **SECTION 26.(b)** G.S. 58-6-15 reads as rewritten:

22 "**§ 58-6-15. Licenses run from July 1.**

23 Subject to timely payment of the annual license renewal fee in accordance with this
24 Chapter and any other provision of the insurance laws of this State, the ~~The~~ license
25 required of insurance companies shall ~~continue for the next ensuing 12 months after~~
26 ~~July 1 of each year, continue,~~ unless revoked as provided in Articles 1 through 64 of this
27 Chapter. ~~Application for renewal of the company license~~ Annual license renewal fees
28 must be submitted on or before the first day of March on a form to be supplied by the
29 Commissioner. ~~Upon satisfying himself that the company has met all requirements of~~
30 ~~law and appears to be financially solvent he shall forward the renewal license to the~~
31 ~~company.~~ Any company which does not qualify for a ~~renewal~~ continuation of its license
32 before July 1 shall cease to do business in the State of North Carolina as of July 1,
33 unless its license is sooner revoked by the Commissioner.

34 Nothing contained in this section shall be interpreted as applying to licenses issued
35 to individual representatives of insurance companies."

36 **SECTION 27.** If any section or provision of this act is declared
37 unconstitutional, preempted, or otherwise invalid by the courts, it does not affect the
38 validity of the act as a whole or any part other than the part declared to be
39 unconstitutional, preempted, or otherwise invalid.

40 **SECTION 28.** This act becomes effective October 1, 2003.