

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2007

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HOUSE DRH30275-MA-214A\* (3/7)

Short Title: Bonding Requirements for License Plate Agents. (Public)

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Sponsors: Representative Cole.

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Referred to:

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A BILL TO BE ENTITLED

AN ACT TO REQUIRE BONDS FOR CONTRACTS ISSUED BY THE DIVISION  
OF MOTOR VEHICLES TO COMMISSION CONTRACTORS WHO OPERATE  
LICENSE PLATE AGENCIES.

The General Assembly of North Carolina enacts:

**SECTION 1.** Chapter 20 of the General Statutes is amended by adding a  
new section to read:

**"§ 20-63A. Bonds required for commission contractors.**

(a) A guaranty bond is required for each commission contractor that is granted a contract to issue license plates or conduct business pursuant to G.S. 20-63. Provided, however, a commission contractor that is unable to secure a bond may, with the consent of the Division, provide an alternative to a guaranty bond, as provided in subsection (c) of this section.

The Division may revoke a contract with a commission contractor that fails to maintain a bond or an alternative to a bond, pursuant to this section.

(b) (1) When application is made for a contract or contract renewal, the applicant shall file a guaranty bond with the clerk of the superior court of the county in which the commission contractor will be located. The bond shall be in favor of the Division. The bond shall be executed by the applicant as principal and by a bonding company authorized to do business in this State. The bond shall be conditioned to provide indemnification to the Division for a loss of revenue for any reason including bankruptcy, foreclosure, or ceasing to operate.

(2) The bond shall be in an amount determined by the Division to be adequate to provide indemnification to the Division under the terms of the bond. The bond amount for a commission contractor shall be at least equal to one hundred fifty percent (150%) of the revenues held at

1                    any time during the last fiscal year by a commission contractor. The  
2                    bond amount shall also be at least ten thousand dollars (\$10,000).

3                    Each application for a commission contract shall include a letter  
4                    signed by an authorized representative of the applicant showing in  
5                    detail the calculations made and the method of computing the amount  
6                    of the bond, pursuant to this subdivision and the rules of the Division.  
7                    If the Division finds that the calculations made and the method of  
8                    computing the amount of the bond are inaccurate or that the amount of  
9                    the bond is otherwise inadequate to provide indemnification under the  
10                   terms of the bond, the Division may require the applicant to provide an  
11                   additional bond.

12                   (3)                The bond shall remain in force and effect until cancelled by the  
13                   guarantor. The guarantor may cancel the bond upon 30-days notice to  
14                   the Division. Cancellation of the bond shall not affect any liability  
15                   incurred or accrued prior to the termination of the notice period.

16                   (c)                An applicant that is unable to secure a bond may seek a waiver of the  
17                   guaranty bond from the Division and approval of one of the guaranty bond alternatives  
18                   set forth in this subsection. With the approval of the Division, an applicant may file with  
19                   the clerk of the superior court of the county in which the commission contractor will be  
20                   located, in lieu of a bond:

21                   (1)                An assignment of a savings account in an amount equal to the bond  
22                   required (i) which is in a form acceptable to the Division; (ii) which is  
23                   executed by the applicant; (iii) which is executed by a state or federal  
24                   savings and loan association, state bank, or national bank that is doing  
25                   business in North Carolina and whose accounts are insured by a  
26                   federal depositors corporation; and (iv) for which access to the account  
27                   in favor of the State of North Carolina is subject to the same conditions  
28                   as for a bond in subsection (b) of this section.

29                   (2)                A certificate of deposit (i) which is executed by a state or federal  
30                   savings and loan association, state bank, or national bank which is  
31                   doing business in North Carolina and whose accounts are insured by a  
32                   federal depositors corporation; (ii) which is either payable to the State  
33                   of North Carolina, unrestrictively endorsed to the Division of Motor  
34                   Vehicles; in the case of a negotiable certificate of deposit, is  
35                   unrestrictively endorsed to the Division of Motor Vehicles; or in the  
36                   case of a nonnegotiable certificate of deposit, is assigned to the  
37                   Division of Motor Vehicles in a form satisfactory to the Division; and  
38                   (iii) for which access to the certificate of deposit in favor of the State  
39                   of North Carolina is subject to the same conditions as for a bond in  
40                   subsection (b) of this section."

41                   **SECTION 2.** This act becomes effective July 1, 2007.