I. North Carolina Statutes Pertinent to both the Property and Casualty Licenses

A. Definitions used in this section
   1. Department - the Insurance Department
   2. Commissioner - the CEO of the Insurance Department.
   4. Alien Company - an insurance company domiciled outside the USA.
   5. Domestic Company - an insurance company domiciled in North Carolina.
   6. Foreign Company - an insurance company domiciled in any other STATE (but not in North Carolina).
   7. NAIC - National Association of Insurance Commissioners. A non-regulatory body set up to design model laws and regulations to promote uniformity of insurance regulation throughout the USA.
   8. Nuclear Insured - an insured covered by Federal Law regulating and insuring businesses that are involved with nuclear energy.
   9. Person - means a natural person or corporation.
   10. Contract of Insurance - what makes a contract of insurance

TITLE 58 – INSURANCE LAW

B. Contract of Insurance (GS 58-1-10)
   Insurer is bound to pay money or its equivalent or do some act of value as an indemnity or reimbursement for the party having an interest.

C. Commissioner’s election and Term (GS 58-2-5)
   1. Elected by the PEOPLE
   2. Four year term
   3. Takes office January 1
   4. If leaves office or dies: Governor becomes Commissioner until a replacement is appointed
   5. A member of the Council of State
D. **Powers and Duties of the Commissioner (GS 58-2-40)**

1. Enforce all insurance laws and issue regulations.

2. Adopt rules pertaining to the solicitation of stock proxies of DOMESTIC companies.

3. Require reports from companies, bureaus, orders and associations that disclose full information on their standing and condition.

4. Receive and examine each financial statement as required by law.

5. Report to the Attorney General any violation of the law. The Commissioner may institute civil or criminal action by the Attorney General.

6. Upon proper application by any North Carolina citizen furnish a synopsis of any insurance contract.

7. Administer any oath required in the discharge of the office.

8. Make available to the public rates, deviations and explanations of coverage on:
   a. Residential properties and their contents with 4 units or less;
   b. Private Passenger, non-fleet (less than 5 autos) automobiles

E. **Examinations, investigations and hearings; Notice of hearing (GS 58-2-50).**

1. All hearings this law authorizes may be conducted personally by the Commissioner or by one or more deputies, investigators, actuaries, examiners or employees designated for this purpose. - 10 days written notice must be given.

2. The Commissioner may arrest with warrant or cause the person or persons to be arrested.

F. **Restraining Orders; Criminal Convictions (GS 58-2-60)**

1. Whenever it appears to the Commissioner that any person has violated, IS violating or threatens to violate any provision of the law he may:
   a. apply to the superior court of any county of the violation for a restraining order; or
   b. order an injunction to restrain such violation.

2. If the court finds a provision has, is or will be violated, the court will issue a “Cease and Desist” order.

3. Conviction in any court of competent jurisdiction or a plea of guilty serves to automatically suspend a person’s license until reinstated by the Commissioner.
G. **License Surrenders (GS 58-2-65)**
   1. When a licensee is accused of a violation he may surrender his license (with the Commissioner’s permission) for a period of time established by the Commissioner.
   2. Once surrendered, the licensee cannot reapply until period of suspension has passed.

H. **Notification of criminal convictions and change of address (GS 58-2-69)**
   1. Licensee must notify Commissioner in writing of change of residential address within 10 business days.
   2. Licensee must notify Commissioner in writing if convicted of any offense other than a motor vehicle infraction. Notice must be within 10 days of conviction date.

I. **False statement to procure benefit of Insurance Policy or Certificate (GS 58-2-161)**
   1. “Statement” includes any application, notice, statement, proof of loss, bill of lading, receipt of payment, invoice, account, etc. that is intended to defraud an insurer
   2. Statement can be oral or written
   3. This Law also includes people who aid in the deception
   4. If convicted you are guilty of a **CLASS H FELONY**

J. **Embezzlement by insurance agents, brokers or administrators (GS 58-2-162)**
   1. Embezzlement = Stealing
   2. If convicted you are guilty of a **CLASS C FELONY** if $100,000 or more
   3. If convicted you are guilty of a **CLASS H FELONY** if less than $100,000.

K. **Report to the Commissioner (GS 58-2-163)**
   1. It is your duty to report any knowledge of:
      a. a licensee violating these statutes,
      b. an entity’s financial impairment
   2. The Commissioner **may suspend or revoke** any persons license that violates this section

L. **Punishment for making false statement (GS 58-2-180)**
   If you are required to furnish a financial statement or other statement required by GS 58 and you willfully misstate the facts, you are guilty of a **CLASS I FELONY** and the entity on whose behalf the statement is made can be fined between $2000 and $10,000.
M. **Records Maintenance (GS 58-2-185)**

All companies, agents or brokers must keep a full and correct record of business done by them showing the:

1. Number
2. Date
3. Term
4. Amount of Coverage
5. Premium
6. To Whom the Contract was written:

of every policy, certificate or renewal.


1. The Commissioner is empowered to make and promulgate reasonable rules and regulations governing the recording and reporting of insurance business by agents and brokers. Upon demand, these records must be made available to the Commissioner or his authorized employee.

2. **Every agent shall appoint some person to see that these records are maintained.**

3. If you violate this section the Commissioner, after a hearing, may:
   a. First offense - suspend or revoke license for not less than 1 month or more than 6 months,
   b. Second offense - license suspended or revoked for 1 year.

4. The Commissioner or any authorized employee can enforce this section

5. The refusal of any agency, agent, broker, etc. to submit to examination is grounds for revocation or refusal of a license.

O. **Books and papers required to be Exhibited (GS 58-2-200)**

1. It is the duty of any person having control of books and records to exhibit them to the Commissioner or authorized employee upon demand.

2. Any person who refuses to provide, or knowingly or willfully makes a false statement regarding these records is guilty of a **CLASS 1 MISDEMEANOR**.
A. **Statements in Application not warranties (GS 58-3-10)**
   All statements or descriptions in any application for a policy of insurance, or in the policy itself, are representations. Recovery is not prevented unless it is a MATERIAL misrepresentation.

B. **Coinsurance Clause (GS 58-3-15)**
   If a policy contains a coinsurance clause, the words “Coinsurance Contract” must be affixed to the first page of the policy. The wording must be of size and in a location as specified by the Commissioner.

C. **Discriminatory Practices Prohibited (GS 58-3-25)**
   1. After September 1, 1975, no insurer shall base any rating plan for private passenger autos or motorcycles on age or sex.

D. **Proof of loss forms (GS 58-3-40)**
   1. If a proof of loss form is required by the insurer, they must supply a blank form within 15 days
   2. If no form supplied, the insured can use any means necessary to file loss.

E. **Twisting (GS 58-3-115)**
   1. No insurer shall make any written or oral statement that:
      a. willfully misrepresents, or
      b. willfully makes an incomplete comparison as to the:
         a. terms,
         b. conditions, or
         c. benefits contained in any policy.
   2. For the purpose of inducing or attempting to induce a policyholder to:
      a. terminate,
      b. surrender,
      c. exchange, or
      d. convert any insurance policy.
F. **Discrimination forbidden (GS 58-3-120)**
No company doing the business of insurance shall make any discrimination in favor of any person.

G. **Acting without a license - violation and penalty (GS 58-3-130)**
If any person pretends to be an agent, adjuster, etc., for the purpose of:
   a. advising,
   b. receiving, collecting or transmitting premiums, or
   c. any other act involved in soliciting business,
      shall be guilty of a **CLASS I MISDEMEANOR**.

H. **Certain insurance activities by lenders with customers prohibited (GS 58-3-135)**
No lender shall require the purchase of insurance from such lender or subsidiary as a condition to making, renewing or refinancing any loan.

I. **Binders (Temporary Contract of Insurance) (GS 58-3-140)**
1. A lender shall accept, as evidence of insurance on a 1 to 4 family dwelling, a binder;
2. A lender may refuse to accept a Binder if the disapproval is reasonable.
3. To be accepted, a binder must contain:
   a. The name and address of the insured;
   b. Name & address of Mortgagee;
   c. A description of the insured collateral;
   d. A provision that the binder can only be canceled with 10 days notice;
   e. The amount of insurance bound;
   f. A paid receipt for 1 year’s premium;

J. **Business through Credit Card system (GS 58-3-145)**
An insurer, agent or broker may accept payment of an insurance premium by credit card if the insurer accepting payment by credit card meets the following conditions:

1. The insurer makes payment by credit card available to all existing and prospective insureds and does not limit the use of credit card payments to certain persons
2. The insurer pays the fees charged by the credit card company for the payment of Premiums by credit card
Licensing of Agents, Brokers, Limited Representatives and Adjusters

A. **Scope (GS 58-33-1)**
   1. This article applies to the qualifications and procedures for licensing:
      a. agents,
      b. brokers,
      c. limited representatives,
      d. adjusters, and
      e. motor vehicle damage appraisers.
   2. All references to life insurance include annuities

B. **Definitions (GS 58-33-10)**
   1. “Agent” - a person licensed to solicit applications for, or negotiate a policy of insurance. An agent represents the insurance company in the transaction of insurance.
   2. “Adjuster” - any individual who investigates or reports to his principal relative to claims arising under an insurance contract. You cannot hold an agents and adjusters license at the same time.
   3. “Broker” - a person who is a licensed “agent” that procures insurance on behalf of a third party (the insured). A broker represents the insured in the insurance transaction. To become a “broker”, you must post a $15,000 bond in favor of the State.
   4. “Limited Representative” - a person who is authorized to solicit or negotiate particular kinds of insurance:
      a. Credit Life, Credit Accident and Credit Health
      b. Credit insurance
      c. Travel Accident and Baggage
      d. Motor Club
      e. Dental Services
      f. Credit Property Insurance made in connection with a loan
      g. Single Interest Automobile Physical Damage Insurance made in connection with a loan
      h. Bail bonds executed or countersigned by surety bondsmen
      i. Credit unemployment
      j. Vehicle service agreements and mechanical breakdown insurance
      k. Prearrangement Insurance when offered or sold by a preneed sales licensee
C. **Representations (GS 58-33-20)**
1. “Agents” represent the INSURANCE COMPANY in a dispute. This does not affect the agent’s apparent authority.
2. “Brokers” represent the INSURED in a dispute.

D. **General License Requirements (GS 58-33-25)**
1. You cannot act as an agent unless you are one.
2. You can only sell the kinds of coverage you are licensed to sell.
3. An “agent” or “broker” may be licensed to sell the following kinds of insurance:
   a. Life
   b. Accident, Sickness & Health
   c. Property
   d. Casualty
   e. Title
   f. Automobile Physical Damage
   g. Medicare Supplement and Long Term Care
4. A Life license allows the agent to sell VARIABLE products if NASD requirements are met.
5. No agent may do business with a company not authorized to do business in this State unless permitted under the Surplus Lines Act.
6. No agent may do business with a company he/she does not represent.
7. A partnership or corporation can be licensed. Commissions can only be paid to a licensed person.
8. Controlled business cannot account for more than 50% of the agent’s business.
9. Commission cannot be directly or indirectly paid to any person not licensed.
10. An agent can assign his commissions to the company he works for.
11. Your license must contain the information the Commissioner feels is important (SS#, Name, Picture, etc.)
12. Your license is good until revoked.
13. The following persons are not required to be licensed:
   a. Salaried employees of an agency or insurance company whose duties DO NOT include negotiation or solicitation of insurance.
   b. Persons paid to enroll employees in group life or group health plans.
   c. Employees who operate a group trust for the benefit of their own company.
   d. An agency employee acting (1) within the confines of the office, (2) under the direct and personal supervision of the duly licensed agent, and (3) within the scope of the agent’s license:
      (i) In acceptance of applications personally underwritten by the agent;
      (ii) In acceptance of premium payments;
      (iii) In the performance of clerical duties; AND
      (iv) These activities CANNOT involve:
         (a) Interpretation of policy provisions or coverage
         (b) Sale of insurance
         (c) Underwriting
         (d) Signing policies
         (e) Verification of POLICIES

E. License Issuance and Continuation (GS 58-33-30)
1. Agents MUST:
   a. be 18 years old,
   b. be of good character,
   c. have prescribed education and training,
   d. pass the State licensing exam, and
   e. pay the licensing fee.
2. Brokers MUST:
   a. hold a valid “Agents” license, and
   b. post a $15,000 bond in favor of the State.
3. Non-Resident Agents:
   a. If a person lives in a county of another State that borders North Carolina, he may be licensed as a resident agent;
   b. A person living in another state holding a valid license in that state may be licensed as a non-resident agent in North Carolina;
   c. No exam is required for a non-resident license if the state of residence requires an exam.

F. Exemption from Examination (GS 58-33-35)
1. Any applicant who has held a license in another state in the past two years;
2. Any applicant for a Life or Accident & Health License holding the following:
   a. CLU
   b. ChFC
   c. LUTCF
   d. FLMI
3. Any applicant for a Property or Casualty license that holds the CPCU

4. Applicants for license as “Limited Representatives” or motor vehicle damage appraisers.

5. Agents for town or county farmers mutual.

G. **Appointment of an “Agent” (GS 58-33-40)**
   1. No individual who holds a valid agents license can sell insurance for a company they are not appointed with.
   2. Any insurer can appoint any person licensed as an agent by the State.
   3. The company must notify the Commissioner of all appointments.
   4. Appointments continue:
      a. as long as the agent is properly licensed,
      b. as long as the appointing insurer is authorized to transact business,
      c. until the appointment is cancelled.
      d. The insurer must notify the Department in writing within 30 days of the cancellation of an appointment.
   5. Prior to April 1 of each year, the Company must renew each appointment and pay a fee.

H. **Denial, suspension, revocation, or nonrenewal of licenses and appointments (GS 58-33-45)**
   1. The Commissioner may suspend, revoke or deny a license, after a hearing, if he finds any of the following to be true:
      a. Untrue material statement on the application,
      b. Violation of or noncompliance with any insurance laws,
      c. Obtaining a license through fraud or misrepresentation,
      d. Improperly using money that belongs to policyholders, insurers, beneficiaries or others,
      e. Willfully OVER insuring property,
      f. Conviction of a misdemeanor involving moral turpitude or a felony,
      g. Found guilty of an unfair trade practice,
      h. Found to be dishonest or incompetent,
      i. Your license has been suspended in another state,
      j. Forged another’s name on an application,
      k. Cheated on the licensing exam
2. If the Commissioner finds that public health, safety or welfare requires emergency action and incorporates this finding in his order, summary suspension of a license may be ordered.

I. **Surrender, loss or destruction of license (GS 58-33-50)**
   1. The Commissioner will notify all appointing insurers of a suspension or revocation,
   2. The Commissioner will notify NAIC,
   3. If you move out of State, you have 30 days to surrender your license,
   4. A duplicate license will be issued if your license is stolen or destroyed - for a fee.

J. **Notice of Cancellation (GS 58-33-55)**
   1. If an insurer cancels an appointment, it shall notify the Department, in writing, within 30 days.

K. **Countersignature and Related Laws (GS 58-33-60)**
   1. There is no requirement that a licensed resident agent or broker must countersign for a non-resident agent or broker;
   2. If the State of residence of the non-resident agent requires a countersignature, North Carolina will also require a countersignature.

L. **Temporary License (GS 58-33-65)**
   1. The Commissioner may issue a Temporary License without an examination to:
      a. The spouse or next of kin or executor, or employee, in the case of death or disability of a licensee;
      b. A member, employee or officer of a licensed partnership or corporation in the event of the death of an individual licensed in the company;
      c. The designee of anyone entering the armed services.
   2. The person receiving the temporary license must be qualified in every way except training and experience.
   3. The temporary license is only good for 180 days.

M. **Twisting (GS 58-33-75)**
   No licensee (AGENT) shall make or issue any written or oral statement that misrepresents any policy of insurance for the purpose of inducing a policyholder in any way to terminate or surrender any policy of insurance.
N. **Referral of business to repair source (GS 58-33-76)**
   No insurer, agent, adjuster or appraiser shall recommend the use of a particular service or source for the repair of property damage without informing the claimant that they are under no obligation to use the recommended repair service.

O. **Discrimination forbidden (GS 58-33-80)**
   No agent shall discriminate in favor of any person.

P. **Prohibited rebates and inducements (GS 58-33-85)**
   1. No insurer or agent shall receive a premium except in accordance with an approved filing.
   2. No agent shall pay as an inducement to buy insurance any rebate, discount, credit or reduction in premium.

Q. **Illegal rebates or inducements (GS 58-33-90)**
   An agent that sells credit life cannot keep part of any funds the insurer gives the agent to pay claims.

R. **Agent’s Liability (GS 58-33-95)**
   1. An agent is personally liable on all contracts of insurance placed with a carrier not authorized to do business in North Carolina.
   2. An agent found guilty of unlawfully soliciting insurance for an unauthorized company shall be guilty of a MISDEMEANOR.

S. **Validity of premium payment to agent falsely representing an insurer (GS 58-33-100)**
   An agent who knowingly accepts premiums for a company that he or she is not authorized to accept premiums for is guilty of a MISDEMEANOR.

T. **False representations in insurance applications (GS 58-33-105)**
   Any agent found guilty of willfully making any false or fraudulent statement or representation for the purpose of obtaining any:
   a. fee,
   b. commission,
   c. money,
   d. or benefit from any company
   is guilty of a misdemeanor.
U. **Signing blank policies (GS 58-33-110)**
   1. Guilty of a misdemeanor
   2. Upon conviction - fined not less than $1000 nor more than $5000
   3. Transportation accident policies sold in coin-operated vending machines may be signed in blank.

V. **Continuing Education (GS 58-33-130)**
   1. If you have one or more major lines-of-authority license (i.e. Property, Casualty, Life or Accident, Health & Sickness) you are required to complete 24 hours of continuing education every 24 months (biennium).
   2. No more than 75% of the hours required for Life & Health may be taken from a company you represent.
   3. You may carry over an unlimited number of Continuing Education hours from one biennium period to the next.
A. **Purpose (GS 58-39-5)**
   1. The purpose of this section is to establish standards for the collection, use and disclosure of information gathered in connection with insurance transactions;
   2. To maintain a balance between the need for information and the public’s need for fairness;
   3. To establish a regulatory mechanism to allow someone to ascertain what information is being or has been collected about them;
   4. To limit the disclosure of information collected; and
   5. To enable insurance applicants and policyholders to obtain reasons for any adverse underwriting decision.

B. **Scope (GS 58-39-10)**
   This law applies to Life, Accident & Health, and Property & Casualty Insurance.

C. **Definitions (GS 58-39-15)**
   1. “Adverse Underwriting Decision”
      a. Declining the insurance,
      b. Terminating the insurance,
      c. Placement in a residual market,
      d. Using an insurer other than that requested by the insured.
      e. Charging a higher rate based on information that differs from that provided by the insured.

      The insured has 90 days to request an explanation for an “adverse underwriting decision.” The request must be in writing. The Insurance Company then has 21 days in which to furnish the information.

   2. “Consumer Report”
      - any written, oral or other communication of information on a person’s
        a. credit worthiness,
        b. credit standing,
        c. credit capacity,
3. “Medical Information” - personal information that relates to a person’s physical or mental condition or medical history.

4. “Personal Information” - a judgment is made about a person’s character, habits, avocation, finances, occupation, general reputation, credit or other personal characteristics.

5. “Pretext Interview” - a person attempts to obtain information:
   a. Pretending to be someone he is not;
   b. Pretends to represent someone he does not represent;
   c. Misrepresents the true purpose of the interview;
   d. Refuses to identify himself upon request.
   Pretext interviews are illegal unless done in relation to suspected criminal activity.

6. “Residual Market Mechanism” - means any:
   a. reinsurance facility (NC Motor Vehicle Reinsurance Facility - The Facility)
   b. joint underwriting association (Beach/FAIR Plans)
   c. assigned risk plan (workers compensation)

D. Access to recorded personal information (GS 58-39-45)
   1. Upon written request, the insurance company must supply the investigated person the opportunity to receive the information in the report within 30 days of the receipt of the request.

E. Information concerning previous “adverse underwriting decisions” (GS 58-39-60)
   No insurance institution can base its decision on a previous “adverse underwriting decision.”

F. Hearings and procedures (GS 58-39-80)
   The Commissioner must give at least 10 days notice of a hearing.

G. Obtaining information under false pretenses (GS 58-39-115) - you are guilty of a CLASS 1 MISDEMEANOR.
A. Unauthorized Insurers

1. It is unlawful for any company to enter into a contract of insurance as an insurer or to transact insurance business in NC unless they are authorized by the Commissioner to do so. (58-28-5)

2. Authorized vs. Unauthorized
   a. Admitted Company – Licensed by the state of NC
      - Authorized to do business in NC
      - Insureds protected by Guaranty Fund
   b. Authorized Non-Admitted Company – Not licensed by the state of NC
      - Authorized to do business in NC
      - No protection under Guaranty Fund
   c. Unauthorized Non-Admitted Company – Not licensed in NC
      - Not Authorized to do business in North Carolina
      - Agent personally liable
   d. “White List” – List of Authorized Non-Admitted Companies

3. Uniform Unauthorized Insurers Act (58-28-45)
   a. No Person, corporation, association or partnership shall act as agent for any insurer not authorized to transact business in NC.
   b. No person, corporation, association or partnership shall place an insurance contract with any insurer not authorized to transact business in NC.
      - CLASS 3 MISDEMEANOR
      - Fine not less than $1000 nor more than $5000

B. Unfair Trade Practices (58-63-15)

1. Misrepresentation and false advertising of policy contracts (Twisting)

2. False information and false advertising generally

3. Defamation - information which is false or maliciously critical relating to the financial condition of an insurer

4. Boycott, coercion and intimidation - intended to result in unreasonable restraint of trade

5. Publishing false financial statements with the intent to deceive
6. Stock operations - issuing stock and promising returns as an inducement to insurance

7. Unfair discrimination
   a. Between individuals of the same class and equal expectation of life,
   b. Based on geographical location (redlining) or age of the structure; unless:
      (1) refused to preserve the solvency of the insurer
      (2) required by law

8. Rebates

9. Advertising of Health, Accident or Hospitalization Insurance - you must disclose all major policy limitations or exclusions

10. Soliciting unauthorized insurance contracts in other states - this prohibits soliciting insurance for a domestic company where the company isn’t licensed

11. Unfair claim settlement practices (see Adjuster Section)

C. **Commissioner’s examination powers (GS 58-63-20)**
The Commissioner has the power to investigate every person engaged in the business of insurance in this State in order to determine if an unfair trade practice has been committed.

D. **Penalty (GS 58-63-50)**
   1. Cease and Desist order
   2. Violating 1. Above will result in a fine between $1000 and $5000 for use by the public schools.

E. **False Pretense and Cheats (Section 14-100-19)**
   1. Any person who knowingly and designedly, through false pretense:
      a. takes money, goods, property, services, etc
   2. With the intent to cheat or defraud
   3. Guilty of a CLASS C FELONY > $100,000
   4. Guilty of Class H FELONY < $100,000
F. Miscellaneous Police Regulations (GS 14-101.1)
   1. It is a CLASS 2 misdemeanor to tamper with exam questions. (you can’t steal, buy or sell them)

G. Continuing Education
   1. Definitions
      a. cluster course - a group of courses making up one CE course
      b. course - an approved CE course
      c. disinterested third party - grades correspondence exams
      d. Insurance Continuing Education Credit - value assigned to the course
      e. Instructor
      f. Licensee - YOU
      g. Supervised examination - timed, closed book exam
      h. Supervised individual study

   2. Licensee Requirements
      a. 24 CE hours every 24 months, based on your birthday (Biennium)
      b. CE hours may be taken in ANY area of licensure, there is no minimum requirement
      c. You can’t get credit for the same course more than once within your biennium
      d. You are not required to complete CE the year you are licensed
      e. You are required to keep records of your CE classes for 2 years
      f. Non-resident agents - CE in your home state qualifies for NC
      g. You are exempt from CE if:
         (1) You are over 65, AND
         (2) you have been continuously licensed for 25 years AND
         (3) you hold a nationally recognized designation, AND/OR
         (4) You certify annually that you are an inactive agency principal.
      h. You can’t get credit for a course not approved by the Department.
      i. Adjusters are also required to complete 24 hours every 24 months.

   3. Courses specifically approved (mostly nationally recognized designation programs)

   4. Carry-over Credit – You may carry over an unlimited number of CE hours from one biennium CE period to the next.

   5. Calculation of CE - courses must be at least 2 hours long (100 minutes)

   6. Attendance -
      a. You are required to attend 100% of a course that is 6 hours or shorter
      b. If greater than 6 hours, attendance at 80% of the course is required
7. Hardship - If you can prove hardship, the Commissioner MAY let you make up the hours you lack.

8. Instructor qualifications
   a. 7 years in the business, or
   b. hold a professional designation, or
   c. be a specialist in a particular field of insurance.

9. All courses have to be approved by the Department

10. Advertising
    a. hours cannot be advertised until formally approved by the Commissioner
    b. Once approved, the advertising shall include:
        (1) the number of approved credit hours,
        (2) the type of license (L&H, P&C);
        (3) all fees and associated expenses.
    c. Advertisements shall be complete, truthful and clear

11. Sanctions for non-compliance
    a. failure to meet the annual CE requirement shall result in the cancellation of your license.
    b. Prior to July 1, the licensee must make up the hours that are lacking and retake the State licensing exam.
    c. If requirements are not completed by July 1, you must complete the 40 hour prelicensing requirement and take the exam.

North Carolina Rate Bureau

A. Function
   1. Makes and promulgates rates and forms for:
      a. Private passenger automobile,
      b. Homeowners / Dwellings (1 to 4 units)
      c. Workers Compensation
   2. Rate Bureau has NO AUTHORITY OVER:
      a. Excess workers compensation
      b. Farm
      c. Travel or Camper trailer
      d. Commercial
      e. Marine Insurance
      f. General Liability
3. Rate / Form approval - steps in the process:
   a. First - the Commissioner holds a public hearing; the Bureau’s lawyers and
      actuaries present their case and anyone interested can be heard.
   b. Second - the Commissioner can either:
      (1) Approve the rate as filed;
      (2) Disapprove the filing;
      (3) Approve part and disapprove part.
   c. Third - the Rate Bureau can then:
      (1) Accept the Commissioner’s decision;
      (2) Appeal the Commissioner’s decision and go ahead and apply the rates
   d. Fourth - if the Court decides in favor of the Commissioner, the companies must
      give back the excess money collected using the higher rates.

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**Postassessment Insurance Guarantee Association**

A. **Purpose** - to protect citizens from the *Insolvency of an Insurer*.

B. **Applies to:**
   1. Property & Liability Insurers
   2. Workers Compensation Insurers
   3. Crime Insurance

C. **Duties of the Guaranty Fund**
   1. Cover claims existing at the time of insolvency and any claim that occurs within 30 days of insolvency.
   2. Pays up to $300,000 for each covered claim. Each covered claim is subject to a $50 deductible.
   3. Assess each member insurer in proportion of their net direct written premiums.
A. **Fees - if you charge a fee, you must:**
   1. Post a sign with large, bold print in a conspicuous location in your office stating that a fee may be charged.
   2. Obtain the customer’s consent - in writing.
   3. Show the fee on a signed, dated receipt.

B. **Power of Attorney** - you are permitted to get a power of attorney from your client in certain rare circumstances.

C. **Ethical Standards**
   1. When dealing with the public, an agent MUST identify himself and occupation.
   2. You must carry your license with you at all times.
   3. Inspire confidence by fair and honorable dealings.
   4. You cannot accept a gratuity from a claimant.
   5. You should not purchase salvage from a claimant.
   6. You should not discourage a claimant from seeking legal advice.
   7. Don’t delay the settlement of a property damage claim because of the insured’s choice of a repair shop.
   8. You should not recommend a repair shop unless you tell the insured they can pick their own repair shop.

E. **Accounting**
   Your records must, at all times, show the money you have collected due to your insurers and the return premiums due the insured.

F. **Premium Payment Receipts**
   All premium payment receipts shall be dated and contain the name and address of the agency or agent or broker, and the name of the insurer. Must be signed by person accepting the payment.
II. North Carolina Statutes Pertinent to the Property License

General Regulations of Business

A. **Functional Replacement Cost**
The method used to value property losses where the damaged property is replaced with less expensive but more modern property.

B. **Limitation on the Amount and term (GS 58-43-5)**
1. You cannot knowingly issue any fire insurance policy for more than the fair value of the property;
2. You cannot issue a policy for longer than 7 years;
3. This also allows companies to issue policies on a “Replacement Cost” or a “Functional Replacement Cost” basis.

C. **Limit of liability on total loss (GS 58-43-10)**
If a building is totally destroyed by fire and the insured has paid a premium for more coverage than was actually paid, the insured is eligible for a refund of excess premium with interest (6% per year from date of issue).

Fire Insurance Policies

A. Terms and conditions must be set out in the policy (GS 58-44-1)
B. The Company must furnish special rating information (GS 58-44-5)
C. Written notice by the insured of vacancy or increase in hazard waives the companies rights as shown in the policy, this does not waive the right to cancel (GS 58-44-30)
D. The inception and expiration date of the Standard Fire Policy is 12:01 am at the location of the building.
Essential Property Insurance for Beach Area Property

A. Purpose (GS 58-45-1)
   • To ensure the orderly growth and development necessary to the economic welfare of the “Beach Areas” (and “Coastal Areas”) - all Companies are members.

B. North Carolina Insurance Underwriting Association (GS 58-45-10)
   All insurers authorized to write and engage in writing within NC, on a direct basis, except town and county mutuals, assessable mutuals and those who only write insurance on property exempted from taxation must be a member.

C. Definitions (GS 58-45-5)
   1. “Association” - the North Carolina Insurance Underwriting Association (NCIUA) also known as the Beach Plan;

   2. “Beach Area” - all areas South and East of the inland waterway;
      a. All essential property coverage can be written by the NCIUA in this area, OR
      b. Wind and Hail only can be written.

   3. “Coastal Area” - the 18 counties contiguous to the ocean.
      a. Wind and Hail is the ONLY coverage eligible for coverage by the NCIUA in the Coastal Area.

   4. Essential property insurance”
      a. Insurance against direct loss to property caused by the following perils:
         (1) Standard fire policy perils,
         (2) Extended coverage perils,
         (3) Vandalism & Malicious Mischief.
Fair Access to Insurance Requirements -
The FAIR Plan

A. **Purpose** - to make available property insurance to insurable property anywhere in the State except in the Beach Area.

B. **All companies are members.**

C. **Works just like the Beach Plan.**

III. **North Carolina Statues Pertinent to the Casualty License**

North Carolina Rate Bureau

A. **Filing Rates with Commissioner (GS 58-36-15)**
   1. Rate Bureau files proposed rates with the Commissioner of Insurance
   2. Proposed filing is open for public inspection

B. **Disapproval; hearing, review of filing (GS 58-36-20)**
   1. Within 50 days after date of filing, Commissioner may give notice of disapproval of filing.
   2. If no action taken by Commissioner within 50 days of filing, rates are approved

C. **Appeal of Commissioner’s Order (GS 58-36-25)**
   1. If Commissioner disapproves the rate filing, the Rate Bureau may appeal the decision.
   2. If the Rate Bureau appeals, the proposed rates may be put into effect; however, the excess premium will be put into an escrow account, pending judicial review of the appeal.
   3. If Rate Bureau loses appeal, excess premiums are refunded to policyholders with interest.
D. **Classification and Safe Driver Plan (GS 58-36-65)**

1. Factors involved in rating a private passenger auto:
   a. **USE of vehicle**
      1. Farm
      2. Pleasure use only
      3. Distance To and From work (10 miles is breaking point)
      4. Business Use
   b. **PRINCIPAL and OCCASSIONAL Operators**
   c. **EXPERIENCE** – The number of years of driving experience, **not the age of the driver**. Less than 3 years driving is considered an Inexperienced Operator and surcharge will apply
   d. Characteristics of the vehicle

2. **Safe Driver Incentive Plan**
   a. A 10% credit off manual rates if no accidents or violations in the last three years.
   b. Penalties for at-fault drivers
   c. Penalties for traffic violations
   d. Accidents
   e. A percentage charge based on the severity of the violation or the at-fault accident
   f. A motor vehicle report (MVR) showing accidents and violations MUST be obtained **every year**
   g. If an insured is at fault in an accident and is also convicted of a moving violation in connection with the accident, only the higher surcharge between the accident and the conviction will be assessed.

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**North Carolina Motor Vehicle Reinsurance Facility**

A. **Definitions (GS 58-37-1)**

1. “Cede” - the act of transferring the risk from the insurer to the facility.

2. “Eligible Risk” - a person who:
   a. is a resident of the State;
   b. owns a motor vehicle registered or principally garaged in the State; or
   c. has a valid drivers license and is required to show financial responsibility

3. “Facility” - means the North Carolina Motor Vehicle Reinsurance Facility
B. **Membership (GS 58-37-5)**
   1. Any insurer writing motor vehicle insurance in the State is required to be a member of the “Facility.”
   2. No company can withdraw from membership unless they cease to write motor vehicle insurance in North Carolina.

C. **General Obligations of Insurers (GS 58-37-25)**
   1. An insurer must accept any “Eligible Risk” “Ceded” to them. The policy will be issued directly by the Insurer on the insurer’s letterhead (paper)
   2. All insurers share equally in the results of the “Facility.”
   3. Each insurer will provide the same type and quality of service to “ceded” business.
   4. Notify the insured that the risk is in the Facility, and, if the insured requests in writing, give the insured the reasons for cession.

D. **General Obligation of Agents (GS 58-37-30)**
   - No agent can refuse to write automobile LIABILITY insurance for any eligible person requesting such coverage.

E. **The Facility - functions, administration**
   1. The “facility” is to assure the availability of motor vehicle liability insurance
   2. The **minimum** limits of LIABILITY coverage in the “Facility” are:
      a. $30,000 Bodily Injury per person
      b. $60,000 Bodily Injury per accident (regardless the number of injured persons)
      c. $25,000 Property Damage
   3. a. The **minimum** coverage for MEDICAL PAYMENTS - $1000
           b. The **maximum** coverage for MEDICAL PAYMENTS - $2000
           c. Medical payments is NOT available for motorcycles.
   4. **Minimum** limits for UNINSURED Motorist (UM) - same as liability minimum
   5. **Maximum** amount of LIABILITY and UNINSURED (UM) and UNDERINSURED (UIM) Motorist coverage:
      a. $100,000 Bodily Injury per person
      b. $300,000 Bodily Injury per accident
      c. $50,000 Property Damage
      (Unless higher limits are required by law)

**NOTE:** 250/500/50 limits available for Umbrella purposes
F. **Termination of Insurance (GS 58-37-50)**
   - “Ceded” motor vehicle insurance can only be cancelled for the following reasons:
     a. Non-payment of premium;
     b. Named insured becomes a non-resident;
     c. Agency contract with company is terminated.

G. **Physical Damage Insurance Availability (GS 58-37-60)**
   1. No PHYSICAL DAMAGE insurer can refuse to provide this coverage solely because the insured has liability coverage through the “Facility.”
   2. No surcharge can be levied for Physical Damage coverage solely because the insured is in the “Facility.”

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### Motor Vehicle Liability

A. **Motor Vehicle Liability Policy Defined (GS 20-279.21)**
   1. A motor vehicle liability policy shall mean an owner’s or operator’s policy of liability insurance as proof of Financial Responsibility.
   2. Minimum Limits of Liability – 30/60/25
   3. Maximum Limits of Liability - $1,000,000

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### Workers Compensation Assigned Risk

A. **Membership**
   1. Every insurer that writes workers compensation insurance in this State; and
   2. Is a member of the Rate Bureau.

B. **Purpose** - to accept any workers compensation risk that is “hard to place” by any P&C agent in the State.

C. **Method Of Operation**
   1. Bureau binds coverage for 30 days;
   2. The Bureau then ASSIGNS the policy to a member company who must issue a standard worker compensation policy.
   3. Each member company shares in the losses of the Assigned Risk program.