

# **APPLICATION FOR NONADMITTED DOMESTIC SURPLUS LINES LICENSE**

## **ABOUT THE LICENSING PROCESS**

The North Carolina Department of Insurance (the “Department” or “NCDOI”) is the North Carolina agency responsible for the licensing and financial regulation of Nonadmitted Domestic Surplus Lines insurers under Chapter 58, Article 21 of the North Carolina General Statutes (The Surplus Lines Act). Contact information for questions regarding the licensing process are to be directed to:

Joe Greene (919) 807-6182 or joseph.greene@ncdoi.gov

### **For U.S. Postal Service Delivery:**

North Carolina Department of Insurance  
Financial Analysis & Receivership Division  
Financial Analysis Section  
1203 Mail Service Center  
Raleigh, NC 27699-1203

### **For Other Than U.S. Postal Service Delivery:**

North Carolina Department of Insurance  
Financial Analysis & Receivership Division  
Financial Analysis Section  
325 North Salisbury Street  
Raleigh, NC 27603

## **MINIMUM FINANCIAL REQUIREMENTS**

The **minimum** capital and surplus requirement for a Nonadmitted Domestic Surplus Lines insurer is \$15,000,000.

## **INSTRUCTIONS FOR FILING AN APPLICATION FOR A NORTH CAROLINA NONADMITTED DOMESTIC SURPLUS LINES LICENSE**

As part of the application, a nonrefundable application fee of \$500.00 must be provided (per NCGS § 58-21-20(c)) and the following information, which may be filed electronically in Portable Document Format (PDF) or in hard copy format, must be submitted by an applicant seeking to become a licensed Nonadmitted Domestic Surplus Lines insurer:

- Biographical information, including names, addresses, and official positions, on each promoter, incorporator, director, trustee, and the proposed management personnel. The applicant must use the NAIC biographical affidavit form. All questions on the affidavit must be answered, and if the question is not applicable or the answer is none, please indicate as such.
- Chart(s) showing the internal organizational structure of the applicant’s management and administrative staff.
- A disclosure identifying all affiliates, including a description of any management, service, or cost-sharing arrangement between an affiliate and the applicant. Include corporate

organizational charts, which clearly identify the relationships between the applicant and any affiliates.

- Draft copies of any management, service, cost-sharing, tax allocation, administrative, or custodial agreements that will be entered into pursuant to NCGS § 58-19-30 or NCGS § 58-34-10, which will require review and approval by the Department.
- A detailed and complete plan of operation, which includes the following information:
  - A description of the lines of insurance to be written by the applicant.
  - Location of office to be established in North Carolina, including where the books and records of the applicant will be located.
  - A description of the various operational functions of the applicant, including, but not limited to, underwriting, claims processing, etc.
  - Affiliates who will perform operations on behalf of the applicant, if known.
  - Marketing strategies to be implemented.
  - A detailed description of the applicant's reinsurance program.
- Five-year financial projections, including a balance sheet, income statement, cash flow statement, and risk-based capital forecast. A qualified individual must prepare the projections, and they must be in sufficient detail for the Department to perform a complete analysis. Projections must be accompanied by a list of the assumptions used.
- A description of the source of the initial capitalization of the applicant, including financial statements for the applicant's parent or other source(s) of financial support.
- Evidence that adequate technical expertise (accounting, actuarial, underwriting, etc.) is available either with the applicant through the incorporators and proposed initial staff of the applicant or that the applicant has retained the necessary expertise.
- An original and two copies of the proposed Articles of Incorporation.
- A copy of the proposed bylaws.
- Fingerprint cards on all key personnel as defined by NCGS § 58-7-37. Please contact your local sheriff's department to obtain information on securing fingerprint cards and where to have fingerprinting done in your area.

### **APPLICATION REVIEW PROCESS**

The application will be reviewed by the Financial Analysis Section, with such review to occur prior to certifying the Articles of Incorporation with the North Carolina Secretary of State ("NCSOS"). All Nonadmitted Domestic Surplus Lines insurers are incorporated through the NCSOS. (NCGS § 58-7-35 describes the procedure for organizing such corporations.) After the application is reviewed, the Articles of Incorporation will be certified with the NCSOS so that the legal entity can be formed. At that time, the applicant must provide:

- A check payable to the North Carolina Secretary of State in the amount of filing fees required by the NCSOS.

The Department hand delivers the original and two copies of the Articles of Incorporation to the NCSOS along with the check for the NCSOS's filing fee. After the NCSOS certifies the filing of the Articles of Incorporation, the applicant is a legal entity in North Carolina.

Once the applicant is incorporated, it must conduct an organizational meeting and adopt the bylaws, pursuant to NCGS § 58-7-40. The minutes of this organizational meeting and a copy of the adopted bylaws must be sent to the Department, along with certain other documents. These additional documents to be completed are as follows:

- Certification of Organizational Minutes and Bylaws
- Opening Balance Sheet, which reflects the applicant's opening books and records.
- Certification of Capitalization, which is confirmation that the initial capitalization funds are in escrow or otherwise paid to the applicant. (The Department must have verification that the initial capitalization of the applicant, as reflected in the financial projections, has been paid to the applicant and is available for use by the applicant before the Department can recommend licensing to transact insurance business.)
- North Carolina Nonadmitted Domestic Surplus Lines Insurer's Application for License.
- Power of Attorney for Service of Legal Process.