



# North Carolina Department of Insurance

## Memorandum

From: North Carolina Department of Insurance  
To: Surplus Lines Licensees  
Re: Changes to the Surplus Lines Act  
Date: August 7, 2006

During the short session of the General Assembly, the North Carolina Department of Insurance introduced Senate Bill 615 – *Insurance Technical Amendments*. Included in the Bill were changes to Article 21 that will affect the way in which surplus lines licensees conduct business. The Department and Commissioner Jim Long have worked closely with the North Carolina Surplus Lines Association in an effort to update certain provisions of Article 21 to facilitate the conduct of surplus lines business electronically.

The following changes, shown in blackline, were made to Article 21 and were signed into law by Governor Easley on July 13, 2006:

**Summary of Changes** - The changes to § 58-21-35 remove the requirement that surplus lines licensees complete and retain an affidavit confirming efforts to place business with an admitted insurer. Under the amended statute, surplus lines licensees must acknowledge compliance with § 58-21-15 during each electronic filing. A new “acknowledgement” box will appear at the end of the electronic filing procedure and must be accepted for the filing to be complete. Although the surplus lines licensee no longer has to sign the Form F, the producing broker and the insured must sign the Form F. The revised Form F includes the insurance policy number and must still be retained by the surplus lines licensee for a period of three years. The revised Form F can be obtained from the North Carolina Department of Insurance website and/or the North Carolina Surplus Lines Association website.

**SECTION 2.6** G.S. **58-21-35** reads as rewritten:

**§ 58-21-35. Duty to file and retain reports.**

(a) Within 30 days after the placing of any surplus lines insurance, the surplus lines licensee shall file with the Commissioner a report in a format prescribed by the Commissioner regarding the insurance and including the following information:

- (1) The name of the insured.
- (2) The identity of the insurer or insurers.
- (3) A description of the subject and location of the risk.
- (4) The amount of premium charged for the insurance.
- (5) The amount of premium tax for the insurance.
- (6) The policy period.
- (7) The policy number.
- (7a) An acknowledged statement that the surplus lines licensee has complied with G.S. 58-21-15.
- (8) The name, address, telephone number, facsimile telephone number, and electronic mail address of the licensee, as applicable.
- (9) Any other relevant information the Commissioner may reasonably require.

(b) The licensee shall complete and retain a copy of the report in paper or electronic form as required by the Commissioner. The report required by this section and the quarterly report required by G.S. 58-21-80 shall be completed on a standardized form or forms prescribed by the Commissioner and are not public records under G.S. 132-1 or G.S. 58-2-100.

**Summary of Changes** - The changes to § 58-21-45(f) remove the contrasting color requirement. By allowing contrasting color or underlined and bold type, this change accommodates the conduct of business by computer and alleviates the need for a color printer in the event business is conducted electronically.

**SECTION 2.7** G.S. 58-21-45(f) reads as rewritten:

“(f) Every evidence of insurance negotiated, placed, or procured under the provisions of this Article issued by the surplus lines licensee shall bear the name of the licensee and the following legend in 12 point type and in contrasting color or in 12 point type and underlined and in bold print: ‘The insurance company with which this coverage has been placed is not licensed by the State of North Carolina and is not subject to its supervision. In the event of the insolvency of the insurance company, losses under this policy will not be paid by any State insurance guaranty or solvency fund.’”