

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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SENATE BILL 1457*

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

Sponsors: Senator Jenkins.

Referred to: Commerce, Small Business and Entrepreneurship.

March 26, 2007

1 A BILL TO BE ENTITLED
2 AN ACT TO REQUIRE BONDS FOR CONTRACTS ISSUED BY THE DIVISION
3 OF MOTOR VEHICLES TO COMMISSION CONTRACTORS WHO OPERATE
4 LICENSE PLATE AGENCIES.

5 The General Assembly of North Carolina enacts:

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

8 "**§ 20-63A. Bonds required for commission contractors.**

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

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

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

24 (2) The bond shall be in an amount determined by the Division to be
25 adequate to provide indemnification to the Division under the terms of
26 the bond. The bond amount for a commission contractor shall be at
27 least equal to one hundred fifty percent (150%) of the revenues held at
28 any time during the last fiscal year by a commission contractor. The
29 bond amount shall also be at least ten thousand dollars (\$10,000).

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

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

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

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

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

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