

**GENERAL ASSEMBLY OF NORTH CAROLINA**  
**SESSION 2007**

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**SENATE BILL 1527**

Short Title: Amend Insurance Laws/Producers and Bail Bonds. (Public)

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Sponsors: Senator Clodfelter.

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Referred to: Commerce, Small Business and Entrepreneurship.

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March 28, 2007

A BILL TO BE ENTITLED

1 AN ACT TO MAKE VARIOUS CHANGES IN THE LAWS RELATING TO  
2 LICENSING OF INSURANCE PRODUCERS AND BAIL BONDSMEN; TO  
3 MAKE CHANGES IN THE FEE STRUCTURES FOR AGENTS AND  
4 ADJUSTERS; TO AUTHORIZE THE OUTSOURCING OF CERTAIN  
5 FUNCTIONS RELATING TO THE ADMINISTRATION OF CONTINUING  
6 EDUCATION AND ADMINISTRATIVE PROGRAMS; TO AMEND THE LAW  
7 OF RETURN PREMIUMS UNDER PREMIUM FINANCE ARRANGEMENTS;  
8 AND TO MAKE OTHER SUBSTANTIVE CHANGES.  
9

10 The General Assembly of North Carolina enacts:

11 **SECTION 1.** G.S. 58-33-26(g) reads as rewritten:

12 "(g) A limited representative may receive qualification for one or more licenses  
13 without examination for the following kinds of insurance:

- 14 (1) Dental services.
- 15 (2) Limited line credit insurance.
- 16 (3) Limited lines insurance.
- 17 (4) ~~Motor club.~~
- 18 (5) Prearrangement insurance, as defined in G.S. 58-60-35(a)(2), when  
19 offered or sold by a preneed sales licensee licensed under Article 13D  
20 of Chapter 90 of the General Statutes.
- 21 (6) Travel accident and baggage.
- 22 (7) Vehicle service agreements and mechanical breakdown insurance."

23 **SECTION 2.** G.S. 58-33-26 is amended by adding a new subsection to read:

24 "(p) An individual shall not simultaneously hold an agent's and an adjuster's license  
25 in this State. An individual who holds a property and liability insurance license may  
26 apply for an adjuster license without having to take the adjuster examination in  
27 G.S. 58-33-30(e) if the individual applies for the adjuster license within 60 days after  
28 surrendering the property and liability insurance license. An individual who holds an  
29 adjuster license may apply for a property and liability insurance license without having

1 to take the property and liability insurance agent examination in G.S. 58-33-30(e) if the  
2 individual applies for the property and liability insurance license within 60 days after  
3 surrendering the adjuster license."

4 **SECTION 3.** G.S. 58-33-10(2) reads as rewritten:

5 "(2) "Adjuster" means any individual who, for salary, fee, commission, or  
6 other compensation of any nature, investigates or reports to his  
7 principal relative to claims arising under insurance contracts other than  
8 life or annuity. An attorney at law who adjusts insurance losses from  
9 time to time incidental to the practice of his profession or an adjuster  
10 of marine losses is not deemed to be an adjuster for purposes of this  
11 Article. ~~An individual may not simultaneously hold an agent's and an~~  
12 ~~adjuster's license in this State."~~

13 **SECTION 4.** G.S. 58-33-32(k) reads as rewritten:

14 "(k) A producer shall report to the Commissioner any administrative action taken  
15 against the producer in another state or by another governmental agency in this State  
16 within 30 days after the final disposition of the matter. As used in this subsection,  
17 "administrative action" includes enforcement action taken against the producer by the  
18 National Association of Securities Dealers. This report shall include a copy of the order  
19 or consent order and other information or documents filed in the proceeding necessary  
20 to describe the action."

21 **SECTION 5.** G.S. 58-33-46(a)(2) reads as rewritten:

22 "(2) Violating any insurance ~~laws, or~~ law of this or any other state,  
23 violating any administrative rule, subpoena, or order of the  
24 Commissioner or of another state's insurance regulator; regulator, or  
25 violating any rule of the National Association of Securities Dealers."

26 **SECTION 6.** G.S. 58-33-46(a)(6) reads as rewritten:

27 "(6) Having been convicted of a ~~felony or of~~ felony, a misdemeanor  
28 involving ~~dishonesty or~~ dishonesty, a breach of ~~trust; trust, or a~~  
29 misdemeanor involving moral turpitude."

30 **SECTION 7.** G.S. 58-33-125 reads as rewritten:

31 **"§ 58-33-125. Fees.**

32 (a) The following table indicates the annual fees that are required for the  
33 respective licenses issued, renewed, or cancelled under this Article and Article 21 of  
34 this Chapter:

35	Adjuster.....	\$75.00
36	Adjuster, crop hail only .....	20.00
37	Agent appointment cancellation (paid by insurer).....	10.00
38	Agent appointment, individual .....	20.00
39	Agent appointment, nonindividual .....	50.00
40	Agent appointment, Medicare supplement and	
41	long-term care, individual .....	10.00
42	Agent appointment, Medicare supplement and	
43	long-term care, nonindividual .....	20.00
44	Agent, overseas military .....	20.00

1	Broker, nonresident.....	50.00
2	Broker, resident.....	50.00
3	<u>Business entity .....</u>	<u>100.00</u>
4	Limited representative .....	20.00
5	Limited representative cancellation (paid by insurer) .....	10.00
6	Motor vehicle damage appraiser.....	75.00
7	<del>Recertification, continuing education.....</del>	<del>5.00</del>
8	Surplus lines licensee, corporate.....	<del>50.00</del> 100.00
9	Surplus lines licensee, individual .....	50.00

10 These fees are in lieu of any other license fees. Fees paid by an insurer on behalf of a  
 11 person who is licensed or appointed to represent the insurer shall be paid to the  
 12 Commissioner on a quarterly or monthly basis, in the discretion of the Commissioner.  
 13 ~~The recertification fee in this subsection shall be paid by persons subject to~~  
 14 ~~G.S. 58-33-130 at the time they renew their licenses or appointments under~~  
 15 ~~G.S. 58-33-130(e).~~

16 (b) Whenever a temporary license ~~may be~~ is issued ~~pursuant to~~ under this  
 17 Article, the fee shall be at the same rate as provided in subsection (a) of this section; and  
 18 any amounts so paid for a temporary license may be credited against the fee required for  
 19 an appointment by the sponsoring company.

20 (c) Any person not registered who is required by law or administrative rule to  
 21 secure a license shall, upon application for registration, pay to the Commissioner a fee  
 22 of ~~thirty dollars (\$30.00). In the event~~ fifty dollars (\$50.00). If additional licensing for  
 23 other kinds of insurance is requested, a fee of ~~thirty dollars (\$30.00)~~ fifty dollars  
 24 (\$50.00) shall be paid to the Commissioner upon application for registration for each  
 25 additional kind of insurance.

26 In addition to the fees prescribed by this subsection, any person applying for a  
 27 supplemental license to sell Medicare supplement and long-term care insurance policies  
 28 shall pay an additional fee of ~~thirty dollars (\$30.00)~~ fifty dollars (\$50.00) upon  
 29 application for registration for those kinds of insurance.

30 (d) The requirement for an examination, prelicensing education, continuing  
 31 education, or a registration fee does not apply to agents for domestic farmers' mutual  
 32 assessment fire insurance companies or associations who solicit and sell only those  
 33 kinds of insurance specified in G.S. 58-7-75(5)d for such companies or associations.

34 (e) ~~In the event a license issued under this Article is lost, stolen, or destroyed, the~~  
 35 ~~Commissioner may issue a duplicate license upon a written request from the licensee~~  
 36 ~~and payment of a fee of five dollars (\$5.00). A resident licensee may obtain a duplicate~~  
 37 photo-bearing license at times and places within this State that the Commissioner  
 38 considers necessary and reasonable to serve the convenience of both the Commissioner  
 39 and the licensee. The Commissioner may contract directly with persons for processing  
 40 of duplicate photo-bearing licenses, and the contract shall not be subject to Article 3 of  
 41 Chapter 143 of the General Statutes. The Commissioner may charge a reasonable fee for  
 42 duplicating a photo-bearing license in an amount that offsets the costs to the Department  
 43 of duplicating the license, including costs associated with any contract entered into  
 44 pursuant to this subsection.

1       (f) ~~Whenever a printed record of an agent's file is requested, the fee shall be ten~~  
2 ~~dollars (\$10.00) for each copy whether or not the agent is currently licensed, previously~~  
3 ~~licensed, or no record of that agent exists.~~

4       (g) All fees prescribed by this section are nonrefundable."

5       **SECTION 8.** G.S. 58-33-130 reads as rewritten:

6       "**§ 58-33-130. Continuing education program for licensees.**

7       (a) The Commissioner may adopt rules to provide for a program of continuing  
8 education requirements for the purpose of enhancing the professional competence and  
9 professional responsibility of adjusters and motor vehicle damage appraisers. The rules  
10 may include criteria for:

- 11           (1) The content of continuing education courses;
- 12           (2) Accreditation of continuing education sponsors and programs;
- 13           (3) Accreditation of videotape or other audiovisual programs;
- 14           (4) Computation of credit;
- 15           (5) Special cases and exemptions;
- 16           (6) General compliance procedures; and
- 17           (7) Sanctions for noncompliance.

18       The Commissioner may contract directly with persons for the administration of the  
19 program provided for by this section, and those contracts shall not be subject to Article  
20 3 of Chapter 143 of the General Statutes. The Commissioner may charge a reasonable  
21 fee to course providers to offset the cost of the program, including costs associated with  
22 contracts authorized by this subsection. The fee authorized by this subsection shall be in  
23 addition to the fees specified in G.S. 58-33-133. As used in this section and in  
24 G.S. 58-33-132, "administrator" means any person with whom the Commissioner has  
25 contracted under this subsection.

26       (b) The Commissioner may adopt rules to provide for the continuing professional  
27 education of all agents and brokers, including fraternal field marketers, but excluding  
28 limited representatives. In adopting the rules, the Commissioner may use the same  
29 criteria as specified in subsection (a) of this section and shall provide that agents  
30 holding more than one license under G.S. 58-33-25(c) are required to complete no more  
31 than 18 credit hours per year.

32       (c) ~~The license of any person who fails to comply with the continuing education~~  
33 ~~requirements under this section shall lapse. The Commissioner may, for good cause~~  
34 ~~shown, grant extensions of time to licensees to comply with these requirements. lapse~~  
35 ~~except that the Commissioner or administrator may either grant an extension of time for~~  
36 ~~good cause shown or charge an administrative fee of seventy-five dollars (\$75.00), or~~  
37 ~~both, in lieu of having the person's license lapse.~~

38       (d) Annual continuing professional education hour requirements shall be  
39 determined by the Commissioner, but shall not be more than 12 credit hours.

40       (e) No more than seventy-five percent (75%) of the requirement relating to life or  
41 health insurance agents or brokers may be met by taking courses offered by licensed life  
42 or health insurance companies with which those agents or brokers have appointments.

43       (f) Repealed by Session Laws 1993 (Reg. Sess., 1994), c. 678, s. 18, effective  
44 July 5, 1994.

1 (g) The Commissioner or administrator shall permit any licensee to carry over to  
2 a subsequent calendar year up to seventy-five percent (75%) of the required annual  
3 hours of continuing professional education.

4 (h) Any licensee who, after obtaining an extension under subsection (c) of this  
5 section, offers evidence satisfactory to the Commissioner or administrator that the  
6 licensee has satisfactorily completed the required continuing professional education  
7 courses is in compliance with this section.

8 (i) The Commissioner or administrator is authorized to approve continuing  
9 professional education courses.

10 (j) Repealed by Session Laws 2002-144, s. 3, as amended by Session Laws  
11 2003-284, s. 22.2, and as amended by Session Laws 2004-124, s. 21.1, effective July 1,  
12 2002.

13 (k) Repealed by Session Laws 1993, c. 409, s. 4, effective July 1, 1993."

14 **SECTION 9.** G.S. 58-33-132 reads as rewritten:

15 "**§ 58-33-132. Qualifications of instructors.**

16 (a) The Commissioner may adopt rules to establish requisite qualifications for  
17 and issuance, renewal, summary suspension, and termination of provider, presenter, and  
18 instructor authority for prelicensing and continuing insurance education courses. During  
19 any suspension, the instructor shall not engage in any instruction of prelicensing or  
20 continuing insurance education courses prior to an administrative review. No person  
21 shall provide, present, or instruct any course unless that person has been qualified and  
22 possesses a license from the ~~Commissioner.~~ Commissioner or administrator.

23 (b) The Commissioner or administrator may summarily suspend or terminate the  
24 authority of an instructor, course provider, or presenter if the course presentation:

25 (1) Is determined to be inaccurate; or

26 (2) Receives an evaluation of poor from any Department monitor and a  
27 majority of attendees responding to Department questionnaires about  
28 the presentation."

29 **SECTION 10.** G.S. 58-33-133 reads as rewritten:

30 "**§ 58-33-133. Continuing education course provider fees.**

31 (a) Each course provider shall ~~submit~~ pay to the Commissioner a fee of ~~one~~  
32 ~~dollar~~ ~~(\$1.00)~~ two dollars (\$2.00) per approved credit hour per individual who  
33 successfully completes a course under G.S. 58-33-130.

34 (b) At the time a course provider submits an application to the Commissioner for  
35 approval of a course under G.S. 58-33-130, the provider shall pay to the Commissioner  
36 a filing fee of one hundred dollars (\$100.00) per course up to a two thousand five  
37 hundred dollars (\$2,500) per calendar year maximum.

38 (b1) Licensees who are required to comply with G.S. 58-33-130 shall pay to the  
39 Commissioner a fee of two dollars (\$2.00) per credit hour earned. These fees also apply  
40 to national designation courses and other courses approved by the Commissioner from  
41 other State or federal programs.

42 (c) Fees collected by the Commissioner under this section and under  
43 G.S. 58-33-130 shall be credited to the Insurance Regulatory Fund created under

1 ~~G.S. 58-6-25.~~ G.S. 58-6-25 for the purpose of offsetting the cost of administering the  
2 program authorized by G.S. 58-33-130."

3 **SECTION 11.** G.S. 58-71-40(d) reads as rewritten:

4 "(d) When a license is issued under this section, the Commissioner shall issue a  
5 picture identification card, of design, size, and content approved by the Commissioner,  
6 to the licensee. Each licensee must carry this card at all times when working in the  
7 scope of the licensee's employment. A licensee whose license terminates or is  
8 terminated shall surrender the identification card to the Commissioner within 10  
9 working days after the termination. The Commissioner may contract directly with  
10 persons for the processing and issuance of picture identification cards required by this  
11 section and may charge a reasonable fee in addition to the license fee charged under  
12 G.S. 58-71-55 in an amount that offsets the cost of the service, including the costs  
13 associated with the contract authorized by this subsection. Contracts entered into  
14 pursuant to this subsection shall not be subject to Article 3 of Chapter 143 of the  
15 General Statutes."

16 **SECTION 12.** G.S. 58-71-115 reads as rewritten:

17 "**§ 58-71-115. Insurers to annually report surety bondsmen; notices of**  
18 **appointments and terminations; information confidential.**

19 (a) Before July 1 of each year, every insurer shall furnish the Commissioner a list  
20 of all surety bondsmen appointed by the insurer to write bail bonds on the insurer's  
21 behalf. An insurer who appoints a surety bondsman in the State on or after July 1 of  
22 each year ~~must~~ shall notify the Commissioner of the appointment. All appointments are  
23 subject to the issuance of the proper license to the appointee under this Article.

24 (b) An insurer terminating the appointment of a surety bondsman shall file a  
25 written notice of the termination with the Commissioner, together with a statement that  
26 the insurer has given or mailed notice of the termination to the surety ~~bondsman and to~~  
27 ~~the clerk of superior court of any county in the State in which the insurer has been~~  
28 ~~obligated on bail bonds through the surety bondsman within the past three years.~~  
29 bondsman. The notice to the Commissioner shall state the reasons, if any, for the  
30 termination. Information furnished in the notice to the Commissioner shall be privileged  
31 and shall not be used as evidence in or basis for any action against the insurer or any of  
32 its representatives."

33 **SECTION 13.** G.S. 58-71-141 reads as rewritten:

34 "**§ 58-71-141. Appointment of bail bondsmen; affidavit required.**

35 (a) ~~Prior to~~ Before receiving an appointment, a surety bondsman shall submit to  
36 the Commissioner an affidavit, signed under oath, by the surety bondsman and by any  
37 former insurer, stating that the surety bondsman does not owe any premium or  
38 unsatisfied judgment to any insurer and that the bondsman agrees to discharge all  
39 outstanding forfeitures and judgments on bonds previously written. The affidavit shall  
40 be in a form prescribed by the ~~Commissioner.~~ Commissioner and shall be submitted by  
41 the surety bondsman to the former insurer. If the surety bondsman does not satisfy or  
42 discharge all forfeitures or judgments, the former insurer shall submit a notice, with  
43 supporting documents, to the appointing insurer, the surety bondsman, and the  
44 Commissioner, which states, under oath, that the surety bondsman has failed to satisfy,

1 in a timely manner, the forfeitures and judgments on bonds written by the surety  
2 bondsman and that the former insurer has satisfied the forfeiture or judgment from its  
3 own funds. The former insurer shall submit the notice and supporting documents to the  
4 appointing insurer, the surety bondsman, and the Commissioner within 30 days after the  
5 former insurer receives the affidavit from the surety bondsman. Upon receipt of the  
6 ~~notification~~ notice and supporting documents, the appointing insurer shall immediately  
7 cancel the surety bondsman's appointment. The surety bondsman may be reappointed  
8 only upon certification by the former insurer that all forfeitures and judgments on bonds  
9 written by the surety bondsman have been discharged. The appointing insurer or surety  
10 bondsman may, within 10 days ~~of the receipt of~~ after receiving the notice and  
11 supporting documents from the former insurer, appeal to the Commissioner.

12 (b) The Commissioner shall adopt rules, including rules regarding the ~~process of~~  
13 procedures for appeals and stays of the requirements of this section, to implement this  
14 section.

15 (c) As used in this section, "former insurer" means the insurer with whom the  
16 surety bondsman had a prior appointment and who is responsible for any outstanding  
17 bonds written by the surety bondsman."

18 **SECTION 14.** G.S. 58-71-165 reads as rewritten:

19 **"§ 58-71-165. Monthly report required.**

20 (a) Each professional bail bondsman ~~and surety bondsman~~ shall file with the  
21 Commissioner a written report in form prescribed by the Commissioner regarding all  
22 bail bonds on which the bondsman is liable as of the first day of each month showing (i)  
23 each individual bonded, (ii) the date the bond was given, (iii) the principal sum of the  
24 bond, (iv) the State or local official to whom given, and (v) the fee charged for the  
25 bonding service in each instance.

26 (b) Each insurer that appoints surety bondsmen in this State shall file with the  
27 Commissioner a written report in a form adopted by the Commissioner regarding all  
28 bail bonds on which the insurer is liable as of the first day of each month showing the  
29 total dollar amount for which the insurer is liable.

30 (c) ~~The report~~ reports required by subsections (a) and (b) of this section shall be  
31 filed on or before the fifteenth day of each month.

32 (d) Any person who knowingly and willfully falsifies a report required by this  
33 section is guilty of a Class I felony."

34 **SECTION 15.** G.S. 58-2-69 reads as rewritten:

35 **"§ 58-2-69. Notification of criminal convictions and changes of address; service of**  
36 **~~notice.~~ notice; contracts for online services, administrative services, or**  
37 **regulatory data systems.**

38 (a) As used in this section:

39 (1) "License" includes any license, certificate, registration, or permit  
40 issued under this Chapter.

41 (2) "Licensee" means any person who holds a license.

42 (b) Every applicant for a license shall inform the Commissioner of the applicant's  
43 residential address. Every licensee shall give written notification to the Commissioner  
44 of any change of the licensee's residential address within 10 business days after the

1 licensee moves into the licensee's new residence. This requirement applies if the change  
2 of residential address is by governmental action and there has been no actual change of  
3 residence location; in which case the licensee ~~must~~ shall notify the Commissioner  
4 within 10 business days after the effective date of the change. A violation of this  
5 subsection is not a ground for revocation, suspension, or nonrenewal of the license or  
6 for the imposition of any other penalty by the ~~Commissioner~~. Commissioner though a  
7 licensee who violates this subsection shall pay an administrative fee of seventy-five  
8 dollars (\$75.00) to the Commissioner.

9 (c) If a licensee is convicted in any court of competent jurisdiction for any crime  
10 or offense other than a motor vehicle infraction, the licensee shall notify the  
11 Commissioner in writing of the conviction within 10 days after the date of the  
12 conviction. As used in this subsection, "conviction" includes an adjudication of guilt, a  
13 plea of guilty, or a plea of nolo contendere.

14 (d) Notwithstanding any other provision of law, whenever the Commissioner is  
15 authorized or required to give any notice under this Chapter to a licensee, the notice  
16 may be given personally or by sending the notice by first-class mail to the licensee at  
17 the address that the licensee has provided to the Commissioner under subsection (b) of  
18 this section.

19 (e) The giving of notice by mail under subsection (d) of this section is complete  
20 upon the expiration of four days after the deposit of the notice in the post office. Proof  
21 of the giving of notice by mail may be made by the certificate of any employee of the  
22 Department.

23 (f) Notification by licensees under subsection (b) of this section may be  
24 accomplished by submitting written notification directly to the Commissioner or by  
25 using any online services approved by the Commissioner for this purpose.

26 (g) The Commissioner may contract with the NAIC or other persons for the  
27 provision of online services to licensees, for the provision of administrative services to  
28 licensees, or for the provision of regulatory data systems to the Commissioner. The  
29 NAIC or other person with whom the Commissioner contracts may charge licensees a  
30 reasonable fee for the costs associated with the licensees' use of online services and  
31 administrative services. The fee shall be agreed to by the Commissioner and the other  
32 contracting party and shall be stated in the contract. Contracts for the provision of  
33 online services, contracts for the provision of administrative services, and contracts for  
34 the provision of regulatory data systems shall not be subject to Article 3, 3C, or 8 of  
35 Chapter 143 of the General Statutes or to Article 3D of Chapter 147 of the General  
36 Statutes."

37 **SECTION 16.** G.S. 58-35-85(5) reads as rewritten:

38 "(5) When an insurance contract is cancelled in accordance with this  
39 section, the insurer shall promptly return the gross unearned premiums  
40 that are due under the contract to the insurance premium finance  
41 company effecting the cancellation, for the benefit of the insured or  
42 insureds, no later than 30 days after the effective date of cancellation.  
43 When the return premium is more than the amount the insured owes  
44 the insurance premium finance company under the agreement, the



1 excess shall be promptly remitted to the order of the insured, as  
2 provided in subdivision (8) of this section, subject to the minimum  
3 service charge provided for in this Article. If a premium is subject to  
4 an audit to determine the final premium amount, the amount to be  
5 refunded to the premium finance company shall be calculated upon the  
6 deposit premium, and the insurer shall return that amount to the  
7 premium finance company no later than 90 days after the effective date  
8 of cancellation. All return premiums shall be calculated on a pro rata  
9 basis. However, where the insurance contract to be cancelled is subject  
10 to minimum premium and the contractual amount is minimum  
11 premium, the minimum premium is determined to be earned when  
12 written, and there shall be no return premium upon early cancellation.  
13 Where the insurance contract to be cancelled is subject to minimum  
14 premium and the contractual amount is in excess of the minimum  
15 premium, the return premium shall be based only upon the portion of  
16 the contract amount in excess of minimum premium and shall be  
17 calculated on a pro rata basis. This subdivision does not limit any other  
18 remedies the insurer may have against the insured for additional  
19 premiums."

20 **SECTION 17.** Article 36 of Chapter 58 of the General Statutes is amended  
21 by adding a new section to read:

22 **"§ 58-36-86. Policy cancellation by insured; premium refund.**

23 When a policy subject to this Article is cancelled by the insured, all return premiums  
24 shall be calculated on a pro rata basis. However, where the insurance contract to be  
25 cancelled is subject to minimum premium and the contractual amount is minimum  
26 premium, the minimum premium is determined to be earned when written, and there  
27 shall be no return premium upon early cancellation. Where the insurance contract to be  
28 cancelled is subject to minimum premium and the contractual amount is in excess of the  
29 minimum premium, the return premium shall be based only upon the portion of the  
30 contract amount in excess of minimum premium and shall be calculated on a pro rata  
31 basis."

32 **SECTION 18.** Article 40 of Chapter 58 of the General Statutes is amended  
33 by adding a new section to read:

34 **"§ 58-40-145. Policy cancellation by insured; premium refund.**

35 When a policy subject to this Article is cancelled by the insured, all return premiums  
36 shall be calculated on a pro rata basis. However, where the insurance contract to be  
37 cancelled is subject to minimum premium and the contractual amount is minimum  
38 premium, the minimum premium is determined to be earned when written, and there  
39 shall be no return premium upon early cancellation. Where the insurance contract to be  
40 cancelled is subject to minimum premium and the contractual amount is in excess of the  
41 minimum premium, the return premium shall be based only upon the portion of the  
42 contract amount in excess of minimum premium and shall be calculated on a pro rata  
43 basis."

1           **SECTION 19.** Article 41 of Chapter 58 of the General Statutes is amended  
2 by adding a new section to read:

3 **"§ 58-41-16. Policy cancellation by insured; premium refund.**

4           When a policy subject to this Article is cancelled by the insured, all return premiums  
5 shall be calculated on a pro rata basis. However, where the insurance contract to be  
6 cancelled is subject to minimum premium and the contractual amount is minimum  
7 premium, the minimum premium is determined to be earned when written, and there  
8 shall be no return premium upon early cancellation. Where the insurance contract to be  
9 cancelled is subject to minimum premium and the contractual amount is in excess of the  
10 minimum premium, the return premium shall be based only upon the portion of the  
11 contract amount in excess of minimum premium and shall be calculated on a pro rata  
12 basis."

13           **SECTION 20.** This act becomes effective January 1, 2008, and applies to  
14 fees or charges due, and actions occurring, on or after that date.