

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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HOUSE BILL 1005*
Committee Substitute Favorable 5/17/07

Short Title: Bonding Requirements for License Plate Agents.

(Public)

Sponsors:

Referred to:

March 26, 2007

A BILL TO BE ENTITLED

AN ACT TO REQUIRE BONDS FOR CONTRACTS ISSUED BY THE DIVISION
OF MOTOR VEHICLES TO COMMISSION CONTRACTORS WHO OPERATE
LICENSE PLATE AGENCIES.

The General Assembly of North Carolina enacts:

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

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

(a) A guaranty bond is required for each commission contractor that is not a governmental subdivision of this State that is granted a contract to issue license plates or conduct business pursuant to G.S. 20-63. Provided, however, a commission contractor that is unable to secure a bond may, with the consent of the Division, provide an alternative to a guaranty bond, as provided in subsection (c) of this section.

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

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

(2) The bond shall be in an amount determined by the Division to be adequate to provide indemnification to the Division under the terms of the bond. The bond amount shall be at least one hundred thousand dollars (\$100,000).

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

5 (4) The Division may be able to negotiate bonds for contractors who
6 qualify for bonds as a group under favorable rates or circumstances. If
7 so, the Division may require those contractors who can qualify for the
8 group bond to obtain their bond as part of a group of contractors. The
9 Division may deduct the premiums for any bonds it may be able to
10 negotiate at group rates from the commissioned contractors'
11 compensation.

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

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

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

37 **SECTION 2.** This act becomes effective January 1, 2008.