Article 48.

Postassessment Insurance Guaranty Association.

This Article shall be known and may be cited as the "Insurance Guaranty Association Act." (1971, c. 670, s. 1.)

§ 58-48-5. Purpose of Article.
The purpose of this Article is to provide a mechanism for the payment of covered claims under certain insurance policies, to avoid excessive delay in payment, and to avoid financial loss to claimants or policyholders because of the insolvency of an insurer, to assist in the detection and prevention of insurer insolvencies, and to provide an association to assess the cost of such protection among insurers. (1971, c. 670, s. 1.)

§ 58-48-10. Scope.
This Article shall apply to all kinds of direct insurance, but shall not be applicable to:
1. Life, annuity, accident and health or disability insurance;
2. Mortgage guaranty, financial guaranty or other forms of insurance offering protection against investment risks;
3. Fidelity or surety bonds, or any other bonding obligations;
4. Credit insurance, vendors' single interest insurance, collateral protection insurance, or any similar insurance protecting the interests of a creditor arising out of a creditor-debtor transaction;
5. Insurance of warranties or service contracts;
6. Title insurance;
7. Ocean marine insurance;
9. Any transaction or combination of transactions between a person (including affiliates of such person) and an insurer (including affiliates of such insurer) which involves the transfer of investment or credit risk unaccompanied by transfer of insurance risk;
10. Insurance written on a retroactive basis to cover known or unknown losses which have resulted from an event with respect to which a claim has already been made, and the claim is known to the insurer at the time the insurance is bound. (1971, c. 670, s. 1; 1989, c. 206, s. 1; 1991 (Reg. Sess., 1992), c. 802, s. 1.)

This Article shall be liberally construed to effect the purpose under G.S. 58-48-5 which shall constitute an aid and guide to interpretation. (1971, c. 670, s. 1.)

As used in this Article:
1. "Account" means any one of the three accounts created by G.S. 58-48-25.
1a. "Affiliate" means a person who directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with an
insolvent insurer on December 31 of the year next preceding the date the insurer becomes an insolvent insurer.

(2) "Association" means the North Carolina Insurance Guaranty Association created under G.S. 58-48-25.

(2a) "Claimant" means any insured making a first party claim or any person instituting a liability claim; provided that no person who is an affiliate of the insolvent insurer may be a claimant.

(3) Repealed by Session Laws 1991, c. 720, s. 6.

(3a) "Control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, other than a commercial contract for goods or nonmanagement services, or otherwise, unless the power is the result of an official position with or corporate office held by the person. Control shall be presumed to exist if any person, directly or indirectly owns, controls, holds with the power to vote, or holds proxies representing ten percent (10%) or more of the voting securities of any other person. This presumption may be rebutted by a showing that control does not exist in fact.

(4) "Covered claim" means an unpaid claim, including one of unearned premiums, which is in excess of fifty dollars ($50.00) and arises out of and is within the coverage and not in excess of the applicable limits of an insurance policy to which this Article applies as issued by an insurer, if such insurer becomes an insolvent insurer after the effective date of this Article and (i) the claimant or insured is a resident of this State at the time of the insured event; or (ii) the property from which the claim arises is permanently located in this State. "Covered claim" shall not include any amount awarded (i) as punitive or exemplary damages; (ii) sought as a return of premium under any retrospective rating plan; or (iii) due any reinsurer, insurer, insurance pool, or underwriting association, as subrogation or contribution recoveries or otherwise. "Covered claim" also shall not include fines or penalties, including attorneys fees, imposed against an insolvent insurer or its insured or claims of any claimant whose net worth exceeds fifty million dollars ($50,000,000) on December 31 of the year preceding the date the insurer becomes insolvent.

(5) "Insolvent insurer" means (i) an insurer licensed and authorized to transact insurance in this State either at the time the policy was issued or when the insured event occurred and (ii) against whom an order of liquidation with a finding of insolvency has been entered after the effective date of this Article by a court of competent jurisdiction in the insurer's state of domicile or of this State under the provisions of Article 30 of this Chapter, and which order of liquidation has not been stayed or been the subject of a writ of supersedeas or other comparable order.

(6) "Member insurer" means any person who (i) writes any kind of insurance to which this Article applies under G.S. 58-48-10, including the exchange of reciprocal or interinsurance contracts, and (ii) is licensed and authorized to transact insurance in this State.
(7) "Net direct written premiums" means direct gross premiums written in this State on insurance policies to which this Article applies, less return premiums thereon and dividends paid or credited to policyholders on such direct business. "Net direct written premiums" does not include premiums on contracts between insurers or reinsurers.

(7a) "Ocean marine insurance" includes (i) marine insurance as defined in G.S. 58-7-15(20)a., except for inland marine, (ii) marine protection and indemnity insurance as defined in G.S. 58-7-15(21), and (iii) any other form of insurance, regardless of the name, label, or marketing designation of the insurance policy, which insures against maritime perils or risks and other related perils or risks, which are usually insured by traditional marine insurance such as hull and machinery, marine builders' risks, and marine protection and indemnity. The perils and risks insured against include loss, damage, or expense, or legal liability of the insured for loss, damage, or expense, arising out of, or incident to, ownership, operation, chartering, maintenance, use, repair, or construction of any vessel, craft, or instrumentality in use in ocean or inland waterways, including liability of the insured for personal injury, illness, death, or for loss or damage to the property of the insured or another person. "Ocean marine insurance" does not include insurance on vessels or vehicles under five tons gross weight.

(8) "Person" means any individual, corporation, partnership, association or voluntary organization.

(9) "Policyholder" means the person to whom an insurance policy to which this Article applies was issued by an insurer which has become an insolvent insurer.

(10) "Resident" means:
   a. An individual domiciled in this State;
   b. An individual formerly domiciled in this State at the time the applicable policy was issued or renewed and the term of the policy had not expired at the time of the insured event, and who at the time of the insured event had complied with the laws of the current domicile necessary to allow maintenance in force and effect of the applicable policy; or
   c. In the case of a corporation or other entity that is not a natural person, a corporation or entity whose principal place of business is located in this State at the time of the insured event. (1971, c. 670, s. 1; 1985, c. 613, ss. 1-3; 1989, c. 206, s. 2; c. 770, s. 72; 1991, c. 720, s. 6; 1991 (Reg. Sess., 1992), c. 802, s. 2; 1993, c. 452, s. 51; 2003-167, s. 1.)

There is created a nonprofit, unincorporated legal entity to be known as the North Carolina Insurance Guaranty Association. All insurers defined as member insurers in G.S. 58-48-20(6) shall be and remain members of the Association as a condition of their authority to transact insurance in this State. The Association shall perform its functions under a plan of operation established and approved under G.S. 58-48-40 and shall exercise its powers through a board of directors established under G.S. 58-48-30. For purposes of administration and assessment, the
Association shall be divided into three separate accounts: (i) the automobile insurance account; (ii) the workers' compensation account; and (iii) the account for all other insurance to which the Article applies. Each person becoming a member insurer after October 1, 1985, shall pay to the Association upon demand a nonrefundable initial membership fee of fifty dollars ($50.00).

(1971, c. 670, s. 1; 1985, c. 613, s. 4; 1991 (Reg. Sess., 1992), c. 802, s. 3.)


(a) The board of directors of the Association shall consist of not less than five nor more than nine persons serving terms as established in the plan of operation. One non-voting member of the board shall be a property and casualty insurance agent authorized to write insurance for a member insurer, and appointed by the Commissioner; and the remaining members shall be selected by member insurers subject to the approval of the Commissioner. Vacancies of the board shall be filled for the remaining period of the term in the same manner as initial appointments. If no members are selected within 60 days after June 25, 1971, the Commissioner may appoint the initial members of the board of directors.

(b) In approving selections to the board, the Commissioner shall consider among other things whether all member insurers are fairly represented.

(c) Members of the board may be reimbursed from the assets of the Association for expenses incurred by them as members of the board of directors. (1971, c. 670, s. 1; 1987, c. 864, s. 60.)


(a) The Association shall:

(1) Be obligated to the extent of the covered claims existing prior to the determination of insolvency and arising within 30 days after the determination of insolvency, or before the policy expiration date if less than 30 days after the determination, or before the insured replaces the policy or causes its cancellation, if he does so within 30 days of the determination. This obligation includes only the amount of each covered claim that is in excess of fifty dollars ($50.00) and is less than three hundred thousand dollars ($300,000). However, the Association shall pay the full amount of a covered claim for benefits under a workers' compensation insurance coverage, and shall pay an amount not exceeding ten thousand dollars ($10,000) per policy for a covered claim for the return of unearned premium. The Association has no obligation to pay a claimant's covered claim, except a claimant's workers' compensation claim, if:

a. The insured had primary coverage at the time of the loss with a solvent insurer equal to or in excess of three hundred thousand dollars ($300,000) and applicable to the claimant's loss; or

b. The insured's coverage is written subject to a self-insured retention equal to or in excess of three hundred thousand dollars ($300,000).

If the primary coverage or the self-insured retention is less than three hundred thousand dollars ($300,000), the Association's obligation to the claimant is reduced by the coverage and the retention. The Association shall pay the full amount of a covered claim for benefits under a workers' compensation insurance coverage to a claimant notwithstanding any self-insured retention,
but the Association has the right to recover the amount of the self-insured retention from the employer.

In no event shall the Association be obligated to a policyholder or claimant in an amount in excess of the obligation of the insolvent insurer under the policy from which the claim arises. Notwithstanding any other provision of this Article, a covered claim shall not include any claim filed with the Association after the final date set by the court for the filing of claims against the liquidator or receiver of an insolvent insurer.

(2) Be deemed the insurer to the extent of the Association's obligation on the covered claims and to such extent shall have all rights, duties, and obligations of the insolvent insurer as if the insurer had not become insolvent. However, the Association has the right but not the obligation to defend an insured who is not a resident of this State at the time of the insured event unless the property from which the claim arises is permanently located in this State in which instance the Association does have the obligation to defend the matter in accordance with policy.

(3) Allocate claims paid and expenses incurred among the two accounts separately, and assess member insurers separately for each account amounts necessary to pay the obligation of the Association under subsection (a) above subsequent to an insolvency, the expenses of handling covered claims subsequent to an insolvency, the cost of examinations under G.S. 58-48-60 and other expenses authorized by this Article. The assessments of each member insurer shall be in the proportion that the net direct written premiums of the member insurer for the preceding calendar year on the kinds of insurance in the account bears to the net direct written premiums of all member insurers for the preceding calendar year on the kinds of insurance in the account; provided, for purposes of assessment only, premiums otherwise reportable by a servicing insurer under any plan of operation approved by the Commissioner of Insurance under Articles 45 or 46 of this Chapter shall not be deemed to be the net direct written premiums of such servicing insurer or association, but shall be deemed to be the net direct written premiums of the individual insurers to the extent provided for in any such plan of operation. Each member insurer shall be notified of the assessment not later than 30 days before it is due. No member insurer may be assessed in any year on any account an amount greater than two percent (2%) of that member insurer's net direct written premiums for the preceding calendar year on the kinds of insurance in the account. If the maximum assessment, together with the other assets of the Association in any account, does not provide in any one year in any account an amount sufficient to make all necessary payments from that account, the funds available shall be prorated and the unpaid portion shall be paid as soon thereafter as funds become available. The Association may exempt or defer, in whole or in part, the assessment of any member insurer, if the assessment would cause the member insurer's financial statement to reflect amounts of capital or surplus less than the minimum amounts required for a license by any jurisdiction in which the member insurer is authorized to transact insurance. Each member insurer may set off against any assessment,
authorized payments made on covered claims and expenses incurred in the payment of such claims by the member insurer if they are chargeable to the account for which the assessment is made.

(4) Investigate claims brought against the Association and adjust, compromise, settle, and pay covered claims to the extent of the Association's obligation and deny all other claims and may review settlements, releases and judgments to which the insolvent insurer or its insureds were parties to determine the extent to which such settlements, releases and judgments may be properly contested.

(5) Notify such persons as the Commissioner directs under G.S. 58-48-45(b)(1).

(6) Handle claims through its employees or through one or more insurers or other persons designated as servicing facilities. Designation of a servicing facility is subject to the approval of the Commissioner, but such designation may be declined by a member insurer.

(7) Reimburse each servicing facility for obligations of the Association paid by the facility and for expenses incurred by the facility while handling claims on behalf of the Association and shall pay the other expenses of the Association authorized by this Article.

(b) The Association may:

(1) Employ or retain such persons as are necessary to handle claims and perform other duties of the Association.

(2) Borrow funds necessary to effect the purposes of this Article in accord with the plan of operation.

(3) Sue or be sued.

(4) Negotiate and become a party to such contracts as are necessary to carry out the purpose of this Article.

(5) Perform such other acts as are necessary or proper to effectuate the purpose of this Article.

(6) Refund to the member insurers in proportion to the contribution of each member insurer to that account that amount by which the assets of the account exceed the liabilities if, at the end of any calendar year, the board of directors finds that the assets of the Association in any account exceed the liabilities of that account as estimated by the board of directors for the coming year.

(7) Be designated or may contract as a servicing facility for any entity which may be recommended by the Association’s board of directors and approved by the Commissioner of Insurance. (1971, c. 670, s. 1; 1977, c. 343; 1979, c. 295, s. 1; 1985, c. 613, ss. 5, 6; 1989, c. 206, s. 3; 1991 (Reg. Sess., 1992), c. 802, s. 4; 1999-132, s. 9.1; 2009-130, s. 1.)


(a) The Association shall submit to the Commissioner a plan of operation and any amendment thereto necessary or suitable to assure the fair, reasonable, and equitable administration of the Association. The plan of operation and any amendments thereto shall become effective upon approval in writing by the Commissioner.

If the Association fails to submit a suitable plan of operation within 90 days following June 25, 1971, or if at any time thereafter the Association fails to submit suitable amendments to the plan, the Commissioner shall, after notice and hearing, adopt and promulgate such reasonable
rules as are necessary or advisable to effectuate the provisions of this Article. Such rules shall continue in force until modified by the Commissioner or superseded by a plan submitted by the Association and approved by the Commissioner.

(b) All member insurers shall comply with the plan of operation.

(c) The plan of operation shall:
   1. Establish the procedures whereby all the powers and duties of the Association under G.S. 58-48-35 will be performed.
   2. Establish procedures for handling assets of the Association.
   3. Establish the amount and method of reimbursing members of the board of directors under G.S. 58-48-30.
   4. Establish procedures by which claims may be filed with the Association and establish acceptable forms of proof of covered claims. Notice of claims to the receiver or liquidator of the insolvent insurer shall be deemed notice to the Association or its agent and a list of such claims shall be periodically submitted to the Association or similar organization in another state by the receiver or liquidator.
   5. Establish regular places and times for meetings of the board of directors.
   6. Establish procedures for records to be kept of all financial transactions of the Association, its agents, and the board of directors.
   7. Provide that any member insurer aggrieved by any final action or decision of the Association may appeal to the Commissioner within 30 days after the action or decision.
   8. Establish the procedures whereby selections for the board of directors will be submitted to the Commissioner.
   9. Contain additional provisions necessary or proper for the execution of the powers and duties of the Association.

(d) The plan of operation may provide that any or all powers and duties of the Association, except those under G.S. 58-48-35(a)(3) and G.S. 58-48-35(b)(2), are delegated to a corporation, association, or other organization which performs or will perform functions similar to those of this Association, or its equivalent, in two or more states. Such a corporation, association or organization shall be reimbursed as a servicing facility would be reimbursed and shall be paid for its performance of any other functions of the Association. A delegation under this subsection shall take effect only with the approval of both the board of directors and the Commissioner, and may be made only to a corporation, association, or organization which extends protection not substantially less favorable and effective than that provided by this Article. (1971, c. 670, s. 1; 1973, c. 1446, s. 2.)


In any hearing called by the Commissioner for an appeal made pursuant to G.S. 58-48-40(c)(7), no later than 20 days before the hearing the appellant shall file with the Commissioner or the Commissioner's designated hearing officer and shall serve on the appellee a written statement of the appellant's case and any evidence the appellant intends to offer at the hearing. No later than five days before the hearing, the appellee shall file with the Commissioner or the Commissioner's designated hearing officer and shall serve on the appellant a written statement of the appellee's case and any evidence the appellee intends to offer at the hearing. Each hearing shall be recorded and transcribed. The cost of the recording and transcribing shall
be borne equally by the appellant and the appellee. However, upon any final adjudication the prevailing party shall be reimbursed for that party's share of the costs by the other party. Each party shall, on a date determined by the Commissioner or the Commissioner's designated hearing officer, but not sooner than 15 days after delivery of the completed transcript to the party, submit to the Commissioner or the Commissioner's designated hearing officer and serve on the other party, a proposed order. The Commissioner or the Commissioner's designated hearing officer shall then issue an order. (1991, c. 644, s. 31; 1993, c. 504, s. 42.)

(a) The Commissioner shall:
   (1) Notify the Association of the existence of an insolvent insurer not later than three days after he receives notice of the determination of the insolvency.
   (2) Upon request of the board of directors, provide the Association with a statement of the net direct written premiums of each member insurer.
(b) The Commissioner may:
   (1) Require that the Association notify the insureds of the insolvent insurer and any other interested parties of the determination of insolvency and of their rights under this Article. Such notification shall be by mail at their last known address, where available, but if sufficient information for notification by mail is not available, notice by publication in a newspaper of general circulation shall be sufficient.
   (2) Suspend or revoke, after notice and hearing, the license to transact insurance in this State of any member insurer which fails to pay an assessment when due or fails to comply with the plan of operation. As an alternative, the Commissioner may levy a fine on any member insurer which fails to pay an assessment when due. Such fine shall not exceed five percent (5%) of the unpaid assessment per month, except that no fine shall be less than one hundred dollars ($100.00) per month.
   (3) Revoke the designation of any servicing facility if he finds claims are being handled unsatisfactorily.
(c) Any final action or order of the Commissioner under this Article shall be subject to judicial review in accordance with the provisions of G.S. 58-2-75. (1971, c. 670, s. 1; 1999-132, s. 9.1.)

(a) Any person recovering under this Article shall be deemed to have assigned his rights under the policy or at law to the Association to the extent of his recovery from the Association. Every insured or claimant seeking the protection of this Article shall cooperate with the Association to the same extent as such person would have been required to cooperate with the insolvent insurer. The Association shall have no cause of action against the insured of the insolvent insurer for any sums it has paid out except such causes of action as the insolvent insurer would have had if such sums had been paid by the insolvent insurer. In the case of an insolvent insurer operating on a plan with assessment liability, payments of claims of the Association shall not operate to reduce the liability of insureds to the receiver, liquidator, or statutory successor for unpaid assessments.
(a1) The Association shall have the right to recover from the following persons the amount of any "covered claim" paid and any and all expenses incurred, including attorneys' fees and costs of defense, in connection with any claim against the person or the person's affiliate pursuant to this Article:

(1) Any insured whose net worth on December 31 of the year next preceding the date the insurer becomes insolvent exceeds fifty million dollars ($50,000,000) and whose liability obligations to other persons are satisfied in whole or in part by payments under this Article; or

(2) Any person who is an affiliate of the insolvent insurer and whose liability obligations to other persons are satisfied in whole or in part by payments made under this Article.

(b) The receiver, liquidator, or statutory successor of an insolvent insurer shall be bound by settlements of covered claims by the Association or a similar organization in another state. The court having jurisdiction shall grant such claims priority equal to that to which the claimant would have been entitled in the absence of this Article against the assets of the insolvent insurer. The expenses of the Association or similar organization in handling claims shall be accorded the same priority as the liquidator's expenses.

(c) The Association shall periodically file with the receiver or liquidator of the insolvent insurer statements of the covered claims paid by the Association and estimates of anticipated claims on the Association which shall preserve the rights of the Association against the assets of the insolvent insurer. (1971, c. 670, s. 1; 1989, c. 206, ss. 4, 5; 2003-167, s. 2.)


(a) Any person having a right to a defense or a claim against an insurer under any provision in an insurance policy other than a policy of an insolvent insurer which is also a covered claim, shall be required to exhaust first his rights under such policy. Any amount payable on a covered claim under this Article shall be reduced by the amount of any recovery under that insurance policy. For purposes of this section, a claim under an insurance policy shall include a claim under or covered by any kind of insurance, whether it is a first-party or a third-party claim, and whether it is a policy covering the policyholder or another person liable to the claimant, and shall include, without limitation, policies of accident and health insurance, workers' compensation insurance, medical expense coverage, and all other coverage except for policies of an insolvent insurer.

(a1) Any person having a claim or legal right of recovery under any governmental insurance or guaranty program which is also a covered claim shall be required to exhaust first his right under such program. Any amount payable on a covered claim under this Article shall be reduced by the amount of any recovery under such program.

(b) Any person having a claim which may be recovered under more than one insurance guaranty association or its equivalent shall seek recovery first from the association of the place of residence of the policyholder except that if it is a first party claim for damage to property with a permanent location, he shall seek recovery first from the association of the location of the property, and if it is a workers' compensation claim, he shall seek recovery first from the association of the residence of the claimant. Any recovery under this Article shall be reduced by the amount of recovery from any other insurance guaranty association or its equivalent.

(c) No claim held by an insurer, reinsurer, insurance pool, or underwriting association, whether the claim is:
(1) based on an assignment, or
(2) based on rights of subrogation or contribution, or
(3) based on any other grounds,
nor any claim of lien, may be asserted in any legal action against a person insured under a policy issued by an insolvent insurer except to the extent the amount of such claim exceeds the obligation of the Association under G.S. 58-48-35(a)(1).

(d) Any person that has liquidated by settlement or judgment a claim against an insured under a policy issued by an insolvent insurer, which claim is a covered claim and is also a claim within the coverage of any policy issued by a solvent insurer, shall be required to exhaust first his rights under such policy issued by the solvent insurer before execution, levy, or any other proceedings are commenced to enforce any judgment obtained against or the settlement with the insured of the insolvent insurer. Any amount so recovered from a solvent insurer shall be credited against the amount of the judgment or settlement. (1971, c. 670, s. 1; 1985, c. 613, ss. 7, 8; 1989, c. 206, s. 6; 1991 (Reg. Sess., 1992), c. 802, s. 5; 2003-167, s. 3.)


(a) Repealed by Session Laws 1989, c. 206, s. 7.

(b) To aid in the detection and prevention of insurer insolvencies, the board of directors may, upon majority vote, request that the Commissioner order an examination of any member insurer which the board in good faith believes may be in a financial condition hazardous to the policyholders or the public. Within 30 days of the receipt of such request, the Commissioner shall begin such examination. The examination may be conducted as an NAIC examination or may be conducted by such persons as the Commissioner designates. The examination report shall be treated as are other examination reports. In no event shall such examination report be released to the board of directors prior to its release to the public, but this shall not preclude the Commissioner from complying with subsection (c) below. The Commissioner shall notify the board of directors when the examination is completed. The request for an examination shall be kept on file by the Commissioner but it shall not be open to public inspection prior to the release of the examination report to the public.

(c) It shall be the duty of the Commissioner to report to the board of directors when he has reasonable cause to believe that any member insurer examined or being examined at the request of the board of directors may be insolvent or in a financial condition hazardous to the policyholders or the public.

(d) The board of directors may, upon majority vote, make reports and recommendations to the Commissioner upon any matter germane to the solvency, liquidation, rehabilitation or conservation of any member insurer. Such reports and recommendations shall not be considered public documents.

(e) The board of directors may, upon majority vote, make recommendations to the Commissioner for the detection and prevention of insurer insolvencies.

(f) The board of directors may, at the conclusion of any domestic insurer insolvency in which the Association was obligated to pay covered claims, prepare a report on the history and causes of such insolvency, based on the information available to the Association, and submit such report to the Commissioner. (1971, c. 670, s. 1; 1989, c. 206, s. 7; 1991, c. 720, s. 27; 1995, c. 360, s. 2(j).)

The Association shall be subject to examination and regulation by the Commissioner. The board of directors shall submit, not later than March 30 of each year, a financial report for the preceding calendar year in a form approved by the Commissioner. (1971, c. 670, s. 1.)


The Association shall be exempt from payment of all fees and all taxes levied by this State or any of its subdivisions except taxes levied by its subdivisions on real or personal property. (1971, c. 670, s. 1.)

§ 58-48-75: Repealed by Session Laws 1991, c. 689, s. 299.


There shall be no liability on the part of and no cause of action of any nature shall arise against any member insurer, the Association or its agents or employees, the board of directors, or the Commissioner or his representatives for any action taken by them in the performance of their powers and duties under this Article. (1971, c. 670, s. 1.)


All proceedings in which the insolvent insurer is a party or is obligated to defend a party in any court or before any administrative agency or the North Carolina Industrial Commission shall be stayed automatically for 120 days and such additional time thereafter as may be determined by the court from the date the insolvency is determined or any ancillary proceedings are initiated in this State, whichever is later, to permit proper defense by the Association of all pending causes of action. Any party to any proceeding which is stayed pursuant to this section shall have the right, upon application and notice, to seek a vacation or modification of such stay. Any covered claims arising from any judgment under any decision, verdict or finding based on the default of the insolvent insurer or its failure to defend an insured, shall, upon application and notice by the Association be vacated and set aside by the same court in which such judgment, order, decision, verdict, or finding is entered and the Association either on its own behalf or on behalf of any insured or an insolvent insurer, shall be permitted to defend against such claim on the merits. Any party who has obtained any such judgment or order shall have the right, upon application and notice, to have the judgment or order restored if within 90 days following the entry of the judgment or order the Association has not notified such party and the court that it intends to defend the matter on the merits. (1971, c. 670, s. 1; 1989, c. 206, s. 8; 2003-167, s. 4.)

§ 58-48-90. Termination; distribution of funds.

(a) The Commissioner shall by order terminate the operation of the North Carolina Insurance Guaranty Association as to any kind of insurance covered by this Article with respect to which he has found, after hearing, that there is in effect a statutory or voluntary plan which:

(1) Is a permanent plan which is adequately funded or for which adequate funding is provided; and

(2) Extends, or will extend to the North Carolina policyholders and residents protection and benefits with respect to insolvent insurers not substantially less favorable and effective to such policyholders and residents than the protection and benefits provided with respect to such kinds of insurance under this Article.
(b) The Commissioner shall by the same such order authorize discontinuance of future payments by insurers to the North Carolina Insurance Guaranty Association with respect to the same kinds of insurance; provided, the assessments and payments shall continue, as necessary, to liquidate covered claims of insurers adjudged insolvent prior to said order and the related expenses not covered by such other plan.

(c) In the event the operation of the North Carolina Insurance Guaranty Association shall be so terminated as to all kinds of insurance otherwise within its scope, the Association as soon as possible thereafter shall distribute the balance of moneys and assets remaining (after discharge of the functions of the Association with respect to prior insurer insolvencies not covered by such other plan, together with related expenses) to the insurers which are then writing in this State policies of the kinds of insurance covered by this Article and which had made payments to the Association, pro rata upon the basis of the aggregate of such payments made by the respective insurers during the period of five years next preceding the date of such order. Upon completion of such distribution with respect to all of the kinds of insurance covered by this Article, this Article shall be deemed to have expired. (1971, c. 670, s. 1.)

§ 58-48-95. Use of deposits made by insolvent insurer.

(a) Notwithstanding any other provision of this Chapter pertaining to the use of deposits made by insurance companies for the protection of policyholders, the Association shall receive, upon its request, from the Commissioner and may expend, any deposit or deposits made, whether or not required by statute, by an insolvent insurer to the extent those deposits are needed by the Association first to pay the covered claims as required by this Article and then to the extent those deposits are needed to pay all expenses of the Association relating to the insurer: Provided that the Commissioner may retain and use an amount of the deposit up to ten thousand dollars ($10,000) to defray administrative costs to be incurred by the Commissioner in carrying out his powers and duties with respect to the insolvent insurer, notwithstanding G.S. 58-5-70.

(b) In, however the case of a deposit made by an insolvent domestic insurer, the Association shall receive, upon its request, from the Commissioner, the portions of the deposit made for the protection of policyholders having covered claims. As for the general deposit, those portions shall be in the proportions that the insolvent domestic insurer's domestic net direct written premiums for the preceding calendar year on the kinds of insurance in the account bears to its total net direct written premiums for the preceding calendar year on the kinds of insurance in the account.

(c) The Association shall account to the Commissioner and the insolvent insurer for all deposits received from the Commissioner under this section. After the deposits of the insolvent insurer received by the Association under this section have been expended by the Association for the purposes set out in this section, the member insurers shall be assessed as provided by this Article to pay any remaining liabilities of the Association arising under this Article. (1979, c. 628; 1985, c. 613, s. 10; c. 666, s. 41; 1987, c. 864, s. 6; 1989, c. 206, s. 9; c. 452, s. 5; 1993 (Reg. Sess., 1994), c. 678, s. 23; 2001-223, s. 24.4; 2001-487, s. 103(a).)

§ 58-48-100. Statute of repose; guardians ad litem; notice.

(a) Notwithstanding any other provision of law, a covered claim with respect to which settlement is not effected with the Association, or suit is not instituted against the insured of an insolvent insurer or the Association, within five years after the date of entry of the order by a
court of competent jurisdiction determining the insurer to be insolvent, shall thenceforth be barred forever as a claim against the Association.

(b) As to any person under a disability described in G.S. 1-17, the Association may not invoke the bar of the period of repose provided in subsection (a) of this section unless the Association has petitioned for the appointment of a guardian ad litem for such person and the disposition of that petition has become final. If a guardian ad litem is appointed pursuant to this subsection more than four years after the date of entry of the order by a court of competent jurisdiction determining the insurer to be insolvent, the period of repose under subsection (a) of this section shall be extended for such person one year after the date of the appointment.

(c) Within six months after the Association has been activated as to an insolvent insurer, the Commissioner may request that the Association submit an amendment to the plan of operation in accordance with G.S. 58-48-40, which amendment shall be applicable only to that insolvent insurer and shall prescribe a fair, reasonable, and equitable procedure for notice to insureds and to the public. (1985, c. 613, s. 9.)


(a) All moneys received and paid into the Stock Workers' Compensation Security Fund under former G.S. 97-107, together with all property and securities acquired by and through the use of moneys belonging to this Fund, including interest earned upon moneys in this Fund, shall be transferred and deposited into a new account with the Association created pursuant to G.S. 58-48-115. This account shall be separate and apart from any other accounts similarly created and from all other Association funds. The Association shall be the custodian of the account, and shall administer the account in accordance with the provisions of this Article.

(b) All moneys received and paid into the Mutual Workers' Compensation Security Fund under former G.S. 97-114, together with all property and securities acquired by and through the use of moneys belonging to this Fund, including interest earned upon moneys in this Fund, shall be transferred and deposited into a new account with the Association created pursuant to G.S. 58-48-120. This account shall be separate and apart from any other accounts similarly created and from all other Association accounts. The Association shall be the custodian of the account, and shall administer the account in accordance with the provisions of this Article. (1991 (Reg. Sess., 1992), c. 802, s. 6.)

§ 58-48-110. Purpose of the accounts.

The purpose of the accounts created in the Association pursuant to G.S. 58-48-115 and G.S. 58-48-120 of this Article shall be solely to:

1. Receive the balance from the accounts created under former G.S. 97-107 and G.S. 97-114;
2. Receive assessment moneys from member companies as provided in G.S. 58-48-115(a)(3), 58-48-120(b), and 58-48-120(c);
3. Receive interest on moneys in the accounts;
4. Pay stock or mutual carrier claims made against the security funds established under G.S. 97-107 and G.S. 97-114, but only for claims existing before January 1, 1993; and
5. Refund to the contributing stock companies in accordance with G.S. 58-48-115 the excess moneys in the stock fund account as set forth in G.S. 58-48-115(a)(2). (1991 (Reg. Sess., 1992), c. 802, s. 7.)

(a) The moneys received by the Association pursuant to G.S. 58-48-105(a) shall be distributed as follows:

(1) An amount equivalent to one and one-half times the contingent liabilities of the Stock Workers' Compensation Security Fund created pursuant to former G.S. 97-107 existing on December 31, 1992, shall be deposited in a separate reserve account to be maintained by the Association which shall be designated as the "Stock Reserve Account." The amount of the Fund's contingent liabilities and the amount to be deposited in this Stock Reserve Account shall be determined and approved by the Department.

(2) The balance of the moneys received from the Stock Workers' Compensation Security Fund created pursuant to former G.S. 97-107 shall be refunded by the Association to member insurers that were contributing stock carriers during calendar year 1989 in accordance with the determination of the Department under this subdivision. The amount to be refunded to each stock carrier shall be in proportion to the contributions paid in by each stock carrier. The Department shall, as nearly as practicable, determine this amount under generally accepted accounting principles and the determination of the Department shall be final and not subject to appeal.

(3) Should the balance of the moneys in the Stock Reserve Account be reduced to less than one and one-half times the contingent liabilities of the account, the Association shall assess all member insurers that are stock carriers writing workers' compensation in this State at the time of the assessment in an amount equivalent to one and one-half times the contingent liabilities of said account. The assessment under this subdivision shall be made in accordance with the provisions of G.S. 58-48-35(a)(3). (1991 (Reg. Sess., 1992), c. 802, s. 8.)


(a) The moneys received by the Association pursuant to G.S. 58-48-105(b) shall be deposited in a separate reserve account to be maintained by the Association which shall be designated as the Mutual Reserve Account. The amount in this account shall be equivalent to one and one-half times the contingent liabilities of the Mutual Workers' Compensation Security Fund created pursuant to former G.S. 97-114 existing on December 31, 1992. The amount of this Fund's contingent liabilities and the amount to be deposited into this Mutual Reserve Account shall be determined and approved by the Department.

(b) If the amount received by the Association from the former Mutual Workers' Compensation Security Fund created pursuant to G.S. 97-114 and received by the Association pursuant to G.S. 58-48-105(b) is insufficient to equal one and one-half times the contingent liabilities of the Fund existing on December 31, 1992, the Association shall, over the five years following January 1, 1993, assess the member insurers that are mutual carriers writing workers' compensation insurance in this State at the time of the assessment in the amount it determines necessary to make up the difference between the money received by the Association pursuant to G.S. 58-48-105(b) and one and one-half times the contingent liabilities of the Fund as
determined by the Department of Insurance pursuant to G.S. 58-48-120(a). The assessment under this subsection shall be made in accordance with the provisions of G.S. 58-48-35(a)(3).

(c) After December 31, 1997, should the balance of the moneys in the Mutual Reserve Account be reduced to less than one and one-half times the contingent liabilities of the account, the Association shall assess all member insurers that are mutual carriers writing workers' compensation insurance in this State at the time of the assessment in an amount necessary to raise the account to an amount equivalent to one and one-half times the contingent liabilities of said account. The assessment under this subsection shall be made in accordance with the provisions of G.S. 58-48-35(a)(3). (1991 (Reg. Sess., 1992), c. 802, s. 9.)


The accounts created in G.S. 58-48-115 and G.S. 58-48-120 shall be used to pay the claims against insolvent stock workers' compensation insurers and insolvent mutual workers' compensation insurers, respectively, pursuant to G.S. 58-48-110(4) where the insolvency occurred prior to January 1, 1993. The expenses of administering these accounts, including loss adjustment expenses, shall be paid out of the respective accounts. (1991 (Reg. Sess., 1992), c. 802, s. 10; 1993, c. 504, s. 30.)

§ 58-48-130. Termination.

The account created in G.S. 58-48-115 shall be dissolved when all liabilities of the Stock Workers' Compensation Security Fund, under former G.S. 97-107 have been satisfied. Any excess moneys in the Stock Reserve Account shall be refunded to the member insurers that were stock workers' compensation carriers during the preceding calendar year. The amount to be refunded to each stock carrier shall be in proportion to the assessments paid by each stock carrier. The account created in G.S. 58-48-120 shall be dissolved when the liabilities of the Mutual Workers' Compensation Security Fund, under former G.S. 97-114, have been satisfied. Any excess moneys in the mutual reserve account shall be refunded to the member insurers that were mutual workers' compensation carriers during the preceding calendar year. The amount to be refunded to each mutual carrier shall be in proportion to the assessments paid by each mutual carrier. (1991 (Reg. Sess., 1992), c. 802, s. 11.)