



# HOUSE BILL 737: DOI Omnibus Bill.

2025-2026 General Assembly

**Committee:**  
**Introduced by:** Reps. Humphrey, Balkcom  
**Analysis of:** Third Edition

**Date:** June 24, 2025  
**Prepared by:** Bill Patterson  
Staff Attorney

**OVERVIEW:** *House Bill 737 would make the following changes to laws related to the business of insurance:*

- *Remove training course requirements to be licensed as an insurance producer.*
- *Clarify the cap on fees paid for referring insurance business to insurance producers.*
- *Enhance oversight of insurance company holding systems required for continued NAIC accreditation.*
- *Amend the North Carolina Professional Employer Organization Act.*
- *Amend the North Carolina Insurance Guaranty Association Act.*
- *Clarify permitted trade practices with respect to insurance rebates.*
- *Amend laws governing the exchange of business between insurance producers.*
- *Require continuous liability coverage of motor vehicle operators who are subject to the inexperienced operators premium surcharge under the Safe Drivers Incentive Plan (SDIP).*
- *Restrict residential leases that require renters insurance.*
- *Modify the applicability of legislation lengthening the SDIP clean driving experience period.*
- *Authorize dual registration of brokers with dealers under common ownership and control.*
- *Provide for policy cancellation upon chargeback of a premium payment made by credit card.*

## CURRENT LAW AND BILL ANALYSIS:

### 1. Remove Training Course Requirements for Insurance Producer Licensing

Under current law, applicants for licensure as an insurance producer, limited representative, adjuster, or motor vehicle damage appraiser must have completed 20 hours of instruction for each license. For a Medicare supplement and long-term care insurance license, applicants must have completed 10 hours of instruction specifically on federal and State law relating to that insurance.

**Section 1** would eliminate the requirement that applicants for licensure as an insurance producer, limited representative, adjuster, or motor vehicle damage appraiser complete any specific amount of instruction or any specific course of instruction.

### 2. Clarify Insurance Referral Fee Cap

Under current law, no commission, fee, or other valuable consideration given by an unlicensed individual to an insurance agent or broker for the referral of insurance business can exceed \$50.00 in value. Title insurance is currently excluded from this referral fee limit.

Kara McCraw  
Director



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**Section 2** would clarify that the referral fee cap applies only to insurance business referred to an insurance producer licensed to sell personal lines insurance<sup>1</sup> and would remove the current exemption from this cap for title insurance.

*Section 2 would become effective October 1, 2025, and would apply to the referral of personal lines insurance business made on or after that date.*

## **3. Maintain NAIC Accreditation of DOI**

Under current law, the activities of an insurance company holding system<sup>2</sup> are regulated by Article 19 of Chapter 58 of the General Statutes. In 2020, the National Association of Insurance Commissioners (NAIC) amended its model law regulating such systems to add requirements for filing annual reports on the capital adequacy insurance company holding systems ("group capital calculation") and an assessment of their ability to maintain sufficient liquidity in response to adverse events ("liquidity stress test"). Beginning January 1, 2026, each state must have these requirements in place in order to maintain their NAIC accreditation.

**Section 3** would amend Article 19 of Chapter 58 of the General Statutes to:

- Require the controlling person of each insurer subject to registration under Article 19 to include with its annual registration statement a group capital calculation and a liquidity stress test report if it meets certain criteria.
- Prohibit the public dissemination of information contained in the required reports.
- Make conforming changes to other provisions in Article 19.

## **4. Changes to the North Carolina Professional Employer Organization Act**

The activities of professional employer organizations are regulated by the Professional Employer Organization Act ("PEO Act"), Article 89A of Chapter 58 of the General Statutes.

**Section 4(a)** would amend the PEO Act to add definitions for the following new terms:

- "Tangible net worth" would mean the difference between total tangible assets and total liabilities.
- "Working capital" would mean the difference between current assets and current liabilities.

Under current law, two or more PEOs that are controlled by the same ultimate parent, entity, or persons may be licensed as a PEO group.

**Section 4(b)** would allow two or more *persons* that are controlled by the same ultimate parent, entity, or persons to be licensed as a PEO group.

**Section 4(c)** would make conforming changes by employing the new term "working capital" in place of existing terminology.

Under current law, an applicant for licensure must file with the Commissioner of Insurance (Commissioner) certain information, including a list of all officers and controlling persons of the applicant, along with their biographical information, management background, and an affidavit from each attesting to his or her good moral character and management competence.

In addition, an applicant must file with the Commissioner an audited financial statement that is prepared not more than 90 days before the date of the application and that demonstrates that its current assets exceed

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<sup>1</sup> Personal lines insurance is property and casualty insurance coverage sold to individuals and families for primarily noncommercial purposes. G.S. 58-33-26(c1)(6).

<sup>2</sup> An insurance company holding system is an entity made up of two or more affiliated persons, including one or more insurers.

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current liabilities. A PEO group may submit combined or consolidated audited financial statements to meet the requirements of this section, except that a PEO that does not have audited financial statements based on at least 12 months of operating history must meet certain financial capacity requirements and present financial statements reviewed by a certified public accountant.

**Section 4(d)** would repeal G.S. 58-89A-60(g), setting forth grounds upon which the Commissioner can deny the license of an applicant (to be included elsewhere by Section 4(e) of the bill).

**Section 4(e)** would do the following:

- Require an applicant to file with the Commissioner the education and business experience of all officers and controlling persons of the applicant.
- Require an applicant to file with the Commissioner an audited financial statement that is prepared not more than 120 days before the date of application and demonstrates that the applicant has a tangible net worth of not less than \$50,000 and positive working capital.
- Allow persons applying for a PEO group license to submit combined or consolidated audited financial statements, provided that the statement includes a combining or consolidating balance sheet and statement of operations of each proposed member as supplemental information to the statement. An applicant lacking at least 12 months of operating history may meet certain financial requirements by filing with the Commissioner financial statements that have been reviewed by an independent certified public accountant and have been prepared not more than 90 days before the date of application.
- Allow the Commissioner to accept the audited financial statement of an applicant's parent company under specified circumstances.
- Incorporate the grounds for denial of an applicant's license currently set forth in G.S. 58-89A-60(g) (which would be repealed by Section 4(d) of the bill) and add the following new grounds upon which the Commissioner is authorized to deny an applicant's license:
  - An officer, director, or other controlling person does not meet the requirements applicable to a controlling person under the PEO Act.
  - The applicant is not current with respect to its obligations for payroll, payroll-related taxes, workers' compensation insurance, and employee benefits and has failed to satisfy the Commissioner as to why it is not current.
  - The applicant does not possess a tangible net worth of at least \$50,000 and positive working capital or adequate substitute surety bond.
  - The applicant has failed to provide evidence satisfactory to the Commissioner of its financial responsibility or has failed to meet its requirement to furnish a surety bond or irrevocable letter of credit meeting statutory requirements.
  - Any other ground upon which the Commissioner could take disciplinary action against a person subject to licensure requirements under the PEO Act.

Under current law, a PEO licensee must file, within 120 days after the end of each fiscal year, the following information with the Commissioner: (i) evidence of "financial responsibility"; (ii) any change in certain required information; (iii) the annual filing fee; and (iv) any other information the Commissioner determines is needed for the review of a licensee.

In order to maintain licensure, a licensee may be required to file, no later than 45 days after the end of each quarter of the fiscal year, with the Commissioner (i) a non-audited financial statement for the preceding quarter that is set forth in a format similar to the annual audited financial statement and (ii) an attestation that the licensee is current with respect all of its obligations for payroll, payroll-related taxes, workers' compensation insurance, and employee benefits.

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**Section 4(f)** would modify these provisions to require the following additional filings by licensees within 120 days after the end of each fiscal year in order to maintain their license:

- An audited financial statement of the licensee or, if allowed by the Commissioner, an audited financial statement of the licensee's parent.
- An attestation that the licensee is current with respect all of its obligations for payroll, payroll-related taxes, workers' compensation insurance, and employee benefits.

Section 4(f) would also change the due date for the required quarterly filings to be 60 days, rather than 45 days, after the end of each quarter of the fiscal year.

Under current law, a person who seeks to offer limited professional employer services in this State and qualify for de minimis registration status must meet all of the following requirements:

- Not maintain a physical PEO office in this State.
- Not employ salespersons who reside in or direct their sales activities in this State.
- Not employ more than 50 assigned employees in this state, directly or in common control with another person.
- Not advertise through any media outlet physically located in this State.
- Be a licensed or registered PEO in at least one other state of the United States.
- Be operated by and under the control of persons of good moral character.

**Section 4(g)** would modify these provisions to:

- Add a new requirement for de minimis registration that the PEO must not be domiciled in this State.
- Clarify that a person is not prohibited from advertising through publications, trade journals, directories, radio, television, or the internet if that advertising is not expressly directed toward employers in this State.
- Require the PEO to be licensed (not licensed or registered) in at least one other state to satisfy the de minimis registration requirements.

*Section 4 would be effective when it becomes law and would apply to applications for license issuance or renewal submitted on or after that date.*

## **5. Insurance Guaranty Association Act Revisions**

The North Carolina Insurance Guaranty Association ("IGA") is a nonprofit, unincorporated legal entity established under Article 48 of Chapter 58 of the General Statutes. All insurers defined as member insurers in G.S. 58-48-20(6) must be and remain members of the IGA as a condition of their authority to transact insurance in this State. In the event a member insurer becomes insolvent, the IGA is obligated to pay the claims covered by the insurer.

**Section 5(a)** would provide that an exemption from the IGA Act for insurance of warranties or service contracts does not apply to coverages set forth in a cybersecurity insurance policy.

**Section 5(b)** would clarify the definition of "covered claim" to include claim obligations that arose through the issuance of a policy by a member insurer, which are later transferred or allocated to a member or non-member insurer, if:

- The original member insurer has no remaining obligations on the policy after the transfer.
- A final order of liquidation with a finding of insolvency has been entered against the insurer who assumed the member's coverage obligations.
- The claim would have been a covered claim if it had remained with the original member insurer.

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- For claims assumed by a non-member insurer, the transaction received prior regulatory and judicial approval.

Section 5(b) would also define "cybersecurity insurance" to include "first and third-party coverage, in a policy or endorsement, written on a direct, admitted basis by a member insurer for losses and loss mitigation arising out of or relating to data privacy breaches, unauthorized information network security intrusions, computer viruses, ransomware, cyber extortion, identity theft, and similar exposures."

**Section 5(c)** would limit IGA liability on cybersecurity insurance coverage claims arising out of a single insured event to \$500,000. The IGA would be authorized to hire legal counsel and pay claims in any order it deems reasonable when dealing with claims brought against it and would have a right to review and contest settlements, releases, compromises, waivers, and judgments where the insolvent insurer or its insureds were parties prior to an entry of the order of liquidation.

**Section 5(d)** would provide that for purposes of calculating whether the net worth of an insured met the threshold entitling the IGA to recover all expenses incurred in connection with a claim, an insured's net worth is deemed to include the aggregate net worth of the insured and all of its subsidiaries and affiliates, calculated on a consolidated basis.

**Section 5(e)** would delete language authorizing the reopening of default judgments upon application by the IGA.

## **6. Clarify Permitted Trade Practices with Respect to Insurance Rebates**

G.S. 58-33-85 prohibits any insurer, insurance producer, or limited representative from providing any rebate, discount, abatement, credit, reduction in premium, or any special favor or advantage, or any valuable consideration or inducement not specified in the insurance policy. The statute does not prohibit (i) the payment of commissions or other compensation to duly licensed insurance producers and limited representatives, (ii) any participating insurer from distributing to its policyholders dividends, savings or the unused or unabsorbed portion of premiums and premium deposits, or (iii) the trade practices permitted by G.S. 58-63-16.

G.S. 58-63-16 allows an insurer, insurance producer, or limited representative to offer or provide products or services if one of the following conditions is met:

- The products or services are connected to the marketing, purchase, or retention of an insurance contract and do not exceed an aggregate retail value of \$250 per person per year.
- The products or services are offered without a fee or at a reduced fee and are related to servicing an insurance contract or are offered or undertaken to provide risk control for the benefit of the insured.
- The products and services are offered without a fee or at a reduced fee if the following conditions are met:
  - The receipt of products or services is not contingent upon the purchase of insurance.
  - The products and services are offered on the same terms to all potential insurance customers.
  - These requirements are conspicuously disclosed in writing.

G.S. 58-63-15 defines the acts that constitute an unfair method of competition or an unfair and deceptive act or practice in the business of insurance. G.S. 58-63-15(8)b.4. provides that trade practices under G.S. 58-63-16 do not constitute an unfair method of competition or an unfair and deceptive act or practice in the business of insurance.

**Section 6(a)** would repeal G.S. 58-63-15(8)b.4. and G.S. 58-63-16.

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**Section 6(b)** would provide that the following acts do not constitute unfair or deceptive acts or practices:

- Engaging in an arrangement that would not violate certain provisions of the Bank Holding Company Act Amendments of 1972 or Home Owners' Loan Act.
- Offering or providing value-added products or services that are not specified in the insurance policy at no or reduced cost, if the product or service meets certain criteria.
- Offering or gifting noncash gifts, items, or services, including meals to or charitable donations on behalf of a customer, if certain conditions are met.
- Conducting drawings or raffles, to the extent they are otherwise permitted by law, if certain conditions are met.

Section 6(b) would also prohibit an insurer, producer, or representative of either from offering or providing insurance as an inducement to the purchase of another policy or from using the words "free," "no cost," or similar words in an advertisement, except for specified products or services.

**Section 6(c)** would provide that the trade practices permitted under Section 6(b) of the bill are not prohibited rebates.

*Section 6(b) would become effective January 1, 2027, and would apply to trade practices related to insurance contracts issued, renewed, or amended on or after that date. The remainder of Section 6 would become effective when this act becomes law and would apply to trade practices related to insurance contracts issued, renewed, or amended on or after that date.*

## **7. Clarify Laws Relating to the Exchange of Business Between Insurance Producers**

Article 33 of Chapter 58 of the General Statutes governs the licensing of insurance producers, limited representatives, and adjusters. Under G.S. 58-33-82(e), commissions, fees, or other valuable consideration for the sale, solicitation, or negotiation of insurance may be assigned or directed to be paid in the following circumstances:

1. To a business entity by a person who is an owner, shareholder, member, partner, director, employee, or agent of that business entity.
2. To a producer or limited representative, in connection with renewals of insurance business originally sold by or through the licensed person or for other deferred commissions.
3. In connection with the indirect receipt of commissions in circumstances in which a license is not required under G.S. 58-33-26(n).

**Section 7** would amend Article 33 to:

- Define "exchange business," "exchange of business," and "proper exchange of business" as the forwarding of insurance business from one producer duly licensed for that line of insurance to another producer duly licensed for that line of insurance where both are duly appointed under Article 33.
- Add a new section, G.S. 58-33-82.1, that would do the following:
  - Authorize a producer to exchange business with another producer and split the related commission for that business if both parties:
    - Are licensed in all lines of insurance involved in the exchange and are duly appointed under Article 33.
    - Sign or include their National Producer Numbers on the insurer's insurance application and give notice to the insurer and consumer of the business exchange.
    - Have a good-faith belief that the exchange complies with Article 33 requirements.
  - Provide that nothing in this new section limits:

- The exchange of business in connection with specialty lines or nonstandard and professional liability business that is either placed through a surplus lines producer or is written at an excess rate or on an individually rated and risked basis.
- The exchange of business in connection with risk sharing plans.
- Amend G.S. 58-33-83(e) to add the following circumstances under which commissions, fees, or other valuable consideration for the sale, solicitation, or negotiation of insurance may be assigned or directed to be paid:
  - To an agency principal for business placed by a duly licensed and appointed producer on behalf of that agency.
  - In connection with the exchange of business where both producers are duly licensed and appointed and have complied with all requirements of G.S. 58-33-82.1.

## **8. Inexperienced Operator Continuous Coverage Requirement**

Under the Safe Driver Incentive Plan, an insurance premium surcharge is applied to drivers having three years or less driving experience who receive their first license before July 1, 2025. Beginning July 1, 2025, the surcharge will be applied to drivers having less than eight years of driving experience who receive their first license on or after that date.

Section 8 would do the following things:

- Prohibit a person subject to an inexperienced operator premium surcharge from operating a motor vehicle unless the liability insurance policy benefiting that person includes any required premium surcharge.
- Authorize the Division of Motor Vehicles (DMV) to suspend the license of any operator who operates a motor vehicle in violation of the aforementioned prohibition.
- Require an insurer to notify the DMV when a person subject to an inexperienced operator premium surcharge is added to or removed from a policy's coverage, or if a policy is cancelled after a person subject to an inexperienced operator premium is added to the policy's coverage.
- Require the DMV to ensure that its records accurately reflect the coverage status of persons subject to an inexperienced operator premium surcharge.

Section 8 would become effective July 1, 2026.

## **10. Restrictions on Residential Lease Requirements Relating to Renters Insurance<sup>3</sup>**

Section 10 would amend Article 5 (Residential Rental Agreements) of Chapter 42 (Landlord and Tenant) of the General Statutes to provide, with regard to any lease requiring the tenant to maintain insurance coverage for the leased premises, that:

- The tenant cannot be required to obtain the required coverage from a designated carrier or through a designated agent.
- The landlord may charge the tenant for the actual cost of obtaining the required coverage and an administrative fee not to exceed \$50 per year only if the tenant fails to provide, within three business days after the landlord's request, proof that the tenant has obtained that coverage.

## **11. Modify Applicability of Legislation Lengthening SDIP Clean Driving Experience Period**

Session Law 2023-133, s. 16(h), raised from three years to five years the length of the clean driving experience period required in order to avoid Safe Driver Incentive Plan (SDIP) points for a conviction of speeding 10 miles per hour or less over the limit. The original effective date of this change was January

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<sup>3</sup> Section 9 of the bill was removed by Senate floor amendment.

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1, 2025, with no additional provision relating to its applicability. Section 9(b) of S.L. 2024-29 changed the effective date for Section 16(h) to read:

"Section 16(h) of this act becomes effective July 1, 2025, and applies to prior convictions and prayers for judgment continued occurring on or after that date."

**Section 11** would revise the effective date provision for Section 16(h) of S.L. 2023-133, as amended by Section 9(b) of 2024-29, to read as follows:

"Section 16(h) of this act becomes effective July 1, 2025, and applies to prior convictions for a 'violation of speeding 10 miles per hour or less over the speed limit' and prayers for judgment continued occurring on or after that date; provided, however, that, for the purpose of determining whether there shall be a premium surcharge or assignment of points under the subclassification plan, convictions for a 'violation of speeding 10 miles per hour or less over the speed limit' or prayers for judgment continued occurring before July 1, 2025, must occur within the three years immediately preceding the date of application or the preparation of the renewal."

## **12. Authorize Dual Registration of Salesmen with Dealers under Common Ownership and Control.**

Under current law a securities salesman is not permitted to be registered with more than one dealer.

**Section 12** would permit registration of a salesman with more than one dealer if each of the dealers that employs or associates with the salesman is under common ownership and control, or if the Administrator (Secretary of State) authorizes the registration by rule or order.

## **13. Cancellation of Policy upon Chargeback of Credit Card Premium Payment**

Under current law, an insurance policy cannot be cancelled by the insurer before the expiration of its term and without the consent of the insured, except for certain reasons specified by statute, including nonpayment of the policy premium.

**Section 13** would provide that if a premium payment is made by credit card, the chargeback of that payment is deemed to be a nonpayment of premium for which policy cancellation is permitted, and that any cancellation based on such chargeback is effective retroactively to the date the premium payment was made by credit card.

**EFFECTIVE DATE:** Except as otherwise provided, this act would be effective when it becomes law.

*LAD staff attorneys Amy Darden, Greg Roney, and Karyl Smith substantially contributed to this summary.*