Insurance

See full summary documents for additional detail

Require the Office of the State Fire Marshal to Maintain the Online Reporting Portal on the Storage and Deployment of Aqueous Film-Forming Foams. – House Budget Technical Corrections.

SL 2025-4 (H74), Sec. 2.3

Section 2.3 of S.L. 2025-4 (House Bill 74) requires the Office of the State Fire Marshall to maintain, with the assistance of the North Carolina Collaboratory, an online reporting portal on the storage and deployment of aqueous film-forming foams.

This section became effective May 14, 2025.

Retirement Death Benefits Rewrite.

SL 2025-11 (H477)

S.L. 2025-11 (House Bill 477) recodifies and standardizes the laws related to the Death Benefit Plan within the Teachers' and State Employees' Retirement System (TSERS), the Local Governmental Employees' Retirement System (LGERS), the Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS), and creates a separate fund for line of duty death benefits.

The recodification and standardization provisions became effective June 13, 2025. The separate fund for line of duty death benefits became effective July 1, 2025.

Pooled Trust Transfers/Public Benefits Eligibility.

SL 2025-24 (S344)

S.L. 2025-24 (Senate Bill 344) requires the Department of Health and Human Services to amend its rules and policies for determining eligibility for the Medicaid program and the State-County Special Assistance program so that a disabled individual aged 65 years or older may transfer funds into a pooled special needs trust without incurring an eligibility penalty period when the transfer is made for fair market value.

This act became effective June 26, 2025.

Eliminate Training Course Requirements for Insurance Producer License. – Department of Insurance Omnibus Bill.

SL 2025-45 (H737), Part I

Part I of S.L. 2025-45 (House Bill 737) eliminates 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.

This Part became effective October 1, 2025, and applies to applications for licensure submitted on or after that date.

Maintain NAIC Accreditation of DOI. – Department of Insurance Omnibus Bill.

SL 2025-45 (H737), Part III

Part III of S.L. 2025-45 (House Bill 737) amends the Insurance Holding Company System Regulatory Act (Act) by doing the following:

- Requiring the controlling person of each insurer subject to registration under the Act to include with its registration an annual group capital calculation report and a liquidity stress test report if it meets certain criteria.
- Prohibiting the public dissemination of information contained in the required reports.
- Making conforming changes to the Act.

This Part becomes effective January 1, 2026.

Changes to the North Carolina Professional Employer Organization Act. – Department of Insurance Omnibus Bill.

SL 2025-45 (H737), Part IV

Part IV of S.L. 2025-45 (House Bill 737) makes the following changes to the North Carolina Professional Employer Organization Act (PEO Act):

- Adds definitions for "tangible net worth" and "working capital."
- Allows two or more persons controlled by the same entity to be licensed under the PEO Act.
- Requires an applicant to file with the Commissioner of Insurance (Commissioner) information on the education and business experience of all officers and controlling persons of the applicant and audited financial statements, which may be consolidated among all individuals applying for a PEO group license.
- Allows the Commissioner to accept the audited financial statement of an applicant's parent company under specified circumstances.

- Adds 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.
- Requires licensees to annually provide audited financial statements and solvency attestations to the Commissioner.
- Changes the deadline for required quarterly filings to 60 days after the end of the quarter.
- Adds the following requirements for de minimis registration: (i) not being domiciled in North Carolina, (ii) not expressly directing advertisements to employers in North Carolina, and (iii) being licensed in one other state.

This Part became effective July 1, 2025, and applies to applications for initial licensure or renewal on or after that date.

Insurance Guaranty Association Act Revisions. – Department of Insurance Omnibus Bill.

SL 2025-45 (H737), Part V

Part V of S.L. 2025-45 (House Bill 737) amends the Insurance Guaranty Association Act (Act), which governs the operations of the Insurance Guaranty Association (IGA), a non-profit association established to avoid financial loss to claimants or policyholders because of the insolvency of one of its member insurers.

This Part makes the following changes to the Act:

- Provides that an exemption from the Act for insurance of warranties or service contracts does not apply to coverage provided under a cybersecurity insurance policy.
- Defines "cybersecurity insurance" as coverage for losses "arising out of or relating to data privacy breaches, unauthorized information network security intrusions, computer viruses, ransomware, cyber extortion, identity theft, and similar exposures."
- Limits IGA liability on cybersecurity insurance coverage claims arising out of a single insured event to $500,000.

- Revises the definition of "covered claim" to include claim obligations that arose through the issuance of a policy by a member insurer that are subsequently transferred or allocated to another insurer, under certain circumstances.
- Authorizes the IGA to hire legal counsel to deal with claims brought against it and to pay claims in any order it deems reasonable.
- Gives the IGA the right to review and contest settlements, releases, compromises, waivers, and judgments in cases to which an insolvent insurer or its insureds were parties prior to entry of the order of liquidation.
- Provides that the aggregate net worth of all of an insured's subsidiaries and affiliates is to be included in calculating whether the insured's net worth meets the threshold entitling the IGA to recover all expenses it incurred in connection with a claim against the insured.

This Part became effective July 1, 2025.

Clarify Permitted Trade Practices with Respect to Insurance Rebates. – Department of Insurance Omnibus Bill.

SL 2025-45 (H737), Part VI

Part VI of S.L. 2025-45 (House Bill 737) does the following:

- Repeals the law allowing insurers, insurance producers, or limited representatives to offer or provide products or services not specified in an insurance policy.
- Provides that the following acts do not constitute unfair or deceptive acts or practices: (i) engaging in an arrangement that would not violate certain provisions of the Bank Holding Company Act Amendments of 1972 or Home Owners' Loan Act; (ii) 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; (iii) offering or gifting noncash gifts, items, or services, if certain conditions are met; and (iv) conducting drawings or raffles, to the extent they are otherwise permitted by law, if certain conditions are met.
- Provides that the trade practices listed above are not prohibited rebates.
- Prohibits 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.

The provisions excluding certain acts from being unfair or deceptive acts or practices become effective January 1, 2027, and apply to trade practices related to insurance contracts issued, renewed, or amended on or after that date. The remainder of this Part became effective July 1, 2025.

Clarify Laws Relating to the Exchange of Business Between Insurance Producers – Department of Insurance Omnibus Bill.

SL 2025-45 (H737), Part VII

Part VII of S.L. 2025-45 (House Bill 737) makes the following changes to the statutes governing the licensing of insurance producers, limited representatives, and adjusters:

- Adds a new definition for "exchange business," "exchange of business," and "proper exchange of business."
- Allows producers to exchange business if both producers are licensed in all lines of business, include their National Producers Numbers, give notice to insureds and customers, and have a good-faith belief that the exchange of business complies with requirements set out in law.
- Allows commissions to be assigned (i) to an agency principal for business placed by a duly licensed and appointed producer on behalf of that agency and (ii) in connection with the exchange of business.

This Part became effective July 1, 2025, and applies to contracts entered into or renewed on or after that date.

Inexperienced Operator Continuous Coverage. – Department of Insurance Omnibus Bill.

SL 2025-45 (H737), Part VIII

Part VIII of S.L. 2025-45 (House Bill 737) makes the following changes to provisions of the Safe Driver Incentive Plan relating to the inexperienced operator premium surcharge:

- Prohibits 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 and authorizes the Division of Motor Vehicles (DMV) to suspend the license of any operator who operates a motor vehicle in violation of this prohibition.
- Requires 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 when a policy is cancelled after a person subject to an inexperienced operator premium has been added to the policy's coverage.
- Requires the DMV to ensure that its records accurately reflect the coverage status of persons subject to an inexperienced operator premium surcharge.

This Part becomes effective July 1, 2026.

Restrictions on Residential Leases Requiring Renters Insurance. – Department of Insurance Omnibus Bill.

SL 2025-45 (H737), Part X

Part X of S.L. 2025-45 (House Bill 737) provides that the following provisions apply to any lease that requires a tenant to maintain insurance coverage for the leased premises:

- 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.

This Part became effective July 1, 2025.

Technical Change to Effective Date Provision in S.L. 2023-133, as Amended by S.L. 2024-129 – Department of Insurance Omnibus Bill.

SL 2025-45 (H737), Part XI

Part XI of S.L. 2025-45 (House Bill 737) amends Section 16(j) of S.L. 2023-133, as amended by Section 9(b) of S.L. 2024-29, to clarify that the lengthened time frame for imposing an insurance surcharge for moving violations enacted by S.L. 2023-133 only applies to violations for speeding 10 miles an hour or less over the speed limit and prayers for judgment continued that occurred before July 1, 2025, if those violations or prayers for judgment also occurred within three years of the insurance application or renewal.

This Part became effective July 1, 2025.

Authorize Dual Registration of Salesmen with Dealers under Common Ownership and Control. – Department of Insurance Omnibus Bill.

SL 2025-45 (H737), Part XII

Part XII of S.L. 2025-45 (House Bill 737) and section 2 of S.L. 2025-52 (Senate Bill 690) are the same. Part XII of S.L. 2025-45 (House Bill 737) authorizes a securities salesman to register 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 Secretary of State authorizes the registration by rule or order.

This Part became effective October 1, 2025.

Cancellation of Policy upon Chargeback of Credit Card Premium Payment. – Department of Insurance Omnibus Bill.

SL 2025-45 (H737), Part XIII

Part XIII of S.L. 2025-45 (House Bill 737) provides the following:

- The chargeback of an insurance premium payment made by credit card is deemed to be a nonpayment of premium.
- In the event of a chargeback of an insurance premium payment made by credit card, any permitted policy cancellation is effective retroactively to the date the premium payment was made by credit card.

This Part became effective July 1, 2025.

Continuing Care Retirement Communities Act.

SL 2025-58 (H357)

S.L. 2025-58 (House Bill 357) revises the laws governing continuing care retirement communities by repealing Article 64 of Chapter 55 of the General Statutes and replacing it with a new Article 64A, the "Continuing Care Retirement Communities Act" (Act). Continuing care contracts and continuing care at home contracts that are issued, renewed, or amended on or after December 1, 2025, are subject to following requirements of the Act.

General Provisions. – As used in the Act, the term “continuing care” is defined as the rendering of housing in an independent housing unit, together with related services, including access as needed to progressive levels of health care, to an individual unrelated by blood, marriage, or adoption to the person rendering the care, pursuant to a contract effective for the life of the individual or for longer than one year. The term “continuing care at home,” as used in the Act, is defined as a program offered by a provider holding a permanent license under the Act that provides continuing care to an individual who is not yet receiving housing.

Approval from the Commissioner of Insurance (COI) is required before a person can provide or offer to provide continuing care or can lease land for the purpose of operating a continuing care retirement community. All required filings are submitted electronically. The COI is authorized to waive any provision of the Act in the event of a state of emergency or disaster or an incident beyond the provider's reasonable control. Certain documents provided to the COI by a provider are confidential and not public records, are not subject to subpoena, and are not discoverable or admissible in any private civil action. A provider's advertising must conform with disclosures required by the Act and with contracts offered by the provider.

Approval, Certification, Licensure, and Permitting Process. – Establishing a continuing care business requires approval from the COI in several stages, each with its own application and approval requirements. Before constructing a continuing care retirement community or converting an existing structure into a continuing care retirement community, a provider must

obtain a preliminary certificate from the COI. Before opening the continuing care retirement community or providing continuing care, a provider must receive a permanent license from the COI. If an applicant does not meet the requirements for a permanent license, the COI is authorized to deny the application or to issue a restricted permanent license. If a restricted license is issued, the COI must explain the restrictions under which the continuing care retirement community be operated, and the conditions that must be satisfied to qualify for a permanent license.

Expansion. – The COI's written approval is required before a provider markets and collects deposits for a proposed expansion of a continuing care retirement community in which the number of additional units will equal or exceed 20% of the number of existing units.

Escrow Account. – All entrance fees and deposits received by a provider must be deposited in an escrow account and not commingled with any other funds. The escrow agent, escrow agreement, and any changes to the escrow agreement, must be approved by the COI. The COI's written permission is required for release or distribution of interest, income, and other gains derived from escrowed funds, for use of escrowed funds as collateral, or for release of escrowed entrance fees and deposits by the escrow agent.

Disclosure Statement. – A provider must give each prospective resident a disclosure statement for each continuing care retirement community operated in the State containing specific information about the provider, which must also be published on the DOI website. A provider must file a revised disclosure statement with the COI at the end of each fiscal year, together with a $2,000 filing fee.

Binding Reservation Agreement and Continuing Care Contract. – Reservation agreements and continuing care contracts must contain provisions addressing when the agreement or contract can be rescinded or cancelled and when money can be refunded to the depositor or resident. In addition, a continuing care contract must disclose all fees charged to residents, resident property rights, policies for fee adjustments when a resident is absent or cannot pay, and any requirement that the resident maintain long-term care insurance or apply for any public assistance.

Continuing Care at Home. – Only a person licensed to operate a continuing care retirement community may apply for a license to provide continuing care at home. The application fee is $500. After receiving a license, the provider must file a disclosure statement and periodic reports with the COI. A continuing care at home contract must contain specific information on when the contract can be rescinded or cancelled and when money will be refunded to a depositor or resident. In addition, a continuing care at home contract must disclose all required fees and the services to be provided under the contract.

Financial Reporting and Monitoring. – A provider must file an audited financial statement with the COI within 150 days of the end of each fiscal year. If a provider also provides continuing care at home, the audited financial statement must include revenue and expenses related to those services separately from the revenue and expenses from the provider's other operations. Within 45 days after the end of each fiscal quarter, a provider must file a financial statement with the COI and notify the COI of any changes in the provider's governing body or organizational

documents. At least once every three years, a provider must submit an actuarial study to the COI for each continuing care retirement community and any continuing care at home program it operates.

Notification Requirements. – A provider must notify the COI and all residents in writing within 10 business days of certain events including a failure to maintain the operating reserve required under the Act and violation of any debt agreement. A provider must notify the COI of any material changes or deviations in information submitted to the COI within 10 business days of becoming aware of the change or deviation.

Other Transactions and Changes. – A provider is prohibited from transferring a permit, certificate, or license issued under the Act, and no permit, certificate, or license has value for sale or exchange as property. Any provider or person who owns real property or leases or uses real property in the operations of a continuing care retirement community must obtain approval from the COI before selling, transferring, or purchasing any real property used in the operations of a continuing care retirement community. The provider must request approval at least 45 days prior to the transaction and give notice to all affected residents and depositors of the proposed transaction within 10 business days after receiving approval from the COI.

The COI's approval is required before a person enters into an agreement to merge with, or acquire control of, a provider holding a certificate or license under the Act. The provider must notify all affected residents and depositors of the proposed merger or acquisition within 10 business days after receiving approval from the COI.

Before contracting with a third party for the management of a continuing care retirement community, the provider must obtain approval from the COI and inform all residents in writing of the request for approval within 10 business days after submitting the request to the COI. The provider is required to remove a third-party manager immediately under certain circumstances.

Operating Reserve. – After opening a continuing care retirement community, a provider is required to maintain an operating reserve equal to 50% of the total operating costs of the community projected for the 12-month period following the period covered by the most recently filed disclosure statement. The amount of the required reserve is adjusted based on a statutory formula after the community's average independent living unit occupancy rate is at least 90%.

The COI is authorized to increase the required amount of the reserve or require it to be deposited with the COI if the provider is determined to be in a hazardous condition. If the COI takes such action, the provider must notify all residents in writing and provide a power of attorney to the COI.

A provider's operating reserve is funded with qualifying assets including cash and cash equivalents, investment grade securities, corporate stock that is traded on a public securities exchange that can be readily valued and liquidated for cash, and other assets considered to be acceptable by the COI. The act prohibits the operating reserve’s assets from being subject to any liens, charges, judgments, garnishments, or creditors' claims, or pledged as collateral or

otherwise encumbered, except for assets held as part of a security pledge of assets or similar collateralization that is a part of the provider's debt financing.

As alternative to the use of qualifying assets, a provider is permitted to fund its operating reserve by filing a surety bond or letter of credit with the COI.

Before releasing any part of an operating reserve, a provider is required to submit a detailed request in writing to the COI and simultaneously provide written notice of the request to all residents. The COI is authorized to deny a request that is determined not to be in the best interests of the residents.

Offenses and Penalties. – The COI can deny an application or request for approval or restrict or revoke any permit, certificate, license, or other authorization issued under the Act if an applicant or provider commits certain acts or violations.

If the COI issues a cease-and-desist order, restriction, or revocation, the provider must notify all residents and depositors of such action within five business days. While a revocation order is under appeal, the provider cannot accept new deposits or entrance fees. However, revocation does not release the provider from its obligations under its continuing care contracts and continuing care at home contracts.

The COI considers several factors to determine if a provider is in a hazardous condition, including whether the provider is impaired or insolvent, adverse findings in audit financial statements and actuarial opinions, whether the provider is contractually past due on entrance fee refunds, the age and collectability of receivables, and past or possibly future cash flow or liquidity problems.

After determining that a provider is in a hazardous condition, the COI is authorized to order the provider to submit a corrective action plan within 45 days and to notify all residents and depositors of the order. The plan must include proposals for eliminating the hazardous condition and a date by which the provider anticipates having rectified the identified problems and deficiencies.

A provider that enters into an agreement or contract with a person without first providing them with a disclosure statement, or that provides a person with a disclosure statement containing a material misrepresentation or omission upon which the person relies, is liable in an action brought by the person within three years after the alleged violation, for actual damages and repayment of all fees, less the costs of care, services, and housing provided before the discovery of the violation or material misstatement or omission, together with interest, court costs, and reasonable attorneys' fees. However, such an action must not be permitted to be maintained if, before it is commenced, the provider offers to refund all amounts paid, less costs of provided care, services, and housing, plus interest, and the person fails to accept the offer within 30 days of its receipt.

A person who willfully and knowingly violates a provision of the Act is guilty of a Class 1 misdemeanor.

After giving a provider notice and opportunity for hearing, a permit, certificate, license, or other approval issued by the COI is forfeited upon the occurrence of certain events, including the provider's termination of its marketing of a proposed continuing care retirement community, its surrender of a permit, certificate, or license, or its closure of a continuing care retirement community. A provider must notify all residents and depositors within five business days after such forfeiture.

For violating the Act, the COI is authorized to prohibit a provider from entering into agreements and contracts and order the provider to make recission offers to any resident or depositor. A resident or depositor must accept a recission offer within 30 days of its receipt.

Delinquency Proceedings. – If a provider is determined to be in a hazardous condition, is bankrupt or insolvent, or has failed to maintain an escrow account or operating reserve required under the Act, the COI is authorized to commence a supervision proceeding or apply for a court order to rehabilitate or liquidate the provider. If the COI commences a supervision proceeding, the provider must notify all residents and depositors within five business days. If a rehabilitation or liquidation proceeding is commenced, the COI must notify the residents and depositors within five business days or as otherwise directed by the court. An order for rehabilitation will be refused or vacated if a provider posts bond in an amount determined by the COI to be equal to the reserve funding required to fulfill the provider's obligations.

Residents' Right to Organization and Semiannual Meetings. – The residents of a continuing care retirement community are entitled to establish a residents' council to advocate for their rights and serve as a liaison with the provider. The provider's governing body is required to hold semiannual in-person meetings with residents of each continuing care retirement community, and to provide the residents with at least seven days' advance notice of the meeting. In the event of a state of emergency or disaster, the meeting is permitted to be held via telephone, video conference, or video broadcast.

Miscellaneous Provisions. – No act or agreement of a resident or individual purchasing continuing care for a resident under any contract for continuing care or continuing care at home may be effective to waive the Act's provisions.

A 12-member Continuing Care Advisory Committee must be established, comprising providers, residents, and professionals involved in the continuing care retirements community industry. Six members are appointed by the COI and three members each must be appointed by the President Pro Tempore of the Senate and the Speaker of the House. The committee, which must meet at least twice a year, must advise the COI on matters pertaining to the operation and regulation of continuing care retirement communities and continuing care at home programs, report to the COI on the continuing care retirement community industry and problems or concerns of providers and residents, and recommend changes in relevant statutes and rules.

Nothing in the Act affects the authority of DHHS to license or regulate long-term care facilities.

This act becomes effective December 1, 2025, and applies to offenses committed on or after that date and to contracts issued, renewed, or amended on or after that date.

SCRIPT Act.

SL 2025-69 (S479)

S.L. 2025-69 (Senate Bill 479) does the following:

- Clarifies the pharmacy of choice provisions of Chapter 58 (Insurance) apply to pharmacy benefit managers (PBM) to the same extent that they apply to health benefit plans and allows PBMs to provide a monetary advantage to pharmacies located (i) in counties with fewer than 20,000 residents, (ii) in urban communities without any pharmacies in a 2-mile radius, and (iii) in rural communities without any pharmacies in a 15-mile radius.
- Implements licensing for pharmacy services administrative organizations (PSAO).
- Requires PBMs to report rebate and spread pricing information to the Commissioner of Insurance.
- Prohibits PBMs from requiring multiple specialty accreditations for specialty pharmacies.
- Makes changes to pharmacy audit procedures.
- Requires PBMs to reimburse affiliated and non-affiliated pharmacies the same rate for the same services.
- Requires insurers to calculate out-of-pocket costs after taking into account all prescription rebates.
- Requires drug manufacturers to notify interested parties about price increases.
- Requires the Board of Pharmacy to report on the number of openings and closings of small and large pharmacies each year.
- Requires the State Health Plan (SHP) to study the economic feasibility of incorporating many of these provisions into the SHP when the third-party administrative services contract is renewed.
- Extends pharmacy benefit reimbursement rates in Medicaid managed care until June 30, 2031.

The pharmacy of choice, rebate reporting, specialty accreditation, reimbursement, and SHP provisions became effective October 1, 2025. The drug manufacturer notice provisions become effective January 1, 2026. The PSAO licensing provisions become effective October 1, 2026. The out-of-pocket-cost calculation provisions become effective January 1, 2027. The remaining provisions became effective July 9, 2025.