

March 21, 2005

**S 685. REVISE PROFESSIONAL EMPLOYER ORGANIZATION ACT.** *TO REVISE THE PROFESSIONAL EMPLOYER ORGANIZATION ACT BY PROVIDING FOR THE CANCELLATION OF SURETY BONDS UNDER CERTAIN CIRCUMSTANCES, DECREASING THE FEE FOR LIMITED LICENSES, ESTABLISHING THE REQUIREMENTS FOR LIMITED LICENSES, REQUIRING THE COMMISSIONER OF INSURANCE TO ADOPT RULES FOR ALTERNATIVE LICENSES, PROVIDING THAT APPLICANTS FOR LICENSURE ARE NOT REQUIRED TO PROVIDE EVIDENCE TO THE COMMISSIONER THAT THE WORKERS' COMPENSATION PREMIUM PAID BY THE APPLICANT IS COMMENSURATE WITH EXPOSURE AND ANTICIPATED CLAIM EXPERIENCE FOR ALL EMPLOYEES COVERED UNDER POLICIES IN THE NAME OF THE LICENSEE, REVISING THE LAW GOVERNING EVIDENCE OF FINANCIAL RESPONSIBILITY FOR ORGANIZATIONS APPLYING FOR LICENSURE PRIOR TO MARCH 31, 2006, CHANGING THE EFFECTIVE DATE FOR LICENSURE OF PROFESSIONAL EMPLOYER ORGANIZATIONS TO JULY 1, 2005, PROVIDING A TRANSITION PERIOD FOR ORGANIZATIONS REGISTERING UNDER ARTICLE 89 OF CHAPTER 58 OF THE GENERAL STATUTES, AND AUTHORIZING THE USE OF FUNDS FROM THE INSURANCE REGULATORY FUND FOR REGULATION OF PROFESSIONAL EMPLOYER ORGANIZATIONS.* Amends various provisions of GS Chapter 58 as title indicates. Effective July 1, 2005, appropriates from the Insurance Regulatory Fund \$150,000 to the Dep't of Insurance for 2005-06 for regulation of the professional employer organization industry.

**Intro. by Bingham.**

Ref. to Commerce

GS 58, APPROP

March 24, 2005

**S 685. REVISE PROFESSIONAL EMPLOYER ORGANIZATION ACT.** Intro. 3/21/05. Senate committee substitute makes the following changes to 1st edition. Provides that GS 58-89A-50, dealing with surety bonds and letters of credit for applicants for licensure under the cited act, does not apply to persons who are limited licensees pursuant to GS 58-89A-75. Specifies that a professional employers organization operating under a limited license is subject to all of the responsibilities and authorities of a licensee under act, except for surety bond statute noted above, GS 58-89A-60 (license application requirements), and GS 58-89A-70(c), (d), and (e) (dealing with certifications and reports to the Comm'r of Insurance).

Amends bill's revisions to SL 2004-162, Sec. 3, providing for transition from old Professional Employer Organization Act (GS Chapter 58, Article 89) to new act (GS Chapter 58, Article 89A), by making GS 58-89-15 (part of old act) effective through June 30, 2005, and allowing a person who applies for and receives a registration pursuant to GS 58-89-15 prior to June 30, 2005, to continue to operate pending approval of the person's license application. Both these additional persons and persons who were registered on the last day prior to the effective date of the new act (January 1, 2005) are given until July 1, 2005 (in original bill, April 1, 2005), to file their applications for a license. Persons not registered pursuant to GS 58-89-15 on July 1, 2005 (when that section expires), are not to engage in or offer professional employer services in NC until they have been issued licenses under new act.

Deletes bill's provisions dealing with GAAP, and provides instead that an audited GAAP financial statement filed with the Comm'r by an applicant for licensure that otherwise meets new act's requirements is to be accepted by the Comm'r if it has been filed with Comm'r on or before June 30, 2005, has been prepared within the last 180 days, and covers a fiscal year that ended December 31, 2004, or later. Specifies that the license of any licensee that fails to provide and maintain a surety bond, letter of credit, cash, or securities pursuant to GS 58-89A-50 is subject to immediate suspension

March 30, 2005

**S 685. REVISE PROFESSIONAL EMPLOYER ORGANIZATION ACT.** Intro. 3/21/05. House committee substitute makes the following changes to 2nd edition. Changes limited license to de minimis registration and make conforming changes throughout Article 89A of GS Chapter 58.

Amends GS 58-89A-50(f) to delete the requirement that the deposit in lieu of the surety bond be subject to the same conditions as the surety bond. Modifies amendment to GS 58-89A-50(h) to provide that a licensee that fails to maintain a surety bond, letter of credit, cash, or securities as required is automatically and immediately suspended, and must tender its license to the Commissioner within 3 days. Modifies amendments to GS 58-89A-65(a) and (c) to provide that applicants for a de minimus registration must pay a \$1000 fee rather than a \$500 fee. Modifies amendments to GS 58-89A-75 to make it pertain to de minimus registration instead of limited license and to add a new requirement that applicant must be operated by persons of good moral character. Requires applicant to provide specified information to the Commissioner. Provides procedures for determining whether the requirements of de minimus registration are met. Requires annual notification. Modifies amendments to SL 2004-162 to (1) provide for the continued operation of a person registered pursuant to GS 58-89-15 on December 31, 2004, (2) set forth conditions that must be satisfied for those persons not registered on December 31, 2004, to engage in and offer services prior to approval of licensure, (3) specify when this conditional authority ends, and (4) provide for the acceptance of an audited GAAP financial statement.

May 16, 2005

**S 685. REVISE PROFESSIONAL EMPLOYER ORGANIZATION ACT.** Intro. 3/21/05. House committee substitute makes the following changes to 3rd edition. Provides that the amendments affecting the required evidence of financial responsibility apply to organizations applying for licensure on or before July 1, 2005 (was on or before June 30, 2005). Also deletes appropriation provision. Revises title to reflect changes.

June 30, 2005

**SL 2005-124 (S 685). REVISE PROFESSIONAL EMPLOYER ORGANIZATION ACT. AN ACT TO REVISE THE PROFESSIONAL EMPLOYER ORGANIZATION ACT BY PROVIDING FOR THE CANCELLATION OF SURETY BONDS UNDER CERTAIN CIRCUMSTANCES, ESTABLISHING THE REQUIREMENTS FOR DE MINIMIS REGISTRATION, PROVIDING THAT APPLICANTS FOR LICENSURE ARE NOT REQUIRED TO PROVIDE EVIDENCE TO THE COMMISSIONER THAT THE WORKERS' COMPENSATION PREMIUM PAID BY THE APPLICANT IS COMMENSURATE WITH EXPOSURE AND ANTICIPATED CLAIM EXPERIENCE FOR ALL EMPLOYEES COVERED UNDER POLICIES IN THE NAME OF THE LICENSEE, REVISING THE LAW GOVERNING EVIDENCE OF FINANCIAL RESPONSIBILITY FOR ORGANIZATIONS APPLYING FOR LICENSURE ON OR BEFORE JULY 1, 2005, PROVIDING FOR CONDITIONAL AUTHORITY FOR A PROFESSIONAL EMPLOYER ORGANIZATION TO OPERATE PENDING CONSIDERATION OF ITS LICENSE APPLICATION UPON A SHOWING OF FINANCIAL STABILITY AND NEED, AND AUTHORIZING THE USE OF FUNDS FROM THE INSURANCE REGULATORY FUND FOR REGULATION OF PROFESSIONAL EMPLOYER ORGANIZATIONS.** Summarized in *Daily Bulletin* 3/21/05, 3/24/05, 3/30/05, and 5/16/05. Enacted June 29, 2005. Effective June 29, 2005, except as otherwise provided.