

The House Committee on Insurance offers the following substitute to HB 375:

A BILL TO BE ENTITLED
AN ACT

1 To amend Chapter 35 of Title 33 of the Official Code of Georgia Annotated, relating to
2 prepaid legal services plans, so as to revise the conditions for issuance of a license; to
3 provide for loss reserves, surplus, and security deposit; to provide for related matters; to
4 repeal conflicting laws; and for other purposes.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

6 **SECTION 1.**

7 Chapter 35 of Title 33 of the Official Code of Georgia Annotated, relating to prepaid legal
8 services plans, is amended by striking subsection (b) of Code Section 33-35-5, relating to
9 procedure for issuance or denial of licenses generally, and inserting in lieu thereof a new
10 subsection (b) to read as follows:

11 "(b) The Commissioner shall issue or renew a license as may be applied for when ~~he is~~
12 ~~satisfied that~~ the person to be licensed:

13 (1) Is competent and trustworthy and intends to act in good faith as a sponsor of prepaid
14 legal services plans in this state;

15 (2) Has a good business reputation and has had experience, training, or education so as
16 to be qualified to act as a sponsor of prepaid legal services plans; and

17 (3) If a corporation, is a corporation incorporated under the laws of this state or a foreign
18 corporation authorized to transact business in this state."

19 **SECTION 2.**

20 Said chapter is further amended by striking Code Section 33-35-6, relating to minimum
21 capital, surplus, and bond requirements, and inserting in lieu thereof a new Code Section
22 33-35-6 to read as follows:

1 ~~"33-35-6.~~

2 ~~No license or renewal license under this chapter shall be issued to a sponsor other than an~~
 3 ~~insurer as defined in paragraph (2) of Code Section 33-35-2, unless such sponsor:~~

4 ~~(1) Shall possess as minimum capital and thereafter maintain a minimum balance of at~~
 5 ~~least \$5,000.00 in its capital accounts as shown in its annual report to the Commissioner;~~
 6 ~~provided, however, that the Commissioner shall in his discretion require such higher~~
 7 ~~amounts of capital as he deems necessary for the protection of the public;~~

8 ~~(2) Shall deposit with the Commissioner securities acceptable to the Commissioner in~~
 9 ~~the amount of \$25,000.00 or shall file with the Commissioner a bond to be approved by~~
 10 ~~the Commissioner and made payable to the Commissioner or his successors in office,~~
 11 ~~which bond is executed by such applicant as principal and by a corporate surety~~
 12 ~~authorized to do business in this state in the penal sum of \$25,000.00, conditioned that~~
 13 ~~the sponsor will conduct his business in accordance with this chapter and the laws of this~~
 14 ~~state and that the sponsor will properly account for all moneys collected in connection~~
 15 ~~therewith. The bond shall remain in full force and effect until the surety is released from~~
 16 ~~liability by the Commissioner or until the bond is canceled by the surety and the bond~~
 17 ~~shall not be canceled or terminated unless prior to the cancellation or termination 30~~
 18 ~~days' written notice is filed with the Commissioner; and~~

19 ~~(3) Shall maintain such minimum surplus as the Commissioner may require, which shall~~
 20 ~~be at least 25 percent of its anticipated income over a two-year period calculated on the~~
 21 ~~basis of estimates of premium writings for two-year and five-year periods which shall be~~
 22 ~~filed with the Commissioner as a part of the sponsors' rate filing required under Code~~
 23 ~~Section 33-35-11.~~

24 ~~(a) A person or insurer offering prepaid legal services plans pursuant to this chapter shall~~
 25 ~~establish loss reserves for all incurred losses, both reported and unreported, for expenses,~~
 26 ~~and for unearned premiums in a manner and amount established by the Commissioner by~~
 27 ~~rule or regulation.~~

28 ~~(b) A person or insurer offering prepaid legal services plans pursuant to this chapter shall~~
 29 ~~establish and thereafter maintain a surplus account equal to the greater of:~~

30 ~~(1) Two times the average paid monthly premium during such person or insurer's most~~
 31 ~~recent calendar year;~~

32 ~~(2) Two times the estimated monthly premium for the next full calendar year for persons~~
 33 ~~or insurers that do not yet have one calendar year's experience; or~~

34 ~~(3) Two hundred fifty thousand dollars.~~

35 ~~(c) The Commissioner may require additional surplus for any person or insurer offering~~
 36 ~~prepaid legal services plans pursuant to this chapter as he or she deems appropriate under~~

1 the circumstances in order for the person or insurer to meet its contractual obligations or
2 to maintain its solvency.
3 (d) Fifty thousand dollars of the person or insurer's surplus must be deposited with the
4 Commissioner as a security deposit prior to such person or insurer commencing business
5 in the same manner as is required of licensed insurers pursuant to Code Section 33-3-8,
6 except that such security deposit shall not be subject to the reduction or waiver provisions
7 under paragraph (2) of subsection (b) of Code Section 33-3-8."

8 **SECTION 3.**

9 All laws and parts of laws in conflict with this Act are repealed.