

**PROFESSIONAL BAIL BOND CUSTODIAL ACCOUNT
USING STOCKS AND BONDS AS SECURITY**

Q. If I purchase stocks and bonds as part of my professional bail bond custodial account, can I count the total purchase value as the amount (dollar for dollar) in the trust account?

A. A professional may purchase stocks and bonds for the bail bondsman custodial account under certain conditions pursuant to 11 NCAC 13.0508. In addition, the bail bondsman must comply (1) with the statute relative to the limits of liability listed in N.C.G.S. 58-71-145 and (2) comply with the statute relative to the limits that may be written on any one individual as cited in N.C.G.S. 58-71-175.

Example:

#1 - If you purchase \$20,000 in stocks and \$10,000 in bonds the amount in the custodial account on which the bondsman may write bonds would be: $20,000 (x .60) + 10,000(x.80) = 12,000 + 8000 = \20000

The bondsman could write a total of \$160,000 in bonds and no more than \$5000 on any one individual.

#2 - If the bondsman purchases \$40,000 in stocks the amount in the custodial account on which the bondsman may write bonds would be \$24,000 and no more \$6000 on any one individual.

#3 - If the bondsman purchases \$40,000 in bonds the amount in the custodial account on which the bondsman may write bonds would be \$32,000 and no more than \$8000 on any one individual.

Q. Which stock and bond may I purchase to be included in my bail bond trust account?

A. Stocks and bonds purchased for the bail bond custodial account must be approved by the Commissioner. Therefore, a bail bondsman must contact NCDOT-Agent Services Division prior to purchasing stocks or bonds to be included in his/her bail bond custodial account.

Q. How is the market value of the stocks and bonds held in the custodial account determined? How often is value of the custodial account evaluated?

A. The Department of Insurance contracts with a financial entity to serve as the custodian of security deposits required by regulated licensees. The custodial bank provides the market value of the stocks and bonds to NCDOT. The dollar or monetary value of the stocks and bonds are provided to NCDOT on the last day of each month. The value of the custodial account is evaluated monthly. In addition, the custodial bank has specific associated fees for stocks and bonds held as part of the bondsman portfolio in the custodial account.

NCDOT uses the value of the stock to determine if sufficient funds are on deposit in the custodial account pursuant to N.C.G.S. 58-71-145 and 58-71-175. In accordance, with 11 NCAC 13.0508 the value listed as part of the bail bondsman trust account for purposes of the amount of bonds that may be written is 60% of the fair market value of stocks and 80% of fair market value of bonds in the trust account.

Examples: *Stocks* are listed at 60% of their fair market value therefore if the fair market value of the stocks in the custodial account are \$40,000 NCDOT will use \$24,000 as the amount in the custodial account.

Bonds are listed at 80% of the fair market value therefore, if the fair market value of the bonds in the custodial account are \$40,000 NCDOT will use \$32,000 as the amount in the custodial account.

North Carolina Administrative Codes and North Carolina General Statutes

11 NCAC 13 .0508 STOCKS OR BONDS AS SECURITY

When stocks or bonds are submitted to the Commissioner of Insurance by a professional bondsman as security deposit and are found satisfactory by the Commissioner, the professional bail bondsman shall sign and deliver to the Commissioner, in addition to the power of attorney specified in G.S. 58-71-155, an "irrevocable stock or bond power" on forms supplied by the Commissioner. The irrevocable stock or bond power shall contain a description of the stocks or bonds being deposited as security and a statement that the professional bondsman sells, assigns, and transfers the stocks or bonds to the (Name of the Master Trust Bank) as custodian for the North Carolina Department of Insurance for the benefit of (Name of Professional Bondsman). When satisfactory bonds are submitted to the Commissioner by a professional bail bondsman, the Commissioner will accept 80 percent of the fair market value of such bonds as the amount of security furnished. When satisfactory stocks are submitted by a professional bail bondsman, the Commissioner will accept 60 percent of the fair market value of such stocks as the amount of security furnished.

N.C.G.S. § 58-71-145 - Each professional bondsman acting as surety on bail bonds in this State shall maintain a deposit of securities with and satisfactory to the Commissioner of a fair market value of at least one-eighth the amount of all bonds or undertakings written in this State on which he is absolutely or conditionally liable as of the first day of the current month. The amount of this deposit must be reconciled with the bondsman's liabilities as of the first day of the month on or before the fifteenth day of said month and the value of said deposit shall in no event be less than fifteen thousand dollars (\$15,000).

N.C.G.S. § 58-71-175 - No professional bondsman shall become liable on any bond or multiple of bonds for any one individual that totals more than one-fourth of the value of the securities deposited with the Commissioner at that time, until final termination of liability on such bond or multiple of bonds.