

Article 13.

The Vehicle Financial Responsibility Act of 1957.

**§ 20-309. Financial responsibility prerequisite to registration; must be maintained throughout registration period.**

(a) No motor vehicle shall be registered in this State unless the owner at the time of registration provides proof of financial responsibility for the operation of such motor vehicle, as provided in this Article. The owner of each motor vehicle registered in this State shall maintain financial responsibility continuously throughout the period of registration. For purposes of this Article, the term "motor vehicle" includes mopeds, as that term is defined in G.S. 20-4.01.

(a1) An owner of a commercial motor vehicle, as defined in G.S. 20-4.01(3d), shall have financial responsibility for the operation of the motor vehicle in an amount equal to that required for for-hire carriers transporting nonhazardous property in interstate or foreign commerce in 49 C.F.R. § 387.9.

(a2) Notwithstanding any other provision of this Chapter, an owner's policy of liability insurance issued to a foster parent or parents, which policy includes an endorsement excluding coverage for one or more foster children residing in the foster parent's or parents' household, may be certified as proof of financial responsibility, provided that each foster child for whom coverage is excluded is insured in an amount equal to or greater than the minimum limits required by G.S. 20-279.21 under some other owner's policy of liability insurance or a named nonowner's policy of liability insurance. The North Carolina Rate Bureau shall establish, with the approval of the Commissioner of Insurance, a named driver exclusion endorsement or endorsements for foster children as described herein.

(a3) **(Effective July 1, 2026)** No person subject to an inexperienced operator premium surcharge pursuant to G.S. 58-36-65(k) shall operate a motor vehicle unless the liability insurance policy benefiting that person includes any required premium surcharge. This subsection shall not apply to persons who demonstrate financial responsibility in an authorized manner other than a liability insurance policy.

(b) Financial responsibility shall be a liability insurance policy or a financial security bond or a financial security deposit or by qualification as a self-insurer, as these terms are defined and described in Article 9A, Chapter 20 of the General Statutes of North Carolina, as amended.

(c) When it is certified that financial responsibility is a liability insurance policy, the Commissioner of Motor Vehicles may require that the owner produce records to prove the fact of such insurance, and failure to produce such records shall be prima facie evidence that no financial responsibility exists with regard to the vehicle concerned. It shall be the duty of insurance companies, upon request of the Division, to verify the accuracy of any owner's certification.

(c1) The proof of insurance required to demonstrate financial responsibility under subsection (c) of this section may be satisfied by producing records of insurance in either physical or electronic format. Acceptable electronic formats include display of electronic images on a mobile phone or other portable electronic device produced through an application or website of the insurer.

(d) When liability insurance with regard to any motor vehicle is terminated by cancellation or failure to renew, or the owner's financial responsibility for the operation of any motor vehicle is otherwise terminated, the owner shall forthwith surrender the registration certificate and plates of the vehicle to the Division of Motor Vehicles unless financial responsibility is maintained in some other manner in compliance with this Article.

(e) Repealed by Session Laws 2006-213, s. 5, effective July 1, 2008, and applicable to lapses occurring on or after that date.

(f) The Commissioner shall administer and enforce the provisions of this Article and may make rules and regulations necessary for its administration and shall provide for hearings upon request of persons aggrieved by orders or acts of the Commissioner under the provisions of this Article.

(g) Repealed by Session Laws 2007-484, s. 7(a), effective July 1, 2008, and applicable to lapses occurring on or after that date.

(h) Recodified as G.S. 20-311(g) by Session Laws 2007-484, s. 7(d), effective July 1, 2008, and applicable to lapses occurring on or after that date. (1957, c. 1393, s. 1; 1959, c. 1277, s. 1; 1963, c. 964, s. 1; 1965, c. 272; c. 1136, ss. 1, 2; 1967, c. 822, ss. 1, 2; c. 857, ss. 1, 2; 1971, c. 477, ss. 1, 2; c. 924; 1975, c. 302; c. 348, ss. 1-3; c. 716, s. 5; 1979, 2nd Sess., c. 1279, s. 1; 1981, c. 690, s. 25; 1983, c. 761, s. 146; 1983 (Reg. Sess., 1984), c. 1069, ss. 1, 2; 1985, c. 666, s. 84; 1991, c. 402, s. 1; 1999-330, s. 4; 1999-452, s. 20; 2000-140, s. 100(a); 2000-155, s. 20; 2005-276, s. 6.37(p); 2006-213, s. 5; 2006-264, s. 38; 2007-484, ss. 7(a), (d); 2009-550, s. 4; 2015-125, s. 3; 2015-135, s. 4.3; 2015-146, s. 4; 2025-25, s. 29(5); 2025-45, s. 8(b).)

**§ 20-309.1: Repealed by Session Laws 1993 (Reg. Sess., 1994), c. 761, s. 28.**

**§ 20-309.2. Insurer shall notify Division of actions on insurance policies.**

(a) Notice Required. – An insurer shall notify the Division upon any of the following with regard to a motor vehicle liability policy:

- (1) Issues a new or replacement policy.
- (2) Terminates a policy, either by cancellation or failure to renew, unless the same insurer issues a replacement policy complying with this Article at the same time the insurer terminates the old policy and no lapse in coverage results.
- (3) Reinstates a policy after the insurer has notified the Division of a cancellation or termination.
- (4) **(Effective July 1, 2026)** A person subject to an inexperienced operator premium surcharge pursuant to G.S. 58-36-65(k) is added to or removed from the policy's coverage, or if a policy to which a person subject to the inexperienced operator surcharge pursuant to G.S. 58-36-65(k) was added has been canceled.

(a1) **(Effective until July 1, 2026)** Division Records. – The Division shall ensure that its records accurately reflect the insurance coverage status of each owner of a motor vehicle registered or required to be registered in this State by reconciling all notices received under this section pertaining to that motor vehicle owner. A termination notice received under subdivision (2) of subsection (a) of this section shall not be recorded as a lapse in financial responsibility or initiate action by the Division under G.S. 20-311 if an earlier notice received by the Division under this section establishes that the owner of the motor vehicle has met the duty to have continuous financial responsibility for the vehicle, as required under G.S. 20-309, through a motor vehicle liability policy that is not the subject of the later termination notice.

(a1) **(Effective July 1, 2026)** Division Records. – The Division shall ensure that its records accurately reflect the insurance coverage status of: (i) each owner of a motor vehicle registered or required to be registered in this State and (ii) persons subject to an inexperienced operator premium surcharge pursuant to G.S. 58-36-65 by reconciling all notices received under this section

pertaining to that individual or motor vehicle owner. A termination notice received under subdivision (2) of subsection (a) of this section shall not be recorded as a lapse in financial responsibility or initiate action by the Division under G.S. 20-311 if an earlier notice received by the Division under this section establishes that the owner of the motor vehicle has met the duty to have continuous financial responsibility for the vehicle, as required under G.S. 20-309, through a motor vehicle liability policy that is not the subject of the later termination notice.

(b) Time Period. – An insurer shall notify the Division as required by subsection (a) of this section within 20 business days.

(c) Form of Notice. – All insurers shall submit the notices required under this section by electronic means.

(d) Trade Secret Protection. – The names of insureds and the beginning date and termination date of insurance coverage provided to the Division by an insurer under this section constitutes a designated trade secret under G.S. 132-1.2.

(e) Civil Penalty. – The Commissioner of Insurance may assess a civil penalty of two hundred dollars (\$200.00) against an insurer that fails to notify the Division as required by this section. The Commissioner may waive the penalty if the insurer establishes good cause for the failure.

(f) Clear Proceeds of Penalties. – The clear proceeds of all civil penalties, civil forfeitures, and civil fines that are collected by the Department of Transportation pursuant to this section shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2. (2006-213, s. 1; 2007-484, s. 7(b); 2021-185, ss. 7, 12(a); 2025-45, s. 8(c).)

**§ 20-310: Repealed by Session Laws 1993 (Reg. Sess., 1994), c. 761, s. 29.**

**§ 20-310.1. Repealed by Session Laws 1963, c. 964, s. 3.**

**§ 20-310.2: Repealed by Session Laws 1993 (Reg. Sess., 1994), c. 761, s. 31.**

**§ 20-311. Action by the Division when notified of a lapse in financial responsibility.**

(a) Action. – When the Division receives evidence, by a notice of termination of a motor vehicle liability policy or otherwise, that the owner of a motor vehicle registered or required to be registered in this State does not have financial responsibility for the operation of the vehicle, the Division shall notify the owner electronically or by mail. The notice shall inform the owner of the evidence demonstrating lapse and that the owner must respond to the notice within 10 days of the date the notice was sent. The owner's response must explain how the owner has met the duty to have continuous financial responsibility for the vehicle. Based on the owner's response, the Division shall take the appropriate action listed:

- (1) Division correction. – If the owner responds within the required time and the response establishes that the owner has not had a lapse in financial responsibility, the Division shall correct its records.
- (2) Penalty only. – If the owner responds within the required time and the response establishes all of the following, the Division shall assess the owner a penalty in the amount set in subsection (b) of this section:
  - a. The owner had a lapse in financial responsibility, but the owner now has financial responsibility.

- b. The vehicle was not involved in an accident during the lapse in financial responsibility.
  - c. The owner did not operate the vehicle or allow the vehicle to be operated during the lapse with knowledge that the owner had no financial responsibility for the vehicle.
- (3) Penalty and revocation. – If the owner responds within the required time and the response establishes either of the following, the Division shall assess the owner a penalty in the amount set in subsection (b) of this section and revoke the registration of the owner’s vehicle for the period set in subsection (c) of this section:
- a. The owner had a lapse in financial responsibility and still does not have financial responsibility.
  - b. The owner now has financial responsibility even though the owner had a lapse, but the response also establishes any of the following:
    - 1. The vehicle was involved in an accident during the lapse.
    - 2. The owner operated the vehicle during the lapse with knowledge that the owner had no financial responsibility for the vehicle.
    - 3. The owner allowed the vehicle to be operated during the lapse with knowledge that the owner had no financial responsibility for the vehicle.
- (4) Penalty and revocation for failure to respond. – Except as otherwise provided in this subdivision, if the owner does not respond within the required time, the Division shall assess a penalty in the applicable amount set forth in subsection (b) of this section and shall revoke the registration of the owner’s vehicle for the period set in subsection (c) of this section. If the owner does not respond within the required time, but later responds and establishes that the owner has not had a lapse in financial responsibility, the Division shall correct its records, rescind any revocation under this subdivision of the registration of the owner’s vehicle, and the owner shall not be responsible for any fee or penalty arising under this section from the owner’s failure to timely respond.
- (5) No penalty. – If the owner responds within the required time and the response establishes all of the following, the Division shall not assess the owner a penalty:
- a. The owner sold the vehicle under G.S. 20-62.1 or transferred title under G.S. 20-72 or G.S. 20-109.1 within 10 days of the termination of financial responsibility for the vehicle.
  - b. The owner did not operate or allow the vehicle to be operated during the lapse because the vehicle was either (i) unable to be driven due to damage or mechanical defect or (ii) no longer in the possession of the owner as a result of a sale or transfer for which there was a delay between physical transfer of the vehicle and completion of the paperwork required under G.S. 20-62.1, 20-72, or 20-109.1.
  - c. The owner has returned the North Carolina registration plate or has submitted an affidavit indicating that the North Carolina registration plate has been lost, stolen, or destroyed.

(b) Penalty Amount. – The following table determines the amount of a penalty payable under this section by an owner who has had a lapse in financial responsibility; the amount is based on the number of times the owner has been assessed a penalty under this section during the three-year period before the date the owner's current lapse began:

Number of Lapses in Previous Three Years	Penalty Amount
None	\$50.00
One	\$100.00
Two or More	\$150.00

(c) Revocation Period. – The revocation period for a revocation based on a response that establishes that a vehicle owner does not have financial responsibility is indefinite and ends when the owner obtains financial responsibility or transfers the vehicle to an owner who has financial responsibility. The revocation period for a revocation based on a response that establishes the occurrence of an accident during a lapse in financial responsibility or the knowing operation of a vehicle without financial responsibility is 30 days. The revocation period for a revocation based on failure of a vehicle owner to respond is indefinite and ends when the owner (i) establishes that the owner has not had a lapse in financial responsibility, (ii) obtains financial responsibility, or (iii) transfers the vehicle to an owner who has financial responsibility, whichever occurs first.

(d) Revocation Notice. – When the Division revokes the registration of an owner's vehicle, it shall notify the owner of the revocation. The notice shall inform the owner of the following:

- (1) That the owner shall return the vehicle's registration plate and registration card to the Division, if the owner has not done so already, and that failure to do so is a Class 2 misdemeanor under G.S. 20-45.
- (2) That the vehicle's registration plate and registration card are subject to seizure by a law enforcement officer.
- (3) That the registration of the vehicle cannot be renewed while the registration is revoked.
- (4) That the owner shall pay any penalties assessed within 30 days of the date of the notice, a restoration fee, and the fee for a registration plate when the owner applies to the Division to register a vehicle whose registration was revoked.
- (5) That failure of an owner to pay any penalty or fee assessed pursuant to this section shall result in the Division withholding the registration renewal of any motor vehicle registered in that owner's name.

(e) Registration After Revocation. – A vehicle whose registration has been revoked may not be registered during the revocation period in the name of the owner, a child of the owner, the owner's spouse, or a child of the owner's spouse. This restriction does not apply to a spouse who is living separate and apart from the owner. At the end of a revocation period, a vehicle owner who has financial responsibility may apply to register a vehicle whose registration was revoked. The owner shall provide proof of current financial responsibility and pay any penalty assessed, a restoration fee of fifty dollars (\$50.00), and the fee for a registration plate. Pursuant to G.S. 20-54, failure of an owner to pay any penalty or fee assessed pursuant to this section shall result in the Division withholding the registration renewal of any motor vehicle registered in that owner's name.

(f) Clear Proceeds of Penalties. – The clear proceeds of all civil penalties, civil forfeitures, and civil fines that are collected by the Department of Transportation pursuant to this section shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

(g) Military Waiver. – Notwithstanding the penalty and restoration fee provisions of this section, any monetary penalty or restoration fee shall be waived for any person who, at the time of notification of a lapse in financial responsibility, was deployed as a member of the Armed Forces of the United States outside of the continental United States for a total of 45 or more days. In addition, no insurance points under the Safe Driver Incentive Plan shall be assessed for any violation for which a monetary penalty or restoration fee is waived pursuant to this subsection. All of the following apply to a person qualifying under this subsection:

- (1) The person shall have an affirmative defense to any criminal charge based upon the failure to return any registration card or registration plate to the Division.
- (2) Upon reregistration, the person shall receive without cost from the Division all necessary registration cards or plates.
- (3) Upon notice of revocation, the person shall be permitted to transfer the vehicle's registration immediately to his or her spouse, child, or spouse's child, notwithstanding the provisions of subsection (e) of this section.

(g1) Out-of-State Waiver. – Notwithstanding the penalty and restoration fee provisions of this section, any monetary penalty or restoration fee shall be waived for any person who meets all of the following requirements:

- (1) The owner has become a resident of another state and has registered the owner's vehicle in that state within 30 days of the cancellation or expiration of the owner's North Carolina motor vehicle liability policy.
- (2) The owner has submitted a copy of their current out-of-state registration card to the Division.
- (3) The owner has returned the North Carolina registration plate or has submitted an affidavit indicating that the North Carolina registration plate has been lost, stolen, or destroyed.

(h) Applicability. – The penalty and revocation imposed under this section do not apply when the sole owner of a vehicle dies and that owner had financial responsibility for the vehicle as of the date of the owner's death. (1957, c. 1393, s. 3; 1959, c. 1277, s. 2; 1963, c. 964, s. 4; 1965, c. 205; c. 1136, s. 3; 1967, c. 822, s. 3; c. 857, s. 4; 1971, c. 477, s. 3; 1975, c. 348, s. 4; c. 716, s. 5; 1979, 2nd Sess., c. 1279, s. 2; 1983, c. 761, s. 147; 1983 (Reg. Sess., 1984), c. 1069, s. 2; 2006-213, s. 2; 2006-264, s. 38; 2007-484, ss. 7(c), (d); 2011-183, s. 24; 2015-241, s. 29.31(a); 2019-227, s. 4; 2021-185, s. 12(b).)

**§ 20-312: Repealed by Session Laws 2006-213, s. 5, effective July 1, 2008, and applicable to lapses occurring on or after that date.**

**§ 20-313. Operation of motor vehicle without financial responsibility a misdemeanor.**

(a) On or after July 1, 1963, any owner of a motor vehicle registered or required to be registered in this State who shall operate or permit such motor vehicle to be operated in this State without having in full force and effect the financial responsibility required by this Article shall be guilty of a Class 3 misdemeanor.

(b) Evidence that the owner of a motor vehicle registered or required to be registered in this State has operated or permitted such motor vehicle to be operated in this State, coupled with proof of records of the Division of Motor Vehicles indicating that the owner did not have financial responsibility applicable to the operation of the motor vehicle in the manner certified by him for purposes of G.S. 20-309, shall be prima facie evidence that such owner did at the time and place

alleged operate or permit such motor vehicle to be operated without having in full force and effect the financial responsibility required by the provisions of this Article. (1957, c. 1393, s. 5; 1959, c. 1277, s. 3; 1963, c. 964, s. 5; 1975, c. 716, s. 5; 1993, c. 539, s. 388; 1994, Ex. Sess., c. 24, s. 14(c); 2013-360, s. 18B.14(l).)

**§ 20-313.1. Making false certification or giving false information a misdemeanor.**

(a) Any owner of a motor vehicle registered or required to be registered in this State who shall make a false certification concerning his financial responsibility for the operation of such motor vehicle shall be guilty of a Class 1 misdemeanor.

(b) Any person, firm, or corporation giving false information to the Division concerning another's financial responsibility for the operation of a motor vehicle registered or required to be registered in this State, knowing or having reason to believe that such information is false, shall be guilty of a Class 1 misdemeanor. (1963, c. 964, s. 6; 1975, c. 716, s. 5; 1993, c. 539, s. 389; 1994, Ex. Sess., c. 24, s. 14(c).)

**§ 20-314. Applicability of Article 9A; its provisions continued.**

The provisions of Article 9A, Chapter 20 of the General Statutes, as amended, which pertain to the method of giving and maintaining proof of financial responsibility and which govern and define "motor vehicle liability policy" and assigned risk plans shall apply to filing and maintaining proof of financial responsibility required by this Article. It is intended that the provisions of Article 9A, Chapter 20 of the General Statutes, as amended, relating to proof of financial responsibility required of each operator and each owner of a motor vehicle involved in an accident, and relating to nonpayment of a judgment as defined in G.S. 20-279.1, shall continue in full force and effect. (1957, c. 1393, s. 6; 1963, c. 964, s. 7.)

**§ 20-315. Commissioner to administer Article; rules and regulations.**

The Commissioner of Motor Vehicles shall administer and enforce the provisions of this Article relating to registration of motor vehicles and may make necessary rules and regulations for its administration. (1957, c. 1393, s. 7.)

**§ 20-316. Divisional hearings upon lapse of liability insurance coverage.**

Any person whose registration plate has been revoked under G.S. 20-311 may request a hearing. Upon receipt of such request, the Division shall, as early as practical, afford an opportunity for hearing. At the hearing the duly authorized agents of the Division may administer oaths and issue subpoenas for the attendance of witnesses and the production of relevant books and documents. If it appears that continuous financial responsibility existed for the vehicle involved, or if it appears the lapse of financial responsibility is not reasonably attributable to the neglect or fault of the person whose registration plate was revoked, the Division shall withdraw its order of revocation and such person may retain the registration plate. Otherwise, the order of revocation shall be affirmed and the registration plate surrendered. (1971, c. 1218, s. 1; 1973, c. 1144, ss. 1, 2; 1975, c. 716, s. 5; 2006-213, s. 3.)

**§ 20-316.1: Repealed by Session Laws 2006-213, s. 5, effective July 1, 2008, and applicable to lapses occurring on or after that date.**

**§ 20-317. Insurance required by any other law; certain operators not affected.**

This Article shall not be held to apply to or affect policies of automobile insurance against liability which may now or hereafter be required by any other law of this State, and such policies, if they contain an agreement or are endorsed to conform to the requirements of this Article, may be certified as proof of financial responsibility under this Article. This Article applies to vehicles of motor carriers required to register with the Division under G.S. 20-382 or G.S. 20-382.1 only to the extent that the amount of financial responsibility required by this Article exceeds the amount required by the United States Department of Transportation. (1957, c. 1393, s. 9; 1959, c. 1252, s. 1; 1975, c. 716, s. 5; 1995 (Reg. Sess., 1996), c. 756, s. 19.)

**§ 20-318. Federal, State and political subdivision vehicles excepted.**

This Article does not apply to any motor vehicle owned by the State of North Carolina or by a political subdivision of the State, nor to any motor vehicle owned by the federal government. (1957, c. 1393, s. 10.)

**§ 20-319. Effective date.**

This Article shall be effective from and after January 1, 1958. (1957, c. 1393, s. 12; 1961, c. 276.)