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HOUSE BILL DRH40205-NE-49

Short Title: Motor Vehicle Insurance Reform.

(Public)

Sponsors: Representative Stevens.

Referred to:

A BILL TO BE ENTITLED
AN ACT MAKING VARIOUS CHANGES TO THE MOTOR VEHICLE INSURANCE AND
SERVICE OF PROCESS LAWS OF NORTH CAROLINA.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 20-279.1 reads as rewritten:

"§ 20-279.1. Definitions.

The following words and phrases, when used in this Article, shall, for the purposes of this Article, have the meanings respectively ascribed to them in this section, except in those instances where the context clearly indicates a different meaning:

...

(11) "Proof of financial responsibility": Proof of ability to respond in damages for liability, on account of accidents occurring subsequent to the effective date of said proof, arising out of the ownership, maintenance or use of a motor vehicle, in the amount of ~~thirty thousand dollars (\$30,000)~~ ~~fifty thousand dollars (\$50,000)~~ because of bodily injury to or death of one person in any one accident, and, subject to said limit for one person, in the amount of ~~sixty thousand dollars (\$60,000)~~ ~~one hundred thousand dollars (\$100,000)~~ because of bodily injury to or death of two or more persons in any one accident, and in the amount of ~~twenty five thousand dollars (\$25,000)~~ ~~fifty thousand dollars (\$50,000)~~ because of injury to or destruction of property of others in any one accident. Nothing contained herein shall prevent an insurer and an insured from entering into a contract, not affecting third parties, providing for a deductible as to property damage at a rate approved by the Commissioner of Insurance.

...."

SECTION 2. G.S. 20-279.5 reads as rewritten:

"§ 20-279.5. Security required unless evidence of insurance; when security determined; suspension; exceptions.

...

(c) This section shall not apply under the conditions stated in G.S. 20-279.6 nor:

...

No such policy or bond shall be effective under this section unless issued by an insurance company or surety company authorized to do business in this State, except that if such motor vehicle was not registered in this State, or was a motor vehicle which was registered elsewhere than in this State at the effective date of the policy or bond, or the most recent renewal thereof, or if such operator not an owner was a nonresident of this State, such policy or bond shall not be



1 effective under this section unless the insurance company or surety company if not authorized to
2 do business in this State shall execute a power of attorney authorizing the Commissioner to accept
3 service on its behalf of notice or process in any action upon such policy, or bond arising out of
4 such accident, and unless said insurance company or surety company, if not authorized to do
5 business in this State, is authorized to do business in the state or other jurisdiction where the
6 motor vehicle is registered or, if such policy or bond is filed on behalf of an operator not an owner
7 who was a nonresident of this State, unless said insurance company or surety company, if not
8 authorized to do business in this State, is authorized to do business in the state or other jurisdiction
9 of residence of such operator; provided, however, every such policy or bond is subject, if the
10 accident has resulted in bodily injury or death, to a limit, exclusive of interest and cost, of not
11 less than ~~thirty thousand dollars (\$30,000)~~fifty thousand dollars (\$50,000) because of bodily
12 injury to or death of one person in any one accident and, subject to said limit for one person, to
13 a limit of not less than ~~sixty thousand dollars (\$60,000)~~one hundred thousand dollars (\$100,000)
14 because of bodily injury to or death of two or more persons in any one accident, and, if the
15 accident has resulted in injury to or destruction of property, to a limit of not less than ~~twenty five~~
16 ~~thousand dollars (\$25,000)~~fifty thousand dollars (\$50,000) because of injury to or destruction of
17 property of others in any one accident."

18 **SECTION 3.** G.S. 20-279.15 reads as rewritten:

19 **"§ 20-279.15. Payment sufficient to satisfy requirements."**

20 In addition to other methods of satisfaction provided by law, judgments herein referred to
21 shall, for the purpose of this Article, be deemed satisfied:

- 22 (1) When ~~thirty thousand dollars (\$30,000)~~fifty thousand dollars (\$50,000) has
23 been credited upon any judgment or judgments rendered in excess of that
24 amount because of bodily injury to or death of one person as the result of any
25 one accident; or
- 26 (2) When, subject to such limit of ~~thirty thousand dollars (\$30,000)~~sixty thousand
27 ~~dollars (\$60,000)~~ because of bodily injury to or death of one person, the sum
28 of ~~sixty thousand dollars (\$60,000)~~one hundred thousand dollars (\$100,000)
29 has been credited upon any judgment or judgments rendered in excess of that
30 amount because of bodily injury to or death of two or more persons as the
31 result of any one accident; or
- 32 (3) When ~~twenty five thousand dollars (\$25,000)~~fifty thousand dollars (\$50,000)
33 has been credited upon any judgment or judgments rendered in excess of that
34 amount because of injury to or destruction of property of others as a result of
35 any one accident;

36 Provided, however, payments made in settlement of any claims because of bodily injury,
37 death or property damage arising from a motor vehicle accident shall be credited in reduction of
38 the amounts provided for in this section."

39 **SECTION 4.** G.S. 20-279.21 reads as rewritten:

40 **"§ 20-279.21. "Motor vehicle liability policy" defined."**

- 41 ...
- 42 (b) Except as provided in G.S. 20-309(a2), such owner's policy of liability insurance:
- 43 ...

- 44 (2) Shall insure the person named therein and any other person, as insured, using
45 any such motor vehicle or motor vehicles with the express or implied
46 permission of such named insured, or any other persons in lawful possession,
47 against loss from the liability imposed by law for damages arising out of the
48 ownership, maintenance or use of such motor vehicle or motor vehicles within
49 the United States of America or the Dominion of Canada subject to limits
50 exclusive of interest and costs, with respect to each such motor vehicle, as
51 follows: ~~thirty thousand dollars (\$30,000)~~fifty thousand dollars (\$50,000)

1 because of bodily injury to or death of one person in any one accident and,
2 subject to said limit for one person, ~~sixty thousand dollars (\$60,000)~~ one
3 hundred thousand dollars (\$100,000) because of bodily injury to or death of
4 two or more persons in any one accident, and ~~twenty five thousand dollars~~
5 ~~(\$25,000)~~ fifty thousand dollars (\$50,000) because of injury to or destruction
6 of property of others in any one accident; and

- 7 (3) No policy of bodily injury liability insurance, covering liability arising out of
8 the ownership, maintenance, or use of any motor vehicle, shall be delivered
9 or issued for delivery in this State with respect to any motor vehicle registered
10 or principally garaged in this State unless coverage is provided therein or
11 supplemental thereto, under provisions filed with and approved by the
12 Commissioner of Insurance, for the protection of persons insured thereunder
13 who are legally entitled to recover damages from owners or operators of
14 uninsured motor vehicles and hit-and-run motor vehicles because of bodily
15 injury, sickness or disease, including death, resulting therefrom. The limits of
16 such uninsured motorist bodily injury coverage shall be equal to the highest
17 limits of bodily injury liability coverage for any one vehicle insured under the
18 policy; provided, however, that (i) the limits shall not exceed one million
19 dollars (\$1,000,000) per person and one million dollars (\$1,000,000) per
20 accident regardless of whether the highest limits of bodily injury liability
21 coverage for any one vehicle insured under the policy exceed those limits and
22 (ii) a named insured may purchase greater or lesser limits, except that the
23 limits shall not be less than the bodily injury liability limits required pursuant
24 to subdivision (2) of this subsection, and in no event shall an insurer be
25 required by this subdivision to sell uninsured motorist bodily injury coverage
26 at limits that exceed one million dollars (\$1,000,000) per person and one
27 million dollars (\$1,000,000) per accident. When the policy is issued and
28 renewed, the insurer shall notify the named insured as provided in subsection
29 (m) of this section. The provisions shall include coverage for the protection of
30 persons insured under the policy who are legally entitled to recover damages
31 from owners or operators of uninsured motor vehicles because of injury to or
32 destruction of the property of such insured. The limits of such uninsured
33 motorist property damage coverage shall be equal to the highest limits of
34 property damage liability coverage for any one vehicle insured under the
35 policy; provided, however, that (i) the limits shall not exceed one million
36 dollars (\$1,000,000) per accident regardless of whether the highest limits of
37 property damage liability coverage for any one vehicle insured under the
38 policy exceed those limits and (ii) a named insured may purchase lesser limits,
39 except that the limits shall not be less than the property damage liability limits
40 required pursuant to subdivision (2) of this subsection. When the policy is
41 issued and renewed, the insurer shall notify the named insured as provided in
42 subsection (m) of this section. For uninsured motorist property damage
43 coverage, the limits purchased by the named insured shall be subject, for each
44 insured, to an exclusion of the first one hundred dollars (\$100.00) of such
45 damages. The provision shall further provide that a written statement by the
46 liability insurer, whose name appears on the certification of financial
47 responsibility made by the owner of any vehicle involved in an accident with
48 the insured, that the other motor vehicle was not covered by insurance at the
49 time of the accident with the insured shall operate as a *prima facie*
50 presumption that the operator of the other motor vehicle was uninsured at the

1 time of the accident with the insured for the purposes of recovery under this
2 provision of the insured's liability insurance policy.

3 ...

4 a. A provision that the insurer shall be bound by a final judgment taken
5 by the insured against an uninsured motorist if the insurer has been
6 served with copy of summons, complaint or other process in the action
7 against the uninsured motorist by registered or certified mail, return
8 receipt requested, or in any manner provided by law; ~~provided~~
9 ~~however, that the law. The insurer may also be issued a summons,~~
10 ~~complaint, or other process as an unnamed party and served by~~
11 ~~registered or certified mail, return receipt requested, or in any manner~~
12 ~~provided by law. Service outside of the statute of limitations shall be~~
13 ~~valid so long as the summons has been properly issued, preserved, and~~
14 ~~served pursuant to North Carolina Rule of Civil Procedure 4. The~~
15 determination of whether a motorist is uninsured may be decided only
16 by an action against the insurer alone. The insurer, upon being served
17 as herein provided, shall be a party to the action between the insured
18 and the uninsured motorist though not named in the caption of the
19 pleadings and may defend the suit in the name of the uninsured
20 motorist or in its own name. The insurer, upon being served with copy
21 of summons, complaint or other pleading, shall have the time allowed
22 by statute in which to answer, demur or otherwise plead (whether the
23 pleading is verified or not) to the summons, complaint or other process
24 served upon it. The consent of the insurer shall not be required for the
25 initiation of suit by the insured against the uninsured motorist:
26 Provided, however, no action shall be initiated by the insured until 60
27 days following the posting of notice to the insurer at the address shown
28 on the policy or after personal delivery of the notice to the insurer or
29 its agent setting forth the belief of the insured that the prospective
30 defendant or defendants are uninsured motorists. No default judgment
31 shall be entered when the insurer has timely filed an answer or other
32 pleading as required by law. The failure to post notice to the insurer
33 60 days in advance of the initiation of suit shall not be grounds for
34 dismissal of the action, but shall automatically extend the time for the
35 filing of an answer or other pleadings to 60 days after the time of
36 service of the summons, complaint, or other process on the insurer.
37 ...

38 (4) Shall, in addition to the coverages set forth in subdivisions (2) and (3) of this
39 subsection, provide underinsured motorist coverage, to be used only with a
40 policy that is written at limits that exceed those prescribed by subdivision (2)
41 of this subsection. The limits of such underinsured motorist bodily injury
42 coverage shall be equal to the highest limits of bodily injury liability coverage
43 for any one vehicle insured under the policy; provided, however, that (i) the
44 limits shall not exceed one million dollars (\$1,000,000) per person and one
45 million dollars (\$1,000,000) per accident regardless of whether the highest
46 limits of bodily injury liability coverage for any one vehicle insured under the
47 policy exceed those limits, (ii) a named insured may purchase greater or lesser
48 limits, except that the limits shall exceed the bodily injury liability limits
49 required pursuant to subdivision (2) of this subsection, and in no event shall
50 an insurer be required by this subdivision to sell underinsured motorist bodily
51 injury coverage at limits that exceed one million dollars (\$1,000,000) per

1 person and one million dollars (\$1,000,000) per accident, and (iii) the limits
2 shall be equal to the limits of uninsured motorist bodily injury coverage
3 purchased pursuant to subdivision (3) of this subsection. When the policy is
4 issued and renewed, the insurer shall notify the named insured as provided in
5 subsection (m) of this section. An "uninsured motor vehicle," as described in
6 subdivision (3) of this subsection, includes an "underinsured highway
7 vehicle," which means a highway vehicle with respect to the ownership,
8 maintenance, or use of which, the sum of the limits of liability under all bodily
9 injury liability bonds and insurance policies applicable at the time of the
10 accident is less than ~~the applicable limits of underinsured motorist coverage
11 for the vehicle involved in the accident and insured under the owner's policy.
12 the total damages sustained by an individual seeking payment of benefits
13 under this subdivision.~~ For purposes of an underinsured motorist claim
14 asserted by a person injured in an accident where more than one person is
15 injured, a highway vehicle will also be an "underinsured highway vehicle" if
16 ~~all bodily injury liability bonds and insurance policies applicable to such
17 highway vehicle at the time of the accident are exhausted and~~ the total amount
18 actually paid to that person ~~under from the exhaustion of~~ all bodily injury
19 liability bonds and insurance policies applicable ~~to such highway vehicle~~ at
20 the time of the accident is less than ~~the applicable limits of underinsured
21 motorist coverage for the vehicle involved in the accident and insured under
22 the owner's policy. the total damages sustained by such person seeking
23 payment of benefits under this subdivision.~~ Notwithstanding the immediately
24 preceding sentence, a highway vehicle shall not be an "underinsured motor
25 vehicle" for purposes of an underinsured motorist claim under an owner's
26 policy insuring that vehicle unless the owner's policy insuring that vehicle
27 provides underinsured motorist coverage with limits that are greater than that
28 policy's bodily injury liability ~~limits. limits, in which event the available~~
29 ~~underinsured motorist coverage is that amount of underinsured motorist~~
30 ~~coverage under the owner's policy insuring that vehicle which exceeds the~~
31 ~~policy's bodily injury liability limits.~~ For the purposes of this subdivision, the
32 term "highway vehicle" means a land motor vehicle or trailer other than (i) a
33 farm-type tractor or other vehicle designed for use principally off public roads
34 and while not upon public roads, (ii) a vehicle operated on rails or
35 crawler-treads, or (iii) a vehicle while located for use as a residence or
36 premises. The provisions of subdivision (3) of this subsection shall apply to
37 the coverage required by this subdivision. Underinsured motorist coverage is
38 deemed to apply when, by reason of payment of judgment or settlement, all
39 liability bonds or insurance policies providing coverage for bodily injury
40 caused by the ownership, maintenance, or use of the underinsured highway
41 vehicle have been exhausted. Exhaustion of that liability coverage for the
42 purpose of any single ~~liability~~ claim presented for underinsured motorist
43 coverage is deemed to occur when either (a) the limits of liability per claim
44 have been paid ~~or tendered~~ upon the claim, or (b) by reason of multiple claims,
45 the aggregate per occurrence limit of liability has been ~~paid. paid or tendered.~~
46 Underinsured motorist coverage is deemed to apply to the first dollar of an
47 underinsured motorist coverage claim beyond amounts paid to the claimant
48 under the exhausted liability ~~policy. policy or policies applicable to the~~
49 ~~underinsured highway vehicle at the time of the accident. The amount of~~
50 ~~underinsured motorist coverage applicable to any claim for benefits under this~~
51 ~~subdivision shall not be reduced by a setoff or credit against any coverage,~~

1 including liability insurance, except for workers' compensation coverage to
2 the extent provided for in subsection (e) of this section. If a claimant is an
3 insured under the underinsured motorist coverage on separate or additional
4 polices, the total amount of underinsured motorist coverage applicable to the
5 claimant is the sum of the limits of the claimant's underinsured motorist
6 coverages as determined by combining the highest limit available under each
7 policy, and shall not be reduced by a setoff against any coverage, including
8 liability insurance, except for workers' compensation coverage to the extent
9 provided for in subsection (e) of this section.

10 In any event, the limit of underinsured motorist coverage applicable to any
11 claim is determined to be the difference between the amount paid to the
12 claimant under the exhausted liability policy or policies and the limit of
13 underinsured motorist coverage applicable to the motor vehicle involved in
14 the accident. Furthermore, if a claimant is an insured under the underinsured
15 motorist coverage on separate or additional policies, the limit of underinsured
16 motorist coverage applicable to the claimant is the difference between the
17 amount paid to the claimant under the exhausted liability policy or policies
18 and the total limits of the claimant's underinsured motorist coverages as
19 determined by combining the highest limit available under each policy;
20 provided that this sentence shall apply only to insurance on nonfleet private
21 passenger motor vehicles as described in G.S. 58-40-15(9) and (10). The
22 underinsured motorist limits applicable to any one motor vehicle under a
23 policy shall not be combined with or added to the limits applicable to any
24 other motor vehicle under that policy.

25 ...

26 (m) Every insurer that sells motor vehicle liability policies subject to the requirements of
27 subdivisions (b)(3) and (b)(4) of this section shall, when issuing and renewing a policy, give
28 reasonable notice to the named insured of all of the following:

- 29 (1) The named insured is required to purchase uninsured motorist bodily injury
30 coverage, uninsured motorist property damage coverage, and, if applicable,
31 and underinsured motorist bodily injury coverage.
- 32 ...
- 33 (4) The named insured's underinsured motorist bodily injury coverage limits, if
34 applicable, limits shall be equal to the highest limits of bodily injury liability
35 coverage for any one vehicle insured under the policy unless the insured elects
36 to purchase greater or lesser limits for underinsured motorist bodily injury
37 coverage.

38 "

39 **SECTION 5.** G.S. 20-279.25 reads as rewritten:

40 **"§ 20-279.25. Money or securities as proof.**

41 (a) Proof of financial responsibility may be evidenced by the certificate of the State
42 Treasurer that the person named therein has deposited with him eighty five thousand dollars
43 (\$85,000)one hundred twenty-five thousand dollars (\$125,000) in cash, or securities such as may
44 legally be purchased by savings banks or for trust funds of a market value of eighty five thousand
45 dollars (\$85,000). one hundred twenty-five thousand dollars (\$125,000). The State Treasurer
46 shall not accept any such deposit and issue a certificate therefor and the Commissioner shall not
47 accept such certificate unless accompanied by evidence that there are no unsatisfied judgments
48 of any character against the depositor in the county where the depositor resides.

49 "

50 **SECTION 6.** G.S. 20-281 reads as rewritten:

51 **"§ 20-281. Liability insurance prerequisite to engaging in business; coverage of policy.**

1 From and after July 1, 1953, it shall be unlawful for any person, firm or corporation to engage
2 in the business of renting or leasing motor vehicles to the public for operation by the rentee or
3 lessee unless such person, firm or corporation has secured insurance for his own liability and that
4 of his rentee or lessee, in such an amount as is hereinafter provided, from an insurance company
5 duly licensed to sell motor vehicle liability insurance in this State. Each such motor vehicle leased
6 or rented must be covered by a policy of liability insurance insuring the owner and rentee or
7 lessee and their agents and employees while in the performance of their duties against loss from
8 any liability imposed by law for damages including damages for care and loss of services because
9 of bodily injury to or death of any person and injury to or destruction of property caused by
10 accident arising out of the operation of such motor vehicle, subject to the following minimum
11 limits: ~~thirty thousand dollars (\$30,000)~~ ~~fifty thousand dollars (\$50,000)~~ because of bodily injury
12 to or death of one person in any one accident, and ~~sixty thousand dollars (\$60,000)~~ ~~one hundred~~
13 ~~thousand dollars (\$100,000)~~ because of bodily injury to or death of two or more persons in any
14 one accident, and ~~twenty five thousand dollars (\$25,000)~~ ~~fifty thousand dollars (\$50,000)~~
15 because of injury to or destruction of property of others in any one accident. Provided, however,
16 that nothing in this Article shall prevent such operators from qualifying as self-insurers under
17 terms and conditions to be prepared and prescribed by the Commissioner of Motor Vehicles or
18 by giving bond with personal or corporate surety, as now provided by G.S. 20-279.24, in lieu of
19 securing the insurance policy hereinbefore provided for."

20 **SECTION 7.** G.S. 58-37-35 reads as rewritten:

21 **"§ 58-37-35. The Facility; functions; administration.**

22 ...

23 (b) The Facility shall reinsure for each coverage available in the Facility to the standard
24 percentage of one hundred percent (100%) or lesser equitable percentage established in the
25 Facility's plan of operation as follows:

- 26 (1) For the following coverages of motor vehicle insurance and in at least the
27 following amounts of insurance:
- 28 a. Bodily injury liability: ~~thirty thousand dollars (\$30,000)~~ ~~fifty thousand~~
29 ~~dollars each person, sixty thousand dollars (\$60,000)~~ ~~one hundred~~
30 ~~thousand dollars (\$100,000)~~ each accident;
- 31 b. Property damage liability: ~~twenty five thousand dollars (\$25,000)~~ ~~fifty~~
32 ~~thousand (\$50,000)~~ each accident;
- 33 c. Medical payments: one thousand dollars (\$1,000) each person; except
34 that this coverage shall not be available for motorcycles or mopeds;
- 35 d. Uninsured motorist: ~~thirty thousand dollars (\$30,000)~~ ~~fifty thousand~~
36 ~~dollars (\$50,000)~~ each person; ~~sixty thousand dollars (\$60,000)~~ ~~one~~
37 ~~hundred thousand dollars (\$100,000)~~ each accident for bodily injury;
38 ~~twenty five thousand dollars (\$25,000)~~ ~~fifty thousand dollars~~ each
39 accident property damage (one hundred dollars (\$100.00) deductible);
- 40 e. Any other motor vehicle insurance or financial responsibility limits in
41 the amounts required by any federal law or federal agency regulation;
42 by any law of this State; or by any rule duly adopted under Chapter
43 150B of the General Statutes or by the North Carolina Utilities
44 Commission.

45 "

46 **SECTION 8.** This act becomes effective October 1, 2023, and applies to policies
47 issued, amended, or renewed on or after that date.