

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2021

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SENATE BILL 202  
Commerce and Insurance Committee Substitute Adopted 4/13/21

Short Title: No Lapse, No Problem.

(Public)

Sponsors:

Referred to:

March 9, 2021

1 A BILL TO BE ENTITLED  
2 AN ACT MODIFYING THE ACTION TO BE TAKEN BY THE DIVISION OF MOTOR  
3 VEHICLES WHEN IT IS NOTIFIED OF A LAPSE IN FINANCIAL RESPONSIBILITY,  
4 ALLOWING AN ELECTRONIC NOTICE OF A LAPSE IN FINANCIAL  
5 RESPONSIBILITY, CREATING A NEW ACTION BY THE DIVISION UPON PROOF  
6 OF SPECIFIC CIRCUMSTANCES, AND REQUIRING THE DIVISION TO CREATE A  
7 PLAN TO ALLOW ELECTRONIC RECEIPT OF FORMS FROM INSURANCE  
8 COMPANIES.

9 The General Assembly of North Carolina enacts:

10 **SECTION 1.** G.S. 20-309.2 is amended by adding a new subsection to read:

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

20 **SECTION 2.** G.S. 20-311(a) reads as rewritten:

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

30 ...

31 (5) No penalty. – If the owner responds within the required time and the response  
32 establishes all of the following, the Division shall not assess the owner a  
33 penalty:

34 a. The owner sold the vehicle under G.S. 20-62.1 or transferred title  
35 under G.S. 20-72 or G.S. 20-109.1 within 10 days of the termination  
36 of financial responsibility for the vehicle.



- 1                    b.     The owner did not operate or allow the vehicle to be operated during  
2                    the lapse because the vehicle was either (i) unable to be driven due to  
3                    damage or mechanical defect or (ii) no longer in the possession of the  
4                    owner as a result of a sale or transfer for which there was a delay  
5                    between physical transfer of the vehicle and completion of the  
6                    paperwork required under G.S. 20-62.1, 20-72, or 20-109.1.  
7                    c.     The owner has returned the North Carolina registration plate or has  
8                    submitted an affidavit indicating that the North Carolina registration  
9                    plate has been lost, stolen, or destroyed."

10                    **SECTION 3.** The Division of Motor Vehicles shall develop a plan to implement a  
11 system for accepting documentation from insurers required under G.S. 20-309.2 in an electronic  
12 format that allows for immediate transmission of insurance coverage status for owners of motor  
13 vehicles registered or required to be registered in this State. The plan shall also provide for  
14 electronic submission of all documentation required to be submitted by insurers to the Division  
15 in order to license an individual or register a motor vehicle in this State. The Division shall report  
16 to the Chairs of the House of Representatives and Senate Transportation Committees, the House  
17 of Representatives Insurance Committee, and the Senate Commerce and Insurance Committee  
18 on or before October 1, 2021, detailing the plan developed in accordance with this section.

19                    **SECTION 4.** This act is effective when it becomes law.