

On September 22, 2023, Senate Bill 452 was passed by both houses with broad bipartisan support. The bill became law without signature on October 3rd and will go into effect on July 1, 2025. This new law will bring substantial benefit to North Carolinians who are injured in car accidents. As advocates for the injured, Martin & Jones supports these important legislative changes.

## Increased Coverage Requirements

North Carolina requires that all drivers carry liability insurance in specific minimum amounts. The minimum policy coverage under the prior law was as follows:

- \$30,000 for bodily injury to one person
- \$60,000 for bodily injuries to two or more people
- \$25,000 for property damage

As you might imagine, these policy limits were often inadequate, especially when more than one person was injured or the victim's vehicle was totaled. To bring these limits into alignment with current healthcare and repair and replacement costs, these limits have been updated as follows:

- \$50,000 for bodily injury to one person
- \$100,000 for bodily injuries to two or more people
- \$50,000 for property damage

When a victim's losses exceed the limits of the at-fault driver's policies, their options for recovery become very limited. This increase in the minimum coverage requirements ensures that more compensation will be available to North Carolinians who suffer serious injuries as a result of car accidents caused by negligence.

## Elimination of the UIM Hidden Reduction aka "Liability Credit"

Underinsured motorist coverage (UIM) is additional insurance that can be purchased by drivers to guard against losses that exceed the at-fault driver's policy limits. While drivers are not required to purchase UIM coverage, many agents strongly recommend it given the relatively low coverage required by law.

The problem is that people would purchase UIM coverage and then discover at the worst possible time that they do not get all of the coverage they paid for by operation of the now infamous liability credit. The liability credit essentially reduces the coverage available under a UIM policy by the amount that is paid by the at-fault driver's insurance. An example is required to explain precisely how this works.

- Driver 1 has insurance in the minimum required amount of \$30,000.
- Driver 1 runs a red light and causes an accident with Driver 2. Driver 2's car is totaled and he suffers extensive injuries. His medical expenses total \$130,000.
- Luckily, Driver 2 purchased UIM coverage in the amount of \$100,000.
- Unfortunately, the amount paid by Driver 1's insurance (\$30,000) will be credited against Driver 2's UIM coverage. As a result, Driver 2 only has \$70,000 of coverage under his UIM.
- Driver 2 winds up having to pay \$30,000 in medical expenses out of pocket because the combined coverage totals only \$100,000 (\$30,000 from Driver 1 + \$70,000 in UIM coverage).

This credit acted to the benefit of insurance companies and to the disadvantage of drivers. Recognizing this injustice, North Carolina has eliminated this credit. Drivers will now receive the full benefit of the coverage they purchased.

## Important Changes Regarding Hospital Liens

For people who are injured in car accidents, the most pressing issue is usually how they are going to pay their medical bills. When the victims need to pursue a personal injury claim, these bills often go unpaid until their case is settled. To protect their claim, medical providers can assert a hospital or physician's lien. Liens are subsequently paid from the proceeds of the victim's settlement if they have been perfected. If the lien has not been perfected, the victim is not required to pay the lien from the proceeds of their settlement.

Perfecting the lien is, therefore, a critical step. In order to perfect their lien, the medical provider must do two things under current law:

1. They must provide copies of all medical bills and records to the victim or their attorney free of charge; and
2. They must provide an affirmative written notice of the lien to either the victim or their attorney.

If a medical provider failed to meet either of these steps, their lien would not be perfected and they would not be entitled to payment.

Senate Bill 452 has added an additional requirement that is very important:

- Medical providers must provide copies of the medical bills and records ***within 60 days of request.***

Therefore, medical providers who do not turn over records within this deadline will not be entitled to payment.

Obviously, this could have a significant impact on recovery for people who have been injured in car accidents. It will also prevent medical providers from dragging their feet in responding to requests for records, allowing cases to proceed more efficiently.

## These Changes Will Take Time to Take Effect

Drivers should keep in mind that these changes will not go into effect until 2025. This is to give the Department of Insurance and the North Carolina Rate Bureau time to set new rates that incorporate the new coverage requirements. In addition, policies written in June of 2024 will not necessarily include the new coverage amounts when the law goes into effect. Drivers who have questions about how the law will impact existing coverage should contact their insurance agent.

## Martin & Jones: Experienced Advocates for Injured North Carolinians

We have been representing car accident victims across North Carolina for over 30 years. With offices in [Durham](#), [Raleigh](#), and [Wilmington](#), we're here to help when you need us. You can call us at 800-662-1234 or complete our [online contact form](#) to schedule a free, no-obligation consultation to discuss your accident and how we can help.