



LEGISLATIVE UPDATE

# Big Changes to North Carolina Insurance Law— Starting July 1, 2025

## *Stronger Protections. Clearer Rules. Smarter Coverage.*

North Carolina's auto insurance laws are evolving for the first time in over 25 years, and the impact will be felt by every insured driver, policyholder, and legal professional in the state. If you manage risk, litigate claims, or simply want to understand the rules, here's what you need to know. Two newly enacted statutes—S.L. 2023-133 (SB 452) and S.L. 2024-29 (SB 319)—bring sweeping reforms to minimum coverage requirements and underinsured motorist (UIM) protections.

### What's Changing—Effective for All Policies Issued or Renewed on or After July 1, 2025:

- **Increase the minimum BI (bodily injury) liability limits on auto insurance policies from \$30,000 (per person) / \$60,000 (per accident) to \$50,000 (per person) / \$100,000 (per accident).**
- Increase the minimum PD (property damage) liability limits on auto insurance policies to \$50,000.
- This is the first increase in minimum limits since 1999. Since 2000 medical costs have risen by over 120%.
- **Require at least \$50,000 / \$100,000 underinsured motorist (UIM) coverage on all policies** (subject to some exceptions). Prior law precluded UIM coverage on minimum-limit policies.
- Change the **general definition of “underinsured highway vehicle” to be a comparison between the “at fault person’s** (“tortfeasor’s) BI (bodily injury) limit and the claimant’s (injured person’s / estate in a wrongful death claim) **total damages.** The prior rule required a comparison between the tortfeasor’s BI limit(s) and the claimant’s UIM limit(s).
- **Make UIM Excess Coverage** by removing the setoff provision and explicitly states that applicable UIM coverage “shall not be reduced by a setoff” of BI damages paid. (“shall not be reduced by a setoff against any coverage, including liability insurance, except for workers’ compensation coverage to the extent provided for in subsection (e) of this section”). This brings the statute in line with the reasonable expectations of an insured. The prior rule reduces the amount of UIM coverage available by the at-fault parties liability coverage.
- Permit one to “stack” (inter-policy not intra-policy) (add) all their UIM policies together consistent with prior law (“the total amount of underinsured motorist coverage applicable to the claimant is the sum of the limits of the claimant’s underinsured motorist coverages as determined by combining the highest limit available under each policy...” and not reduced buy offset consistent with above).
- No longer permit insurance carriers to reduce UIM coverage by amounts paid under Medical Payments Coverage (“MPC”). Although MPC is not mentioned in S.L. 2023-133 / SB 452 or S.L. 2024-29 S.B. 319, “any coverage” should include MPC, thus legislatively overruling *Kessler v. Shimp*, 181 N.C. App. 753, 758, 640 S.E.2d 822, 825 (2007) (“Pursuant to the express terms of the insurance policy that covered defendant’s UIM liability to plaintiff, defendant properly took credit and setoff for the \$2,000.00 it had previously paid to plaintiff under the medical payments portion of its policy”).
- Clarifies that exhaustion of liability coverage for a particular claim occurs when the limit of liability has been “**paid or tendered.**” The previous version of the statute only said “paid.”

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