

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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HOUSE BILL 604

Short Title: Motor Vehicle Surety Bonds.

(Public)

Sponsors: Representative Fletcher.

Referred to: Transportation.

April 4, 1991

A BILL TO BE ENTITLED

1 AN ACT TO INCREASE THE SURETY BOND TO BE SUBMITTED BY AN
2 APPLICANT FOR A LICENSE AS A MOTOR VEHICLE DEALER,
3 MANUFACTURER, DISTRIBUTION BRANCH, OR FACTORY BRANCH.
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5 The General Assembly of North Carolina enacts:

6 Section 1. G.S. 20-288(e) reads as rewritten:

7 "(e) Each applicant approved by the Division for license as a motor vehicle dealer,
8 manufacturer, distributor branch, or factory branch shall furnish a corporate surety bond
9 or cash bond or fixed value equivalent thereof in the principal sum of ~~fifteen thousand~~
10 ~~dollars (\$15,000)~~ thirty thousand dollars (\$30,000) and an additional principal sum of ~~five~~
11 ~~thousand dollars (\$5,000)~~ fifteen thousand dollars (\$15,000) for each additional place of
12 business within this State at which motor vehicles are sold. Each application for a
13 license or a renewal of a license shall be accompanied by a list of locations at which the
14 applicant engages in the business of selling motor vehicles in this State. A corporate
15 surety bond shall be approved by the Commissioner as to form and shall be conditioned
16 that the obligor will faithfully conform to and abide by the provisions of this Article and
17 Article 15. A cash bond or fixed value equivalent thereof shall be approved by the
18 Commissioner as to form and terms of deposits as will secure the ultimate beneficiaries
19 of the bond; and such bond shall not be available for delivery to any person contrary to
20 the rules of the Commissioner. Any purchaser of a motor vehicle who shall have
21 suffered any loss or damage by any act of a motor vehicle dealer that constitutes a
22 violation of this Article or Article 15 shall have the right to institute an action to recover
23 against such motor vehicle dealer and the surety. Every licensee against whom such
24 action is instituted shall notify the Commissioner of the action within 10 days after

1 process is served on the licensee. A corporate surety bond shall remain in force and
2 effect and may not be canceled by the surety unless the motor vehicle dealer,
3 manufacturer, distributor branch, or factory branch has terminated the operations of its
4 business nor unless its license has been denied, suspended, or revoked under G.S. 20-
5 294. Such cancellation may be had only upon 30 days' written notice to the
6 Commissioner and shall not affect any liability incurred or accrued prior to the
7 termination of such 30-day period. Provided nothing herein shall apply to a motor
8 vehicle dealer, manufacturer, distributor branch or factory branch which deals only in
9 trailers having an empty weight of 4,000 pounds or less. This subsection shall not apply
10 to manufacturers of, or dealers in, mobile or manufactured homes who furnish a
11 corporate surety bond, cash bond, or fixed value equivalent thereof, pursuant to G.S.
12 143-143.12."

13 Sec. 2. This act becomes effective September 1, 1991.