

**GENERAL ASSEMBLY OF NORTH CAROLINA**

**SESSION 1995**

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**2**

HOUSE BILL 837  
Committee Substitute Favorable 5/1/95

Short Title: MV Manufacturer Warranty Audits.

(Public)

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Sponsors:

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Referred to:

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April 11, 1995

A BILL TO BE ENTITLED

1 AN ACT TO MODIFY THE TIME LIMIT WITHIN WHICH MOTOR VEHICLE  
2 MANUFACTURERS AND DISTRIBUTORS MAY AUDIT AND CHARGEBACK  
3 DEALERS FOR WARRANTY REPAIRS.  
4

5 The General Assembly of North Carolina enacts:

6 Section 1. G.S. 20-305.1(b) reads as rewritten:

7 "(b) Notwithstanding the terms of any franchise agreement, it is unlawful for any  
8 motor vehicle manufacturer, factory branch, distributor, or distributor branch to fail to  
9 perform any of its warranty obligations with respect to a motor vehicle, to fail to  
10 compensate its motor vehicle dealers licensed in this State for warranty parts other than  
11 parts used to repair the living facilities of recreational vehicles, at the prevailing retail  
12 rate according to the factors in subsection (a) of this section, or, in service in accordance  
13 with the schedule of compensation provided the dealer pursuant to subsection (a) above,  
14 and to fail to indemnify and hold harmless its franchised dealers licensed in this State  
15 against any judgment for damages or settlements agreed to by the manufacturer,  
16 including, but not limited to, court costs and reasonable attorneys' fees of the motor  
17 vehicle dealer, arising out of complaints, claims or lawsuits including, but not limited to,  
18 strict liability, negligence, misrepresentation, express or implied warranty, or rescision or  
19 revocation of acceptance of the sale of a motor vehicle as defined in G.S. 25-2-608, to the

1 extent that the judgment or settlement relates to the alleged defective negligent  
2 manufacture, assembly or design of new motor vehicles, parts or accessories or other  
3 functions by the manufacturer, factory branch, distributor or distributor branch, beyond  
4 the control of the dealer. Any audit for warranty parts or service ~~compensation, service~~  
5 ~~incentives, rebates, or other forms of sales incentive~~ compensation shall only be for the ~~24-~~  
6 ~~month~~ 12-month period immediately following the date of the ~~claim~~ payment of the claim  
7 by the manufacturer, factory branch, distributor, or distributor branch. Any audit for  
8 sales incentives, service incentives, rebates, or other forms of incentive compensation  
9 shall only be for the 24-month period immediately following the date of the payment of  
10 the claim by the manufacturer, factory branch, distributor, or distributor branch.  
11 Provided, however, these limitations shall not be effective in the case of fraudulent  
12 claims."

13           Sec. 2. This act becomes effective October 1, 1995.