

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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HOUSE BILL 740
Committee Substitute Favorable 6/17/25

Short Title: Limit Contractor Liability in State Contracts.

(Public)

Sponsors:

Referred to:

April 3, 2025

A BILL TO BE ENTITLED
AN ACT TO ESTABLISH LIMITS OF CONTRACTOR LIABILITY UNDER CERTAIN
STATE PROCUREMENT CONTRACTS.

The General Assembly of North Carolina enacts:

SECTION 1. Article 3 of Chapter 143 of the General Statutes is amended by adding a new section to read:

"§ 143-49.3. Contractor liability in State contracts.

(a) All contracts subject to the provisions of this Article and Article 8 of this Chapter shall include a limitation on the contractor's liability to the State for damages. Except as otherwise provided in this section, the limitation of liability shall be for damages arising from any cause of action. The amount of liability shall be determined based on the nature of the goods, services, or construction work covered by the contract; however, there shall be a presumptive limitation of no more than two times the value of the contract. Limitation of liability pursuant to this section shall specifically include the contractor's liability for damages. The amount of liability for damages may be raised to no more than three times the value of the contract if all of the following apply:

(1) The Secretary or the Secretary's designee completes a risk assessment prior to the bid solicitation or request for proposals that determines an increase in the liability amount is necessary to protect the State's best interests.

(2) The bid solicitation or request for proposals indicates that increased liability will be required for the resulting contract.

(b) Prior to entering into any contract subject to the provisions of this Article or Article 8 of this Chapter, the Secretary or the Secretary's designee shall reasonably determine that the contractor possesses sufficient financial resources, either independently or through third-party sources, such as insurance, to satisfy the agreed upon limitation of liability. The limitation of liability required by this section shall not apply to liability of the contractor for intentional or willful misconduct, damage to tangible personal property, or physical injuries to persons. Nothing in this section limits the contractor's liability directly to third parties or affects the rights and obligations related to contribution among joint tortfeasors established by Chapter 1B of the General Statutes and other applicable law.

(c) The Secretary may impose a fee not to exceed two hundred fifty dollars (\$250.00) to review a contractor's financial resources.

(d) Not later than March 1 of each year, the Secretary shall report annually to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Oversight Committee on General Government regarding every contract containing liability amounts of more than two times the value of the contract."



1 **SECTION 2.** This act becomes effective October 1, 2025, and applies to contracts
2 awarded, renewed, or amended on or after that date.