

TRANSPORTATION DEPARTMENT[761]

Adopted and Filed

Rule making related to electronic submission of proof of financial responsibility

The Department of Transportation hereby amends Chapter 524, “For-Hire Intrastate Motor Carrier Authority,” and Chapter 640, “Financial Responsibility,” Iowa Administrative Code.

Legal Authority for Rule Making

This rule making is adopted under the authority provided in Iowa Code sections 307.12, 321A.2 and 325A.10.

State or Federal Law Implemented

This rule making implements, in whole or in part, Iowa Code chapters 321A and 325A.

Purpose and Summary

These amendments update the Department’s rules regarding financial responsibility. Minor amendments within Chapter 640 update the contact information for the Driver and Identification Services Bureau, change “driver’s license examination stations” to “driver’s license service centers,” remove unnecessary language, correct terminology, correct form numbers, and add or correct form names for consistency within the chapter.

The most significant changes to Chapters 524 and 640 require the proof of financial responsibility forms (SR-22 and SR-23) and the cancellation of future proof of financial responsibility form (SR-26), as well as “Motor Carrier Certificate of Insurance” Form E and Form K, to be submitted electronically to the Department in a format approved by the Department. SR-22, SR-23 and SR-26 forms are required under Iowa Code section 321A.17 to demonstrate proof of financial responsibility whenever the Department suspends or revokes a person’s driver’s license as a result of a qualifying traffic conviction. Forms E and K demonstrate required proof of financial responsibility for motor carriers under Iowa Code chapter 325A. Electronic submission of these forms will have a positive effect on the Department’s processing turnaround times and will improve efficiency and performance in processing customer paperwork.

The Department has offered insurance carriers the ability to submit required proof of financial responsibility forms to the Department electronically for approximately four years, and several carriers have elected to use the electronic submission process. However, several other carriers still continue to submit the required forms via a paper-based process.

The electronic filing process is efficient and secure, and it provides faster results for the Department’s customers than a paper-based process. However, the switch from a paper-based to an electronic process can take some planning, and in the interest of providing sufficient notice of the Department’s intention to require electronic submission of these forms, the Department contacted all insurance carriers licensed to do business in the state of Iowa in April 2018 and informed them of the pending transition to the electronic submission process and the Department’s intent to require electronic submission in advance of the rule requirement becoming effective. Several carriers volunteered to transition to the electronic submission process after receiving the Department’s notification, but some carriers indicated their preference not to make the switch until the requirement was mandatory. This rule making seeks to require all insurance carriers to implement the electronic filing process for these required forms no later than July 1, 2021. The Department’s available electronic submission process consists of two options:

- The first option is a trusted third-party administrator (TPA) website. This website solution is designed for low-volume submitters that may not have the technical staff or otherwise be in the position to dedicate the resources to implement an end-to-end solution. The website offers the functionality of

submitting single filings, much like submitting the filing by paper, except that using the website offers the additional security and efficient processing that is not available in the paper-based process.

- The second option is a web service application program interface (API) that allows an insurance carrier's system to directly communicate with the Department's driver's license record system (known as ARTS). The web service solution is designed for high-volume submitters. The web service contains several validation checks against data submitted and provides the insurance carrier's computer system with success/error feedback. To ease the implementation process, the Department developed guidance documentation for integrating with the Department's web service API. The Department is enthusiastic about fully implementing this electronic submission solution, not only for the security and efficiency it offers but also for the faster processing time the Department will be able to offer to customers whose livelihoods rely on the timely submission of these documents.

Public Comment and Changes to Rule Making

Notice of Intended Action for this rule making was published in the Iowa Administrative Bulletin on October 9, 2019, as **ARC 4681C**. No public comments were received. One change from the Notice has been made in subrule 640.6(8) to change the word "proofs" to "proof."

Adoption of Rule Making

This rule making was adopted by the Department on November 13, 2019.

Fiscal Impact

This rule making has no fiscal impact to the State of Iowa and does not change the proof of financial responsibility forms that insurance carriers are currently required to submit to the Department. It also does not change or expand the circumstances under which proof of financial responsibility is required. This rule making only changes the submission method from a paper-based process to a secure, electronic process.

Jobs Impact

After analysis and review of this rule making, no impact on jobs has been found.

Waivers

Any person who believes that the person's circumstances meet the statutory criteria for a waiver may petition the Department for a waiver under 761—Chapter 11.

Review by Administrative Rules Review Committee

The Administrative Rules Review Committee, a bipartisan legislative committee which oversees rule making by executive branch agencies, may, on its own motion or on written request by any individual or group, review this rule making at its [regular monthly meeting](#) or at a special meeting. The Committee's meetings are open to the public, and interested persons may be heard as provided in Iowa Code section 17A.8(6).

Effective Date

This rule making will become effective on January 8, 2020.

The following rule-making actions are adopted:

ITEM 1. Adopt the following **new** paragraph **524.7(1)“c”**:

c. Prior to July 1, 2021, the certificate of insurance may be submitted electronically in a format approved by the department. An insurance carrier that submits the certificate of insurance under this rule shall implement electronic submission of such certificate no later than July 1, 2021. As of July 1,

2021, no paper submissions of such certificates shall be accepted, and all certificates of insurance shall be submitted electronically in a format approved by the department.

ITEM 2. Amend subrule 640.1(3) as follows:

640.1(3) Submissions and information. ~~All~~ Except as otherwise provided in this chapter, required submissions shall be either mailed to the ~~Office of Driver and Identification Services Bureau~~, Iowa Department of Transportation, P.O. Box ~~9235 9204~~, Des Moines, Iowa ~~50306-9235 50306-9204~~; delivered in person to 6310 SE Convenience Blvd., Ankeny, Iowa; or sent by facsimile to ~~(515)237-3071 (515)239-1837~~. Information about the financial responsibility law is available from these sources or by telephone at ~~(800)532-1121 (515)244-8725~~.

ITEM 3. Amend rule 761—640.3(321A) as follows:

761—640.3(321A) Accident reporting requirements. Accident reporting requirements are specified in Iowa Code section 321.266 and on Form 433002, “Iowa Accident Report Form,” which is available from law enforcement officers, driver’s license ~~examination stations service centers~~, or from the ~~office of driver and identification services bureau~~ at the address in subrule 640.1(3).

This rule is intended to implement Iowa Code sections 321.266 and 321A.4.

ITEM 4. Amend subrule 640.4(3) as follows:

640.4(3) Security—amounts and type.

a. The amount of security required of the uninsured driver and owner shall be determined from reports of the drivers involved in the accident, reports of investigating officers and from supplemental information obtained from persons involved in the accident concerning amounts of damage and injury sustained. Form ~~431020 431074~~, “Insurance Request Letter,” may be mailed to parties to the accident for supplemental information. The security required shall not be increased after the suspension notice has been served, but may be reduced if evidence of exact costs is submitted to the department. The amount of security shall not exceed the minimum limits of liability for death or injury specified in Iowa Code chapter 321A.

b. The security shall be deposited with the ~~office of driver and identification services bureau~~ at the address in subrule 640.1(3). The department shall issue to the depositor a receipt when the security is received. ~~The depositor shall surrender the receipt when a refund is requested.~~ Security shall be one of the following types:

(1) to (3) No change.

ITEM 5. Amend subrule 640.4(4) as follows:

640.4(4) Security disposition.

a. Security is held by the state treasurer and can be released only for payment of a judgment or as otherwise provided in Iowa Code section 321A.10; or by a court, including by Form 431097, “Order for Release of Security;” ~~Form 431097~~, or by Form 433010, “Assignment and Release;” ~~Form 433010~~.

b. The security can be refunded at any time as follows:

(1) When compliance as provided in 640.4(5) is presented to the ~~office of driver and identification services bureau~~; or

(2) When Form 433007, “District Court Affidavit,” is completed by the clerk of the district court of the county where the accident occurred, the form indicates that no action has been initiated or judgment rendered, and the form is submitted to the ~~office of driver and identification services bureau~~.

ITEM 6. Amend subrule 640.4(5) as follows:

640.4(5) Exceptions to requirement of security. Compliance can be shown as follows: general releases, agreement releases, confession of judgment, accord and satisfaction, covenant not to sue, no-fault or no reasonable possibility of judgment, adjudication nonliability, and bankruptcy.

a. *General release.* Form 431036, “General Release,” may be obtained from the ~~office of driver and identification services bureau~~ at the address in subrule 640.1(3). The signature of the party giving the release shall be notarized or witnessed by a disinterested person. The release shall be accompanied

by a power of attorney or subrogation authority if signed by a person other than the party sustaining damage or injury.

b. Agreement release. Form 181301, “Agreement Release,” may be obtained from the ~~office of driver and identification services~~ bureau at the address in subrule 640.1(3). Complete information shall be provided on the form including the total amount of settlement agreed upon by the parties involved and a release of liability upon fulfillment of payments. The signatures of all parties to the agreement shall be notarized. The release shall be accompanied by a power of attorney or subrogation authority if signed by a person other than a party sustaining damage or injury. Compliance shall be credited only to a party who has agreed to make payment and whose signature appears on the agreement release.

c. Confession of judgment. A court certified copy of a confession of judgment including the payment schedule agreed to by the parties is acceptable compliance. No specific form is provided by the ~~office of driver and identification services~~ bureau.

d. to g. No change.

h. Bankruptcy. Security is not required of a person when all possible claims against the person arising from the accident have been scheduled in the bankruptcy petition. To establish this exception, the person shall submit a copy of the petition for bankruptcy to the ~~office of driver and identification services~~ bureau at the address in subrule 640.1(3).

ITEM 7. Amend paragraph **640.4(6)“b”** as follows:

b. A person may be exempted from the security requirements applicable to an owner if the motor vehicle had been sold but the title had not been transferred when the accident occurred.

(1) The person who sold the motor vehicle may qualify for this exemption by submitting to the department an Form 431125, “Affidavit of Buyer-Seller, Affidavit of Seller.” ~~Form 431125.~~ This form must be completed by both the buyer and seller with signatures notarized or attested to by an officer of the department.

(2) A sworn affidavit by the seller and witnesses to the sale that the vehicle had been sold may be furnished in lieu of ~~Form 431125.~~ “Affidavit of Seller.” The affidavit must include a description of the vehicle, the date of the sale, the monetary consideration, facts concerning the assignment of title and delivery of possession, and the names of witnesses to the sale.

ITEM 8. Amend subrule 640.5(1) as follows:

640.5(1) Suspension. The suspension becomes effective on the date Form 431010, ~~a suspension notice,~~ “Suspension Notice,” is served pursuant to 761—615.37(321). The notice shall inform the person that the privilege to operate and register motor vehicles in Iowa is suspended until the judgment is satisfied and proof of financial responsibility is shown. The duration of the suspension is provided in Iowa Code section 321A.14. When the suspension ends, the department shall issue to the person Form 431009, ~~a suspension termination notice.~~ “Suspension Termination Notice.”

ITEM 9. Amend rule 761—640.6(321A) as follows:

761—640.6(321A) Proof of financial responsibility for the future. Proof of financial responsibility for the future is required pursuant to Iowa Code sections 321A.13, 321A.14, 321A.16 and 321A.17. Unless the person has filed proof of financial responsibility for all motor vehicles registered to that person, the department shall also suspend the person’s motor vehicle registrations.

640.6(1) No change.

640.6(2) Methods of giving proof.

a. Proof of financial responsibility may be shown by a liability insurance certificate pursuant to Iowa Code section 321A.19. Form SR-22, “AAMVA Uniform Financial Responsibility Form,” is required as the form of the certificate except when proof of financial responsibility is submitted electronically. When proof of financial responsibility is submitted electronically, the proof shall be in a format approved by the department. The form may describe an owner’s or operator’s policy and shall identify the policyholder by name, address, ~~driver~~ driver’s license number, and birth date. The effective date of the policy shall be the same as the effective date on the form. The vehicles covered shall be identified by year, make, model and vehicle identification number. The form shall be certified

in accordance with the Iowa financial responsibility law by an insurance carrier authorized to transact insurance business in Iowa or by a ~~company~~ carrier authorized by power of attorney. The policy shall be canceled only as provided in Iowa Code section 321A.22. Certification of coverage for an owner's policy authorizes the policyholder to have registrations for the described vehicles. Certification of coverage for an operator's policy does not authorize registrations.

(1) ~~In lieu of Form SR-22, the department shall accept a copy of the form if the copy is no larger than 8½ by 11 inches and is generated by a process that produces an unaltered image or reproduction, except for size and color, of Form SR-22.~~

(2) ~~In lieu of Form SR-22, the department shall accept an electronic record if the format of the record is approved by the department.~~

b. Proof may be given for a person who is an operator in the employ of the owner of the motor vehicle, or who is a member of the immediate family or household of the owner pursuant to Iowa Code section 321A.26, if the owner's insurance ~~company~~ carrier certifies ~~Form SR-22~~ for the person required to show proof. ~~The In addition to the requirements are given in paragraph 640.6(2) "a" except that 640.6(2) "a," the form proof shall identify both the policyholder and the person for whom proof is given. This certification does not authorize the person required to give proof to register a motor vehicle.~~

c. Proof may be given for a person who is an operator in the employ of an owner of a fleet of motor vehicles ~~on~~, if the owner's insurance carrier certifies for the person required to show proof, by submitting Form SR-23, "AAMVA Uniform Financial Responsibility Form," except when proof of financial responsibility is submitted electronically. When proof of financial responsibility is submitted electronically, the proof shall be in a format approved by the department. The form shall identify the policyholder's name and address, policy number, policy dates and effective date. This certification does not authorize the person required to give proof to register a motor vehicle.

d. No change.

640.6(3) Rescinded, effective 1/26/83.

640.6(4) *Terminating the suspension upon filing of proof.* When future proof of financial responsibility is shown and the person is otherwise eligible for licensing, the department shall issue Form 431009, ~~a suspension termination notice,~~ "Suspension Termination Notice," to the person whose privileges were suspended under Iowa Code ~~sections section~~ section 321A.13, 321A.14, 321A.16 or 321A.17 or rules ~~640.5(321A) 761—640.5(321A) and 640.6(321A) 761—640.6(321A).~~ To regain operating privileges, the person shall ~~appear before an Iowa driver license examiner,~~ pass the required examinations, and pay the required fees. The person's operating and registration privileges are restricted to the motor vehicles covered under the proof of financial responsibility filed by the applicant.

640.6(5) *Cancellation of future proof.* An insurance carrier shall only cancel or terminate a certificate of insurance pursuant to Iowa Code section 321A.22. The cancellation shall be certified by an authorized ~~company~~ carrier representative on Form SR-26, "AAMVA Uniform Financial Responsibility Form," ~~except when cancellation of future proof of financial responsibility is submitted electronically. When cancellation of future proof of financial responsibility is submitted electronically, the cancellation shall be in a format approved by the department. The Form SR-26 cancellation of future proof of financial responsibility shall identify the SR-22 or SR-23 proof of financial responsibility certificate to be canceled by name and address of the person, social security number, birth date, driver driver's license number, number of the policy to be canceled and the effective date of cancellation.~~

640.6(6) *Suspension when future proof is canceled.*

a. No change.

b. If the person fails to refile, Form 431010, ~~a suspension notice,~~ "Suspension Notice," shall be served in accordance with 761—615.37(321). The effective date of the suspension shall be the date the notice is served. The notice shall inform the person that the privilege to operate and register motor vehicles in Iowa is suspended until future proof is refilled. When the person refiles future proof, the department shall issue to the person Form 431009, ~~a suspension termination notice.~~ "Suspension Termination Notice."

640.6(7) *Terminating the two-year proof requirement.* Form 431009, ~~a suspension termination notice,~~ "Suspension Termination Notice," shall be issued to a person who has completed future proof

requirements. The form shall notify the person that proof is no longer required and that the person may operate and register motor vehicles without the proof restrictions. If the person's driver's license is still valid, the person ~~shall appear before an Iowa driver license examiner to~~ may obtain a duplicate driver's license without the proof restrictions. If the driver's license has expired or has not been reinstated and the person is otherwise eligible for licensing, the person shall pass the required examinations and pay the required fees. The suspension termination notice may also be presented to the county treasurer to obtain a new registration.

640.6(8) *Electronic submission of proof of financial responsibility and cancellation of future proof of financial responsibility.* Prior to July 1, 2021, an insurance carrier authorized to transact business in the state of Iowa may electronically submit proof of financial responsibility and cancellation of future proof of financial responsibility in a format approved by the department. An insurance carrier that submits proof of financial responsibility or cancellation of future proof of financial responsibility under this rule shall implement electronic submission of such proof no later than July 1, 2021. As of July 1, 2021, no paper submissions of such proof shall be accepted, and all proof of financial responsibility and cancellation of future proof of financial responsibility shall be submitted electronically in a format approved by the department.

This rule is intended to implement Iowa Code sections 321A.12 to 321A.29, 321A.31 and 321A.34.

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