

FEB 2 1995

HOUSE FILE 127
BY FALLON and COON

TRANSPORTATION

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to insurance coverage and licensing requirements
2 for motor vehicle operators in this state and providing
3 penalties and effective dates.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 127

1 Section 1. Section 321.1, Code 1995, is amended by adding
2 the following new subsections:

3 NEW SUBSECTION. 34A. "Liability insurance coverage" means
4 any of the following:

5 a. An owner's policy of liability insurance which is
6 issued by an insurance company authorized to do business in
7 Iowa to or for the benefit of the person named in the policy
8 as insured, and insuring the person named as insured and any
9 person using an insured motor vehicle with the express or
10 implied permission of the named insured against loss from
11 liability imposed by law for damages arising out of the
12 ownership, maintenance, or use of an insured motor vehicle
13 within the United States of America or the Dominion of Canada,
14 but subject to minimum limits, exclusive of interest and
15 costs, in the amounts specified in section 321A.21 or
16 specified in another provision of the Code, whichever is
17 greater.

18 b. A bond filed with the director pursuant to section
19 321A.24.

20 c. A valid certificate of deposit of money or security
21 issued by the treasurer of state pursuant to section 321A.25.

22 d. A valid certificate of self-insurance issued by the
23 director pursuant to section 321A.34.

24 NEW SUBSECTION. 54A. "Proof of insurance card" means
25 either a liability insurance card issued under section
26 321.20A, bond insurance card issued under section 321A.24,
27 security insurance card issued under section 321A.25, or self-
28 insurance card issued under section 321A.34.

29 Sec. 2. Section 321.20, Code 1995, is amended by adding
30 the following new subsection:

31 NEW SUBSECTION. 6. Proof of liability insurance coverage
32 if the registration is for a motor vehicle.

33 Sec. 3. NEW SECTION. 321.20A PROOF OF LIABILITY
34 INSURANCE COVERAGE.

35 1. Notwithstanding chapter 321A, which requires certain

1 persons to maintain proof of financial responsibility, a
2 person shall not allow the person's motor vehicle to be driven
3 on the highways of this state unless liability insurance
4 coverage as defined in section 321.1, subsection 34A, is in
5 effect for the motor vehicle and unless the driver has in the
6 motor vehicle the proof of insurance card issued for the motor
7 vehicle.

8 2. An insurance company transacting business in this state
9 shall issue to its insured owners of motor vehicles registered
10 in this state a liability insurance card for each insured
11 issued a motor vehicle license. The liability insurance card
12 shall be in accordance with rules adopted by the commissioner
13 of insurance pursuant to chapter 17A after consultation with
14 the state department of transportation. Each liability
15 insurance card shall identify the motor vehicle license number
16 of the insured and shall indicate the expiration date of the
17 applicable liability insurance coverage. The liability
18 insurance card shall also contain the name and address of the
19 insured and insurer.

20 3. If the liability insurance coverage for a person issued
21 a motor vehicle license in this state is canceled or
22 terminated effective prior to the expiration date indicated on
23 the liability insurance card issued for the person, the person
24 shall return the liability insurance card to the insurer which
25 issued the card.

26 4. An owner of a motor vehicle who is charged with
27 violating subsection 1 shall not be convicted if the person
28 produces in court, within a reasonable time, proof that
29 liability insurance coverage was in effect for the person at
30 the time of the person's arrest.

31 5. A person who violates this section commits the
32 following:

33 a. A simple misdemeanor if the person has had no previous
34 conviction under this section within the previous six years.
35 The person shall be assessed a fine of twenty-five dollars.

1 b. A simple misdemeanor if the person has had one previous
2 conviction under this section within the previous six years.

3 The person shall be assessed a fine of one hundred dollars.

4 c. A serious misdemeanor if the person has had two or more
5 previous convictions under this section within the previous
6 six years. The person shall be assessed a fine of five
7 hundred dollars.

8 6. a. Upon the conviction of a person who commits a
9 serious misdemeanor under subsection 5, the court shall order
10 that any motor vehicles owned or operated by the person be
11 impounded. The order shall specify all of the following:

12 (1) The motor vehicles subject to the order.

13 (2) The period of impoundment.

14 (3) The place at which the motor vehicles are to be
15 impounded.

16 (4) The person or agency which is to be responsible for
17 carrying out the order of impoundment. If the vehicle which
18 is subject to impoundment is in the custody of a law
19 enforcement agency, the court shall designate that agency as
20 the responsible agency.

21 b. The period of impoundment shall be for no more than six
22 months. A person may claim the motor vehicle if the owner
23 provides proof of liability insurance coverage and pays a fee
24 of one hundred dollars plus the costs of any expense for
25 storage of the motor vehicle. The amounts payable shall be
26 paid to the clerk of the district court who shall forward a
27 copy of the receipt to the department.

28 c. If a motor vehicle owner fails to claim the motor
29 vehicle as provided in paragraph "b" within six months, the
30 motor vehicle shall be forfeited to the state under chapter
31 809.

32 7. For purposes of this section, a violation of subsection
33 1 shall be attributed to the owner of the motor vehicle,
34 whether or not the owner is the person operating the vehicle
35 at the time of the violation, unless such owner establishes

1 that the vehicle was operated without the owner's consent.
2 Operation of motor vehicle in this state in violation of
3 subsection 1 establishes a rebuttable presumption that such
4 operation was with the consent of the owner.

5 8. The director of transportation and the commissioner of
6 insurance shall adopt rules pursuant to chapter 17A to
7 implement this section.

8 Sec. 4. Section 321.177, Code 1995, is amended by adding
9 the following new subsection:

10 NEW SUBSECTION. 10. To any person who does not at the
11 time of application provide proof of liability insurance
12 coverage as required in section 321.20A.

13 Sec. 5. Section 321.492, unnumbered paragraph 1, Code
14 1995, is amended to read as follows:

15 Any A peace officer is authorized to stop any a vehicle to
16 require exhibition of the driver's motor vehicle license, to
17 require exhibition of the proof of insurance card issued for
18 the driver, to serve a summons or memorandum of traffic
19 violation, to inspect the condition of the vehicle, to inspect
20 the vehicle with reference to size, weight, cargo, log book,
21 bills of lading or other manifest of employment, tires, and
22 safety equipment, or to inspect the registration certificate,
23 the compensation certificate, travel order, or permit of the
24 vehicle.

25 Sec. 6. Section 321A.17, subsections 1 through 3, Code
26 1995, are amended to read as follows:

27 1. Whenever When the department, under any a law of this
28 state, suspends or revokes the license of any a person upon
29 receiving record of a conviction or a forfeiture of bail or
30 revokes the license of any a person pursuant to chapter 321J,
31 the department shall also suspend the registration for all
32 motor vehicles registered in the name of the person, except
33 that the department shall not suspend the registration, unless
34 otherwise required by law, if the person has previously given
35 or immediately gives and thereafter maintains proof of

1 ~~financial-responsibility liability insurance coverage, as~~
2 ~~defined in section 321.1, subsection 34A, with respect to all~~
3 ~~motor vehicles registered by the person.~~

4 2. Such ~~The~~ license and-registration shall remain
5 suspended or revoked and shall not ~~at-any-time-thereafter~~ be
6 renewed nor shall ~~any a~~ license be ~~thereafter~~ issued to ~~such~~
7 ~~the~~ person, ~~nor shall any motor vehicle be thereafter~~
8 ~~registered in the name of such person~~ until permitted under
9 the motor vehicle laws of this state and not ~~then-unless-and~~
10 until the person ~~shall-give~~ gives and ~~thereafter-maintain~~
11 maintains proof of ~~financial-responsibility liability~~
12 insurance coverage, as defined in section 321.1, subsection
13 34A.

14 3. If a person is not licensed, but by final order or
15 judgment is convicted of or forfeits any bail or collateral
16 deposited to secure an appearance for trial for any offense
17 requiring the suspension or revocation of license, or for
18 operating an unregistered motor vehicle upon the highways, ~~no~~
19 a license shall not be ~~thereafter~~ issued to ~~such that~~ person
20 ~~and no motor vehicle shall continue to be registered or~~
21 ~~thereafter be registered in the name of such person~~ until the
22 person ~~shall-give~~ gives and ~~thereafter-maintain~~ maintains
23 proof of ~~financial-responsibility liability insurance~~
24 coverage, as defined in section 321.1, subsection 34A.

25 Sec. 7. Section 321A.24, subsection 1, Code 1995, is
26 amended to read as follows:

27 1. Proof of ~~financial-responsibility liability insurance~~
28 coverage, as defined in section 321.1, subsection 34A, may be
29 evidenced by the bond of a surety company duly authorized to
30 transact business within this state, or a bond with at least
31 two individual sureties each owning real estate within this
32 state, and together having equities equal in value to at least
33 twice the amount of the bond, which real estate shall be
34 scheduled in the bond approved by a judge or clerk of a the
35 district court ~~of-record,~~ and which ~~said~~ bond shall be

1 conditioned for payment of the amounts specified in section
2 321A.1, subsection 10. ~~Such~~ The bond shall be filed with the
3 department and ~~shall~~ is not be cancelable except after ten
4 days' written notice to the department. ~~Such~~ The department
5 shall issue to the person filing the bond a bond insurance
6 card. The bond insurance card shall state the name and
7 address of the person to whom the card is issued. The bond
8 ~~shall-constitute~~ constitutes a lien in favor of the state upon
9 the real estate so scheduled of any surety, which lien ~~shall~~
10 exist exists in favor of any holder of a final judgment
11 against the person who has filed ~~such~~ the bond, for damages,
12 including damages for care and loss of services, because of
13 bodily injury to or death of ~~any~~ a person, or for damage
14 because of injury to or destruction of property, including the
15 loss of use ~~thereof~~ of the property, resulting from the
16 ownership, maintenance, use, or operation of a motor vehicle
17 after ~~such~~ the bond was filed, upon the filing of notice to
18 that effect by the department in the office of the proper
19 clerk of the district court of the county where ~~such~~ the real
20 estate ~~shall-be~~ is located. Any ~~An~~ individual surety ~~so~~
21 scheduling real estate security shall furnish satisfactory
22 evidence of title ~~thereto~~ to the property and the nature and
23 extent of all encumbrances ~~thereon~~ on the property and the
24 value of the surety's interest ~~therein~~ in the property, in
25 ~~such~~ the manner as the judge or clerk of the district court of
26 ~~record~~ approving the bond ~~may-require~~ requires. The notice
27 filed by the department shall contain, in addition to any
28 other matters deemed by the department to be pertinent,
29 ~~contain~~ a legal description of the real estate ~~so~~ scheduled,
30 the name of the holder of the record title, the amount for
31 which it stands as security, and the name of the person in
32 whose behalf proof is ~~so~~ being made. Upon the filing of ~~such~~
33 the notice the clerk of the district court ~~of-such-county~~
34 shall retain the ~~same~~ notice as part of the records of ~~such~~
35 the court and enter upon the encumbrance book the date and

1 hour of filing, the name of the surety, the name of the record
2 titleholder, the description of the real estate, and the
3 further notation that a lien is charged on such the real
4 estate pursuant to the filed notice ~~filed-hereunder~~. From and
5 after the entry of the foregoing notice upon the encumbrance
6 book all persons ~~whomsoever-shall-be~~ are charged with notice
7 thereof of it.

8 If the bond is cancelled, the person who filed the bond
9 shall surrender to the department all bond insurance cards
10 issued to the person.

11 Sec. 8. Section 321A.25, subsection 1, Code 1995, is
12 amended to read as follows:

13 1. ~~With-respect-to-accidents-occurring-on-or-after-January~~
14 ~~17-1981,-and-before-January-17-1983,-proof-of-financial~~
15 ~~responsibility-may-be-evidenced-by-the-certificate-of-the~~
16 ~~state-treasurer-that-the-person-named-in-the-certificate-has~~
17 ~~deposited-with-the-treasurer-forty-thousand-dollars-in-cash,~~
18 ~~or-securities-such-as-may-legally-be-purchased-by-a-state-bank~~
19 ~~or-for-trust-funds-of-a-market-value-of-forty-thousand~~
20 ~~dollars,-and-with-respect-to-accidents-occurring-on-or-after~~
21 ~~January-17-1983,-proof~~ Proof of financial responsibility
22 liability insurance coverage, as defined in section 321.1,
23 subsection 34A, may be evidenced by the certificate of the
24 state treasurer of state that the person named in the
25 certificate has deposited with the treasurer of state fifty-
26 five thousand dollars in cash, or securities such-as which may
27 legally be purchased by a state bank or for trust funds of a
28 market value of fifty-five thousand dollars. The treasurer of
29 state shall promptly notify the state department of
30 transportation of the name and address of the person to whom
31 the certificate has been issued. Upon receipt of the
32 notification, the department shall issue to the person a
33 security insurance card. The security insurance card shall
34 state the name and address of the person and the motor vehicle
35 license number of the person. The state treasurer of state

1 shall not accept a deposit and issue a certificate for it and
2 the department shall not accept the certificate unless
3 accompanied by evidence that there are no unsatisfied
4 judgments of any character against the depositor in the county
5 where the depositor resides.

6 Sec. 9. Section 321A.32, subsection 3, Code 1995, is
7 amended to read as follows:

8 3. Any A person who ~~shall-forge~~ forges or, without
9 authority, ~~sign-any~~ signs a notice provided for under section
10 321A.5 that a policy or bond is in effect, or any evidence of
11 ~~proof-of~~ financial responsibility, or any evidence of
12 liability insurance coverage as defined in section 321.1,
13 subsection 34A, or who files or offers for filing any such
14 notice or evidence ~~of-proof~~ knowing or having reason to
15 believe that it is forged or signed without authority, ~~shall~~
16 be is guilty of a serious misdemeanor.

17 Sec. 10. Section 321A.34, subsections 2 and 3, Code 1995,
18 are amended to read as follows:

19 2. The department may, ~~in-the-department's-discretion,~~
20 upon the application of such a person, issue a certificate of
21 self-insurance ~~when~~ if the department is satisfied that ~~such~~
22 the person is-possessed has and will continue to ~~be-possessed~~
23 of have the ability to pay judgments obtained against ~~such the~~
24 person for damages arising out of the ownership, maintenance,
25 or use of any vehicle owned by ~~such the~~ person. The director
26 shall issue to each person who has in effect a valid
27 certificate of self-insurance, a self-insurance card. The
28 card shall state the name and address of the person and shall
29 state the motor vehicle license number of the person to whom
30 the card is issued.

31 3. Upon not less than five days' notice and a hearing
32 pursuant to ~~such the~~ notice, the department may upon
33 reasonable grounds cancel a certificate of self-insurance.
34 Failure to pay ~~any a~~ judgment for damages arising out of the
35 ownership, maintenance, or use of ~~any a~~ vehicle owned by ~~such~~

1 the self-insurer within thirty days after ~~such~~ the judgment
2 ~~shall-have-become~~ becomes final ~~shall-constitute~~ constitutes a
3 reasonable ground for the cancellation of a certificate of
4 self-insurance. Upon the cancellation of a certificate of
5 self-insurance, the person who was issued the certificate
6 shall surrender to the director all self-insurance cards
7 issued to the person.

8 Sec. 11. Section 516A.1, Code 1995, is amended to read as
9 follows:

10 516A.1 COVERAGE INCLUDED IN EVERY LIABILITY POLICY --
11 REJECTION BY INSURED.

12 No automobile liability or motor vehicle liability
13 insurance policy insuring against liability for bodily injury
14 or death arising out of the ownership, maintenance, or use of
15 a motor vehicle shall be delivered or issued for delivery in
16 this state with respect to any motor vehicle registered or
17 principally garaged in this state, unless coverage is provided
18 in such policy or supplemental thereto, for the protection of
19 persons insured under such policy who are legally entitled to
20 recover damages from the owner or operator of an uninsured
21 motor vehicle or a hit-and-run motor vehicle or an
22 underinsured motor vehicle because of bodily injury, sickness,
23 or disease, including death resulting therefrom, caused by
24 accident and arising out of the ownership, maintenance, or use
25 of such uninsured or underinsured motor vehicle, or arising
26 out of physical contact of such hit-and-run motor vehicle with
27 the person insured or with a motor vehicle which the person
28 insured is occupying at the time of the accident. Both the
29 uninsured motor vehicle or hit-and-run motor vehicle coverage,
30 and the underinsured motor vehicle coverage shall include
31 limits for bodily injury or death at least equal to those
32 stated in section 321A.1, subsection 10. Both the uninsured
33 motor vehicle or hit-and-run motor vehicle coverage, and the
34 underinsured motor vehicle coverage shall only be offered with
35 no deductible amount applicable. The form and provisions of

1 such coverage shall be examined and approved by the
2 commissioner of insurance.

3 However, the named insured may reject all of such coverage,
4 or reject the uninsured motor vehicle (hit-and-run motor
5 vehicle) coverage, or reject the underinsured motor vehicle
6 coverage, by written rejections signed by the named insured.
7 If rejection is made on a form or document furnished by an
8 insurance company or insurance agent, it shall be on a
9 separate sheet of paper which contains only the rejection and
10 information directly related to it. Such coverage need not be
11 provided in or supplemental to a renewal policy if the named
12 insured has rejected the coverage in connection with a policy
13 previously issued to the named insured by the same insurer.

14 Sec. 12. EFFECTIVE DATE AND IMPLEMENTATION. Sections 1
15 through 11 of this Act take effect January 1, 1996. However,
16 in order to implement this Act, the insurance division of the
17 department of commerce and the director of transportation
18 shall each adopt rules as required under this Act by October
19 1, 1995, to be effective by January 1, 1996. The treasurer of
20 state shall notify the director of transportation of the names
21 and addresses of persons who are issued valid certificates
22 under section 321A.25, subsection 1, Code 1995, by November 1,
23 1995, and after that date the treasurer of state shall notify
24 the director of transportation as required under section 8 of
25 this Act. Insurance carriers authorized to do business in
26 this state and the director of transportation shall distribute
27 proof of insurance cards as required under this Act by
28 December 1, 1995.

29

EXPLANATION

30 This bill prohibits a person from allowing the person's
31 motor vehicle to be driven in this state unless liability
32 insurance coverage is in effect for the person's motor vehicle
33 registered in this state. An owner of a motor vehicle who
34 violates this prohibition commits the following: a simple
35 misdemeanor if the person has had no previous conviction for

1 the same violation within the previous six years, and shall be
2 assessed a fine of \$25; a simple misdemeanor if the person has
3 had one previous conviction within the previous six years, and
4 shall be assessed a fine of \$100; and a serious misdemeanor if
5 the person has had two or more previous convictions within the
6 previous six years and shall be assessed a fine of \$500. The
7 bill also provides for the impoundment of the vehicle of a
8 person convicted of a third or subsequent offense and requires
9 payment of a fee.

10 The driver of the motor vehicle is also subject to a
11 conviction for a violation if the driver does not have in the
12 motor vehicle a proof of insurance card issued for the motor
13 vehicle. However, a person charged with not having in the
14 motor vehicle a proof of insurance card will not be convicted
15 if the person produces in court, within a reasonable time,
16 proof that the person had liability insurance coverage at the
17 time of the driver's arrest. Under the bill, liability
18 insurance coverage includes either liability insurance, the
19 filing of a bond, the deposit of money or securities, or a
20 certification of self-insurance.

21 The bill creates and internally cites new section 321.20A
22 and new subsection 34A of section 321.1.

23 The bill provides that uninsured and underinsured coverage
24 shall only be offered with no deductible amount applicable.

25 The bill generally takes effect January 1, 1996, but
26 certain administrative actions are required prior to that date
27 to allow for the bill's implementation.

28 This bill may create a state mandate as defined in chapter
29 25B.

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