

MAR 9 1995  
TRANSPORTATION

HOUSE FILE 318  
BY KREIMAN

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

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

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

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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 drive a motor vehicle on the highways of this  
3 state unless liability insurance coverage as defined in  
4 section 321.1, subsection 34A, is in effect for the motor  
5 vehicle and unless the driver has in the motor vehicle the  
6 proof of insurance card issued for the motor vehicle.

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

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

25 4. An insurance company transacting business in this state  
26 shall notify the state department of transportation and the  
27 sheriff of the county of the person's last known address of a  
28 cancellation of an insurance policy issued to that person  
29 within forty-five days after the policy's cancellation. The  
30 notification shall be in a manner prescribed by the  
31 commissioner of insurance after consultation with the state  
32 department of transportation.

33 5. An owner or driver of a motor vehicle who is charged  
34 with violating subsection 1 shall not be convicted if the  
35 person produces in court, within a reasonable time, proof that

1 liability insurance coverage was in effect for the person at  
2 the time of the person's arrest.

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

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

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

11 Sec. 5. Section 321.492, unnumbered paragraph 1, Code  
12 1995, is amended to read as follows:

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

23 Sec. 6. Section 321A.17, subsections 1 through 3, Code  
24 1995, are amended to read as follows:

25 1. ~~Whenever~~ When the department, under any a law of this  
26 state, suspends or revokes the license of any a person upon  
27 receiving record of a conviction or a forfeiture of bail or  
28 revokes the license of any a person pursuant to chapter 321J,  
29 the department shall also suspend the registration for all  
30 motor vehicles registered in the name of the person, except  
31 that the department shall not suspend the registration, unless  
32 otherwise required by law, if the person has previously given  
33 or immediately gives and ~~thereafter~~ maintains proof of  
34 financial-responsibility liability insurance coverage, as  
35 defined in section 321.1, subsection 34A, with respect to all

1 motor vehicles registered by the person.

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

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

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

25     1. Proof of ~~financial responsibility~~ liability insurance  
26 coverage, as defined in section 321.1, subsection 34A, may be  
27 evidenced by the bond of a surety company duly authorized to  
28 transact business within this state, or a bond with at least  
29 two individual sureties each owning real estate within this  
30 state, and together having equities equal in value to at least  
31 twice the amount of the bond, which real estate shall be  
32 scheduled in the bond approved by a judge or clerk of a ~~a~~ the  
33 district court of record, and which ~~said~~ bond shall be  
34 conditioned for payment of the amounts specified in section  
35 321A.1, subsection 10. ~~Such~~ The bond shall be filed with the

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

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

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

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

11 1. ~~With-respect-to-accidents-occurring-on-or-after-January~~  
12 ~~17-19817-and-before-January-17-19837-proof-of-financial~~  
13 ~~responsibility-may-be-evidenced-by-the-certificate-of-the~~  
14 ~~state-treasurer-that-the-person-named-in-the-certificate-has~~  
15 ~~deposited-with-the-treasurer-forty-thousand-dollars-in-cash7~~  
16 ~~or-securities-such-as-may-legally-be-purchased-by-a-state-bank~~  
17 ~~or-for-trust-funds-of-a-market-value-of-forty-thousand~~  
18 ~~dollars7-and-with-respect-to-accidents-occurring-on-or-after~~  
19 ~~January-17-19837-proof~~ Proof of ~~financial-responsibility~~  
20 liability insurance coverage, as defined in section 321.1,  
21 subsection 34A, may be evidenced by the certificate of the  
22 state treasurer of state that the person named in the  
23 certificate has deposited with the treasurer of state fifty-  
24 five thousand dollars in cash, or securities ~~such-as~~ which may  
25 legally be purchased by a state bank or ~~for~~ trust funds of a  
26 market value of fifty-five thousand dollars. The treasurer of  
27 state shall promptly notify the state department of  
28 transportation of the name and address of the person to whom  
29 the certificate has been issued. Upon receipt of the  
30 notification, the department shall issue to the person a  
31 security insurance card. The security insurance card shall  
32 state the name and address of the person and the motor vehicle  
33 license number of the person. The state treasurer of state  
34 shall not accept a deposit and issue a certificate for it and  
35 the department shall not accept the certificate unless

1 accompanied by evidence that there are no unsatisfied  
2 judgments of any character against the depositor in the county  
3 where the depositor resides.

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

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

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

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

29 3. Upon not less than five days' notice and a hearing  
30 pursuant to ~~such the~~ notice, the department may upon  
31 reasonable grounds cancel a certificate of self-insurance.  
32 Failure to pay any a judgment for damages arising out of the  
33 ownership, maintenance, or use of any a vehicle owned by such  
34 the self-insurer within thirty days after ~~such the~~ judgment  
35 ~~shall-have-become~~ becomes final ~~shall-constitute~~ constitutes a



1 reasonable ground for the cancellation of a certificate of  
2 self-insurance. Upon the cancellation of a certificate of  
3 self-insurance, the person who was issued the certificate  
4 shall surrender to the director all self-insurance cards  
5 issued to the person.

6 Sec. 11. Section 805.8, subsection 2, Code 1995, is  
7 amended by adding the following new paragraph:

8 NEW PARAGRAPH. z. If, in connection with a motor vehicle  
9 accident, a person is charged and found guilty of a violation  
10 of section 321.20A, subsection 1, the scheduled fine is five  
11 hundred dollars, otherwise the scheduled fine for a violation  
12 of section 321.20A, subsection 1, is one hundred dollars.

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

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#### EXPLANATION

29 This bill prohibits a person from obtaining a motor vehicle  
30 license in this state unless liability insurance coverage is  
31 in effect for the person's motor vehicle registered in this  
32 state. A violation is subject to a \$500 scheduled fine if the  
33 violation is in connection with a motor vehicle accident,  
34 otherwise the scheduled fine is \$100.

35 The driver of the motor vehicle is also subject to a

1 conviction for a violation if the driver does not have in the  
2 motor vehicle a proof of insurance card issued for the motor  
3 vehicle. However, a person charged with not having in the  
4 motor vehicle a proof of insurance card will not be convicted  
5 if the person produces in court, within a reasonable time,  
6 proof that the person had liability insurance coverage at the  
7 time of the driver's arrest. Under the bill, liability  
8 insurance coverage includes either liability insurance, the  
9 filing of a bond, the deposit of money or securities, or a  
10 certification of self-insurance.

11 The bill requires insurance companies transacting business  
12 in this state to notify the state department of transportation  
13 and the sheriff of the county in which the motor vehicle is  
14 registered of a cancellation of an insurance policy issued to  
15 a person who has been issued a motor vehicle license in this  
16 state within 45 days after the policy's cancellation.

17 The bill creates and internally cites new section 321.20A  
18 and new subsection 34A of section 321.1.

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

22 The bill may create a state mandate as defined in chapter  
23 25B.

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