

House Study Bill 631 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
TRANSPORTATION BILL BY
CHAIRPERSON BYRNES)

A BILL FOR

1 An Act establishing a motor vehicle insurance verification
2 program, establishing fees, and including penalty and
3 effective date provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 321.11, subsection 3, Code 2016, is
2 amended to read as follows:

3 3. Notwithstanding other provisions of **this section** to the
4 contrary, the department shall not release personal information
5 to a person, other than to an officer or employee of a law
6 enforcement agency, an employee of a federal or state agency
7 or political subdivision in the performance of the employee's
8 official duties, a contract employee of the department of
9 inspections and appeals in the conduct of an investigation, or
10 a licensed private investigation agency or a licensed security
11 service or a licensed employee of either, if the information is
12 requested by the presentation of a registration plate number.
13 However, the department may release personal information to the
14 department's designated agent for the purposes of chapter 321B.
15 In addition, an officer or employee of a law enforcement agency
16 may release the name, address, and telephone number of a motor
17 vehicle registrant to a person requesting the information by
18 the presentation of a registration plate number if the officer
19 or employee of the law enforcement agency believes that the
20 release of the information is necessary in the performance of
21 the officer's or employee's duties.

22 Sec. 2. NEW SECTION. 321B.1 **Short title.**

23 This chapter shall be known and may be cited as the "*Motor*
24 *Vehicle Insurance Verification Act*".

25 Sec. 3. NEW SECTION. 321B.2 **Definitions.**

26 As used in this chapter, unless the context otherwise
27 requires:

28 1. "*Database*" means the motor vehicle insurance verification
29 database created under this chapter.

30 2. "*Department*" means the state department of
31 transportation.

32 3. "*Designated agent*" means the third party with which the
33 department contracts under section 321B.3.

34 4. "*Financial institution*" means as defined in 18 U.S.C.
35 §20.

1 5. "Motor vehicle" means as defined in section 321.1.

2 6. "Program" means the motor vehicle insurance verification
3 program created under this chapter.

4 Sec. 4. NEW SECTION. 321B.3 Motor vehicle insurance
5 verification program.

6 1. A motor vehicle insurance verification program is
7 created within the department to be administered by the
8 department. The purposes of the program include all of the
9 following:

10 a. To establish a motor vehicle insurance verification
11 database to verify compliance with the requirements of section
12 321.20B.

13 b. To assist in reducing the number of uninsured motor
14 vehicles on the highways of the state.

15 c. To assist in increasing compliance with motor vehicle
16 registration requirements and for other law enforcement
17 purposes.

18 d. To assist in protecting the bona fide security interests
19 of financial institutions in motor vehicles.

20 2. The department shall contract with a third party to act
21 as the department's designated agent for administration of this
22 chapter for a period of four years. For the period of the
23 contract, the designated agent shall establish and maintain a
24 computer database containing the following information:

25 a. Information provided by insurers under section 321B.5.

26 b. Information provided by the department under subsection
27 5.

28 c. Information obtained by the designated agent for the
29 purposes of this chapter using a real-time internet services
30 system.

31 d. Any other information provided by the department pursuant
32 to this chapter.

33 3. The database shall be developed and maintained in
34 accordance with guidelines established by the department by
35 rule pursuant to chapter 17A to allow authorized state and

1 local law enforcement agencies and financial institutions to
2 efficiently access the records of the database, including
3 reports useful for the implementation of this chapter. The
4 department shall consult with the chief information officer
5 appointed under section 8B.2 for the purpose of developing
6 network security requirements for the database.

7 *a.* Database reports shall be in a form and contain
8 information approved by the department.

9 *b.* Database reports may be made available through the
10 department's internet site or through other electronic media
11 if the department determines that sufficient security is
12 provided to ensure compliance with the provisions of this
13 chapter regarding limitations on disclosure of information in
14 the database.

15 4. At least twice monthly, the designated agent shall do the
16 following, using information provided by the department:

17 *a.* Update the database with motor vehicle insurance
18 information provided by insurers in accordance with section
19 321B.5.

20 *b.* Compare all current motor vehicle registrations against
21 the database.

22 5. On or before the seventh day of each calendar month, the
23 department shall provide the designated agent with the make,
24 model, year, and vehicle identification number of each vehicle
25 in the department's motor vehicle database, and the name and
26 address of each person listed on each vehicle's registration.

27 6. The department shall adopt rules in accordance with
28 chapter 17A establishing procedures for using the department's
29 motor vehicle database for the purposes of administering and
30 enforcing this chapter.

31 7. *a.* The designated agent shall archive database files at
32 least semiannually for auditing purposes.

33 *b.* The department shall audit the program at least annually.
34 The audit shall include verification of:

35 (1) Billings made by the designated agent.

1 (2) The accuracy of the designated agent's matching of
2 vehicle registration records with insurance data.

3 Sec. 5. NEW SECTION. 321B.4 Enforcement of financial
4 responsibility requirements — penalty.

5 1. If records in the database indicate that a registered
6 motor vehicle is not covered under an owner's policy of
7 liability insurance for three consecutive months, and if at
8 the direction of the department the designated agent using a
9 real-time internet services system determines the registered
10 motor vehicle is not covered by the owner's policy of liability
11 insurance, the designated agent shall provide notice by
12 first-class mail to the owner of the motor vehicle that the
13 owner has fifteen days from the date the notice was mailed to
14 provide one of the following:

15 a. Proof of financial liability coverage as defined in
16 section 321.1, subsection 24B.

17 b. Proof that the owner is exempt from the requirement to
18 maintain proof of financial liability coverage under section
19 321.20B.

20 2. If, after fifteen days, the owner of the motor vehicle
21 fails to provide satisfactory proof of financial liability
22 coverage, the designated agent shall provide a second notice
23 by first-class mail to the owner of the motor vehicle allowing
24 the owner an additional fifteen days from the date the second
25 notice was mailed to provide the information requested under
26 subsection 1.

27 3. a. The designated agent shall update the database
28 regarding each notice sent to a motor vehicle owner under
29 subsections 1 and 2, indicating the information provided by the
30 motor vehicle owner or the owner's failure to provide proof of
31 financial liability coverage, as applicable.

32 b. If the owner of a motor vehicle provides proof to the
33 department or the designated agent that the owner's motor
34 vehicle is covered by an acceptable form of financial liability
35 coverage described in section 321.1, subsection 24B, paragraph

1 "b", "c", or "d", the information shall be recorded in the
2 database.

3 c. If the designated agent determines the motor vehicle
4 is insured using a real-time internet services system, that
5 information shall be added to the database.

6 4. a. If the owner of a motor vehicle fails to provide
7 proof of financial liability coverage following receipt of the
8 second notice under subsection 2, the designated agent shall
9 notify the department, and the department shall revoke the
10 registration of the motor vehicle.

11 b. The department shall provide to the owner of the motor
12 vehicle appropriate notice of the revocation, order the owner
13 to surrender the registration plates and registration receipt
14 for the vehicle to the county treasurer, advise the owner of
15 the legal consequences of operating a vehicle with revoked
16 registration and without financial liability coverage, and
17 instruct the owner on how to reinstate the vehicle registration
18 once the owner has obtained financial liability coverage for
19 the vehicle.

20 5. a. A person shall not provide a false or fraudulent
21 statement to the department or the department's designated
22 agent in regard to proceedings under this chapter.

23 b. In addition to any other penalties, a person who violates
24 paragraph "a" is guilty of a simple misdemeanor.

25 6. A revocation of registration under this chapter is in
26 addition to any other penalty imposed by law. This chapter
27 does not affect other actions or penalties that may be taken or
28 imposed for a violation of section 321.20B or other law.

29 7. a. A registration that has been revoked under this
30 section shall not be reinstated and a new registration shall
31 not be issued to the holder of the revoked registration until
32 the person does all of the following:

33 (1) Pays to the department an administrative reinstatement
34 fee of one hundred dollars, in addition to any other penalty
35 imposed by law.

1 (2) Complies with the requirements of section 321.20B and
2 this chapter.

3 *b.* Reinstatement fees collected under this subsection shall
4 be retained by the department as repayment receipts as defined
5 in section 8.2 and shall be used exclusively to offset the
6 costs of administering the program, including payments made by
7 the department to the department's designated agent.

8 Sec. 6. NEW SECTION. 321B.5 Motor vehicle insurance
9 reporting — penalty.

10 1. *a.* Except as provided in paragraph "b", each insurer
11 that issues a policy to a motor vehicle owner in this state
12 that includes motor vehicle liability coverage, uninsured
13 motorist coverage, underinsured motorist coverage, or
14 personal injury coverage shall, on or before the seventh
15 and twenty-first days of each calendar month, submit to the
16 department's designated agent a record of each motor vehicle
17 insurance policy that was issued by the insurer and in effect
18 for a vehicle registered or garaged in this state as of the
19 date of the previous submission.

20 *b.* An insurer is not required to provide a record of a motor
21 vehicle insurance policy under paragraph "a" if the policy
22 covers a vehicle that is registered under chapter 326.

23 *c.* This subsection does not preclude more frequent
24 reporting.

25 2. A record provided by an insurer under subsection 1,
26 paragraph "a", shall include all of the following:

27 *a.* The name, date of birth, and driver's license number, if
28 the insured provides a driver's license number to the insurer,
29 of each insured owner or operator, and the address of the named
30 insured.

31 *b.* The make, year, and vehicle identification number of each
32 insured vehicle.

33 *c.* The policy number and effective date of each policy.

34 3. An insurer shall provide the information required under
35 this section via electronic means or via another means the

1 designated agent agrees to accept.

2 4. *a.* The department may assess a civil penalty of not more
3 than two hundred fifty dollars for each day an insurer fails to
4 comply with this section.

5 *b.* If an insurer shows that the failure to comply with this
6 section was inadvertent, accidental, or the result of excusable
7 neglect, the department may waive the civil penalty.

8 *c.* An insurer that discloses records to the department's
9 designated agent in a reasonable, good-faith effort to comply
10 with the requirements of this section shall not be subject to a
11 civil penalty under paragraph "a".

12 Sec. 7. NEW SECTION. 321B.6 Disclosure of database
13 information — penalty.

14 1. Information provided to the designated agent and
15 information contained in the database under this chapter are
16 confidential and subject to the provisions and penalties
17 provided under 18 U.S.C. ch. 123. Such information shall not
18 be disclosed, except as follows:

19 *a.* For the purpose of investigating, litigating, or
20 enforcing the financial liability coverage requirements
21 of section 321.20B, the designated agent shall provide an
22 electronic record to a state or local government agency or
23 court verifying motor vehicle financial liability coverage
24 information.

25 *b.* For the purpose of investigating, litigating, or
26 enforcing the financial liability coverage requirements of
27 section 321.20B, the designated agent shall, upon request,
28 issue to any state or local government agency or court a
29 certificate documenting motor vehicle financial liability
30 coverage, according to the database, of a specific individual
31 or motor vehicle for the time period designated by the
32 government agency or court.

33 *c.* Upon request, the department or its designated agent
34 shall disclose whether an individual is covered under a motor
35 vehicle insurance policy and the insurance company name to:

1 (1) The individual or, if the individual is deceased,
2 any person who is an interested party in the estate of the
3 individual as provided under chapter 633.

4 (2) The parent or legal guardian of the individual if the
5 individual is an unemancipated minor.

6 (3) The legal guardian of the individual if the individual
7 is legally incapacitated.

8 (4) A person who has power of attorney for the individual.

9 (5) A person who submits a notarized release from the
10 individual dated no more than ninety days before the date the
11 request is made.

12 (6) A person suffering loss or injury in a motor vehicle
13 accident in which the individual was involved, but only as part
14 of an accident report as authorized in section 321.271 relating
15 to access to accident reports.

16 *d.* For the purpose of investigating, enforcing, or
17 prosecuting laws or issuing citations, information related to a
18 motor vehicle owner or operator's financial liability coverage
19 under section 321.20B may be provided to state or local law
20 enforcement agencies.

21 *e.* Upon request of a peace officer acting in an official
22 capacity under the provisions of paragraph "*d*", the department
23 or the designated agent shall, upon request, disclose relevant
24 information contained in the database.

25 *f.* For the purpose of the state auditor conducting audits
26 of the program.

27 *g.* Upon request of a financial institution for the purpose
28 of protecting the financial institution's bona fide security
29 interest in a motor vehicle.

30 2. *a.* The department may allow the designated agent to
31 prepare and deliver, upon request, a report on the insurance
32 information of a person or motor vehicle in accordance with
33 this section. The report may be in the form of:

34 (1) A certified copy that is considered admissible in any
35 court proceeding in the same manner as the original.

1 (2) Information accessible through the internet or through
2 another electronic medium if the department determines that
3 sufficient security is provided to ensure compliance with this
4 section.

5 b. The department may allow the designated agent to charge a
6 fee established by the department for each of the following:

7 (1) Authenticating a document, including preparation and
8 delivery of a certified copy.

9 (2) Accessing a record through the internet or through
10 another electronic medium.

11 (3) Providing a record to a financial institution under
12 subsection 1, paragraph "g".

13 3. The designated agent or any other person who knowingly
14 releases or discloses information from the database for a
15 purpose other than those authorized in this section or to a
16 person who is not entitled to such information is guilty of a
17 class "D" felony.

18 4. Neither the state nor the department's designated agent
19 is liable to any person for gathering, managing, or using the
20 information in the database in compliance with this chapter.

21 5. An insurer acting in compliance with the provisions
22 of this chapter shall not be liable to any person for the
23 disclosure of information supplied to the department or the
24 department's designated agent pursuant to this chapter.

25 Sec. 8. EFFECTIVE DATE. This Act takes effect July 1, 2017.

26 EXPLANATION

27 The inclusion of this explanation does not constitute agreement with
28 the explanation's substance by the members of the general assembly.

29 This bill establishes a motor vehicle insurance verification
30 program within the department of transportation (DOT). The
31 DOT is required to contract with a third party for four years
32 to act as the DOT's designated agent for administration of the
33 program.

34 The designated agent is required to establish and maintain
35 a database containing information from insurers, the DOT,

1 and an internet services system relating to motor vehicle
2 insurance coverage for registered motor vehicles, motor
3 vehicle identification information, personal identification
4 information for registered owners of motor vehicles, and any
5 other information provided to the designated agent by the DOT.

6 At least twice a month, the designated agent shall update
7 the database and compare current motor vehicle registrations
8 with updated insurance information. The files in the database
9 shall be archived semiannually and audited by the DOT at
10 least annually. The bill requires the DOT to adopt rules for
11 administration of the database.

12 If database records show that a registered motor vehicle
13 is not covered under an owner's policy of liability insurance
14 for three months, the designated agent shall send a notice
15 to the owner requiring the owner to respond within 15 days
16 by providing proof of financial liability coverage or proof
17 that the owner is exempt from the requirement to maintain
18 financial liability coverage. If the owner fails to respond,
19 a second notice will be sent. If the owner does not respond
20 to the second notice, the owner's motor vehicle registration
21 will be revoked by the DOT and the owner will be required to
22 surrender the registration plates and registration receipt for
23 the vehicle to the county treasurer. In order to obtain a
24 new registration for the vehicle, the owner must comply with
25 financial responsibility requirements and pay an administrative
26 fee of \$100. The fees are to be used by the DOT exclusively to
27 offset the costs of administering the program.

28 The bill provides that if a motor vehicle is covered by a
29 form of financial liability coverage other than an insurance
30 policy, that fact shall be noted in the database.

31 The bill prohibits a person from providing false or
32 fraudulent information to the DOT or the DOT's designated
33 agent in relation to the motor vehicle insurance verification
34 program. A violation is a simple misdemeanor.

35 The bill requires each insurer that issues a policy that

1 includes motor vehicle liability coverage, uninsured motorist
2 coverage, underinsured motorist coverage, or personal injury
3 coverage to the owner of a motor vehicle to provide, before the
4 7th and the 21st of each month, to the DOT's designated agent
5 a record of each motor vehicle insurance policy issued by the
6 insurer and in effect for vehicles registered or garaged in
7 this state as of the date of the previous submission. Vehicles
8 subject to apportioned registration are not included in this
9 requirement. Insurers that fail to comply with the reporting
10 requirement may be assessed a civil penalty of \$250 per day.
11 However, the DOT may waive the penalty upon a showing that the
12 failure was inadvertent, accidental, or the result of excusable
13 neglect. An insurer that discloses records to the DOT's
14 designated agent in a reasonable, good-faith effort to comply
15 with the bill is not subject to the penalty.

16 Information contained in the database is confidential,
17 but the bill provides exceptions for disclosures to state or
18 local government agencies and courts for specified purposes,
19 to individuals and certain other authorized persons, for
20 purposes of an accident investigation, to law enforcement
21 agencies and peace officers for certain official purposes,
22 to the state auditor, and to financial institutions with a
23 security interest in a motor vehicle. The designated agent
24 may be authorized to provide certified copies or electronic
25 records, as appropriate, and to charge a fee for the provision
26 of records and authentication of documents.

27 A person who knowingly releases or discloses information
28 from the database for a purpose other than those authorized in
29 the bill or to a person who is not entitled to such information
30 is guilty of a class "D" felony.

31 The bill provides that the state and the DOT's designated
32 agent are not liable to any person for gathering, managing,
33 or using, and insurers are not liable for disclosing, the
34 information in the database in compliance with the bill.

35 The bill provides for an effective date of July 1, 2017.