

House File 551 - Introduced

HOUSE FILE 551

BY COMMITTEE ON TRANSPORTATION

(SUCCESSOR TO HSB 75)

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 2017, 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. Section 321.20B, subsection 4, Code 2017, is amended
23 by adding the following new paragraph:

24 NEW PARAGRAPH. *d.* Notwithstanding any other provision
25 of law to the contrary, a peace officer shall not stop or
26 detain a person solely for a suspected violation of subsection
27 1. Subsection 1 is enforceable by a peace officer only as
28 a secondary action when the driver of a motor vehicle has
29 been stopped or detained for a suspected violation of another
30 provision of this chapter, a local ordinance equivalent to a
31 provision of this chapter, or other law.

32 Sec. 3. NEW SECTION. **321.492C Use of camera or optical**
33 **device for insurance enforcement prohibited.**

34 The state or a political subdivision of the state shall not
35 use any automated or remote system equipped with a camera or

1 other optical device to identify persons operating a motor
2 vehicle in violation of section 321.20B or chapter 321A.

3 **Sec. 4. NEW SECTION. 321B.1 Short title.**

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

6 **Sec. 5. NEW SECTION. 321B.2 Definitions.**

7 As used in this chapter, unless the context otherwise
8 requires:

9 1. "*Advisory council*" means the group established pursuant
10 to section 321B.3, subsection 2.

11 2. "*Database*" means the motor vehicle insurance verification
12 database created under this chapter.

13 3. "*Department*" means the department of transportation.

14 4. "*Designated agent*" means the third party with which the
15 department contracts under section 321B.3.

16 5. "*Financial institution*" means financial institution as
17 defined in 18 U.S.C. §20.

18 6. "*Motor vehicle*" means motor vehicle as defined in section
19 321.1.

20 7. "*Program*" means the motor vehicle insurance verification
21 program created under this chapter.

22 8. "*Real-time internet services model*" means an electronic
23 service established by insurers through the internet, the
24 world wide web, or a similar proprietary or common carrier
25 electronic system that complies with the specifications and
26 standards of the insurance industry committee on motor vehicle
27 administration and that is available twenty-four hours per
28 day, seven days per week, subject to reasonable allowances for
29 scheduled maintenance or temporary system failures.

30 **Sec. 6. NEW SECTION. 321B.3 Motor vehicle insurance
31 verification program — advisory council.**

32 1. A motor vehicle insurance verification program is
33 created within the department to be administered by the
34 department. The purposes of the program include all of the
35 following:

1 *a.* To establish a motor vehicle insurance verification
2 database to verify compliance with the requirements of section
3 321.20B.

4 *b.* To assist in reducing the number of uninsured motor
5 vehicles on the highways of the state.

6 *c.* To assist in increasing compliance with motor vehicle
7 registration requirements and for other law enforcement
8 purposes.

9 *d.* To assist in protecting the bona fide security interests
10 of financial institutions in motor vehicles.

11 2. *a.* The department shall establish an advisory council,
12 chaired by the director of the department or a representative
13 of the department appointed by the director, consisting of
14 six members including the director of the department or the
15 representative of the department appointed by the director,
16 a representative of the department of public safety, an
17 insurance company representative appointed by the commissioner
18 of insurance, an insurance agent appointed by the commissioner
19 of insurance, a representative of a trade association of
20 property and casualty insurers appointed by the commissioner
21 of insurance, and a representative of a vendor with experience
22 implementing real-time internet services models and databases
23 similar to the database created under this chapter appointed by
24 the director of the department.

25 *b.* The advisory council shall do all of the following:

26 (1) Make recommendations to the department on the best
27 methods and practices for implementing a real-time internet
28 services model for insurance verification.

29 (2) Assist in the development of a guide for insurers
30 detailing the data fields and other information necessary for
31 compliance with this chapter.

32 (3) Provide an annual report to the department detailing the
33 improvements and implementation efforts relating to insurance
34 verification in other states for consideration in improving
35 compliance and operations in this state.

1 3. Following the competitive bidding procedures as provided
2 in chapter 8A, subchapter III, the department shall contract
3 with a third party to act as the department's designated agent
4 for administration of this chapter for a period of four years.
5 For the period of the contract, the designated agent shall
6 establish and maintain a computer database containing the
7 following information:

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

9 b. Information provided by the department under subsection
10 6.

11 c. Information obtained using a real-time internet services
12 model.

13 d. Any other information provided by the department pursuant
14 to this chapter.

15 4. The database shall be developed and maintained, and
16 access to a real-time internet services model shall be
17 provided, in accordance with guidelines established by the
18 department by rule to allow authorized state and local law
19 enforcement agencies and financial institutions to efficiently
20 access the records of the database and real-time internet
21 services model, including reports useful for the implementation
22 of this chapter, twenty-four hours per day, seven days
23 per week, subject to reasonable allowances for scheduled
24 maintenance or temporary system failures.

25 a. Database reports shall be in a form and contain
26 information approved by the department.

27 b. Database reports may be made available through the
28 department's internet site or through other electronic media
29 if the department determines that sufficient security is
30 provided to ensure compliance with the provisions of this
31 chapter regarding limitations on disclosure of information in
32 the database.

33 c. The department shall consult with the chief information
34 officer appointed under section 8B.2 for the purpose of
35 developing network security requirements for the database.

1 5. At least twice monthly, the designated agent shall do the
2 following, using information provided by the department:

3 a. Update the database with motor vehicle insurance
4 information provided by insurers in accordance with section
5 321B.5.

6 b. Compare all current motor vehicle registrations against
7 the database. If records in the database indicate that a
8 registered motor vehicle is not covered under an owner's
9 policy of liability insurance, the designated agent shall
10 use a real-time internet services model to determine if the
11 registered motor vehicle is covered under an owner's policy of
12 liability insurance.

13 6. On or before the seventh day of each calendar month, the
14 department shall provide the designated agent with the make,
15 model, year, and vehicle identification number of each vehicle
16 in the department's motor vehicle database, and the name and
17 address of each person listed on each vehicle's registration.

18 7. The department shall adopt rules in accordance with
19 chapter 17A establishing procedures for the use of the
20 department's motor vehicle database for the purposes of
21 administering and enforcing this chapter.

22 8. a. The designated agent shall archive database files at
23 least semiannually for auditing purposes.

24 b. The department shall audit the program at least annually.
25 The audit shall include verification of:

26 (1) Billings made by the designated agent.

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

29 **Sec. 7. NEW SECTION. 321B.4 Enforcement of financial**
30 **responsibility requirements — penalty.**

31 1. If records in the database and the real-time internet
32 services model used by the designated agent indicate that a
33 registered motor vehicle is not covered under an owner's policy
34 of liability insurance for three consecutive months, at the
35 direction of the department the designated agent shall provide

1 notice by first-class mail to the owner of the motor vehicle
2 that the owner has fifteen days from the date the notice was
3 mailed to provide one of the following:

4 *a.* Proof of financial liability coverage as defined in
5 section 321.1, subsection 24B.

6 *b.* Proof that the owner is exempt from the requirement to
7 maintain proof of financial liability coverage under section
8 321.20B.

9 2. If, after fifteen days, the owner of the motor vehicle
10 fails to provide satisfactory proof of financial liability
11 coverage, the designated agent shall provide a second notice
12 by first-class mail to the owner of the motor vehicle allowing
13 the owner an additional fifteen days from the date the second
14 notice was mailed to provide the information requested under
15 subsection 1.

16 3. *a.* The designated agent shall update the database
17 regarding each notice sent to a motor vehicle owner under
18 subsections 1 and 2, indicating the information provided by the
19 motor vehicle owner or the owner's failure to provide proof of
20 financial liability coverage, as applicable.

21 *b.* If the owner of a motor vehicle provides proof to the
22 department or the designated agent that the owner's motor
23 vehicle is covered by an acceptable form of financial liability
24 coverage described in section 321.1, subsection 24B, paragraph
25 "b", "c", or "d", the information shall be recorded in the
26 database.

27 *c.* If the designated agent determines the motor vehicle
28 is appropriately insured using a real-time internet services
29 model, the information shall be recorded in the database.

30 4. *a.* If the owner of a motor vehicle fails to provide
31 proof of financial liability coverage following receipt of the
32 second notice under subsection 2, the designated agent shall
33 notify the department, and the department shall revoke the
34 registration of the motor vehicle.

35 *b.* The department shall provide to the owner of the motor

1 vehicle appropriate notice of the revocation, order the owner
2 to surrender the registration plates and registration receipt
3 for the vehicle to the county treasurer, advise the owner of
4 the legal consequences of operating a vehicle with revoked
5 registration and without financial liability coverage, and
6 instruct the owner on how to reinstate the vehicle registration
7 once the owner has obtained financial liability coverage for
8 the vehicle.

9 5. *a.* A person shall not provide a false or fraudulent
10 statement to the department or the department's designated
11 agent in regard to proceedings under this chapter.

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

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

18 7. *a.* A registration that has been revoked under this
19 section shall not be reinstated and a new registration shall
20 not be issued to the holder of the revoked registration until
21 the person does all of the following:

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

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

27 *b.* Reinstatement fees collected under this subsection shall
28 be retained by the department as repayment receipts as defined
29 in section 8.2 and shall be used exclusively to offset the
30 costs of administering the program, including payments made by
31 the department to the department's designated agent.

32 **Sec. 8. NEW SECTION. 321B.5 Motor vehicle insurance**
33 **reporting — penalty.**

34 1. *a.* Except as provided in paragraph "b", each insurer
35 that issues a policy to a motor vehicle owner in this state

1 that includes motor vehicle liability coverage, uninsured
2 motorist coverage, underinsured motorist coverage, or
3 personal injury coverage shall, on or before the seventh
4 and twenty-first days of each calendar month, submit to the
5 department's designated agent a record of each motor vehicle
6 insurance policy that was issued by the insurer and in effect
7 for a vehicle registered or garaged in this state as of the
8 date of the previous submission.

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

12 *c.* This subsection does not preclude more frequent
13 reporting.

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

16 *a.* The name, date of birth, and driver's license number, if
17 the insured provides a driver's license number to the insurer,
18 of each insured owner or operator, and the address of the named
19 insured.

20 *b.* The make, year, and vehicle identification number of each
21 insured vehicle.

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

23 3. An insurer shall provide the information required under
24 this section via electronic means or via another means the
25 designated agent agrees to accept.

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

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

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

1 Sec. 9. NEW SECTION. 321B.6 Disclosure of database
2 information — penalty.

3 1. Information provided to the designated agent and
4 information contained in the database under this chapter are
5 confidential and subject to the provisions and penalties of 18
6 U.S.C. §2721. Such information may not be disclosed, except
7 as follows:

8 *a.* For the purpose of investigating, litigating, or
9 enforcing the financial liability coverage requirements
10 of section 321.20B, the designated agent shall provide an
11 electronic record to a state or local government agency or
12 court verifying motor vehicle financial liability coverage
13 information.

14 *b.* For the purpose of investigating, litigating, or
15 enforcing the financial liability coverage requirements of
16 section 321.20B, the designated agent shall, upon request,
17 issue to any state or local government agency or court a
18 certificate documenting motor vehicle financial liability
19 coverage, according to the database, of a specific individual
20 or motor vehicle for the time period designated by the
21 government agency or court.

22 *c.* Upon request, the department or its designated agent
23 shall disclose whether an individual is covered under a motor
24 vehicle insurance policy, proof of the insurance coverage
25 policy, and the insurance company name to:

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

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

31 (3) The legal guardian of the individual if the individual
32 is legally incapacitated.

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

34 (5) A person who submits a notarized release from the
35 individual dated no more than ninety days before the date the

1 request is made.

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

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

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

15 *f.* For the purpose of the state auditor conducting audits
16 of the program.

17 *g.* Upon request of a financial institution for the purpose
18 of protecting the financial institution's bona fide security
19 interest in a motor vehicle.

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

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

26 (2) Information accessible through the internet or through
27 another electronic medium if the department determines that
28 sufficient security is provided to ensure compliance with this
29 section.

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

32 (1) Authenticating a document, including preparation and
33 delivery of a certified copy.

34 (2) Accessing a record through the internet or through
35 another electronic medium.

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

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

8 4. Neither the state nor the department's designated agent
9 shall be liable to any person for gathering, managing, or
10 using the information in the database in compliance with this
11 chapter.

12 5. The designated agent shall be responsible for
13 maintaining and securing the information in the database
14 provided by the department and insurers under sections 321B.3
15 and 321B.5.

16 6. An insurer acting in compliance with this chapter shall
17 not be liable to any person for the disclosure of information
18 supplied to the department or designated agent. The designated
19 agent shall indemnify an insurer against any loss arising from
20 the disclosure of information supplied to the department or
21 designated agent, provided the insurer supplied the information
22 to the department or designated agent in a manner that complies
23 with this chapter and rules adopted pursuant to this chapter.
24 Records provided by an insurer under this chapter shall be
25 deemed evidence of insurance and not a guarantee of insurance.

26 Sec. 10. EFFECTIVE DATE. This Act takes effect July 1,
27 2018.

28 EXPLANATION

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

31 This bill establishes a motor vehicle insurance verification
32 program to be administered by the department of transportation
33 (DOT). Following the applicable competitive bidding
34 procedures, the DOT is required to contract with a third
35 party for four years to act as the DOT's designated agent for

1 administration of the program.

2 The bill provides that a peace officer shall not stop or
3 detain a person solely for a suspected violation of motor
4 vehicle financial liability coverage requirements, and that
5 such requirements are enforceable by a peace officer only as
6 a secondary action when the driver of the vehicle has been
7 stopped or detained for a suspected violation of another
8 provision of law. The bill prohibits the state or a political
9 subdivision of the state from using any automated or remote
10 system equipped with a camera or other optical device to
11 identify persons operating a motor vehicle in violation of
12 motor vehicle financial liability coverage requirements.

13 The bill requires the DOT to establish an advisory council
14 to make recommendations to the DOT on the best methods and
15 practices for implementing a real-time internet services model
16 for insurance verification, to assist in the development of
17 a guide for insurers detailing the data fields and other
18 information necessary for compliance with the bill, and to
19 provide an annual report to the DOT detailing the improvements
20 and implementation efforts relating to insurance verification
21 in other states for consideration in improving compliance and
22 operations in this state.

23 The designated agent is required to establish and maintain a
24 database containing information from insurers relating to motor
25 vehicle insurance coverage for registered motor vehicles, motor
26 vehicle identification information, personal identification
27 information for registered owners of motor vehicles, and any
28 other information provided to the designated agent by the DOT.
29 At least twice per month, the designated agent must update the
30 database and compare current motor vehicle registrations with
31 updated insurance information. If records in the database
32 indicate that a registered motor vehicle is not covered under
33 an owner's policy of liability insurance, the bill requires the
34 designated agent to use a real-time internet services model
35 to determine if the registered motor vehicle is covered under

1 an owner's policy of liability insurance. The files in the
2 database must be archived semiannually and audited by the DOT
3 at least annually.

4 If database records and the real-time internet services
5 model show that a registered motor vehicle is not covered under
6 an owner's policy of liability insurance for three consecutive
7 months, the designated agent is required to send a notice to
8 the owner requiring the owner to respond within 15 days by
9 providing proof of financial liability coverage or proof that
10 the owner is exempt from the requirement to maintain financial
11 liability coverage. If the owner fails to respond, a second
12 notice must be sent. If the owner does not respond to the
13 second notice, the owner's motor vehicle registration must
14 be revoked by the DOT and the owner is required to surrender
15 the registration plates and registration receipt for the
16 vehicle to the county treasurer. In order to obtain a new
17 registration for the vehicle, the owner must comply with
18 financial responsibility requirements and pay an administrative
19 fee of \$100. The fees collected are to be used by the DOT
20 exclusively to offset the costs of administering the program,
21 including payments made to the designated agent.

22 The bill provides that if a motor vehicle is covered by a
23 form of financial liability coverage other than an insurance
24 policy, or if a real-time internet services model indicates a
25 vehicle is appropriately insured, that fact shall be noted in
26 the database.

27 The bill prohibits a person from providing false or
28 fraudulent information to the DOT or the DOT's designated
29 agent in relation to the motor vehicle insurance verification
30 program. A violation of this provision is a simple
31 misdemeanor.

32 The bill requires each insurer that issues a policy to the
33 owner of a motor vehicle that includes motor vehicle liability
34 coverage, uninsured motorist coverage, underinsured motorist
35 coverage, or personal injury coverage to, before the 7th and

1 the 21st of each month, provide the DOT's designated agent with
2 a record of each motor vehicle insurance policy issued by the
3 insurer and in effect for vehicles registered or garaged in
4 the state as of the date of the previous submission. Vehicles
5 subject to apportioned registration under Code chapter 326 are
6 not included in this requirement. Insurers that fail to comply
7 with the reporting requirement may be assessed a civil penalty
8 of \$250 per day. However, the DOT may waive the penalty upon a
9 showing that the failure was inadvertent, accidental, or the
10 result of excusable neglect. An insurer that discloses records
11 to the DOT's designated agent in a reasonable, good-faith
12 effort to comply with the bill is not subject to the penalty.

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

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

30 The bill provides that the state and the DOT's designated
31 agent are not liable to any person for gathering, managing, or
32 using the information in the database in compliance with the
33 bill. The bill further provides that the designated agent is
34 responsible for maintaining and securing the information in the
35 database provided by the DOT and insurers, and insurers acting

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1 in compliance with the bill are not liable to any person for
2 the disclosure of information supplied to the DOT or designated
3 agent. The bill requires the designated agent to indemnify
4 an insurer against any loss arising from the disclosure of
5 information supplied to the DOT or designated agent, provided
6 the insurer supplied the information to the DOT or designated
7 agent in a manner that complies with the bill.

8 The bill takes effect July 1, 2018.