

AMENDED IN ASSEMBLY JULY 3, 2000

AMENDED IN ASSEMBLY JUNE 20, 2000

AMENDED IN SENATE MAY 2, 2000

AMENDED IN SENATE APRIL 12, 2000

SENATE BILL

No. 1996

Introduced by Senator Speier

February 25, 2000

An act to amend Sections 4000.37 and 16033 of, and to add Section 5604.5 to, the Vehicle Code, relating to vehicles.

LEGISLATIVE COUNSEL'S DIGEST

SB 1996, as amended, Speier. Financial responsibility.

(1) Under existing law, a specified notice is required to be given to the buyer of a vehicle under a conditional sales contract that is required to be printed in contrasting red ink informing the buyer that it is his or her responsibility to obtain liability insurance and that the insurance acquired by the lienholder does not provide liability coverage and does not satisfy the financial responsibility laws of California.

This bill would require licensed vehicle dealers who sell a dealer-required insurance policy at the time of the vehicle transfer and the policy does not insure the transferee against damages resulting from ownership or operation of the vehicle arising by reason of personal injury or death of any person, or from injury to property, to notify the transferee of that fact in writing on a specified document, other than the insurance policy. The bill would require the document to be signed and

an exact copy to be furnished to the transferee by the dealer at the time of signature. The bill would require the document to contain a specified notice in English and Spanish with the Spanish translation version of the document to be developed by the Department of Motor Vehicles. The bill would require the department, upon request, to make available ~~to dealers~~ a translation of the specified notice in any of the languages used in the most recent statewide voter pamphlet.

Because failure to provide notice in these documents to certain transferees would be a crime, this bill would impose a state-mandated local program by expanding the scope of an existing crime.

(2) Under existing law, the department is required to require an applicant for renewal of a motor vehicle registration to submit a specified form, as developed by the department, regarding the applicant's motor vehicle liability insurance or provide certain documentation regarding alternative evidence of financial responsibility.

This bill, would authorize the Director of Motor Vehicles to authorize an insurer to issue a form that does not conform to the form specified above if the director determines that the company issuing the alternate form is or will begin reporting specified insurance information to the department through electronic transmission and approves the contents of the alternate form as providing an adequate means for persons to prove compliance with the financial responsibility laws.

The bill would authorize, for use in lieu of other evidence of financial responsibility, an evidence form approved by the department that indicates coverage is provided by a charitable risk pool, as specified, if the registered owner of the vehicle is a nonprofit charitable organization that is exempt from taxation under federal law.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.



The people of the State of California do enact as follows:

1 SECTION 1. Section 4000.37 of the Vehicle Code is
2 amended to read:

3 4000.37. (a) Upon application for renewal of
4 registration of a motor vehicle, the department shall
5 require that the applicant submit either a form approved
6 by the department, but issued by the insurer, as specified
7 in paragraph (1) , (2), or (3), or any of the items specified
8 in paragraph (4), as evidence that the applicant is in
9 compliance with the financial responsibility laws of this
10 state.

11 (1) For vehicles covered by private passenger
12 automobile liability policies and having coverage as
13 described in subdivisions (a) and (b) of Section 660 of the
14 Insurance Code, or policies and coverages for private
15 passenger automobile policies as described in
16 subdivisions (a) and (b) of that section and issued by an
17 automobile assigned risk plan, the form shall include all
18 of the following:

19 (A) The primary name of the insured covered by the
20 policy or the vehicle owner, or both.

21 (B) The year, make, and vehicle identification
22 number of the vehicle.

23 (C) The name, the National Association of Insurance
24 Commissioners (NAIC) number, and the address of the
25 insurance company or surety company providing a policy
26 or bond for the vehicle.

27 (D) The policy or bond number, and the effective date
28 and expiration date of that policy or bond.

29 (E) A statement from the insurance company or
30 surety company that the policy or bond meets the
31 requirements of Section 16056 or 16500.5.

32 (2) For vehicles covered by commercial or fleet
33 policies, and not private passenger automobile liability
34 policies, as described in paragraph (1), the form shall
35 include all of the following:

36 (A) The name and address of the vehicle owner or
37 fleet operator.



1 (B) The name, the NAIC number, and the address of
2 the insurance company or surety company providing a
3 policy or bond for the vehicle.

4 (C) The policy or bond number, and the effective date
5 and expiration date of the policy or bond.

6 (D) A statement from the insurance company or
7 surety company that the policy or bond meets the
8 requirements of Section 16056 or 16500.5 and is a
9 commercial or fleet policy. For vehicles registered
10 pursuant to Article 9.5 (commencing with Section 5300)
11 or Article 4 (commencing with Section 8050) of Chapter
12 4, one form may be submitted per fleet as specified by the
13 department.

14 (3) (A) The director may authorize an insurer to issue
15 a form that does not conform to paragraph (1) or (2) if
16 the director does all of the following:

17 (i) Determines that the entity issuing the alternate
18 form is or will begin reporting the insurance information
19 required under paragraph (1) or (2) to the department
20 through electronic transmission.

21 (ii) Determines that use of the alternate form furthers
22 the interests of the state by enhancing the enforcement
23 of the state's financial responsibility laws.

24 (iii) Approves the contents of the alternate form as
25 providing an adequate means for persons to prove
26 compliance with the financial responsibility laws.

27 (B) The director may authorize the use of the
28 alternate form in lieu of the forms otherwise required
29 under paragraph (1) or (2) for a period of four years or
30 less and may renew that authority for additional periods
31 of four years or less.

32 (4) In lieu of evidence of insurance as described in
33 paragraphs (1) , (2), and (3), one of the following
34 documents as evidence of coverage under an alternative
35 form of financial responsibility may be provided by the
36 applicant:

37 (A) An evidence form, as specified by the department,
38 that indicates either a certificate of self-insurance or an
39 assignment of deposit letter has been issued by the
40 department pursuant to Sections 16053 or 16054.2.



1 (B) An insurance covering note or binder pursuant to
2 Section 382 or 382.5 of the Insurance Code.

3 (C) An evidence form approved by the department
4 that indicates coverage is provided by a charitable risk
5 pool operating under Section 5005.1 of the Corporations
6 Code, if the registered owner of the vehicle is a nonprofit
7 charitable organization that is exempt from taxation
8 under paragraph (3) of subsection (c) of Section 501 of
9 the United States Internal Revenue Code.

10 (b) This section does not apply to any of the following:

11 (1) A vehicle for which a certification has been filed
12 pursuant to Section 4604, until the vehicle is registered for
13 operation upon the highway.

14 (2) A vehicle that is owned or leased by, or under the
15 direction of, the United States or any public entity that is
16 included in Section 811.2 of the Government Code.

17 (3) *A vehicle registration renewal application where*
18 *there is a change of registered owner.*

19 (4) A vehicle for which evidence of liability insurance
20 information has been electronically filed with the
21 department.

22 SEC. 2. Section 5604.5 is added to the Vehicle Code,
23 to read:

24 5604.5. (a) Every dealer who, upon transferring by
25 sale, lease, or otherwise, any new or used vehicle of a type
26 subject to registration, requires the transferee to insure
27 the motor vehicle shall, if the required insurance policy
28 is sold by that dealer at the time of the transfer and the
29 policy does not insure the transferee against damages
30 resulting from ownership or operation of the vehicle
31 arising by reason of personal injury or death of any
32 person, or from injury to property, notify the transferee
33 of that fact in writing on a document other than the
34 insurance policy. The document shall be signed by the
35 transferee and an exact copy shall be furnished to the
36 transferee by the dealer at the time of signature.

37 (b) The document required under subdivision (a)
38 shall contain a notice in English and Spanish in at least
39 10-point type that reads as follows:

40



“INSURANCE WARNING

1
2
3 The motor vehicle physical damage insurance policy
4 you are buying does not allow you to legally drive on the
5 streets of California. Generally, in order to legally drive
6 on the streets of California, you must either purchase a
7 type of insurance called “liability insurance” or deposit a
8 bond with the Department of Motor Vehicles. If you drive
9 this or any other motor vehicle without liability insurance
10 or a bond, a police officer may request evidence of
11 liability insurance or a bond at the time of a traffic stop.
12 If you do not have evidence of liability insurance or a
13 bond during a traffic stop, the fines can be from several
14 hundreds of dollars to an amount that exceeds \$1,000. If
15 you get into an accident and do not have liability
16 insurance or a bond, you will lose your driver’s license for
17 one year. If you cause the accident and do not have
18 liability insurance or a bond, you may have to pay the
19 injured person yourself and these costs may be
20 substantial.

21 Liability insurance as well as the insurance needed to
22 obtain a loan for your motor vehicle may be purchased
23 through a licensed insurance agent or broker. The price
24 for both types of insurance may be more or less than the
25 price for the insurance you are being offered by the
26 dealer. The State of California advises you to shop for
27 insurance because prices may vary substantially.

28 I have read this notice and understand that I am about
29 to buy a type of insurance that is available elsewhere and
30 that does not allow me to drive the motor vehicle legally
31 on the streets of California.

32 I also understand that if I drive on the streets of
33 California without liability insurance or a bond, then I
34 may be subject to severe financial penalties, including
35 fines and personal payment for any damage to others that
36 I may cause while driving.
37



(Spanish translation of the above text to be developed by the Department Motor Vehicles and to be inserted below the above English version text)

Dated: _____ Signed: _____”

(c) The department shall also make available to dealers, upon request, a translation of the Insurance Warning notice set forth in subdivision (b) in any of the languages used in the most recent statewide voter pamphlet.

SEC. 3. Section 16033 of the Vehicle Code is amended to read:

16033. No dealer licensed under Article 1 (commencing with Section 11700) of Chapter 4 of Division 5, and no public entity or employee, agent, or person or organization authorized under Section 4610 to endorse receipts or validate registration cards or potential registration cards, is liable for any loss, detriment, or injury resulting, directly or indirectly, from any of the following:

(a) Failure to request evidence of financial responsibility.

(b) Failure to notify a vehicle owner that an insurance policy has been terminated.

(c) The discretionary failure to cancel, suspend, or revoke a vehicle registration when an insurance policy has been terminated.

(d) Inaccurately recording that evidence under Section 16028 or as a result of the driver producing false or inaccurate financial responsibility information.

SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition



- 1 of a crime within the meaning of Section 6 of Article
- 2 XIII B of the California Constitution.

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