



## 95TH GENERAL ASSEMBLY

### State of Illinois

2007 and 2008

HB1381

Introduced 2/21/2007, by Rep. William B. Black

#### SYNOPSIS AS INTRODUCED:

625 ILCS 5/7-604.3 new  
625 ILCS 5/7-604.5 new  
625 ILCS 5/7-604.7 new

Amends the Illinois Vehicle Code. Requires an insurer to notify the Secretary of State if an insurer issues a new or replacement policy, terminates a policy, either by cancellation or failure to renew, unless the same insurer issues a replacement policy complying with this Act at the same time the insurer terminates the old policy and no lapse in coverage results, or reinstates a policy after the insurer has notified the Secretary of a cancellation or termination. Provides that the Director of the Division of Insurance may assess a civil penalty of \$200 against an insurer that fails to notify the Secretary of the required information. Provides for notice by the Secretary, when the Secretary receives evidence, by a notice of termination of a motor vehicle liability policy or otherwise, that the owner of a motor vehicle registered or required to be registered in this State does not have the mandatory insurance coverage for the operation of the vehicle. Requires the owner to respond to the letter within 10 days of the date on the letter and explain how the owner has met the duty to have continuous insurance coverage for the vehicle. Provides for penalties for a lapse in the mandatory insurance coverage. Provides that any person whose vehicle registration or license plates have been revoked for a lapse in the mandatory insurance coverage may request a hearing.

LRB095 09978 DRH 30191 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

1 AN ACT concerning vehicles.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Illinois Vehicle Code is amended by adding  
5 Sections 7-604.3, 7-604.5, and 7-604.7 as follows:

6 (625 ILCS 5/7-604.3 new)

7 Sec. 7-604.3. Notice of insurance.

8 (a) An insurer shall notify the Secretary upon any of the  
9 following with regard to a motor vehicle liability policy:

10 (1) Issues a new or replacement policy.

11 (2) Terminates a policy, either by cancellation or  
12 failure to renew, unless the same insurer issues a  
13 replacement policy complying with this Act at the same time  
14 the insurer terminates the old policy and no lapse in  
15 coverage results.

16 (3) Reinstates a policy after the insurer has notified  
17 the Secretary of a cancellation or termination.

18 (b) An insurer shall notify the Secretary as required by  
19 subsection (a) of this Section within 20 business days of the  
20 change in the policy.

21 (c) Any insurer with \$25,000,000 or more in annual vehicle  
22 insurance premium volume shall submit the notices required  
23 under this Section by electronic means. All other insurers may

1 submit the notices required under this Section by either paper  
2 or electronic means.

3 (d) The names of insured and the beginning date and  
4 termination date of insurance coverage provided to the  
5 Secretary by an insurer under this Section constitute a trade  
6 secret under the Illinois Trade Secrets Act.

7 (e) The Director of the Division of Insurance may assess a  
8 civil penalty of \$200 against an insurer that fails to notify  
9 the Secretary as required by this Section. The Director may  
10 waive the penalty if the insurer establishes good cause for the  
11 failure.

12 (625 ILCS 5/7-604.5 new)

13 Sec. 7-604.5. Action by the Secretary; notice of lapse of  
14 insurance.

15 (a) When the Secretary receives evidence, by a notice of  
16 termination of a motor vehicle liability policy or otherwise,  
17 that the owner of a motor vehicle registered or required to be  
18 registered in this State does not have the mandatory insurance  
19 coverage for the operation of the vehicle, the Secretary shall  
20 send the owner a letter. The letter shall notify the owner of  
21 the evidence and inform the owner that the owner shall respond  
22 to the letter within 10 days of the date on the letter and  
23 explain how the owner has met the duty to have continuous  
24 insurance coverage for the vehicle. Based on the owner's  
25 response, the Secretary shall take the appropriate action

1 listed:

2 (1) If the owner responds within the required time and  
3 the response establishes that the owner has not had a lapse  
4 in the mandatory insurance coverage, the Secretary shall  
5 correct its records.

6 (2) If the owner responds within the required time and  
7 the response establishes all of the following, the  
8 Secretary shall assess the owner a penalty in the amount  
9 set in subsection (b) of this Section:

10 (A) The owner had a lapse in the mandatory  
11 insurance, but the owner now has the mandatory  
12 insurance coverage.

13 (B) The vehicle was not involved in an accident  
14 during the lapse in the mandatory insurance coverage.

15 (C) The owner did not operate the vehicle during  
16 the lapse with knowledge that the owner had no  
17 mandatory insurance coverage for the vehicle.

18 (3) If the owner responds within the required time and  
19 the response establishes any of the following, the  
20 Secretary shall assess the owner a penalty in the amount  
21 set in subsection (b) of this Section and revoke the  
22 registration of the owner's vehicle for the period set in  
23 subsection (c) of this Section:

24 (A) The owner had a lapse in the mandatory  
25 insurance coverage and still does not have the  
26 mandatory insurance coverage.

1           (B) The owner now has the mandatory insurance  
2           coverage even though the owner had a lapse, but the  
3           vehicle was involved in an accident during the lapse,  
4           the owner operated the vehicle during the lapse with  
5           knowledge that the owner had no mandatory insurance  
6           coverage for the vehicle, or both.

7           (4) If the owner does not respond within the required  
8           time, the Secretary shall revoke the registration of the  
9           owner's vehicle for the period set in subsection (c) of  
10           this Section. When the owner responds, the Secretary shall  
11           take the appropriate action listed in items (1) through (3)  
12           of this subsection as if the response had been timely.

13           (b) The amount of a penalty payable under this Section by  
14           an owner who has had a lapse in the mandatory insurance  
15           coverage shall be based upon the number of times the owner has  
16           been assessed a penalty under this Section during the 3-year  
17           period before the date the owner's current lapse began. For the  
18           first lapse, the penalty shall be \$50; for a second lapse, the  
19           penalty shall be \$100; and for a third or subsequent lapse, the  
20           penalty shall be \$150.

21           (c) The revocation period for a revocation of vehicle  
22           registration based on a response that establishes that a  
23           vehicle owner does not have the mandatory insurance coverage is  
24           indefinite and ends when the owner obtains the mandatory  
25           insurance coverage or transfers the vehicle to an owner who has  
26           the mandatory insurance coverage. The revocation period for a

1 revocation of vehicle registration based on a response that  
2 establishes the occurrence of an accident during a lapse in the  
3 mandatory insurance coverage or the knowing operation of a  
4 vehicle without the mandatory insurance coverage is 30 days.  
5 The revocation period for a revocation or vehicle registration  
6 based on failure of a vehicle owner to respond is indefinite  
7 and ends when the owner responds.

8 (d) When the Secretary revokes the registration of an  
9 owner's vehicle, it shall notify the owner of the revocation.  
10 The notice shall inform the owner of the following:

11 (1) That the owner shall return the vehicle's license  
12 plates and registration card to the Secretary, if the owner  
13 has not done so already, and that failure to do so is a  
14 Class A misdemeanor.

15 (2) That the vehicle's license plates and registration  
16 card are subject to seizure by a law enforcement officer.

17 (3) That the registration of the vehicle cannot be  
18 renewed while the registration is revoked.

19 (4) That the owner shall pay any penalties assessed, a  
20 restoration fee, and the fee for a license plates when the  
21 owner applies to the Secretary to register a vehicle whose  
22 registration was revoked.

23 (e) A vehicle whose registration has been revoked may not  
24 be registered during the revocation period in the name of the  
25 owner, a child of the owner, the owner's spouse, or a child of  
26 the owner's spouse. This restriction does not apply to a spouse

1 who is living separate and apart from the owner. At the end of  
2 a revocation period, a vehicle owner who has financial  
3 responsibility may apply to register a vehicle whose  
4 registration was revoked. The owner shall pay any penalty  
5 assessed, a restoration fee of \$50, and the fee for the license  
6 plates and registration.

7 (625 ILCS 5/7-604.7 new)

8 Sec. 7-604.7. Hearings upon lapse of mandatory insurance  
9 coverage. Any person whose vehicle registration or license  
10 plates have been revoked under Section 7-604.5 of this Act may  
11 request a hearing. Upon receipt of such request, the Secretary  
12 shall, as early as practical, afford an opportunity for a  
13 hearing. At the hearing the duly authorized agents of the  
14 Secretary may administer oaths and issue subpoenas for the  
15 attendance of witnesses and the production of relevant books  
16 and documents. If it appears that continuous the mandatory  
17 insurance coverage existed for the vehicle involved, or if it  
18 appears the lapse of the mandatory insurance coverage is not  
19 reasonably attributable to the neglect or fault of the person  
20 whose registration card and license plates were revoked, the  
21 Secretary shall withdraw its order of revocation and such  
22 person may retain the registration card and license plates.  
23 Otherwise, the order of revocation shall be affirmed and the  
24 registration card and license plates surrendered.