

Title 27. Transportation.  
Subtitle 2. Motor Vehicle Registration and Licensing  
Chapter 19. Motor Vehicle Safety Responsibility Act.  
Subchapter 7. Proof of Future Financial Responsibility.

- 27-19-701. Definitions.
- 27-19-702. Applicability.
- 27-19-703. Suspension or revocation of license for conviction or bail forfeiture -  
Exceptions.
- 27-19-704. Action as to unlicensed person.
- 27-19-705. Action as to nonresidents.
- 27-19-706. Courts to report nonpayment of judgments.
- 27-19-707. Suspension for nonpayment of judgments - Exceptions.
- 27-19-708. Effect of discharge in bankruptcy.
- 27-19-709. Payments sufficient to satisfy judgments.
- 27-19-710. Payment in installments.
- 27-19-711. Proof to be furnished for each vehicle.
- 27-19-712. Certificate of insurance as proof.
- 27-19-713. Motor vehicle liability policy.
- 27-19-714. Cancellation or termination of certified policy.
- 27-19-715. Other policies not affected.
- 27-19-716. Bond as proof.
- 27-19-717. Money or security as proof.
- 27-19-718. Owner may give proof for others.
- 27-19-719. Substitution of proof.
- 27-19-720. Other proof may be required.
- 27-19-721. Cancellation, return, or waiver of proof.

**27-19-701. Definitions.**

As used in this subchapter, unless the context otherwise requires:

(1)(A) "Proof of financial responsibility for the future" means proof of ability to respond in damages for liability, on account of accidents occurring subsequently to the effective date of said proof, arising out of the ownership, maintenance, or use of a vehicle of a type subject to registration under the laws of this state, in the amount of twenty-five thousand dollars (\$25,000) because of bodily injury to or death of one (1) person in any one (1) accident, and subject to said limit for one (1) person, in the amount of fifty thousand dollars (\$50,000) because of bodily injury to or death of two (2) or more persons in any one (1) accident, and in the amount of twenty-five thousand dollars (\$25,000) because of injury to or destruction of property of others in any one (1) accident;

(B) Wherever used in this subchapter, the terms "proof of financial responsibility" or "proof" shall be synonymous with the term "proof of financial responsibility for the future".

(2) "Judgment" means any judgment which shall have become final by expiration without appeal of the time within which an appeal might have been perfected, or by final affirmation on appeal, rendered by a court of competent jurisdiction of any state or of the United States, upon a cause of action arising out of the ownership, maintenance, or use of any vehicle of a type subject to registration under the laws of this state, for damages, including damages for care and loss of services, because of bodily injury to or death of any person, or for damages because of injury to or destruction of property, including the loss of use thereof, or upon a cause of action on an agreement of settlement for damages.

(3) "State" means any state, territory, or possession of the United States, the District of Columbia, or any province or territory of Canada.

#### **27-19-702. Applicability.**

The provisions of this subchapter requiring the deposit of proof of financial responsibility for the future, subject to certain exemptions, shall apply with respect to persons who have been convicted of or forfeited bail for certain offenses under motor vehicle laws or who have failed to pay judgments upon causes of action arising out of ownership, maintenance, or use of vehicles of a type subject to registration under the laws of this state.

#### **27-19-703. Suspension or revocation of license for conviction or bail forfeiture - Exceptions.**

(a) Whenever, under any law of this state, the license of any person is suspended or revoked by reason of a conviction or a forfeiture of bail, the office shall suspend the registration of all vehicles registered in the name of the person as owner, except that:

(1) If the owner has previously given or shall immediately give and thereafter maintains proof of financial responsibility for the future with respect to all vehicles registered by the person as the owner, the office shall not suspend the registration unless otherwise required by law;

(2) If a conviction arose out of the operation, with permission, of a vehicle owned by or leased to the United States, this state, or any political subdivision of this state, or a municipality thereof, the office shall suspend or revoke the license only with respect to the operation of vehicles not so owned or leased and shall not suspend the registration of any vehicle so owned or leased.

(b) The suspension or revocation required in subsection (a) shall remain in effect and the office shall not issue to the person any new or renewal of license or register or reregister in the name of the person as owner any vehicle until permitted under the motor vehicle laws of this state, and not then unless and until the person shall give and thereafter maintain proof of financial responsibility for the future.

#### **27-19-704. Action as to unlicensed person.**

If a person has no license, but by final order or judgment is convicted of or forfeits any bail or collateral deposited to secure an appearance for trial for any offense requiring the suspension or revocation of license or for driving a motor vehicle upon the highways

without being licensed to do so or for driving an unregistered vehicle upon the highways, no license shall be thereafter issued to the person and no vehicle shall continue to be registered or thereafter be registered in the name of the person as owner unless he shall give and thereafter maintain proof of financial responsibility for the future.

**27-19-705. Action as to nonresidents.**

(a) Whenever the office suspends or revokes a nonresident's operating privilege by reason of a conviction or forfeiture of bail, the privilege shall remain so suspended or revoked unless the person shall have previously given or shall immediately give and thereafter maintain proof of financial responsibility for the future.

(b) If the defendant named in any certified copy of a judgment reported to the office is a nonresident, the department shall transmit a certified copy of the judgment to the official in charge of the issuance of licenses and registrations of the state of which the defendant is a resident.

**27-19-706. Courts to report nonpayment of judgments.**

(a) Whenever any person fails within thirty (30) days to satisfy any judgment in excess of five hundred dollars (\$500), then, upon the written request of the judgment creditor or his attorney, it shall be the duty of the clerk of the court, or of the judge of a court which has no clerk, in which the judgment is rendered within this state to forward to the office a certified copy of the judgment.

(b) The certified copy shall contain information sufficient for the office to determine if the judgment shall apply to this subchapter.

**27-19-707. Suspension for nonpayment of judgments - Exceptions.**

(a) The office, upon receipt of a certified copy of a judgment and a certificate of facts relative to the judgment, on a form provided by the office, shall forthwith suspend the license and registration, and any nonresident's operating privilege, of any person against whom the judgment was rendered, except as otherwise provided in this subchapter.

(b) The provisions of subsection (a) of this section shall not apply with respect to any judgment arising out of an accident caused by the ownership or operation, with permission, of a vehicle owned or leased to the United States, this state, or any political subdivision of this state, or a municipality thereof.

(c) If the judgment creditor consents in writing, in such form as the office may prescribe, that the judgment debtor be allowed license and registration or nonresident's operating privilege, the same may be allowed by the office, in its discretion, for six (6) months from the date of consent and thereafter until consent is revoked in writing, notwithstanding default in the payment of the judgment, or of any installments thereof prescribed in § [27-19-710](#), provided the judgment debtor furnishes proof of financial responsibility.

(d)(1) No license, registration, or nonresident's operating privilege of any person shall be suspended under the provisions of this subchapter if the office shall find that an

insurer was obligated to pay the judgment upon which suspension is based, at least to the extent and for the amounts required in this chapter but has not paid the judgment for any reason.

(2) A finding by the office that an insurer is obligated to pay a judgment shall not be binding upon the insurer and shall have no legal effect whatever except for the purpose of administering this subsection.

(3) Whenever in any judicial proceedings it shall be determined by any final judgment, decree, or order that an insurer is not obligated to pay the judgment, the office, notwithstanding any contrary finding made by it, shall forthwith suspend the license and registration and any nonresident's operating privilege of any person against whom the judgment was rendered, as provided in this section.

(e)(1) The license, registration, and nonresident's operating privilege shall remain so suspended and shall not be renewed, nor shall any license or registration be thereafter issued in the name of the person, including any person not previously licensed, unless and until every judgment is stayed, satisfied in full, or to the extent provided and until the person gives proof of financial responsibility subject to the exemptions stated in this section.

(2) Upon the expiration of ten (10) years following the date judgment is rendered, and provided no proof of renewal of judgment has been filed with the office, the office shall reinstate the driving privilege and motor vehicle registration privilege of any person who will provide proof of financial responsibility for the future as required under any section of this subchapter.

#### **27-19-708. Effect of discharge in bankruptcy.**

Upon receipt by the office of proper notification from the bankruptcy court, a discharge in bankruptcy following the rendering of any judgment shall relieve the judgment debtor from any of the requirements of this subchapter.

#### **27-19-709. Payments sufficient to satisfy judgments.**

(a) Judgments shall, for the purpose of this chapter only, be deemed satisfied when:

(1) Twenty-five thousand dollars (\$25,000) has been credited upon any judgment or judgments rendered in excess of that amount because of bodily injury to or death of one (1) person as the result of any one (1) accident;

(2) Subject to a limit of twenty-five thousand dollars (\$25,000) because of bodily injury to or death of one (1) person, the sum of fifty thousand dollars (\$50,000) has been credited upon any judgment or judgments rendered in excess of that amount because of bodily injury to or death of two (2) or more persons as the result of any one (1) accident;  
or

(3) Twenty-five thousand dollars (\$25,000) has been credited upon any judgment or judgments rendered in excess of that amount because of injury to or destruction of property of others as a result of any one (1) accident.

(b) Payments made in settlements of any claims because of bodily injury, death, or property damage arising from the accident shall be credited in reduction of the amounts provided for in this section.

**27-19-710. Payment in installments.**

(a) A judgment debtor, upon due notice to the judgment creditor, may apply to the court in which the judgment was rendered for the privilege of paying the judgment in installments, and the court, in its discretion and without prejudice to any other legal remedies which the judgment creditor may have, may so order and fix the amounts and times of payment of the installments.

(b) The office shall not suspend a license, registration, or nonresident's operating privilege and shall restore any license, registration, or nonresident's operating privilege suspended following nonpayment of a judgment, when the judgment debtor gives proof of financial responsibility and obtains an order permitting the payment of such judgment in installments, and while the payment of any installments is not in default.

(c) In the event the judgment debtor fails to pay any installment as specified by the order, then, upon notice of default, the office shall forthwith suspend the license, registration, or nonresident's operating privilege of the judgment debtor until the judgment is satisfied, as provided in this chapter.

**27-19-711. Proof to be furnished for each vehicle.**

(a) No vehicle shall be, or continue to be, registered in the name of any person required to file proof of financial responsibility for the future unless proof shall be furnished for the vehicle.

(b) Proof of financial responsibility when required under this chapter, with respect to the vehicle or with respect to a person who is not the owner of the vehicle, may be given by filing:

(1) A certificate of insurance as provided in § [27-19-712](#); or

(2) A bond as provided in § [27-19-716](#); or

(3) A certificate of deposit of money or securities as provided in § [27-19-717](#); or

(4) A certificate of self-insurance, as provided in § [27-19-107](#), supplemented by an agreement by the self-insurer that, with respect to accidents occurring while the certificate is in force, he will pay the same amounts that an insurer would have been obliged to pay under an owner's motor vehicle liability policy if it had issued such a policy to the self-insurer.

**27-19-712. Certificate of insurance as proof.**

(a)(1) Proof of financial responsibility for the future may be furnished by filing with the office the written certificate of any insurance carrier duly authorized to do business in this state certifying that there is in effect a motor vehicle liability policy for the benefit of the person required to furnish proof of financial responsibility.

(2) The certificate shall give the effective date of the motor vehicle liability policy, which date shall be the same as the effective date of the certificate, and shall designate by explicit description or by appropriate reference all vehicles covered thereby, unless the policy is issued to a person who is not the owner of a motor vehicle.

(b)(1) A nonresident may give proof of financial responsibility by filing with the office a written certificate of an insurance carrier authorized to transact business in the state in which the vehicle owned by the nonresident is registered, or in the state in which the nonresident resides, if he does not own a vehicle, provided the certificate otherwise conforms with the provisions of this subchapter.

(2) The office shall accept the certificate upon condition that the insurance carrier complies with the following provisions with respect to the policies so certified:

(A) The insurance carrier shall execute a power of attorney authorizing the Director of the Department of Finance and Administration to accept on its behalf service of notice or process in any action arising out of a motor vehicle accident in this state;

(B) The insurance carrier shall agree in writing that the policies shall be deemed to conform with the laws of this state relating to the terms of motor vehicle liability policies issued therein.

(c) If any insurance carrier not authorized to transact business in this state, which has qualified to furnish proof of financial responsibility, defaults in any such undertakings or agreements, the office shall not thereafter accept as proof any certificate of the carrier, whether theretofore filed or thereafter tendered, as proof, so long as the default continues.

### **27-19-713. Motor vehicle liability policy.**

(a) **Certification.** A "motor vehicle liability policy" as the term is used in this chapter, means an "owner's policy" or an "operator's policy" of liability insurance, certified as provided in § [27-19-712](#) as proof of financial responsibility for the future, and issued, except as otherwise provided in § [27-19-712](#) by an insurance carrier duly authorized to transact business in this state, to or for the benefit of the person named therein as insured.

(b) **Owner's Policy.** The owner's policy of liability insurance shall:

(1) Designate by explicit description or by appropriate reference all vehicles with respect to which coverage is to be granted; and

(2) Insure the person named therein and any other person, as insured, using any vehicle or vehicles with the express or implied permission of the named insured, against loss from the liability imposed by law for damages arising out of the ownership, maintenance, or use of the vehicle or vehicles within the United States or Canada, subject to limits exclusive of interest and costs, with respect to each vehicle, as follows: twenty-five thousand dollars (\$25,000) because of bodily injury to or death of one (1) person in any one (1) accident and, subject to said limit for one (1) person; fifty thousand dollars (\$50,000) because of bodily injury to or death of two (2) or more persons in any one (1)

accident; and twenty-five thousand dollars (\$25,000) because of injury to or destruction of property of others in any one (1) accident.

(c) **Operator's Policy.** The operator's policy of liability insurance shall insure the person named as insured therein against loss from the liability imposed upon him by law for damages arising out of the use by him of any motor vehicle not owned by him, within the same territorial limits and subject to the same limits of liability as are set forth above with respect to an owner's policy of liability insurance.

(d) **Required Statements in Policies.** The motor vehicle liability policy shall state the name and address of the named insured, the coverage afforded by the policy, the premium charged, the policy period, and the limits of liability, and shall contain an agreement or be endorsed that insurance is provided thereunder in accordance with the coverage defined in this subchapter as respects bodily injury and death or property damage, or both, and is subject to all the provisions of this subchapter.

(e) **Policy Need Not Insure Workers' Compensation, etc.** The motor vehicle liability policy need not insure any liability under any workers' compensation law nor any liability on account of bodily injury to or death of an employee of the insured while engaged in the employment, other than domestic, of the insured, or while engaged in the operation, maintenance, or repair of any such vehicle nor any liability for damage to property owned by, rented to, in charge of, or transported by the insured.

(f) **Provisions Incorporated in Policy.** Every motor vehicle liability policy shall be subject to the following provisions which need not be contained therein:

(1) The liability of the insurance carrier with respect to the insurance required by this chapter shall become absolute whenever injury or damage covered by the motor vehicle liability policy occurs; the policy may not be cancelled or annulled as to the liability by any agreement between the insurance carrier and the insured after the occurrence of the injury or damage; no statement made by the insured or on his behalf, and no violation of the policy, shall defeat or void the policy.

(2) The satisfaction by the insured of a judgment for the injury or damage shall not be a condition precedent to the right or duty of the insurance carrier to make payment on account of the injury or damage.

(3) The insurance carrier shall have the right to settle any claim covered by the policy, and if the settlement is made in good faith, the amount shall be deductible from the limits of liability specified in subdivision (b)(2) of this section.

(4) The policy, the written application therefor, if any, and any rider or endorsement which does not conflict with the provisions of this subchapter shall constitute the entire contract between the parties.

(g) **Excess or Additional Coverage.** Any policy which grants the coverage required for a motor vehicle liability policy may also grant any lawful coverage in excess of or in addition to the coverage specified for a motor vehicle liability policy and this excess or additional coverage shall not be subject to the provisions of this subchapter. With respect to a policy which grants such excess or additional coverage, the term "motor vehicle

liability policy" shall apply only to that part of the coverage which is required by this section.

(h) **Reimbursement Provision Permitted.** Any motor vehicle liability policy may provide that the insured shall reimburse the insurance carrier for any payment the insurance carrier would not have been obligated to make under the terms of the policy except for the provisions of this subchapter.

(i) **Proration of Insurance Permitted.** Any motor vehicle liability policy may provide for the prorating of the insurance thereunder with other valid and collectible insurance.

(j) **Multiple Policies.** The requirements for a motor vehicle liability policy may be fulfilled by the policies of one (1) or more insurance carriers which policies together meet these requirements.

(k) **Binders.** Any binder issued pending the issuance of a motor vehicle liability policy shall be deemed to fulfill the requirements for a policy.

(l) **Extension of Coverage.** Every motor vehicle liability insurance policy, every motor vehicle physical damage insurance policy, every motor vehicle uninsured and underinsured motorist insurance policy, and every motor vehicle insurance policy covering death or bodily injury insuring a motor vehicle licensed in this state or the occupants of the motor vehicle shall extend its liability, physical damage, uninsured and underinsured motorist, and death or bodily injury coverages to include any other motor vehicle, operated by the insured individual, and its occupants if the other motor vehicle is loaned by a duly licensed automobile dealer as a temporary substitute, with or without compensation, to the insured individual for use as a temporary substitute vehicle while the insured's vehicle is out of use because of breakdown, repair, or servicing or if the other motor vehicle is loaned by a duly licensed automobile dealer for use as a demonstrator vehicle. Provided, however, coverage shall extend to such loaned or demonstrator vehicle only to the extent of the coverage provided, if any, to the automobile being repaired or serviced. Such extensions of liability, physical damage, uninsured and underinsured motorist, and death or bodily injury coverages are primary.

#### **27-19-714. Cancellation or termination of certified policy.**

(a) When an insurance carrier has certified a motor vehicle liability policy under § [27-19-712](#), the insurance so certified shall not be cancelled or terminated until at least ten (10) days after a notice of cancellation or termination of the insurance so certified shall be filed in the office.

(b) A policy subsequently procured and certified shall, on the effective date of its certification, terminate the insurance previously certified with respect to any vehicle designated in both certificates.

#### **27-19-715. Other policies not affected.**

(a) This subchapter shall not be held to apply to or affect policies of automobile insurance against liability which may be required by any other law of this state, and these

policies, if they contain an agreement or are endorsed to conform with the requirements of this chapter, may be certified as proof of financial responsibility under this chapter.

(b) This chapter shall not be held to apply to or affect policies insuring solely the insured named in the policy against liability resulting from the maintenance or use by persons in the insured's employ or on his behalf of vehicles not owned by the insured.

**27-19-716. Bond as proof.**

(a)(1)(A) Proof of financial responsibility may be evidenced by the bond of a surety company duly authorized to transact business within this state, or a bond with at least two (2) individual sureties each owning real estate within this state, and together having equities equal in value to at least twice the amount of the bond.

(B) Real estate shall be scheduled in the bond approved by a judge of a court of record, and the bond shall be conditioned for payment of the amounts specified in § [27-19-701](#).

(2) The bond shall be filed with the office and shall not be cancellable except after ten (10) days' written notice to the office.

(b)(1) Such a bond shall constitute a lien in favor of the state upon the real estate so scheduled of any surety, which lien shall exist in favor of any holder of a final judgment against the person who has filed the bond, for damages, including damages for care and loss of services, because of bodily injury to or death of any person, or for damage because of injury to or destruction of property, including the loss of use thereof, resulting from the ownership, maintenance, use, or operation of a vehicle of a type subject to registration under the laws of this state after the bond was filed, upon the filing of notice to that effect by the office in the office of the circuit clerk of the county where the real estate shall be located.

(2)(A) The notice shall include a description of the real estate scheduled in the bond and shall be accompanied by the statutory fee for the services of the circuit clerk in connection with the recordation of the notice.

(B)(i) The circuit clerk, upon receipt of the notice, shall acknowledge and cause it to be recorded in the lien records.

(ii) Recordation shall constitute notice as provided by statutes governing the recordation of liens on real estate.

(c)(1) If a judgment rendered against the principal on the bond shall not be satisfied within thirty (30) days after it has become final, the judgment creditor may, for his own use and benefit and at his sole expense, bring an action in the name of the state against the company or persons executing the bond, including an action or proceeding to foreclose any lien that may exist upon the real estate of a person who has executed the bond.

(2) The foreclosure action shall be brought in like manner and subject to all the provisions of law applicable to an action to foreclose a mortgage on real estate.

**27-19-717. Money or security as proof.**

(a)(1) Proof of financial responsibility may be evidenced by the certificate of the Insurance Commissioner that the person named therein has deposited with him sixty-five thousand dollars (\$65,000) in cash or securities such as may be legally purchased by savings banks or for trust funds of a market value of sixty-five thousand dollars (\$65,000).

(2) The commissioner shall not accept any such deposit and issue a certificate therefor and the office shall not accept the certificate unless accompanied by evidence that there are no unsatisfied judgments of any character against the depositor in the county where the depositor resides.

(b)(1) The deposit shall be held by the commissioner to satisfy, in accordance with the provisions of this subchapter, any execution on a judgment issued against the person making the deposit, for damages, including damages for care and loss of services because of bodily injury to or death of any person, or for damages because of injury to or destruction of property, including the loss of use thereof, resulting from the ownership, maintenance, use, or operation of a vehicle of a type subject to registration under the laws of this state after the deposit was made.

(2) Money or securities so deposited shall not be subject to attachment or execution unless the attachment or execution shall arise out of a suit for damages as indicated.

**27-19-718. Owner may give proof for others.**

(a) The owner of a motor vehicle may give proof of financial responsibility on behalf of his employee or a member of his immediate family or household in lieu of the furnishing of proof by any person.

(b) The furnishing of proof shall permit the person to operate only a motor vehicle covered by such proof.

(c) The office shall endorse appropriate restrictions on the face of the license held by the person or may issue a new license containing the restrictions.

**27-19-719. Substitution of proof.**

The office shall consent to the cancellation of any bond or certificate of insurance or the office shall direct, and the Insurance Commissioner shall return, any money or securities to the person entitled thereto upon the substitution and acceptance of other adequate proof of financial responsibility pursuant to this chapter.

**27-19-720. Other proof may be required.**

Whenever any proof of financial responsibility filed under the provisions of this chapter no longer fulfills the purposes for which required, the office shall, for the purpose of this chapter, require other proof as required by this chapter and shall suspend the license and registration pending the filing of other proof.

**27-19-721. Cancellation, return, or waiver of proof.**

(a) The office shall, upon request, consent to the immediate cancellation of any bond or certificate of insurance, or the office shall direct, and the Insurance Commissioner shall return, to the person entitled thereto any money or securities deposited pursuant to this subchapter as proof of financial responsibility, or the office shall waive the requirement of filing proof, in any of the following events:

(1) At any time after three (3) years from the date the proof was required when, during the three-year period preceding the request, the office has not received record of a conviction or a forfeiture of bail which would require or permit the suspension or revocation of the license or registration of the person by or for whom the proof was furnished; or

(2) In the event of the death of the person on whose behalf the proof was filed or the permanent incapacity of the person to operate a motor vehicle; or

(3) In the event the person who has given proof surrenders his license and registration to the office.

(b)(1) The office shall not consent to the cancellation of any bond or the return of any money or securities in the event any action for damages upon a liability covered by the proof is then pending or any judgment upon any liability is then unsatisfied, or in the event the person who has filed the bond or deposited money or securities has within one (1) year immediately preceding the request been involved as a driver or owner in any motor vehicle accident resulting in injury or damage to the person or property of others.

(2) An affidavit of the applicant as to the nonexistence of such facts, or that he has been released from all of his liability or has been finally adjudicated not to be liable for such injury or damage, shall be sufficient evidence thereof in the absence of evidence to the contrary in the records of the office.

(c) Whenever any person whose proof has been cancelled or returned under subdivision (a)(3) of this section applies for a license or registration within a period of three (3) years from the date proof was originally required, any application shall be refused unless the applicant shall reestablish proof for the remainder of the three-year period.