

January 11, 1951.
Passed on File.

House File 26
By PENDLETON.

Passed House, Date
Vote: Ayes..... Nays.....
Passed Senate, Date
Vote: Ayes..... Nays.....
Approved

A BILL FOR

An Act to amend chapter three hundred twenty-one A (321 A), Code 1950, by inserting therein two new sections relating to motor vehicle liability insurance and the requirement for obtaining said insurance by a lending agency or vendor; and penalty for violation thereof.

Be It Enacted by the General Assembly of the State of Iowa:

- 1 Chapter three hundred twenty-one A (321A), Code 1950,
- 2 is amended by inserting the following new sections:
- 1 Section 1. "Any person, firm, or corporation who shall
- 2 lend money or other thing of value, when the security for
- 3 said loan is a motor vehicle, or any vendor, who retains a
- 4 lien for the purchase price or unpaid portion of the purchase
- 5 price of any motor vehicle, who furnishes, sells, acts as
- 6 broker or agent, or otherwise procures insurance for said
- 7 vehicle, shall be required to furnish, sell, act as broker
- 8 or agent, or otherwise procure in addition to any and all
- 9 other insurance, such motor vehicle liability policy as will
- 10 indemnify the owner of said vehicle as provided in section
- 11 321 A-21."

1 Sec. 2. "Any person, firm, or corporation who fails to
2 provide the insurance required in section 1 hereof, shall be
3 jointly liable with the vendee, purchaser, or borrower for
4 all damages arising out of the operation of the said motor
5 vehicle."

EXPLANATION OF H. F. 26

The purpose of this bill is to require lending agencies and automobile dealers, who sell or otherwise procure insurance for their own protection and the protection of the borrower or purchaser on the motor vehicle to the extent of protectnig the security of the loan or lien, to also sell or otherwise procure liability insurance for said vehicles. The practice is prevalent in Iowa for lending agencies or automobile dealers, who carry their own financing, to write collision insurance on the motor vehicle upon which there is an outstanding indebtedness. This insurance is generally a \$50.00 Deductible Collision Policy. The same lending agencies and automobile dealers often fail to mention to the borrower or purchaser that he has no liability insurance and he or she does not discover that fact until after a collision has occurred and a question of liability is investigated. Many hardship cases have resulted from this practice. It is believed that it would be advantageous to the borrowers or purchasers and for the protection of the people of the state, to avoid such practices which may cause one to rely on a mistaken idea of the extent of his insurance to his own detriment and often to the detriment of anyone with whom an accident may occur. The average person does not read an insurance policy and a great many persons who finance automobiles assume that the insurance furnished by the dealer or lender includes liability coverage when in fact it does not.