

## Updates to Vehicle Financial Responsibility Requirements

### Overview

Effective July 1, 2027, Public Chapter 1077 (2026) amends the *Financial Responsibility Law of 1977* that governs liability insurance requirements for motorists in Tennessee.

Updates to the law resulting from the implementation of Public Chapter 1077 (2026) include additional proof of financial responsibility requirements, increases in current coverage failure fees, an additional coverage failure fee, changes to the frequency of insurer reporting to the Department of Revenue ("Department"), and limitations to noneconomic damages awarded in certain civil actions.

### Proof of Financial Responsibility Requirements

Effective from July 1, 2027, until repeal on June 30, 2029, Public Chapter 1077 (2026) requires that vehicle owners must provide proof of financial responsibility with an application for initial vehicle registration, in the form of the following:

- (1) Proof of insurance,
- (2) A certificate issued by the Department stating that the cash deposit or bond required by the *Financial Responsibility Law of 1977* has been paid or filed with the Department, or
- (3) Proof that the driver has qualified as a self-insurer to the Department before being issued an initial vehicle registration.

This requirement does not apply to registration renewals.

### County Clerk Verification Through the Department's Electronic Insurance Verification System ("EIVS")

Public Chapter 1077 (2026) establishes the requirement that county clerks verify proof of financial responsibility through EIVS at the time of motor vehicle registration renewal for certain vehicle owners that have received a prior notice of EIVS noncompliance.

### Reporting Requirements for Automobile Liability Insurers

Public Chapter 1077 (2026) changes the required frequency at which automobile insurers must report insurance policy information to the Department through the Department's EIVS.

Prior to July 1, 2027, Tennessee law requires that insurers report the full book of business to the Department by the seventh day of each calendar month. Effective July 1, 2027, insurers must report a full book of business on a weekly basis. However, daily reporting is also permitted.

This update in reporting frequency does not apply to commercial insurance policies nor does it apply to insurers writing fewer than 500 non-commercial policies.

### Coverage Failure Fee Increases

Public Chapter 1077 (2026) increases the fees imposed on motor vehicle owners who fail to comply with financial responsibility requirements beginning July 1, 2027.

The initial coverage failure fee associated with the first notice of EIVS noncompliance increases from

\$25 to \$500. The continued coverage failure fee imposed on an owner or lessee of a motor vehicle who fails to comply with the first notice of coverage failure increases from \$100 to \$1,000.

Additionally, Public Chapter 1077 (2026) prohibits registration renewals for registrants that have received a second notice of EIVS noncompliance and been assessed the \$500 coverage failure fee, until such time as the registrant provides proof of financial responsibility and pays the fee.

If an applicant uses an insurance policy as proof of financial responsibility, the documentation provided must state that the automobile insurance policy is valid for a period of not less than 30 days.

### **Additional Noncompliance Fee**

Public Chapter 1077 (2026) establishes a new coverage failure fee of \$1,500 for registrants who lapse into “unconfirmed status” for the same motor vehicle more than once within three years of the

initial notice of noncompliance. The fee will also accompany a suspension or revocation of the vehicle owner’s or lessee’s registration.

### **Limitations on Noneconomic Damages**

Public Chapter 1077 (2026) limits the amount of noneconomic damages awarded to a vehicle owner and plaintiff involving a plaintiff’s motor vehicle that is not in compliance with the *Financial Responsibility Law of 1977*.

### **For More Information**

Visit [www.tn.gov/revenue](http://www.tn.gov/revenue). Click on Revenue Help to search for answers or to submit an information request to one of our agents.

### **References**

Public Chapter 1077 (2026). Tenn. Code Ann. §§ 55-12-207, 55-12-210, and 55-12-211.