

**ANNUAL REPORT  
OF THE  
DEPARTMENT OF MOTOR VEHICLES ON**

# **Uninsured Motorists**

**TO THE GOVERNOR AND  
THE GENERAL ASSEMBLY OF VIRGINIA**



## **House Document No. 4**

**COMMONWEALTH OF VIRGINIA  
RICHMOND  
1989**



COMMONWEALTH of VIRGINIA  
*Department of Motor Vehicles*  
*2300 West Broad Street*

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COMMISSIONER

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**ANNUAL REPORT**  
on  
**UNINSURED MOTORISTS**

December, 1988

To the General Assembly:

In 1987 the General Assembly adopted House Joint Resolution 230. This Resolution requests that the Department of Motor Vehicles submit an annual report to the General Assembly concerning the uninsured motorist situation in Virginia and the Department's efforts to make improvements. Attached is the latest annual report.

The attached report includes information on our efforts to identify and reduce the number of uninsured motorists as well as to bring them into compliance with our financial responsibility laws. There is a summary of related statistics for FY86-87 and FY87-88. We have also outlined public information and education efforts undertaken during the past year in order to be sure all Virginians are aware of the requirements of motor vehicle insurance laws.

Sincerely,

A handwritten signature in cursive script that reads "Donald E. Williams".

Donald E. Williams  
Commissioner

DEW/ssv

Attachment

**DEPARTMENT OF MOTOR VEHICLES  
ANNUAL REPORT ON UNINSURED MOTORISTS**

**EXECUTIVE SUMMARY**

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The current insurance monitoring processes are more effective and efficient than the program prior to July, 1986. To illustrate the continued effectiveness of this program, the following information is provided which compares FY86-87 to FY87-88.

- ◆ In FY87-88, there were 4,933,151 registered vehicles in the State of Virginia. This is a slight increase over the 4,864,962 vehicles registered in FY86-87.
- ◆ The number of motorists who voluntarily paid the uninsured motorist fee at registration has increased from 4,434 in FY86-87 to 5,605 in FY87-88.
- ◆ The number of motorists who paid the penalty fee only following detection by DMV as being uninsured has increased from 17,756 in FY86-87 to 21,173 in FY87-88.
- ◆ Net revenue collections have increased from \$5,688,997 in FY86-87 to \$7,050,705 in FY87-88.
- ◆ DMV administrative appropriation has remained \$1,800,500 from FY86-87 to FY87-88.
- ◆ The net monies available for transfer to the State Corporation Commission for distribution to insurance companies has increased from \$3,888,497 in FY86-87 to \$5,250,205 in FY87-88.
- ◆ The results of the insurance monitoring programs are:

	<u>FY86-87</u>	<u>FY87-88</u>
Volume of 1st Notices	330,993	376,828
Resulting Net Orders of Suspension	24,791	29,329
Detection Rate	7.49%	7.78%

- ◆ DMV's operational costs for insurance monitoring and associated programs have only increased slightly to \$2,492,707 in FY87-88 from \$2,486,436 in FY86-87.
- ◆ A statewide survey was done by the Survey Research Laboratory at VCU in July and August of 1988. The results of the survey indicated that the majority of citizens were informed of Virginia's requirements for automobile insurance coverage. This illustrates how effective the public education efforts provided by DMV have been.

**DEPARTMENT OF MOTOR VEHICLES  
ANNUAL REPORT ON UNINSURED MOTORISTS**

**Contents and Highlights**

- I. Introduction .....Page 1**
- II. Number of Uninsured Motorists .....Page 3**
- ◆ Payment of the UMV fee does not provide insurance coverage.
  - ◆ The payment of UMV fees has increased each fiscal year since the implementation of the insurance monitoring program.
  - ◆ The number of motorists paying the penalty fees has also increased.
- III. Amount of Uninsured Motorists Fund .....Page 5**
- ◆ The revenue collected and deposited in the uninsured motorists fund increased 23.94% in FY87-88.
  - ◆ DMV's administrative appropriation has remained the same.
  - ◆ Money available for transfer to the State Corporation Commission for distribution to insurance companies increased 35.02% in FY87-88.

**IV. DMV's Insurance Monitoring Processes .....Page 7**

- ◆ There are five major insurance monitoring processes.
- ◆ Four of these processes aid in the detection of uninsured motorists prior to their potential involvement in an accident.
- ◆ Refinements were made in response to comments received from the public and to improve efficiency.
- ◆ Compliance with an order of suspension is an integral part of insurance monitoring.
- ◆ Current insurance monitoring processes continue to be more effective and more efficient than the prior program.

**V. Public Education .....Page 12**

- ◆ The objective of our comprehensive public education effort has been to inform people of the law requiring liability insurance, the purpose and limitation of the uninsured motor vehicle fee, and the insurance monitoring processes of DMV.
- ◆ DMV's Public Information Office coordinated a number of media interviews.
- ◆ Survey results provided by VCU illustrate how effective the educational program is.

**PART I**

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**INTRODUCTION**

The Department of Motor Vehicles initiated legislation in 1986 to refocus our insurance monitoring efforts. Two insurance monitoring processes were recommended for elimination. These processes were extremely labor intensive and relatively ineffective. The elimination of the requirements for citizens to submit accident reports and for insurance companies to submit notification of cancelled insurance enabled DMV to channel its resources toward more effective insurance monitoring processes. The legislation was passed, and new insurance monitoring processes were implemented in July 1986. The focus of our insurance monitoring efforts now seek to identify uninsured motorists prior to potential involvement in an accident or cancellation of liability insurance.

During the 1987 session of the General Assembly, House Joint Resolution 230 was passed. The resolution requires DMV to report annually to the General Assembly on the uninsured motorist situation in Virginia and the Department's efforts to improve it. The uninsured motorist issue includes information on the effectiveness of Virginia's motor vehicle insurance laws, education of the public to assist in understanding that payment of the uninsured motorist fee does not provide insurance coverage, and efforts to reduce the number of uninsured motorists on the road.

The Financial Responsibility Division administers the insurance monitoring processes for DMV. There are five processes, four of which identify potential uninsured motorists prior to their involvement in an accident. The fifth process allows insurance information to be sought following an accident where it is believed the other party was uninsured.

The implementation of the new insurance monitoring processes in 1986 had a number of benefits. First, citizens were no longer required to file an accident report with DMV. This decreased the public's burden of obtaining, completing and filing forms. Additionally, these processes decreased DMV's manpower requirements to process accident reports. The elimination of the requirement for insurance companies to report cancelled policies relieved a burden for insurance companies as well as DMV staff to cross check cancellation of one policy and the possible issuance of another. Most policies were renewed with other carriers so that DMV and insurance companies were handling thousands of notices with very little positive results.

In addition to the insurance monitoring processes presented here, it is important to include the process which supports insurance monitoring by ensuring that persons found to have violated the law, comply with the penalties. Once a driver has been identified as having no insurance, he/she must comply with the order of suspension of his/her driving and vehicle registration privileges. Compliance includes payment of a penalty fee and maintenance of a certified insurance policy for three years. The requirement to maintain proof of insurance allows DMV to ensure that these individuals do, in fact, have liability insurance. During the three-year period, insurance companies cooperate with DMV by notifying us if an individual cancels his/her insurance.

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**NOTE:** For FY87-88 the penalty fee was \$300. That fee changed to \$400 on July 1, 1988. The change in the fee will not be included in this report. The evaluation of the fee will be included in the next annual report.

PART II

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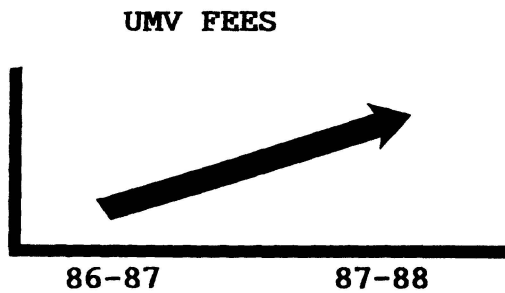
**THE NUMBER OF UNINSURED MOTORISTS**

The Department of Motor Vehicles has the responsibility to monitor the uninsured motorist situation in Virginia. The Motor Vehicle Code provides that a driver may voluntarily pay an uninsured motor vehicle (UMV) fee at the time the vehicle is registered. Payment of the UMV fee does not provide insurance coverage.

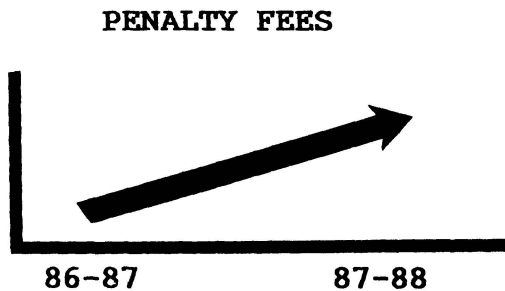
The number of motorists who voluntarily paid the uninsured motor vehicle fee at the time of registration for FY87-88 was 5,605. In FY86-87 the number was 4,434.

The number of motorists who paid the penalty fee only following detection by DMV as being uninsured was 21,173 for FY87-88 which is an increase over the 17,653 fees paid in FY86-87.

The steady decline in both UMV and penalty fee collections from July 1982 through June 1986 was reversed following the implementation of the new processes in July 1986 and has continued through June 1988.



THE PAYMENT OF UMV FEES INCREASED FROM 4,434 IN FY86-87 TO 5,605 IN FY87-88 WHICH ILLUSTRATES THE EFFECTIVENESS OF THE PROGRAM.



THE NUMBER OF MOTORISTS PAYING THE PENALTY FEE IN FY86-87 WAS 17,653 AND INCREASED TO 21,173 IN FY87-88.



### **Assessment of UMV and Penalty Fees**

The registration of a motor vehicle for one year requires that an individual must maintain liability insurance or pay the \$300 fee. The \$300 is what is often referred to as a UMV fee. However, there are situations in which a prorated UMV fee is paid.

Virginia statute §46.1-167.1A(c) provides for proration of UMV fees. A situation involving a prorated UMV fee may occur when an individual owns more than one vehicle. If the vehicles are registered in different months and the owner wishes to have the renewals come due in the same month, he/she may pay a prorated UMV fee for the registration(s) being renewed earlier than required.

An individual would pay a prorated UMV fee for a three-day trip permit in order to drive an uninsured vehicle from Virginia to another state. This is usually for the sale of the vehicle.

A UMV fee may be paid at the time temporary (30-day) license tags are issued for a vehicle. Here the fee would be one twelfth of the yearly \$300 requirement.

The Motor Vehicle Code also has provisions which require DMV to monitor insurance in Virginia. Detection of an uninsured motor vehicle through an insurance monitoring process would require at a minimum the payment of a \$300 penalty fee and maintenance of a certified insurance policy for three years.

The amounts of both the UMV and the penalty fee have increased over the years. This fact, combined with prorated fees, is the reason the number of motorists paying these fees exceeds the result of revenue divided by \$300.

## PART III

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**AMOUNT OF UNINSURED MOTORISTS FUND**

A significant portion of the revenue collected by DMV as UMV and penalty fees is transferred to the State Corporation Commission in accordance with §38.2-3001. The Commission then distributes this money among the liability insurance companies licensed in Virginia, apportioned according to the premium income for basic limits of coverage written in Virginia by each company during the preceding year.

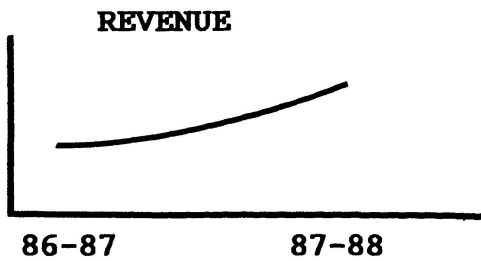
The revenue collected by DMV for uninsured motorists is deposited into one fund. No accounting distinction is made between drivers who voluntarily pay the uninsured motorists fee at registration and those who pay the \$300 after being found uninsured. Revenue collected and deposited into this fund includes payment for orders issued from the last 20 years for varying fees, as well as prorated UMV fees.

For FY86-87 and FY87-88 the collection and distribution of funds is as follows:

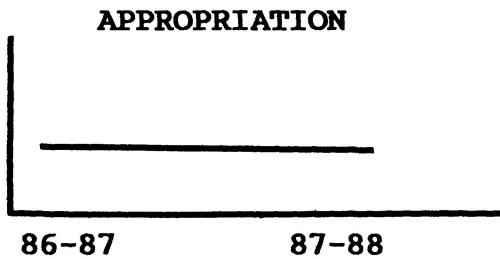
	<u>FY86-87</u>	<u>FY87-88</u>	<u>INCREASE</u>
Net Revenue Collections	\$5,688,997	\$7,050,705	\$1,361,708
DMV 0700 Appropriation	\$1,800,500	\$1,800,500	0
	<hr/>	<hr/>	<hr/>
<b>DIFFERENCE</b>	<b>\$3,888,497</b>	<b>\$5,250,205</b>	<b>\$1,361,708</b>

Net Available for transfer to the State Corporation Commission for Distribution to Insurance Companies increased by \$1,361,708 to \$5,250,205 in FY87-88.

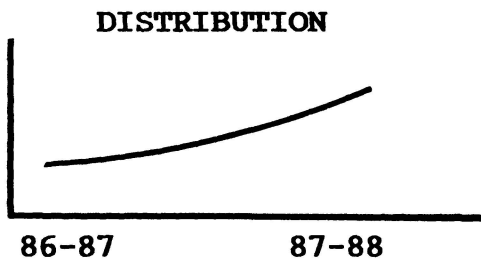
A comparison of the FY86-87 and FY87-88 Uninsured Motorists Fund is depicted below. It illustrates the three areas of: revenue collected, DMV's administrative appropriation and the amounts available for transfer to the State Corporation Commission for distribution to insurance companies.



THE REVENUE COLLECTED AND DEPOSITED IN THE UNINSURED MOTORISTS FUND INCREASED BY 23.94% FROM \$5,688,997 IN FY86-87 TO \$7,050,705 IN FY87-88.



THERE WAS NO INCREASE IN DMV'S ADMINISTRATIVE APPROPRIATION FROM FY86-87 TO FY87-88. IT REMAINED AT \$1,800,500.



THE AMOUNT OF MONEY AVAILABLE FOR TRANSFER TO THE STATE CORPORATION COMMISSION FOR DISTRIBUTION TO INSURANCE COMPANIES INCREASED BY 35.02% FROM \$3,888,497 IN FY86-87 TO \$5,250,205 IN FY87-88.

## PART IV

**DMV'S INSURANCE MONITORING PROCESSES**

The Department of Motor Vehicles has five insurance monitoring processes. Each process is briefly outlined in this section. A diagram of the five processes appears as Appendix A. An additional diagram depicting the insurance monitoring flow appears as Appendix B.

Within each process, DMV makes every effort to obtain correct insurance information from individuals prior to suspension of privileges. We request the insurance company name rather than the name of the agent. However, if an individual replies with inaccurate information, we return the letter to him/her requesting the correct data. Additionally, if an insurance company named by the individual denies coverage, we inform the individual of this, and allow time for him/her to either provide correct information and/or to resolve the problem with the insurance company. An order of suspension of privileges would only be issued if the individual fails to respond, is found not to have insurance, or as is often the case, admits he/she has no insurance.

**Vehicle Registration Sample**

**Description** - This insurance monitoring process is based on a computerized random sample of vehicles registered. Approximately 1000 vehicles are selected each day, resulting in a DMV notice being sent to the vehicle owner(s) to provide insurance information. If the citizen fails to respond or has no insurance, an order of suspension is issued.

This is an automated process for DMV. The initial request (first notice) for randomly selected vehicle owners to provide insurance information is generated, along with follow-up notices and where appropriate, orders of suspension. Once an order of suspension of privileges is issued, the compliance process is initiated.

**Results** - The Vehicle Registration Sample process has resulted in the following:

	<u>FY86-87</u>	<u>FY87-88</u>
Volume of 1st Notices	294,920	337,869
Resulting Net Orders of Suspension	15,824	19,977
Detection Rate	5.37%	5.91%

### Conviction Sampling

**Description** - This insurance monitoring process is designed to target what is considered to be a high risk population. There are licensed drivers who have been convicted of a number of moving vehicle violations or have failed to respond to driver improvement treatments. For this process, drivers with elevated demerit points are selected to provide insurance information upon conviction of an additional moving violation. If the citizen fails to respond to DMV's request for insurance information, or has no insurance, an order of suspension is issued.

This is an automated process for DMV. The initial request (first notice) for these drivers to provide insurance information is generated, along with follow-up notices and where appropriate, orders of suspension. Here again, once an order of suspension of privileges is issued, the compliance process is initiated.

**Results** - The Conviction Sample process has resulted in the following:

	<u>FY86-87</u>	<u>FY87-88</u>
Volume of 1st Notices	1,709	2,005
Resulting Net Orders of Suspension	437	534
Detection Rate	25.57%	26.63%

### Suspected Uninsured Accident

**Description** - This process (ISR) allows a citizen and/or his/her representative to voluntarily file an accident report with DMV and as part of the report to indicate there is reason to believe the other party in the accident has no insurance. DMV would then issue a request for insurance information to the citizen specified in the report. If the citizen fails to respond to DMV's request for information, or has no insurance, an order of suspension of privileges is issued. Additionally, the citizen filing the accident report may request that DMV provide him/her with the information obtained on insurance. The request to provide insurance information would require a fee. A DMV certified document would require a \$5 fee, while a non-certified document would be \$3.

This is a manual process for DMV. The citizen-initiated documentation is individually reviewed by personnel to determine the need to issue a request for insurance information (first notice). Upon receipt of the insurance information from the citizen, the specified insurance company is contacted to verify coverage at the time the vehicle was involved in the accident. If it is determined that the vehicle was uninsured, then suspension would occur, followed by the initiation of the compliance process, including payment of the \$300 penalty fee and maintenance of a certified insurance policy for three years.

**Results** - The Suspected Uninsured Accident process has resulted in the following:

	<u>FY86-87</u>	<u>FY87-88</u>
Volume of 1st Notices	218	891
Resulting Net Orders of Suspension	86	601
Detection Rate	39.45%	67.45%

**Law Enforcement Notification**

**Description** - This process (FR422A) is initiated when police officers require citizens to provide insurance information to DMV (first notice). This normally results from a situation in which an officer has probable cause for a moving vehicle violation and/or roadside spot checks. Noncompliance with the requirement results in an order of suspension from DMV.

This is a manual process for DMV. Once the citizen provides the required insurance information, DMV forwards this to the specified insurance company for verification. If it is determined that the vehicle was uninsured at the time the officer required the completion of the FR422A, then suspension would occur. The suspension of privileges would then trigger the compliance process of the Financial Responsibility Division. In addition to the State Police, a total of 65 localities cooperate with DMV in this process.

**Law Enforcement Notification**

**Results** - This process has shown the following results:

	<u>FY86-87</u>	<u>FY87-88</u>
Volume of 1st notices	30,115	32,899
Resulting Net Orders of Suspension	6,149	6,318
Detection Rate	20.42%	19.20%

**Citizen Information/Police Accident Report**

**Description** - The identification of citizens requested to provide insurance information in this process (FR1) is obtained through two sources: police accident reports, and citizen initiated documentation. DMV issues a request for insurance information to the citizen. If the citizen fails to respond to DMV's request for information, or has no insurance, an order of suspension of privileges is issued.

This is a manual process for DMV. The police accident reports and citizen initiated documentation are individually reviewed by personnel to determine the need to issue a request for insurance information (first notice). Upon receipt of the insurance information from the citizen, the specified insurance company is contacted to verify coverage at the time the vehicle was operated. If it is determined that the vehicle was uninsured, then suspension would occur, followed by the initiation of the compliance process, including payment of the penalty fee and maintenance of a certified insurance policy for the next three years.

**Results** - The Citizen Information/Police Accident Report process has shown the following results:

	<u>FY86-87</u>	<u>FY87-88</u>
Volume of 1st Notices	4,031	3,164
Resulting Net Orders of Suspension	2,295	1,899
Detection Rate	56.93%	60.02%

**Total Number of First Notices and Suspensions Issued under the Insurance Monitoring Programs.**

The following figures represent the total volume of first notices and orders of suspension issued for FY86-87 and FY87-88.

	<u>FY86-87</u>	<u>FY87-88</u>
Volume of 1st Notices	330,993	376,828
Resulting Net Orders of Suspension	24,791	29,329
Detection Rate	7.49%	7.78%

**Cost of Insurance Monitoring**

In considering the cost of the insurance monitoring program, all aspects of the Financial Responsibility Division must be taken into account. As previously indicated, the insurance monitoring program would be incomplete without compliance, which reenforces all of the insurance monitoring. Additionally, staff are cross-trained to be able to assist each other in processing work flows. DMV has been able to shift 11 positions previously assigned to the insurance monitoring program to other areas. Required staffing is now 114. This is down from the 125 positions authorized for the Division in February 1986.

The operational cost of \$2,492,707 for FY87-88, which includes insurance monitoring and associated programs of the Financial Responsibility Division, is only a slight increase over the FY86-87 cost of \$2,486,436.



**PART V**

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**PUBLIC EDUCATION**

In FY86-87, DMV initiated a program to educate their employees to respond to questions about vehicle liability insurance needs. In FY87-88, DMV continued to implement additional public education programs to inform citizens of the law requiring liability insurance, the purpose and limitation of the uninsured motor vehicle fee, and the insurance monitoring processes of DMV.

The highlights of our public information efforts include:

- ◆ A brochure covering insurance requirements, penalties and verification methods was distributed to all employees, branch offices, license agents and new motor vehicle dealers. The brochure was posted on bulletin boards within the agency and distributed to employees with their paychecks.
- ◆ This same brochure was included in vehicle renewal registration notices until May of 1988.
- ◆ The brochure continues to be available to the public in literature racks in DMV branch office facilities.
- ◆ DMV's Public Information Office coordinated a number of media interviews concerning the insurance issue. Some of the media that reported on vehicle insurance during FY87-88 include:

- The Roanoke Times & World News
- WSVA radio in Harrisonburg
- Culpeper News
- The Daily News-Record in Harrisonburg
- The Daily Press in Newport News
- Richlands News-Press
- The Clinch Valley News
- The Johnson City Press
- The Reston Times
- WDBJ-TV in Roanoke
- WTKR-TV in Norfolk
- WANT radio in Richmond

- ◆ The Virginia Independent Automobile Dealers Association included an article about the uninsured motorist issue in the September/October 1987 edition of its publication, "The Virginia Independent News".

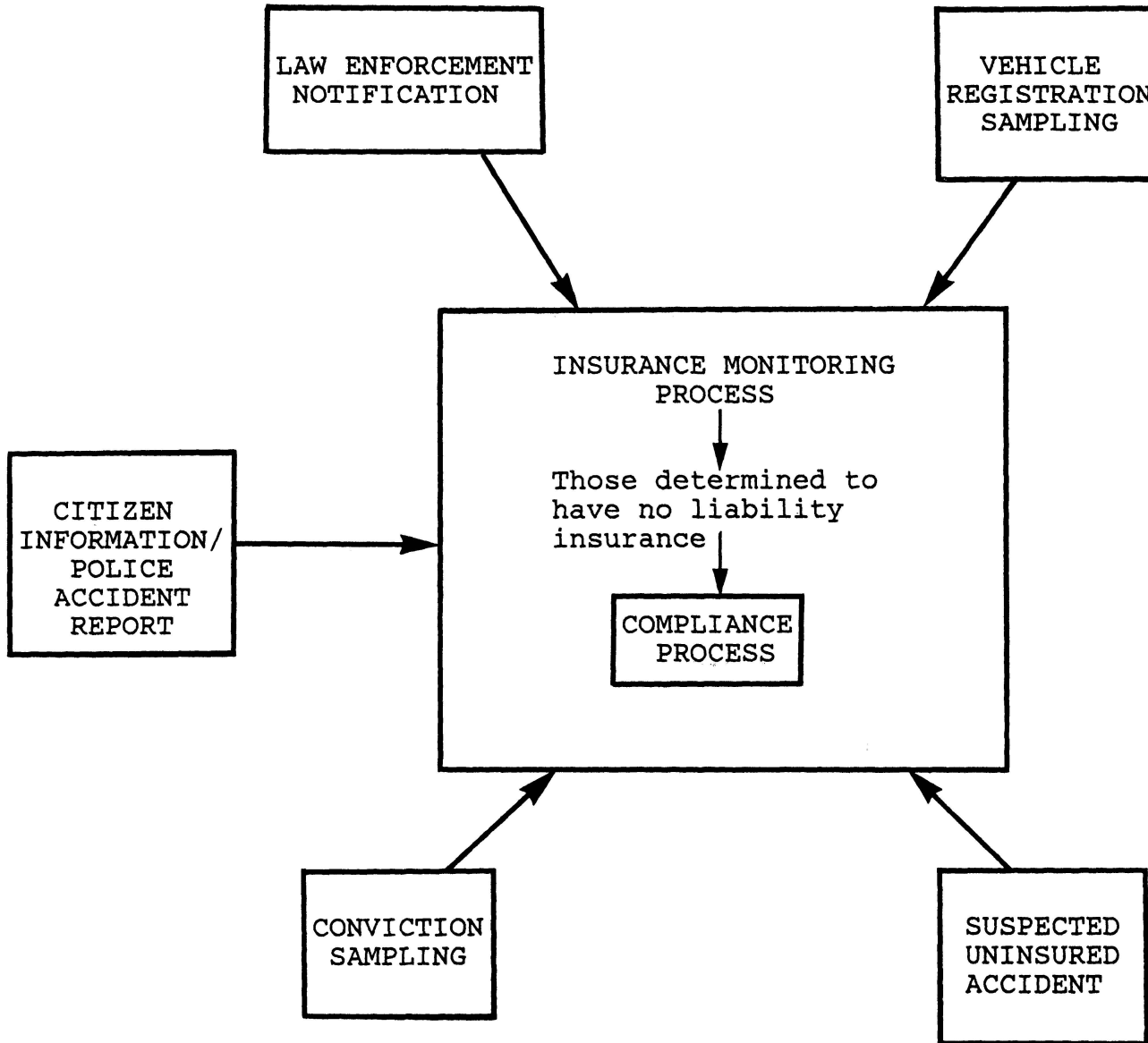
### **Effectiveness of the Program**

To determine how effective DMV's Public Education efforts have been, a statewide survey was conducted by the Survey Research Laboratory at Virginia Commonwealth University from July 11 to August 15, 1988. The results of the survey are as follows:

1. When asked, "Does Va. state law require vehicle owners to have automobile insurance?", 83% answered YES.
2. When asked, "Are you aware that vehicle owners can pay a fee instead of buying insurance?", 71% answered YES.
3. Those that answered yes to the second question were asked, "Does this fee provide insurance coverage?". 66% answered NO.
4. The final question, "Did you know that DMV randomly selects vehicle owners and asks them to provide proof of auto insurance?", was asked of the entire sample group. 40% answered YES and 56% answered NO.

Although 83% responded yes to the first question, the fact that 71% were aware that you could pay a fee instead of buying insurance indicates there may have been some confusion with the first question. The overall perception of the survey portrays that the majority of Virginians are aware of the insurance requirements for driving an automobile.

# INSURANCE MONITORING PROCESSES

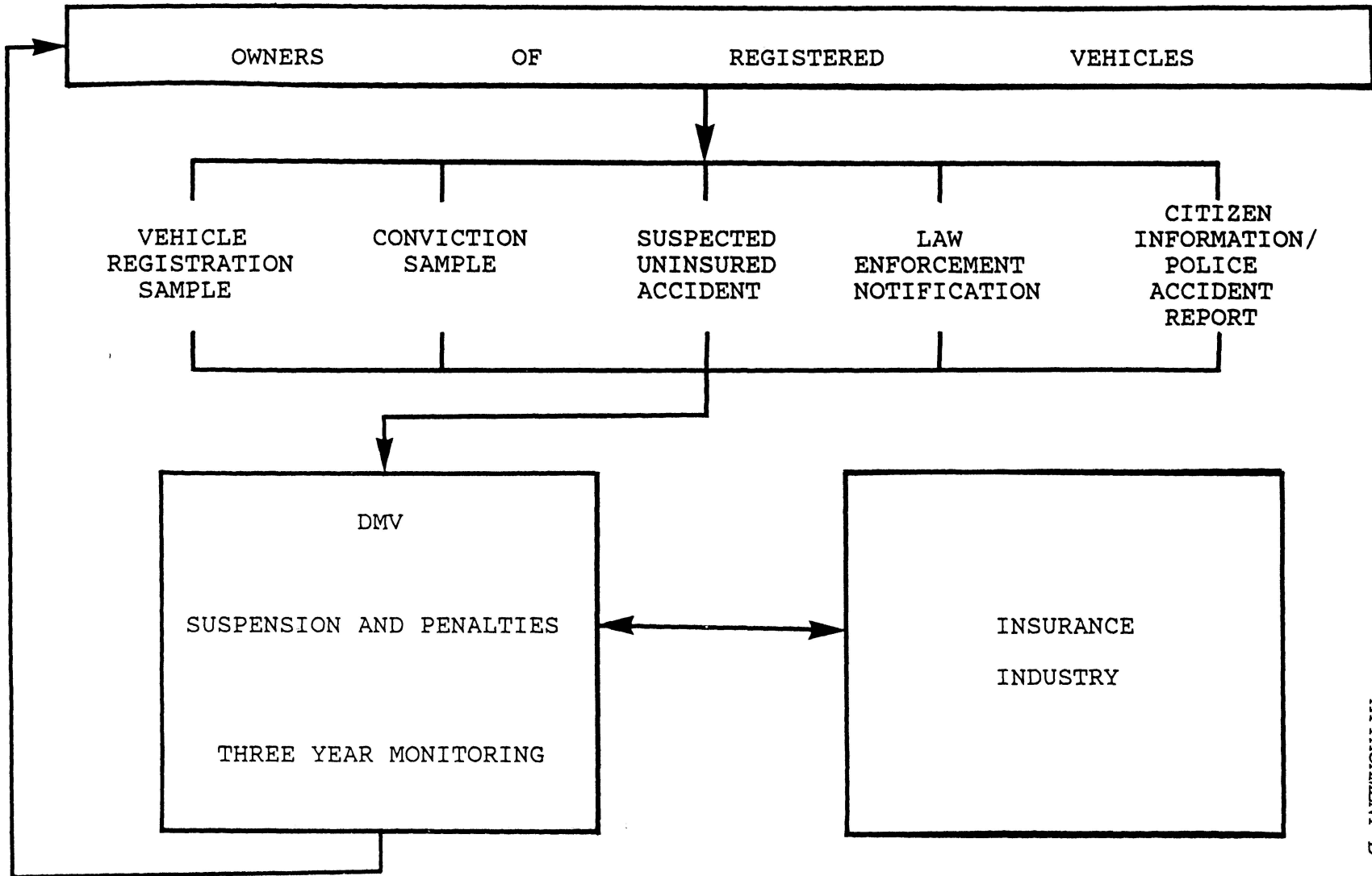


THERE ARE FIVE PROCESSES WHICH MONITOR MAINTENANCE OF LIABILITY INSURANCE.

UPON DETERMINATION THAT THERE IS NO INSURANCE - THE INDIVIDUAL MUST THEN FILE PROOF OF INSURANCE WITH DMV FOR THREE YEARS.

THE COMPLIANCE PROCESS WITHIN FR TRACKS THOSE INDIVIDUALS FOUND TO HAVE VIOLATED THE REQUIREMENT TO MAINTAIN INSURANCE.

# INSURANCE MONITORING PROCESS



## GENERAL ASSEMBLY OF VIRGINIA -- 1987 SESSION

### HOUSE JOINT RESOLUTION NO. 230

*Requesting the Department of Motor Vehicles to report annually to the General Assembly on the uninsured motorist situation in Virginia and the Department's efforts to improve it.*

Agreed to by the House of Delegates, January 28, 1987

Agreed to by the Senate, February 19, 1987

WHEREAS, in recent years concern has increased over the effectiveness of Virginia's motor vehicle liability insurance laws in protecting its citizens from potential losses and injury caused by uninsured motorists; and

WHEREAS, a joint subcommittee established pursuant to House Joint Resolution No. 43 of the 1986 Session to study this matter and the insurance rates for taxicabs was concerned over the number of uninsured motorists on the road who had not paid the \$300 uninsured motorist fee and the fact that many people do not understand that the payment of the fee does not provide them with any insurance coverage; and

WHEREAS, the joint subcommittee found that the Department of Motor Vehicles has several insurance monitoring programs which have been successful in locating uninsured motorists, the newest of which entails the mailing of letters requesting insurance information to motorists randomly selected by a computer; and

WHEREAS, this program has increased the number of suspension orders and the revenues resulting therefrom; and

WHEREAS, although DMV indicated that it has prepared a brochure explaining the uninsured motorist provisions and the insurance monitoring programs, the joint subcommittee feels that DMV should seek other means, such as public service announcements, of informing the public that the payment of the uninsured motorist fee does not provide insurance coverage; and

WHEREAS, the joint subcommittee feels that it is in the best interest of the citizens of this Commonwealth that the General Assembly is informed about the Department of Motor Vehicle's efforts to reduce the number of uninsured motorists on the road and to educate the public regarding the uninsured motorist provisions; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concerning, That the Department of Motor Vehicles is hereby requested to report annually to the General Assembly certain information regarding the uninsured motorist situation in Virginia, the Department's efforts to improve the situation, and its methods of educating the public regarding the uninsured motorist provisions. The report shall include information on the following and any other information the Department deems appropriate:

1. The number of uninsured motorists who have voluntarily paid the \$300 fee and who paid the fee only after being found by DMV;

2. The total amount of uninsured motorist fees collected, the amount appropriate to DMV for its administrative expenses, and the net amount available for distribution to insurance companies;

3. Its insurance monitoring programs, including the results, costs, and any changes made in the programs; and

4. Its efforts to educate the public regarding the uninsured motorist provisions.

