

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

Uninsured Motorists in Virginia

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



HOUSE DOCUMENT NO. 4

**COMMONWEALTH OF VIRGINIA
RICHMOND
1992**

**ANNUAL REPORT
ON
UNINSURED MOTORISTS**

October, 1991

Dear Members of the General Assembly:

In 1987 the General Assembly adopted House Joint Resolution 230. This resolution requests the Department of Motor Vehicles to 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 our efforts to bring them into compliance with the financial responsibility laws. This report contains a summary of related statistics for the 86-91 fiscal years. Also included are those public information and education efforts undertaken during the past year in order to assure that all Virginians are aware of the motor vehicle insurance liability laws and their requirements.

Sincerely,



Donald E. Williams
Commissioner

DEW/smb

Attachment

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

**RESULTS OF INSURANCE MONITORING EFFORTS
JULY 1, 1990 THROUGH JUNE 30, 1991**

There were 4,794,803 vehicles registered in the State of Virginia as of June 30, 1991. This is a slight decrease over the 4,813,939 vehicles registered as of June 30, 1990.

Vehicle Owners Issued Notices	309,185
Resulting Net Orders of Suspension	24,795
Average Detection Rate **	8.02 %

** The Average Detection Rate represents the efforts of all of the Insurance Monitoring processes administered by the Department.

The Vehicle Registration Sample process detection rate was 6.77%.

The number of motorists who voluntarily paid the uninsured motor vehicle fee at the time of registration for FY90-91 was 6,455.

The number of motorists who paid the penalty fee only following detection by DMV as being uninsured was 18,306 for FY90-91.

The number of Certificates of Insurance filed totaled 23,992.

Net revenue collections decreased during the past fiscal year to \$7,516,368.

The Department of Motor Vehicles' appropriation was increased to \$3,831,455 during FY90-91 to more closely cover the actual expenditures necessary to administer the Insurance Monitoring Program.

EXECUTIVE SUMMARY (con't)

The net funds available for transfer to the State Corporation Commission during FY90-91 were \$3,684,914. This is a decrease from the previous fiscal year and is due primarily to the increase in the expenditures required to administer the Insurance Monitoring program and a decrease in the net revenue collections..

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

Contents and Highlights

I. Introduction.....Page 1

II. Number of Uninsured Motorists.....Page 2

- ◆ Payment of the Uninsured Motor Vehicle Fee does not provide insurance coverage
- ◆ The Uninsured Motor Vehicle Fee was increased to \$400 beginning July 1, 1988.

III. Amount of Uninsured Motorist Fund.....Page 5

- ◆ \$20,680,505 has been made available for transfer to the SCC since implementing the current Insurance Monitoring Program in July 1986.
- ◆ DMV's appropriation was increased to \$3,831,455 in 1991 to more closely cover the actual expenditures necessary to administer the Insurance Monitoring Program.

IV. Department of Motor Vehicles Insurance Monitoring Processes

- ◆ There are five insurance monitoring processes administered by the Department of Motor Vehicles. Since implementing the current insurance monitoring processes, 1,696,094 motor vehicle owners have been issued insurance monitoring notices.
- ◆ The current insurance monitoring processes have resulted in 128,580 net orders of suspension..

Contents and Highlights (con't.)

V. Public EducationPage 13

- ◆ The objective of our public education effort has been to inform citizens of:
 - a. the law requiring liability insurance,
 - b. the purpose and limitation of the uninsured motor vehicle fee and,
 - c. the insurance monitoring processes of the Department of Motor Vehicles.

**PART I
INTRODUCTION:**

The Department of Motor Vehicles initiated legislation in 1986 to refocus our insurance monitoring efforts. Also, 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 seeks 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 to assist the public 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 five insurance monitoring processes for DMV. Four of the processes attempt to identify uninsured motorists before they are involved in an accident. The fifth process allows a citizen to request verification of insurance information following an accident where it is believed that the other motorist involved was uninsured.

The new insurance monitoring processes implemented 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 few positive results.

**PART I
INTRODUCTION (con't.)**

The results of DMV's Insurance Monitoring efforts since July 1, 1986 are as follows:

Vehicle Owners Issued Notices	1,696,094
Resulting Net Orders of Suspension	128,850
Average Detection Rate	7.60%

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 drivers have been identified as having no insurance, they must comply with the order of suspension of their 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 providing notification to the Department if an individual cancels their insurance.

A portion of the revenues collected by DMV is appropriated for use in administering the Insurance Monitoring Program. The remaining revenues are available to be transferred to the SCC for distribution to liability insurance companies licensed in Virginia. Funds distributed by the SCC are used to help offset the cost of the uninsured motorist coverage required for all liability insurance policies written in Virginia. Since implementing the current Insurance Monitoring Program in July 1986, a total of \$20,680,505 has been collected for transfer to the SCC.

PART II
THE NUMBER OF UNINSURED MOTORISTS:

The Department of Motor Vehicles is responsible for monitoring the uninsured motorist situation in Virginia. The Motor Vehicle Code provides that a vehicle owner may voluntarily pay an uninsured motor vehicle fee at the time the vehicle is registered. Payment of the fee does not provide insurance coverage.

Since implementing the current Insurance Monitoring Program on July 1, 1986, the number of UMV fees voluntarily paid at the time of registration was:

UNINSURED MOTOR VEHICLE FEE - VOLUNTARILY PAID

<u>FY86-89</u>	<u>FY89-90</u>	<u>FY90-91</u>	<u>TOTAL</u>
14,526	5,008	6,455	25,989

The number of vehicle owners who paid the penalty fee only after detection by an insurance monitoring process was as follows:

UNINSURED MOTOR VEHICLE FEE - PAID AFTER DETECTION

<u>FY86-89</u>	<u>FY89-90</u>	<u>FY90-91</u>	<u>TOTAL</u>
59,294	19,349	18,306	96,949

Assessment of Uninsured Motor Vehicle and Penalty Fee

Virginia law requires a motor vehicle to be covered by liability insurance or requires the owner to pay a \$400 UMV fee at the time of registration. There are situations provided for in Virginia Statute §46.2-706 in which a prorated UMV Fee is paid. These situations are as follows:

- ◆ Vehicle owner wishes to renew all vehicles owned during the same month. A prorated Uninsured Motor Vehicle Fee may be paid on those vehicles being renewed earlier than required.
- ◆ Prorated Uninsured Motor Vehicle fee may be paid by a vehicle owner for a three day trip permit in order that the vehicle may be driven from Virginia to another state. This is usually for the sale of the vehicle.
- ◆ The owner may pay a prorated Uninsured Motor Vehicle fee equal to one-twelfth the normal fee for a thirty- day temporary tag.

The Motor Vehicle Code also has provisions which require DMV to monitor vehicle liability insurance. Detection of an uninsured motor vehicle through an insurance monitoring process would require, at a minimum, the payment of a \$400 penalty fee and maintenance of a certified insurance policy for three years in order for the vehicle owner to retain their driving and vehicle registration privileges.

The amounts of both the UMV and the penalty fee increased to \$400 beginning July 1, 1988. This fact, combined with prorated fees, is the reason the number of motorists paying these fees exceeds the result of revenue divided by \$400.

**PART III
AMOUNT OF UNINSURED MOTORISTS FUND**

A portion of the UMV and Penalty fee revenues are forwarded to the SCC in accordance with Virginia Statute §38.2-3001. These revenues are distributed by the SCC to liability insurance companies licensed in Virginia and apportioned according to the premium income for basic limits of coverage written in Virginia during the preceding year.

Revenue collections and the DMV's appropriation since implementing the current Insurance Monitoring Program are:

	<u>FY86-89</u>	<u>FY89-90</u>	<u>FY90-91</u>	<u>TOTAL</u>
Net Revenue				
Collections	\$20,280,123	\$7,706,218	\$7,516,368	\$35,502,709
DMV				
Appropriation	\$7,219,800	\$3,770,950	\$3,831,455	\$14,822,205
	<hr/>			
Difference	\$13,060,323	\$3,935,268	\$3,684,913	\$20,680,504

Since implementing the current Insurance Monitoring Program in July 1986, a total of \$20,680,504 has been collected for transfer to the SCC.

**PART IV
DEPARTMENT OF MOTOR VEHICLES INSURANCE MONITORING
PROCESSES:**

Currently, the Department of Motor Vehicles has five insurance monitoring processes. Each process is briefly outlined in this section. In addition, the results of the insurance monitoring efforts for the past four years are included for each process. 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. The name of the insurance company is requested rather than the name of the agent. However, if an individual replies with inaccurate information, the letter is returned to them requesting the correct data. Additionally, if an insurance company named by the individual denies coverage, DMV informs the individual of this and allows time for the individual to either provide correct insurance 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 they had no insurance.

The results of DMV's insurance monitoring efforts since July 1, 1986 are as follows:

	<u>FY86-89</u>	<u>FY89-90</u>	<u>FY90-91</u>	<u>TOTAL</u>
Vehicle Owners				
Issued Notices	1,077,461	309,448	309,185	1,696,094
Resulting Net Orders				
of Suspension	80,463	23,322	24,795	128,580
Detection Rate	7.47%	7.54%	8.02%	7.58%

Vehicle Registration Sample

Description - This insurance monitoring process is based on a computerized random sample of vehicles registered. Approximately 1,200 vehicles are selected daily. This results in an insurance monitoring notice being mailed to the vehicle owners requesting insurance information. If the owner fails to respond, or is found to have no insurance, an order of suspension is issued.

This is an automated process for DMV. The initial request, follow-up notices, and, where appropriate, orders of suspension are computer-generated. 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>FY86-89</u>	<u>FY89-90</u>	<u>FY90-91</u>	<u>TOTAL</u>
Vehicle Owners Issued Notices	963,409	291,662	293,572	1,548,643
Resulting Net Orders of Suspension	53,714	17,855	19,865	91,434
Detection Rate	5.58%	6.12%	6.77%	5.90%

Conviction Sampling

Description - This insurance monitoring process is designed to target what is considered to be a high risk population. These are licensed drivers who have been convicted of a number of moving 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 driver fails to respond, or is found to have no insurance, an order of suspension is issued.

Conviction Sampling (con't.)

This is an automated process for DMV. The initial request, follow-up notices, and, where appropriate, orders of suspension are computer-generated. Once an order of suspension is issued, the compliance process is initiated.

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

	<u>FY86-89</u>	<u>FY89-90</u>	<u>FY 90-91</u>	<u>TOTAL</u>
Vehicle Owners Issued Notices	6,239	2,240	2,467	10,946
Resulting Net Orders of Suspension	1,655	468	619	2,742
Detection Rate	26.53%	20.89%	25.09%	25.05%

Suspected Uninsured Accident

Description - This insurance monitoring process (ISR) allows a citizen and/or their representative to voluntarily file an accident report with DMV, and, as a part of the report, to indicate there is reason to believe the other party involved in the accident was uninsured.

This is a manual process for DMV. A request for insurance information is issued to the citizen specified in the report. If the citizen fails to respond, or is found to have no insurance, an order of suspension is issued.

Additionally, the citizen and/or their representative filing the accident report may request that DMV provide them with the insurance information obtained.

Suspected Uninsured Accident (con't.)

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

	<u>FY86-89</u>	<u>FY89-90</u>	<u>FY90-91</u>	<u>TOTAL</u>
Vehicle Owners Issued Notices	2,547	1,457	2,045	6,049
Resulting Net Orders of Suspension	1,643	1,041	1,332	4,016
Detection Rate	64.51%	71.45%	65.13%	66.39%

Law Enforcement Notification

Description - This insurance monitoring process (FR422A) is initiated when police officers require citizens to provide insurance information to DMV. This normally results from a situation in which an officer has probable cause for a moving vehicle violation and/or roadside spot checks.

Results - This is a manual process for DMV. If it is determined that the vehicle was uninsured at the time the officer issued the FR422A, an order of suspension is issued.

In addition to the State Police, a total of 84 localities cooperate with DMV in this process.

The Law Enforcement Notification process has resulted in the following:

	<u>FY86-89</u>	<u>FY89-90</u>	<u>FY90-91</u>	<u>TOTAL</u>
Vehicle Owners Issued Notices	95,489	11,408	9,227	116,124
Resulting Net Orders of Suspension	18,306	3,270	2,834	24,410
Detection Rate	19.17%	28.66%	30.71%	21.02%

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.

This is a manual process for DMV. The police accident reports and citizen-initiated documentation are reviewed to determine if there is a need to issue a request for insurance information. If information is requested and the citizen fails to respond, or is found to have no insurance, an order of suspension is issued, which initiates the compliance process.

Results - The Citizen Information/Police Accident Report process has resulted in the following:

	<u>FY86-89</u>	<u>FY89-90</u>	<u>FY90-91</u>	<u>TOTAL</u>
Vehicle Owners Issued Notices	9,777	2,681	1,874	14,332
Resulting Net Orders of Suspension	5,145	688	145	5,978
Detection Rate	52.62%	25.66%	7.74%	41.71%

Total Number of Notices and Suspensions Issued Under the Insurance Monitoring Program

Since implementing the current Insurance Monitoring Program in July 1986, the results have been:

	<u>FY86-89</u>	<u>FY89-90</u>	<u>FY90-91</u>	<u>TOTAL</u>
Vehicle Owners Issued Notices	1,077,461	309,448	309,185	1,696,094
Net Orders of Suspension	80,463	23,322	24,795	128,580
Detection Rate	7.47%	7.54%	8.02%	7.58%

Vehicle owners who are issued an order of suspension must pay a \$400 penalty fee and file a Certificate of Insurance with DMV for three years in order to retain their driving and vehicle registration privileges. Insurance companies cooperate by notifying the Department if the insurance policy is cancelled during this period. 23,992 Certificates of Insurance were filed with DMV during FY90-91.

The number of Certificates of Insurance filed with DMV since July 1, 1986 are as follows:

	<u>FY86-89</u>	<u>FY89-90</u>	<u>FY90-91</u>	<u>TOTAL</u>
Certificates of Insurance Filed	72,660	24,637	23,992	121,289

Upon receipt of a cancellation notice, DMV will issue an order of suspension for failure to maintain the Certificate of Insurance. In order for the individual to regain their driving and vehicle registration privileges, they must file a new Certificate of Insurance with the Department. 24,092 orders of suspension were issued for failure to maintain a Certificate of Insurance during FY90-91.

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 re-enforces all of the insurance monitoring processes.

The operational cost for the Financial Responsibility Division was \$3,831,455 in FY90-91.

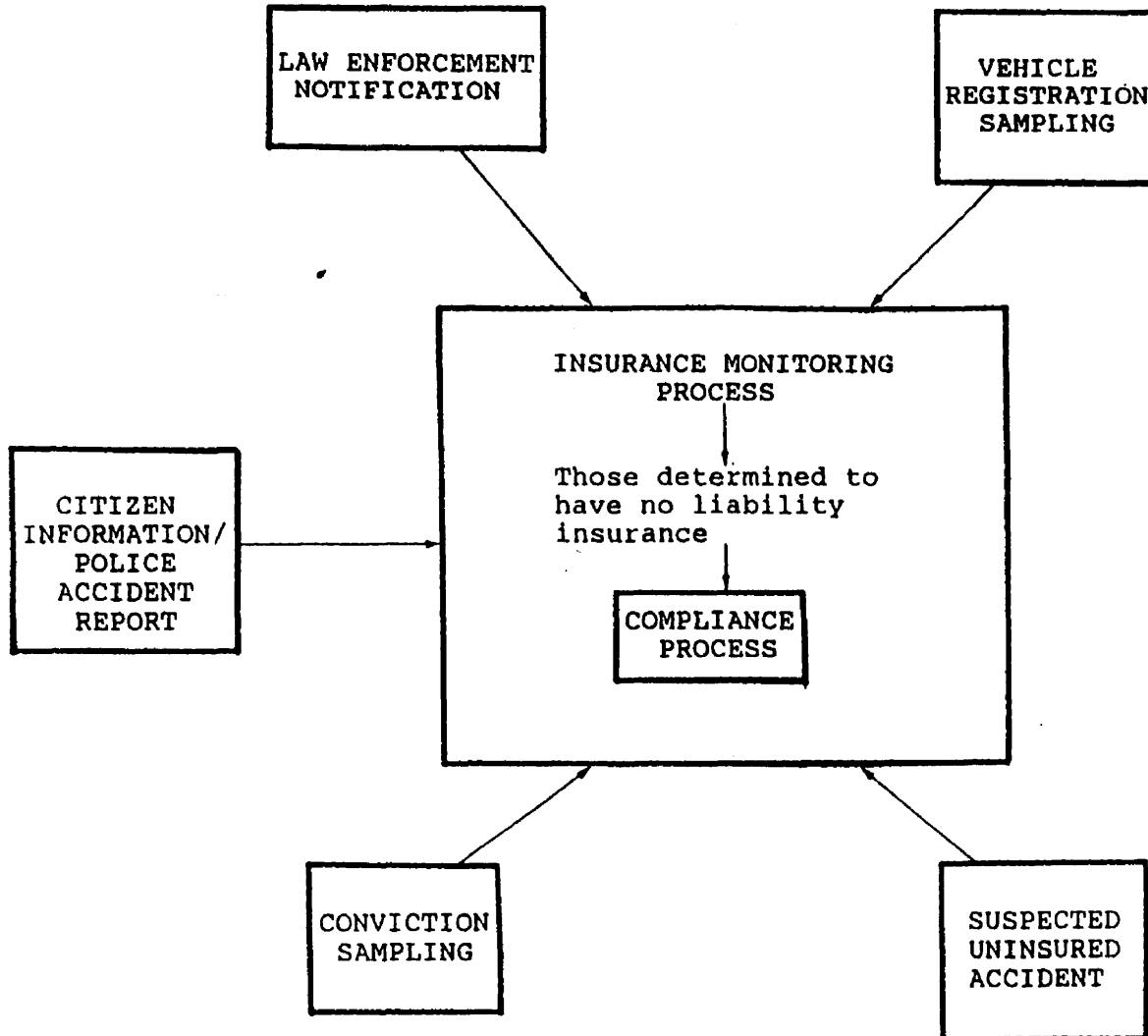
**PART V
PUBLIC EDUCATION**

DMV initiated an education program in July 1986 to educate our employees and the public about vehicle liability insurance needs. The Department continues 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 administered by the Department.

The highlights of our public information efforts in FY90-91 include:

- ◆ Insurance requirement and verification information was available at the 1990 Virginia State Fair. Brochures were made available for citizen use and questions were answered by DMV representatives..
- ◆ The insurance brochure was distributed in all 72 branch offices. It clearly outlines the insurance requirements and verification methods.
- ◆ All branch offices received the "Virginia Auto Insurance Consumer's Guide" produced by the State Corporation Commission. Citizens may use this to understand automobile insurance and how to get the best coverage for their needs.
- ◆ Insurance information was also supplied to other state DMV offices to provide a comparison with their state's requirements.
- ◆ Several newspapers wanted to know the insurance requirements for the state in conjunction with some articles they were producing

INSURANCE MONITORING PROCESSES

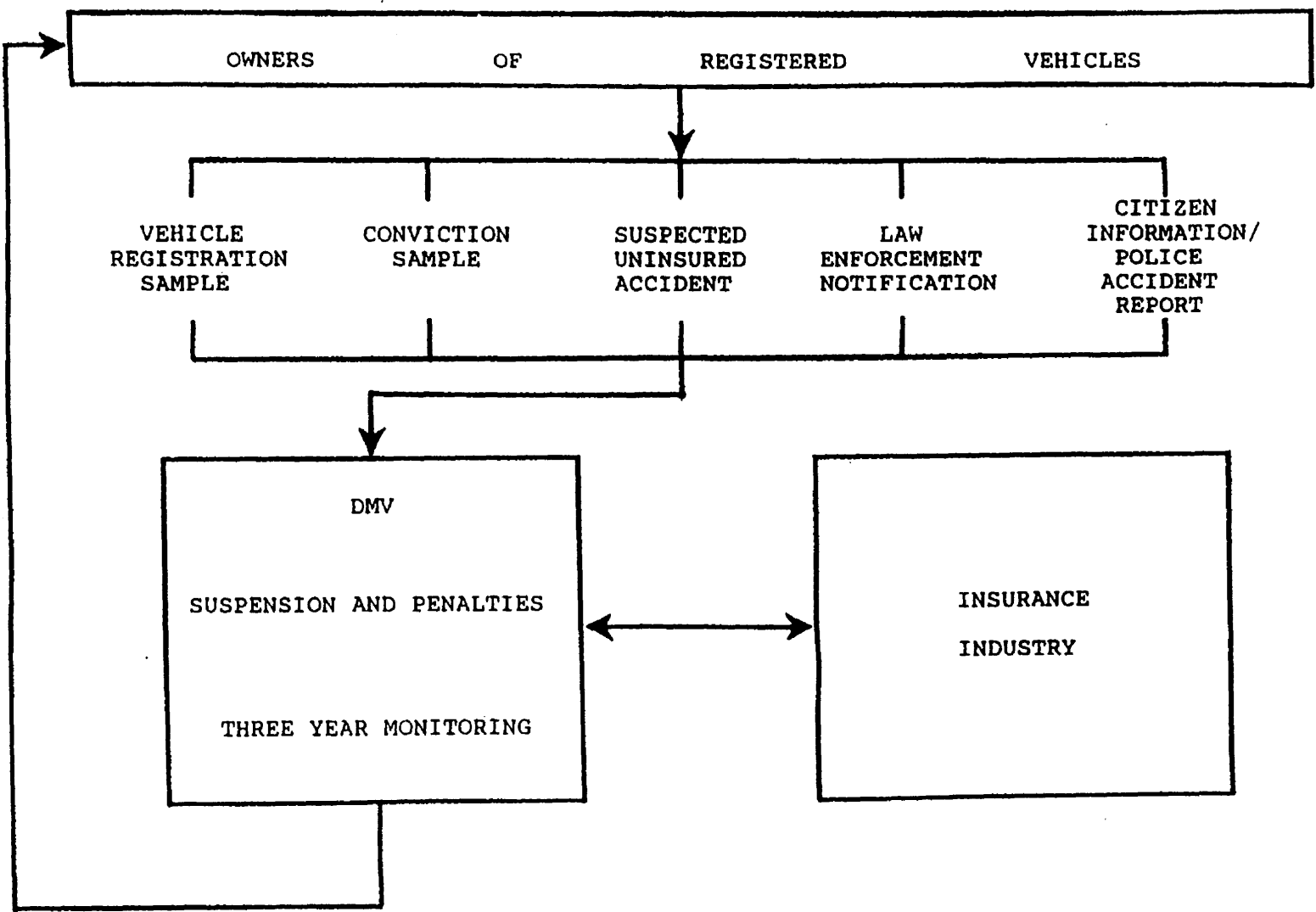


THERE ARE FIVE PROCESSES WHICH MONITOR MAINTENANCE OF LIABILITY INSURANCE.

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



1987 SESSION

LD6318500

HOUSE JOINT RESOLUTION NO. 230

Offered January 21, 1987

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.

Patrons--Keating and Cohen

Referred to the Committee on Roads and Internal Navigation

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.