

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

Uninsured Motorists

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



HOUSE DOCUMENT NO. 14

**COMMONWEALTH OF VIRGINIA
RICHMOND
1993**

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

EXECUTIVE SUMMARY

**RESULTS OF INSURANCE MONITORING EFFORTS
JULY 1, 1991 THROUGH JUNE 30, 1992**

There were 4,884,851 vehicles registered in the State of Virginia as of June 30, 1992. This is a slight increase over the 4,794,803 vehicles registered as of June 30, 1990.

Vehicle Owners Issued Notices	224,831
Resulting Net Orders of Suspension	21,512
Average Detection Rate **	9.57%

** 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 7.15%.

The number of motorists who voluntarily paid the uninsured motor vehicle fee at the time of registration for FY91-92 was 7,355.

The number of motorists who paid the penalty fee only following detection by DMV as being uninsured was 17,413 for FY91-92.

The number of Certificates of Insurance filed totaled 50,723.

Net revenue collections during the past fiscal year was \$7,380,825.

The Department of Motor Vehicles' appropriation for FY91-92 was \$3,893,324.

EXECUTIVE SUMMARY (con't)

The net funds available for transfer to the State Corporation Commission during FY91-92 were \$3,487,501. This is a decrease from the previous fiscal year.

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

Contents and Highlights

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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

- ◆ \$24,168,005 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 \$3,893,324 in 1992 to more closely cover the actual expenditures necessary to administer the Insurance Monitoring Program.

IV. Department of Motor Vehicles Insurance Monitoring Processes Page 6

- ◆ There are five insurance monitoring processes administered by the Department of Motor Vehicles. Since implementing the current insurance monitoring processes, 1,920,925 motor vehicle owners have been issued insurance monitoring notices.
- ◆ The current insurance monitoring processes have resulted in 150,089 net orders of suspension.

Contents and Highlights (con't.)

V. Public Education Page 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 manually 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 manually 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	1,920,925
Resulting Net Orders of Suspension	150,089
Average Detection Rate	7.81%

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 \$24,168,005 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>FY86-90</u>	<u>FY90-91</u>	<u>FY91-92</u>	<u>TOTAL</u>
19,534	6,455	7,355	33,344

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>FY86-90</u>	<u>FY90-91</u>	<u>FY91-92</u>	<u>TOTAL</u>
78,643	18,306	17,413	114,362

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>FY86-90</u>	<u>FY90-91</u>	<u>FY91-92</u>	<u>TOTAL</u>
Net Revenue Collections	\$27,986,341	\$7,516,368	\$7,380,825	\$42,883,534
DMV Appropriation	\$10,990,750	\$3,831,455	\$3,893,324	\$18,715,529
Difference	\$16,995,591	\$3,684,913	\$3,487,501	\$24,168,005

Since implementing the current Insurance Monitoring Program in July 1986, a total of \$24,168,005 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.

With the implementation of a new automated customer service system during this reporting period, the agency underwent changes which affect components of this program. Overall activity, however, is stabilizing and returning to the norm. Following are the results of DMV's insurance monitoring efforts since July 1, 1986:

	<u>FY86-90</u>	<u>FY90-91</u>	<u>FY91-92</u>	<u>TOTAL</u>
Vehicle Owners Issued Notices	1,386,909	309,185	224,831	1,920,925
Resulting Net Orders of Suspension	103,785	24,795	21,509	150,089
Detection Rate	7.48%	8.02%	9.56%	7.81%

VEHICLE REGISTRATION SAMPLE

Description - This insurance monitoring process is based on a computerized random sample of vehicles registered (daily standard: 1,200 vehicles). 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>FY86-90</u>	<u>FY90-91</u>	<u>FY91-92</u>	<u>TOTAL</u>
Vehicle Owners Issued Notices	1,255,071	293,572	213,386	1,762,029
Resulting Net Orders of Suspension	71,569	19,865	15,269	106,703
Detection Rate	5.70%	6.77%	7.15%	6.06%

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 Sampling process has resulted in the following:

	<u>FY86-90</u>	<u>FY90-91</u>	<u>FY91-92</u>	<u>TOTAL</u>
Vehicle Owners Issued Notices	8,479	2,467	415	11,361
Resulting Net Orders of Suspension	2,123	619	178	2,920
Detection Rate	25.04%	25.09%	42.89%	25.70%

This process necessitates an interface between driver and vehicle files. The driver files have been converted to our new automated system; the vehicle files are not yet converted. The Conviction Sampling process has been suspended due to the complexity of building an interface between the old and new systems.

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>FY86-90</u>	<u>FY90-91</u>	<u>FY91-92</u>	<u>TOTAL</u>
Vehicle Owners Issued Notices	4,004	2,045	1,808	7,857
Resulting Net Orders of Suspension	2,684	1,332	1,490	5,506
Detection Rate	67.03%	65.13%	82.41%	70.07%

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 91 localities cooperate with DMV in this process.

The Law Enforcement Notification process has resulted in the following:

	<u>FY86-90</u>	<u>FY90-91</u>	<u>FY91-92</u>	<u>TOTAL</u>
Vehicle Owners Issued Notices	106,897	9,227	6,729	122,853
Resulting Net Orders of Suspension	21,576	2,834	3,393	27,803
Detection Rate	20.18%	30.71%	50.42%	22.63%

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>FY86-90</u>	<u>FY90-91</u>	<u>FY91-92</u>	<u>TOTAL</u>
Vehicle Owners Issued Notices	12,458	1,874	2,493	16,825
Resulting Net Orders of Suspension	5,833	145	1,179	7,157
Detection Rate	46.82%	7.74%	47.29%	42.53%

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>FY86-90</u>	<u>FY90-91</u>	<u>FY91-92</u>	<u>TOTAL</u>
Vehicle Owners Issued Notices	1,386,909	309,185	224,831	1,920,925
Net Orders of Suspension	103,785	24,795	21,509	150,089
Detection Rate	7.48%	8.02%	9.56%	7.81%

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. 50,723 Certificates of Insurance were filed with DMV during FY91-92.

During this reporting period, changes were made in the method utilized to measure certificates submitted. Therefore, the FY91-92 count is more reflective of the actual number of certificates filed. Certificates of Insurance filed with DMV since July 1, 1986 are as follows:

	<u>FY86-90</u>	<u>FY90-91</u>	<u>FY91-92</u>	<u>TOTAL</u>
Certificates of Insurance Filed	97,297	23,992	50,723	172,012

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. 22,391 orders of suspension were issued for failure to maintain a Certificate of Insurance during FY91-92.

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 \$3,893,324 in FY91-92.

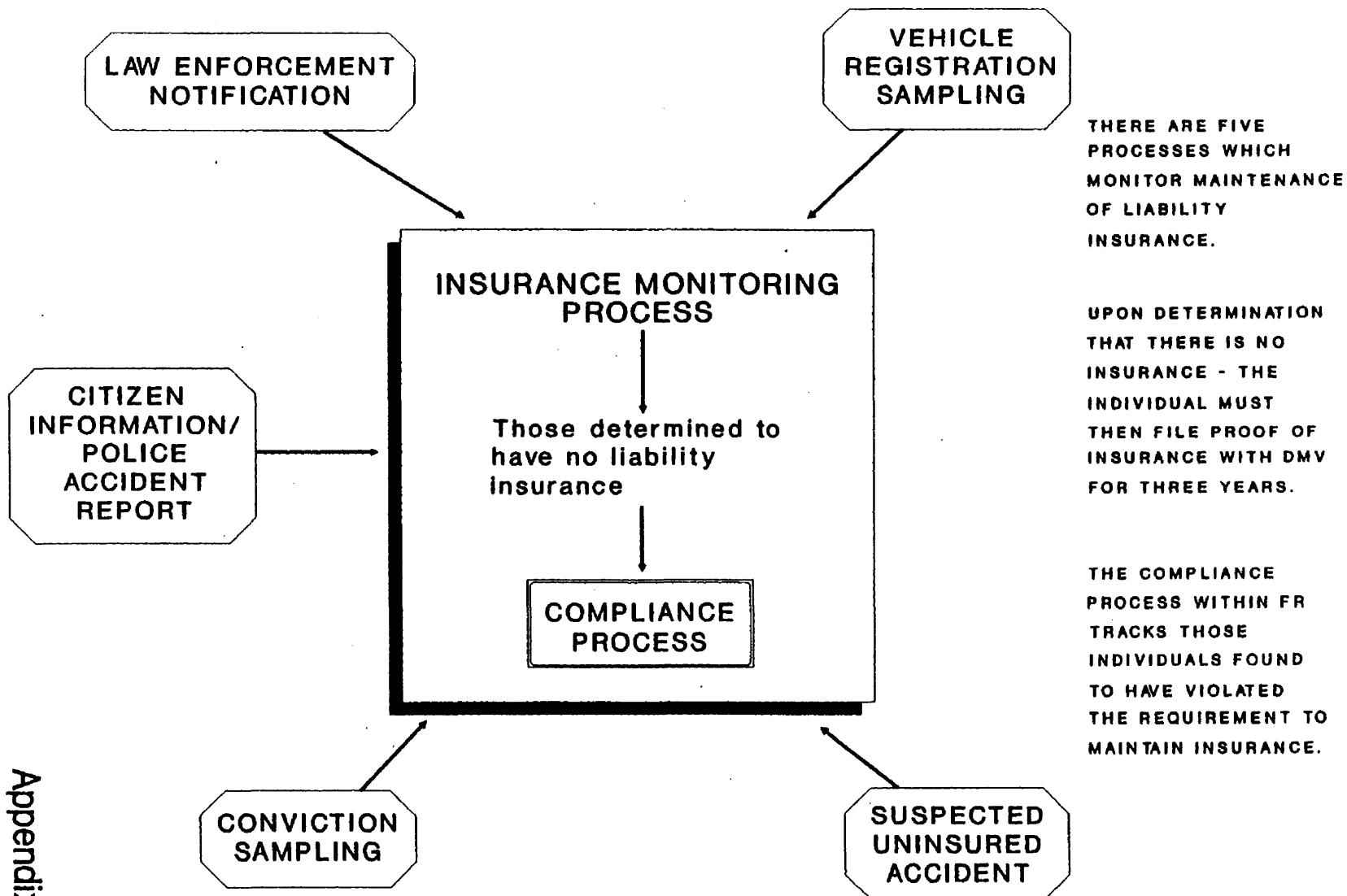
PART V PUBLIC EDUCATION

DMV initiated an education program in July 1986 to educate 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 FY91-92 include:

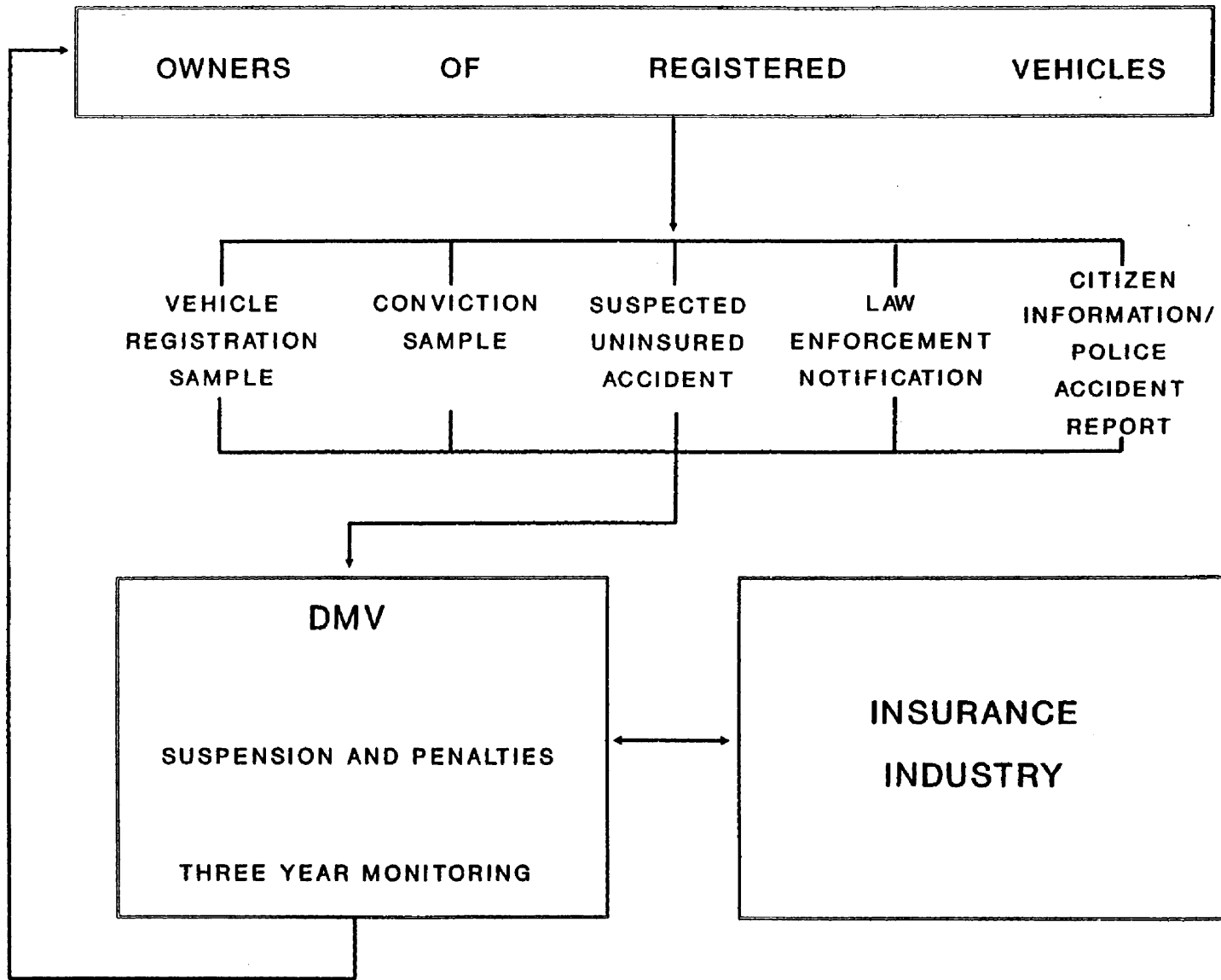
- ◆ A number of media calls were answered concerning Virginia's insurance requirements which generated educational articles for customers.
- ◆ The brochure, "Before You Check the Insurance Box," was displayed and handed out at the Virginia State Fair during September, 1991. In addition, the above brochure was available to all DMV customers at any DMV branch office.
- ◆ DMV's vehicle renewal newsletter, mailed from January to June 1992, featured an article on insurance requirements. This newsletter is scheduled to be mailed in renewal notices from July through December 1992. Over 2.2 million vehicle owners received the newsletter during the first six months of 1992.
- ◆ Working with the State Corporation Commission, DMV distributed "Virginia Auto Insurance Consumer's Guide" to all branch offices. This booklet was available to any consumer requesting information on auto insurance.

INSURANCE MONITORING PROCESSES



Appendix A

INSURANCE MONITORING PROCESS



Appendix B

1987 SESSION

LD6318500

1 HOUSE JOINT RESOLUTION NO. 230

2 Offered January 21, 1987

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

6
7 Patrons—Keating and Cohen

8
9 Referred to the Committee on Roads and Internal Navigation

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

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

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

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

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

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

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

- 40 1. The number of uninsured motorists who have voluntarily paid the \$300 fee and who
41 paid the fee only after being found by DMV;
- 42 2. The total amount of uninsured motorist fees collected, the amount appropriate to
43 DMV for its administrative expenses, and the net amount available for distribution to
44 insurance companies;
- 45 3. Its insurance monitoring programs, including the results, costs, and any changes made
46 in the programs; and
- 47 4. Its efforts to educate the public regarding the uninsured motorist provisions.

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