

**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. 52**

**COMMONWEALTH OF VIRGINIA  
RICHMOND  
1997**



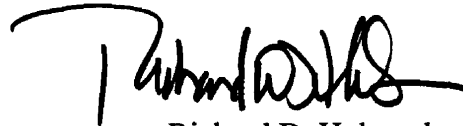
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## PREFACE

As part of its role of administering motor vehicle laws, DMV is responsible for monitoring liability insurance for all motor vehicles registered in the Commonwealth. To protect the interests of all Virginia motorists, DMV administers an Insurance Monitoring Program which is designed to detect vehicle owners who are not in compliance with insurance requirements.

The 1987 Session of the General Assembly passed House Joint Resolution 230, mandating an annual report to the members of the General Assembly on the uninsured motorist situation in Virginia. This document contains information on the uninsured situation for fiscal years 1995-96 as well as cumulative information since 1986.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard D. Holcomb", written in a cursive style.

Richard D. Holcomb  
Commissioner

December 12, 1996

Department of Motor Vehicles  
 Annual Report  
 Uninsured Motorists In Virginia

**EXECUTIVE SUMMARY**

**Insurance Monitoring Activities  
 July 1, 1995 - June 30, 1996**

As of June 30, 1996, there were 5,784,385 vehicles registered in Virginia. This number represents an increase of 307,719 or 5.62% in the number of vehicles registered as of June 30, 1995.

The following statistics provide an overview of the Department of Motor Vehicles' insurance monitoring activities for FY95-96

- **160,264** vehicle owners were issued notices which resulted in **11,540** net orders of suspension.
- The average overall detection rate for DMV's Insurance Monitoring Program was **7.89%**.
- The detection rate for each insurance monitoring process was as follows:

	<u>FY93-94</u>	<u>FY94-95</u>	<u>FY95-96</u>
Vehicle Registration	6.53%	5.55%	4.65%
Conviction Sampling	20.77%	30.81%	36.73%
Suspected Uninsured Accident	69.92%	62.76%	62.62%
Law Enforcement Notification	47.69%	45.03%	46.48%
Citizen Information/Police Accident Report	53.69%	59.00%	56.60%

- **2,838** motorists voluntarily paid the uninsured motor vehicle fee at the time of registration.
- **18,352** motorists paid the penalty fee after being detected by DMV as being uninsured.
- A total of **240,746** certificates of insurance were filed.
- Gross revenue collections were **\$7,618,192**.  
 Some motorists pay a prorated voluntary fee, while others pay penalty fees that are less than the current annual fee (\$400). Therefore, the number of motorists paying fees exceeds the result of revenue divided by the annual fee.
- DMV's appropriation was **\$3,893,324**.
- The net funds available for transfer to the State Corporation Commission were **\$3,724,868**, a decrease of \$1,446,766 from FY94-95.

Department of Motor Vehicles  
Annual Report  
Uninsured Motorists In Virginia

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## **PART I.**

### **INTRODUCTION**

The Department of Motor Vehicles is responsible for monitoring uninsured motorists in Virginia. Pursuant to the provisions of the Motor Vehicle Code, a vehicle owner must have vehicle liability coverage or voluntarily pay a \$400 uninsured motorist fee upon registration of a vehicle. To protect the interests of all Virginia motorists, DMV administers an Insurance Monitoring Program which is designed to detect vehicle owners who are not in compliance with insurance requirements.

House Joint Resolution 230 (1987 Session) mandated an annual report to the General Assembly on the uninsured situation in Virginia. DMV annually reports on its Insurance Monitoring Program activities including information on the effectiveness of Virginia's motor vehicle insurance laws, educational efforts to inform and enhance the public's understanding of insurance requirements and the limitations of the uninsured motorist fee, and efforts to reduce the number of uninsured motorists on Virginia roadways.

As a result of the action of the 1986 General Assembly session, DMV re-focused its insurance monitoring efforts by eliminating two labor intensive processes. To reduce paperwork and manpower requirements, DMV ceased requiring citizens to submit accident reports or requiring insurance companies to notify DMV of liability policy cancellations. The focus of the Insurance Monitoring Program was shifted to identification of uninsured motorists prior to possible involvement in an accident and prior to cancellation of liability insurance.

Since 1986, DMV's Insurance Monitoring Program has consisted of five monitoring processes. Four of these processes attempt to identify uninsured motorists before they are involved in an accident, and the fifth process enables citizens to request verification of another individual's insurance information subsequent to their involvement in an accident.

Persons found to have violated Virginia vehicle insurance laws must comply with established penalties. Once drivers have been identified as having no insurance, they must comply with the terms of an order of suspension of their driving and registration privileges. Compliance includes payment of a \$400 penalty fee and filing of proof of an insurance policy for three years. During the three year period, insurance companies cooperate with DMV by providing notification to the Department if an individual cancels his or her insurance policy. The requirement to maintain proof of insurance enables DMV to ensure that these individuals do, in fact, have liability 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 State Corporation Commission (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 implementation of the current Insurance Monitoring Program in July 1986, a total of \$76,583,853 in revenue has been collected and, of this total, \$42,295,028 has been transferred to the SCC.

**PART II.**

**UNINSURED MOTOR VEHICLE FEE AND PENALTY FEE**

**Uninsured Motor Vehicle (UMV) Fee**

The Motor Vehicle Code provides that, as an option to obtaining liability insurance coverage, a vehicle owner may voluntarily pay an uninsured motor vehicle fee at the time the vehicle is registered. Payment of this \$400 fee does not provide insurance coverage.

There are situations provided for in §46.2-706 of the Motor Vehicle Code in which a prorated UMV fee may be paid:

- when a vehicle owner wishes to renew all vehicles owned during the same month.
- when a vehicle owner purchases a three day trip permit to drive the vehicle from Virginia to another state usually for sale of the vehicle.
- when a vehicle owner needs a 30-day temporary tag.

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

<b>Uninsured Motor Vehicle Fee Voluntarily Paid</b>			
<b><u>FY86-94</u></b>	<b><u>FY94-95</u></b>	<b><u>FY95-96</u></b>	<b><u>TOTAL</u></b>
<b>48,019</b>	<b>5,259</b>	<b>2,838</b>	<b>56,116</b>

**Penalty Fee**

Detection of an uninsured motor vehicle through an insurance monitoring process requires that the vehicle owner, at a minimum, pay a \$400 penalty fee and be required to maintain proof of financial responsibility or a certificate of insurance (SR22) for a period of three years.

The number of vehicle owners who paid the penalty fee only after detection by an insurance monitoring process is shown below:

<b>Uninsured Motor Vehicle Fee Paid After Detection</b>			
<b><u>FY86-94</u></b>	<b><u>FY94-95</u></b>	<b><u>FY95-96</u></b>	<b><u>TOTAL</u></b>
<b>153,618</b>	<b>21,720</b>	<b>18,352</b>	<b>193,690</b>

The amounts of both the UMV and the penalty fees 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.**

**UNINSURED MOTORISTS FUND**

A portion of the UMV and penalty fees is forwarded to the SCC in accordance with §38.2-3001 of the Code of Virginia. These monies 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.

Since implementing the current Insurance Monitoring Program in July 1986, a total of \$42,295,028 has been collected for transfer to the SCC.

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	<b>Revenue Collections/DMV Appropriation</b>			
	<u>FY86-94</u>	<u>FY94-95</u>	<u>FY95-96</u>	<u>TOTAL</u>
Net Revenue Collections	\$59,900,703	\$9,064,958	\$7,618,192	\$76,583,853
DMV Appropriation	\$26,502,177	\$3,893,324	\$3,893,324	\$34,288,825
Difference	----- \$33,398,526	----- \$5,171,634	----- \$3,724,868	----- \$42,295,028

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**PART IV.**

**INSURANCE MONITORING PROCESSES**

Currently, the Insurance Monitoring Program consists of five different processes. Each process is briefly outlined in this section. In addition, the results of the insurance monitoring efforts for the last ten years are provided. Effective January 1, 1997, the Vehicle Registration Sampling process will be replaced with a new process mandated by House Bill 524 and Senate Bill 554, passed during the 1996 session of the General Assembly (see page 8 of this report).

Within each process, DMV makes every effort to obtain correct insurance information from individuals prior to taking action to suspend the individual's driving and registration privileges. To ensure accuracy of information received, DMV requests the name of the insurance company rather than the name of the insurance agent. If an individual responds with incomplete or inaccurate data, a written notice is returned to the individual requesting correct or additional information.

Once DMV receives insurance information from the citizen, the information is verified with the insurance company named by the citizen. If the specified company denies that the individual is a current policy holder, DMV notifies the individual and allows time for the individual to provide correct insurance information and/or to resolve the problem with the insurance company.

An order of suspension for driving and registration privileges is issued only if the individual fails to respond, is found not to have insurance, or as is often the case, admits to not having liability insurance coverage. 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. There were 240,746 Certificates of Insurance filed during FY95-96, an increase of 7.88%.

Insurance companies cooperate by notifying DMV if the policy is canceled during this period. Upon receipt of a notice from an insurance company that a policy has been canceled during the required filing time, DMV will issue an order of suspension for failure to maintain the certificate of insurance. During FY95-96, 159,524 orders of suspension were issued for failure to maintain a certificate of insurance. In order for the citizen to regain driving and vehicle registration privileges, a new certificate of insurance must be filed with DMV.

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

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<b>OVERALL INSURANCE MONITORING ACTIVITIES</b>				
	<u>FY86-94</u>	<u>FY94-95</u>	<u>FY95-96</u>	<u>TOTAL</u>
Vehicle Owners Issued Notices	2,555,426	241,621	160,264	<b>2,957,311</b>
Resulting Net Orders of Suspension	203,762	18,048	11,482	<b>233,292</b>
Detection Rate	7.97%	7.47%	7.16%	<b>7.89%</b>

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**PART IV. (continued)**

**Vehicle Registration Sampling**

This insurance monitoring process involves a daily sampling of 650 registered vehicles. The vehicle owners identified in the computerized random sample are sent a notice from DMV requesting insurance information. If the owner fails to respond after several notification attempts, or is found to have no insurance, an order of suspension is issued. Once a suspension order is issued, the compliance process is initiated. This process is automated and all initial requests for information, follow-up notices, and suspension orders are computer-generated. In preparation for the new monitoring process (see page 8), the Vehicle Registration Sampling process was discontinued on September 30, 1996.

The following table summarizes the activities of this process since 1986:

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	<u>FY86-94</u>	<u>FY94-95</u>	<u>FY95-96</u>	<u>TOTAL</u>
Vehicle Owners Issued Notices	2,376,740	231,380	151,607	<b>2,759,727</b>
Resulting Net Orders of Suspension	148,905	12,843	7,051	<b>168,799</b>
Detection Rate	6.27%	5.55%	4.65%	<b>6.12%</b>

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**Conviction Sampling**

This insurance monitoring process targets the high risk population of licensed drivers who have been convicted of a number of moving violations or have failed to respond to driver improvement treatments. 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 at which time the compliance process is initiated. This is also an automated process whereby all notices and orders are computer-generated.

The monitoring activities associated with this process since 1986 are summarized below:

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	<u>FY86-94</u>	<u>FY94-95</u>	<u>FY95-96</u>	<u>TOTAL</u>
Vehicle Owners Issued Notices	11,438	159	98	<b>11,695</b>
Resulting Net Orders of Suspension	2,936	49	36	<b>3,021</b>
Detection Rate	25.67%	30.81%	36.73%	<b>25.83%</b>

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**PART IV. (continued)**

**Suspected Uninsured Accident**

This insurance monitoring process allows a citizen and/or a representative to voluntarily file an accident report with DMV, and as a part of the report, to indicate there is a reason to believe the other party involved in the accident was uninsured. This is a manual process in which a request for insurance information is sent 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. The citizen and/or representative filing the accident report may request DMV to provide them with the insurance information obtained.

The activities associated with this process are summarized below:

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<b>SUSPECTED UNINSURED ACCIDENT ACTIVITY</b>				
	<u>FY86-94</u>	<u>FY94-95</u>	<u>FY95-96</u>	<u>TOTAL</u>
Vehicle Owners Issued Notices	11,945	1,885	1,664	15,494
Resulting Net Orders of Suspension	8,442	1,183	1,042	10,667
Detection Rate	70.67%	62.76%	62.62%	68.85%

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**Law Enforcement Notification**

This insurance monitoring process is initiated when police officers require citizens to provide insurance information to DMV on form FR422A. Usually, citizens are asked to provide this information at a roadside spot check or if there is probable cause for a moving traffic violation. This is a manual process in which an order of suspension is issued to citizens who are found to have no insurance at the time the FR422A was issued. In addition to State Police, a total of 108 localities cooperate with DMV in administering this process.

The activity associated with the process is summarized below:

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<b>LAW ENFORCEMENT NOTIFICATION ACTIVITY</b>				
	<u>FY86-94</u>	<u>FY94-95</u>	<u>FY95-96</u>	<u>TOTAL</u>
Vehicle Owners Issued Notices	134,590	6,180	5,432	146,202
Resulting Net Orders of Suspension	33,143	2,783	2,525	38,451
Detection Rate	24.63%	45.03%	46.48%	26.30%

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**PART IV. (continued)**

**Citizen Information/Police Accident Report**

This insurance monitoring process utilizes police accident reports and citizen-initiated documentation to identify individuals to be monitored for vehicle liability insurance. This is a manual process in which the accident reports and citizen documentation are reviewed by DMV personnel 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.

The activity associated with this process is summarized below:

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**CITIZEN INFORMATION/POLICE ACCIDENT REPORT ACTIVITY**

	<u>FY86-94</u>	<u>FY94-95</u>	<u>FY95-96</u>	<u>TOTAL</u>
Vehicle Owners Issued Notices	20,713	2,017	1,463	<b>24,193</b>
Resulting Net Orders of Suspension	10,369	1,190	828	<b>12,387</b>
Detection Rate	50.06%	59.00%	56.60%	<b>51.20%</b>

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## **PART V.**

### **PROGRAM COSTS**

In considering the costs of the Insurance Monitoring Program, all related functions and activities of the Insurance Monitoring Division within DMV 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 Insurance Monitoring Program was \$3,893,324 in FY95-96.

## **PART VI.**

### **NEW INSURANCE VERIFICATION PROGRAM**

Beginning on January 1, 1997, the Department of Motor Vehicles will re-focus its insurance monitoring efforts by replacing the vehicle registration sampling process with a less intrusive and more efficient program.

Our monitoring efforts over the past ten years have been more effective when there was reason to believe that the vehicle owner may be uninsured. This new automated system requires insurance companies licensed to do business in Virginia to report vehicle liability insurance activities to DMV monthly. Working together, DMV, the Insurance Industry Committee on Motor Vehicle Administration, and the insurance industry as a whole, have developed a dynamic system that will allow the insurance companies to easily report activities. DMV will electronically compare this information with its own vehicle registration records to quickly determine those vehicles listed in DMV's records that are not insured.

The vehicle owners identified as not having insurance records on file are sent a notice from DMV requesting insurance information which is electronically verified with the named insurance company. If the owner fails to respond or is found to have no insurance, an order of suspension is issued. Once a suspension is issued, the compliance process is initiated. This process is automated and all initial request for information, follow-up notices, and suspension orders are computer generated.

## **PART VII.**

### **PUBLIC EDUCATION**

Beginning July 1986, DMV initiated a public information program to educate the public about vehicle liability insurance needs. DMV continues public education efforts to inform citizens about liability insurance, the purpose and limitations of the UMV fee, and the insurance monitoring processes administered by DMV.

Public education overview includes:

In cooperation with the State Corporation Commission, DMV distributed the Virginia Auto Insurance Consumer's Guide to all customer service centers so customers would have access to insurance information.

Insurance information and registration requirements were published in the Virginia Driver's Manual.

DMV responded to media inquiries regarding the Insurance Monitoring Program and the amount of money collected by the program. In addition, DMV responds daily to customer inquiries concerning insurance which are received by phone and mail.

