



**INSURANCE VERIFICATION
ANNUAL REPORT**

FISCAL YEAR 2000

Virginia Department of Motor Vehicles

PREFACE

To protect the interests of all Virginia motorists, the Virginia Department of Motor Vehicles (DMV) administers an Insurance Verification Program to detect vehicle owners who are not in compliance with insurance requirements. This report provides summary statistics on DMV's insurance verification activities.

In a partnership with the insurance industry, DMV primarily uses the Electronic Motor Vehicle Insurance Reporting process to verify the insurance of millions of registered vehicles. The goals of this process are to (1) encourage owners of registered motor vehicles to obtain and maintain automobile liability insurance, (2) identify more uninsured motor vehicles prior to accident involvement, (3) reduce paperwork associated with insurance verification which helps the insurance industry, DMV, and the citizen; and (4) lessen government intrusive into the lives of citizens by sending notices only to vehicle owners suspected of being uninsured.

The Electronic Motor Vehicle Insurance Reporting Process combined with DMVs' three other highly successful processes, the Suspected Uninsured Accident Report, the Law Enforcement Notification and the Citizen Information/Police Accident Report constitute a highly effective insurance verification program.

Sincerely,

Richard D. Holcomb
Commissioner

October 20, 2000

EXECUTIVE SUMMARY

Insurance Verification Activities - July 1, 1999 - June 30, 2000

As of June 30, 2000, **6,425,151** vehicles were registered in Virginia. This is a 4.6% increase over the **6,131,632** vehicles registered as of June 30, 1999.

Insurance companies electronically reported approximately **12.6 million updates** of insurance cancellations, reinstatements, new policies and vehicle additions.

- **409,831 vehicle owners** were issued notices that resulted in **74,790 net orders of suspension**.

The average overall net order rate for DMV's Insurance Verification Program was 18 %.

The net order rate for each insurance verification process:

Insurance Companies Reporting	17%
Suspected Uninsured Accident	61%
Law Enforcement Notification	66%
Citizen Information/Police Accident Reports	68%

- **3,100** motorists voluntarily paid the uninsured motor vehicle fee at the time of registration.
- **29,823 paid statutory fees** after being issued orders of suspension.
- **289,905 certificates of insurance** were filed.
- **\$14,672,134 in gross revenue** was collected.
- **\$4,347,944** was DMV's appropriation.
- **\$10,278,811** in revenues (Uninsured Motorist Fund) was available for transfer to the State Corporation Commission; an increase of **\$2,323,796** over the **\$7,955,015** transferred in FY'99.

INTRODUCTION

The Department of Motor Vehicles (DMV) is responsible for ensuring that all owners of registered motor vehicles are in compliance with Virginia's financial responsibility laws. The Virginia Insurance Verification Program is structured to identify vehicle owners who are not in compliance. Pursuant to the provisions of the Motor Vehicle Code, a vehicle owner must have liability coverage for their motor vehicle or voluntarily pay a \$500 uninsured motor vehicle (UMV) fee upon registration. Payment of this fee does not provide or substitute for insurance coverage.

Four activities comprise the Commonwealth's verification program: Electronic Motor Vehicle Liability Insurance Reporting, Suspected Uninsured Accidents, Law Enforcement Notification, and Citizen Information/Police Accident Report. Within each verification activity, DMV makes every effort to obtain the correct insurance information from owners prior to taking action to suspend the owners' driving and registration privileges. If an owner responds with incomplete or inaccurate data, a written notice is returned to the owner requesting correct or additional information.

Once DMV receives insurance information from the owner, the information is verified with the insurance company named by the owner. If the specified company denies vehicle coverage, DMV requests the owner 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 owner fails to respond, is found not to have insurance, or admits to not having liability insurance coverage.

To reinstate driving and registration privileges, the owner must pay a \$500 penalty and file proof of financial responsibility, a certificate of insurance (SR-22), for a period of three years. Insurance companies notify DMV if coverage is canceled during this period. If canceled, DMV will issue an order of suspension for failure to maintain the certificate of insurance.

VIRGINIA INSURANCE VERIFICATION PROGRAM

Summary of Program Activities

The cornerstone of all verification activities is the **Electronic Motor Vehicle Liability Insurance Reporting Process**.

Electronic Motor Vehicle Liability Insurance Reporting is essentially a three-step process activated by a citizen's own action(s): registering a vehicle and certifying to DMV that the vehicle is insured or by canceling liability insurance. First, DMV is prompted to verify insurance coverage using the monthly updates generated from insurance companies. These updates are sent either through Electronic Data Interchange (EDI), tape (reel or cartridge), or manually (for companies with less than 1,000 policies). Currently, of the **379 companies reporting, 316 transmit electronically and 63 report by paper**. The automated system requires insurance companies to send electronic updates of insured information and vehicle descriptions to DMV when they: cancel and reinstate liability insurance for vehicles registered in Virginia; add liability insurance to an existing policy for newly registered vehicles; or issue a new motor vehicle liability insurance policy for vehicles registered or subject to registration in Virginia.

Second, DMV electronically compares these updates with motor vehicle registration records from its customers' file to determine those vehicles that may have an insurance problem. Insurance companies transmitted approximately **12.6 million** updates this past year through the program. This process is transparent to the citizen.

Third, notices are generated after 90 days to owners who do not have a new registration or policy cancellation correctly paired with a liability insurance update. Vehicle owners identified as not having an insurance update on file are sent a notice from DMV requesting insurance information. In FY 00, of the approximately 12.6 million vehicle records monitored, only **405,620 (3.2%)** owners were sent notices to request insurance coverage information. If the owner failed to respond or was found to have no insurance, an order of suspension was issued. Of the 405,620 notices sent, 72,090 (**17%**) resulted in orders of suspension.

Another verification activity is the **Suspected Uninsured Accident** process. This 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 reason to believe the other party involved in the accident was uninsured. This is a 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. During FY 00, **61%** of the **1,802** notices issued resulted in orders of suspension.

A third verification activity, the **Law Enforcement Notification** process, is initiated when police officers require citizens to provide insurance information to DMV. Usually, citizens are asked for this information at a roadside spot check or if there is probable cause for a moving traffic violation. DMV issues an order of suspension to citizens who are found uninsured. In addition to the State Police, a total of 108 localities cooperate with DMV. At the end of FY 00, **66%** of the **1,789** notices issued through this process resulted in orders of suspension.

The **Citizen Information/Police Accident Reports** process is the final verification activity. It utilizes police accident reports and citizen-initiated documentation to identify potentially uninsured individuals. Although two distinct processes encompass this activity, third party informants are used in both to collect information on suspected uninsured vehicle owners. DMV personnel review the accident reports and citizen documentation for vehicle liability insurance. It is then determined 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. For FY 00, approximately **68%** of the **620** notices sent requesting insurance information resulted in orders of suspension.

Penalties Imposed

Persons found in violation of Virginia's motor vehicle insurance laws must comply with established penalties. They must comply with the terms of an order of suspension or their driving and registration privileges will be suspended. Compliance includes the payment of a \$500 penalty fee and filing proof of insurance, a certificate of insurance (SR-22), for three years. During FY 00, **29,823** uninsured motorists paid the penalty fee after being detected through the Virginia Insurance Verification Program. The number of orders of suspension issued during FY 00 totaled **74,790**. The requirement to file proof of insurance enables DMV to ensure that these individuals do, in fact, maintain liability insurance.

Revenue Disposition

The gross revenue collections for the Uninsured Motor Vehicle (UMV) and penalty fees (Uninsured Motorist Fund) totaled **\$14,672,134** for FY 00. DMV's appropriation for administering the Insurance Verification Program was **\$4,347,944** and the net funds available for transfer to the State Corporation Commission (SCC) were **\$10,278,811**. The funds transferred to the SCC are distributed to liability insurance companies licensed in Virginia. These monies were apportioned according to the premium income for basic limits of coverage written in Virginia during the preceding year. 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.