

# Virginia Automobile Insurance Study

December 2018

Virginia Department of Motor Vehicles  
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# Table of Contents

I. Executive Summary.....	4
<i>Stakeholder Recommendations</i> .....	5
<i>Collaboration with the State Corporation Commission</i> .....	8
II. Overview of the Report .....	9
<i>Study Structure</i> .....	9
<i>Structure of Report</i> .....	9
<i>Report Limitations</i> .....	10
III. Virginia’s Insurance and Financial Responsibility Laws.....	10
<i>Insured Vehicles</i> .....	10
<i>Uninsured Vehicles</i> .....	11
<i>Violation of Virginia’s Insurance Laws</i> .....	12
<i>Proof of Financial Responsibility</i> .....	12
IV. How Virginia Compares To Other States .....	12
V. Requiring Driving Record Review Prior to Issuing a Policy .....	15
Stakeholder Discussion - Requiring Driving Record Review.....	17
Stakeholder Recommendation #1 .....	17
VI. Raising Virginia’s Minimum Liability Limits.....	18
Stakeholder Discussion – Raising Virginia’s Minimum Liability Limits.....	23
Stakeholder Recommendations #2 and #3 .....	24
VII. Proof of Insurance at Registration.....	24
Stakeholder Discussion - Proof of Insurance at Registration.....	26
Stakeholder Recommendation #4 .....	27
VIII. Requiring Proof of Insurance While Operating .....	27
Stakeholder Discussion - Requiring Proof of Insurance While Operating .....	28
Stakeholder Recommendation #5 .....	28
IX. Registering Uninsured Motor Vehicles – UMV Fee .....	29
<i>History of the UMV Fee</i> .....	29
<i>Characteristics of Compliant Uninsured Motor Vehicle Drivers</i> .....	31
Stakeholder Discussion - UMV Fee.....	31

Stakeholder Recommendation #6 .....	32
X. DMV’s Insurance Verification Program.....	32
<i>Purpose of DMV’s Insurance Verification Program</i> .....	32
<i>Events that Trigger Insurance Monitoring</i> .....	33
Stakeholder Discussion - Events that Trigger Insurance Monitoring .....	33
Stakeholder Recommendation #7 .....	34
<i>Submission of Insurance Information: Customer Information Reporting</i> .....	34
<i>Submission of Insurance Information: Insurance Company Information Reporting</i> .....	34
Stakeholder Discussion - Insurance Company Information Reporting.....	35
Stakeholder Recommendations #8 - #14 .....	38
<i>Insurance Verification Processes</i> .....	38
Stakeholder Discussion - Insurance Verification Process.....	41
Stakeholder Recommendations #15 - #17 .....	42
<i>Insurance Monitoring Suspension Administrative Hearing Process</i> .....	42
XI. Online Plate Surrender.....	43
Stakeholder Recommendation #18 .....	44
XII. Uninsured Motor Vehicles: Non-compliance Fee .....	44
Stakeholder Discussion – Non-compliance Fee.....	48
Stakeholder Recommendations #19 and #20 .....	48
XIII. Installment Payment Plan.....	49
Stakeholder Discussion - Non-compliance Fee Installment Payment Plan .....	51
Stakeholder Recommendations #21 - #23 .....	51
XIV. Public Outreach and Education.....	51
XV. Conclusion.....	52
XVI. Additional Topics .....	53
<i>Assigned Risk Program</i> .....	53
<i>California Low Income Program</i> .....	53
<i>Diplomatic Plates</i> .....	54
<i>DMV’s Medical Review Process</i> .....	54
<i>Real-time Verification</i> .....	55
Appendix A: Letters from Delegate Kilgore, Chairman of House Commerce and Labor.....	56
Appendix B: Senate Bill 364 and Senate Bill 611 .....	61

Appendix C: Study Structure and Stakeholder List.....	67
Appendix D: 2019 Proposed Legislation.....	72
Appendix E: SCC Credit History Report Abstract.....	81
Appendix F: Automobile Insurance Data.....	85
Appendix G: Written Responses to Study Report.....	90

## **I. Executive Summary**

During the 2018 General Assembly session, Senators Newman and Surovell patroned bills that attempted to raise Virginia's automobile liability insurance minimum limits. Virginia's minimum liability limits are \$25,000 for bodily injury or death of a person; \$50,000 for bodily injury or death of two or more persons; and \$20,000 for property damage. Senator Newman's SB 364 attempted to raise the property damage minimum limit from \$20,000 to \$50,000. Senator Surovell's SB 611 attempted to raise all three limits such that a minimum policy would have to have coverage of at least \$100,000 for bodily injury or death for one person; \$200,000 for bodily injury or death for two or more persons; and \$40,000 for property damage. The Senate Transportation Committee incorporated SB 611 into SB 364 and passed SB 364 with the property damage limit raised to \$50,000.

The House Commerce and Labor Committee considered SB 364 and voted to continue it to 2019 as Assembly members expressed concerns as to the impacts of raising Virginia's minimum liability limits. On March 6, 2018, the Department of Motor Vehicles (DMV) received a charge letter from Delegate Terry G. Kilgore, Chairman of the House Commerce and Labor Committee. In the March 6th letter, Chairman Kilgore requested that DMV prepare an analysis and develop recommendations concerning potential increases to the property damage minimum liability. As DMV began its analysis, Commissioner Holcomb and Chairman Kilgore discussed other concerns members had expressed relating to Virginia's automobile insurance industry. As a result of these discussions, Chairman Kilgore sent DMV a second charge letter on March 27th, expanding his request to a DMV-led stakeholder study of numerous topics relating to automobile insurance in Virginia.

In the March 27<sup>th</sup> letter, Chairman Kilgore requested that DMV convene a stakeholder group to discuss automobile insurance in Virginia and to make recommendations that would increase compliance with Virginia's insurance laws. In particular, Chairman Kilgore instructed the DMV-led stakeholder group to study the following:

- Virginia's motor vehicle insurance minimum liability limits;
- the Uninsured Motor Vehicle Fee;
- DMV's Insurance Verification Program;
- proof of insurance at the time of registration;
- proof of insurance when operating a motor vehicle;
- information reported to DMV regarding changes in insurance coverage;
- driving records review prior to issuing an insurance policy; and
- any other relevant aspects of Virginia's minimum motor vehicle financial responsibility requirements.

Chairman Kilgore requested DMV compile a report containing all stakeholder recommendations to be presented to the House Committee on Commerce and Labor in December 2018.

### ***Stakeholder Research***

DMV convened four stakeholder meetings attended by representatives of the insurance industry, highway safety advocates, law enforcement representatives, the State Corporation Commission (SCC), and many others. At the first and second meetings, stakeholders reviewed Virginia's insurance laws and examined data concerning how successful Virginia's insurance market is in providing insurance coverage to Virginians. In particular, the stakeholders compared Virginia's minimum liability limits, uninsured motorist rates, and average premiums to those of the 50 other U.S. jurisdictions. Based on the provided data, the stakeholder group concluded that Virginia has a robust insurance market that is successful in providing Virginians access to insurance coverage.

In the third and fourth meetings, stakeholders focused on technical improvements to DMV's insurance verification process. Stakeholders were particularly concerned with improving information sharing between insurance companies and DMV to better identify violations of Virginia's insurance laws. By the end of the study, stakeholders decided upon numerous recommendations impacting all steps in the insurance verification process that they believed would increase compliance with Virginia's insurance laws.

### ***Stakeholder Recommendations***

The stakeholders concluded that the insurance market is functioning well in Virginia, and, as such, focused their attention on recommending enhancements to current processes. Based on the presented research and stakeholder meeting discussion, stakeholders identified 23 recommendations to present to the General Assembly.

In five of the 23 recommendations, stakeholders suggested that the General Assembly make no changes to current law. Stakeholders identified six recommended changes to DMV's administrative processes. Finally, stakeholders recommended the General Assembly consider 12 legislative changes, which include improvements to insurance companies' reporting requirements, and DMV's insurance verification process, plate surrender process, and non-compliance fee installment payment plan. The draft legislation in Appendix D of this report includes all recommended legislative changes.

A few topics listed in the study charge do not have recommendations as the stakeholders did not reach a consensus as to what change was necessary. For easy reference, the

recommendations have been grouped below based on what type of change was recommended. The recommendations are numbered based on their order within the body of the report.

### Stakeholder Recommendations: Legislative Change

Recommendation 7: Insurance companies should report to DMV that the company processed an uninsured motorist claim involving an uninsured motor vehicle registered in Virginia; and following receipt of the report, DMV should initiate the insurance verification process (pg. 34).

Recommendation 8: The General Assembly should require insurance companies to electronically report all necessary insurance information to the DMV (pg. 38).

Recommendation 10: The General Assembly should require insurance companies to report all required insurance information to DMV within 30 days of a policy change (pg. 38).

Recommendation 11: The General Assembly should require insurance companies to respond to all DMV requests for acknowledgement by confirming or denying the existence of an insurance policy within 15 days of receiving the request (pg. 38).

Recommendation 12: The General Assembly should amend the *Code of Virginia* to accurately reflect the types of policy updates and necessary data fields required for DMV to efficiently operate its insurance verification process (pg. 38).

Recommendation 13: The draft legislation should include an enactment clause to allow DMV to monitor the performance of insurance companies in complying with reporting requirements over the next four years (pg. 38).

Recommendation 17: DMV should be allowed to dispense with a customer's suspension if a customer provides evidence he or she was in compliance with Virginia's insurance laws (pg. 42).

Recommendation 18: DMV should be allowed to permit surrender of plates online or by phone without the customer physically returning his or her plates to DMV; when a customer chooses this method of surrendering his or her plates, DMV should not provide a refund (pg. 44).

Recommendation 19: The General Assembly should clarify the language concerning the non-compliance fee charged after a violation of Virginia's insurance laws (pg. 48).

Recommendation 20: The General Assembly should increase the non-compliance fee from \$500 to \$600 with the additional revenue to be designated to DMV's Special Fund to be used for enhancements to DMV's Insurance Verification Program (pg. 48).

Recommendation 21: The General Assembly should expand the eligibility requirements to enter into a non-compliance fee installment payment plan by eliminating the residency requirement and by allowing for multiple defaults (pg. 51).

Recommendation 23: The General Assembly should authorize the Commissioner to extend any installment payment due date by up to 30 days when events outside of the Department's control impact DMV's ability to accept payment (pg. 51).

#### Stakeholder Recommendations: Administrative Change

Recommendation 4: DMV should require applicants for original vehicle registration to provide the name of their insurance company when the applicants certify that they are insured (pg. 27).

Recommendation 9: DMV should upgrade its mechanism for reporting liability insurance policies that satisfy financial responsibility requirements (pg. 38).

Recommendation 14: DMV should adjust its processes to better address insurance monitoring following a re-title due to a co-owner's death (pg. 38).

Recommendation 15: DMV should reduce from 60 days to 45 days the time period allowed for insurance companies to report a policy change before DMV issues an insurance monitoring notice (pg. 42).

Recommendation 16: DMV should eliminate the third opportunity for a customer to provide insurance information in cases involving a denial of coverage and reduce customer response to a second insurance monitoring notice from 21 days to 15 days (pg. 42).

Recommendation 22: DMV should offer customers the option to enter into a non-compliance fee installment payment plan online (pg. 51).

#### Stakeholder Recommendations: No Change

Recommendation 1: The General Assembly should not require insurance companies licensed to do business in Virginia to review an applicant's driving record prior to issuing an insurance policy (pg. 17).

Recommendation 2: The General Assembly should maintain Virginia's 25/50/20 automobile liability insurance minimum limits (pg. 24).



Recommendation 3: The General Assembly should not require applicants for minimum liability coverage to sign a statement from their insurance company acknowledging that the policy is at the minimum limits (pg. 24).

Recommendation 5: The General Assembly should not require Virginians to carry proof of insurance while operating a motor vehicle (pg. 28).

Recommendation 6: If the General Assembly maintains Virginia's uninsured motor vehicle registration option, then it should maintain the current \$500 fee amount (pg. 32).

### ***Collaboration with the State Corporation Commission***

DMV staff would like to thank SCC staff for their invaluable assistance throughout the study process. In particular, DMV would like to thank Rebecca Nichols, George Lyle, Katie Johnson, and Eric Lowe for their willingness to gather data, explain terminology, and review documentation.

## **II. Overview of the Report**

### ***Study Structure***

In response to Chairman Kilgore's study charge letters, DMV contacted relevant stakeholders, including representatives from the insurance industry, the rental car industry, the Virginia Trial Lawyers Association, law enforcement, the Virginia Automobile Dealers Association (VADA), the Virginia Independent Automobile Dealers Association (VIADA), the Office of the Attorney General, the Division of Legislative Services, and the SCC's Bureau of Insurance to request their participation in the study. The stakeholder group met four times on: May 18<sup>th</sup>, June 25<sup>th</sup>, July 20<sup>th</sup>, and August 9<sup>th</sup>. A list of meeting participants and a chart detailing the study structure are included in Appendix C.

Following the conclusion of the meetings, DMV prepared a draft report and legislation for stakeholder consideration. The report includes overviews of the research provided to stakeholders for their consideration, summaries of all stakeholder discussions, and stakeholder recommendations. Where relevant, DMV noted the majority position and recommendation, as well as any dissenting views. The stakeholders received the draft report in October of 2018 and were able to provide feedback for inclusion in the report. Any stakeholder comments, such as emails or letters, are included in Appendix E.

### ***Structure of Report***

First, this report provides a very high level overview of how automobile insurance works and how well Virginia is performing in comparison to other states when it comes to regulating automobile insurance.

Second, this report explains in-depth the research presented to stakeholders for their consideration, the topics discussed, and the conclusions the stakeholders reached. In order to provide a straightforward record of the stakeholders' work, this report presents this information in an order that follows the path a citizen would take when interacting with Virginia's automobile insurance requirements. Thus, the report begins with the factors insurance companies consider before issuing a policy and ends with actions taken for failure to comply with Virginia's insurance laws.

Third, this report describes public outreach and education efforts recommended by the stakeholders to coincide with implementation of the report's legislative and administrative recommendations. Finally, the report's Appendices include copies of Senate Bills 364 and 611, the study charge letter, a list of stakeholder participants, draft legislation incorporating stakeholder recommendations, stakeholder responses, meeting handouts, and related reports and data.

## ***Report Limitations***

Due to the breadth of the topic of automobile insurance, stakeholders focused on the category of vehicle ownership with the largest number of owners, which was personal passenger vehicles used for general transportation. By making recommendations concerning personal passenger vehicles, the stakeholders best addressed the study's goal of increasing Virginians' compliance with the Commonwealth's insurance laws.

The stakeholders did not discuss automobile insurance for antique vehicles, farm use vehicles, transportation network companies (TNCs), and commercial vehicles. Insurance for each of these vehicle categories requires detailed examinations and would necessitate separate studies.

## **III. Virginia's Insurance and Financial Responsibility Laws**

DMV recorded more than 8.3 million active vehicle registrations in Fiscal Year 2018 (FY2018). This total includes personal passenger vehicles, commercial vehicles, trailers and many other vehicle types. These diverse vehicle types must meet different registration requirements, including a variety of insurance requirements. This study focused on general use personal passenger vehicles, the bulk of vehicles registered in Virginia.<sup>1</sup>

### ***Insured Vehicles***

Section 46.2-706 of the *Code of Virginia* (Va. Code) states that a vehicle owner may register an insured or an uninsured motor vehicle in Virginia. As defined in Va. Code § 46.2-705, an insured motor vehicle is a motor vehicle for which the owner has:

1. purchased bodily injury liability insurance and property damage liability insurance coverage;
2. provided a bond or cash/securities equivalent to the minimum liability insurance limits; or
3. qualified as a self-insurer.

Automobile bodily injury and property liability insurance covers damages caused by the owner's vehicle to someone else or their property. Va. Code § 46.2-472 sets the minimum amounts of bodily injury and property damage liability insurance coverage at:

- \$25,000 for bodily injury or death of a person;
- \$50,000 for bodily injury or death of two or more persons; and

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<sup>1</sup> In FY2018, over 8.3 million vehicles were registered in Virginia. Passenger vehicles accounted for over 7 million of the active registrations.

- \$20,000 for property damage.

In order to utilize the bond or cash/securities option in lieu of this insurance coverage, the vehicle owner must submit to DMV a bond or cash/securities worth \$70,000. This is the combined amount of the higher of the two bodily injury minimum limits and the property damage minimum limit. To qualify as a self-insurer, an individual or company must apply to the Commissioner and demonstrate, among other things, the financial capability to address any damages caused by the owner's vehicles.

In Virginia, the vast majority of personal passenger vehicle owners choose to satisfy Virginia's insurance law requirements by purchasing at least the minimum insurance coverage. As of June 2018, DMV had no record of any active vehicle registrations in which the owner provided a bond or cash/securities in lieu of insurance. Additionally, DMV records show only 56 persons, including companies, were qualified as self-insurers in FY18. As a result, stakeholders focused their efforts on studying the success and failures of Virginia's automobile liability insurance requirements.<sup>2</sup>

### ***Uninsured Vehicles***

As stated previously, Va. Code § 46.2-706 allows Virginians to register an uninsured motor vehicle. Va. Code § 46.2-705 defines an uninsured motor vehicle as a vehicle that is not covered by a liability insurance policy of sufficient amount, for which the owner has not provided a bond or cash/securities of sufficient amount, and the vehicle owner is not qualified as a self-insurer. To register an uninsured motor vehicle, the vehicle owner must pay to DMV a \$500 uninsured motor vehicle fee (UMV Fee) for a one year registration. Payment of this fee does not provide any insurance coverage, and the fee does not go directly towards payment of damages caused by an uninsured motorist. Instead, per the *Code of Virginia* and Virginia's 2018-2020 Biennium Budget, collected fees are deposited in the Uninsured Motor Vehicle Fund which distributes money to DMV for its Insurance Verification Program, to the General Fund, and to the SCC for dispersal to insurance companies licensed to do business in Virginia.<sup>3</sup> The money distributed to Virginia's insurance companies is allotted based on market share, which is calculated according to Va. Code § 38.2-3001. After a vehicle owner registers an uninsured motor vehicle, DMV issues the vehicle owner a registration card that states the owner paid the UMV Fee. DMV records show that in FY2017 a total of 3,691 customers registered an uninsured motor vehicle. While the number of Virginians taking advantage of this registration option is

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<sup>2</sup> Stakeholders determined that removing the bond and cash/security options when registering an insured motor vehicle was beyond the scope of this study. However, they suggested that the General Assembly consider doing so at a later date, in light of the lack of anyone utilizing these options.

<sup>3</sup> The following statutory and budgetary citations dictate the dispersal of funds from the Uninsured Motorists Fund: Code §§ 38.2-3000, 38.2-3001, and 46.2-710; 2018 Special Session I, Virginia Acts of Assembly, Chapter 2, § 3-1.01 (P); 2018 Special Session I, Virginia Acts of Assembly, Chapter 2, Item 439, Ground Transportation Regulation and Enforcement (60103) (funding source is listed as Trust and Agency \$5,446,600).

very small in light of the total volume of registered vehicles, stakeholders studied this option in-depth as it is unique among other jurisdictions, and was specifically identified in the study's charge.

### ***Violation of Virginia's Insurance Laws***

According to Va. Code § 46.2-706, a vehicle owner violates Virginia's insurance laws when he or she fails to maintain insurance coverage and does not pay the UMV Fee. Following a violation of Virginia's insurance laws, DMV issues an order of suspension, which states that the vehicle owner's driving and registration privileges will be suspended in 30 days if the vehicle owner fails to come into compliance or request a hearing. If the vehicle owner does not take action, the suspension goes into effect. In order to lift the suspension, the vehicle owner must pay to DMV a non-compliance fee in the amount of \$500 and provide proof of financial responsibility. In addition, the vehicle owner must pay a reinstatement fee in order to reinstate his or her driving and registration privileges.

### ***Proof of Financial Responsibility***

To prove financial responsibility, the vehicle owner must do one of the following: (1) purchase a liability insurance policy that meets Virginia's minimum limits, (2) provide to DMV a bond or cash/securities in lieu of an insurance policy, or (3) qualify as a self-insurer. The vehicle owner must maintain proof of financial responsibility for three years after the violation. If the vehicle owner fails to maintain proof of financial responsibility, the Commissioner reinstates the suspension of the vehicle owner's driving and registration privileges.

## **IV. How Virginia Compares To Other States**

Of 51 U.S. jurisdictions, including the 50 states and the District of Columbia, 49 are considered mandatory insurance states. Virginia and New Hampshire are the only states not categorized as mandatory insurance states. New Hampshire's vehicle registration requirements do not address insurance and as such, it is not considered a mandatory insurance state. Virginia is not considered a mandatory insurance state because it allows uninsured motor vehicles to be registered, as was outlined in the previous section.

Mandatory insurance states require personal passenger vehicles to be insured in order for the vehicle to be validly registered with the jurisdiction. States define "insured" in a variety of manners, including when the vehicle owner provides the state with a bond of a certain amount or certifies as a self-insurer. However, the most well-known method personal passenger vehicle owners choose to satisfy a jurisdiction's insurance laws is by purchasing an automobile insurance policy, which is true for both mandatory insurance jurisdictions and Virginia.

A single automobile insurance policy can provide different types of coverage at different amounts. Vehicle owners may purchase as many different types and as much insurance as they choose. However, in order to register their vehicles as insured, vehicle owners must have an automobile policy that meets their state's minimum limit requirements. Each state's minimum limit requirements specifies what types and amounts of coverage are required. Some states require numerous types of coverage, for example medical expenses and collision; however, all mandatory insurance states require at least some level of liability insurance. As in Virginia, mandatory insurance states' liability insurance requirements are generally divided into three different subtypes:

- liability insurance for bodily injury or death of a person;
- liability insurance for bodily injury or death of two or more persons; and
- liability insurance for property damage.

Having researched the differences between Virginia's laws and other jurisdictions' laws, the stakeholders considered how to compare Virginia's automobile insurance industry against those of the other 50 jurisdictions. There is no clear measure against which to compare states' success in regulating automobile insurance. However, reliable data exists on two important aspects of the automobile insurance industry– the uninsured motorist rate and average liability premium. After reviewing these measures, the stakeholders, including market competitors and state regulators, determined that Virginia's automobile insurance industry is functioning successfully.

First, the stakeholders reviewed Virginia's uninsured motorist rate. Generally speaking, the uninsured motorist rate is the percentage of vehicles operated on the road without having insurance. There are multiple methods of calculating the uninsured motorist rate. For the purposes of this study, DMV relied on data collected by the Insurance Research Council (IRC). The IRC is an independent, nonprofit research organization supported by property and casualty insurance companies and associations. The IRC calculates the percentage of uninsured drivers for each jurisdiction by determining the ratio of uninsured motorist claim frequencies to bodily injury claim frequencies. The stakeholders relied on the IRC's method because it was applied across all 51 jurisdictions and, thus, allowed for an equal comparison. The IRC's most recent publically available data covered Calendar Year 2015 (CY2015). Virginia had an uninsured motorist rate of 9.9%, making it the 17<sup>th</sup> lowest out of 51 U.S. jurisdictions. For comparison, the national average at the time was 13%. Charts 1 and 2 detail the ten states with the highest and lowest uninsured rates respectively, and provide an overview of the range of uninsured motorist rates. A full chart, containing information on all 51 jurisdictions, is included in Appendix G.

**Chart 1: Ten States with the Highest Uninsured Motorist Rates**

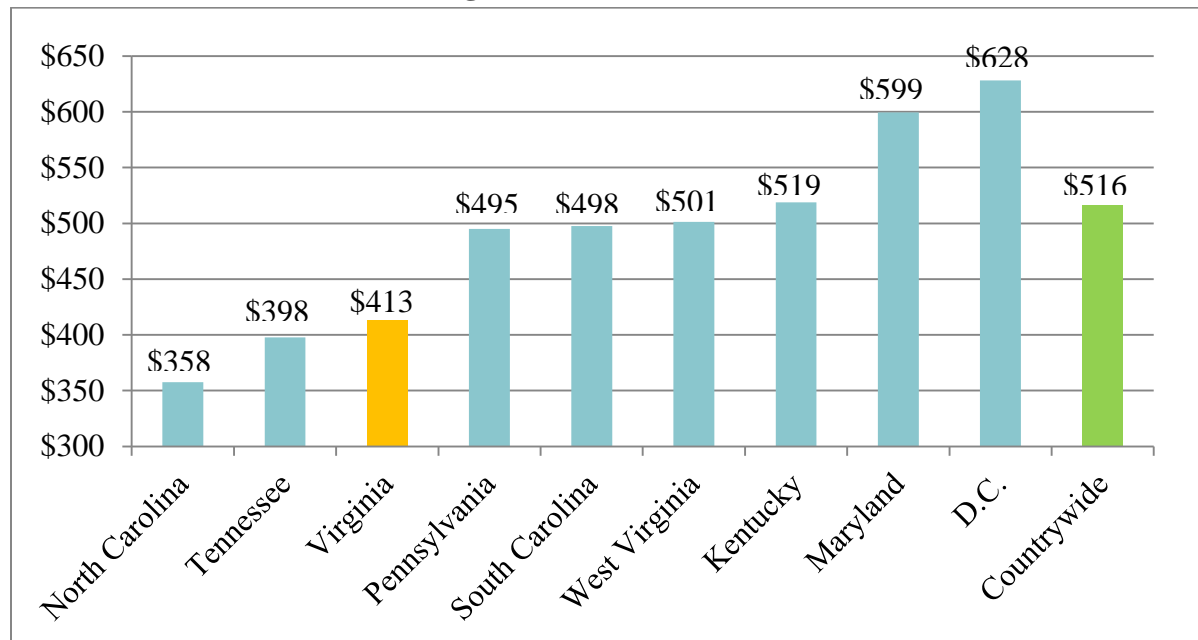
Rank	State	Uninsured Rate %
1	Florida	26.7
2	Mississippi	23.7
3	New Mexico	20.8
4	Michigan	20.3
5	Tennessee	20.0
6	Alabama	18.4
7	Washington	17.4
8	Indiana	16.7
9	Arkansas	16.6
10	DC	15.6

**Chart 2: Ten States with the Lowest Uninsured Motorist Rates**

Rank	State	Uninsured Rate %
1	Maine	4.5
2	New York	6.1
3	Massachusetts	6.2
4	North Carolina	6.5
5	Vermont	6.8
6	Nebraska	6.8
7	North Dakota	6.8
8	Kansas	7.2
9	Pennsylvania	7.6
10	South Dakota	7.7

Second, the stakeholder group reviewed how Virginia’s average liability insurance premium compared with its surrounding states’ average liability insurance premiums. An insurance premium is the amount a person pays in exchange for a specific amount of insurance coverage. While every insurance policy is unique to the individual or object being insured, comparing average premiums provides a rough estimate of the relative expense of insurance coverage. As is clear from the data in Chart 3, Virginia has a lower average liability insurance premium than most of its surrounding states, and at \$413, its average is lower than the national average of \$516.

**Chart 3: 2011-2015 Average Liability Insurance Premiums Comparison of Surrounding Jurisdictions and National Average<sup>4</sup>**



In light of Virginia’s relatively low uninsured motorist rate and liability insurance premium, stakeholders concluded that the Commonwealth’s insurance industry is functioning well. With this in mind, stakeholders focused on recommendations that would improve compliance with insurance laws at the citizen level, rather than recommending drastic change to Virginia’s insurance laws.

### **V. Requiring Driving Record Review Prior to Issuing a Policy**

When an insurance company considers writing an insurance policy, the insurance company or its agent attempts to determine the risk the company faces if it insures a particular vehicle. With any vehicle, the insurance company assesses the likelihood that it will have to pay a claim and how high the claim could be. For instance, a claim for property damage to a new, luxury sedan is likely to be higher than a property damage claim for a used, economical hatchback. Depending on the risks associated with insuring a particular vehicle, the insurance company sets the cost of the insurance policy, which is known as the premium. Determining the risks associated with insuring a vehicle is a complicated process, often involving proprietary algorithms.

<sup>4</sup> NAIC Auto Insurance Database Report 2014/15, published December 2017, [https://www.naic.org/prod\\_serv/AUT-PB-14.pdf](https://www.naic.org/prod_serv/AUT-PB-14.pdf)



According to the National Association of Insurance Commissioners (NAIC) 2014-2015 Auto Insurance Database Report, some of the factors impacting insurance risk and premium amounts include:

- underwriting and loss adjustment expense;
- types of coverages purchased;
- relative amounts of coverages purchased;
- driving locations;
- accident rates;
- traffic density;
- vehicle theft rates;
- auto repair costs;
- population density;
- medical and legal costs;
- per capita disposable income;
- rate and form filing laws;
- liability insurance requirements; and
- auto laws (seat belt, speed limits, etc.).

Companies take great care when weighing these different factors as they assume the risk when issuing a policy. Successful companies construct risk assessments that best fit their business objectives.

In 2010, Delegate Kilgore proposed two bills concerning the information insurance companies should consider when issuing an insurance policy and setting premiums. The first, HB 1074, required insurance companies to review an individual's driving record before issuing an automobile insurance policy. The second, HB 1075, prohibited insurance companies from considering an individual's credit report when determining a premium. Both bills were left in the House Commerce and Labor Committee.

Chairman Kilgore's charge letters did not specifically request that stakeholders study whether to prohibit insurance companies from reviewing an applicant's credit report. However, the charge letter allowed stakeholders to discuss additional topics if they were relevant to increasing compliance with Virginia's laws and regulations.

During discussion, stakeholders indicated that the SCC's Bureau of Insurance performed an in-depth review of this topic in 2015 at the request of the General Assembly. The report titled *The Use by Insurers of an Insured's or Applicant's Credit Information in Connection with Underwriting Motor Vehicle Insurance Policies* concluded that use of credit information by insurance companies when underwriting policies did not unfairly burden motor vehicle insurance policyholders, based on the low number of customer complaints and inquiries as a measure.

Stakeholders also noted that the report was cited as a definitive work on the topic by other states. In light of the SCC report, the stakeholders determined that this study should not consider the matter further, and requested that reference be made to the SCC's report for any interested parties. The Executive Summary of the SCC report is included in Appendix F; and the full study is available at <https://rga.lis.virginia.gov/Published/2016/RD331>.

### Stakeholder Discussion - Requiring Driving Record Review

Driving records intuitively seem relevant to issuing an automobile insurance policy. This is reflected in Chairman Kilgore's second charge letter, which specifically requested that stakeholders consider whether to require insurance companies to review driving records prior to issuing a policy. However, stakeholders representing the insurance industry stated that each insurance company carefully considers every factor relevant to their underwriting process. Further, some consider the data they use as more relevant than driving records. Stakeholders reiterated that insurance companies assume the risk should their issuance process prove inaccurate and as such should have control over the issuance factors. They noted that insurance companies compete based on which company has the best proprietary underwriting process and that this healthy competition could be adversely impacted if the legislature restricted the underwriting process to certain factors. Finally, stakeholders noted that Virginians have better access to insurance because of the Commonwealth's robust insurance market. Given concerns about potential adverse business and market impacts, stakeholders recommended not requiring review of driving records for insurance policy issuance.

As an alternative to reviewing an applicant's driving record, the Commissioner provided stakeholders information on DMV's Driver Alert program. DMV's Driver Alert program allows enrolled companies to use a custom-designed secure web application to maintain lists of employees/drivers the companies wish to have monitored. Companies can request a variety of services including immediate alert of demerit point violation convictions and immediate alert of suspensions, revocations, and cancellations of driving privileges. The benefit of this program is that it provides companies with a cost-effective manner of ensuring their employees are safe and qualified drivers. The service is available to insurance companies as well, some of which have already utilized the program.

### **Stakeholder Recommendation #1**

The General Assembly should not require insurance companies licensed to do business in Virginia to review an applicant's driving record prior to issuing an insurance policy (no change).

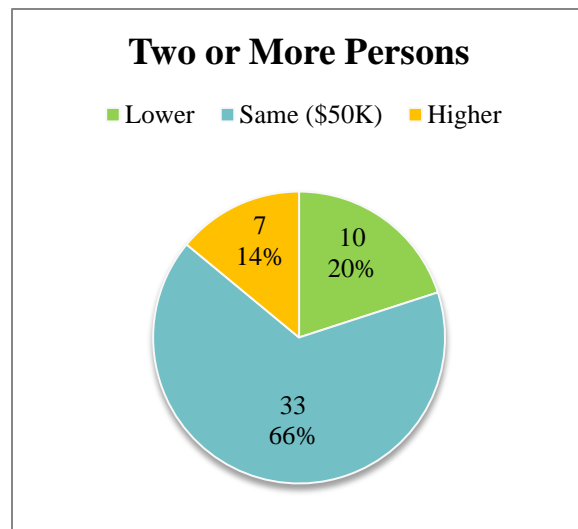
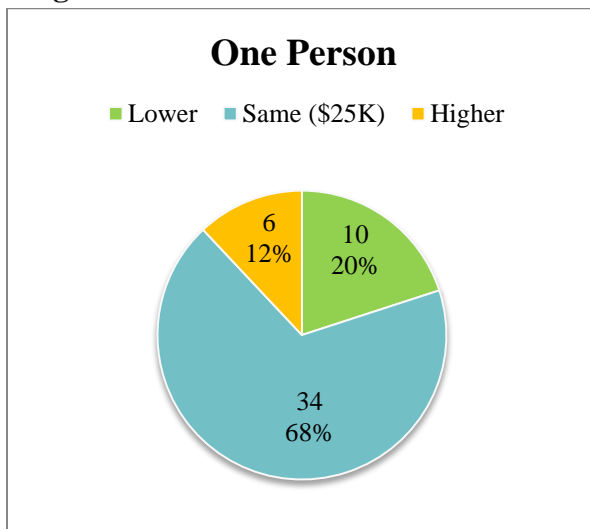
## VI. Raising Virginia's Minimum Liability Limits

As was previously stated, Virginia's minimum liability limits are \$25,000 for bodily injury or death of a person; \$50,000 for bodily injury or death of two or more persons; and \$20,000 for property damage. The General Assembly set the property damage liability minimum limit at \$20,000 in 1989, while it last adjusted the bodily injury liability minimum limits in 1975.

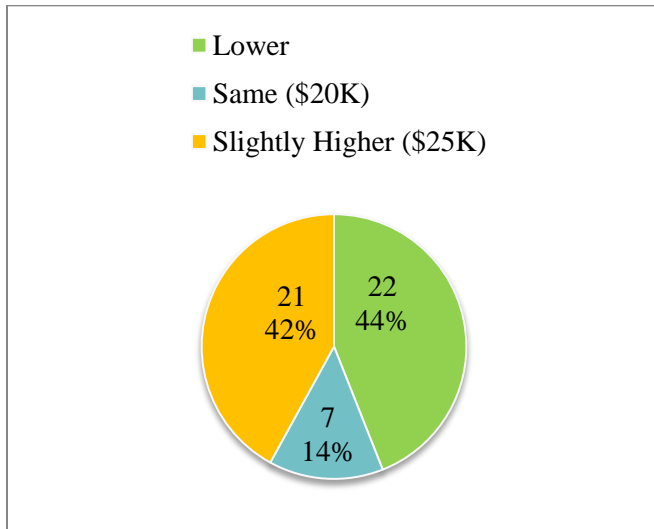
During the 2018 General Assembly session, Senators Newman and Surovell introduced two bills that attempted to raise these limits. Senator Newman's SB 364 attempted to raise the property damage minimum limit to \$50,000. Senator Surovell's SB 611 attempted to raise all three limits such that a minimum policy would have to have coverage of at least \$100,000 for bodily injury or death for one person; \$200,000 for bodily injury or death for two or more persons; and \$40,000 for property damage. The Senate Transportation Committee incorporated SB 611 into SB 364 and passed SB 364 with the property damage limit raised to \$50,000. However, the House Commerce and Labor Committee considered SB 364 and voted to continue it to 2019 as Assembly members expressed concerns as to the impacts of raising Virginia's minimum liability limits. As stated previously, Chairman Kilgore then requested that DMV study the impacts of raising Virginia's minimum liability limits, along with a number of other automobile insurance related topics.

Utilizing data from the IRC, DMV compared Virginia's current 25/50/20 minimum limits to those of the other 50 U.S. jurisdictions. As is clear in Charts 4 through 6, Virginia is similar to the majority of other jurisdictions for all three types of liability insurance minimums.

**Charts 4 and 5: U.S. Jurisdictions' Bodily Injury Liability Minimums Compared to Virginia**

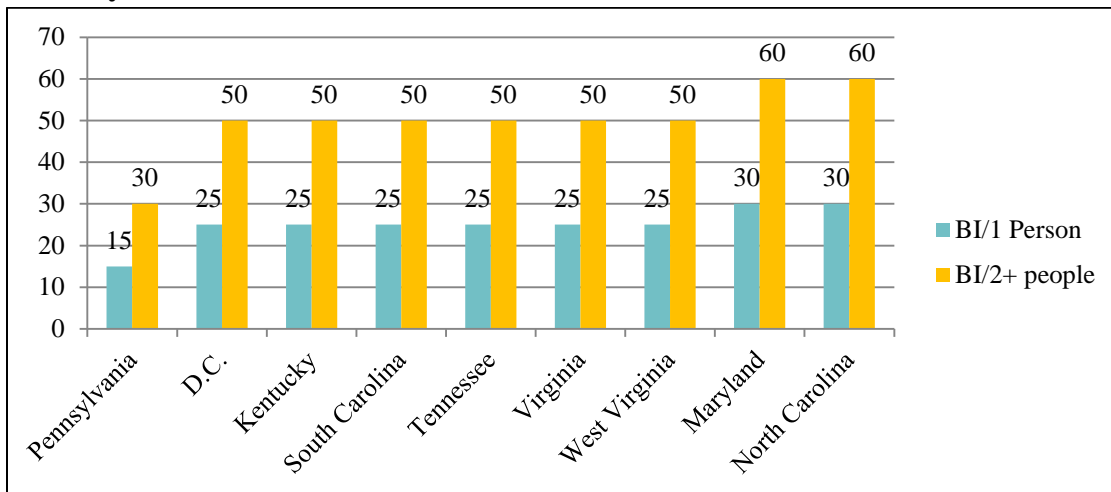


**Chart 6: U.S. Jurisdictions' Property Damage Liability Minimums Compared to Virginia**

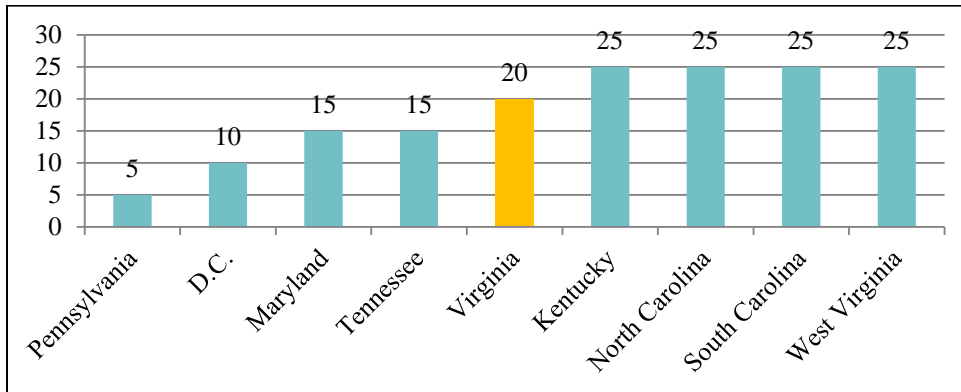


DMV staff also reviewed the minimum liability limits of surrounding states and found that Virginia has very similar limits to most of its surrounding states for both bodily injury and property damage.

**Chart 7: Comparison of Virginia and Surrounding States' Bodily Injury Minimum Liability Limits**



**Chart 8: Comparison of Virginia and Surrounding States' Property Damage Minimum Liability Limits**



A chart containing minimum liability limits data for all 51 jurisdictions is included in Appendix G.

In addition to reviewing how Virginia compared with other states, DMV requested the SCC's assistance in determining how many claims fell within Virginia's minimum liability limits. The SCC contacted the Insurance Services Office (ISO), a company that compiles insurance data for multiple state governments. The ISO compiled claims data from 52% of companies participating in Virginia's insurance market between 2014 and 2016. Tables 1 and 2 provide the data compiled by the ISO from 2014 to 2016. Tables 1 and 2 show that the vast majority of claims, both bodily injury and property, fall within Virginia's current minimum limits. For instance, 94% of 2016 property damage claims were for amounts less than \$10,000, which is significantly less than the \$20,000 property damage liability minimum limit.

**Table 1: Bodily Injury Liability Claims Loss Amounts 2014-2016**

Coverage	Loss Amount	2014		2015		2016	
		# of Claims	% of Claims	# of Claims	% of Claims	# of Claims	% of Claims
Bodily Injury (BI)	<=10k	20,464	68%	21,684	65%	22,195	65%
	10k to 20k	4,841	16%	5,909	18%	7,124	21%
	20k to 25k	1,031	3%	1,292	4%	1,208	4%
	25k to 30k	1,322	4%	1,377	4%	1,002	3%
	30k to 40k	779	3%	943	3%	1,002	3%
	40k to 50k	295	1%	365	1%	320	1%
	50k to 75k	689	2%	747	2%	561	2%
	75k to 100k	193	1%	227	1%	212	1%
	>100k	604	2%	666	2%	649	2%
	Total	30,218	100%	33,210	100%	34,274	100%

**Table 2: Property Damage Liability Claims Loss Amount 2014-2016**

Coverage	Loss Amount	2014		2015		2016	
		# of Claims	% of Claims	# of Claims	% of Claims	# of Claims	% of Claims
Property Damage (PD)	<=10k	120,503	95%	121,785	94%	128,768	94%
	10k to 20k	5,371	4%	5,918	5%	6,853	5%
	20k to 25k	621	0%	755	1%	785	1%
	25k to 30k	246	0%	370	0%	348	0%
	30k to 40k	144	0%	182	0%	216	0%
	40k to 50k	58	0%	74	0%	94	0%
	50k to 75k	39	0%	29	0%	48	0%
	75k to 100k	2	0%	50	0%	13	0%
	>100k	71	0%	6	0%	3	0%
	Total	127,055	100%	129,169	100%	137,128	100%

Finally, the SCC used rate data submitted by the top five insurance companies operating in Virginia to estimate how insurance premiums would be impacted by raising the minimum limits. The SCC looked at the impact to premiums for a 20 year old male driver and a 45 year old male driver as they tend to be representative of the highest and lowest premium averages, respectively. The sample premiums reflect rates in effect as of April 1, 2017 and assume:

- no surcharges or discounts, except a driver training discount;
- a clear motor vehicle record for the past three years;
- the vehicle is driven about 12,000 miles a year and driven to and from work; and
- if credit scores or special rating variables are used, they are neutral.

The results of this analysis are shown in Tables 3 and 4. The SCC cautioned that this data should only be used to illustrate very general points as the calculation of each premium is unique to the insured. However, the stakeholders did take note that any increase in minimum liability limits would likely cause premiums to rise, if only because insurance companies would have to cover additional damages. Additionally, the stakeholders noted that raising the bodily injury liability minimums would likely result in larger increases in premiums than raising the property damage liability minimum.

**Table 3: Impact on Premiums, Male Age 20**

<b>Description</b>	<b>Minimum Limits</b>	<b>Premium Range</b>	<b>Average % Increase</b>
Current limits	25/50/20	\$655 - \$2,398	n/a
Increase Property Damage by \$5,000	25/50/ <u>25</u>	\$659 - \$2,410	0.62%
Double Property Damage	25/50/ <u>50</u>	\$672 - \$2,446	1.81%
Double Bodily Injury	<u>50/100</u> /20	\$714 - \$2,648	8.71%
Double Bodily Injury; increase Property Damage by \$5,000	<u>50/100/25</u>	\$718 - \$2,661	9.46%
Double Bodily Injury and Property Damage	<u>50/100/50</u>	\$731 - 2,696	11.31%

**Table 4: Impact on Premiums, Male Age 45**

<b>Description</b>	<b>Minimum Limits</b>	<b>Premium Range</b>	<b>Average % Increase</b>
Current limits	25/50/20	\$300 - \$986	n/a
Increase Property Damage by \$5,000	25/50/ <u>25</u>	\$302 - \$992	0.72%
Double Property Damage	25/50/ <u>50</u>	\$309 - \$1,007	1.91%
Double Bodily Injury	<u>50/100</u> /20	\$327 - \$1,085	9.05%
Double Bodily Injury; increase Property Damage by \$5,000	<u>50/100/25</u>	\$329 - \$1,092	9.74%
Double Bodily Injury and Property Damage	<u>50/100/50</u>	\$335 - \$1,106	11.68%

#### Stakeholder Discussion – Raising Virginia’s Minimum Liability Limits

Stakeholders representing the insurance industry stated that there was no point to raising Virginia’s minimum liability limits as the vast majority of claims fell within the current minimums. Additionally, they noted that Virginia’s limits are comparable to a majority of minimum limits in other jurisdictions. Representatives from the Virginia Trial Lawyers Association noted, however, that the minimum limits would soon be insufficient considering rising health care costs. In fact, they noted that in a number of cases they had seen a need for higher coverage. They also noted that the bodily injury minimum limits have not been changed since 1975 and, when adjusted for inflation, should be much higher. In response, one stakeholder stated that nothing prohibited a vehicle owner from purchasing additional insurance coverage, and that owners should be allowed to purchase insurance that fits their vehicular and monetary needs. Finally, another stakeholder noted that raising the minimum limits would likely cause premiums to rise as well, which would potentially cause some vehicle owners to opt out of the insurance market and thereby causing a possible increase in the number of uninsured motorists in Virginia.

In light of the majority’s agreement not to raise Virginia’s minimum liability limits, stakeholders discussed whether more information should be provided to customers who choose to purchase only the minimum coverage. In particular, stakeholders discussed requiring customers to sign a statement acknowledging when they are only purchasing minimum coverage. Representatives from the insurance industry stated that this was likely unnecessary considering the process of issuing a policy and current industry best practices. First, they noted that when



purchasing a policy, customers sign an agreement that outlines the terms of their coverage. An additional document concerning minimum limits that were already included in the coverage agreement would be repetitive. Second, they noted that most insurance companies focus first on identifying the coverage amount that best suits their customers' needs, which is usually more than the absolute minimum coverage. Finally, they noted that many customers who purchase minimum coverage do so deliberately due to the cost, and as such, requiring a signed acknowledgment would not add value to the process.

Representatives from the SCC also cautioned that some Virginia insurance providers' business practice is to issue minimum coverage policies. Customers seek to do business with these providers specifically because they are interested in purchasing a minimum limit policy. These companies would be adversely impacted if most of their transactions were required to include new, additional documentation.

Finally, DMV staff inquired as to how purchasing policies online might impact customers' awareness of the minimum limits. Representatives from the insurance industry stated that many companies' best practices include having an agent contact all online customers before their policies are finalized. Customers can input their information and make their preliminary decisions online. However, agents have an opportunity to review everything with them and advise them if additional coverage is necessary, before the transaction is completed. Stakeholders agreed that adding a requirement that a customer sign an acknowledgement concerning purchasing minimum limits was unnecessary.

### **Stakeholder Recommendations #2 and #3**

Recommendation 2: The General Assembly should maintain Virginia's 25/50/20 automobile liability insurance minimum limits (no change).

The Trial Lawyers Association dissented and recommended that the General Assembly raise Virginia's minimum liability limits, particularly the bodily injury liability minimums.

Recommendation 3: The General Assembly should not require applicants for minimum liability coverage to sign a statement from their insurance company acknowledging that the policy is at the minimum limits (no change).

## **VII. Proof of Insurance at Registration**

Vehicle owners fill out DMV's VSA 14 Form, more commonly known as the "Vehicle Registration Application," in order to register their personal passenger vehicles in Virginia. To complete the application, vehicle owners must certify as to one of the following:

1) This vehicle is insured by a liability policy issued through an insurance company licensed to do business in Virginia and it will remain insured while registered, whether or not it is operated. Penalties are severe for violation of this requirement. Be advised that the amount of liability coverage required is higher for vehicles that are operated for hire.

OR

2) This vehicle is not insured; therefore, I am remitting the applicable uninsured motor vehicle fee. (This fee provides no insurance coverage.) A vehicle must be insured with liability coverage when it is registered, and it must remain insured while registered, whether or not it is operated, or the uninsured motor vehicle fee must be paid. Penalties are severe for violation of this requirement.

The VSA 14 Form does not currently mention the options to register an insured motor vehicle by providing a bond or cash/securities as DMV staff has not had any requests to utilize this option in over a decade. Companies qualified as self-insurers are usually registering commercially-owned vehicles and as such, have a slightly different registration procedure.

At renewal, customers often bring in their renewal notices, which indicate if they previously certified as to having appropriate insurance coverage. If a customer does not bring his or her renewal notice, DMV asks the customer to complete the certification using DMV's electronic key pads.

Most owners of personal passenger vehicles choose to certify that the vehicle is insured when registering their vehicles. As will be explained in more depth later, DMV verifies that the vehicle is covered by insurance every time an original registration is filed with the Department. DMV has attempted to make the certification language as clear as possible in terms of the penalties for violating Virginia's insurance laws within the space constraints on the form. However, customers may complete the registration form without thoroughly reading the certification statement, particularly if checking a box is all that the customer is required to do in order to register his or her vehicle.

DMV staff researched how other jurisdictions treat proof of insurance at registration. Staff determined that 40 jurisdictions legally require some form of proof of insurance at registration. However, the jurisdictions vary widely in what they accept as adequate proof. Some states only require the vehicle owner to certify as to the vehicle's insurance coverage, which is consistent with Virginia's approach. Other states require customers to bring in multiple documents as evidence of proof, including the policy's declaration page. With such a wide range

of requirements, DMV staff was unable to identify a majority consensus as to how proof of insurance at registration should be treated.

### Stakeholder Discussion - Proof of Insurance at Registration

Stakeholders agreed that the primary purpose of asking for proof of insurance at registration would be to increase compliance with Virginia's insurance laws. Stakeholders considered whether requiring customers to provide paper or electronic proof documents at registration would be beneficial. First, stakeholders noted that an insurance document is valid at the time it is printed or converted into a PDF for electronic use. As such, a customer could present a document that states a valid insurance policy is in effect, while at the same time having cancelled the policy days prior. Some stakeholders stated that these documents should not even be considered proof of insurance, due to the fact that they may no longer be valid. Second, the stakeholders recognized that DMV is currently verifying all insurance certifications for original registrations with Virginia's insurance providers. DMV's insurance verification process is a much more reliable method of confirming a valid insurance policy exists. Finally, stakeholders realized that some customers may not be able to complete registration of their vehicles because they do not have the right proof of insurance documents on hand. This could be particularly true for owners of recently purchased vehicles. As a result, these customers would have to make multiple trips to DMV to register their vehicles, once they acquired the correct documentation. Stakeholders concluded that requiring customers to present proof of insurance at registration would, therefore, not add benefit to the current process.

Despite the previous conclusion, stakeholders recognized that, in addition to the certification checkbox, a further enhancement should be made to the registration process to encourage customers to more proactively consider Virginia's vehicle insurance requirements. DMV staff presented the option of requiring customers to write down the name of their insurance company on the registration application. Some stakeholders were concerned that customers may not know the accurate name of their insurance company, particularly in light of companies that utilize well-known trade names but whose policies are administered by subsidiaries. Stakeholders also noted that many customers may only know their insurance agent's name and not the name of their insurance company. However, stakeholders recognized a clear benefit to compliance if customers had to actually provide a specific name for their insurance coverage, instead of simply checking a box. DMV staff noted that DMV's insurance verification process uses a vehicle identification number (VIN) and other customer data to facilitate and ensure accurate verification of coverage. Any information customers would provide on the application form concerning the name of their insurance provider would not be used for the formal verification process. Requiring the provider's name would simply be used as an incentive for compliance, and customers would not be penalized for inaccurate responses. Stakeholders agreed this would be a reasonable addition to DMV's registration process that would also not overly

burden customers. Stakeholders representing the insurance industry noted that this change should be communicated to insurance agents, so that they can make their customers aware of the change.

#### **Stakeholder Recommendation #4**

DMV should require applicants for original vehicle registration to provide the name of their insurance company when the applicants certify that they are insured (administrative change).

### **VIII. Requiring Proof of Insurance While Operating**

Virginia has a very narrow legal requirement for when a driver must provide proof of insurance while operating a motor vehicle. Va. Code § 46.2-902.1 allows a law enforcement officer to request a motorist involved in a crash provide proof of insurance or proof of having paid the UMV Fee. A motorist would then need to provide his or her vehicle registration card which states that the compliant UMV fee had been paid or some other documentation indicating the vehicle is insured. Va. Code § 46.2-902.1 does not state what type of documentation is acceptable as proof of insurance. If a motorist fails to provide law enforcement with proof of insurance within 30 days of the request, such failure would constitute a Class 2 Misdemeanor. As such, the motorist could face up to six months in jail, a fine of up to \$1,000, or both.

To gather information concerning proof of insurance while operating a vehicle laws, DMV staff conducted an American Association of Motor Vehicle Administrators (AAMVA) survey. AAMVA is a tax-exempt, nonprofit organization that represents state, provincial and territorial officials in the U.S. and Canada who administer and enforce motor vehicle laws. Fifty-seven jurisdictions out of the 69 total membership responded to the survey. Fifty-four stated they require a motorist to carry proof of insurance in the vehicle whenever it was in operation. Staff could not find a clear consensus on what jurisdictions consider to be acceptable proof of insurance. For instance, some jurisdictions allowed a card detailing insurance policy information issued by the insurance provider to be considered as proof, while others required more detailed documentation. However, a clear majority of jurisdictions allow motorists to carry either paper or electronic proof of insurance. With regard to electronic proof of insurance, most jurisdictions protect law enforcement officers from any liability for damages caused to the motorist's electronic device when the officer reviews it for proof of insurance. Also, most jurisdictions protect motorists' privacy by limiting law enforcement to reviewing only proof of insurance data when in possession of the electronic device.

## Stakeholder Discussion - Requiring Proof of Insurance While Operating

Stakeholders discussed the two most important benefits of requiring Virginians to carry proof of insurance while operating a motor vehicle. First, such a requirement would incentivize compliance with Virginia's insurance laws. If motorists know that they will be asked about their vehicles' insurance during a law enforcement traffic stop, they will likely pay more attention to maintaining insurance coverage for their vehicles or to paying the UMV Fee. Second, gathering information following a crash would be easier if all Virginians had to carry proof of insurance with them. Additionally, stakeholders noted that a clear majority of jurisdictions have proof of insurance while operating laws. Stakeholders agreed that if Virginia enacts a proof of insurance while operating law, then it should allow for electronic proof. They also agreed that Virginia should follow the lead of the majority of jurisdictions when implementing electronic proof of insurance. Namely, Virginia should ensure law enforcement officers are not liable for damage to a motorist's electronic device, but should also be prohibited from viewing other material on the device in order to protect the owner's privacy.

The stakeholders, however, decided that Virginia should not enact a proof of insurance while operating law. First, a number of stakeholders pointed out that whatever proof is provided by the motorist would only be valid as of the day it was issued. At this time, Virginia law enforcement does not have the ability to verify insurance information in real-time; therefore, they would have no way of knowing whether the information provided to them was truly valid. Second, the stakeholders remarked that a disproportionate number of law-abiding Virginians could be penalized for failing to have an insurance proof document in their vehicles. Multiple stakeholders offered examples of times they had forgotten their most recent insurance cards at home. Additionally, stakeholders noted that drivers of borrowed vehicles likely would not know of or have proof of the vehicle's insurance policy. Third, a representative from law enforcement expressed concern about lengthening a traffic stop for any reason other than immediate safety purposes. In particular, she noted the tension between law enforcement and the public at this time. Many members of the public become frustrated with law enforcement officers during traffic stops. Adding time to the process, particularly for something that vehicle owners may not see the value of, would only exacerbate issues between law enforcement and the public. Finally, stakeholders noted that Va. Code § 46.2-902.1 already allows law enforcement officers to request proof of insurance in the immediate aftermath of a crash, arguably the most important time for such an exchange of information.

### **Stakeholder Recommendation #5**

The General Assembly should not require Virginians to carry proof of insurance while operating a motor vehicle (no change).

## **IX. Registering Uninsured Motor Vehicles – UMV Fee**

As stated previously, Va. Code § 46.2-706 places certain requirements on vehicle owners at the time of registration, depending on whether they are registering an insured or uninsured motor vehicle. In order to register an uninsured motor vehicle, the vehicle owner must pay a \$500 UMV Fee. Unlike with an insured motor vehicle, owners of uninsured motor vehicles can only register for a one-year period with a new \$500 UMV Fee charged at every annual registration. Payment of the UMV Fee means that the uninsured vehicle may be legally operated in Virginia while not having insurance. The UMV Fee does not provide insurance coverage and does not pay claims resulting from accidents involving an uninsured vehicle. Few vehicle owners choose to comply with Virginia’s insurance laws by paying the UMV Fee, at least in comparison to the number of vehicle owners that purchase insurance.

According to Va. Code § 46.2-710, UMV Fees collected by DMV must be deposited into the Uninsured Motorist Fund. DMV receives the first \$5.4 million collected annually, the General Fund receives \$7.4 million annually, and the SCC divides all remaining funds proportionally based on market share. As such, this Fund does not directly compensate for damages caused by a crash involving an uninsured motor vehicle. However, it does contribute to the DMV’s ability to identify uninsured motor vehicles and covers a small portion of insurance companies’ payouts to their insureds for uninsured motor vehicle claims.

### ***History of the UMV Fee***

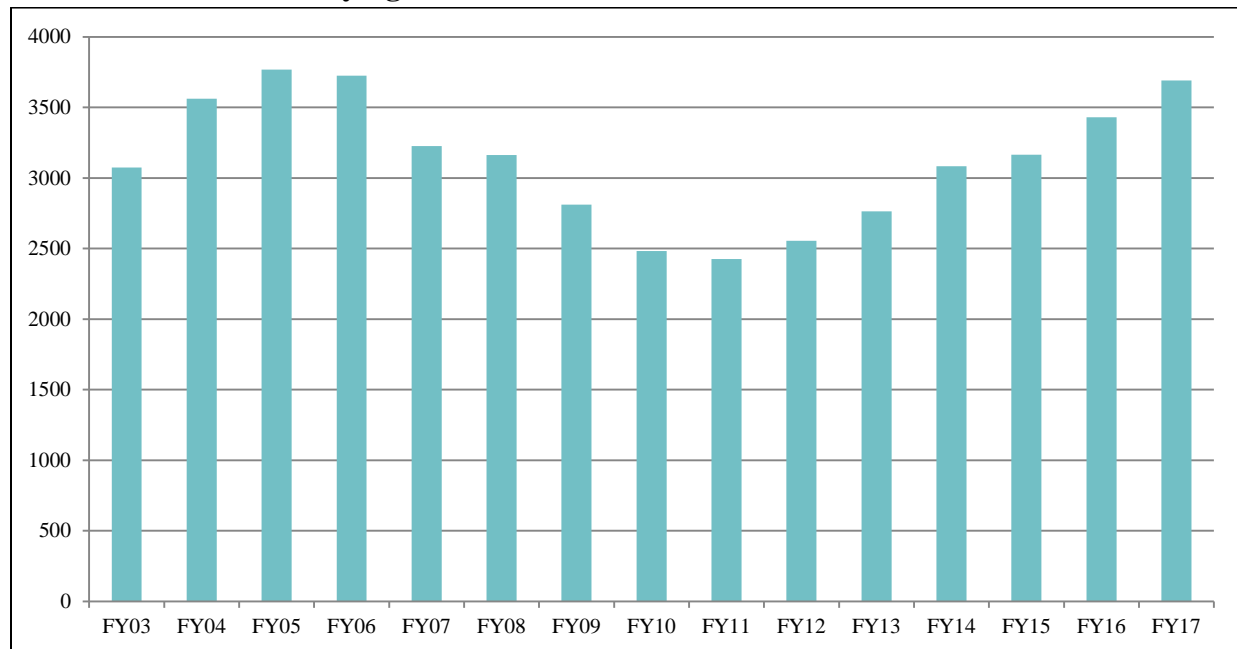
In 1958, Virginia enacted legislation allowing vehicle owners to register an uninsured motor vehicle and still comply with Virginia’s insurance laws. At the time, the UMV Fee was set at \$15. Since then, it has risen to the current \$500 amount. Adjusted for inflation, the \$500 UMV Fee required in 1998 would equal \$766 today. Chart 9 details when and by how much these increases occurred.

### **Chart 9: UMV Fee Amount History**

Year	Fee
1958	Starts at \$15
1960	Fee increased from \$15 to \$20
1966	Fee increased from \$20 to \$50
1973	Fee increased from \$50 to \$100
1975	Fee increased from \$100 to \$150
1981	Fee increased from \$150 to \$200
1984	Fee increased from \$200 to \$300
1988	Fee increased from \$300 to \$400
1998	Fee increased from \$400 to \$500

In recent years, the number of vehicle owners paying the UMV Fee has remained fairly consistent. From FY03-17, the number of vehicle owners paying the UMV Fee has fluctuated between a high of 3,768 in FY2005 and a low of 2,425 in FY2011. Chart 10 depicts the number of customers paying the UMV Fee from FY03-17. For comparison, vehicle owners registered a total of 7,174,480 vehicles in FY2005 and 7,643,968 vehicles in FY2011.

**Chart 10: Customers Paying the UMV Fee FY03-17**



In FY2017, 3,691 customers paid the UMV Fee. The fees paid by these customers represented 9.8% of the total funds paid into the Uninsured Motorist Fund in 2017. Over the past 15 years, UMV Fees contributed an average of 8% of monies paid into the Uninsured Motorist Fund. The remaining 92% of monies paid into the Uninsured Motorist Fund come from the collection of non-compliance fees.

### *Characteristics of Compliant Uninsured Motor Vehicle Drivers*

As part of this review, DMV analyzed FY2017 crash data based on whether the vehicle owner had paid the \$500 UMV Fee in order to operate legally without insurance. Of the 222,161 crashes, DMV was able to match a VIN or license plate number for 82% of the vehicles involved. The remaining 18% of vehicles were likely out-of-state vehicles, which would not appear in DMV's vehicle records.

From that 82%, DMV found that 1.7% of drivers who paid the UMV fee in FY2017 were involved in a crash. Among insured drivers, 2.3% were involved in a crash. This suggests that drivers of compliant uninsured motor vehicles are no more likely to be involved in a crash than drivers of insured vehicles. However, this finding is inconclusive considering it only spanned one-year and the difference in the crash rate between the two groups was not large.

In FY2017, the majority of drivers who paid the UMV Fee were male and between the ages of 26-44. Eighty-three percent of these drivers had fewer than six demerit points in a 12-month period on their driving record. For perspective, a driver with two speeding tickets for driving one to nine miles over the speed limit would have six demerit points on his or her record. The majority of vehicles for which the fee was paid were passenger vehicles, as opposed to motorcycles. Seventy-five percent of the vehicles were 10-24 years old. DMV staff was unable to determine any clear trends in this data to suggest drivers who had paid the UMV Fee were any more or less safe than drivers of insured vehicles.

### Stakeholder Discussion - UMV Fee

Stakeholders began their discussion with the topic of whether or not Virginia should retain the option for a vehicle owner to legally register an uninsured vehicle and operate it in the Commonwealth. Stakeholders pointed out that it appeared unfair that owners of insured vehicles often bore much more of the cost of a crash than owners of uninsured vehicles. Additionally, Virginia is one of only three states that has an uninsured motor vehicle registration option. New Hampshire does not require insurance at registration. South Carolina allows the registration of uninsured motor vehicles but has so many eligibility requirements that this option is very rarely used. After 60 years of practice, the fact that Virginia remains the only jurisdiction with a program of this type that is actually utilized does not support its continuance.

However, stakeholders also highlighted that mandating insurance has not been an effective method of improving insurance compliance rates in other jurisdictions. Many mandatory insurance states have uninsured motor vehicle rates that are much higher than Virginia's. A persistent segment of the driving population chooses to drive without insurance even in mandatory states. It is possible that removing the UMV Fee option would actually cause more vehicle owners to be out of compliance with Virginia's laws. Some stakeholders stated



that, in light of these concerns, the UMV Fee option is an acceptable means of providing more people with an avenue to drive legally. They noted that at least people who pay the UMV fee are contributing something towards the Commonwealth's insurance system.

The stakeholders were not able to decide upon a recommendation concerning whether to maintain the UMV Fee option.

The stakeholders concluded their discussion of the UMV Fee by considering the current \$500 fee amount. Stakeholders noted that the fee has not been raised since 1998 and, adjusted for inflation, should be significantly higher than \$500. Some consideration was given to the idea of increasing the fee in an attempt to discourage operation of uninsured vehicles in the Commonwealth. However, the stakeholders noted that an increased fee could result in additional non-compliant uninsured motor vehicles operating in the Commonwealth, instead of encouraging these vehicle owners to opt for insurance coverage. As a result, the stakeholders concluded that the fee should remain at its current amount.

### **Stakeholder Recommendation #6**

If the General Assembly maintains Virginia's uninsured motor vehicle registration option, then it should maintain the current \$500 fee amount (no change).

## **X. DMV's Insurance Verification Program**

### ***Purpose of DMV's Insurance Verification Program***

Prior to 1997, DMV used random sampling to identify non-compliant uninsured motor vehicles. Every business day, DMV would randomly select one out of every nine vehicle owners from its records and required the vehicle owner to submit proof of insurance. This resulted in approximately 1,500 requests for insurance information mailed per day, imposing a burden on many owners who had been in compliance with the law.

In 1997, DMV initiated its current insurance monitoring and verification process based upon the recommendations of a prior stakeholder study.<sup>5</sup> The insurance verification program is designed to identify drivers of non-compliant uninsured vehicles and to encourage owners of

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<sup>5</sup> In 1996, the General Assembly passed HB 524 and SB 554, patroned by Delegate William S. Moore Jr. and Senator Frederick M. Quayle respectively. These companion bills enacted the legislative changes necessary to implement DMV's current insurance verification process. HB 524 passed the Senate on a 39-0 vote and the House on a 98-1 vote with Delegate Abbitt voting against passage. SB 554 passed the Senate on a 39-0 vote and the House on a 93-4 vote with Delegates Abbitt, DeBoer, Dickinson, and Grayson voting against passage.

registered vehicles to obtain and maintain vehicle insurance, while minimizing the impact of insurance verification on citizens who are complying with insurance laws.

### ***Events that Trigger Insurance Monitoring***

In place of random sampling, DMV now begins insurance verification following notification of specific events. DMV initiates insurance monitoring after:

- completion of an original vehicle registration;
- receipt of an insurance cancellation notification;
- receipt of a suspected uninsured crash report;
- receipt of a law enforcement notification;
- receipt of a concerned citizen letter;
- receipt of a police crash report; and
- completion of a re-activation of a vehicle registration.

DMV verifies the insurance information following original registration because it is the first time in DMV's records that a specific vehicle is tied to a particular vehicle owner. The rest of the triggering events are included because the related action implies that the insurance coverage on a vehicle has changed or lapsed. By focusing on these events, DMV attempts to more efficiently identify non-compliant uninsured motor vehicles, which are motor vehicles for which the vehicle owner has not purchased adequate liability insurance coverage and has not paid the UMV Fee.

### **Stakeholder Discussion - Events that Trigger Insurance Monitoring**

Stakeholders agreed that identifying non-compliant uninsured motor vehicles requires review of information gathered from numerous sources. As such, stakeholders considered whether DMV should initiate insurance monitoring following events currently not included in DMV's process. In discussion, stakeholders representing the insurance industry stated that the number of uninsured motorist claims far outnumbered the volume of crash reports involving uninsured motor vehicles. DMV staff inquired whether insurance companies were able to accurately identify the uninsured motor vehicle when handling an uninsured motorist claim. Stakeholders responded that a large number of uninsured motorist claims involve "parking lot" or similar incidents when the damage is caused by an unknown vehicle that flees the scene of the crash. Because the insurance company does not know if the owner of the fled vehicle has insurance, these claims are usually handled as uninsured motorist claims. However, stakeholders representing the insurance industry stated that in some cases they are able to eventually identify the unknown vehicle. If the vehicle is insured, the claimant's insurance company works with the at fault vehicle owner's insurance company to settle the claim. Other times, the insurance company identifies an uninsured vehicle and sues the vehicle owner in court in order to subrogate the uninsured motorist claim.

DMV reported that it would not necessarily have knowledge of all such cases. For instance, if the driver/vehicle owner stated the vehicle was insured to the officer completing the crash report, then the crash report would not trigger DMV insurance monitoring. Stakeholders agreed that requesting insurance companies to report known uninsured motor vehicles to DMV may help in the identification of non-compliant uninsured motor vehicles. However, they expressed concern about requiring insurance companies to report every instance, considering the quality of information available would vary from case to case.

### **Stakeholder Recommendation #7**

Insurance companies should report to DMV that the company processed an uninsured motorist claim involving an uninsured motor vehicle registered in Virginia; and following receipt of the report, DMV should initiate the insurance verification process (legislative change).

### ***Submission of Insurance Information: Customer Information Reporting***

DMV's goal is to make it as convenient as possible for customers to provide insurance information in response to an insurance verification notice issued by the Department. The notice informs the customer that there is a question as to whether the customer's vehicle is covered by adequate liability insurance. Customers may submit the information online, in person, by mail, or by telephone. In FY2017, almost half (48%) of customers utilized the online option for submitting their insurance information, 25% provided the information in person at a customer service center, 19% mailed the information into the Insurance Verification Work Center in headquarters, and 8% contacted DMV's Call Center to submit the information. Neither DMV nor stakeholders had any concerns about the methods customers utilize to submit their insurance information for verification.

### ***Submission of Insurance Information: Insurance Company Information Reporting***

Va. Code § 46.2-706.1 provides the current requirements for insurance companies to report data to DMV. It requires insurance companies to electronically submit monthly updates whenever a liability insurance policy is added or cancelled for a vehicle and when a person obtains liability insurance newly satisfying a financial responsibility requirement. Each update must include "insured information" and a "vehicle description." Va. Code § 46.2-706.1 does not define either term, which has led to inconsistent insurance information reporting.

In order to efficiently and accurately verify insurance information, DMV requires responsive, adequate data. Specifically, DMV needs insurance companies to communicate with the Department both when the insurance company becomes aware of a change to a liability insurance policy and when DMV requests acknowledgement, either a confirmation or a denial,

of a customer's specific insurance policy information. Further, in order to accurately identify a customer record, DMV must have sufficient data points, such as a VIN. In the case of an acknowledgement request, DMV has all of the necessary customer information available and only requires a confirmation or denial that a current, valid policy exists. However, when responding to an update concerning a policy change, DMV needs multiple, accurate customer data points to confirm the customer's identity. As currently written, Va. Code § 46.2-706.1 does not clearly state these requirements.

Currently, there are four mechanisms in place for insurance companies to electronically report insurance information to DMV. Insurance companies use DMV's Electronic Data Interchange (EDI), an electronic mailbox, or Move and Move-IT, server-to-server mechanisms, to submit information on changes to insurance policies, such as cancellations. DMV also provides an Extranet Web Application for insurance companies to submit information concerning liability insurance that satisfies financial responsibility requirements.

In CY2017, 359 insurance companies reported insurance information to DMV. DMV received 100% of the records concerning policy changes electronically. However, DMV received only 49% of the records relating to satisfying financial responsibility requirements electronically. Insurance companies mailed the remainder into the Insurance Verification Work Center at DMV headquarters for manual entry into DMV's records.

Many companies report financial responsibility updates electronically, as well as, submit paper copies because they do not have confidence in DMV's Extranet Web Application. As a result, DMV headquarters staff spends significant time manually dealing with potentially duplicative updates.

As for acknowledgments, DMV does not receive responses in many cases. Currently, if no response is received for these requests for confirmation or denial of insurance information then the verification process stops. As a result, some drivers of non-compliant uninsured vehicles continue to operate on the roads of the Commonwealth.

#### Stakeholder Discussion - Insurance Company Information Reporting

DMV opened stakeholder discussion by identifying three objectives for any eventual recommendations to improve the information reporting process. First, any recommendation should focus on minimizing unnecessary inconvenience and burden on owners of insured vehicles. DMV made significant strides in this area when it changed from randomly selecting customers to provide insurance information and instead focused on requesting information following specific events. Second, any recommended improvements to the process should enhance reliability and user friendliness of the data transfer mechanisms. DMV and the insurance

companies would both benefit from a reduction of manual processing of duplicative updates. Finally, any recommendations should enhance the consistency, accuracy, and timeliness of data reported by insurance companies to facilitate matching insurance information with vehicle registration data on file with DMV.

In light of these objectives, stakeholders addressed the issue of how the reports should be transferred first. Stakeholders agreed that all updates and acknowledgements should be made electronically to reduce the time it takes for DMV to receive and process insurance information. DMV stated that it would dedicate resources to improving the electronic reporting mechanisms necessary for submission of insurance information. With insurance companies required to submit all information electronically, DMV recognized that the only way for the system to be successful was if it provides reliable reporting mechanisms for both policy updates and acknowledgements.

Next, stakeholders discussed when insurance information should be submitted. DMV staff noted that the term “monthly” as used by Va. Code § 46.2-706.1 technically allows an insurance company to still be in compliance with the law and submit insurance information, for example, on May 1 and June 30. Such long gaps in updates delay DMV’s efforts to timely verify a customer’s insurance information. DMV suggested and stakeholders agreed that requiring insurance companies to submit any update within 30 days of the policy change was a reasonable request. As to acknowledgement requests which only require confirmation or denial of an existing policy, DMV staff requested insurance companies respond within 15 days. Additionally, stakeholders representing the insurance industry informed the stakeholder group that Va. Code § 46.2-706.1 did not correctly describe changes in insurance policies. Instead, they recommended using terms more common to the industry including: new policies, vehicles added to policies, lapses in coverage, cancelled coverage, and the re-issuance or re-instatement of policies. DMV staff recommended explicitly including policies that satisfy financial responsibility requirements when updating Va. Code § 46.2-706.1 for all of the changes listed above. Currently, Va. Code § 46.2-706.1 is often interpreted to only require reporting of new policies satisfying financial responsibility requirements, which has resulted in the Department being unaware of other types of changes to these policies, such as cancellations or lapses.

Following those decisions, stakeholders discussed what data should be transmitted by the insurance companies to DMV. Unfortunately, the data maintained by insurance companies for their business purposes does not always match the data DMV maintains for vehicle registration purposes. Recognizing this, DMV staff recommended a combination of data fields that are required as well as data fields that are requested if available. Stakeholders agreed that insurance companies would always have access to the VIN, make, and model year of an insured vehicle. DMV staff stated that VIN was by far the most important data field for data matching purposes; however, because each VIN is sixteen characters, including numbers and letters, there is a greater potential for data entry errors either by insurance companies or DMV. As such, the

stakeholders agreed that make and model year should be required to assist in overcoming any data mismatches due to an incorrect VIN. As to the driver/vehicle owner-related data fields, DMV and the insurance companies found greater discrepancies between their data sets. An insurance company maintains the policy owner's information and any drivers specifically added to the policy, none of which are necessarily the vehicle owner. DMV maintains vehicle owner information and driver information, though a particular driver will not be connected to a vehicle if he or she is not the owner. In light of this, stakeholders agreed to recommend requiring submission of the first named insured's full name. They also identified multiple other driver related data fields that should be provided if available:

- date of birth for first named insured;
- full names and dates of birth for all vehicle operators; and
- Virginia driver's license numbers or Social Security Numbers for the first named insured and all vehicle operators.

Considering the numerous changes recommended by this report, stakeholders suggested that DMV monitor for any improvements to the process' efficiency. DMV staff suggested adding an enactment clause to the proposed legislation stating that the Department would report recommended changes to the General Assembly if it determined that efficiency had not improved within four years.

Finally, stakeholders discussed a particular flaw in the insurance verification process. The *Code of Virginia* requires a vehicle owner to re-title his or her vehicle following the death of a co-owner. Because DMV is issuing a new title, DMV's insurance verification process automatically checks for an insurance policy update. However, insurance companies often do not send DMV an update because, from their perspective, nothing with the policy has changed as to the coverage. As a result, the grieving owner receives an insurance verification notice. If the owner fails to respond, he or she can have his or her driving privileges suspended. Stakeholders could not identify the necessary policy update and data field combination that could address this issue through the insurance reporting portion of the process. However, DMV staff was able to identify an internal process to avoid the previous situation by utilizing information DMV receives weekly from the Virginia Department of Health concerning recently deceased individuals. In particular, DMV will use this information to identify co-owners of the recently deceased and remove them from the list to receive insurance monitoring notices, absent a separate notification from an insurance company that there has been a change in insurance coverage. DMV has begun the administrative actions necessary to implement a new internal process to address this situation.

## **Stakeholder Recommendations #8 - #14**

Recommendation 8: The General Assembly should require insurance companies to electronically report all necessary insurance information to the DMV (legislative change).

Recommendation 9: DMV should upgrade its mechanism for reporting liability insurance policies that satisfy financial responsibility requirements (administrative change).

Recommendation 10: The General Assembly should require insurance companies to report all required insurance information to DMV within 30 days of a policy change (legislative change).

Recommendation 11: The General Assembly should require insurance companies to respond to all DMV requests for acknowledgement by confirming or denying the existence of an insurance policy within 15 days of receiving the request (legislative change).

Recommendation 12: The General Assembly should amend the *Code of Virginia* to accurately reflect the types of policy updates and necessary data fields required for DMV to efficiently operate its insurance verification process (legislative change).

Recommendation 13: The draft legislation should include an enactment clause to allow DMV to monitor the performance of insurance companies in complying with reporting requirements over the next four years (legislative change).

Recommendation 14: DMV should adjust its processes to better address insurance monitoring following a re-title due to a co-owner's death (administrative change).

### ***Insurance Verification Processes***

Depending on how DMV is made aware of a potentially non-compliant uninsured motor vehicle, DMV initiates one of three insurance verification processes. The most common events that trigger the verification process are the original registration of a vehicle in which the customer indicated the vehicle was insured or an insurance company's notification to DMV of the cancellation of an insurance policy. When verification is triggered based on an original registration or cancellation notification, the vehicle owner's insurance policy must be in effect on or before the deadline date listed in the initial verification notice in order for the vehicle owner to avoid suspension of his or her driving and registration privileges.

Following the completion of any original registration transaction or DMV receipt of an insurance cancellation notification:

1) DMV waits 60 days to receive an update from an insurance company with the corresponding insurance policy information.

- If DMV receives insurance information and it matches with the registered vehicle, the process ends and no further action is taken.

2) If DMV does not receive electronic notification of coverage from the insurance provider within 60 days of either the vehicle's registration date or from the date a cancellation notice is received, DMV sends a notice to the registered vehicle owner requesting the name of the insurance company and policy number related to the coverage in effect. The notice also informs customers that, instead of providing insurance information, they may 1) pay the UMV Fee; 2) deactivate their vehicle registration, or 3) surrender their license plates.

- If the customer pays the UMV Fee, deactivates his or her vehicle registration, or surrenders his or her license plates, the process ends and no further action is taken.

3) DMV allows the vehicle owner 21 days from the date the first notice is issued to respond by taking one of the options listed in order to avoid further action.

4a) If the vehicle owner fails to respond, DMV issues an Order of Suspension, which states that the motor vehicle owner's driving and registration privileges will be suspended in 30 days, if the owner fails to comply.

4b) If the vehicle owner submits his or her insurance information, DMV initiates a request for an acknowledgement from the owner's insurance provider that the coverage does or does not exist.

- If the insurance provider fails to confirm or deny coverage (does not respond), DMV takes no further action, because DMV cannot act on the information provided by the customer without knowing its validity.
- If the insurance company confirms insurance coverage, DMV takes no further action, and the process ends.
- If the insurance company denies coverage, DMV sends another notice to the registered vehicle owner requesting the name of the insurance company and policy number related to the coverage in effect.
  - DMV allows the owner 21 days from the date the denial notice is issued to respond to the request for information in order to avoid further action.
  - As in the initial part of the process, if the owner fails to respond to the request for liability insurance information, DMV issues an Order of Suspension.
  - If the vehicle owner submits the insurance information, DMV again initiates an electronic request for confirmation or denial from the insurance company.



- If the insurance company fails to confirm or deny coverage (does not respond), DMV takes no further action.
- If the insurance company confirms insurance coverage, the process ends.
- If DMV receives a second denial of the information submitted by the customer, an Order of Suspension is issued. The suspension is effective in 30 days unless the owner complies with the requirements (listed in 5a).

5a) The Order of Suspension is effective in 30 days unless the owner pays DMV a \$500 non-compliance fee and files proof of financial responsibility with DMV for three years.

5b) If the suspension becomes effective, the vehicle owner must also pay the reinstatement fee.

DMV administers a similar process following receipt of a report of a suspected uninsured vehicle. Currently, DMV receives three types of reports: crash reports; law enforcement notifications; and concerned citizen letters. The beginning of the process is slightly different in that DMV sends a notice to the vehicle owner requesting insurance information, instead of waiting to receive an insurance update. The remainder of the process is the same except that the customer must have had a liability insurance policy that was in effect on the date of operation.

When the verification process is triggered based on the customer reactivating a registration and providing his or her required insurance information, DMV submits the information to the insurance company for verification. If the insurance company fails to respond, or submits an update confirming coverage or denying coverage, the process is the same as previously discussed.

Chart 11 provides information on the number of days until a suspension is imposed based on customer and insurance company potential responses. If a customer does not respond, it could take up to 115 days before a suspension is imposed. That includes:

- 60 days for the insurance company's update;
- 21 days for the customer to provide insurance information;
- up to 4 days for DMV processing of the information; and
- 30 days until the suspension order is effective.

Based on FY2017 data, DMV issued 111,073 suspension orders to customers who did not respond to the initial notice.

If a customer provides the insurance information, but the insurance company reports a denial of coverage, the process is extended up to an additional 55 days to allow the customer to provide updated insurance information, including 21 days for the customer to provide updated insurance information, up to four days for DMV processing, and 30 days until the suspension order is effective. In cases where the customer submits the same policy information after receiving a denial notice, DMV contacts the vehicle owner to have him or her provide a letter

from the insurance company stating that the denial was submitted in error. If the customer does not provide the letter, DMV issues a suspension order.

If there is a second denial where the customer submits different policy information, the process is repeated which extends it another 55 days, in an attempt to prevent unnecessary suspensions. This comes to a total of 225 days from the original registration date (115 days for the initial process, plus 55 days for the first denial and 55 days for the second denial).

In FY2017, DMV issued almost 6,500 notices requesting information after an insurance company denied coverage, which included first and second denial notices. Of those, DMV later issued almost 2,700 suspension orders for noncompliance.

**Chart 11: Number of Days Until Suspension Imposed**

Customer:	Initial Notice	First Denial	Second Denial	Days to Suspension	# of Notices/Orders Issued (FY17)
Responds to Initial Notice	<115				
Does not respond to initial notice	115			= 115	111,073 Orders Issued
Responds but insurance submits denial	115	+55		= 170	6,492 denial notices issued
Responds after denial; 2 <sup>nd</sup> denial received	115	+55	+55	= 225	2,690 orders issued

Stakeholder Discussion - Insurance Verification Process

Stakeholders and DMV agreed that the current process was too long to achieve the objective of efficiently reducing the number of non-compliant uninsured motor vehicles on Virginia’s highways. In light of the recommended improvements to the insurance information reporting process, stakeholders agreed that DMV could reduce the number of days staff waits for insurance companies to report a policy change. Stakeholders believed that a 45-day wait time would not overly burden customers considering the proposed legislative requirement specifying that insurance companies provide information on an update in 30 days. Stakeholders also discussed how DMV currently gives customers up to three opportunities to provide insurance information during the verification process, which can delay action against owners of non-compliant uninsured vehicles for up to 225 days. DMV stated that in FY2017, of the 1,783 customers who received a denial notice, 41% (737) received a second denial notice. Of those who received a second notice after providing different policy information than they previously submitted, 81% (594) went under suspension. DMV originally offered the opportunity to respond after a second denial in order to prevent unnecessary suspensions. However, based on the data provided, DMV staff recommended making an administrative change to eliminate this

third opportunity for customers to provide insurance information in cases involving a denial of coverage.

In addition, DMV staff recommended reducing the customer response time allowed after receiving a second notice from 21 days to 15 days. The response time allowed for the initial notice would remain at 21 days; but if DMV sends a second notice because the insurance company denied that coverage existed, DMV would only give the customer 15 days to respond. By eliminating a customer's third opportunity to provide insurance information and reducing the response time to 15 days, the longest overall time for a customer to operate a non-compliant uninsured motor vehicle would be reduced from 225 days to 164 days.

Additionally, stakeholders discussed the outcome when a vehicle owner never receives the notification and order of suspension, but did in fact have adequate liability insurance coverage on his or her vehicle. DMV is aware of numerous instances where the individual had moved, was out of the country, or otherwise simply did not receive the Department's communications. In those instances where the vehicle owner can provide adequate proof of insurance for the period in question, DMV has the authority to lift the suspension and waive the \$500 non-compliance fee. However, the DMV does not have the authority in the *Code of Virginia* to waive the reinstatement fee. DMV recommended giving DMV the authority to dispense with the suspension. When DMV dispenses with a suspension, it is as if the suspension and its related fees never existed. Stakeholders agreed that this would allow DMV to respond fairly to customers who can prove they were in compliance with Virginia's insurance laws.

### **Stakeholder Recommendations #15 - #17**

Recommendation 15: DMV should reduce from 60 days to 45 days the time period allowed for insurance companies to report a policy change before DMV issues an insurance monitoring notice (administrative change).

Recommendation 16: DMV should eliminate the third opportunity for a customer to provide insurance information in cases involving a denial of coverage and reduce customer response to a second insurance monitoring notice from 21 days to 15 days (administrative change).

Recommendation 17: DMV should be allowed to dispense with a customer's suspension if a customer provides evidence he or she was in compliance with Virginia's insurance laws (legislative change).

### ***Insurance Monitoring Suspension Administrative Hearing Process***

According to Va. Code §§ 46.2-706, 46.2-707, and 46.2-708, a customer who is issued a suspension order under these sections has the right to appeal by requesting a formal administrative hearing with a DMV Hearing Officer. Hearing requests must be received within

180 days of the date the order of suspension is issued, unless the person presents evidence of military service, incarceration, commitment, hospitalization, or physical presence outside the United States at the time the order of suspension was issued. When a hearing is requested, DMV will hold the suspension order in abeyance pending the resolution of the hearing. However, the suspension is not held in abeyance, pending the hearing resolution, if the person is stopped by law enforcement and provided with the notice of suspension after the insurance suspension has gone into effect. Customers whose appeal is denied after a hearing may then continue their appeal in circuit court.

DMV presented to the stakeholders that DMV's Hearing Office conducted 29,501 insurance related hearings from 2013-2017, which averages approximately 5,900 per year. Neither DMV nor other stakeholders suggested recommendations concerning changes to the hearing process.

## **XI. Online Plate Surrender**

In Virginia, insurance requirements are directly tied to vehicle registration. The result of this is that if a vehicle registration is still active then it must comply with Virginia's insurance laws, even if the vehicle is no longer in use or is inoperable. Many Virginians cancel their insurance after a crash, following a sale, or simply for a season while the vehicle is in storage. However, Virginians often fail to notify DMV of these changes, and as a result, the vehicle registrations for these vehicles remain active. Therefore, these vehicle owners are out of compliance with Virginia's insurance laws and are subject to insurance monitoring, which can lead to the suspension of the vehicle owner's driving privileges.

DMV has attempted to help customers avoid this outcome when possible. As stated previously, DMV informs customers at the beginning of the insurance verification process that surrendering the license plates associated with the vehicle is an option when complying with the insurance verification request. Additionally, in 2013, the General Assembly authorized the DMV to create the deactivation/reactivation process, such that a customer can deactivate their registration and license plates for the period the customer will not be using the vehicle.<sup>6</sup> For a \$10 fee, the customer can reactivate the plates and the registration period whenever the customer begins to use the vehicle again. This has proved to be a very popular feature for drivers of seasonal vehicles, such as motorcycles, and has prevented many law-abiding Virginians from being caught up in DMV's insurance monitoring process.

Despite these efforts, many Virginians are still being caught by the program. This is because they have decided to permanently give up the vehicle by selling it or after it was totaled in a crash, but their vehicle registrations and license plates are still active because they failed to

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<sup>6</sup> In the 2013 General Assembly session, Delegate Joe T. May patroned HB 2042, which created DMV's license plate deactivation and reactivation program. HB 2042 passed the Senate 40-0 and the House 99-0.

explicitly notify DMV by turning in their plates. DMV staff discussed the possibility of creating an online or by phone process by which customers could easily inform DMV that they are ending their vehicles' registrations without having to physically surrender their plates. This process would be significantly more convenient for customers and would hopefully reduce the number of unnecessary suspensions. However, Va. Code § 46.2-688 states that all license plates must be physically surrendered to DMV after a customer ends the vehicle registration. It also states that if there is more than six months remaining on the vehicle registration, DMV must provide customers who physically surrender their plates with a refund for the remaining time on the registration. DMV then recycles the plates, through which DMV earns approximately \$100,000 a year.

DMV staff requested stakeholder support for a legislative change allowing DMV to accept a vehicle registration cancellation without the customer physically surrendering their license plates. With this change, customers would be able to cancel their vehicle registrations online or by phone and virtually surrender their plates. The only change would be that DMV would not provide them with a refund, since DMV never technically received its property. This cost savings would help DMV offset the lost revenue from being unable to recycle the plates. Stakeholders agreed that such a program would improve upon the current process.

### **Stakeholder Recommendation #18**

DMV should be allowed to permit virtual surrender of plates online or by phone without the customer physically returning his or her plates to DMV; when a customer chooses this method of surrendering his or her plates, DMV should not provide a refund (legislative change).

## **XII. Uninsured Motor Vehicles: Non-compliance Fee**

In order to restore their driving privileges and vehicle registrations, vehicle owners and drivers found to have violated Virginia's automobile insurance laws must pay a \$500 vehicle non-compliance fee, furnish proof of financial responsibility, and pay a reinstatement fee. The reinstatement fee is required whenever an individual's driving privileges have been suspended for a violation of Virginia's laws, while the requirements to furnish proof of financial responsibility and pay the non-compliance fee are specific to a violation of Virginia's automobile insurance laws.<sup>7</sup>

According to Va. Code § 46.2-436, an individual can satisfy Virginia's proof of financial responsibility requirement by carrying automobile insurance, by providing DMV with a bond or cash/securities of an equivalent amount, or by qualifying as a self-insurer. However, an

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<sup>7</sup> A driver's whose driving privileges have been suspended following a medical review is not required to pay the reinstatement fee, once he or she has complied with the medical review board's requirements.

individual cannot satisfy his or her proof of financial responsibility requirements by paying the UMV Fee.

Further, according to Va. Code § 46.2-706, the individual must maintain proof of responsibility, through one of the methods listed above, for three years following the violation. If at any time the individual fails to maintain proof of financial responsibility, the Commissioner shall suspend the individual's driving privileges and vehicle registrations. Finally, the Commissioner has the authority under Va. Code § 46.2-706 to relieve the individual of meeting the proof of financial responsibility requirement three years after the effective date of the suspension. The stakeholders did not discuss this requirement, but instead focused on the non-compliance fee.

Virginia law requires payment of the non-compliance fee when a vehicle owner fails to insure his or her vehicle and has not paid the voluntary uninsured motorist fee. The *Code of Virginia* ties the imposition of this fee to the registration year, such that one non-compliance fee is imposed per registration year. Thus if an individual is ticketed twice in one registration year for failing to comply with Virginia's insurance laws, the individual would only be charged one non-compliance fee.

The non-compliance fee was first assessed in 1960, two years after the General Assembly allowed vehicle owners to register uninsured vehicles following payment of the UMV Fee. However, at that time, the non-compliance fee amounts varied based on how DMV was made aware of the violation. The non-compliance fee was significantly higher if the individual's violation was discovered due to a crash, than if the DMV became aware of a lapse in coverage through its verification program. If DMV determined that an insured vehicle's coverage had lapsed during the registration period, a \$20 non-compliance fee was imposed. However, if DMV was made aware of an insurance violation because the vehicle was in crash, a \$75 non-compliance fee was imposed. From 1960-1975, the non-compliance fee rose separately depending on how the violation occurred. However, in 1975, the non-compliance fee was set at \$150 for all violations. The non-compliance fee continued to increase with the most recent increases occurring in 1981, 1984, 1988, and 1998. In 1998, the General Assembly set the fee amount at \$500, which adjusted for inflation to today's money would be \$766.

The *Code of Virginia* references the non-compliance fee in three separate sections using different language each time, which has made explaining the fee to customers difficult. DMV staff has taken to calling it the non-compliance fee in order to better communicate the fee's purpose.

In the AAMVA survey mentioned previously, DMV staff included questions concerning insurance verification processes and compliance requirements in other jurisdictions. Twenty-five jurisdictions provided responses concerning their actions following a violation of their insurance laws.

The following summarize their responses:

- 19 suspend or put a hold on registration privileges;
- 19 charge a reinstatement fee;
- 17 require proof of financial responsibility (SR-22);
- 15 suspend driving privilege; and
- 11 charge a non-compliance fee.

In light of the stakeholders' focus on the non-compliance fee, DMV researched the fees other states charge specifically for a violation of the jurisdictions' insurance laws. The information in the following four charts came from the Consumer Federation of America 2014, which cited to specific code sections and DMV websites as its sources. The purpose of these charts is to illustrate the tremendous range in fee amounts imposed for failing to comply with a state's insurance laws. Three states are not included:

- Florida and Nebraska do not have specific fees dealing with operating a vehicle while uninsured; they instead have reinstatement and other fees; and
- New Hampshire is also not included as it does not require insurance to register or operate a vehicle in the state.

DMV's research shows that states have two general methods of imposing fees:

- the same fee for one offense no matter how many times the individual fails to comply (e.g. Virginia) or
- different fees for multiple levels of offense with penalties, though not always the fee amount, increasing with severity (1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> offense, e.g. Delaware).

As to the fees themselves, some states have a set fee amount while others have a range. These charts only cover the specific fee amount imposed for failing to comply with the state's insurance laws. These amounts do not include other fees: such as reinstatement fees, or other costs, such as purchasing proof of financial responsibility. For the states that impose a non-compliance fee for failing to comply with insurance laws, the amounts vary tremendously. Louisiana has the lowest imposing no fee for a first offense, while North Dakota, New Jersey, Hawaii, and Massachusetts impose a \$5,000 fee for the most severe violations on their books.

**Chart 12: States with One Offense and a Set Fee Amount**

One Offense (Set Fee)	State
\$100	Tennessee
\$150+	Maryland*
\$250	Iowa, Oklahoma, Washington
\$300	Pennsylvania
\$500	Mississippi, Vermont, <u>Virginia</u> , Wisconsin
\$1000	Michigan*

**Chart 13: States with One Offense and a Range of Fee Amounts**

One Offense (Range)	State
\$100-\$500	South Dakota
\$130-\$1000	Oregon
\$150-\$1500	New York

**Chart 14: States with Multiple Offenses and a Set Fee Amount**

Multiple Offenses (Set Fee)	State
\$300	Missouri
\$500	Alaska

**Chart 15: States with Multiple Offenses and a Range of Fee Amounts**

Multiple Offenses (Range)	State	Multiple Offenses (Range)	State
\$0-\$500	Louisiana	\$250-\$500	Montana
\$50-\$150	North Carolina	\$250-\$1000	Nevada
\$50-\$1000	Arkansas	\$250-\$1500	Wyoming
\$75-\$1000	Idaho	\$300-\$1000	New Mexico
\$100-\$200 (\$5 every day w/out insurance)	South Carolina	\$300-\$2500	Kansas
\$100-\$500	California, Maine	\$300-\$5000	New Jersey
\$100-\$1000	Connecticut, Rhode Island, Washington	\$400-\$1000	Michigan*, Utah
\$150-\$300	Indiana	\$500-\$750	DC
\$150-\$2500	Maryland	\$500-\$1000	Arizona, Colorado, Illinois
\$150-\$5000	North Dakota	\$500-\$2500	Kentucky
\$175-\$1000	Texas	\$500-\$3000	Alabama
\$200-\$1000	Georgia	\$500-\$5000	Hawaii, Massachusetts
\$200-\$3000	Minnesota	\$1500-\$4000	Delaware



## **Stakeholder Discussion – Non-compliance Fee**

DMV staff suggested to stakeholders that the *Code of Virginia* should be amended such that all mentions of the non-compliance fee are consistent. Currently, the three sections that mention the non-compliance fee use different language and in some cases, only refer to the fee amount without specifically identifying the fee. DMV staff recommended the language “non-compliance fee” as the phrase is consistent with the meaning of the fee and would be more explainable to customers. Stakeholders agreed that a more specific, understandable title was needed.

Stakeholders also considered whether to raise the non-compliance fee, considering it has been consistently increased over the years to ensure the fee amount continues to be an effective incentive for compliance. One stakeholder noted that it has been 20 years since the last increase. As such, it was likely time for an increase. Another stakeholder noted that currently the UMV fee and non-compliance fee are set at the same amount of \$500. Virginians who are unaware of the other penalties that come with driving in violation of Virginia’s insurance laws may choose to take their chances with getting caught rather than pay the \$500 UMV Fee upfront or purchasing insurance. Stakeholders also noted that the non-compliance fee is only paid by those found to have violated Virginia’s laws and that there is a payment plan in place to assist them, which is discussed in the following section. Stakeholders decided that a \$100 increase of the non-compliance fee seemed reasonable, as that is consistent with the most recent historical increases.

Finally, stakeholders discussed how the additional funds should be used. They noted that the study had recommended DMV improve its systems to better support the insurance verification process. With this in mind, the stakeholders agreed that the additional \$100 from each UMV non-compliance fee should go to DMV to assist with the insurance verification program costs.

## **Stakeholder Recommendations #19 and #20**

Recommendation 19: Virginia should clarify the language concerning the non-compliance fee charged after a violation of Virginia’s insurance laws (legislative change).

Recommendation 20: The General Assembly should increase the non-compliance fee from \$500 to \$600 with the additional revenue to be designated to DMV’s Special Fund to be used for enhancements to DMV’s Insurance Verification Program (legislative change).

### **XIII. Installment Payment Plan**

As of June 2018, Virginia had 691,053 outstanding suspension orders with a non-compliance fee requirement. In the 2016 General Assembly session, Assembly members authorized DMV to create a non-compliance fee installment payment plan.<sup>8</sup> On January 1, 2017, DMV began offering customers the opportunity to pay their non-compliance fees in installments after suspension in an attempt to decrease the number of outstanding orders. Current eligibility requirements are fairly constrictive. They require the applicant to:

- be at least 18 years of age;
- be a resident of Virginia or active duty military stationed in Virginia;
- have had their driving privileges suspended;
- have no other outstanding suspensions;
- have provided proof of financial responsibility; and
- have not defaulted on a prior non-compliance fee installment payment plan.

To enter into an installment payment plan, the applicant must pay the reinstatement fee, a \$25 administrative fee, and a \$5 fee for each additional suspension order included in the plan. The plan was designed such that it would be available to individuals whose only remaining compliance requirement was to pay the \$500 non-compliance fee. Many customers struggled to do so in a lump sum and so the installment plan was enacted to facilitate completion of this final barrier. Currently, customers must visit a customer service center to enter into an installment payment plan, but customers do have the ability to make their monthly payments in-person, by mail, or online.

A significant benefit of the installment payment plan is that while an individual is actively paying into an installment plan, the individual's suspension is held in abeyance. Thus, the individual may legally drive. This makes it much easier for the individual to live and work, while coming into compliance. After the individual pays in full, the suspension is lifted entirely so long as the individual complies with the previously described financial responsibility requirements as well. However, if the individual misses a payment, he or she defaults on the contract, and the Commissioner suspends his or her driving and registration privileges until the remaining balance of the non-compliance fee is paid in full.

Since January 2017, a total of 26,605 individuals have entered into a payment plan. Of that, 10,677 individuals are currently making payments, and 8,409 customers successfully closed their contracts. When reviewing these 8,409 plans, DMV staff learned that approximately 75% paid on time and fulfilled their contracts. However, approximately 25% of customers with a plan missed a payment and defaulted, but were able to pay the remaining balance in a lump sum. In

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<sup>8</sup> During the 2016 General Assembly session, Delegate Gregory D. Habeeb patroned HB 388, which created the non-compliance fee installment payment plan. HB 388 passed the Senate 39-0 and the House 98-0.

all of these cases, the customers were able to fully comply with the law and have their driving privileges reinstated. Unfortunately, 7,374 customers have defaulted on their installment payment plans and have not paid their remaining balances. The final 145 plans were voided due to an administrative error.

DMV recognizes that the non-compliance fee installment payment plan benefits individuals and the Commonwealth by:

- helping customers comply with financial responsibility laws;
- improving collection of fees that might not have been paid otherwise;
- allowing customers to legally drive while they work towards compliance; and
- encouraging customers in this situation to get insurance, because then they will be able to enter a plan.

Due to the benefits, DMV suggested four possible enhancements to the payment plan criteria and process. First, staff proposed removing the residency requirement to allow out-of-state individuals to apply for an installment payment plan. Often Virginians who move out of state forget to cancel their vehicle registrations, but remember to switch their insurance to meet their new home state's requirements. As a result, these individuals are out of compliance with Virginia's insurance laws, and can have their driving and registration privileges suspended in Virginia, which often impacts their ability to drive in their new home state. These individuals would greatly benefit from an installment payment plan, in that they would be able to drive in their new home state while finishing their Virginia requirements. DMV staff could not identify any harm that would result from removing the residency requirement.

Second, staff suggested allowing a customer to enter into a second installment payment plan after he or she defaulted on the first. As was stated previously, approximately 25% of customers who enter into payment plans default, but are able to pay off the remaining balance. In light of this, DMV believes offering a second opportunity to enter into an installment payment plan will help customers who are working towards compliance but struggling financially.

Third, DMV requested support in its efforts to offer customers the option to enter into an installment payment plan online. Having to visit a customer service center in-person can be time consuming and potentially a barrier to entering a plan if out-of-state individuals become eligible to enter. DMV is currently determining if it is possible to offer customers a method to enter into a binding contract online through its pin-protected customer accounts.

Finally, DMV staff recommended allowing the Commissioner to extend installment payment due dates when events outside of the Department's control impact DMV's ability to accept payment. In the *Code of Virginia*, the Commissioner and/or the Governor has the authority to extend certain DMV-related expiration dates, when events, like hurricanes, mean

that DMV's operations are temporarily offline. During the drafting of this report, Hurricane Florence threatened the Virginia coast. The Governor authorized DMV to extend driver's license renewal expiration dates for 30 days, in order to allow Virginians to focus on their safety without penalty. Currently, neither the Commissioner nor the Governor have the authority to extend installment payment due dates. As such, customers risk being declared in default and losing their driving privileges if they are unable to make their installment payments on the date they are due, regardless of any external event. To remedy this, DMV staff recommended authorizing the Commissioner to extend installment payment due dates by up to 30 days. Staff believed that a period of up to 30 days would allow customers and the DMV time to recover from such an event.

#### Stakeholder Discussion - Non-compliance Fee Installment Payment Plan

Stakeholder discussion on the suggested enhancements was minimal, but positive. The stakeholders expressed support for the installment payment plan and agreed that the suggested enhancements appeared reasonable.

#### Stakeholder Recommendations #21 - #23

Recommendation 21: The General Assembly should expand the eligibility requirements to enter into a non-compliance fee installment payment plan by eliminating the residency requirement and by allowing for multiple defaults (legislative change).

Recommendation 22: DMV should offer customers the option to enter into a non-compliance fee installment payment plan online (administrative change).

Recommendation 23: The General Assembly should authorize the Commissioner to extend any installment payment due date by up to 30 days when events outside of the Department's control impact DMV's ability to accept payment (legislative change).

#### XIV. Public Outreach and Education

In support of the recommendations of this report, DMV intends to undertake three public education and outreach initiatives. The first and largest will be a public campaign to remind Virginians to carry their proof of automobile insurance with them in case of a crash. As was discussed in Section VIII of this report, Va. Code § 46.2-902.1 authorizes law enforcement to request a driver's insurance information following a crash. If a driver fails to provide the information to law enforcement within 30 days of the request, he or she can face severe penalties including a fine of up to \$1,000. Stakeholders expressed a belief that many Virginians were unaware of this law. Additionally, there are significant benefits to DMV, insurance companies, and Virginians when insurance information is available at the time of a crash. As such, DMV

will utilize its customer service centers, website, and call centers to remind drivers to carry proof of insurance with them.

In addition to this broader initiative, DMV will also provide additional general information concerning Virginia's insurance laws on its webpage. In particular, DMV will increase visibility of registration requirements and financial responsibility requirements. This will include the online plate surrender process, if it is authorized by the General Assembly, that will hopefully help numerous Virginians avoid being subject to insurance monitoring. Additionally, DMV will add more direct links to the State Corporation Commission's (SCC) website. The SCC has many more resources focusing on applying for insurance, understanding insurance coverage, and choosing the best insurance options for a particular vehicle than DMV is able to offer. DMV customers would significantly benefit from this information, but may not know it is available. At the time of drafting, SCC and DMV have already begun their collaboration.

Finally, DMV will create a webpage dedicated to insurance companies. While DMV has a technical guidance document that is distributed to insurance companies, DMV does not currently have a publically accessible webpage devoted solely to the interaction between DMV and insurance companies. DMV intends to include information concerning insurance company reporting requirements and staff contact information if there are issues or suggestions. Also, DMV will post Frequently Asked Questions for insurance companies to provide to their agents concerning the connection between changes in insurance coverage and DMV's insurance verification program. Stakeholders representing the insurance industry expressed their support for such a document stating it would help their agents better advise their customers.

## **XV. Conclusion**

Based on the presented research and stakeholder meeting discussion, stakeholders identified 23 recommendations to present to the General Assembly. In five of the 23 recommendations, stakeholders suggested that the General Assembly make no changes to current law. Stakeholders identified six recommended changes to DMV's administrative processes. Finally, stakeholders recommended the General Assembly consider 12 legislative changes, which include improvements to insurance companies' reporting requirements, and DMV's insurance verification process, plate surrender process, and non-compliance fee installment payment plan. Draft legislation containing the proposed legislative changes is included in Appendix D of this report.

## **XVI. Additional Topics**

During stakeholder discussions, questions arose concerning topics that did not appear to be directly related to the scope of the study. DMV staff researched each issue and presented an overview of their findings to the stakeholder group. After reviewing the research, the stakeholders decided that no further action was necessary. However, they did request that these topics should be included in the report as documentation of the discussion.

### ***Assigned Risk Program***

Assigned risk programs are a last resort insurance option for high risk drivers who cannot otherwise obtain an insurance policy, which are usually administered by the state. The Bureau of Insurance at the SCC administers Virginia's assigned risk program, the Virginia Automobile Insurance Program (VAIP). Created in 1945, vehicle owners with a valid Virginia driver's license and a vehicle registered in Virginia are eligible for the program. Individuals apply to the program and the program assigns these high risk policies to participating insurance companies in proportion to the total number of insurance policies a company issues in Virginia. According to a representative of the Bureau of Insurance, the volume of participation is low. As of June 2018, VAIP had received fewer than 150 applications. The volume of policies written under the VAIP represents a very small proportion of the overall insurance market in Virginia.

### ***California Low Income Program***

In addition to its assigned risk program, California administers a low-cost insurance policy program for qualifying low-income drivers. California law mandates at least 15/30/5 insurance coverage; however, participants in this program purchase only 10/20/3 coverage, which decreases the policy cost. Begun in 1999, the program oversees approximately 16,000 policies at this time. In order to be eligible for the program, an individual must:

- have a valid California license;
- own a vehicle valued at \$25,000 or less;
- meet income requirements; and
- be at least 16 years old.

Program administrators determine the base rates each year. However, participants may face surcharges depending on a variety of factors. For instance, in 2018, single, male drivers between the ages of 19-24 paid the base rate plus a 30% surcharge, while participants between the ages of 16-18 paid the base rate plus a 100% surcharge. Finally, approximately 95% of the applications assigned to the program were submitted by uninsured motorists.

### ***Diplomatic Plates***

During discussion of the uninsured motorist rate, stakeholders asked whether vehicles with diplomatic plates did or did not have insurance. Their concern was that without a specific requirement to carry insurance the numerous vehicles with diplomatic plates in Virginia could be contributing to the number of uninsured motor vehicles operating in Virginia. However, DMV staff confirmed that the U.S. Department of State requires liability insurance before providing diplomatic plates for foreign official use. As such, these vehicles should not have an adverse impact on overall compliance with Virginia's insurance laws.

### ***DMV's Medical Review Process***

Va. Code § 46.2-322 establishes the requirement that DMV monitor drivers when there is good cause to believe that a driver is incapacitated and not able to safely operate a motor vehicle. To do this, DMV has established a process that allows interested persons such as medical professionals, law enforcement officers and family members to express concerns to DMV by mail or by fax; this process is also available to other parties who interact with an individual, including representatives of insurance companies. Each case submitted is evaluated individually on its own merit by licensed nurses to ensure a full and fair review. Generally, notice is sent to the driver in question informing them that to avoid license suspension, medical or vision information must be submitted to DMV.

Once a driver's medical information is submitted, DMV is then tasked with reviewing the documentation to determine the appropriate action. Possible actions include taking no action, conducting ongoing monitoring, imposing driving restrictions, requiring knowledge and skills testing, or suspending the customer's driving privilege. In cases where the medical review request is submitted directly by a healthcare professional who indicates their patient is not able to safely operate a motor vehicle, DMV has authority to take immediate action.

During the drafting of this report, Senator Frank M. Ruff contacted DMV on behalf of an insurance agent who had questions as to whether an insurance agent or company could directly contact DMV whenever they have a concern about the health and driving ability of one of their insureds. Va. Code § 46.2-322 does not prohibit an insurance agent or company from expressing its concerns to DMV. As such, if an insurance agent or company chooses to contact DMV concerning one of their insureds, DMV would follow its standard process. It should be noted that drivers impacted by the medical review process may request in writing the identity and reasoning of the individuals who contacted DMV. Current law only prohibits release of this information if the individual is a family member or a member of the medical profession. As such, if an insurance agent or company contacts DMV, the impacted driver could request and receive their

information. Finally, law prohibits DMV from releasing any details DMV may have related to the driver under review.

### ***Real-time Verification***

Based on their experiences with other states, some stakeholders brought up the idea of real-time verification of insurance information at registration and during a road-side stop. For more information on real-time system options, DMV contacted the Insurance Industry Committee on Motor Vehicle Administration (IICMVA). The IICMVA is an all-industry advisory group that serves as the official liaison between the insurance industry and motor vehicle departments in the U.S. and Canada. It offers a model for web-based verification. Jurisdictions can either build and host the real-time system themselves or jurisdictions can work with a vendor and have the vendor host it.

After speaking with representatives from the IICMVA, DMV reached out to a vendor that offers services following the IICMVA model. This particular vendor has fully implemented its system with nine jurisdictions.<sup>9</sup> Its system offers real-time access to insurance information for DMVs, law enforcement, and courts for specific events such as at registration, a traffic stop, or an accident.

However, when discussing the available real-time systems, stakeholders voiced numerous concerns. The first was that “real-time” can be very misleading. Stakeholders familiar with the underwriting process noted that there can be a delay from when a customer purchases an insurance policy and when that policy is added to and is reflected in the insurance company’s database. For these customers, real-time is simply not possible. Additionally, stakeholders representing the insurance industry noted that these systems often require access to companies’ books of business, which many were wary of providing to third-parties due to security concerns. Finally, there is the impact of the cost of the program. A high-level estimate from one vendor indicates a system would not require any up-front costs; however, there would be an on-going monthly charge of approximately \$25,000. There would also be associated DMV information technology costs to set up such a system and integrate it into current DMV systems. Further, DMV would need to maintain some aspects of the current insurance verification program, which means that some of the old system’s costs would remain. Due to time limitations and the breadth of issues already being considered as part of the current study, stakeholders decided to focus their efforts on near-term enhancements that can be made to the current verification system instead of trying to address the myriad of complex issues surrounding procurement and implementation of an entirely new real-time system.

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<sup>9</sup> This vendor has implemented its IICMVA compliant services in: Alaska, Connecticut, the District of Columbia, Louisiana, Montana, Oklahoma, Rhode Island, South Carolina, and Wyoming.



**Appendix A: Letters from  
Delegate Kilgore, Chairman  
of House Commerce and  
Labor**





COMMONWEALTH OF VIRGINIA  
HOUSE OF DELEGATES  
RICHMOND

TERRY G. KILGORE  
POST OFFICE BOX 669  
GATE CITY, VIRGINIA 24251

FIRST DISTRICT

COMMITTEE ASSIGNMENTS:  
COMMERCE AND LABOR (CHAIRMAN)  
COURTS OF JUSTICE  
RULES

March 6, 2018

Richard D. Holcomb, Commissioner  
Department of Motor Vehicles  
Post Office Box 27412  
Richmond, Virginia 23269

Re: Senate Bill 364

Dear Commissioner Holcomb:

During the 2018 Session, the House Committee on Commerce and Labor requested that I ask the Department of Motor Vehicles to prepare an analysis and develop recommendations regarding the issues raised by the amendment in the nature of a substitute adopted by the House Committee on Commerce and Labor to Senate Bill 364.

Senate Bill 364, introduced by Senator Newman, would increase the minimum liability coverage amount from \$20,000 to \$50,000 for injury to or destruction of property of others in any one accident. A copy of the substitute to Senate Bill 364 is attached.

Please complete your work on and advise me by letter of the results of the Department's efforts prior to the 2019 Session of the General Assembly.

Your attention to this request is greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Terry G. Kilgore".

Terry G. Kilgore, Chairman  
Committee on Commerce and Labor

Encl: Substitute to SB 364 (LD 18107917D)

cc: The Honorable Stephen D. Newman



**TERRY G. KILGORE**

FIRST DISTRICT

COMMITTEE ASSIGNMENTS:  
COMMERCE AND LABOR (CHAIRMAN)  
COURTS OF JUSTICE  
RULES

March 27, 2018

Mr. Richard D. Holcomb  
Commissioner  
Virginia Department of Motor Vehicles  
P.O. Box 27412  
2300 West Broad Street  
Richmond, Virginia 23269

Dear Commissioner Holcomb:

During the 2018 General Assembly Session, Senate Bill 364, patroned by Senator Newman, was introduced raising the minimum motor vehicle liability insurance requirement threshold for property damage from \$20,000 to \$50,000. In addition to my March 6<sup>th</sup> letter requesting the Department of Motor Vehicles (DMV) study this issue, I ask that the study include the issues and stakeholders detailed below.

The study should include a review of DMV's Insurance Verification Program, the Uninsured Motor Vehicle Fee (UMV fee), whether to require proof of insurance at the time of registration and when operating a motor vehicle, what information is reported to DMV regarding changes in insurance coverage, whether insurance companies should review an individual's driving record before issuing an insurance policy, and any other relevant aspects of Virginia's minimum motor vehicle financial responsibility requirements.

The stakeholder group shall include representatives from the State Corporation Commission, insurance industry, trial attorneys, law enforcement, and other relevant stakeholders. The stakeholder group shall review Virginia's current requirements and processes to determine how to increase compliance with Virginia's financial responsibility requirements, including ways to incentivize compliance.

I request that DMV report back to the Committee on Commerce and Labor in December of 2018 with the results of the study and the stakeholder group's recommendations. The report should include any proposed legislation that would be necessary in order to pursue the recommendations and the costs to implement such legislation.

Sincerely,

A handwritten signature in black ink that reads "Terry Kilgore". The signature is written in a cursive style with a prominent initial "T".

Terry Kilgore, Chairman  
Committee on Commerce and Labor

cc: The Honorable Stephen D. Newman, Senator

# **Appendix B: Senate Bill 364 and Senate Bill 611**



**SENATE BILL NO. 364**

**AMENDMENT IN THE NATURE OF A SUBSTITUTE**

(Proposed by the Senate Committee on Transportation  
on January 31, 2018)

(Patrons Prior to Substitute--Senators Newman and Surovell [SB 611])

*A BILL to amend and reenact §§ 46.2-419 and 46.2-472 of the Code of Virginia, relating to minimum liability insurance limits on motor vehicles.*

Be it enacted by the General Assembly of Virginia:

1. That §§ **46.2-419** and **46.2-472** of the Code of Virginia are amended and reenacted as follows:

§ **46.2-419**. When judgment satisfied.

A. Every judgment for damages in any motor vehicle accident referred to in this chapter shall, for the purpose of this chapter, be satisfied:

1. When paid in full or when \$25,000 has been credited upon any judgment or judgments rendered in excess of that amount because of bodily injury to or death of one person as the result of any one accident;

2. When, subject to the limit of \$25,000 because of bodily injury to or death of one person, the judgment has been paid in full or when the sum of \$50,000 has been credited upon any judgment or judgments rendered in excess of that amount because of bodily injury to or death of two or more persons as the result of any one accident;

3. When the judgment has been paid in full or when ~~\$20,000~~ \$50,000 has been credited upon any judgment or judgments rendered in excess of that amount because of injury to or destruction of property of others as a result of any one accident; or

4. When the judgment has been discharged in bankruptcy.

B. Payments made in settlement of any claims because of bodily injury, death or property damage arising from a motor vehicle accident shall be credited in reduction of the amount provided in this section.

§ **46.2-472**. Coverage of owner's policy.

Every motor vehicle owner's policy shall:

1. Designate by explicit description or by appropriate reference, all motor vehicles with respect to which coverage is intended to be granted.

2. Insure as insured the person named and any other person using or responsible for the use of the motor vehicle or motor vehicles with the permission of the named insured.



3. Insure the insured or other person against loss from any liability imposed by law for damages, including damages for care and loss of services, because of bodily injury to or death of any person, and injury to or destruction of property caused by accident and arising out of the ownership, use, or operation of such motor vehicle or motor vehicles within the Commonwealth, any other state in the United States, or Canada, subject to a limit exclusive of interest and costs, with respect to each motor vehicle, of \$25,000 because of bodily injury to or death of one person in any one accident and, subject to the limit for one person, to a limit of \$50,000 because of bodily injury to or death of two or more persons in any one accident, and to a limit of ~~\$20,000~~ \$50,000 because of injury to or destruction of property of others in any one accident.

2. That the provisions of this act shall become effective as to any motor vehicle insurance policies that are issued or renewed on or after January 1, 2019.

**SENATE BILL NO. 611**

Offered January 10, 2018

Prefiled January 10, 2018

*A BILL to amend and reenact §§ 46.2-419 and 46.2-472 of the Code of Virginia, relating to motor vehicle liability insurance coverage limits.*

-----  
Patron-- Surovell

-----  
Referred to Committee on Transportation  
-----

Be it enacted by the General Assembly of Virginia:

1. That §§ **46.2-419** and **46.2-472** of the Code of Virginia are amended and reenacted as follows:

§ **46.2-419**. When judgment satisfied.

A. Every judgment for damages in any motor vehicle accident referred to in this chapter shall, for the purpose of this chapter, be satisfied:

1. When paid in full or when ~~\$25,000~~ \$100,000 has been credited upon any judgment or judgments rendered in excess of that amount because of bodily injury to or death of one person as the result of any one accident;

2. When, subject to the limit of ~~\$25,000~~ \$100,000 because of bodily injury to or death of one person, the judgment has been paid in full or when the sum of ~~\$50,000~~ \$200,000 has been credited upon any judgment or judgments rendered in excess of that amount because of bodily injury to or death of two or more persons as the result of any one accident;

3. When the judgment has been paid in full or when ~~\$20,000~~ \$40,000 has been credited upon any judgment or judgments rendered in excess of that amount because of injury to or destruction of property of others as a result of any one accident; or

4. When the judgment has been discharged in bankruptcy.

B. Payments made in settlement of any claims because of bodily injury, death or property damage arising from a motor vehicle accident shall be credited in reduction of the amount provided in this section.

§ **46.2-472**. Coverage of owner's policy.

Every motor vehicle owner's policy shall:

1. Designate by explicit description or by appropriate reference, all motor vehicles with respect to which coverage is intended to be granted.

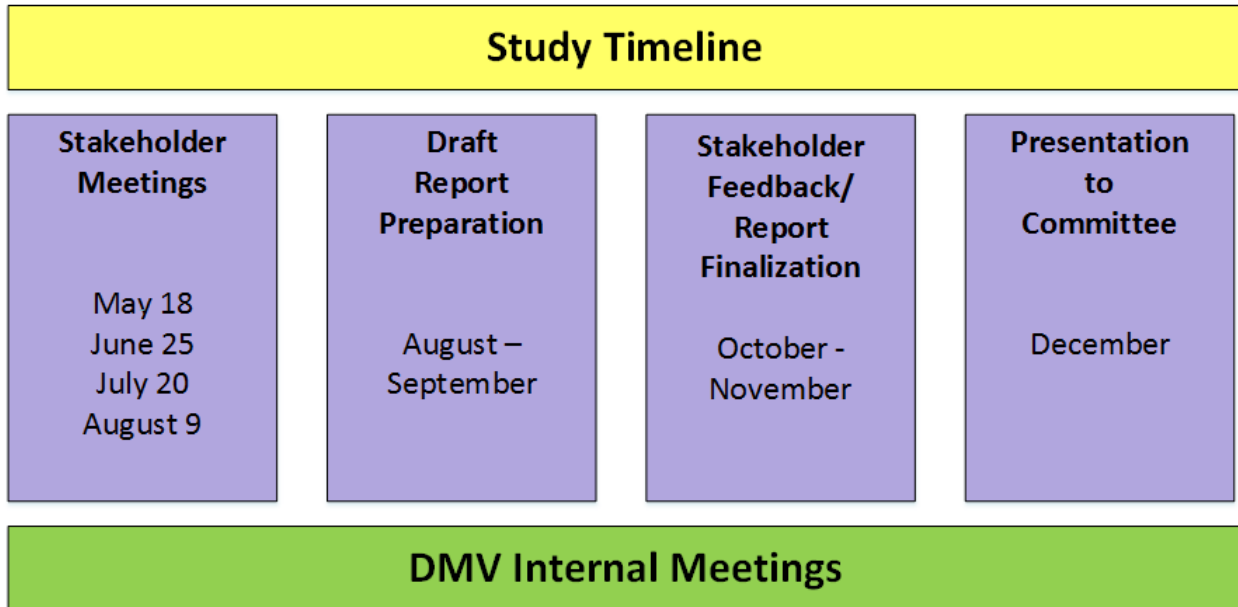
2. Insure as insured the person named and any other person using or responsible for the use of the motor vehicle or motor vehicles with the permission of the named insured.

3. Insure the insured or other person against loss from any liability imposed by law for damages, including damages for care and loss of services, because of bodily injury to or death of any person, and injury to or destruction of property caused by accident and arising out of the ownership, use, or operation of such motor vehicle or motor vehicles within the Commonwealth, any other state in the United States, or Canada, subject to a limit exclusive of interest and costs, with respect to each motor vehicle, of ~~\$25,000~~ \$100,000 because of bodily injury to or death of one person in any one accident and, subject to the limit for one person, to a limit of ~~\$50,000~~ \$200,000 because of bodily injury to or death of two or more persons in any one accident, and to a limit of ~~\$20,000~~ \$40,000 because of injury to or destruction of property of others in any one accident.

# **Appendix C: Study Structure and Stakeholder List**



# Study Structure



**Insurance Study: Complete List of Stakeholder Participants**

<b>Representative</b>	<b>Organization(s)</b>
Richard Holcomb	Department of Motor Vehicles
Amanda Hamm	Department of Motor Vehicles
Angelisa Jennings	Department of Motor Vehicles
Carla Jackson	Department of Motor Vehicles
Carol Brown	Department of Motor Vehicles
Greg Cavalli	Department of Motor Vehicles
Janet Williams	Department of Motor Vehicles
Karen Grim	Department of Motor Vehicles
Latrice Ampy	Department of Motor Vehicles
Leslie Grott	Department of Motor Vehicles
Linda Ford	Department of Motor Vehicles
Matt Butner	Department of Motor Vehicles
Matt Leary	Department of Motor Vehicles
Melanie Lester	Department of Motor Vehicles
Melissa Velazquez	Department of Motor Vehicles
Millicent Ford	Department of Motor Vehicles
Nadine D'Onofrio	Department of Motor Vehicles
Robert White	Department of Motor Vehicles
Robin Sheldon	Department of Motor Vehicles
Sandy Jack	Department of Motor Vehicles
Terry Witt	Department of Motor Vehicles
Tom Penny	Department of Motor Vehicles
Tonya Blaine	Department of Motor Vehicles
Werner Versch	Department of Motor Vehicles
Tammy Arnette	AAA Mid-Atlantic
Noel Patterson	Allstate
Rich Savage	Allstate
Taylor Cosby	American Insurance Association
Janet Brooking	DriveSmart
Clark Lewis	Enterprise
Mark Chilcott	Enterprise
Mike Woods	Enterprise
Kelly Sue-Ling	GEICO
Joe Hudgins	Independent Insurance Agents of Virginia
Judge Parker	Independent Insurance Agents of Virginia
Pettus LeCompte	Independent Insurance Agents of Virginia
Robert Bradshaw	Independent Insurance Agents of Virginia
Erin Collins	National Association of Mutual Insurance Companies
Chris LaGow	Nationwide, Chubb, PCI, AIG
C. Meade Browder Jr.	Office of the Attorney General

Christian Parrish	Office of the Attorney General
Janet Baugh	Office of the Attorney General
John Jones	Sheriffs' Association
Eric Lowe	State Corporation Commission
George Lyle	State Corporation Commission
Katie Johnson	State Corporation Commission
Rebecca Nichols	State Corporation Commission
Kristin Givens	State Farm
Jackie Stone	State Farm/McGuire Woods
Anne Leigh Kerr	USAA, AVIS
Dana Schrad	Virginia Association of Chiefs of Police
Suzanne Robinson	Virginia Association of Chiefs of Police
Sandy Crayton	Virginia Automobile Insurance Plan
Sam Rooks	Virginia Farm Bureau
Allen Kidd	Virginia Farm Bureau/Sinnott, Nuckols & Logan, PC
Kevin Logan	Virginia Farm Bureau/Sinnott, Nuckols & Logan, PC
Ryan Logan	Virginia Farm Bureau/Sinnott, Nuckols & Logan, PC
Anne Gambardella	Virginia Independent Automobile Dealers Association
Leigh Dicks	Virginia Independent Automobile Dealers Association
Pete Iaricci	Virginia Independent Automobile Dealers Association
Tommy Lukish	Virginia Independent Automobile Dealers Association
1 <sup>st</sup> Sgt. Shawn Gobble	Virginia State Police
Lt. Robert "Curtis" Hardison	Virginia State Police
Derrick Walker	Virginia Trial Lawyers Association
Mark Dix	Virginia Trial Lawyers Association
Matt Foster	Virginia Trial Lawyers Association
Vaden Warren	Virginia Trial Lawyers Association
Frank Munyan	Legislative Services/ House Commerce and Labor (attendee)
Chrissy Noonan	Legislative Services/Transportation (attendee)
Emma Buck	Legislative Services/Transportation (attendee)



# **Appendix D: 2019 Proposed Legislation**



**BILL NO. \_\_\_\_\_**

1 *A BILL to amend and reenact §§ 46.2-688, 46.2-706, 46.2-706.1, 46.2-707, 46.2-707.1, 46.2-*  
2 *708, and 46.2-710 of the Code of Virginia relating to automobile insurance verification by the*  
3 *Department of Motor Vehicles.*

4 Patron \_\_\_\_\_

5 Referred to Committee on \_\_\_\_\_

6 **Be it enacted by the General Assembly of Virginia:**

7 **1. That §§ 46.2-688, 46.2-706, 46.2-706.1, 46.2-707, 46.2-707.1, 46.2-708, and 46.2-710 of the**  
8 **Code of Virginia is amended and reenacted as follows:**

9

10 **§ 46.2-688. Refund of fees paid.**

11 Any person holding a registration card and license plate or license plates with decal who  
12 disposes of, elects not to use the vehicle for which it was issued on the highways in the  
13 Commonwealth, or transfers another valid license plate to the vehicle, may surrender, prior to the  
14 beginning of the registration period, the license plates or license plates with decals and  
15 registration card or provide other evidence of registration of the vehicle to the Commissioner  
16 with a statement that the vehicle for which the license plate or license plate with decal was issued  
17 has been disposed of, election has been made not to use the vehicle on the highways in the  
18 Commonwealth, or another valid license plate has been transferred to the vehicle and request a  
19 refund of the fee paid. The Commissioner shall retain five dollars of the fee to cover the costs  
20 incurred in issuing the plates and processing the refund.

21 The Commissioner shall refund to the applicant a proration, in six-month increments, of  
22 the total cost of the registration and license plates or license plates with decals if application for  
23 the refund is made when there are six or more months remaining in the registration period. The  
24 Commissioner shall not provide a refund when otherwise eligible if the applicant chooses not to  
25 return the license plates to the Department. No charge or deduction shall be assessed for any  
26 refund made under this subsection.

27

28 **§ 46.2-706. Additional fee; proof of insurance required of applicants for registration of**  
29 **insured motor vehicles; verification of insurance; suspension of driver's license,**  
30 **registration certificates, and license plates for certain violations.**

31 A. In addition to any other fees prescribed by law, every person registering an uninsured  
32 motor vehicle, as defined in § 46.2-705, at the time of registering or reregistering the uninsured  
33 vehicle, shall pay a fee of \$500; however, if the uninsured motor vehicle is being registered ~~or~~  
34 ~~reregistered~~ for a period of less than a full year, the uninsured motor vehicle fee shall be prorated  
35 for the unexpired portion of the registration period. If the vehicle is a motor vehicle being  
36 registered ~~or reregistered~~ as provided in subsection B of § 46.2-697, the fee shall be one-fourth  
37 of the annual uninsured motor vehicle fee for each quarter for which the vehicle is registered.

38           B. If the owner of a motor vehicle registered under this article as an uninsured motor  
39 vehicle, during the period for which such vehicle is registered, obtains insurance coverage  
40 adequate to permit such vehicle's registration as an insured motor vehicle and presents evidence  
41 satisfactory to the Commissioner of the existence of such insurance coverage, the Commissioner  
42 shall amend the Department's records to show such vehicle to be registered as an insured motor  
43 vehicle and shall refund to the owner a prorated portion of the additional fee required by this  
44 section for registration of an uninsured motor vehicle. Such proration shall be on a monthly  
45 basis, except that no such refund shall be made (i) as to any registration during the last three  
46 months of its validity or (ii) on any portion of any such fee required to be paid resulting from a  
47 determination by the Department or any court that a vehicle was uninsured and no fee had been  
48 paid.

49           C. Every person applying for registration of a motor vehicle and declaring it to be an  
50 insured motor vehicle shall, under the penalties set forth in § 46.2-707, execute and furnish to the  
51 Commissioner his certificate that the motor vehicle is an insured motor vehicle as defined in  
52 § 46.2-705, or that the Commissioner has issued to its owner, in accordance with § 46.2-368, a  
53 certificate of self-insurance applicable to the vehicle sought to be registered. The Commissioner,  
54 or his duly authorized agent, may verify that the motor vehicle is properly insured by comparing  
55 owner and vehicle identification information on file at the Department of Motor Vehicles with  
56 liability information on the owner and vehicle transmitted to the Department by any insurance  
57 company licensed to do business in the Commonwealth as provided in § 46.2-706.1. If no record  
58 of liability insurance is found, the Department may require the motor vehicle owner to verify  
59 insurance in a method prescribed by the Commissioner.

60           D. The refusal or neglect of any owner within 30 days to submit the liability insurance  
61 information when required by the Commissioner or his duly authorized agent, or the electronic  
62 notification by the insurance company or surety company that the policy or bond named in the  
63 certificate of insurance is not in effect, shall require the Commissioner to suspend any driver's  
64 license and all registration certificates and license plates issued to the owner of the motor vehicle  
65 until the person (i) has paid to the Commissioner a non-compliance fee of \$~~500~~ 600 to be  
66 disposed of as provided for in § 46.2-710 ~~with respect to the motor vehicle determined to be~~  
67 ~~uninsured~~ and (ii) furnishes proof of financial responsibility for the future in the manner  
68 prescribed in Article 15 (§ 46.2-435 et seq.) of Chapter 3. No order of suspension required by  
69 this section shall become effective until the Commissioner has offered the person an opportunity  
70 for an administrative hearing to show cause why the order should not be enforced. Notice of the  
71 opportunity for an administrative hearing may be included in the order of suspension. Any  
72 request for an administrative hearing made by such person must be received by the Department  
73 within 180 days of the issuance date of the order of suspension unless the person presents to the  
74 Department evidence of military service as defined by the federal Servicemembers Civil Relief  
75 Act (50 U.S.C. § 3901 et seq.), incarceration, commitment, hospitalization, or physical presence  
76 outside the United States at the time the order of suspension was issued. When three years have

77 elapsed from the effective date of the suspension required in this section, the Commissioner may  
78 relieve the person of the requirement of furnishing proof of future financial responsibility.

79 E. The Commissioner shall suspend the driver's license and all registration certificates  
80 and license plates of any person on receiving a record of his conviction of a violation of any  
81 provisions of § 46.2-707, but the Commissioner shall dispense with the suspension when the  
82 person is convicted for a violation of § 46.2-707 and the Department's records show conclusively  
83 that the motor vehicle was insured or that the fee applicable to the registration of an uninsured  
84 motor vehicle has been paid by the owner prior to the date and time of the alleged offense.

85 F. The Commissioner may dispense with a suspension for a violation of this section or §  
86 46.2-708 if the person determined to have committed the violation provides to the Commissioner  
87 proof that conclusively shows that the motor vehicle in question was insured at the time the  
88 Department initiated insurance monitoring under § 46.2-706 or at the time of a violation of §  
89 46.2-708.

90  
91 **§ 46.2-706.1. Insurance and surety companies to furnish certain insurance information.**

92 A. Any liability insurance information relating to individually identified vehicles or  
93 persons, received from such companies under this section, shall be considered privileged  
94 information and not subject to the Virginia Freedom of Information Act (§ 2.2-3700 et seq.).

95 B. Such information shall be used in conjunction with information supplied under § 46.2-  
96 706 to verify insurance for motor vehicles certified by their owners to be insured.

97 C. Insurance companies licensed to do business in Virginia shall provide to the  
98 Department ~~monthly~~ electronically in a manner prescribed by the Commissioner updates within  
99 30 days of a policy change to liability insurance for a vehicle registered in Virginia, including  
100 liability insurance that satisfies financial responsibility requirements. A policy change occurs  
101 when an insurance company (i) issues liability insurance, (ii) cancels liability insurance, (iii)  
102 becomes aware of a lapse in liability insurance, (iv) reissues or reinstates liability insurance, or  
103 (v) adds a vehicle to an existing liability insurance policy. ~~of insured information and vehicle~~  
104 descriptions required by the Commissioner when they (i) cancel liability insurance for vehicles  
105 registered in Virginia, (ii) add liability insurance for vehicles registered in Virginia, or (iii)  
106 provide liability insurance for vehicles registered in Virginia newly satisfying financial  
107 responsibility requirements.

108 D. Insurance companies licensed to do business in Virginia shall respond electronically in  
109 a manner prescribed by the Commissioner to a Department request for acknowledgment of  
110 liability insurance within 15 days of receiving the request. Insurance companies shall respond to  
111 the request by confirming or denying the existence of a policy with the company.

112 E. Every update of a policy change concerning a liability insurance policy shall include  
113 the following information: vehicle identification number, full name of first named insured,  
114 vehicle make, and vehicle model year. If available, the following information shall also be  
115 included: date of birth for first named insured, full names and dates of birth for all vehicle

116 operators, and Virginia drivers' license numbers or Social Security Numbers for the first named  
117 insured and all vehicle operators.

118 **§ 46.2-707. Operating uninsured motor vehicle without payment of fee; verification of**  
119 **insurance; false evidence of insurance.**

120 Any person who owns an uninsured motor vehicle (i) licensed in the Commonwealth, (ii)  
121 subject to registration in the Commonwealth, or (iii) displaying temporary license plates  
122 provided for in § 46.2-1558 who operates or permits the operation of that motor vehicle without  
123 first having paid to the Commissioner the uninsured motor vehicle fee required by § 46.2-706, to  
124 be disposed of as provided by § 46.2-710, shall be guilty of a Class 3 misdemeanor.

125 Any person who is the operator of such an uninsured motor vehicle and not the titled  
126 owner, who knows that the required fee has not been paid to the Commissioner, shall be guilty of  
127 a Class 3 misdemeanor.

128 The Commissioner or his duly authorized agent, having reason to believe that a motor  
129 vehicle is being operated or has been operated on any specified date, may require the owner of  
130 such motor vehicle to verify insurance in a method prescribed by the Commissioner as provided  
131 for by § 46.2-706. The refusal or neglect of the owner who has not, prior to the date of operation,  
132 paid the uninsured motor vehicle fee required by § 46.2-706 as to such motor vehicle, to provide  
133 such verification shall be prima facie evidence that the motor vehicle was an uninsured motor  
134 vehicle at the time of such operation.

135 Any person who falsely verifies insurance to the Commissioner or gives false evidence  
136 that a motor vehicle sought to be registered is an insured motor vehicle, shall be guilty of a Class  
137 3 misdemeanor.

138 However, the foregoing portions of this section shall not be applicable if it is established  
139 that the owner had good cause to believe and did believe that such motor vehicle was an insured  
140 motor vehicle, in which event the provisions of § 46.2-609 shall be applicable.

141 Any person who owns an uninsured motor vehicle (i) licensed in the Commonwealth, (ii)  
142 subject to registration in the Commonwealth, or (iii) displaying temporary license plates  
143 provided for in § 46.2-1558, and who has not paid the uninsured motor vehicle fee required by  
144 § 46.2-706, shall immediately surrender the vehicle's license plates to the Department, unless the  
145 vehicle's registration has been deactivated as provided by § 46.2-646.1. Any person who fails to  
146 immediately surrender his vehicle's license plates as required by this section is guilty of a Class 3  
147 misdemeanor.

148 Abstracts of records of conviction, as defined in this title, of any violation of any of the  
149 provisions of this section shall be forwarded to the Commissioner as prescribed by § 46.2-383.

150 The Commissioner shall suspend the driver's license and all registration certificates and  
151 license plates of any titled owner of an uninsured motor vehicle upon receiving a record of his  
152 conviction of a violation of any provisions of this section, and he shall not thereafter reissue the  
153 driver's license and the registration certificates and license plates issued in the name of such  
154 person until such person pays a non-compliance the fee of \$600 applicable to the registration of  
155 an uninsured motor vehicle as prescribed in § to be disposed of as provided for in § 46.2-710

156 and furnishes proof of future financial responsibility as prescribed by Article 15 (§ 46.2-435et  
157 seq.) of Chapter 3 of this title. However, when three years have elapsed from the date of the  
158 suspension herein required, the Commissioner may relieve such person of the requirement of  
159 furnishing proof of future financial responsibility. When such suspension results from a  
160 conviction for presenting or causing to be presented to the Commissioner false verification as to  
161 whether a motor vehicle is an insured motor vehicle or false evidence that any motor vehicle  
162 sought to be registered is insured, then the Commissioner shall not thereafter reissue the driver's  
163 license and the registration certificates and license plates issued in the name of such person so  
164 convicted for a period of 180 days from the date of such order of suspension, and only then when  
165 all other provisions of law have been complied with by such person.

166 The Commissioner shall suspend the driver's license of any person who is the operator  
167 but not the titled owner of a motor vehicle upon receiving a record of his conviction of a  
168 violation of any provisions of this section and he shall not thereafter reissue the driver's license  
169 until 30 days from the date of such order of suspension.

170 **§ 46.2-707.1. ~~Uninsured motor vehicle~~ Non-compliance fee payment plan.**

171 A. The Department may establish an ~~uninsured motor vehicle~~ non-compliance fee  
172 payment plan to allow individuals to pay the fees for a motor vehicle determined to be uninsured  
173 as prescribed in § 46.2-706, 46.2-707, or 46.2-708. Notwithstanding §§ 46.2-706, 46.2-707,  
174 and 46.2-708, an individual ~~Virginia resident~~ 18 years of age or older whose driver's license and  
175 vehicle registration have been suspended pursuant to § 46.2-706, 46.2-707, or 46.2-708 may  
176 apply to the Department to enter into a payment plan agreement with a duration of no more than  
177 three years from the agreement date, referred to in this section as the "payment plan period."

178 B. To be eligible to enter into the payment plan, the individual must (i) have one or more  
179 outstanding suspensions of driving privileges pursuant to the provisions of § 46.2-706, 46.2-707,  
180 or 46.2-708 and have no other outstanding suspensions or revocations; (ii) meet all other  
181 conditions for reinstatement of driving privileges; and (iii) have not defaulted twice on the same  
182 uninsured motor vehicle payment plan agreement.

183 C. An eligible individual who pays a \$25 administrative fee when entering into a  
184 payment plan agreement or when re-entering into a payment plan agreement with the  
185 Department, and pays the reinstatement fee pursuant to §§ 46.2-333.1 and 46.2-411, if required,  
186 shall be eligible to have his driving privileges reinstated by the Department.

187 D. The amount and frequency of each payment and the duration of the payment plan shall  
188 be described in the payment plan agreement signed by the Department and the individual.  
189 Payments may be made in person, online, by telephone, or by mail. The full fee must be paid in  
190 no more than three years from the agreement date; however, an individual may repay the balance  
191 of the fee at any time during the payment plan period with no penalty.

192 E. If an individual defaults on the payment plan agreement, the Commissioner shall  
193 suspend the driver's license and all registration certificates and license plates issued to the owner  
194 of the motor vehicle determined to be uninsured. Such driver's license, registration certificates,  
195 and license plates shall remain suspended until the individual pays the balance of the fee

196 applicable to the registration of an uninsured motor vehicle as prescribed in § 46.2-706, 46.2-  
197 707, or 46.2-708 and furnishes proof of future financial responsibility as prescribed by Article 15  
198 (§ 46.2-435 et seq.) of Chapter 3. An individual is in default if he (i) pays an installment payment  
199 late as defined in the payment plan agreement or (ii) fails to make an installment payment as  
200 agreed to in the payment plan agreement. If an individual is in default and is ineligible to re-enter  
201 the payment plan, full payment of the balance of the fee shall be due as agreed to in the payment  
202 plan agreement. The Commissioner may extend the due date of any installment payment for no  
203 more than 30 days if the Department is unable to process an installment payment due to  
204 circumstances beyond its control.

205 F. When all fees are paid, the individual shall continue to furnish proof of financial  
206 responsibility pursuant to Article 15 (§ 46.2-435 et seq.) of Chapter 3 and § 46.2-709.

207 G. Installment payments of the fee with respect to the motor vehicle determined to be  
208 uninsured shall be disposed of pursuant to § 46.2-710. The administrative fee shall be paid to the  
209 Commissioner and deposited into the state treasury account set aside in a special fund to be used  
210 to meet the necessary expenses incurred by the Department.

211

212 **§ 46.2-708. Suspension of driver's license and registration when uninsured motor**  
213 **vehicle is involved in reportable accident; hearing prior to suspension.**

214 When it appears to the Commissioner from the records of his office or from a report  
215 submitted by an insurance company licensed to do business in the Commonwealth that an  
216 uninsured motor vehicle as defined in § 46.2-705, subject to registration in the Commonwealth,  
217 is involved in a reportable accident in the Commonwealth resulting in death, injury or property  
218 damage with respect to which motor vehicle the owner thereof has not paid the uninsured motor  
219 vehicle fee as prescribed in § 46.2-706, the Commissioner shall, in addition to enforcing the  
220 applicable provisions of Article 13 (§ 46.2-417 et seq.) of Chapter 3, suspend such owner's  
221 driver's license and all of his license plates and registration certificates until such person has  
222 complied with Article 13 of Chapter 3 and has paid to the Commissioner a non-compliance fee  
223 of ~~\$500~~600, to be disposed of as provided by § 46.2-710, with respect to the motor vehicle  
224 involved in the accident and furnishes proof of future financial responsibility in the manner  
225 prescribed in Article 15 (§ 46.2-435 et seq.) of Chapter 3. However, no order of suspension  
226 required by this section shall become effective until the Commissioner has offered the person an  
227 opportunity for an administrative hearing to show cause why the order should not be enforced.  
228 Notice of the opportunity for an administrative hearing may be included in the order of  
229 suspension. Any request for an administrative hearing made by such person must be received by  
230 the Department within 180 days of the issuance date of the order of suspension unless the person  
231 presents to the Department evidence of military service as defined by the federal  
232 Servicemembers Civil Relief Act (50 U.S.C. § 3901 et seq.), incarceration, commitment,  
233 hospitalization, or physical presence outside the United States at the time the order of suspension  
234 was issued.



235           However, when three years have elapsed from the effective date of the suspension herein  
236 required, the Commissioner may relieve such person of the requirement of furnishing proof of  
237 future financial responsibility. The presentation by a person subject to the provisions of this  
238 section of a certificate of insurance, executed by an agent or representative of an insurance  
239 company qualified to do business in this Commonwealth, showing that on the date and at the  
240 time of the accident the vehicle was an insured motor vehicle as herein defined, or, presentation  
241 by such person of evidence that the additional fee applicable to the registration of an uninsured  
242 motor vehicle had been paid to the Department prior to the date and time of the accident, shall be  
243 sufficient bar to the suspension provided for in this section.  
244

245           **§ 46.2-710. Disposition of funds collected.**

246           From every non-compliance fee collected by the Commissioner under the provisions of  
247 this article, the Commissioner shall retain \$100 to be placed in a special fund in the state treasury  
248 to be used to meet the expenses of the Department. All other funds collected by the  
249 Commissioner under the provisions of this article shall be paid into the state treasury and held in  
250 a special fund to be known as the Uninsured Motorists Fund to be disbursed as provided by law.  
251 The Commissioner may expend monies from such funds, for the administration of this article, in  
252 accordance with the General Appropriations Act.  
253

254 **2. That the amended provisions of § 46.2-706.1 shall not become effective until January 1,**  
255 **2020.**

256 **3. In December 2024, the Department shall report to the General Assembly if the**  
257 **amendments in this bill have been ineffective in improving the Department of Motor**  
258 **Vehicles Insurance Verification Program and provide recommendations on how to address**  
259 **any lack of compliance with insurance requirements.**

# **Appendix E: SCC Credit History Report Abstract**



## **RD331 - The Use by Insurers of an Insured's or Applicant's Credit Information in Connection with Underwriting Motor Vehicle Insurance Policies - September 29, 2016**

Published: 2016

Author: Bureau of Insurance, State Corporation Commission

Enabling Authority: House Joint Resolution 594 (Regular Session, 2015)

### **Executive Summary:**

Pursuant to the provisions of 2015 House Joint Resolution No. 594, the State Corporation Commission Bureau of Insurance (Bureau) was requested to study the use by insurers of an insured's or applicant's credit information in connection with underwriting motor vehicle insurance policies. The Bureau was directed to (i) examine §§ 38.2-2212, 38.2-2213, and 38.2-2234 of the Code of Virginia to determine if those provisions unfairly burden motor vehicle insurance policyholders; (ii) determine whether the use of consumer credit information, rather than relying on the insured's or applicant's driving record and other factors proximately related to risks of operating a motor vehicle, in setting insurance premiums and tier ratings is appropriate; and (iii) determine whether the use of consumer credit information in setting insurance premiums and tier ratings discriminates against poorer or younger people who either have had challenges with credit or have no credit history. The Bureau was requested to submit a report of its findings and recommendations to the Chairmen of the House Committee on Commerce and Labor and the Senate Committee on Commerce and Labor by October 1, 2016.

In 1999, at the request of Senate Commerce and Labor, the Bureau prepared a report titled "Use of Credit Reports in Underwriting" on the use of consumer credit information as a tool for risk selection (refusal to issue a policy). The Bureau reviewed consumer complaints pertaining to insurance companies' use of credit reports to determine how insurers were utilizing credit and the relationship between credit scores and income as well as credit scores and race. In that report, the Bureau concluded that while insurers had sufficient data to statistically correlate credit scores to losses, neither income nor race was a reliable predictor of credit scores. The Bureau recommended that the insurance industry educate consumers on the use of credit scores in the underwriting process. Legislation was enacted in 2003 setting out conditions for the use of consumer credit information and insurance credit scores and the necessary disclosures to consumers regarding their method of usage.

In conducting this 2016 study, the Bureau examined (i) the use of consumer credit information, including the use of insurance credit scores, by insurers writing private passenger automobile insurance in Virginia; (ii) the number of complaints received by the Bureau's Property and Casualty Consumer Services Section; and (iii) information from other credible studies on the use and impact of consumer credit information and insurance credit scores in insurance underwriting.

The Bureau receives few Virginia consumer complaints and inquiries related to the use of consumer credit information, and there is no evidence that the provisions of §§ 38.2-2212, 38.2-2213, and 38.2-2234 of the Code of Virginia unfairly burden motor vehicle insurance policyholders. A review of rate filings established that consumer credit information is not the sole rating variable or risk characteristic used to determine insurance premiums and assign rating tiers in Virginia. The use of consumer credit information in setting insurance premiums and tier ratings is not inappropriate, especially if combined with other traditional rating variables (age, gender, marital status, driving record, etc.) which have long standing established actuarial credibility.

There are no definitive studies which establish whether the use of consumer credit information in setting insurance premiums and tier ratings discriminates against poorer or younger people who either have had challenges with credit or have no credit history. However, the Code of Virginia provides certain protections that are designed to limit the impact of consumer credit information on any individual who has no credit history or experiences a direct impact on credit from catastrophic events, regardless of age or economic status.

The Bureau will continue to monitor the number and makeup of consumer complaints related to the use of consumer credit, and will continue to monitor insurers' use of consumer credit information in rating and tiering auto insurance policies in Virginia. If significant changes in the usage of consumer credit information are noted, the Bureau would make appropriate recommendations to the General Assembly as to the need to consider restrictions or elimination of the use of consumer credit information in rating auto insurance in Virginia.

# **Appendix F: Automobile Insurance Data**



## Estimated Percentage Of Uninsured Motorists By State, 2015

State	Uninsured	Rank (2)	State	Uninsured	Rank (2)
Alabama	18.4%	6	Montana	9.9%	33
Alaska	15.4	11	Nebraska	6.8	46
Arizona	12.0	24	Nevada	10.6	29
Arkansas	16.6	9	New Hampshire	9.9	35
California	15.2	12	New Jersey	14.9	14
Colorado	13.3	19	New Mexico	20.8	3
Connecticut	9.4	36	New York	6.1	50
Delaware	11.4	28	North Carolina	6.5	48
D.C.	15.6	10	North Dakota	6.8	45
Florida (3)	26.7	1	Ohio	12.4	22
Georgia	12.0	25	Oklahoma	10.5	31
Hawaii	10.6	30	Oregon	12.7	21
Idaho	8.2	40	Pennsylvania	7.6	43
Illinois	13.7	18	Rhode Island	15.2	13
Indiana	16.7	8	South Carolina	9.4	37
Iowa	8.7	38	South Dakota	7.7	42
Kansas	7.2	44	Tennessee	20.0	5
Kentucky	11.5	26	Texas	14.1	16
Louisiana	13.0	20	Utah	8.2	39
Maine	4.5	51	Vermont	6.8	47
Maryland	12.4	23	Virginia	9.9	34
Massachusetts	6.2	49	Washington	17.4	7
Michigan	20.3	4	West Virginia	10.1	32
Minnesota	11.5	27	Wisconsin	14.3	15
Mississippi	23.7	2	Wyoming	7.8	41
Missouri	14.0	17			

1. Percentage of uninsured drivers, as measured by the ratio of uninsured motorists (UM) claims to bodily injury (BI) claim frequencies.
2. Rank calculated from unrounded data.
3. In Florida, compulsory auto laws apply to personal injury protection (PIP) and physical damage, but not to third-party bodily injury coverage.

Source: *Estimated Percentage of Uninsured Motorists by State, 2015*, Insurance Information Institute; <https://www.iii.org/fact-statistic/facts-statistics-uninsured-motorists>.



# Automobile Financial Responsibility Laws By State

(As of July 2018)

State	Insurance required (1)	Minimum liability limits (2)	State	Insurance required (1)	Minimum liability limits (2)
AL	BI & PD Liab	25/50/25	NH	FR only	25/50/25
AK	BI & PD Liab	50/100/25	NJ	BI & PD Liab, PIP, UM, UIM	15/30/5 (6)
AZ	BI & PD Liab	15/30/10	NM	BI & PD Liab	25/50/10
AR	BI & PD Liab, PIP	25/50/25	NY	BI & PD Liab, PIP, UM, UIM	25/50/10 (7)
CA	BI & PD Liab	15/30/5 (3)	NC	BI & PD Liab, UM, UIM	30/60/25
CO	BI & PD Liab	25/50/15	ND	BI & PD Liab, PIP, UM, UIM	25/50/25
CT	BI & PD Liab, UM, UIM	25/50/20*	OH	BI & PD Liab	25/50/25
DE	BI & PD Liab, PIP	25/50/10	OK	BI & PD Liab	25/50/25
DC	BI & PD Liab, UM	25/50/10	OR	BI & PD Liab, PIP, UM, UIM	25/50/20
FL	PD Liab, PIP	10/20/10 (4)	PA	BI & PD Liab, PIP	15/30/5
GA	BI & PD Liab	25/50/25	RI	BI & PD Liab	25/50/25
HI	BI & PD Liab, PIP	20/40/10	SC	BI & PD Liab, UM, UIM	25/50/25
ID	BI & PD Liab	25/50/15	SD	BI & PD Liab, UM, UIM	25/50/25
IL	BI & PD Liab, UM, UIM	25/50/20	TN	BI & PD Liab	25/50/15 (4)
IN	BI & PD Liab	25/50/25*	TX	BI & PD Liab, PIP	30/60/25
IA	BI & PD Liab	20/40/15	UT	BI & PD Liab, PIP	25/65/15 (4)
KS	BI & PD Liab, PIP	25/50/25	VT	BI & PD Liab, UM, UIM	25/50/10
KY	BI & PD Liab, PIP, UM, UIM	25/50/25 (4)*	VA	BI & PD Liab (9), UM, UIM	25/50/20
LA	BI & PD Liab	15/30/25	WA	BI & PD Liab	25/50/10
ME	BI & PD Liab, UM, UIM, Medpay	50/100/25 (5)	WV	BI & PD Liab, UM, UIM	25/50/25
MD	BI & PD Liab, PIP, UM, UIM	30/60/15	WI	BI & PD Liab, UM, Medpay	25/50/10
MA	BI & PD Liab, PIP	20/40/5	WY	BI & PD Liab	25/50/20
MI	BI & PD Liab, PIP	20/40/10			
MN	BI & PD Liab, PIP, UM, UIM	30/60/10			
MS	BI & PD Liab	25/50/25			
MO	BI & PD Liab, UM	25/50/25*			
MT	BI & PD Liab	25/50/20			
NE	BI & PD Liab, UM, UIM	25/50/25			
NV	BI & PD Liab	25/50/20			

(1) Compulsory Coverages:

BI Liab=Bodily injury liability

PD Liab=Property damage liability

UM=Uninsured motorist

PD=Physical damage

Med=First party (policyholder) medical expenses

UIM=Underinsured motorist

PIP=Personal Injury Protection. Mandatory in no-fault states. Includes medical, rehabilitation, loss of earnings and funeral expenses. In some states PIP includes essential services such as child care.

FR=Financial responsibility only. Insurance not compulsory.

(2) The first two numbers refer to bodily injury liability limits and the third number to property damage liability. For example, 20/40/10 means coverage up to \$40,000 for all persons injured in an accident, subject to a limit of \$20,000 for one individual, and \$10,000 coverage for property damage.

(3) Low-cost policy limits for low-income drivers in the California Automobile Assigned Risk Plan are 10/20/3.

(4) Instead of policy limits, policyholders can satisfy the requirement with a combined single limit policy. Amounts vary by state.

(5) In addition, policyholders must also have coverage for medical payments. Amounts vary by state.

(6) Basic policy (optional) limits are 10/10/5. Uninsured and underinsured motorist coverage not available under the basic policy but uninsured motorist coverage is required under the standard policy. Special Automobile Insurance Policy available for certain drivers which only covers emergency treatment and a \$10,000 death benefit.

(7) In addition, policyholders must have 50/100 for wrongful death coverage.

(8) UIM Mandatory in policies with UM limits exceeding certain limits. Amounts vary by state.

(9) Compulsory to buy insurance or pay an Uninsured Motorists Vehicle (UMV) fee to the state Department of Motor Vehicles.

Source: *Automobile Financial Responsibility Laws By State (As of July 2018)*, Insurance Information Institute, <https://www.iii.org/fact-statistic/facts-statistics-uninsured-motorists>.

# **Appendix G: Written Responses to Study Report**



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July 27, 2018

**VIA ELECTRONIC ([richard.holcomb@dmv.virginia.gov](mailto:richard.holcomb@dmv.virginia.gov))**  
**AND FIRST-CLASS MAIL**

Richard D. Holcomb, Commissioner  
Virginia Department of Motor Vehicles  
2300 West Broad Street  
Richmond, Virginia 23269

Dear Commissioner Holcomb:

On behalf of the Virginia Trial Lawyers Association, I am writing to follow-up on our comments at the workgroup meeting on June 25, 2018, relating to the issue of Virginia's minimum motorist liability limits.

As with every other state, the public policy behind Virginia's minimum liability limit statute is a recognition that a certain minimum level of fiscal responsibility should be imposed upon every Virginia citizen with respect to the operation of motor vehicles. Despite this sound public policy, Virginia's liability limits have remained, unchanged, at \$25,000/\$50,000 ("25/50") since 1975.

It is fiscally irresponsible to allow Virginians, in 2018, to continue to operate motor vehicles with only 25/50 in coverage. VTLA believes that, at a minimum, Virginia should statutorily mandate at least \$50,000/\$100,000 in minimum liability coverage for the following reasons.

First, for those injured in a motor vehicle collision, a mere \$25,000 in liability coverage is highly unlikely to provide adequate coverage except in the most minor of collisions. In today's world, the cost of a one-day admission to the hospital can easily cost more than \$25,000, leaving the injured individual with no ability to pay for their medical expenses, to recoup lost wages, or to compensate the victim (and their family) for any pain, suffering, and inconvenience resulting from the collision. As noted in the attached bulletin from the Insurance Agents & Brokers of Pennsylvania ("IA&B"), maintaining liability limits at 1970s levels "do[es] not reflect increased costs attributed to inflation, including the cost of medical care and property values."

Second, as noted in the attached op-ed by F.E. "Rick" Russell, II, former President and CEO of the IA&B, allowing drivers to carry low liability coverage unjustly shifts the burden for costs associated with a collision from the fiscally irresponsible tortfeasor (and their liability insurer) to the fiscally responsible victim (and their underinsured motorist insurer). Consequently, fiscally responsible Virginia drivers who are injured end up picking-up the tab for fiscally irresponsible Virginia drivers who cause accidents.

Third, despite repeated requests for the same, no data has ever been presented to support the contention that increasing the minimum liability limits in Virginia would somehow result in

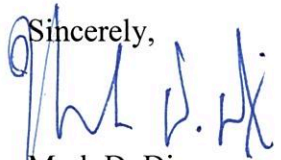


an increase in the number of drivers opting to drive without insurance (or an increase in the number of drivers opting to pay the UMV fee). Indeed, as noted in the IA&B bulletin, statistics from Alabama, Illinois, Oregon, South Carolina, Texas, Maryland, and Ohio reveal quite the opposite.

Finally, maintaining low liability coverage can very easily spell bankruptcy for the tortfeasor.

The world has changed dramatically since 1975 . . . the public policy behind the minimum limits statute has not. It is time for the liability limits to be raised to account for living in a 2018 world.

Thank you for your consideration. Please do not hesitate to call if you have any questions or if we can be of any further assistance.

Sincerely,  
  
Mark D. Dix  
Legislative Counsel

MDD/  
Enclosures

cc: Ms. Leslie Grott  
(via electronic [leslie.grott@dmv.virginia.gov](mailto:leslie.grott@dmv.virginia.gov) and first-class mail w/encl.)



Insurance Agents & Brokers of Pennsylvania

## **Increasing Minimum Auto Limits: Low Minimum Limits Unfairly Shift Financial Responsibility**

Pennsylvania is well overdue to make an increase to its minimum auto liability insurance limits as the current limits continue to be a burden on responsible drivers, insurance agencies and carriers alike. Minimum auto limits in Pennsylvania have not been increased since the 1970s, are the second-lowest in the country, and do not reflect increased costs attributed to inflation, including the cost of medical care and property values.

\* \* \* \* \*

**MYTH: “Increasing minimum limits only serves to raise premiums for certain insured drivers.”**

**FACT:** The issue goes much deeper than this most common argument raised by opponents of this measure. In today’s marketplace, fiscally responsible drivers are forced to pay more and more in auto insurance premiums because they must add underinsured motorists’ coverage to account for drivers who carry what have become inadequate minimum liability limits. The driver who carries woefully low liability limits simply spurs another driver to overcompensate with additional coverage. This is an unfair shift of financial responsibility. A supposed impact on some consumers does not justify an actual impact on other consumers.

**MYTH: “Increasing minimum limits will lead to an increase in the percentage of uninsured motorists as those facing a premium increase will opt to drop insurance coverage altogether.”**

**FACT:** Statistics simply do not support this argument. Since 2007, more than half a dozen states have increased their minimum auto limits – Alabama, Illinois, Louisiana, Oregon, South Carolina, Texas and our two neighbors, Maryland and Ohio. Of these states, Louisiana had a one percent increase in their uninsured motorist percentage while other states showed notable decreases, such as Maryland which went from 14.9% to 12.2% (as of 2012).

**MYTH: “There is no need to increase minimum auto limits since motorists seeking higher levels of coverage can easily do so if they choose.”**

**FACT:** The majority of Pennsylvania drivers currently have coverage that is much higher than the minimum mandated by state law. Minimum limits, because they are so low, harm these individuals who are insured at higher limits. It is when these properly insured consumers are victims in an accident with a driver only having minimum limits that the adverse gap in coverage is realized. The reason minimum limits exist in statute is to protect all drivers and citizens in Pennsylvania, ensuring that there is a reasonable economic safeguard for those hurt in a motor vehicle accident. The antiquated limits are simply not enough to ensure reasonable coverage for the public.



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## Low Minimum Limits Unfairly Shift Financial Responsibility

For years, we've listened to those who beat the drum to maintain minimum liability insurance limits that have been in place for decades. They frame their viewpoint as pro-consumer, and on its surface, their message is an easy sell. After all, who wants to burden low-income families, especially in this still-jittery economy?

The time has come to push back with logic and a true pro-consumer agenda.

As the topic is brushed aside year after year, minimum liability insurance limits continue to stand still in certain pockets of the country while the world continues to spin. While the cost of living continues to increase, so does the cost of medical care and property values.

Meanwhile, fiscally responsible drivers are forced to pay more and more in auto insurance premiums because they must add underinsured motorists' coverage to account for drivers who carry what have become inadequate minimum liability limits.

Inaction on this issue is not a victimless pursuit. You see, the driver who carries woefully low liability limits simply spurs another driver to overcompensate with additional coverage. This is an unfair shift of financial responsibility.

Overseeing the Insurance Agents & Brokers organization provides me with a unique perspective because my organization manages independent agents' associations in three states: Delaware, Maryland and Pennsylvania. In 2010, our Maryland agents successfully spearheaded legislation to adjust the Old Line State's minimum liability limits from 20/40/15 to 30/60/15. The change took effect Jan. 1, 2011.

We heard the predictions in Maryland – that premiums would skyrocket, that the already excessive number of uninsured motorists (estimated at 15 percent of drivers) would jump. But truth be told, we have found no evidence of either since the adjusted liability limits took hold.

The experience of their Maryland counterparts is further ammunition for our Pennsylvania agents who have told us time and again that the state's severely outdated minimum limits (last addressed in the 1970s and now ranking second-lowest in the nation) are an issue for their customers – actually translating into higher premiums thanks to the need for underinsured motorists' coverage.

We've championed this issue at the state Capitol several times in recent years. But in the end, our efforts were met with the same opposition. However, it is time that our agents, with their own pro-consumer logic



– logic that is rooted in commonsense and stems from their work educating and guiding their customers – are heard.

This legislative session, which features new faces in the state legislature and the governor’s office, provides a new opportunity for our Pennsylvania agents to state their case. They can explain that simply shifting the burden of coverage is not a solution, but that the supposed impact on some consumers does not justify an actual impact on other consumers. That financial responsibility is what this issue is truly about.

We have our sights set on success this legislative session in Pennsylvania, just like our contemporaries at other agents’ associations in the remaining state strongholds (although their numbers are dwindling) across the nation. Let’s make this the year when logic trumps emotion, when the burden of coverage falls on the appropriate shoulders, and when all insured drivers carry adequate liability limits.

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Hamm, Amanda &lt;amanda.hamm@dmv.virginia.gov&gt;

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**Fwd: Insurance Study - Review of Draft Report**

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**Hamm, Amanda** <amanda.hamm@dmv.virginia.gov>  
Draft

Tue, Oct 30, 2018 at 4:02 PM

From: **Chris Lagow** <chris@lagowlobby.com>  
Date: Fri, Oct 19, 2018 at 4:48 PM  
Subject: RE: Insurance Study - Review of Draft Report  
To: Grott, Leslie <leslie.grott@dmv.virginia.gov>

Leslie, I just quickly looked this over. I caught two typos, on pages 7 and 24. Va's Minimum Financial Responsibility are misstated at 25/50/25. The correct limit is 25/50/20.

I will review this in its entirety and may file Comments.

Chris

**From:** Grott, Leslie [mailto:leslie.grott@dmv.virginia.gov]  
**Sent:** Friday, October 19, 2018 4:06 PM  
**To:** Chris Lagow; Kristin Givens; Stone, Jacquelyn E.; Robert Bradshaw; Joe Hudgins; Richard L. Savage; Sue-Ling, Kelly; Anne Leigh Kerr; Woods, Michael W.; Lewis, Clark H.; Kevin Logan; Rooks, Sam; Taylor Cosby; Erin Collins; Rebecca Nichols; George Lyle; Anne Gambardella; [tlukish@vada.com](mailto:tlukish@vada.com); Leigh Dicks; Pete Iaricci; Maxey, Ronald; Hardison, Robert; Dana Schrad; [jjones@virginiasheriffs.org](mailto:jjones@virginiasheriffs.org); Baugh, Janet W.; Parrish, Christian A.; Browder, Meade; Mark Dix; [Derrick.Walker@allenandallen.com](mailto:Derrick.Walker@allenandallen.com); [janet.brooking@drivesmartva.org](mailto:janet.brooking@drivesmartva.org); Meade, Martha; Arnette, Tammy; Crayton, Sandy; Christine Noonan; Emma Buck; Frank Munyan  
**Subject:** Insurance Study - Review of Draft Report

Hi everyone,

Attached for your review and comment is the draft report for the Insurance Study. Please send me any written feedback by email ***no later than close of business on Monday, October 29.***

If you previously submitted comments regarding your position on key study issues or recommendations, please send me an email to confirm that you wish for those comments to be included as an appendix in the actual study report.

Let me know if you have questions. Thank you.

L



Hamm, Amanda &lt;amanda.hamm@dmv.virginia.gov&gt;

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**Fwd: Insurance study report**

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**Hamm, Amanda** <amanda.hamm@dmv.virginia.gov>  
Draft

Tue, Oct 30, 2018 at 4:04 PM

From: **Chris Lagow** <chris@lagowlobby.com>  
Date: Mon, Oct 22, 2018 at 12:44 PM  
Subject: Insurance study report  
To: Leslie Grott <leslie.grott@dmv.virginia.gov>

On page 11, the report states that the UMV fee goes to DMV and to the General Fund, before it ultimately goes to the SCC for distribution to insurance companies.

First of all, I do not believe there is any authority for the money to go to the General Fund that can be cited. There has been a practice for the budget writers to take a portion of the Fund balance in order to balance the State Budget before any money goes to the SCC for disbursement to insurers, but there is no statutory authority for doing so. It is never repaid and it lessens the amount available for distribution to insurers to reduce the cost of UM insurance required to be carried under 38.2-2206. Please see section 38.2-3000. Reference to the General Fund should be deleted.

Secondly, your report states that the money distributed to insurers is allotted based on the number of uninsured motorists claims the company handled the prior fiscal year. That is incorrect. Please see section 38.2-3001 to get the correct method of allotting the monies. As you can see, it is based on a market share basis( number of car years divided by the total of all car years), and has nothing to do with the number of UM claims handled by any given company. Please correct the report, and add this email to the appendix of Comments filed. I may have others to file.

Chris LaGow

Sent from my iPhone

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**Amanda Hamm**

Virginia DMV | Policy Analyst Senior | Legislative Services

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Hamm, Amanda &lt;amanda.hamm@dmv.virginia.gov&gt;

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**Fwd: Insurance Report**

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**Hamm, Amanda** <amanda.hamm@dmv.virginia.gov>  
Draft

Tue, Oct 30, 2018 at 4:07 PM

----- Forwarded message -----

From: **Chris Lagow** <chris@lagowlobby.com>  
Date: Mon, Oct 22, 2018 at 5:04 PM  
Subject: Insurance Report  
To: Grott, Leslie (leslie.grott@dmv.virginia.gov) <leslie.grott@dmv.virginia.gov>

Following up on my earlier Comment, there is an erroneous mention on page 29 of the General Fund receiving money annually from the UMV fees, and about the basis for the division of the monies by the SCC to auto insurers. Both should be corrected in the Final Report as stated before.

Chris

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Hamm, Amanda &lt;amanda.hamm@dmv.virginia.gov&gt;

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## Insurance Study Report - feedback/comments

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Hamm, Amanda <amanda.hamm@dmv.virginia.gov>  
Draft

Tue, Oct 30, 2018 at 4:08 PM

Mr. LaGow,

Thank you for submitting your comments for inclusion in the Insurance Study Report. The final Insurance Study Report will include the edits identified in your emails dated October 19<sup>th</sup> and October 22<sup>nd</sup>. Do you wish for us to also include your comments (attached) from August 20?

However, concerning the topic of your October 22<sup>nd</sup> emails, DMV clarified that statutory and budgetary language impact the dispersal of funds from the Uninsured Motorists Fund rather than removing any mention of the General Fund from the report. As you are aware, the budget is an equivalent legal authority to statute and, when the two are in conflict, the budget language controls. Simply removing reference to the distribution of funds to the General Fund would not provide a full picture of how the fund operates.

In particular, the report cites to Section 3-1.01 P. of Chapter 2 of the 2018 Acts of Assembly, which states that the General Fund will receive \$7.4 million dollars in FY19 and FY20 from the Uninsured Motorists Fund.

Again, thank you for your responses and edits, which have enabled DMV to produce an even better report.

Sincerely,

Leslie Grott

**Leslie Grott**

Virginia DMV | Senior Policy Analyst | Strategic Management Services  
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**PCI Letter.pdf**  
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This letter is on behalf of the Property Casualty Insurers Association, (PCI). While we have no doubt that our member company agents occasionally disclose to policyholders that a 25/50/20 policy is the minimum coverage required under Virginia law, we cannot say whether or not they do so routinely because such disclosure is not mandated by state law and, as a result, not mandated of agents, any more than it is to advise them that they just bought the largest policy possible. No company I represent was aware of any state that had such a notice requirement. Companies do strive to match the policy limits to the circumstances of their customer, and the customer makes the final decision, whether the customer goes to the agent, buys online, or directly from a customer service person.

According to the information provided by the BOI at the June meeting, about 18% of Virginia insureds purchase the Minimum limits policy, meaning that 82% of Virginia insureds purchase at least twice the Minimum if not many times more than the Minimum. That is proof that the marketplace is working well. There will in our opinion always be a market for the Minimum limits policies, and encouraging people to buy more insurance than they can afford on a sustained basis does not seem to be in anyone's interest. Keeping more people insured with a product that is within their means makes much more sense, both short term and long term.

A separate signed document is not required at all under existing Virginia law. An agent may choose to ask their customer to sign something, to protect them against a future E&O claim, and that is certainly a best practice, but it is not a requirement. The information on the Agent Continuing Education form is a summary of the types of information needed to defend against an E&O claim but it is not a form commonly in practice throughout the insurance community.

Lastly, companies view their "procedure manuals, communication manuals," etc as being proprietary in nature and quite outside the scope of insurance verification. Nothing in the email suggests that any document would be maintained as confidential. Insurance verification is an after the fact determination, while matters between Companies and their insureds at the point of sale are before the fact and subject to the regulatory authority of the BOI.

Please call if you have any questions .

Chris LaGow

Dear Commissioner Holcomb,

Thank you for the opportunity to participate in the stakeholder meetings regarding vehicle insurance in Virginia. We look forward to continuing discussions with you as the meetings come to a close and potential improvements to the system are ascertained.

NAMIC is the largest property/casualty insurance trade association in the country, with more than 1,400 member companies representing 39 percent of the total market. NAMIC supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers. NAMIC's membership consists of 189 companies who write in Virginia, including 11 companies who are domiciled in the state.

Following the most recent meeting, the industry received a data request regarding the general disposition of insurance carriers in communicating with policyholders who choose to purchase minimum limits. While we cannot universally examine this request, we can tell you that carriers encourage agents to have full and complete consultations with policyholders regarding coverage. Similarly, carriers directly writing insurance wish to provide utmost service to customers by matching them with the product that is appropriate. We would not encourage legislation aimed at a prescribed signature over minimum limits as we believe the policy acts as that notice and to do so would create overly burdensome process that would not substantively improve what we already believe is a robust relationship between carrier and policyholder.

We look forward to the forthcoming report with recommendations that will be available for the stakeholder comment. In consideration of your final report, please consider the following suggestions:

- 1) While we do not assert that online verification of insurance is preferable to another system, if a state chooses this public policy route we encourage and actively support legislation comporting with the IICMVA model that does not favor a particular vendor. As we've discussed in prior meetings, we do encourage policymakers to understand that such a system does not act in "real-time" due to binding coverages that ease consumer experience and ensure immediate coverage upon a new policy.
- 2) We encourage the DMV to consider a re-evaluation of the penalty fee that a consumer may pay in lieu of attaining auto insurance. Truly compulsory auto insurance is a strong step toward minimizing uninsured motorists and protecting motorists in Virginia.
- 3) We support the DMVs desire to conduct an education campaign aimed at carrying proof of insurance and ensuring that such proof may be electronic to meet today's evolving technology capabilities.

Thank you again for the opportunity to participate. If I can be of any assistance to you or to the DMV as you close in the final report and recommendations, please don't hesitate to contact me.

Sincerely,  
Erin Collins

AVP -State Affairs