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Information Brief



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Department Has Taken Steps to Improve the Detection of Uninsured Motorists

at a glance

The Department of Highway Safety and Motor Vehicles has taken steps to reduce the length of time that it takes to identify uninsured motorists. Under its former system, an uninsured motorist could operate a vehicle for an extended period of time (165 days) before being identified and subjected to enforcement action. The department is now implementing an on-line insurance data reporting system that, along with other changes, is expected to reduce this time period to 60 days. Currently, 129 insurance companies, accounting for approximately 95% of the motor vehicle insurance policies in the state, are using this new reporting system.

The department reported that Florida's uninsured motorist rate was 5.9% (or 665,475 uninsured vehicles) as of June 2004, which was significantly lower than the estimated rate in prior years. The lower rate appears to be primarily due to the department using a new methodology for estimating the percentage of uninsured motorists in the state. However, it does not reflect the likelihood of being in an accident involving an uninsured motorist. The department estimated that 8.2% of the vehicles involved in crashes during Fiscal Year 2003-04 may have been uninsured.

Scope

Pursuant to s. 11.511, *Florida Statutes*, the Interim Director of the Office of Program Policy Analysis and Government Accountability initiated this project in response to legislative requests to review the Department of Highway Safety and

Motor Vehicles' efforts to identify uninsured motorists. This report addresses the following questions:

- How does Florida detect uninsured motorists?
- What is the department doing to reduce the time taken to identify and take action against uninsured motorists?
- What is Florida's uninsured motorist rate?

Background

Like most states, Florida requires motorists to carry automobile insurance to protect against financial losses in case of an accident. Under Florida's Motor Vehicle No-Fault Law, owners of motor vehicles are required to carry Personal Injury Protection (PIP) and Property Damage Liability (PDL) coverage on each vehicle.¹ Persons who have been involved in crashes causing injuries, have been convicted of certain offenses, or had a judgment against them following a crash are required to carry bodily injury liability coverage under the Florida Financial Responsibility Law.²

Uninsured motorists are persons who are not in compliance with state laws that require motorists to carry insurance to cover damages resulting from traffic crashes. Other drivers incur costs as the result of uninsured motorists. Motorists

¹ Sections 627.730 - 627.7405, *F.S.*

² Chapter 324, *F.S.*

whose property is damaged in accidents with uninsured motorists may have to pay these costs out-of-pocket or file claims against their own collision insurance.

The Department of Highway Safety and Motor Vehicles' Bureau of Financial Responsibility is primarily responsible for detecting and enforcing compliance from uninsured motorists.

Questions and Answers—

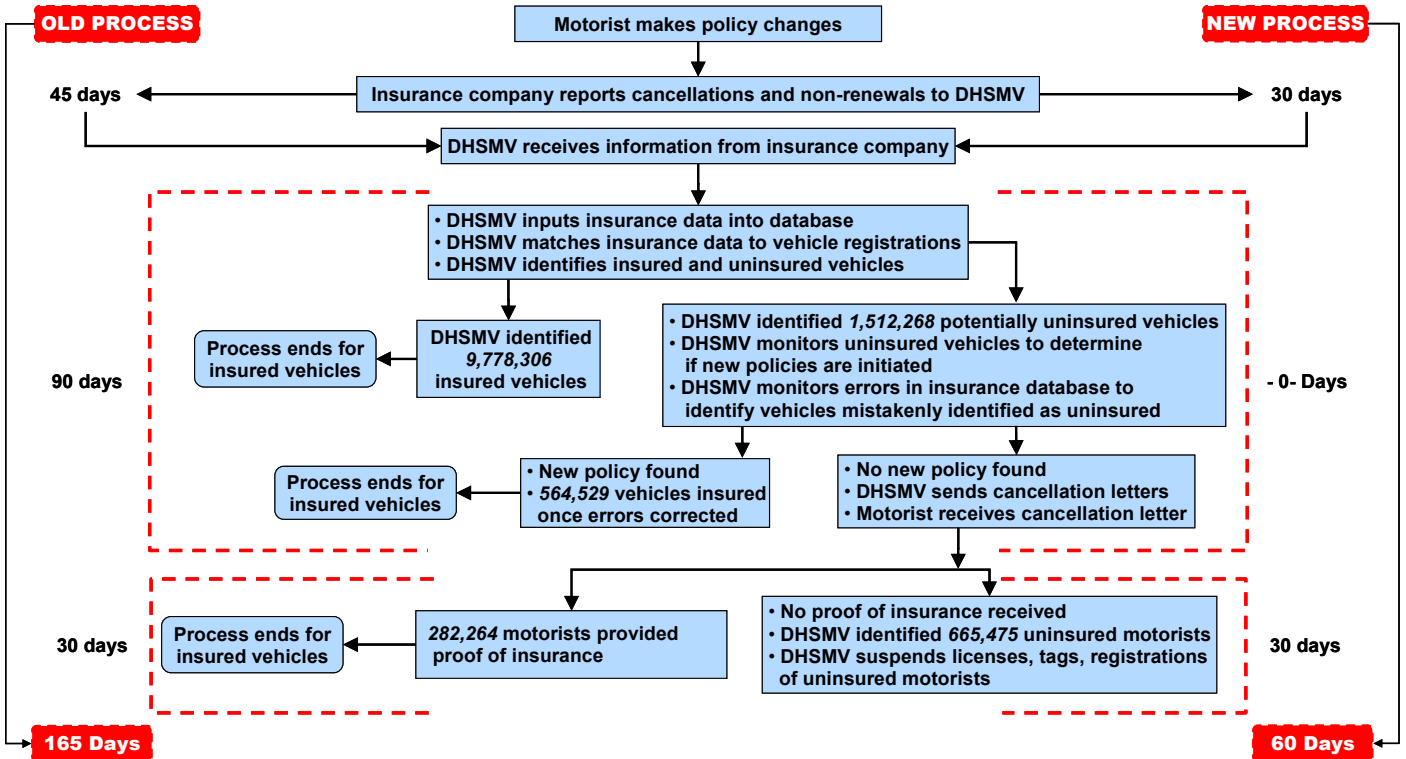
How does Florida detect uninsured motorists?

The department's primary method for detecting uninsured motorists is comparing insurance policy cancellation and renewal data against vehicle registration records.³ Section 627.736(9)(a), *Florida*

³ Other methods the department uses to detect uninsured motorists include sampling vehicle registrations that are reported by county tax collectors, reviewing accident reports that involve property damage, and reviewing court orders that show motorists failed to maintain required insurance.

Statutes, requires every insurance company that sells PIP/PDL coverage in Florida to report the issuance of new policies to the department within 30 days and report cancellations or non-renewals of existing policies within 45 days of their effective date. The department monitors all policies reported as being cancelled or not renewed for up to 90 days to determine if replacement coverage is obtained by motorists. If no replacement coverage is found during the 90 days, the department mails cancellation notices to the motorists. These motorists are then given 30 days to respond to the department in writing, by telephone, or by e-mail and provide proof of being insured. If the department does not receive proof that a motorist is insured within 30 days, it suspends the motorist's driver license, tag, and registration. See Exhibit 1 for a flowchart depicting the department's process for detecting uninsured motorists.

Exhibit 1
Department Plans to Reduce Enforcement Timeframe from 165 Days to 60 Days



Source: OPPAGA analysis of Department of Highway Safety and Motor Vehicles data as of June 30, 2004.

What is the department doing to reduce the time taken to identify and take action against uninsured motorists?

One concern regarding the department’s method is that it allows uninsured motorists potentially to operate vehicles for an extended period of time (165 days, or over five months) before being identified and subjected to enforcement action.

To address this concern, the department is implementing a two-part strategy that it expects will reduce the time taken to identify and take action against uninsured motorists.

First, the department is reducing the time insurance companies have to report the cancellations or non-renewals of existing policies from 45 days to 30 days. Industry representatives we interviewed reported that their companies worked with the department and jointly agreed to the 30-day reporting period, and it appears that the companies should not experience difficulty meeting this requirement. As shown in Exhibit 2, department data shows that 71% (2,041,322) of the insurance policy cancellations in the first three quarters of Fiscal Year 2003-04 were reported to the department in 30 days or less. Over half (57%) of the cancellations were reported in 20 days or less.

Second, the department is eliminating its 90-day waiting period for notifying motorists who appear to be uninsured. Instead, the department will send cancellation letters to motorists who are reported as uninsured either 30 days from the effective date of cancellation or when the department receives the cancellation, whichever is earlier. Department employees report they will be able to take this step as a result of implementing a

new on-line insurance data reporting system. This system allows insurance companies to submit information electronically to the department on a daily basis, and will enable the department to more quickly obtain insurance policy data and track policy cancellations.⁴

As shown in Exhibit 1, department managers expect that implementing these strategies will enable the department to reduce the time period for identifying and taking compliance action against uninsured motorists to 60 days.

As of June 30, 2004, 129 insurance companies, which accounted for approximately 95% of the motor vehicle insurance policies in the state, were already participating in the new insurance data reporting system.⁵ The department expects the system to be fully implemented by the end of calendar year 2004.

The department will need to monitor the implementation and use of the new reporting system and evaluate the extent to which expected results are being achieved.

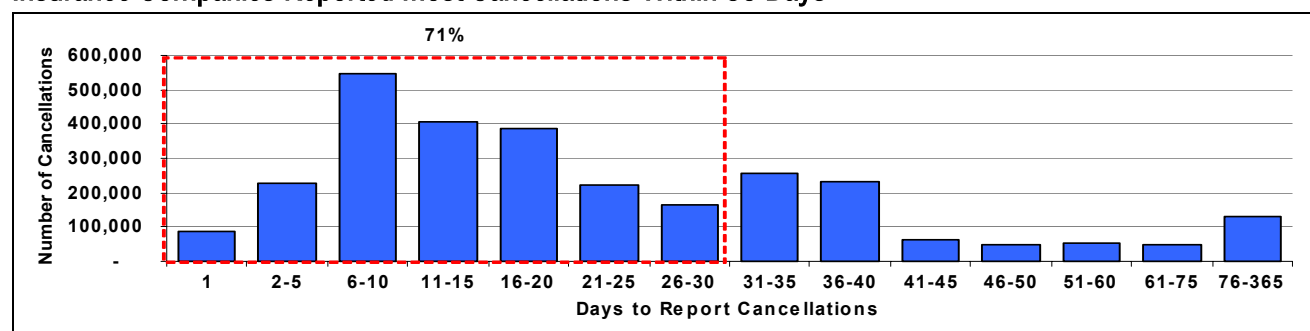
What is Florida’s uninsured motorist rate?

As of June 2004, the department reported that 5.9% of the vehicles registered in Florida (665,475 vehicles) were uninsured. Exhibit 3 shows the department’s multi-step methodology for estimating the uninsured motorist rate based on its analysis of insurance and vehicle registration data.

⁴ Currently, most insurance companies report information on motor vehicle insurance coverage using magnetic tapes. Smaller companies, however, report the information on manually prepared forms.

⁵ According to department management, approximately 425 insurance companies are actively selling motor vehicle insurance policies in Florida.

**Exhibit 2
Insurance Companies Reported Most Cancellations Within 30 Days¹**



¹ There were 2,875,002 total cancellation cases during the period from July 1, 2003, through March 31, 2004. Source: OPPAGA analysis of department data.

**Exhibit 3
Department Reports 5.9% of Florida’s Registered Vehicles Were Uninsured in June 2004**

Step 1 - Identify the number of vehicles in the insurance database that appeared to have insurance coverage	9,778,306
Step 2 - Determine the number of vehicles that were mistakenly identified as uninsured due to errors in the insurance database or when the department could not locate a renewal for a cancelled policy	564,529
Step 3 - Determine the number of vehicles for which motorists could provide proof of insurance	282,264
Step 4 - Sum results of Steps 1-3 to obtain total number of insured vehicles	10,625,099
Step 5 - Determine the number of registered vehicles requiring insurance	11,290,574
Step 6 - Determine the number of uninsured vehicles by subtracting the number of insured vehicles from Step 4 from the number of registered vehicles requiring insurance from Step 5	665,475
Step 7 - Determine the uninsured motorist rate by dividing the number of uninsured vehicles from Step 6 by the number of registered vehicles requiring insurance from Step 5	5.9%

Source: OPPAGA analysis of department data.

The department began using this methodology to estimate its reported uninsured motorist rate in Fiscal Year 2003-04. Department managers believe the new methodology represents an improvement over the methodology used in prior years. They reported that the department’s prior methodology overstated the uninsured rate because it did not take into consideration insured vehicles that were not in the insurance database. Exhibit 4 shows that the uninsured rate computed with the new methodology was significantly lower than the rate in prior years, primarily as a result of the department taking such database errors into account.

However, the department’s new methodology has some limitations. It does not include unregistered vehicles that may also be uninsured nor does it take into account uninsured out-of-state motorists who are driving vehicles in Florida. It also does

not reflect the likelihood of being in an accident involving an uninsured motorist. The department estimated that 8.2% of the vehicles involved in crashes during Fiscal Year 2003-04 may have been uninsured.

**Exhibit 4
Department’s New Methodology Results in Lower Uninsured Motorist Rate**

Methodologies		Percentage of Uninsured Motorists
Prior Methodology	June 2000	18.7%
	June 2001	18.2%
	June 2002	18.5%
	June 2003	14.7%
New Methodology	June 2004 ¹	5.9%

¹ The uninsured motorist rate as of June 2004 based on the prior methodology would have been 13.4%.
Source: Department of Highway Safety and Motor Vehicles’ data.

We contacted 12 other states to review the methodologies they used to estimate uninsured motorist rates. Four of the 12 states used a methodology similar to the department in that they compared the number of insured vehicles to the number of registered vehicles in the state.⁶ However, unlike the department, these states did not adjust their estimates to take into account errors in data reported by insurance companies or motorists providing proof of being insured. Representatives of the states using this method reported uninsured motorist rates ranging from 3% for Connecticut to 13% for Colorado and Louisiana. Three states used the percentage of crashes involving uninsured motorists to represent the uninsured motorist rate.⁷ Representatives of these states reported their uninsured motorist rates ranged from 12% to 25%. The remaining five states used various methods to identify uninsured motorists including accident reports, vehicle registrations and court awarded judgments.

⁶ These states include Arkansas, Colorado, Connecticut, and Louisiana.

⁷ These states include California, Texas, and Wisconsin.

OPPAGA supports the Florida Legislature by providing evaluative research and objective analyses to promote government accountability and the efficient and effective use of public resources. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021 or 800/531-2477), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475). *Florida Monitor*: www.oppaga.state.fl.us

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