

REPORT NO. 95-15

STATE OF FLORIDA



**OFFICE OF PROGRAM POLICY ANALYSIS AND
GOVERNMENT ACCOUNTABILITY**

**REVIEW OF THE
UNINSURED MOTORIST PROGRAM
ADMINISTERED BY THE
DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES**

December 14, 1995

The Office of Program Policy Analysis and Government Accountability was established by the 1994 Legislature to play a major role in reviewing the performance of state agencies under performance-based budgeting and to increase the visibility and usefulness of performance audits. The Office was staffed by transferring the Program Audit Division staff of the Auditor General's Office to the Office of Program Policy Analysis and Government Accountability. The Office is a unit of the Office of the Auditor General but operates independently and reports to the Legislature.

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- Whether a program is operating within current revenue resources;
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- Alternative methods of providing program services or products.

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JAMES L. CARPENTER
INTERIM DIRECTOR

State of Florida

OFFICE OF PROGRAM POLICY ANALYSIS AND GOVERNMENT ACCOUNTABILITY

December 14, 1995

The President of the Senate,
the Speaker of the House of Representatives,
and the Legislative Auditing Committee

I have directed that a review be made of the Uninsured Motorist Program administered by the Department of Highway Safety and Motor Vehicles. The results of the review are presented to you in this report. This review was conducted at the request of the Joint Legislative Auditing Committee. This review was conducted by Ms. Gena Wade under the supervision of Mr. Gary VanLandingham.

We wish to express our appreciation to the staff of the Department of Highway Safety and Motor Vehicles for their cooperation during this review.

Respectfully yours,

James L. Carpenter
Interim Director



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Summary

Review of the Uninsured Motorist Program

Purpose

This review examines the efforts of the Department of Highway Safety and Motor Vehicles (DHSMV) to enforce laws that require motorists to carry personal and liability insurance. Our review was conducted at the request of the Joint Legislative Auditing Committee and addressed four questions:

- What actions does the state take to encourage compliance with Florida's vehicle insurance requirements?
- How effective are these efforts?
- What improvements could be made to the current enforcement system?
- What policy alternatives exist to address the problem of uninsured drivers?

Conclusions and Recommendations

Florida's system of compulsory insurance is similar to that of most states, but it uses more advanced methods for detecting uninsured motorists than most states. Florida also imposes more sanctions for insurance violations than most other states. Florida's system for enforcing its vehicle insurance laws includes efforts to educate drivers about insurance requirements, verify motorists' insurance status during the vehicle registration process, monitor the on-going insurance status of registered vehicles, and sanction persons who violate insurance requirements.

However, we noted five weaknesses in the system: (1) DHSMV initiates cases against a large number of drivers who are already insured; (2) DHSMV does not use information it receives through its monitoring efforts to

correct its databases, which can result in multiple enforcement cases being initiated on already insured persons; (3) lengthy time periods can elapse between motorists becoming uninsured and DHSMV taking enforcement actions; (4) DHSMV does not monitor some cases that have a high risk of being uninsured; and (5) many motorists continue to drive after their licenses and registrations have been suspended. While the number of uninsured motorists on Florida highways is uncertain, estimates range from 15% to 27%.

Alternative methods for establishing vehicle insurance requirements have been proposed and are used in some states. These include making vehicle insurance non-compulsory, assessing a fee to motorists who do not wish to purchase insurance, and instituting a system where motorists would pay for uninsured motorist coverage through a fee added to fuel prices. These alternatives could reduce the costs of insurance for some motorists, but could be controversial and increase costs for other motorists or the state.

Recommendations to the Legislature

If the Legislature chooses to maintain Florida's current system to enforce insurance requirements, several improvements to the system should be considered. Specifically, the Legislature should:

- Consider eliminating the option of using affidavits as proof of insurance and either eliminate the option of using insurance binders or provide that these binders must be non-cancelable for a period of time, such as 90 days. This would help prevent uninsured persons from registering vehicles with fraudulent insurance proof or canceling insurance binders after obtaining vehicle registrations. This change would make registration less convenient but would likely reduce the number of persons registering without being insured.
- Alternately, the Legislature could elect to retain affidavits and binders as insurance proof, but require DHSMV to monitor all persons who use affidavits and binders to register vehicles in order to ensure that

these persons actually have insurance. The Bureau should phase in this workload increase and monitor its impact to determine how many more cases it can handle effectively.

- Amend s. 627.734(9)(a), F.S., to require all insurance companies to report all types of policy changes on a bi-weekly basis, rather than on a 30- to 45-day schedule. This will reduce the amount of time between loss of insurance coverage and suspension enforcement action.

If the Legislature chooses to consider methods other than the current system for controlling the impact of uninsured motorists, we recommend that it:

- Consider the policy alternatives of making vehicle insurance non-compulsory, creating a fee that persons must pay if they wish to be uninsured, or adopting a pay-at-the-pump system. These options have potential advantages and drawbacks that should be considered.

Recommendations to the Department

To improve the current system, we recommend that the Department:

- Continue to work with insurance companies to obtain more accurate and timely submission of data on policyholders. This will improve the Department's ability to use this information to detect uninsured motorists.
- Monitor the timeliness of insurance company reporting to identify companies that do not report as required, and request enforcement action by the Department of Insurance when necessary.
- Develop a method for the insurance information that companies provide in financial responsibility cases to be added to the insurance database, so that the Department's information base is improved as a result of the Bureau's case processing actions.

-
- Send compliance notices to persons who appear to be uninsured if new policies are not reported by companies within 14 days (instead of the current 30-day time period).

Agency Response

The Executive Director of the Department of Highway Safety and Motor Vehicles, in his written response to our preliminary and tentative findings and recommendations, described the actions the Department is taking to address our concerns.

Review of the Uninsured Motorist Program

CHAPTER I Introduction

Review Scope

This review examines the efforts of the Department of Highway Safety and Motor Vehicles (DHSMV) to enforce laws that require motorists to carry personal and liability insurance. Our review was conducted at the request of the Joint Legislative Auditing Committee and addressed four questions:

- What actions does the state take to encourage compliance with Florida's vehicle insurance requirements?
- How effective are these efforts?
- What improvements could be made to the current enforcement system?
- What policy alternatives exist to address the problem of uninsured motorists?

Our review was conducted in accordance with generally accepted government auditing standards and included appropriate performance auditing and evaluation methods. To conduct our review, we examined DHSMV procedures and data and interviewed representatives of county Tax Collectors and insurance companies. We also reviewed literature and surveyed all 50 states and the District of Columbia to identify alternative actions Florida could take to enforce insurance requirements.

Background

Florida, like most states, requires motorists to carry automobile insurance to protect against financial losses in case of accident. As shown in Exhibit 1, vehicle owners or operators may be required to carry two types of insurance. First, the Florida Motor Vehicle No-Fault Law (sections of Ch. 627, F.S.) requires every person who registers a vehicle

in Florida to carry personal injury protection (PIP) and property damage liability insurance (PDL) on the vehicle. This insurance provides compensation for insured drivers' physical injury regardless of whom is at fault in an accident and for property damage to others when an insured driver is at fault. Second, the Financial Responsibility Law (Ch. 324, F.S.), requires motorists to carry additional liability insurance if they have caused accidents involving bodily injury or have been convicted of certain offenses, such as driving under the influence.¹

Exhibit 1: Florida Automobile Insurance Requirements

No-Fault Law Chapter 627, F.S.	Financial Responsibility Law Chapter 324, F.S.
<p>All vehicle owners or operators must, at a minimum, carry:</p> <ul style="list-style-type: none">■ \$10,000 Personal Injury Protection■ \$10,000 Property Damage Liability	<p>Operators who cause accidents with bodily injury or are convicted of certain offenses must carry liability insurance:</p> <ul style="list-style-type: none">■ \$10,000 per person/\$20,000 per accident for Bodily Injury to another person (BIL)■ \$10,000 Property Damage■ A \$30,000 combined single limit of both coverages

Source: Chapters 324 and 627, F.S.

However, many drivers do not comply with these requirements. Uninsured motorists—persons who do not carry the minimum mandatory PIP/PDL coverage—may be unable to pay the costs of physical injuries to themselves and property damage they cause to others when they are at fault in car accidents. Additionally, persons who carry the minimum insurance but do not carry additional liability insurance may be unable to compensate others for bodily injuries they cause in accidents. Uninsured motorists were

¹ Sections 627.733(b) and 324.031, F.S., allow persons to prove adequate financial responsibility by furnishing certificates of self-insurance or by posting with the department surety bonds or certificates of deposit affording security equivalent to that afforded by an insurance policy or self-insurance.

involved in 19% of the more than 325,000 accidents that occurred in Florida during calendar year 1994.

Both the public and the state can incur additional costs as the result of uninsured motorists. To protect themselves against losses in accidents caused by uninsured motorists, Florida motorists paid \$567 million in uninsured and underinsured motorist coverage premiums during calendar year 1994.² Additionally, motorists 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, and a large volume of such claims could increase collision premiums for everyone owning collision insurance. Also, state programs such as Medicaid may bear the medical costs of some at-fault uninsured motorists who cannot pay for treating their injuries; alternately, these costs are borne by health care providers and insurers and contribute to the problem of uncompensated care in the health care industry.

Enforcement of motor vehicle insurance requirements involves county Tax Collectors, local and state law enforcement agencies, the courts system, and insurance companies, but the entity primarily responsible for detecting and enforcing compliance from uninsured motorists is the Bureau of Financial Responsibility within DHSMV. The Bureau has 67 FTEs and 1994-95 fiscal year expenditures of \$2,296,393. The Bureau processed about 914,000 cases against persons who appeared to violate insurance requirements in fiscal year 1994-95. The Bureau suspended the licenses and registrations of about 434,000 persons for noncompliance with insurance requirements.³

² This coverage pays medical expenses and lost wages beyond PIP coverage if the motorist at fault in an accident does not have adequate BIL coverage; it may also provide compensation for pain and suffering before PIP benefits are exhausted. Insurance companies reported \$425 million in losses associated with uninsured motorist coverage in Florida during calendar year 1994, representing overhead costs associated with and payments made for medical costs, lost wages, and pain and suffering imposed on insured persons by at-fault uninsured or underinsured motorists. These losses include amounts held in reserve in the year for losses and expenses, as well as actual losses and expenses incurred.

³ These cases include both PIP/PDL minimum mandatory insurance cases and BIL/PDL financial responsibility cases stemming from accidents, judgements, convictions, excessive driving record points and habitual traffic offenses. Of the 914,000 cases, 80% were PIP/PDL cases.

CHAPTER II

Questions, Answers, and Policy Alternatives

Question 1

What actions does the state take to encourage compliance with Florida's vehicle insurance requirements?

Florida Educates Motorists About Insurance Requirements

Florida has an extensive system to enforce its vehicle insurance laws and require compliance from uninsured motorists. In general, these efforts may be categorized into education, prevention, monitoring, and sanctioning actions.

Education. The state seeks to educate drivers about insurance requirements so that motorists understand their responsibilities to carry personal injury protection (PIP) and property (PDL) coverage. The Department of Highway Safety and Motor Vehicles (DHSMV) publishes the *Florida Driver's Handbook*, which is available at the Department's driver license field offices and describes state insurance requirements. Knowledge about these requirements may be covered in the written examinations that new drivers must pass to become licensed to operate motor vehicles in Florida. Also, the Department of Insurance annually publishes an updated *Auto Insurance Consumers' Guide* that explains coverages that motorists must carry as well as their rights and responsibilities. This publication is available at driver license field offices and through the Department of Insurance.⁴ Also, insurance requirements may be covered in drivers' education programs sponsored by public schools.

Florida Requires Proof of Insurance to Register Vehicles

Prevention. A primary point at which the state attempts to prevent insurance violations is during the vehicle registration process. Section 320.02(5), F.S., provides that persons must show proof of required insurance at the time

⁴ Both the *Florida Driver's Handbook* and the *Auto Insurance Consumers' Guide* are available in English and Spanish.

of vehicle registration. Motor vehicles must be registered with the state annually during the owner's birth month.

Persons typically purchase vehicle registrations and receive license plates from the tax collector in their home county; some counties have also authorized private license plate agents to provide registration services. Persons purchasing an initial registration for a vehicle must show proof of insurance to complete their applications. This proof may be provided in one of four ways: (1) by showing an insurance card, (2) by showing an insurance policy, (3) by providing an insurance policy binder (issued by an insurance agent showing that a person has paid a premium for a policy), or (4) by signing an affidavit certifying that they have sufficient insurance and providing a policy number. Persons renewing an existing vehicle registration are mailed an application document indicating whether DHSMV's database shows the vehicle to be insured. These persons must show insurance proof only if their application document does not indicate that the vehicle is insured.

Law Enforcement Agencies May Check Compliance

Monitoring. The state monitors compliance with insurance requirements through the activities of law enforcement agencies and the efforts of the Bureau of Financial Responsibility within DHSMV. Any law enforcement agency, including the Florida Highway Patrol, may request proof of insurance from the owner or registrant of a vehicle at any time an officer stops a vehicle for traffic violations. The Highway Patrol also has staged insurance checkpoints at which it stops vehicles to specifically check for proof of insurance. Persons who fail to produce proof of insurance may be ticketed for a non-moving violation.⁵

DHSMV Uses Several Methods to Detect Uninsured Motorists

The Bureau of Financial Responsibility uses four primary methods to detect persons who may be uninsured:

- **Insurance nonrenewal/cancellations checks.** Pursuant to s. 627.736(9)(a), F.S., every insurance company that sells PIP/PDL coverage in Florida must report to DHSMV the issuance of new policies within

⁵ The Highway Patrol has announced a statewide enforcement initiative that includes conducting roadside checkpoint operations to enforce license, registration, insurance, and safety equipment laws during the October 1995 through December 1995 period.

30 days and report the renewal, cancellation, or nonrenewal of existing policies within 45 days. This data is loaded into a computer database. The computer system monitors all policies that insurance companies report as not renewed or canceled. The system checks for 30 to 60 days to determine if replacement coverage is obtained by motorists; if no replacement coverage is found, the system generates written notices to be mailed to the motorists. These persons must submit proof of insurance within 30 days of notification or their licenses and registrations will be automatically suspended by the computer system. During fiscal year 1994-95, the Bureau identified 1,690,800 persons who appeared to be uninsured. Approximately 1,080,800 of these persons were subsequently reported as insured by companies, while the Bureau sent notices to 610,000 motorists who did not show timely replacement coverage.

- **Registration checks.** The Bureau, on a sample basis, examines vehicle registrations reported by county tax collectors to determine whether these vehicles actually have required insurance coverage. Its computer system samples registrations made with affidavits and checks the registration and insurance databases 30 days after registration was made to determine if insurance companies have reported current policies for the vehicles. The computer system generates written notices to persons when no proof of insurance is found, requiring motorists to submit insurance proof within 30 days. The computer system selects a maximum sample of 600 such cases per day. During fiscal year 1994-95, the Bureau confirmed insurance on 211,200 registrations made with affidavits, and sent notices to another 112,700 motorists because their insurance was not confirmed.

- **Accident report checks.** The Bureau reviews reports on accidents that involve property damage submitted by law enforcement agencies to determine whether the at-fault parties had PIP/PDL insurance at the time of

the crash.⁶ The Bureau's computer system generates notices that are mailed to persons when no insurance coverage is found in the database. These persons must submit proof of insurance within 30 days and show that they have made restitution to the damaged party. During fiscal year 1994-95, the Bureau identified 8,600 cases in which at-fault motorists in accidents causing property damage did not appear to have insurance.

- **Court order reviews.** The Bureau receives records of court orders finding that motorists have failed to maintain required insurance coverages and suspends the licenses and registrations of these persons. The Bureau's computer system generates notices to these motorists informing them of the suspension. During fiscal year 1994-95, the Bureau initiated suspensions of 2,600 persons as the result of court orders.

Civil and Administrative Penalties May Be Imposed for Insurance Violations

Sanctioning. Florida also enforces vehicle insurance requirements by levying sanctions on persons who violate state laws. The state may levy both civil and administrative penalties for vehicle insurance violations. Law enforcement officers may issue a traffic ticket to persons who are unable to show proof of insurance. During calendar year 1994, state and local law enforcement agencies issued about 142,000 citations for failure to carry proof of insurance. These persons are guilty of a non-moving traffic violation and must show insurance proof to the Clerk of the Court in which the traffic violation charge is pending.⁷ The court is to order DHSMV to immediately suspend the registrations and driver's licenses of persons who were uninsured at the time of the violation. DHSMV may also administratively suspend the licenses and vehicle

⁶ The Bureau also monitors persons who are required to carry additional liability insurance as the result of at-fault accidents that involved bodily injury to ensure that these motorists maintain this additional coverage. The Bureau also requires at-fault persons to submit statements from the damaged parties that liability claims have been satisfied, or submit security deposits to the Department that the damaged parties may file claims against in lieu of insurance.

⁷ The Clerk of the Court may dismiss a case any time prior to the defendant's court appearance if the defendant produces, prior to or at the time of the court date, proof of insurance valid at the time of violation. The clerk shall charge a \$5 fee for dismissing the case.

registrations of persons that it determines to be uninsured. Persons comply by submitting insurance proof, by disposing of their vehicles and filing an affidavit of non-ownership, or by surrendering their license plates and registrations so that the vehicle cannot be driven. If these persons do not comply within 30 days after the date of DHSMV's notice, their registrations and licenses are automatically suspended.

Section 324.201, F.S., requires persons under license and registration suspension for noncompliance with insurance laws to immediately surrender their licenses and registrations to DHSMV. Failure to do so is a second-degree misdemeanor, punishable by no more than 60 days in jail and/or a \$500 fine. To reinstate suspended vehicle registrations and driver's licenses, persons must provide proof of insurance and pay a \$150 reinstatement fee. This fee increases to \$250 for the second violation and \$500 for each subsequent violation during the three years following the first reinstatement. Persons whose licenses and registrations are suspended as the result of court orders must purchase a six-month noncancelable insurance policy and maintain it for two years. Persons whose registrations and licenses have been suspended for failure to carry required BIL/PDL coverage must purchase such insurance and carry it for three years and pay a \$15 reinstatement fee, and show that they have made restitution to the damaged party.

**License Plates of Uninsured
Motorists May Be Seized**

Any state or local law enforcement agency may seize the license plates of persons who fail to surrender their plates or reinstate their licenses and registrations after suspension. The seizing agency is entitled to one-third of the reinstatement fee paid by persons who subsequently reinstate their license and registrations. Law enforcement officers may, under certain circumstances, also impound or immobilize vehicles of uninsured persons found driving under license suspension or revocation.

Question 2

How effective are Florida's efforts to enforce vehicle insurance requirements?

To assess the effectiveness of the methods Florida uses to enforce its uninsured motorist laws, we reviewed DHSMV data to identify the outcomes of its compliance activities. We also analyzed Department data to estimate the percentage of Florida drivers who are operating vehicles without required insurance.

Outcomes of Compliance Activities

**DHSMV Initiated 914,000
Cases in Fiscal Year 1994-95
Against Potentially
Uninsured Motorists**

During fiscal year 1994-95, the Bureau of Financial Responsibility identified about 914,000 persons who appeared to be uninsured. The Bureau subsequently suspended the registrations and licenses of about 434,000 persons who were determined to have violated state insurance requirements. The Bureau also lifted the suspensions of about 265,000 persons who later achieved compliance during the year, and collected \$7.5 million in reinstatement fees. However, Bureau reports cannot show the compliance outcomes of the remaining 169,000 cases or how long it took to obtain compliance once the Bureau had identified persons as potentially uninsured.

To assess the Bureau's compliance activities, we analyzed a sample of 42,500 cases that the Department initiated in January 1995 because motorists appeared to be uninsured.⁸ As shown in Exhibit 2, we determined that about a third of these motorists were already insured when the case was begun. About 30% of the motorists subsequently purchased insurance to come into compliance with statutory requirements, while about 10% filed affidavits that they no longer owned the vehicles. The Bureau subsequently suspended the registration and driver's license of about a quarter of the motorists for noncompliance. The remaining

⁸ The Bureau identified these motorists as potentially uninsured through its reviews of accident reports and court orders, its tracking of policy cancellations and non-renewals reported by insurance companies, and by its review of sample cases in which motorists obtained vehicle registration using insurance affidavits. We used DHSMV data to track the outcomes of these cases through July 19, 1995.

motorists either surrendered their license plates and registrations in lieu of obtaining insurance, or proved that the vehicle was insured or operated in another state.

**Exhibit 2: Disposition of January 1995 Cases
Bureau of Financial Responsibility**

Case Disposition	Cases	
	Number	Percent
Compliance Outcome:		
Insured at time of case initiation	14,000	32.9%
Obtained insurance after case initiation	12,700	29.9%
Filed non-owner affidavit	4,200	9.9%
Surrendered tags and registrations	500	1.2%
Out-of-state resident or vehicle	100	0.2%
Noncompliance Outcome:		
Driver's license and registration suspension	11,000	25.9%
TOTAL	<u>42,500</u>	<u>100.0%</u>

Source: Office of Program Policy Analysis and Government Accountability analysis.

Weaknesses in Compliance System

While the Department's efforts were generally effective in detecting and obtaining compliance from uninsured drivers, we noted five weaknesses in its system.

Due to Database Problems, DHSMV Initiates Actions Against Insured Persons

Many Persons Already Insured. First, a third of the motorists the Bureau identified as potentially uninsured were in fact insured when the case was initiated. This wastes resources, as the Bureau mailed notices to these 14,000 persons and required them to provide their company, policy number, and insurance effective date; the Bureau also had to process their responses.⁹ Assuming that the

⁹ The Bureau verifies information provided by motorists by producing bi-weekly lists of reported policies that it sends to insurance companies. The companies check this information and return the lists. If a company denies that a reported policy exists, the Bureau reopens the case.

January data are representative, the Bureau sends over 300,000 such notices a year to motorists who are already insured. Bureau administrators stated that this problem occurs because insurance companies sometimes report inaccurate and untimely policy data. For example, if an insurance company reports an incorrect Vehicle Identification Number (VIN) for a policy, the Bureau's computer system cannot match the policy against the vehicle's registration. As a result, the motorist appears to be uninsured and is sent a compliance notice. Also, if a company is not timely in reporting new policies, a person may receive a notice because it erroneously appears that their canceled or non-renewed policy has not been replaced.

Database Accuracy Is Not Improved Through Department Collection of Compliance Information

Primary Databases Not Updated. Second, the Department does not use the information it obtains through its monitoring efforts to correct its registration and insurance databases. DHSMV sends notices to over 900,000 persons a year who appear to be uninsured, and these persons must submit insurance proof to the Department. The accuracy of this information is confirmed by insurance companies, who return documentation to the department showing the existence of reported coverage. However, DHSMV does not use this information to update its registration and insurance databases on which cases are based; instead, it simply closes the case. Department staff indicated that the insurance information on its databases is composed solely of insurance company-reported data, and that DHSMV would become responsible for database accuracy if it modified this information. As a result, the Department can initiate repeated cases against persons who have already provided proof of insurance if their companies do not submit correct policy information to DHSMV. This wastes resources and is aggravating to the public.

Motorists Can Remain Uninsured for Almost Four Months Before Being Sanctioned

Compliance Process Is Lengthy. Third, the system can allow uninsured motorists to operate vehicles for extended periods of time before being identified and made subject to compliance action. Although insurance companies are required to file reports on new policies within 30 days, they are given up to 45 days to report individual policy non-renewals and cancellations. As a result, a person could be uninsured for up to a month and a half before DHSMV

would be notified of this action. The Department's computer system then tracks cases for another 30 days to determine whether a new insurance policy was reported for the motorist. The person would then be mailed a notice of noncompliance and be given another 30 days to provide proof of insurance; the Bureau adds an extra 10 days to the beginning of this period to allow for mail delays. As a result, a motorist could operate a vehicle for up to 115 days before the license and registration would be suspended.

**DHSMV Does Not
Examine All Registrations
Obtained With Less Reliable
Insurance Proof**

Fourth, DHSMV reviews only a sample of registrations that have a significant risk of being obtained without insurance, allowing people to illegally register and operate vehicles. In addition to showing insurance policies and cards as proof of carrying required insurance, persons may also obtain vehicle registrations by completing an affidavit stating that they have insurance or by showing a policy binder. There is a higher risk that these persons may be uninsured, as motorists can lie on affidavits and can cancel binders before the company issues a policy (and thus would not be reported as a policy cancellation). Although DHSMV's computer system identifies registrations made with affidavits and tracks these cases for 30 days to determine if insurance companies report policies for these persons, the system is programmed to generate noncompliance notices for only a sample of the persons who are identified as uninsured. This sample is limited to a maximum of 600 cases daily and covers only about half the cases that are identified by the system as uninsured. The system does not perform any monitoring of persons who obtain registrations with policy binders, although persons can cancel these binders after obtaining registrations and thus be uninsured.

As a result, persons who use fraudulent affidavits but are not selected in DHSMV's sample or who cancel policy binders after obtaining vehicle registration will not be detected as uninsured motorists for the duration of the year unless they commit traffic violations. During fiscal year 1994-95, 2.6 million registrations were made using affidavits or insurance binders. DHSMV managers asserted that the Department lacks the resources to follow up on all such cases, as is done for persons whose existing insurance is reported as canceled or not renewed by insurance

Motorists With Suspended Licenses and Registrations May Drive During Suspension

companies. However, this weakness in the state's monitoring system can enable uninsured motorists to operate vehicles in Florida without detection.

Uninsured Motorists Continue to Drive. Finally, the current system appears to allow drivers to continue to drive after their license and registrations are suspended. In fiscal year 1994-95, about 434,000 motorists received license and registration suspensions for insurance violations. These persons are required to return their license plates, which would prevent them from continuing to drive. The Department does not routinely track the number of plates returned during insurance suspensions, but staff estimate that very few persons take this step. Instead, DHSMV staff commented that persons generally keep their plates and registrations while they try to obtain insurance and pay reinstatement fees and thus may continue to operate their vehicles.

The Legislature has taken action to address this problem by authorizing law enforcement agencies to seize license plates from motorists with suspended registrations and to receive up to one-third of reinstatement fees paid by these motorists. Also, a pilot project to use private license plate recovery agents was implemented in October 1995. The recovery agents are to use monthly lists issued by DHSMV of persons with suspended registrations to identify vehicles with license plates eligible for seizure. The recovery agents must call DHSMV to verify that a person is still under suspension before seizing a license plate. The agents must also notify a local law enforcement agency within six hours of seizing a plate, and deliver the plate to the law enforcement agency to obtain a receipt. This entitles agents to file a claim with DHSMV to collect their portion of paid reinstatement fees. As of October 31, private recovery agents had seized 13 license plates in the three pilot counties; no payments had been made to recovery agents as no reinstatement fees had yet been paid. It is too early to assess the effectiveness of this initiative.

Uninsured Motorist Rate

The "bottom line" effectiveness measure of Florida's enforcement of its uninsured motorist laws is whether motorists are complying with these requirements. It is difficult to determine the number of uninsured drivers in Florida because these persons generally try to avoid detection. However, DHSMV has information that can be used to estimate the extent of this problem. On a monthly basis, the Department analyzes its computer file of registered vehicles to identify their insurance status; those vehicles not shown as having insurance coverage may be uninsured. From January through September 1995, a monthly average of 8.35 million vehicles were listed in DHSMV's registration database. Of these, a monthly average of 6.14 million (73%) vehicles appeared to have active insurance coverage. Thus, the potential uninsured rate was 27%. This rate is lower than the 1994 potential rate of 30%.

However, DHSMV staff believe that this estimate overstates the actual uninsured rate. There are legitimate reasons why some vehicles may not have insurance coverage, as well as reasons why vehicles may erroneously appear to be uninsured. For example, vehicles may legitimately have no insurance when they are not being driven by the owner, when they have been sold and their titles are being transferred from one person to another, or when the vehicles are total losses due to accidents and can be only used for salvage. Additionally, vehicles may incorrectly appear to be uninsured if they are registered in Florida but operated and insured in another state. Also, insurance data is not recorded for individual vehicles registered as parts of fleets of more than 25 vehicles; rental car fleets thus incorrectly appear to be uninsured. As a result, DHSMV's database result of 27% uninsured overstates the actual uninsured vehicle rate.

Another estimate of uninsured motorists can be derived from accident reports. For calendar year 1994, the Department's accident database shows that 19% of the vehicles involved in crashes during the year were uninsured. However, uninsured drivers may tend to have

more accidents than other drivers—persons with poor driving records may be uninsured because their premiums would be high. Thus, this measure may overstate the number of uninsured motorists in the state.

Uninsured Motorist Rate Is Unknown; Estimates Range From 15% to 27%

Department staff estimate that the actual uninsured motorist rate is about 15% but acknowledge that this figure cannot be verified. As shown in Exhibit 3, these various estimation techniques indicate that between 1.25 and 2.25 million Florida drivers are operating vehicles without required insurance.

Exhibit 3: Estimates of Florida Uninsured Motorist Rate

Estimation Technique	Estimated Noncompliance Rate	Estimated Number of Uninsured Drivers ¹
Vehicles without verified insurance in DHSMV registration database	27%	2,255,000
Department's accident database	19%	1,587,000
DHSMV staff estimate	15%	1,253,000

¹ Based on 8.35 million vehicles.

Source: Office of Program Policy Analysis and Government Accountability analysis of DHSMV data.

Thus, while Florida takes a number of actions to enforce its uninsured motorist laws, over one million drivers are likely violating these requirements. Question 3 addresses additional steps the state can take to increase the compliance rate with vehicle insurance laws.

Question 3

What improvements could be made to Florida's current system of enforcing vehicle insurance requirements?

Florida has a fairly comprehensive system for enforcing its vehicle insurance laws. This system includes efforts to educate drivers about insurance requirements, verify motorists' insurance status during the vehicle registration process, monitor the ongoing insurance status of registered vehicles, and sanction persons who violate insurance requirements. However, we identified three additional actions that DHSMV and the Legislature could take to enhance the state's ability to enforce its vehicle insurance requirements:

- Improve the accuracy, timeliness, and completeness of data reported by insurance companies;
- Reduce the length of time between insurance cancellation or nonrenewal and the suspension of licenses and registrations; and
- Either eliminate motorists' ability to register their vehicles with affidavits, or monitor all such cases to identify uninsured registrants.

Better Company Reporting Would Help Detection and Reduce Costs

Improve Company Reporting. DHSMV's ability to efficiently identify uninsured motorists would be enhanced if it improved the accuracy, timeliness, and completeness of insurance company reporting of changes in vehicle policies. Due to reporting time lags and errors, DHSMV initiates follow-up on a large number of motorists whose vehicles are properly insured. Also, the Department does not monitor whether companies report policy changes within the statutory time periods (30-45 days, depending on the policy action). As a result, about a third of the cases we reviewed that DHSMV identified as potentially uninsured in January 1995 involved motorists who were properly insured but whose insurance status was incorrectly cited on the Department's database. Better company reporting would

help avoid the follow-up mailing and staff costs. Also, the Department could develop a method for using the outcomes of its monitoring efforts to update its insurance database. Presently, DHSMV does not correct its database when companies and motorists submit proof that a driver is insured. As a result, the Department can send repeated notices to motorists requiring them to submit insurance proof after they have already provided this documentation.

DHSMV managers indicated that the Department is working with insurance companies to improve the accuracy of data reporting, and noted that it was developing a computer program that would monitor whether companies submitted insurance data on a timely basis. They also commented that a test project is underway to provide volunteer companies with their verification lists on magnetic tape, so that the companies may update these and submit them back to the Department to be added to the insurance database. In this way, the Bureau's enforcement action will produce better information that will be used to improve database reliability. Improved reliability would save money and improve the Department's ability to detect uninsured drivers. As the insurance database is the central tool in the Department's enforcement strategy, improving its reliability is key to the success of any other system modifications.

**Compliance Periods
Could Be Shortened**

Reduce Case Time. In the current system, motorists who cancel or do not renew their insurance can remain uninsured for up to 115 days before their licenses and registrations are suspended. Department managers acknowledged that the time lags are problematic and said that a reduction in the time statutorily provided for insurance company reporting would be appropriate. Adopting a two-week reporting period for companies would enable DHSMV to reduce its own database reviews to two weeks, as any new policies would be reported within this period. Together, these changes would speed up the enforcement process by up to a month and a half.

**Use of Affidavits and
Binders Could Be Restricted
or Closely Checked**

Change Registration Requirements or Increase Monitoring. Another improvement would be to eliminate applicants' ability to use affidavits or policy binders as

proof of insurance or to monitor the insurance status of all persons who use these methods. DHSMV has reasonable assurance that persons who register by showing an insurance card or policy actually have this coverage. DHSMV can identify when such persons become uninsured because companies must report policy cancellations and non-renewals. This enables the Department to contact these persons and require them to provide proof of new insurance.

However, DHSMV lacks this assurance and monitoring capability for persons who register vehicles using affidavits or insurance binders. Insurance company reporting will not occur if persons use fraudulent affidavits to register a vehicle because these persons never had insurance policies. Companies also will not report cancellations of insurance binders because this action occurs before the companies issue a policy to the motorists. As a result, DHSMV cannot readily identify such persons for enforcement action.

This problem could be addressed in three ways:

- **Eliminate affidavits and insurance binders as proof of insurance.** This would reduce motorists' ability to unlawfully register and drive vehicles. However, this change could make registration less convenient, as affidavits are routinely used for by-mail registration. It could also prevent some motorists from registering their vehicles until they received a card or policy from their insurance company.
- **Make binders non-cancelable** for a sufficient period of time for the companies to issue a policy. Motorists who then canceled their policy after obtaining registration would be reported by the company to DHSMV, which could follow up to ensure that the person obtained new insurance.
- **Require DHSMV to monitor all affidavit or binder cases.** The Department's computer system currently tracks only about half the persons who register vehicles using affidavits and have no proof of insurance on the insurance database. The system does

not perform any compliance checks for motorists who register vehicles using insurance binders. Reviewing all affidavit cases that the computer system identifies as potentially uninsured would increase the Department's workload by about 120,000 cases annually. We could not estimate the workload impact of monitoring persons who use insurance binders for registration. These changes could be phased in over time to enable the Bureau to identify the outcomes and workload effects of this increased monitoring.

These changes to Florida's system for enforcing vehicle insurance requirements would close loopholes in the system that can enable uninsured motorists to register and operate their vehicles.

Question 4

What policy alternatives exist to address the problem of uninsured motorists?

In addition to examining Florida's current system of enforcing uninsured motorist laws, we also reviewed literature and contacted other states to compare Florida's program to those of other states and to identify policy alternatives that the Legislature may wish to consider.¹⁰ We determined that Florida's system of compulsory insurance is similar to that of most states, but its methods for detecting uninsured motorists are more advanced. However, alternative methods of establishing vehicle insurance requirements have been proposed that could address the uninsured motorist problem in Florida.

Comparison of Florida Program to Other States

We compared Florida's insurance requirements and its methods for detecting and sanctioning uninsured motorists to those of other states.

Most States Require Compulsory Insurance

Required Insurance Coverages. Most states require motorists to carry some form of auto insurance. Forty-four states (including Florida) and the District of Columbia have some form of compulsory auto insurance. The types of insurance required by states vary considerably. Some states require motorists to carry only bodily injury liability (BIL) and property damage liability (PDL), while others require motorists to have BIL, PDL, personal injury protection (PIP), and uninsured motorist (UM) coverages. A listing of the insurance coverages required by each of the 50 states and the District of Columbia is provided in Appendix A. Florida is the only state that requires PIP and PDL coverage without also requiring BIL insurance.

¹⁰ We also attempted to contact representatives of the ten insurance companies that sell the most vehicle insurance policies in Florida to discuss the state's current financial responsibility program and policy alternatives. However, several of the companies declined to discuss these matters, citing proprietary concerns.

Florida’s Monitoring System Is More Extensive Than Most States’ Systems

Detection and Sanctioning Methods. Florida’s system for detecting and sanctioning uninsured motorists is more extensive than the systems used by most other states. As shown in Exhibit 4, Florida has adopted each of the six primary methods that states have developed to identify uninsured motorists. Only three other states and the District of Columbia have adopted each of these detection methods. Florida also imposes more sanctions for insurance violations than do most other states. Only four other states have adopted each of the five penalties that Florida may levy against uninsured drivers. The specific monitoring systems and sanctions used by each state are shown in Appendices B and C. We did not identify any states that used additional monitoring or enforcement actions that could be adopted by Florida.

Exhibit 4: Methods Used by States to Detect and Sanction Uninsured Motorists

	Florida	Other States ¹
Methods to Detect Uninsured Motorists		
Require motorist to have proof of insurance at registration	X	26
Require motorist to have proof of insurance at time of accident	X	43
Require motorist to have proof of insurance at all times driving vehicle	X	33
Review accident reports for uninsured drivers	X	32
Review judgements and convictions rendered by courts	X	33
Require insurance companies to verify insurance coverage:		
(a) Full ²	X	7
(b) Partial ³		18
Sanctions Assessed Against Uninsured Motorists ⁴		
Suspend/revoke licenses or registrations of uninsured drivers	X	46
Assess reinstatement fee for suspended uninsured drivers	X	42
Assess civil fines for violating insurance requirements	X	33
Impose jail sentence for violating insurance requirements	X	12
Seize vehicle license plates	X	26

¹ Includes the District of Columbia.
² Complete report of compulsory insurance by policyholder (every new, renewed, non-renewed, and canceled policy).
³ Report on a sample of policyholders’ compulsory insurance.
⁴ As of October 1, 1995, Florida is authorized to impound motor vehicles for noncompliance after certain conditions are met. Some states also have the authority to impound vehicles, but we do not have sufficient data to make a comparison.

Source: Office of Program Policy Analysis and Government Accountability survey of other states and the District of Columbia.

No reliable data exists on the percentage of motorists who are uninsured in other states. While other states provided estimates of their uninsured motorists that range from about 4% to 33% of all registered vehicles, these estimates are either guesswork or are based upon incomplete data that may not reflect the actual number of uninsured motorists. The reported statistics were based on factors such as the number of licenses/registrations suspended or revoked, which could include actions for violations other than insurance violations. Consequently, we could not compare the outcomes of Florida's uninsured motorist program with those of other states.

Policy Alternatives

Because Florida's vehicle insurance law depends on individual compliance with the requirement to purchase a minimum level of insurance, it requires an extensive government effort to detect persons who do not comply and to impose sanctions as necessary to ensure that persons then meet this financial responsibility. The present compulsory system also may make compliance difficult for uninsured persons who have been detected, as it imposes stiff monetary penalties on such persons in addition to the purchase of insurance before they can reach compliance. Alternatives used by other states or described in professional literature address the problem of uninsured motorists by eliminating the compulsory element of insurance or by providing universal compulsory insurance. Three of these alternatives are:

- Making vehicle insurance non-compulsory;
- Allowing motorists to be uninsured if they pay a fee that is used to subsidize insurance for other drivers; and
- Adopting a pay-at-the-pump system in which all motorists pay for uninsured motorist coverage through higher fuel prices. These moneys are then distributed to insurance companies to provide UM

coverage to motorists with liability insurance or to provide universal motorist coverage.

Non-Compulsory Insurance. Under this option, the state would no longer require motorists to carry personal injury protection and property damage liability insurance. Instead, motorists would have the option of either obtaining insurance or paying for damages from their own resources in case of an accident. Six states do not require motorists to carry compulsory vehicle insurance.¹¹

**Non-Mandatory Insurance
Could Reduce Costs for
Some Motorists and the
State**

The advantage of this option is that it eliminates the burden some citizens experience in buying auto insurance. A 1993 Oklahoma State University study concluded that persons with annual incomes between \$6,500 and \$13,359 pay about 14% of their annual income for auto insurance, about seven times the national average of 2% of income.¹² It has also been proposed that premiums are lower if insurance is non-compulsory because companies will insure fewer "at-risk" motorists; such motorists tend to have more accidents, increasing the companies' losses and claims processing costs. Additionally, as auto insurance would not be mandatory, the state would no longer need to fund the activities of the Bureau of Financial Responsibility within DHSMV in detecting and sanctioning uninsured motorists. Eliminating these activities would potentially reduce the Bureau's expenditures by approximately \$1.1 million a year.¹³

**Uninsured Motorists Could
Increase Costs for Other
Drivers and the State**

The disadvantage of this option is that motorists who want protection from financial risk would need to purchase additional insurance. Motorists would need to buy bodily injury and property damage liability, personal injury

¹¹ These six states are Alabama, Iowa, Mississippi, New Hampshire, Tennessee, and Wisconsin.

¹² The auto insurance examined in this study was compulsory BIL/PDL. Because the PIP/PDL combination required in Florida generally costs less than full liability insurance, the percentage of income used for auto insurance is likely lower in Florida.

¹³ Currently, the Bureau spends about \$2.2 million a year to administer Florida's "financial responsibility" and "no-fault" laws. The six states that have non-compulsory insurance have programs that monitor motorists' financial responsibility compliance after traffic accidents and court convictions, and suspension/revocation of driver licenses and vehicle registration plates. We assumed that the Bureau could accomplish these activities with half its current resources.

protection, and uninsured motorist coverages, as there would be little guarantee that at-fault drivers would have the insurance or resources needed to cover the damages they cause in accidents. Motorists who do not buy enough insurance coverage could face out-of-pocket costs for injuries and/or property damages they suffer in accidents. Additionally, because uninsured at-fault drivers may not have the money to pay for medical treatment of their accident injuries, state programs such as Medicaid could be forced to pay these costs. Data are not available to determine the extent of this cost-shifting that occurs in the states that do not have compulsory insurance requirements.

Uninsured Motorist Vehicle Fee. Under this option, motorists could elect not to carry vehicle insurance if they paid a fee that would be used to subsidize uninsured motorist coverage for other, insured drivers. This option is used in the state of Virginia. In that state, motorists who do not wish to buy insurance must pay an annual \$400 registration fee in order to obtain a license plate. The state then distributes the fees on a prorated basis to companies that sell vehicle liability insurance policies in Virginia; the companies use these funds to reduce the overall costs of uninsured motorist insurance coverage.

**Uninsured Motorist Fee
Option Could Share Costs
Among Drivers**

The advantage of this option is that it eliminates the burden of buying insurance for some drivers, as long as they can pay the additional annual vehicle registration fee. It also requires such persons to "pay their way" by subsidizing the financial protection of other drivers. This subsidy can substantially reduce the cost of uninsured motorist insurance. Florida motorists paid \$567 million in premiums for uninsured motorist coverage during calendar year 1994. A Virginia official reported that the average premium for uninsured motorist coverage was about \$35 per vehicle compared to the average \$136 annual premium in Florida. The option may also encourage compliance, as persons have the option of purchasing insurance or paying a single fee to be financially responsible and legally operate their vehicles.

**Option Would Not Produce
State Cost Savings**

The disadvantage of this option is that it would not produce cost savings for the state. The DHSMV or the Department

of Insurance would need to administer distribution of the insurance subsidy pool. DHSMV would need to monitor compliance to ensure that motorists either paid the uninsured motorist fee or obtained vehicle insurance. Also, the state could continue to have to assume the medical treatment costs of some uninsured drivers who were injured in accidents and did not have private medical insurance.

Pay-at-the-Pump. Under this option, all motorists would pay for uninsured motorist coverage through a fee added to fuel prices. This option has been proposed in literature but has not been adopted by any state. The revenue from this fee would be distributed to insurance companies on a prorated basis according to the number of vehicle liability insurance policies they sell in the state. The companies would use these funds to provide "free" uninsured motorist coverage to their policyholders. Another variation of pay-at-the-pump would provide universal vehicle insurance to all motorists. Under this variation, persons would pay an additional fuel tax and high-risk drivers would pay increased registration and driver's license fees. In return, all motorists would be provided a minimum level of PIP and no-fault collision coverage. Persons wishing additional coverage could purchase it individually from companies. Insurance companies would provide insurance to blocks of registered vehicles which they would bid for, establishing price competition among companies.

**Pay-at-the-Pump Option
Could Reduce Costs and
Increase Compliance**

The potential advantages of the pay-at-the-pump options are that all motorists would share the cost of auto insurance, and under the universal plan, no registered vehicle could be uninsured. Proponents of these options assert that the average cost of insurance coverage would be reduced because all drivers would share this burden and administrative costs would be reduced because insurance agents would be largely unneeded when persons do not have to make individual insurance purchases. Proponents also assert that this could produce savings of up to 50% for average drivers.

**Option Would Increase
Fuel Costs and
Could Be Unpopular**

A potential disadvantage of these options is that motorists who buy large amounts of fuel (e.g., motor carriers and fleet operators) could face higher net operating costs even

after their insurance savings were considered, if the system were not designed to reduce their overall costs through registration or licensure fees. This could place them at a competitive disadvantage with firms operating in other states that do not use a pay-at-the-pump system. Additionally, Florida residents would have a financial incentive to buy fuel in neighboring states (Georgia and Alabama) to avoid paying the higher price for Florida fuel. This could cause hardships for Florida retailers who sell fuel in counties along the borders with other states. Proponents of the subsidized uninsured motorist coverage option in other states estimate a 1-2¢ increase in fuel costs, while those suggesting the universal full coverage option estimate a 40¢ increase in prices per gallon. The pay-at-the-pump options would produce varying cost savings for the state. If all motorists were insured under a universal true no-fault system then the Bureau's activities could be eliminated, thus saving about \$2.2 million annually; however, significant changes would need to be made in registration, licensure, and fee distribution processes that could incur redesign costs. If the pay-at-the-pump option that would reduce the insured motorists' liability premium were adopted with no change in the compulsory insurance requirements, then the Bureau's efforts to monitor and enforce PIP/PDL requirements would still be needed. Finally, a wholesale change such as a universal coverage pay-at-the-pump system may be initially unpopular with the public and with the insurance industry and thus be politically difficult to implement.

Summary

In summary, these options provide some unique approaches for handling the issue of uninsured motorists, but they may not be economically desirable or politically feasible to adopt in Florida. Motorists desiring protection from financial risk would need to carry more insurance under the non-compulsory insurance option. While the uninsured motorist fee implemented in Virginia would subsidize the financial protection of other motorists, it probably would not produce cost savings for the state. Pay-at-the-pump options require everyone to contribute to the cost of auto insurance, but the system design would be complicated and difficult to implement. Our overall conclusions and recommendations are found in Chapter III.

CHAPTER III **Conclusions and Recommendations**

Florida's system for enforcing its vehicle insurance laws attempts to curb the incidence of uninsured motorists through education, prevention, monitoring, and sanctioning efforts. The DHSMV offers information to drivers so that they understand their insurance obligations, and tries to prevent persons from driving uninsured by requiring proof of insurance at the time of vehicle registration. Law enforcement agencies check on the insurance status of vehicles on the road, and the Bureau of Financial Responsibility monitors insurance status for the life of a vehicle's registration.

Although Florida's enforcement system is fairly comprehensive, we noted five weaknesses: (1) DHSMV initiates cases against a large number of drivers who are already insured; (2) DHSMV does not use information it receives through its monitoring efforts to correct its databases, which can result in multiple enforcement cases being initiated on already insured persons; (3) lengthy time periods can elapse between motorists becoming uninsured and DHSMV taking enforcement actions; (4) DHSMV does not monitor some vehicle registrants who have a high risk of being uninsured; and (5) many motorists continue to drive after their licenses and registrations have been suspended. While the number of uninsured motorists on Florida highways is uncertain, estimates range from 15% to 27%.

If the Legislature chooses to maintain Florida's current system to enforce insurance requirements, several improvements to the system should be made. Specifically, we recommend that the Legislature:

- Consider eliminating the option of using affidavits as proof of insurance and either eliminate the option of using insurance binders or provide that these binders must be non-cancelable for a period of time, such as

90 days. This would help prevent uninsured persons from registering vehicles with fraudulent insurance proof or canceling insurance binders after obtaining vehicle registrations. This change would make registration less convenient but would likely reduce the number of persons registering without being insured.

- Alternately, the Legislature could elect to retain affidavits and binders as insurance proof, but require DHSMV to monitor all persons who use affidavits and binders to register vehicles in order to ensure that these persons actually have insurance. The Bureau should phase in this workload increase and monitor its impact to determine how many more cases it can handle effectively.
- Amend s. 627.734(9)(a), F.S., to require all insurance companies to report all types of policy changes on a bi-weekly basis, rather than on a 30- to 45-day schedule. This will reduce the amount of time between loss of insurance coverage and suspension enforcement action.

If the Legislature chooses to consider methods other than the current system for controlling the impact of uninsured motorists, we recommend that it:

- Consider the policy alternatives of making vehicle insurance non-compulsory, creating a fee that persons must pay if they wish to be uninsured, or adopting a pay-at-the-pump system. These options have potential advantages and drawbacks that should be considered.

To improve the current system, we also recommend that the Department:

- Continue to work with insurance companies to obtain more accurate and timely submission of data on policyholders. This will improve the Department's ability to use this information to detect uninsured motorists.

-
- Monitor the timeliness of insurance company reporting to identify companies that do not report as required, and request enforcement action by the Department of Insurance when necessary.
 - Develop a method for the insurance information that companies provide in financial responsibility cases to be added to the insurance database, so that the Department's information base is improved as a result of the Bureau's case processing actions.
 - Send compliance notices to persons who appear to be uninsured if new policies are not reported by companies within 14 days (instead of the current 30-day time period).

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Appendix A Compulsory Insurance by State

Types of Compulsory Insurance and Minimum Limits

State	Bodily Injury Liability Per Person/Per Accident	Property Damage Liability	Personal Injury Protection	Uninsured Motorist
<i>Florida</i>	---	10,000	10,000	---
Alabama ¹	---	---	---	---
Alaska	50,000/100,000	25,000	---	---
Arizona	15,000/30,000	10,000	---	---
Arkansas	25,000/50,000	15,000	---	---
California	15,000/30,000	5,000	---	---
Colorado	25,000/50,000	15,000	50,000	25,000/50,000 ³
Connecticut	20,000/40,000	10,000	---	20,000/40,000 ⁵
Delaware	15,000/30,000	10,000	15,000/30,000 ²	---
District of Columbia	25,000/50,000	10,000	---	25,000/50,000/5,000 ⁶
Georgia	15,000/30,000	10,000	---	---
Hawaii	25,000/Unlimited	10,000	20,000	---
Idaho	25,000/50,000	15,000	---	---
Illinois	20,000/40,000	15,000	---	20,000/40,000 ⁵
Indiana	25,000/50,000	25,000	---	---
Iowa ¹	---	---	---	---
Kansas	25,000/50,000	10,000	4,500	25,000
Kentucky	25,000/50,000	10,000	10,000 ³	25,000/50,000 ³
Louisiana	10,000/20,000	10,000	---	---
Maine	20,000/40,000	10,000	---	20,000/40,000 ⁵
Maryland	20,000/40,000	10,000	---	20,000/40,000 ⁵
Massachusetts	20,000/40,000	5,000	8,000	20,000/40,000 ⁵
Michigan	20,000/40,000	10,000	--- ⁴	---
Minnesota	30,000/60,000	10,000	20,000	25,000/50,000 ⁵
Mississippi ¹	---	---	---	---
Missouri	25,000/50,000	10,000	---	---
Montana	25,000/50,000	10,000	---	---

Types of Compulsory Insurance and Minimum Limits

State	Bodily Injury Liability Per Person/Per Accident	Property Damage Liability	Personal Injury Protection	Uninsured Motorist
Nebraska	25,000/50,000	25,000	---	---
Nevada	15,000/30,000	10,000	---	---
New Hampshire ¹	---	---	---	---
New Jersey	15,000/30,000	5,000	250,000	---
New Mexico	25,000/50,000	10,000	---	---
New York	10,000/20,000	5,000	--- ⁴	10,000/20,000 ⁵
North Carolina	25,000/50,000	15,000	---	---
North Dakota	25,000/50,000	25,000	30,000	25,000/50,000 ⁵
Ohio	12,500/25,000	7,500	---	---
Oklahoma	10,000/20,000	10,000	---	---
Oregon	25,000/50,000	10,000	10,000	25,000/50,000 ⁵
Pennsylvania	15,000/30,000	5,000	---	---
Rhode Island	25,000/50,000	25,000	---	---
South Carolina	15,000/30,000	5,000	---	---
South Dakota	25,000/50,000	25,000	---	25,000/50,000
Tennessee ¹	---	---	---	---
Texas	20,000/40,000	15,000	---	---
Utah	25,000/50,000	15,000	---	50,000
Vermont	20,000/40,000	10,000	---	10,000
Virginia	25,000/50,000	20,000	---	--- ⁷
Washington	25,000/50,000	10,000	---	---
West Virginia	20,000/40,000	10,000	---	20,000/40,000 ⁵
Wisconsin ¹	---	---	---	---
Wyoming	25,000/50,000	20,000	---	---

¹ These states do not have compulsory insurance requirements. They are non-compulsory insurance states.

² The first number represents "first person" and the second number represents "second person."

³ Motorist must carry unless he/she rejects it in writing to the insurance company.

⁴ Part of the basic minimum required insurance (e.g., BIL and PDL).

⁵ The first number represents "per person" and the second number represents "per accident."

⁶ The first number represents "bodily injury per person," the second number represents "bodily injury per accident," and the third number represents "property damage per accident."

⁷ Motorists may declare their vehicles uninsured and pay an Uninsured Motorist Fee of \$400; this does not include any insurance coverage.

Source: Office of Program Policy Analysis and Government Accountability survey of other states.

Appendix B

Uninsured Motorist Identification Efforts of the States

As of June 1995

Steps Government Takes to Identify Uninsured Motorists

State	Requires Motorist to Have Proof of Insurance			Reviews Accident Reports for UM Drivers	Reviews Judgements, Convictions Rendered by Courts	Requires Insurance Companies to Verify Insurance Coverage ¹	None
	At Registration	At Time of Accident	At All Times Driving Vehicle				
<i>Florida</i>	X	X	X	X	X	<i>Full</i>	
Alabama	---	---	---	---	---	---	X
Alaska	---	---	---	X	X	Partial	
Arizona	---	X	X	---	X	Full	
Arkansas	X	---	X	---	X	Partial	
California	---	X	---	---	X	Partial	
Colorado	---	X	X	X	X	---	
Connecticut	X	X	X	---	X	Partial	
Delaware	X	X	X	---	X	Partial	
District of Columbia	X	X	X	X	X	Full	
Georgia	X	X	X	---	X	Partial	
Hawaii	---	X	---	---	---	Partial	
Idaho	---	X	X	---	X	---	
Illinois	---	X	X	X	X	Partial	
Indiana	X	X	---	---	---	---	
Iowa	---	X	---	X	X	---	
Kansas	X	X	X	X	---	---	
Kentucky	---	X	X	X	---	---	
Louisiana	---	X	X	---	---	Full	
Maine	X	X	---	X	---	Partial	
Maryland	---	X	---	---	---	Partial	
Massachusetts	X	---	---	---	---	Full	
Michigan	X	X	X	---	---	---	
Minnesota	X	X	X	X	X	Partial	
Mississippi	---	X	---	---	---	Partial	
Missouri	---	X	X	X	---	---	
Montana	---	X	X	---	X	---	

Steps Government Takes to Identify Uninsured Motorists

State	Requires Motorist to Have Proof of Insurance			Reviews Accident Reports for UM Drivers	Reviews Judgements, Convictions Rendered by Courts	Requires Insurance Companies to Verify Insurance Coverage ¹	None
	At Registration	At Time of Accident	At All Times Driving Vehicle				
Nebraska	X	X	X	X	X	---	
Nevada	X	X	X	X	X	Full	
New Hampshire	---	---	---	X	---	---	
New Jersey	X	X	X	X	X	Full	
New Mexico	X	X	X	X	X	---	
New York	X	X	X	X	X	---	
North Carolina	X	---	---	X	X	---	
North Dakota	X	X	---	X	---	---	
Ohio	---	X	X	X	X	---	
Oklahoma	X	X	X	X	X	Partial	
Oregon	X	X	X	X	X	Partial	
Pennsylvania	X	X	X	X	X	Full	
Rhode Island	X	X	X	X	X	---	
South Carolina	---	X	---	X	X	---	
South Dakota	---	X	---	---	X	---	
Tennessee	---	X	---	X	X	---	
Texas	X	X	X	X	X	---	
Utah	X	X	X	X	---	---	
Vermont	---	X	X	X	X	Partial	
Virginia	---	---	X	---	---	Partial	
Washington	---	X	X	X	---	---	
West Virginia	X	X	X	X	X	Partial	
Wisconsin	---	X	---	X	X	Partial	
Wyoming	X	X	X	X	X	---	
TOTALS ²	27	44	34	33	34	Full = 8 Partial = 18	1

¹ **Full** = complete status report on all motorist insurance policyholders (every new, renewed, non-renewed, and canceled policy).

Partial = status report on a sample of policyholders, policyholders in accidents only, or other partial reports.

² Include Florida and the District of Columbia.

Source: Office of Program Policy Analysis and Government Accountability survey of other states.

Appendix C
Uninsured Motorist Enforcement Efforts of the States
As of June 1995

State	Penalty/Sanction for Noncompliance					
	Suspend/Revoke License and/or Vehicle Registration	License or Vehicle Registration Reinstatement Fee	Assess Other Fines	Assess Jail Time	Seize Vehicle License Plates	None
<i>Florida</i>	X	X	X	X	X	
Alabama	---	---	---	---	---	X
Alaska	X	X	---	---	---	
Arizona	X	X	---	---	---	
Arkansas	X	---	X	X	X	
California	X	X	---	---	---	
Colorado	X	X	X	---	---	
Connecticut	X	X	X	---	X	
Delaware	X	X	---	---	X	
District of Columbia	X	X	X	X	---	
Georgia	X	X	---	X	---	
Hawaii	X	---	X	X	X	
Idaho	X	X	X	---	---	
Illinois	X	X	X	---	---	
Indiana	X	X	X	---	---	
Iowa	X	X	---	---	---	
Kansas	X	X	X	---	X	
Kentucky	X	X	---	---	---	
Louisiana	X	X	---	---	X	
Maine	X	X	X	---	X	
Maryland	X	X	X	---	---	
Massachusetts	X	---	X	X	X	
Michigan	X	X	X	X	---	
Minnesota	X	X	---	---	X	
Mississippi	X	X	---	---	X	
Missouri	X	X	X	---	X	
Montana	X	---	---	X	X	

Penalty/Sanction for Noncompliance

State	Suspend/Revoke License and/or Vehicle Registration	License or Vehicle Registration Reinstatement Fee	Assess Other Fines	Assess Jail Time	Seize Vehicle License Plates	None
Nebraska	X	X	X	X	X	
Nevada	X	X	X	---	X	
New Hampshire	---	---	---	---	---	X
New Jersey	X	X	X	X	---	
New Mexico	---	---	X	---	X	
New York	X	X	X	---	---	
North Carolina	X	X	X	---	X	
North Dakota	X	X	X	X	X	
Ohio	X	X	X	X	X	
Oklahoma	X	X	X	X	X	
Oregon	X	X	---	---	X	
Pennsylvania	X	X	X	---	X	
Rhode Island	X	X	X	---	X	
South Carolina	X	X	X	---	X	
South Dakota	X	X	---	---	X	
Tennessee	X	X	X	---	X	
Texas	X	X	X	---	X	
Utah	X	X	X	---	---	
Vermont	---	---	X	---	---	
Virginia	X	X	X	---	---	
Washington	X	X	X	---	---	
West Virginia	X	X	X	---	X	
Wisconsin	X	X	---	---	---	
Wyoming	X	X	---	---	---	
TOTALS¹	47	43	34	13	28	2

¹ Include Florida and the District of Columbia.

Source: Office of Program Policy Analysis and Government Accountability survey of other states.

Appendix B

Response From the Department of Highway Safety and Motor Vehicles

In accordance with the provisions of s. 11.45(7)(d), F.S., a list of preliminary and tentative review findings was submitted to the Executive Director of the Department of Highway Safety and Motor Vehicles for his review and response.

The Executive Director's written response is reprinted herein beginning on page 37.

DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES

December 8, 1995

Mr. James L. Carpenter
Interim Director
Office of Program Policy and
Government Accountability
111 West Madison Street
Room 312
Tallahassee, Florida 32302

Dear Mr. Carpenter:

Enclosed is a copy of this agency's response to the preliminary and tentative audit findings of your audit of the Uninsured Motorist Program administered by the Department of Highway Safety and Motor Vehicles.

If you need additional information, please contact me.

Sincerely,

Fred O. Dickinson, III
Executive Director

FOD/gc
Attachment

Preliminary and Tentative Findings
Uninsured Motorist Program administered
by the Department of Highway Safety and Motor Vehicles

As pointed out by the auditors the State has a very good financial responsibility program when compared to other states. However, the Department has been aware and has been working on solutions for the weaknesses in the system identified in this report. A plan to address these weaknesses has been developed and is in the process of implementation.

The Department recognized that the accuracy of the insurance database is the key to increased efficiency and effectiveness. Further, the inaccuracy of the database causes the Department to needlessly contact citizens who have the required insurance coverage. This audit report listed some reasons why the database is inaccurate. A substantial factor is the absence of a method to periodically verify the insurance companies book of business as maintained by the Department. We believe it impractical to expect any organization to operate without making an omission or error. Therefore, the first phase of our solution is to develop and implement a process which allows the insurance companies to periodically verify their book of business maintained by the Department. This process will be repeated on a two or three year cycle, allowing insurance companies to periodically balance their book of business to that maintained by the Department.

The second phase of the solution is for the insurance companies to report the verification of insurance coverage via magnetic tape and to treat this verification as an update to the insurance database. This process of updating the insurance database is made possible by the fact that the record submitted by the insurance company for those individuals having coverage will be in the correct format for addition to the insurance database and will retain its integrity as a filing of the insurance company.

We are of the opinion that the affidavit and insurance binder will continue to be part of the registration process because automobiles will continue to be purchased and registered prior to the issuance of an insurance policy and because the use of the affidavit allows the renewal of a registration by mail.

Thus, the third and final phase of the plan is to give notice to the owner of the vehicle which is not insured on the insurance data base that if the insurance information provided at the time of registration is not verified by the insurance company, then the driver license of the owner and the registration of the vehicle will be suspended as of the date of registration.

Preliminary and Tentative Findings
Uninsured Motorist Program administered
by the Department of Highway Safety and Motor Vehicles

This plan seem simple, however the plan requires the use of scarce resources of the Department and insurance companies and the willing participation of the insurance companies. The Department has been working with four major companies in the State to develop the requirements of the system. The Department will continue to work with the insurance companies to achieve voluntary participation; however, at some point it may become necessary to seek legislative assistance.