



# INSURANCE VERIFICATION

**Annual Report — Fiscal Year 2008**

# Preface



To protect all Virginia motorists, the Virginia Department of Motor Vehicles (DMV) administers the Insurance Verification Program to identify owners of uninsured vehicles. To achieve this, Virginia uses technology, a solid electronic relationship with the insurance industry, and strong financial responsibility and uninsured motorist laws. This report provides a summary of DMV's insurance verification activities during fiscal year 2008.

Partnering with the insurance industry, DMV uses the Electronic Motor Vehicle Liability Insurance Reporting process to verify the insurance on millions of registered vehicles. Our experience shows that this process:

- ▶ encourages owners of registered motor vehicles to obtain and maintain automobile insurance
- ▶ identifies uninsured motor vehicles prior to involvement in crashes
- ▶ reduces paperwork associated with insurance verification which helps the insurance industry, DMV, and the citizen
- ▶ is minimally intrusive since only those owners who are suspected of being uninsured are sent notices requesting insurance information

This process, combined with DMV's Suspected Uninsured Crash Report, the Law Enforcement Notification, and the Citizen Information/Police Crash Report, creates a highly effective insurance verification program.

Sincerely,

A handwritten signature in dark ink, appearing to read "D. B. Smit". The signature is written in a cursive, flowing style.

D. B. Smit

Commissioner  
Virginia Department of Motor Vehicles

# Executive Summary

## Insurance Verification Activities - July 1, 2007 - June 30, 2008

As of June 30, 2008, a total of 7,692,731 vehicles were registered in Virginia. This is a 1% increase over the 7,655,838 vehicles registered as of June 30, 2007.

Insurance companies electronically reported approximately 8.5 million updates of insurance cancellations, reinstatements, new policies and vehicle additions.

- ▶ 241,029 vehicle owners were issued notices that resulted in 39,698 orders of suspension. The average overall net order rate for DMV's Insurance Verification Process was 16%. The net order rate for each insurance verification process:

Electronic Motor Vehicle Liability Insurance Reporting	16%
Suspected Uninsured Crash Report	47%
Law Enforcement Notification	64%
Citizen Information/Police Crash Reports	56%

- ▶ 3,162 motorists voluntarily paid the uninsured motor vehicle fee at the time of registration.
- ▶ 37,070 paid statutory fees after being issued orders of suspension.
- ▶ 343,150 certificates of insurance were filed.
- ▶ \$18,577,191 in gross revenue was collected.
- ▶ \$11,846,600 was DMV's appropriation from the gross revenue collected.
- ▶ \$6,730,591 in revenues (Uninsured Motorists Fund) was available for transfer to the State Corporation Commission, a decrease of \$372,193 from FY 07.

# Introduction

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

Four activities comprise the Commonwealth's verification program:

- ▶ Electronic Motor Vehicle Liability Insurance Reporting
- ▶ Suspected Uninsured Crash Reports
- ▶ Law Enforcement Notification
- ▶ Citizen Information/Police Crash Reports

Within each verification activity, DMV makes every effort to obtain the correct insurance information from owners prior to taking action to suspend the owners' driving and registration privileges. If an owner responds with incomplete or inaccurate data, a written notice is returned to the owner requesting correct or additional information.

Once DMV receives insurance information from the owner, the information is verified with the insurance company named by the owner. If the specified company denies vehicle coverage, DMV requests the owner to provide correct insurance information and/or to resolve the problem with the insurance company. An order of suspension for driving and registration privileges is issued only if the owner fails to respond, is found not to have insurance, or admits to not having liability insurance coverage.

To reinstate driving and registration privileges, the owner must pay a \$500 penalty and file proof of



financial responsibility, a certificate of insurance (SR-22), for a period of three years. Insurance companies notify DMV if coverage is canceled during this period. If canceled, DMV will issue an order of suspension for failure to maintain the certificate.

Customers are given the opportunity to comply with Virginia's financial responsibility laws before a penalty is imposed. Customers are given additional time to either reinsure their vehicle, pay the UMV fee in lieu of insurance or to surrender to DMV the valid license plates assigned to the uninsured vehicle. Customers who fail to respond will have their driving and registration privileges suspended.

# Virginia Insurance Verification Program

## Summary of Program Activities

The cornerstone of all verification activities is the **Electronic Motor Vehicle Liability Insurance Reporting** process. This is essentially a three-step process activated by a citizen's own action(s): registering a vehicle and certifying to DMV that the vehicle is insured or by canceling liability insurance.

DMV verifies insurance coverage using the monthly updates generated from insurance companies. The automated system requires insurance companies to send electronic updates of insurance information and vehicle descriptions to DMV when vehicle owners:

- ▶ cancel and reinstate liability insurance for vehicles registered in Virginia,
- ▶ add liability insurance to an existing policy for newly registered vehicles, or
- ▶ issue a new motor vehicle liability insurance policy for vehicles registered or subject to registration in Virginia.

DMV electronically compares these updates with motor vehicle registration records from its customers' files to identify vehicles that may be uninsured. Insurance companies transmitted approximately 8.5 million updates this past year through the program. However, this process is transparent to the citizen.

Notices are generated after 90 days to owners who do not have a new registration or policy cancellation paired with a liability insurance update. Vehicle owners identified as not having an insurance update on file are sent a notice from DMV requesting insurance information. In FY 08, of the approximately 8.5 million vehicle records monitored, only 238,464 (2.8%) owners were sent notices to request insurance coverage information. If the owner failed to respond or was found to have no insurance, an order of suspension was issued. Of the 238,464 notices sent, 38,175 (16%) resulted in orders of suspension.

Another verification activity is the **Suspected Uninsured Crash Report** process. This process allows a citizen and/or a representative to voluntarily file a crash report with DMV and, as a part of the report, to indicate that there is reason to believe the other party involved in the crash was uninsured. This is a process in which a request for insurance information is sent to the citizen specified in the report. If the citizen fails to respond or is found to have no insurance, an order of suspension is issued. During FY 08, 47% of the 875 notices issued resulted in orders of suspension.

A third verification activity, the **Law Enforcement Notification** process, is initiated when police officers require citizens to provide insurance information to DMV. Usually, citizens are asked for this information at a roadside spot check or if there is probable cause for a moving traffic violation. DMV issues an order of suspension to citizens who are found uninsured. In addition to the Virginia State Police, a total of 109 localities cooperate with DMV. At the end of FY 08, 64% of the 1,178 notices issued through this process resulted in orders of suspension.

The **Citizen Information/Police Crash Report** process is the final verification activity. It utilizes police crash reports and citizen-initiated documentation to identify potentially uninsured vehicles. Although two distinct processes encompass this activity, third party informants are used in both to collect information on suspected uninsured vehicles. DMV personnel review the crash reports and citizen documentation for vehicle liability insurance. It is then determined if there is a need to issue a request for insurance information. If information is requested and the citizen fails to respond or is found to have no insurance, an order of suspension is issued which initiates the compliance process. For FY 08, approximately 56% of the 412 notices sent requesting insurance information resulted in orders of suspension.

# Virginia Insurance Verification Program (continued)

## Penalties Imposed

Persons found in violation of Virginia's motor vehicle insurance laws must comply with established penalties. They must comply with the terms of an order of suspension or their driving and registration privileges will be suspended. Compliance includes the payment of a \$500 penalty fee and filing proof of insurance, a certificate of insurance (SR-22), for three years. During FY 08, 37,070 uninsured motorists paid the penalty fee after being detected through the Virginia Insurance Verification Program. The number of orders of suspension issued during FY 08 totaled 39,698. The requirement to file proof of insurance enables DMV to ensure that these individuals do, in fact, maintain liability insurance.

## Revenue Disposition

Gross revenue collections from the Uninsured Motor Vehicle (UMV) and penalty fees comprise the Uninsured Motorists Fund and totaled \$18,577,191 for FY 08. DMV's appropriation from the gross revenue collected was \$11,846,600. The net funds available for transfer to the State Corporation Commission (SCC) were \$6,730,591. The SCC distributes moneys annually from the Fund among the insurance companies writing motor vehicle bodily injury and property damage liability insurance on motor vehicles registered in Virginia. Insurance companies receive these funds in the same proportion as the number of motor vehicles that they insure. (Virginia requires uninsured motorist coverage in all motor vehicle liability policies.) Funds distributed by the SCC are used to help offset the cost of the uninsured motorist coverage required for all liability insurance policies written in Virginia.

This publication is available on the DMV website at

*www.dmvNow.com*



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FR 3 (October 2008)  
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