

Report To

The Mississippi Legislature



A Review of Issues Related to Compulsory Automobile Liability Insurance

September 7, 1993

PEER addressed three issues related to compulsory automobile liability insurance:

- *Can it be determined by empirical data whether compulsory liability insurance causes insurance premiums to increase?* Little evidence exists to show that compulsory liability insurance drives rates up.
- *Does compulsory liability insurance necessitate the creation of a large enforcement bureaucracy?* Imposition of compulsory liability insurance does not require the creation of an expensive enforcement mechanism.
- *What impact does compulsory insurance have on drivers in low socioeconomic groups?* Persons who live at or near the poverty line must pay a high percentage of their incomes to acquire insurance.

The problems suggested by the three questions, therefore, do not constitute a sound basis for opposing compulsory liability insurance. Furthermore, Mississippi requires drivers to be financially responsible and to show either proof of insurance or post bond if they inflict damages on another as a result of careless driving. All drivers, regardless of income and resources, are legally responsible to make restitution to those they injure.

The PEER Committee

PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A standing joint committee, the PEER Committee is composed of five members of the House of Representatives appointed by the Speaker and five members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of three Representatives and three Senators voting in the affirmative.

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**A Review of Issues Related to Compulsory
Automobile Liability Insurance**

September 7, 1993

**The PEER Committee
Mississippi Legislature**

The Mississippi Legislature
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PEER Committee



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September 7, 1993

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At its meeting of September 7, 1993, the PEER Committee authorized release of the report entitled **A Review of Issues Related to Compulsory Automobile Liability Insurance.**



Representative Cecil McCrory, Chairman

**This report does not recommend increased
funding or additional staff.**

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A Review of Issues Related to Compulsory Automobile Liability Insurance

September 7, 1993

Executive Summary

PEER addressed three issues related to compulsory automobile liability insurance:

- Can it be determined by empirical data whether compulsory liability insurance causes insurance premiums to increase?
- Does compulsory liability insurance necessitate the creation of a large enforcement bureaucracy?
- What impact does compulsory insurance have on drivers in low socio-economic groups?

While many argue that compulsory liability insurance causes rates to increase, the process of rate setting is extremely complex. Driver attributes, rather than a compulsory insurance law, have a greater impact on the rates each person will pay. There is some evidence that drivers with no prior insurance history may have to pay rates higher than drivers with an established insurance history.

As to the enforcement bureaucracy, the type of enforcement method selected will determine the required size of an enforcement bureaucracy. Legal requirements which make it mandatory for a driver to carry proof of insurance would not necessarily require the creation of a large enforcement bureaucracy.

The information that is available on the subject of compulsory insurance's impact on persons in lower socio-economic groups shows that persons in these groups must pay a higher percentage of their annual income for insurance than more affluent drivers. While this may place a burden on such persons, current state law, which makes all drivers financially responsible for any vehicular damages they inflict, already requires these drivers to be financially responsible. Compulsory liability insurance simply assures that such drivers will be able to compensate persons whom they may injure while driving.

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A Review of Issues Related to Compulsory Automobile Liability Insurance

Introduction

Authority

The PEER Committee reviewed issues relative to requiring compulsory automobile liability insurance in Mississippi. MISS. CODE ANN. Section 5-3-37 (1972) authorizes the PEER Committee to perform such reviews.

Scope

PEER addressed three questions relative to the enactment of a compulsory automobile liability insurance law:

- Can it be determined by empirical data whether compulsory liability insurance causes insurance premiums to increase?
- Does compulsory liability insurance necessitate the creation of a large enforcement bureaucracy?
- What impact does compulsory insurance have on drivers in low socio-economic groups?

PEER also reviewed these matters with respect to no-fault insurance.

Method

In preparing this report, PEER:

- reviewed literature prepared by the All-Industry Advisory Council, The RAND Corporation, the Maryland Legislative Reference Bureau, and the National Association of Insurance Commissioners;
- contacted automobile insurance actuaries with the State Farm and Allstate insurance companies;
- reviewed information from the Texas Insurance Services Office; and,
- reviewed reports from the National Association of Independent Insurers.

Overview

PEER found no studies which could empirically establish that compulsory liability insurance causes the premiums of all drivers to increase. This is confirmed by discussions with actuaries with major insurers, and with independent organizations which review insurance premium data.

Administering a state compulsory liability insurance law does not necessarily give rise to a large public bureaucracy. Some forms of enforcement, such as requiring a driver to carry proof of insurance, would not generate enforcement costs.

According to at least one representative study, persons of lower socio-economic groups would pay a higher proportion of their annual income on auto liability insurance than more affluent persons. When required to purchase such insurance, low-income households must forgo or delay other necessary purchases such as major household items or health care.

Presently, forty-four jurisdictions in the United States have some form of compulsory insurance. These include twenty no-fault states, with the remainder having some form of traditional fault-based liability insurance. Tort liability states require that an injured party establish fault on the part of another driver in order to recover from the reckless or negligent driver's insurance. No-fault insurance allows recovery of damages without proof of fault through litigation. The latter form of auto insurance became increasingly popular in the 1970's as means of delivering benefits quickly to injured parties without the need for costly and time-consuming litigation.

The remaining states have what are commonly called financial responsibility laws. Mississippi is one such state. Under these laws, a driver is not required to have auto liability insurance but must be financially responsible for the damages that could be caused in an accident. MISS. CODE ANN. Section 63-15-1 et seq. requires drivers who have been in accidents in which more than \$250 in damages have occurred either to prove that they have liability insurance or post bonds to cover damages (see Section 63-15-9 and 11). The proof of insurance or security must be made to the Department of Public Safety within twenty days of the accident. The department will suspend licenses under Section 63-15-11 if neither proof of insurance or security is proven or made. An operator's license is suspended under authority of these provisions and will remain suspended until such security is posted (see Section 63-15-115). The Department of Public Safety determines such security (see Section 63-15-19). Evidence of insurance or security may not be introduced into evidence in any civil action (see Section 63-15-23). Failure to pay liquidated damage judgments is also grounds for suspension under Sections 63-15-25 through 29.

Compulsory Liability Insurance Issues

Arguments For Compulsory Liability Insurance

The arguments for compulsory liability insurance flow from traditional legal doctrines derived from the Law of Torts. Generally, a person is held financially responsible for the wrongs he commits which do injury to others. Because liability insurance is the only practical means by which most persons can compensate the persons they injure, then such insurance should be mandatory. Proponents of compulsory insurance further contend that without such insurance, persons must provide their own protection against those who would drive, injure, and not carry sufficient financial protection to remedy the injuries they cause. Such coverage carried by drivers to protect themselves from the uninsured is called uninsured motorist coverage (UM).

Arguments Against Compulsory Liability Insurance

Arguments against compulsory liability insurance include the following:

- *Compulsory insurance does not work.* Opponents contend that compulsory insurance laws do not take uninsured drivers off the road. Simply stated, opponents believe that persons purchase liability insurance to protect their assets from civil judgments. Persons without savings or property, commonly referred to as judgment-proof, have nothing to protect by buying insurance.
- *Compulsory laws are costly.* Opponents allege that to enforce compulsory laws properly, the state must expend considerable resources on enforcement.
- *Compulsory laws make insurance costly.* Opponents contend that by adding new insureds to the rolls of insurance companies, costs of administering insurance go up and claims also rise. This means higher costs to the persons who pay for their insurance.

Can It Be Determined from Empirical Data Whether Compulsory Liability Insurance Causes Premiums to Increase?

Literature prepared by opponents of compulsory liability insurance offers average premium data to suggest that states with compulsory insurance have higher insurance premiums than states which do not have compulsory insurance. As reported by a Mississippi House of Representatives Study Committee on Automobile Insurance in December 1988, the impact of a compulsory insurance law is difficult to determine and reliable data on such is not available.

This is borne out by a report produced by the National Association of State Insurance Commissioners, *State Average Expenditures and Premiums for Personal Automobile Insurance in 1991*. In advising the user on how to review the report, the compilers note that the premium data reported by the association is affected by many factors which include:

- rate structure,
- the types of coverages available,
- the deductibles and limits selected,
- the types of vehicles insured, and
- driver characteristics.

The rate structure, in turn, is determined by:

- the proportion of drivers in urban areas,
- the cost of living, wage and income levels,
- traffic conditions,
- medical costs,
- law enforcement, (whether compulsory laws are enforced, where in existence)
- road maintenance,
- vehicle theft and fraud,
- the legal system (tort or no-fault),
- premium taxes,
- auto repair costs,

- underwriting and loss adjustment costs, and
- socio-economic factors.

For these reasons, one cannot draw valid conclusions about compulsory liability rates from average premium data. *Consequently, these data may be of limited utility to those wishing to draw conclusions regarding the effect of the legal system, tort or no-fault, compulsory or non-compulsory, on premium costs.* The National Association of State Insurance Commissioners knew of no empirical study of the impact of compulsory laws on insurance costs. State Farm and Allstate insurance company actuaries knew of no such studies. Allstate did note that the passage of a compulsory liability insurance law would bring more new insured persons into the insurance market. Because these persons are riskier than persons with an insurance record, their premiums could be higher than those of other persons with established records with insurance companies.

The Texas Experience

When the subject of a change in compulsory liability law and its effect on premiums arose in Texas in 1991, the Texas Legislature changed the enforcement provisions of its compulsory law so as to make enforcement more stringent. In addition to carrying proof of insurance, drivers in Texas must show proof of insurance when registering automobiles, when obtaining a driver's license renewal or original issue, when having a vehicle inspected, and when buying an automobile. The effect of these changes was to bring more persons into the market for automobile liability insurance, as strict enforcement of the law could cause persons without insurance to lose their driving privileges.

Companies writing insurance in Texas were alarmed when the Legislature and the Texas Insurance Department made efforts to control the premium rates which previously uninsured drivers would have to pay. The controls included preventing insurers from charging persons with no prior insurance history different rates from other drivers. Some companies writing insurance in Texas, including Allstate and State Farm, asserted that claims history from other states showed that drivers with no prior record of insurance were poorer risks. Specifically, Allstate estimated that if persons with no prior history of insurance had to be insured at standard rates, the losses incurred for each premium dollar collected would be \$1.60. Opponents of the insurance industry questioned the validity of the insurance company information but did not show specifically how the insurance studies were invalid.

In April 1993, subsequent to Texas restricting insurance companies' authority to charge higher premiums to persons without prior insurance history, a Texas news story noted that the effect of barring insurance

companies from setting rates higher for persons with no experience has been to cause other insureds to subsidize the burgeoning assigned risk pool. The estimated subsidy is approximately \$40 for every two-car family.

Does Compulsory Insurance Necessitate the Creation of a Large Enforcement Bureaucracy?

PEER collected information regarding the enforcement of compulsory liability insurance. From this information it can be concluded the passage of a compulsory liability insurance law alone does not substantially affect the insurance purchasing behavior of drivers.

Methods of enforcing compulsory liability insurance vary from state to state. Some are as simple as a requirement that a driver carry current proof of insurance in the automobile at all times. Others require that proof of insurance be shown at license renewal, vehicle inspection and registrations, and vehicle purchase. Some states such as North Carolina require only self certification, but require that insurers notify the state whenever a policy is canceled. Upon cancellation, a driver can lose his driving privileges. For a list of the states and their enforcement methods, see Appendix, page 13.

Related to the subject of enforcement is the effectiveness of enforcement as a means of compelling drivers to become insured. A report entitled *Uninsured Motorists*, issued by the All-Industry Research Advisory Council, October 1989, addresses the question of how effective compulsory insurance laws are in getting and keeping previously uninsured drivers insured.

This report reviews the claims made under UM coverage, the prevalence of uninsured drivers in the states, and the impact of compulsory insurance on uninsured motorists in the states.

The study sets a ratio of UM claims to bodily injury (BI) claims to approximate the uninsured motorist accident problem in each state.

Example: If there are 10,000 registered vehicles in a state and 9,000 have UM and BI and 1,000 do not have either and the incidence of accidents in which BI claims arise is .05 for both, then there would be 450 claims against the insured drivers, and 50 involving uninsured drivers. If 90% of the accidents of the uninsured drivers were with insured drivers who had to make claims under their UM coverage, then there would be 45 such accidents. The ratio of UM claims to insured claims would be 45/450, or .10 of all accidents.

Based on the 1985 data reported in this report, Mississippi had a ratio of .220, the seventh highest in the nation.

Effects of Compulsory Liability Insurance

The All-Industry Research Advisory Council study evaluated eleven states which changed to compulsory insurance during the 1980's. In theory, if compulsory insurance affected driver behavior with respect to the acquisition of liability insurance, then the UM/BI ratio would diminish after compulsory insurance went into effect. Exhibit 1, page 12, contains the data from each state, with outlined grid boxes denoting the year compulsory liability insurance went into effect in that state. Only three states--Arizona, Nebraska, and West Virginia--showed substantial improvement in their UM/BI ratios after enacting a compulsory insurance requirement. Of these three states, Arizona and West Virginia have laws which required self-certification of insurance at the time this report was prepared. Nebraska had a requirement that insurance identification be carried.

What Impact Does Compulsory Insurance Have On Drivers In Low Socio-Economic Groups?

PEER reviewed information on the impact of compulsory liability insurance laws on members of lower socio-economic groups. The literature shows that such persons must spend a higher proportion of their incomes on insurance, and often must forgo or delay major purchases in order to pay automobile insurance premiums.

The National Association of Independent Insurers provided a grant to an Associate Professor of Sociology at Oklahoma State University to study the impact of compulsory liability insurance on certain residents of Maricopa County, Arizona. The report consisted of interviews with 400 residents from three groups. Group One consisted of persons with annual incomes of \$6,500 or less; Group Two consisted of persons with annual incomes of between \$6,500 and \$13,359, the national poverty level. Group Three consisted of persons with incomes between \$13,359 and \$26,718.

The study found that, of the persons in the three groups with auto insurance:

- Respondents in Group One (persons with an annual income of \$6,500 or less) paid 31.5% of their annual income on auto liability insurance. This is fifteen times the national average of 2% of the annual income spent for auto insurance.
- Respondents in Group Two (persons with an annual income of between \$6,500 and \$13,359), paid 14% of their annual income for auto liability insurance, seven times the national average.

- Respondents in Group Three (persons with an annual income of between \$13,359 and \$26,718), paid 7% of their annual income on auto liability insurance, three and one half times the national average.
- Over half of the respondents reported that they had to delay major purchases of household items such as food and health care in order to pay auto insurance premiums.
- Only 2.1% noted that they insured their first vehicle as a direct result of the new law. However, 7% however noted that they insured their second vehicle as a direct result of the new law.

Overall, 9.5% acknowledged that they did not have insurance for at least one vehicle owned. The surveyors believe that others would fall into this group, as some respondents would not wish to admit their failure to follow the law in an interview. All respondents noted that they would be willing to insure all vehicles if insurance cost less.

No-Fault Insurance

No-fault automobile insurance, first enacted by Massachusetts in 1971, provides an insured a source of payments for damages without regard to a showing of fault in a court of law.

Arguments For and Against No-Fault Insurance

Supporters contend that no-fault insurance would eliminate the problem of remedying the injuries of a person who, while at fault, was also injured. Additionally, such insurance could provide injured parties with insurance benefits faster than could traditional liability insurance, because no litigation is required to recover. No-fault could also reduce the uncertainty of recovery because attorney's fees are not a consideration, and could benefit the legal system in that the courts would not be overburdened with vehicular injury cases.

Opponents of no-fault insurance stress the importance of the common law concepts of negligence and fault. By imposing damages on at-fault drivers, the legal system provides a deterrent to socially detrimental behavior. Related to this is that the contingent fee system used by most plaintiffs' lawyers insures that meritorious claims are brought to the bar and result in recovery or settlement. Traditional at-fault systems also allow for pain and suffering recovery. An additional concern opponents raise is that no-fault could cause insurance costs to rise.

Effects of No-Fault Insurance

The states having no-fault insurance do not completely bar the filing of lawsuits. Some states have a monetary threshold for filing suits. If, for example, a person lived in a state which had a \$1,000 threshold, the insured could sue another party allegedly at fault if the injured party's damages exceeded \$1,000. Other states have what are called "verbal thresholds." "Verbal threshold" states allow for suits when certain injuries occur, but do not incorporate specific damage amounts over which the parties have a right to sue.

As to whether a no-fault liability insurance law would actually save consumers money would depend on whether the system is in-balance or out-of-balance. In an in-balance system, the savings generated by the bar on tort actions generate enough funds to pay the claims of all injured parties. In an out-of-balance system, the bar on tort litigation does not result in savings sufficient to cover the costs of paying claims to all injured persons.

In 1989, the Research Division of the Maryland Department of Legislative Reference studied savings in no-fault states. This study reviewed premiums in in-balance and out-of-balance states. In the three states with the pure in-balance no-fault, the Research Division's report compared the pure no-fault premium paid in each state to what the pure premium would have been if the state had traditional tort liability.

In Florida, Michigan and New York, the pure no-fault premium was lower than the premium would have been if the state had traditional liability insurance.

State	Projected Tort Premium, 1987	No-Fault Premium, 1987	% difference
Florida	\$187.32	\$157.45	-16%
Michigan	171.67	116.57	-32%
New York	198.48	138.12	-30%

These states have the so-called verbal threshold rather than a dollar amount threshold for litigation. In these states, the no-fault premium was lower than the projected tort premium.

In states with dollar thresholds of \$1,000 or more the breakdown is:

State	Projected Tort Premium, 1987	No-Fault Premium, 1987	% difference
Hawaii	\$141.49	\$147.82	4%
Minnesota	138.97	112.59	-19%
Utah	82.22	85.00	3%
Colorado	90.70	131.86	45%
North Dakota	66.11	49.81	-25%
Kentucky	93.96	75.06	-20%

In states with a threshold of less than \$1000, the comparisons were as follows:

State	Projected Tort Premium, 1987	No-Fault Premium, 1987	% difference
Georgia	\$ 91.32	\$107.24	17%
Kansas	74.90	58.87	-21%
Massachusetts	231.70	173.99	-25%
Connecticut	162.54	170.92	5%
New Jersey	183.59	226.77	24%

Thus, based on this information, states which are in-balance can offer a no-fault premium which is lower than a conventional tort premium. Those which are not in-balance are less likely to provide a lower premium. All states which use a verbal threshold are in-balance and provide a lower premium.

In reviewing the costs of no-fault insurance versus traditional liability insurance, the study further concludes that on average, traditional liability insurance premiums were \$26 less expensive than in-balance no-fault premiums. This may be offset somewhat by the fact that the study confirmed that claims are paid faster under no-fault and generally injured parties receive more in benefits from no-fault than from traditional liability insurance.

Because pure no-fault insurance is a form of compulsory liability insurance, the issues relative to enforcement and impact on persons in lower socio-economic groups are similar to those confronted in reviewing compulsory liability insurance.

Conclusions

The answers to the questions posed in the request show that:

- Little evidence exists to show that compulsory liability insurance drives rates up.
- Imposition of compulsory liability insurance does not require the creation of an expensive enforcement mechanism.
- Persons living at or near the poverty line must pay a high percentage of their incomes to acquire insurance.

Because Mississippi currently requires drivers to be financially responsible and such drivers must be able to show either proof of insurance or post bond if they inflict damages on another as a result of careless driving, all drivers, regardless of income and resources, are legally responsible to make restitution to those they injure. Because of this, the answers to the questions posed do not constitute components of a sound argument against the enactment of compulsory liability insurance.

Exhibit 1

Uninsured Motorist/Bodily Injury Ratios for Selected States 1976-1986

	1976		1977		1978		1979		1980		1981		1982		1983		1984		1985		1986	
	UM/BI	%+ or -	UM/BI	%+ or -	UM/BI	%+ or -	UM/BI	%+ or -	UM/BI	%+ or -	UM/BI	%+ or -	UM/BI	%+ or -	UM/BI	%+ or -	UM/BI	%+ or -	UM/BI	%+ or -	UM/BI	%+ or -
Arizona	.141	n/a	.174	23.4	.175	00.6	.180	02.9	.190	05.6	.182	-05.3	.163	-10.4	.109	-33.1	.118	08.3	.132	11.9	.134	01.5
California	.175	n/a	.191	09.1	.199	04.2	.216	08.5	.216	00.0	.210	02.8	.208	-01.0	.203	-02.4	.216	06.4	.233	07.9	.230	-01.3
Indiana	.096	n/a	.099	03.1	.105	-06.1	.103	01.9	.092	-10.7	.091	-01.1	.105	15.4	.091	-13.3	.079	-13.2	.088	11.4	.082	-06.8
Louisiana	.152	n/a	.157	03.3	.134	-14.7	.135	00.7	.154	14.1	.196	27.3	.176	-10.2	.181	02.8	.196	08.3	.198	01.0	.146	-26.3
Montana	.061	n/a	.084	37.7	.071	-15.5	.090	26.8	.065	-27.8	.071	09.2	.081	14.1	.095	17.3	.060	-36.8	.086	43.3	.079	-08.1
Nebraska	.068	n/a	.084	23.3	.071	-15.5	.067	-05.6	.086	28.4	.087	01.2	.091	04.6	.115	26.4	.108	-06.1	.074	-31.5	.061	-17.6
New Mexico	.189	n/a	.188	-00.5	.191	01.6	.252	31.9	.287	13.9	.223	-22.3	.233	04.5	.224	-03.9	.172	-23.3	.198	15.1	.210	06.1
Ohio	.112	n/a	.111	-00.9	.113	01.8	.129	14.2	.143	10.9	.137	04.2	.132	-03.7	.132	00.0	.113	-14.4	.117	03.5	.116	00.9
Oregon	.096	n/a	.111	15.6	.104	-06.3	.098	-05.8	.104	06.1	.128	23.1	.106	-17.2	.103	-02.8	.096	-06.8	.101	05.2	.112	10.9
Texas	.111	n/a	.108	-02.7	.103	-04.6	.098	-04.9	.085	-13.3	.141	65.9	.124	-12.1	.137	10.5	.124	09.5	.133	07.3	.125	06.0
W. Virginia	.077	n/a	.097	26.0	.119	22.7	.108	-09.2	.129	19.4	.131	01.6	.087	-33.6	.095	09.2	.048	-49.5	.075	56.3	.006	-20.0

NOTE: Outlined box denotes year compulsory liability insurance went into effect in that state.

SOURCE: Uninsured Motorists, All-Industry Research Advisory Council, 1989.

Appendix

**INSURANCE INDUSTRY COMMITTEE ON MOTOR VEHICLE ADMINISTRATION
COMPULSORY INSURANCE
EVIDENCE AND REPORTING REQUIREMENTS**

STATE	TYPE OF LAW	EVIDENCE	VERIFICATION OF EVIDENCE*	INSURER** NOTICE TO DMV
AK	Compulsory	Self-certification and proof on accidents.	On accidents.	None
AZ	Compulsory	Two I.D. cards. One carried in vehicle. One used to register vehicle must be in a uniform OCR scannable form.	None	Tape reporting of issues, changes of vehicles and cancellations.
AR	No-Fault	Evidence of insurance to register vehicle and carry I.D. card in vehicle	None	None
CA	Compulsory	Proof of insurance required upon renewal of drivers license.	Negative verification of up to 1% insurance information provided on traffic citation.	None
CO	No-Fault	Self-certification for registration. I.D. card carried in vehicle.	None	None
CT	No-Fault	Two I.D. cards, one for registration, one carried in vehicle.	None	None
DE	No-Fault	I.D. card necessary - to register vehicle, for vehicle inspection, involved in an accident.	Random verification.	Insurers must report via tape their active book of business upon request of DMV.

STATE	TYPE OF LAW	EVIDENCE	VERIFICATION OF EVIDENCE*	INSURER** NOTICE TO DMV
D.C.	No-Fault	Self-certification on registration and non-resident reciprocity sticker.	Upon request of the director. Positive response.	All cancellations to DMV and superintendent.
FL	No-Fault Compulsory PIP and Property-Damage	Show I.D. card or other documentation for registration. I.D. card carried in vehicle.	On accident reports. Negative response.	All cancellations and entire book of active business via tape.
GA	Compulsory	Self-certification and I.D. card carried in vehicle.	None	All cancellations within 180 days of original policy inception date. Tape submission requested.
HI	No-Fault	New risk I.D. card may only be issued for the paid up period. Card carried in vehicle.	None	None
ID	Compulsory	Self-certification and certificate of insurance carried in vehicle.	None	None
IL	Compulsory	Self-certification and and I.D. card for vehicle.	Random verification.	None
IN	Compulsory	Proof of financial responsibility at registration and upon demand of a law enforcement officer.	Random sample positive verification - Commissioners discretion.	None
KS	No-Fault	Must carry evidence in vehicle. Recommend I.D. card.	All evidence obtained by officer. Negative verification.	None

STATE	TYPE OF LAW	EVIDENCE	VERIFICATION OF EVIDENCE*	INSURER** NOTICE TO DMV
KY	No-Fault	Two I.D. cards required, one for registration, one carried in vehicle.	None	All cancellations Tape submission
LA	Compulsory	I.D. card, policy or binder carried in vehicle. I.D. card must be shown at registration.	None	Entire book of active business and all cancellations reported via tape.
ME	Compulsory	I.D. card for registration and carried in vehicle.	None	None
MD	No-Fault	Self-certification.	See Note	All cancellations within 6 months of original policy inception.
MA	No-Fault	Certificate of insurance for registration of vehicle.	None	All cancellations and all vehicles insured.
MI	No-Fault	Two copies of insurance certificate, one for registration and one carried in vehicle.	None	None
MN	No-Fault	Self-certification and policy or I.D. card required to be carried in vehicle.	Random sample negative verification of at least 10% of registrations. (Presently suspended due to tight budget)	All cancellations by insurer (does not include non-pay after 60 days from original policy inception) No non-renewals.
MO	Compulsory	I.D. card carried in vehicle.	Random verification of statistically significant no. of registrations or licensed drivers.	None

STATE	TYPE OF LAW	EVIDENCE	VERIFICATION OF EVIDENCE*	INSURER** NOTICE TO DMV
MT	Compulsory	Self-certification and I.D. card carried in vehicle.	None	None
NE	Compulsory	Two I.D. cards, one for registration and one carried in vehicle.	None	None
NV	Compulsory	On new registrations only, self-certification and I.D. card which state will keep. One card to be carried in vehicle.	Random negative verification of not more than 5% of the registrations.	All cancellations
NJ	No-Fault	Self-certification and I.D. card carried in vehicle.	None	Tape reporting of all cancellations and entire book of business.
NM	Compulsory	Self-certification. I.D. card carried in vehicle is suggested.	Random negative verification of appropriate no. of registrations.	None
NY	No-Fault	Two I.D. cards, one for registration and one carried in vehicle.	None	All mid-term cancellations. Tape submission.
NC	Compulsory	Self-certification.	None	All cancellations.
ND	No-Fault	I.D. card carried in vehicle.	None	None
OH	Compulsory	Self-certification for registration, driver license, traffic offense or accident. Policy may be required.	None	None

STATE	TYPE OF LAW	EVIDENCE	VERIFICATION OF EVIDENCE*	INSURER** NOTICE TO DMV
OK	Compulsory	Two I.D. cards, one for registration and one carried in vehicle.	None	Tape reporting of cancellations within 180 days of original inception date of policy.
OR	No-Fault	Self-certification.	Random sample negative verification of 1% of registrations.	None
PA	Compulsory	Self-certification and I.D. card.	None	Canc's within 180 days of original policy inception date. Tape submission.
SC	Compulsory	Self certification for registration.	On accidents and violations.	Canc's within 90 days of original policy issuance and objective Standard canc. after that.
SD	No-Fault	Evidence (I.D. card) carried in vehicle.	None	None
TX	Compulsory	Standardized I.D. card, policy or binder carried in vehicle and used for registration, driver licensing and vehicle inspection.	None	None
UT	No-Fault	Self-certification. Evidence must be carried in vehicle.	None	None
VT	Compulsory	I.D. card carried in veh.	None	None

STATE	TYPE OF LAW	EVIDENCE	VERIFICATION OF EVIDENCE*	INSURER** NOTICE TO DMV
VA	UM Fee	Self-certification.	Random sample negative verification of <u>1200 per day</u> .	None
WA	No-Fault	I.D. card in vehicle.	None	None
WV	Compulsory	Two I.D. cards required, one for registration and one carried in vehicle.	Negative verification at commissioner's discretion.	Only cancellations for certain reasons.
WY	Compulsory	I.D. card for registration effective 1/1/93	None	None

NOTE: Maryland requires company certification of coverage under four circumstances:

1. Required to attend hearing or conference due to violations of vehicle law.
2. Compliance with safety equipment repair order.
3. Upon cancellation of liability insurance.
4. Random verification selection (10 percent).

* Includes only random sample or complete verification programs. Does not include verification of particular individuals.

** The term "Cancellation" includes all types of policy terminations. Exception: In those states containing reference to policy inception, non-renewals/lapses are included in notice requirements only if they occur prior to the end of the specified period.

Prepared by the Insurance Industry Committee on Motor Vehicle Administration.
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The Insurance Industry Committee on Motor Vehicle Administration (IICMVA) consists of representatives from property/casualty trade associations, their affiliated member companies and independent insurance companies. The IICMVA is not a lobbying organization or involved in legislation. Its function is to be the liaison between the insurance industry and state motor vehicle departments. The IICMVA advises and assists in implementing laws such as those relating to financial responsibility, compulsory security, driver licensing, motor vehicle records, title and registration.

The IICMVA maintains a standing offer to motor vehicle administrators to assist in the development of procedures for new programs and in making adjustments to existing programs. The names, addresses, and telephone numbers of IICMVA members are listed in the AAMVA Directory.

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