

KFC
1891
.A4
M6
1999

1999 Special Report

Motorist Insurance Identification Database Results

LEGISLATIVE COUNCIL LIBRARY
046 STATE CAPITOL BUILDING
DENVER, COLORADO 80203-1707

A Special Report to the Colorado General Assembly



Submitted by the Department of
Regulatory Agencies

STATE OF COLORADO

DEPARTMENT OF REGULATORY AGENCIES
Office of the Executive Director
M. Michael Cooke, Executive Director

1560 Broadway
Suite 1550
Denver, Colorado 80202
V/TDD (303) 894-7880
(303) 894-7855



Bill Owens
Governor

October 15, 1999

Members of the General Assembly
State Capitol Building
Denver, Colorado 80203

Dear Members of the General Assembly:

The Colorado Department of Regulatory Agencies has completed the evaluation of the motorist insurance identification database program results as required by §42-7-608, C.R.S. The report finds that there has been a reduction in the number of uninsured motorist claims between July 1, 1997 and the date of this report. However, the report also questions whether this reduction can be directly attributed to the program. As this report notes, the General Assembly will be receiving additional reports addressing the subject of uninsured motorist claims.

Sincerely,

A handwritten signature in cursive script that reads "M. Michael Cooke".

M. Michael Cooke
Executive Director

Table of Contents

BACKGROUND.....	1
STATUTORY SUMMARY.....	1
PROGRAM DESCRIPTION.....	2
CONCLUSION.....	6

Background

The Department of Regulatory Agencies (DORA) is required by §42-7-608 (1), Colorado Revised Statutes (C.R.S.), to conduct a review of the Motorist Insurance Identification Database Program Act (Act). The Act requires DORA to review the operation and performance of the program to determine if the number of uninsured motorist claims reported by insurers have declined since July 1, 1997.

The Act was originally created by the General Assembly with the passage of SB 95-172 and was known as the Uninsured Motorist Identification Database Program. SB 95-172 directed the Transportation Legislation Review Committee to examine Colorado's compulsory motor vehicle insurance system and the problem of uninsured motorists in the state for the purpose of proposing legislation to "...alleviate if not eliminate the problem."

Statutory Summary

The major provisions of the Motorist Identification Database Program Act are contained in §42-7-601, C.R.S., et seq. Part six begins by stating that the effective date of the program shall be July 1, 2001, unless a review conducted by DORA shows the number of uninsured motorist claims have declined between July 1, 1997 and the date of the review.

As previously stated, the Act directs the Transportation Legislation Review Committee to conduct an examination of the problem of uninsured motorists and propose legislation to alleviate the problem. The Committee is also directed to review the mandatory motor vehicle insurance requirements in Colorado and uninsured motorist database programs in other states.

The Act states that the intention of the General Assembly is to reduce the uninsured motorist population in the state. The General Assembly recognizes that information required of insurance carriers is proprietary in nature and directs parties with access to the information to maintain confidentiality with respect to any proprietary information.

The Division of Motor Vehicles (Division) in the Department of Revenue (DOR) is directed by the Act to contract with a private vendor, termed a designated agent, by January 1, 1998. The designated agent is required to convene a work group consisting of representatives of the insurance industry, the Division of Insurance (DOI), the Colorado Department of Public Safety, Division of Motor Vehicles, and DOR to develop a plan to implement the database program.

The Act requires the designated agent to establish a database of insured motorists, cross-referenced with Division motor vehicle registrations and drivers license information by January 1, 1999. The Division is required to develop procedures so the database is easily assessable by law enforcement personnel. The designated agent is required to update the database monthly, beginning January 1, 1999. The Division is directed to contact the owner of a motor vehicle that has been reported by the designated agent to be without insurance for three consecutive months and notify the owner that he or she has 45 days to demonstrate that the vehicle either has or is exempt from insurance requirements, or the license plates of the vehicle will be subject to seizure. (§42-7-605(1), C.R.S.)

All insurance companies underwriting motor vehicle insurance in Colorado are required by the Act to report policyholder information and uninsured motorist claims to the Commissioner. The DOI is required by the Act to contract with a vendor to compile information reported by insurance companies to the Commissioner for the purpose of comparing claims prior to the implementation of the program to those after the program has been established.

Section 42-7-606, C.R.S. details information required to be included in the database and restricts access to the information to specific agencies and individuals identified in the statute. Unauthorized disclosure of confidential information included in the database is a Class I misdemeanor punishable under §18-1-106, C.R.S.

The Act contains a repeal date of July 1, 2001, and is subject to a review by DORA to determine whether there has been a decline in the number of uninsured motorist claims. The DORA report is to be submitted to the General Assembly by October 15, 1999.

Program Description

In accordance with the Act, the DOR has contracted with a designated agent to compile the database. The working group required by §42-7-604(4)(b), C.R.S., developed reporting procedures and format. The Division and insurance companies began submitting insurance policy, vehicle registration and driver license information to the designated agent in March of 1999. The first policy information matching began in April of 1999.

-
- Uninsured Rate is the percentage of unmatched vehicles to total vehicles.
 - Max insured rate is the maximum percentage of vehicles that could be covered by reported insurance policies.

The maximum insured rate has increased approximately five percent since program implementation in April. However, this does not necessarily indicate more vehicle owners are complying with the compulsory insurance laws. Better reporting of data by insurance companies and the Division, and improved procedures implemented by the designated agent could contribute to the improved percentage.

There are several reasons a vehicle may not match directly with a reported insurance policy. The most common involves a newly purchased vehicle. Owners of newly purchased vehicles have 45 days under Colorado law to register their vehicle. However, most insurance policies require vehicle owners to report the purchase of the vehicle to their agent within 48 hours to maintain coverage. This creates a possibility for lag time between the time the insurer has information on the vehicle and the time the DOR has information. This will result in some discrepancies. To address this discrepancy, the statute allows for a vehicle to be reported as without insurance for three consecutive months before the DOR begins sending notices of administrative procedures to revoke the vehicle registration.

There are also valid reasons for some registered vehicles not to have corresponding policy information reported by insurance companies. Commercial vehicles that are covered under a general liability policy are registered with the DOR. However, the policy may not list vehicles by individual VIN. Some owners of seasonal use vehicles, such as motorcycles, cancel liability insurance coverage during the portion of the year that the vehicle is not in use. However the vehicle will still show up in the DOR database. As long as seasonal use vehicles are not driven on public roadways without insurance coverage, the owner/operator is not in violation of the state compulsory insurance laws.

When DOR mailed the first notices in July of 1999, another source of discrepancies was discovered. A significant number of individuals sent notices were able to document insurance. It was discovered that in many cases, the cause of the discrepancy and subsequent notice was that an incorrect VIN had been reported either to DOR or to the insurance company.

By August of 1999, the most recent month with complete data, over 81 percent of the registered vehicles were matched with a valid insurance policy by the designated agent. Additionally, there were approximately 64,000 policies that did not match registered vehicles, bringing the possible percentage of insured vehicles to 82.87 percent.

Colorado motor vehicle statutes require that all accidents involving motor vehicles must be reported to the Division. The Division compiles accident data reported by law enforcement agencies and parties involved in the accident. If law enforcement agencies respond to an accident, the officer requests documentation of insurance. If documentation is not submitted, the officer may issue a citation for no proof of insurance. If the party who did not have proof of insurance is able to subsequently document that insurance was in force at the time of the accident, no additional action is taken. If the vehicle in question was not insured, the Division begins drivers license suspension proceedings under the state motor vehicle Financial Responsibility Act (FRA) provisions. The Division has provided a monthly analysis of FRA actions since July 1, 1997. These actions are detailed in Table 2.

TABLE 2
FINANCIAL RESPONSIBILITY ACT SUSPENSIONS

MONTH	FISCAL YEAR 1997/98	FISCAL YEAR 1998/99	FISCAL YEAR 1999/2000
July	4,084	2,227	1,385
August	3,003	1,811	1,556
September	2,191	1,866	1,730
October	275	2,180	
November	235	1,377	
December	2,916	1,866	
January	2,512	906	
February	2,961	1,778	
March	3,239	2,112	
April	1,492	2,030	
May	3,545	1,878	
June	1,414	1,396	
TOTAL	27,867	21,427	*4,671

*First quarter data

FRA actions directly correlate to accidents involving uninsured motorists. According to the information in Table 2, accidents involving uninsured motorists declined 23 percent, from 27,867 to 21,427 from fiscal year 1997/98 to 1998/99. It appears from this information that uninsured claims should have decreased 23 percent over the time period reviewed. However, the number of accidents involving uninsured motorists does not necessarily correlate to uninsured motorist claims. Also, accidents involving uninsured motorists must be compared to the total number of accidents to give a more accurate portrayal of the percentage of accidents involving uninsured motorists. Table 3 details the total number of accidents by month for the period covered as reported to the Division by law enforcement agencies.

TABLE 3
TOTAL ACCIDENTS REPORTED

MONTH	FISCAL YEAR 1997/98	FISCAL YEAR 1998/99	FISCAL YEAR 1999/2000
July	16,335	14,058	10,892
August	12,672	13,959	11,287
September	12,474	15,741	12,971
October	13,959	12,870	
November	12,177	8,223	
December	12,276	17,622	
January	13,464	14,553	
February	16,632	13,464	
March	15,345	18,216	
April	16,751	10,989	
May	7,623	13,365	
June	19,107	12,088	
TOTAL	168,815	165,148	*35,150

*First quarter data

Correlating the data in Table 2 with the total accidents reported in Table 3 shows a decrease in the percentage of drivers licenses suspended for operating a vehicle without insurance from fiscal year 1997/98 to fiscal year 1998/99. The 27,867 FRA suspensions in 1997/98 represents 16.5 percent of the total accidents, compared to 12.97 percent for the 21,427 suspensions in fiscal year 1998/99. Through the first quarter of fiscal year 1999/00 FRA suspensions are averaging 13.29 percent of the reported accidents.

Conclusion

The purpose of this review, as required by §42-7-608(1), C.R.S. is to determine if the number of uninsured motorist claims has decreased between July 1, 1997 and the date of the report. Colorado's compulsory insurance laws are based on a modified "no-fault" model.

Colorado adopted its first compulsory automobile insurance law in 1963. Since that time, enforcement of the law has been an issue. In 1995 the Division of Insurance estimated that 20-25 percent of the motor vehicles operating in the state did not have the required insurance.

Requiring vehicle owners to have insurance has not resulted in universal compliance. Efforts to enforce motor vehicle insurance statutes include a requirement that the owner of a vehicle sign an affidavit at the time of registration stating the vehicle has insurance, that it will be maintained, and requiring vehicle owners to carry proof of insurance in the vehicle at all times. Obtaining insurance and the resulting documentation (proof of insurance certificate) is relatively easy to do. However, it is also easy to cancel the insurance and use the documentation that does not have a valid policy attached to it to circumvent random checks by law enforcement officials.

Modern technology provides additional mechanisms for the state to enforce compulsory insurance laws. A recent trend in compulsory insurance enforcement is linking law enforcement officials with a computerized database that cross-references registered motor vehicles with insurance policies. Utah is one state reporting that this program has been successful in increasing compliance with compulsory motor vehicle insurance requirements.

The development of the database has raised some issues. Some insurance companies have resisted the reporting requirement, based on their concern that proprietary information, such as customer lists could be obtained by competitors. There was also a concern that reporting requirements would increase costs to the companies, which would be passed on to consumers.

Difficulties in reaching agreements on the reporting requirements and other regulatory issues delayed the implementation of the program. While the General Assembly envisioned a fully operational program by no later than January 1, 1999, the program did not begin until April of 1999. Critics and advocates of the program agree that the first few months the program had operational difficulties. The data was questionable and information obtained by matching vehicles to insurance policies contained frequent errors.

The goal of the Uninsured Motorist Database program is to reduce uninsured motorist claims through compliance with compulsory insurance statutes. One factor necessary to determine if claims have been reduced is the establishment of a baseline. Information supplied by the Division shows that accidents involving uninsured motorists reported to the Division decreased 23 percent from fiscal year 1997/98 to fiscal year 1998/99. This should indicate a corresponding decrease in the number of liability claims. Data provided by the designated agent shows an increase in the percentage of vehicles with insurance.

However, there is insufficient data at this time to conclude that the Act has positively impacted compliance with compulsory insurance statutes, or that insurance rates will decline as a result of the program required by the Act. Until the program has been operational for two complete vehicle registration cycles, the data reported by the designated agent does not have a valid baseline with which to evaluate compliance. Rather, information gathered for this review should be used in future evaluations for comparison purposes.

In considering one of the stated goals of the Act, reducing the population of uninsured motorists, again the data is inconclusive. 1995 estimates by the DOI placed the uninsured population at between 20-25 percent of the registered motor vehicles. As of August of 1999 the database shows an estimate of 18.83 percent of vehicles uninsured. However, this is more likely a more accurate reflection of the estimated population, rather than an actual decrease.

In 1995 the City of Aurora conducted an insurance compliance checkpoint. The process for this checkpoint was to stop all drivers at a designated intersection for one afternoon to verify proof of insurance. That check revealed that 11.5 percent of the vehicles stopped did not have proof of insurance. A similar checkpoint in September of 1999 revealed that 11.9 percent of the vehicles stopped did not have proof of insurance. The number of vehicles checked in each of these actions was too small to be considered a valid sample for a statewide comparison. However, it does seem to indicate the uninsured population has not changed in that jurisdiction.

The General Assembly will be receiving additional reports regarding uninsured motorists. The sunset repeal schedule, §24-34-104 (30)(a)(VI), C.R.S., requires that a review by DORA of the insurance company reporting requirements contained in §10-4-615, C.R.S., be submitted to the General Assembly by October 15, 2000. The sunset review will examine the effectiveness of the program according to the sunset criteria. Also, the Division of Insurance is required by, §42-7-603(7), C.R.S., to contract with a company to provide the General Assembly with statistics on the frequency of uninsured motorist claims based on the fiscal year ending June 30, 1997. This report is due January 1, 1999 and each January 1 thereafter.