

Department of Planning and Budget

2019 Fiscal Impact Statement

1. Bill Number: SB 1787

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|------------------------|--|-------------------------------------|--|
| House of Origin | <input type="checkbox"/> Introduced | <input type="checkbox"/> Substitute | <input type="checkbox"/> Engrossed |
| Second House | <input checked="" type="checkbox"/> In Committee | <input type="checkbox"/> Substitute | <input checked="" type="checkbox"/> Enrolled |

2. Patron: Newman

3. Committee: Passed Both Houses

4. Title: Motor vehicle insurance; compliance verification

5. Summary: This bill requires motor vehicle insurance companies to report all required insurance information to the Department of Motor Vehicles (DMV) within 30 days of a policy change and to respond to all DMV requests for acknowledgment by confirming or denying the existence of an insurance policy within 15 days of receiving the request. The measure requires such insurers to report all necessary insurance information to the DMV electronically. The measure updates the types of policy updates and necessary data fields required to operate DMV's insurance verification process. The measure requires DMV to initiate the insurance verification process following receipt of a report that it processed an uninsured motorist claim involving an uninsured motor vehicle registered in Virginia. The measure provides that if a customer opts to surrender his license plates to DMV online or by telephone, he is not entitled to a partial refund of the cost of registration fees. The measure authorizes the DMV to dispense with a customer's suspension if a customer provides evidence that he was in compliance with Virginia's insurance laws. The measure renames the fee charged after a violation of Virginia's insurance laws from the uninsured motor vehicle fee to the noncompliance fee, increases the fee from \$500 to \$600, and directs the additional revenue to the DMV's special fund to be used for enhancements to DMV's insurance verification program. The measure also amends Virginia's installment payment program to (i) allow out-of-state individuals to apply for an installment payment plan; (ii) allow a customer to enter into a second installment payment plan after defaulting on the first plan; and (iii) authorize the Commissioner to extend an installment payment due date by up to 30 days when events outside of DMV's control adversely affect its ability to accept payment. An enactment clause requires DMV to report in 2024 to the General Assembly on the effectiveness of this measure in improving the insurance verification program. An enactment clause postpones the effective date of the provisions that require electronic filing of insurance information to January, 2020, and updates the types of data required to be provided by insurers.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Final. See Item #8.

8. Fiscal Implications: This bill includes the recommendations made by the 2018 Virginia Automobile Insurance Study, which can be found at:

https://www.dmv.virginia.gov/documents/auto_insurance.pdf. This bill will not result in a significant expenditure increase for the Department of Motor Vehicles (DMV). The staff hours required to implement this legislation can be accomplished during the normal work schedules for DMV employees, given current workloads. The agency would be able to absorb this cost within existing resources, assuming other legislative proposals with fiscal impacts to DMV are not passed.

The 2018 Virginia Automobile Insurance Study recommendations also included administrative changes, many of which focused on increasing the efficiency of the Department of Motor Vehicle's insurance verification process. In particular, the study recommended DMV administratively improve the systems insurance companies must use to report policy updates and acknowledgments and develop a method for individuals who owe a noncompliance fee to enter into an installment payment plan online. In order to provide DMV with the funds necessary to implement these changes, the bill increases the uninsured motorist noncompliance fee from \$500 to \$600, with the additional \$100 to go directly to DMV to fund system improvements.

In FY 2018, 21,819 individuals paid the noncompliance fee. Additionally, 19,873 individuals entered into installment payment plans in FY 2018. In the eighteen months of implementation, approximately 40 percent of individuals who entered into a payment plan successfully complete payment. Based on these numbers, DMV estimates the fee increase will result in \$3 million additional annual funds for DMV. These funds will be used to offset the costs to DMV to implement and maintain the administrative recommendations made during the Insurance Study. In particular, DMV will focus on drastically increasing the reliability of DMV's insurance reporting systems, which have not been significantly improved since their implementation in 1994 and creating a method for online enrollment into a payment plan, which requires a significant expansion of DMV's current online identity verification system.

Offsetting the increase in fee, the bill puts in place a number of expansions for the noncompliance fee installment payment plan, making it more accessible, particularly to Virginians who have moved out-of-state. The payment plan has proven successful even with the more limited current eligibility requirements. As of November 17, 2018, individuals have paid off over \$9 million in noncompliance fees, approximately two years after the payment plan first became an option on January 1, 2017.

9. Specific Agency or Political Subdivisions Affected: Department of Motor Vehicles.

10. Technical Amendment Necessary: No.

11. Other Comments: This bill is a companion to HB 1867.

Date: 2/14/2019

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Cc: Secretary of Transportation