

Department of Planning and Budget 2009 Fiscal Impact Statement

1. Bill Number: SB1360

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Reynolds

3. Committee: Transportation

4. Title: **Motor vehicle liability insurance coverage limits; penalty.**

5. Summary: This bill increases the minimum motor vehicle liability insurance coverage amounts from \$25,000 to \$100,000 in cases of bodily injury to or death of one person, from \$50,000 to \$300,000 in cases of bodily injury to or death of more than one person in any one accident, and from \$20,000 to \$100,000 for property damage coverage. The measure also repeals provisions that allow for the registration of uninsured motor vehicles upon payment of a \$500 uninsured motor vehicle fee and that provide for disposition of such funds through the Uninsured Motorist Fund. The penalty for violating certain requirements regarding the registration and operation of uninsured motor vehicles is increased from a Class 3 misdemeanor to a Class 1 misdemeanor.

6. Fiscal impact estimates: Preliminary. See Item #8 below.

7. Budget amendment necessary: No.

8. Fiscal implications: This bill eliminates the option of paying the voluntary \$500 uninsured motor vehicle fee at the time of registration and requires all registration applicants to certify that they have liability insurance providing at least the minimum coverage limits. In most cases, it eliminates the \$500 penalty fee imposed on vehicle owners who are found to be uninsured through the Department of Motor Vehicles (DMV) insurance verification process. The \$500 penalty fee is only retained for those individuals who are found to be uninsured at the time of an accident.

The elimination of the \$500 penalty fee would impact the Uninsured Motorists Fund. In FY 2008, 39,698 orders of suspension were issued to individuals who were found to be uninsured. Of these, only 215 were related to being uninsured at the time of an accident. The remaining 39,483 orders of suspension were tied to the \$500 penalty fee not related to an accident. If each of these individuals had not paid the required \$500 penalty fee, a total of \$19,741,500 would have been lost from the Uninsured Motorists Fund. This impact on the Uninsured Motorists Fund would have a corresponding negative impact on DMV operations and insurance companies. Monies from the Fund are directed to DMV for its administrative costs in managing its insurance verification program and to insurance companies to assist in offsetting the cost of the uninsured motorist coverage required for all liability insurance policies written in Virginia.

In conjunction with this reduction in funding, an enactment clause in the legislation would actually abolish the Uninsured Motorists Fund by repealing Chapter 30 (§§ 38.2-3000 and 38.2-3001) of Title 38.2, and § 46.2-710. The State Corporation Commission distributes monies 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.

There are two additional enactment clauses in the legislation. One clause provides for a delayed enactment date of July 1, 2010. The other enactment clause provides that any individual who pays the uninsured motor vehicle fee between July 1, 2009, and July 1, 2010, would receive a prorated refund for the unused portion of the registration period. In FY 2008, 3,162 individuals voluntarily paid the uninsured motor vehicle fee at the time of registration. However, it is unknown how many individuals will pay the fee in this future time frame and receive a refund.

The present Class 3 misdemeanor results in a penalty of no more than a \$500 fine. Although insufficient data exists to determine the fiscal impact due to the legislation at this time, the legislation could result in an increase in the jail population since a Class 1 misdemeanor can result in a sentence of up to 12 months in jail (and \$2,500 fine). Any increase in jail population will increase costs to the state. The Commonwealth pays the localities \$8.00 a day for each misdemeanant or otherwise local responsible prisoner held in a jail. It also funds most of the jails' operating costs, e.g. correctional officers. The state's share of these costs on a per prisoner, per day basis varies from locality to locality. However, according to the Compensation Board's FY 2007 Jail Cost Report (November 1, 2008), the estimated total state support for local jails averaged \$28.77 per inmate, per day in FY 2007.

9. Specific agency or political subdivisions affected: Department of Motor Vehicles, State Corporation Commission, local jails.

10. Technical amendment necessary: No.

11. Other comments: None.

Date: 1/26/09/jlv

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cc: Secretary of Transportation