

Liability Insurance Requirements

- ✓ \$25,000 for injury/death to one person
- ✓ \$50,000 for injury/death to two or more persons
- ✓ \$10,000 for property damage

Unchanged since implemented in 1979

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Liability Insurance Premiums Vary Significantly

- ✓ Driver characteristics
- ✓ Residence – urban and rural
 - ✓ More than \$300 for large communities
- ✓ Insurer
 - ✓ More than \$2,000 difference among insurers

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Uninsured Motor Vehicles Are A Problem

**More Than 11% of Accidents Involved
at Least One Uninsured Vehicle**

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Estimated Non-Compliance Rates

Insurance Industry Estimate

9% Non-Compliance

(based on injury claims data)

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Estimated Non-Compliance Rates Cont'd

Department Data Indicates Increasing Non-Compliance

- 15% of convictions are for violating the law.
- 17% increase in convictions

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Estimated Non-Compliance Rates Cont'd – Other States

- 14% non-compliance nationwide
- 6% to +20% non-compliance in other states

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Conclusion

Between 9 and 15 percent of registered vehicles do not have liability insurance

74,000 – 115,000 Vehicles

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Three Types of Controls

- ✓ Detective – Identifying non-compliance
- ✓ Prevention – Deterring non-compliance
- ✓ Corrective – Preventing repeated non-compliance

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Detecting Non-Compliance

CONCLUSION

Montana has ineffective detection controls

- ✓ Rely on law enforcement to detect non-compliance
 - ✓ (5% chance of being caught)
- ✓ Insurance cards have limited value

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Preventive Controls (Deterrents)

CONCLUSION

Penalties are ineffective deterrents

- ✓ Fines may be less costly than insurance
- ✓ Jail not a likely option

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Corrective Controls

CONCLUSION

Registration and driver license suspensions are not effective at preventing continued non-compliance

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Corrective Controls (cont'd)

- ✓ Suspensions don't affect some drivers
- ✓ Suspensions may unfairly penalize some drivers
- ✓ Driver license suspensions can't always be imposed
- ✓ Penalties for subsequent offenses may be less than for 1st offense
- ✓ Some drivers may keep license plates

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Alternatives for Improving Detection

- ✓ Sampling programs
- ✓ Reporting systems
- ✓ Verification systems

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Sampling Programs

- ✓ Probably less costly
- ✓ Only detect non-compliance in sample
- ✓ Detection risk may remain low
- ✓ Requires all persons in sample to demonstrate compliance
- ✓ Persons can still cancel insurance

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Reporting Systems

- ✓ Widely used by almost one-half the states
- ✓ Requires insurers to regularly provide policy data
- ✓ Data is quickly outdated
- ✓ More costly than sampling systems

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Verification Systems

- ✓ Provides real-time verification of vehicle insurance status
- ✓ Requires only data necessary to verify insurance status
- ✓ New system

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Improving Preventive Controls (Deterrence)

- ✓ Increased fines
- ✓ Increase administrative fees
 - ✓ Registration reinstatement
 - ✓ Driver license reinstatement
- ✓ Increased penalties provides only marginal improvements
 - ✓ Detection risk remains low

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Improving Corrective Controls (Preventing repeat offenses)

- ✓ Expand use of SR22 insurance
 - ✓ Insurers required to notify state if SR22 policy is canceled.
 - ✓ SR22 liability insurance tied to an individual – not a vehicle

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Effectiveness of Alternative Strategies

Improved Detection Appears to be Most Effective Strategy

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Impact on Insurance Rates

- ✓ Impact on insurance rates unknown
 - ✓ No immediate impact – insurance based on long term claims history
- ✓ Other factors impact insurance rates
 - ✓ Highway safety
 - ✓ Vehicle safety

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Overall Conclusion

- ✓ Montana Can Improve Compliance
- ✓ Potential reduction in non-compliance and estimated cost benefits cannot be readily determined

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Overall Conclusion (cont'd)

Legislators must balance costs and public benefits of improved compliance with the law

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