

INTRODUCTION TO MOTOR VEHICLE LIABILITY INSURANCE LAWS

Prepared for the Revenue and Transportation Interim Committee

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This report briefly summarizes Montana's motor vehicle liability insurance laws and similar laws in surrounding states.

Montana's motor vehicle liability insurance laws were enacted in 1951 (Chapter 204, Laws 1951). The title of the legislation began in an interesting fashion:

An Act for the elimination of reckless and irresponsible drivers of motor vehicles from the highways of the state of Montana, and providing for the giving of security and proof of financial responsibility by owners and operators of motor vehicles.

The legislation set minimum insurance requirements for motor vehicle liability as follows:

- \$5,000 because of bodily injury to or death of person in any one accident and subject to the limit for one person;
- \$10,000 because of bodily injury to or death of two or more persons in any one accident; and
- \$1,000 because of injury to or destruction of property of others in any one accident.

In 1967 those amounts were increased to \$10,000, \$20,000, and \$5,000, respectively. In 1975, the minimum insurance requirement for bodily injury to or death of a person was increased to \$25,000 and to \$50,000 for two or more persons. These amounts have not been increased since then. In 1989, the minimum insurance requirement for property damage was increased to the current amount of \$10,000.

Liability insurance coverage pays for medical costs and for the replacement or repair of another vehicle or property in case of an accident. However, the accident victim may seek additional relief as provided by law.¹

In 1979, the Montana Legislature passed legislation (Chapter 592, Laws 1979) that required owners of motor vehicles to continuously maintain motor vehicle liability insurance. It also provided that the owner of a motor vehicle supply proof of compliance before the motor vehicle

¹Montana is a tort law state.

could registered. Finally, it established penalty provisions for noncompliance (a misdemeanor subject to a \$25 fine).

CURRENT LAW

Section 61-6-132, MCA, provides alternate means of giving proof of financial responsibility:

- a certificate of insurance as provided in 61-6-133 or 61-6-134, MCA;²
- a bond as provided in 61-6-137, MCA;
- a certificate or deposit of money or securities as provided in 61-6-138, MCA; or
- a certificate of self-insurance as provided in 61-6-137, MCA.

If proof of financial responsibility is not provided to the Department of Justice (Motor Vehicle Division), a vehicle may not be registered or continued to be registered. Evidence of financial responsibility must be carried in the vehicle.

If financial responsibility is secured by a bond, the bond must be conditioned for payments in amounts and under the same circumstances that would be required for a motor vehicle liability policy.

Financial responsibility may also be secured by depositing with the state treasurer \$55,000 in cash or securities that may be legally purchased by a savings bank or for trust funds of a market value of \$55,000. The state treasurer issues a certificate of deposit as proof of financial responsibility.

A person who registers more than 25 motor vehicles may secure financial responsibility through self insurance. The Department of Justice may issue a certificate of self-insurance if it is satisfied that the person will have the ability to pay judgments against the person.

The penalties for noncompliance with motor vehicle liability laws have increased substantially since 1979. Under 61-6-304, the penalties for not having insurance are:

- conviction of a first offense: \$250-\$500 fine or imprisonment in the county jail for not more than 10 days, or both;
- second conviction: \$350 fine or imprisonment in the county jail for not more than 10 days or both;
- third or subsequent conviction: \$500 fine or imprisonment in the county jail for not more than 6 months, or both.

²Senate Bill No. 508 (Chapter 413, Laws 2009) established an online motor vehicle liability insurance verification system. The Department of Justice will provide the Revenue and Transportation Interim Committee an overview of the system.

If a person is convicted of a second or subsequent offense, the person must surrender the vehicle's license plates to the Department of Justice. The vehicle may not be reregistered until proof of financial responsibility is provided to the Department. A fourth or subsequent conviction results in the suspension of the person's driver's license. The suspension is in effect until the person provides proof of compliance. Proof of compliance may be obtained by the purchase of an SR-22 insurance policy.³ The insurance company is required to file a certificate with the Department stating that a motor vehicle liability insurance policy is in effect. This type of proof generally must be made for a 3-year period. The insurance company is required to notify the Department of Justice if the policy is terminated or lapses. Upon notification, the Department suspends the person's driver's license immediately.

Section 33-23-201, MCA, requires motor vehicle insurers to provide coverage for uninsured motorists in amounts equal to the limits for bodily injury or death under 61-6-103, MCA. This insurance provides protection of insured persons who are legally entitled to recover damages from owners or operators of uninsured motor vehicles. The insured person may reject this type of coverage.

The table below compares the motor vehicle liability insurance requirements of Montana with nearby states.

Minimum Insurance Requirements for Motor Vehicle Liability

Type of Coverage	Montana	Idaho	North Dakota	Oregon	South Dakota	Washington	Wyoming
Injury or death of one person	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Injury or death of two or more persons	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Property damage	\$10,000	\$15,000	\$25,000	\$10,000	\$25,000	\$10,000	\$20,000

These states also allow owners of motor vehicles to post an indemnity bond for financial responsibility.

IDAHO

Idaho does not require a driver to show proof of insurance when registering a vehicle. However the driver is required to sign a statement certifying the vehicle is insured when the vehicle is registered. A person who is convicted of violating motor vehicle liability insurance laws must provide proof of financial responsibility for 1 year. A person who is convicted of a second or subsequent offense must provide proof of financial responsibility for a 3-year period (SR-22). A second conviction can result in a substantial fine (\$1,000) and a 6-month stretch in the county jail.

³A person may be required to purchase an SR-22 policy for a variety of other offenses, such as an at-fault accident, repeat traffic violations, or driving under the influence.

NORTH DAKOTA

North Dakota is a "modified" no-fault insurance state. Under no-fault insurance, the insurer pays for the insured's damages regardless of fault.⁴ This type of insurance pays for damages, including medical expenses, lost wages, and, if necessary, funeral expenses, up to the policy limit. In addition to no fault insurance coverage, the state requires that the owner of a motor vehicle carry liability and uninsured and underinsured motorist insurance. If an uninsured motorist is responsible for an accident, the uninsured motorist must pay the victim's deductible.

North Dakota does not require a driver to show proof of liability insurance when registering a vehicle. If stopped by a law enforcement officer, a driver has 20 days to show evidence of insurance, or 3 days if the driver is involved in an accident. A person who is convicted of violating motor vehicle liability insurance laws is subject to a minimum fine of \$150. A second or subsequent conviction results in a minimum fine of \$350. The driver must also surrender the license plates of the vehicle to the state Department of Transportation.

A person convicted of a violation must also surrender the person's driver's license and purchase a duplicate license containing a statement (the Scarlet Letter punishment) that the person is required to provide proof of financial responsibility for a 3-year period (SR-22). The person's driver's license is suspended if the person does not provide proof.

OREGON

Oregon drivers are required to carry minimum liability insurance in the amounts shown in the table above. Drivers are also required to carry uninsured and underinsured motorist insurance coverage for bodily injury and personal injury protection in the amount of \$15,000 per person.

Drivers are required to certify financial responsibility at the time of motor vehicle registration and must carry proof of valid insurance in the vehicle. The Department of Transportation (Division of Motor Vehicles) may conduct a program of verification of compliance with financial responsibility laws. The verification may focus on persons who have been convicted of violating the insurance laws, have supplied incorrect information on the certification, or the Department believes are not in compliance with financial responsibility requirements.

Insurance companies are not required to report a lapse in insurance. A driver who is caught without proof of valid insurance is subject to fines or up to one year in jail, or both. The driver's car may be towed. A person who is convicted of violating the insurance laws must certify proof of future financial responsibility for a 3-year period (SR-22).

WASHINGTON

Washington drivers do not have to provide proof of insurance at the time of registration of a motor vehicle, but they are required to have proof of insurance in the motor vehicle. A driver

⁴North Dakota and twelve other states have a modified no-fault insurance scheme. An accident victim may still sue for noneconomic damages if the amount of damages exceed a specified tort threshold amount.

who violates this provision is subject to a \$450 fine and other fees and fines, such as a public safety and education assessment.

A driver's license may be suspended for a variety of reasons, including driving under the influence, being involved in an accident without insurance, or a second or subsequent conviction of leaving a child unattended in a running vehicle. If a person's driver's license is suspended, the person must provide proof of financial responsibility for 3 years (SR-22) to have the license renewed.

Insurers in Washington are required to provide uninsured and underinsured insurance (personal injury protection). A person may reject this type of coverage in writing.

WYOMING

A motor vehicle in Wyoming may not be registered unless the owner of the vehicle provides proof of financial responsibility in the amounts required by law. If the operator of a motor vehicle cannot provide proof of insurance following a traffic stop, the operator is subject to a maximum fine of \$750 fine or imprisonment for a period of 6 months, or both. A second or subsequent conviction may result in a maximum fine of \$1,500 or imprisonment for a period of 6 months, or both.

Insurers in Wyoming are required to provide uninsured motorist coverage. This coverage provides protection for the insured for injuries caused by a hit an run driver or an uninsured motorist. This type of insurance may be rejected in writing.

Insurance companies are required to notify the Department of Transportation, Division of Motor Vehicles, of a lapse in or nonrenewal of insurance. Upon notification, the DMV suspends the person's driver's license immediately. To regain reinstatement, the person is required to submit an SR-22 certificate of financial responsibility for mandatory liability insurance. The proof of financial responsibility is required for a 3-year period.

In 2006, Wyoming authorized the establishment of an online verification system for motor vehicle insurance or other form of financial responsibility. The system became operational on July 1, 2008. The Wyoming Department of Transportation and the Wyoming Insurance Department are involved in the administration of the system.

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