

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES

Transportation Committee

----- X
Public Hearing on House Resolution 34, :
Uninsured Motorists :
----- X

Pages 1 through 108

Majority Caucus Room
140 Main Capitol Building
Harrisburg, Pennsylvania

Thursday, May 18, 1995

Met pursuant to notice, at 10:15 a.m.

BEFORE:

REP. DICK HESS, Acting Chairman
REP. MATT WRIGHT, Member
REP. KEITH McCALL, Member
REP. PETE DALEY, Member
REP. RON MARSICO, Member
REP. RICK GEIST, Chairman
REP. TOM DRUCE, Member

ALSO PRESENT:

PHYLLIS BROWN, Legislative Research Analyst
PHYLLIS GOULD, Legislative Research Analyst

Commonwealth Reporting Company, Inc.

700 Lisburn Road
Camp Hill, Pennsylvania 17011

(717) 761-7150

1-800-334-1063

C O N T E N T S

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

AGENDA

PAGE

Opening Remarks by Rep. Matthew N. Wright, Prime Sponsor of House Resolution 34	4
Betty Serian, Deputy Secretary, Office of Safety Administration, Pennsylvania Department of Transportation	11
Diana Lee, Assistant Vice President of Research, National Association of Independent Insurers	58
Robyn Simon, Assistant Counsel, National Association of Independent Insurers	69
William Davenport, Member, Independent Insurance Agents of Pennsylvania	87

P R O C E E D I N G S

1
2 CHAIRMAN HESS: The hour has come and passed, and I
3 think we'd better get started with our hearing. My name is
4 Representative Hess from Bedford County, and I am going to
5 start by letting each one of the members of the
6 Transportation Committee introduce themselves and as to what
7 area of the state they represent.

8 I think we'll start with Keith.

9 REPRESENTATIVE McCALL: My name is Keith McCall. I
10 represent the northeast portion of the state, Carbon County
11 and part of Luzerne County.

12 REPRESENTATIVE DALEY: I'm Representative Daley. I
13 represent Washington and Fayette Counties.

14 REPRESENTATIVE MARSICO: Representative Marsico,
15 representing parts of Dauphin County.

16 REPRESENTATIVE GEIST: Rick Geist, representing
17 Altoona and Logan Township.

18 CHAIRMAN HESS: By the way, Mr. Geist is the Chairman
19 of this Committee. I'm just the Subcommittee Chairman on
20 Highway Safety. Our Chairman is going to have to be leaving
21 us here directly to attend another Transportation meeting in
22 the northern part of the state.

23 Thank you for being here, Rick.

24 These hearings we're holding are pursuant to House
25 Resolution 34, which was directed by the House of

1 Representatives to the Committee on Transportation to
2 conduct a study on vehicles being operated without insurance
3 and/or registration on Pennsylvania highways, the risks
4 posed to the citizens of Pennsylvania and possible need for
5 Legislative action. This Resolution was introduced by
6 Representative Matt Wright from Bucks County.

7 Matt, maybe you would like to summarize it a little
8 bit to get us started here.

9 REPRESENTATIVE WRIGHT: Thank you, Chairmen Geist and
10 Hess. I just want to take a couple minutes to summarize and
11 go over the intent on how I've led up to the Resolution.
12 Resolution 34 basically was developed from constituent
13 complaints in my area that were involved with motor vehicle
14 accidents, maybe minor or major, and found out that one of
15 the particular other drivers did not have a registered
16 vehicle, did not have insurance, did not have it properly
17 inspected or something like that, and then to their
18 amazement, when law enforcement authorities came and did
19 their accident reports, had learned this, and then probably
20 wrote a ticket out and then let the driver get back in the
21 car, who was uninsured, or an unregistered vehicle, get back
22 in the car and just drive away, to deal with the ticket
23 later, and to let that driver to continue to drive.

24 My constituents were outraged how we could condone --
25 and we don't condone it, obviously, with a ticket, but

1 they're outraged about how it affects their driving safety,
2 how it affects -- some of the people have lost their
3 driver's license; and I want to make it very clear, that's
4 not what I'm pursuing. I'm really pursuing offenses
5 relating to the vehicle: registration, inspection and
6 insurance. The intent of this Resolution is not to pursue
7 the driver's license. But people are very much upset how
8 these vehicles may didn't pass inspection, so therefore,
9 they're not safety minded; they're not insured, which
10 affects our insurance rates and it ends up probably in
11 litigation; and our law-abiding citizens are trying to
12 attempt to abide by the laws and there are people that
13 aren't.

14 Initially I wanted to introduce legislation similar
15 to Representative Thomas of Philadelphia. I didn't know
16 that he had that at the time. It is a little bit different,
17 but its concept was basically to impound vehicles. If law
18 enforcement authorities upon investigation find out a
19 particular vehicle does not meet one of those requirements,
20 they would impound it until that person came forth with the
21 proper insurance documents or the registrations, or
22 inspections. I backed off of that after probing with
23 various different groups, such as PennDOT and law
24 enforcement and staff and whatnot, to try to find out first
25 what some of the other avenues are and the pros and cons of

1 this particular aspect.

2 The focus point of my original investigation was the
3 Legislative Budget and Finance Committee, which has a
4 report, which testified at a previous hearing we had
5 approximately a month ago in Philadelphia. The reports are
6 available. They had done a study using 1992, '93 and '94
7 statistics. This problem is most pervasive in the
8 Philadelphia area, very pervasive in the City of
9 Philadelphia and the suburbs, and it's to a lesser extent
10 throughout the rest of the state. I want to make that very
11 clear. That was one of the discussions with some of the
12 Representatives from the last hearing about maybe the lack
13 of a problem and the lack of a need to correct it in other
14 parts of the state, such as the rural areas.

15 In 1992 the Budget and Finance Committee Report said
16 27 percent of the vehicles in the City of Philadelphia were
17 not registered; 27 percent. The state average was 7
18 percent. So if they're not registered, they don't have
19 insurance. Even if they're paying the insurance, they don't
20 have insurance because it doesn't cover an unregistered
21 vehicle; and they probably aren't even paying it anyway.
22 But you could imagine, over one-quarter of the vehicles
23 driving up and down those streets do not have insurance for
24 whatever the reasons are.

25 Philadelphia police have written 57,000 tickets for

1 lack of insurance between '92 and '94. Out of the 57,000
2 tickets -- these are motor vehicles that they somehow found
3 out did not have insurance. These are not the vehicles that
4 they did not find. Out of those 57,000 vehicles, those
5 tickets that they had written, only 22 percent ever ended up
6 in compliance, coming back and paying those tickets. So the
7 rest of those tickets, 78 percent of those tickets, just
8 disappeared. Don't forget, there's also money and revenue
9 to the state and local municipalities from those tickets.

10 So I was trying to find out if there is anything out
11 there that can help my constituents in their complaints.
12 Currently PennDOT does have a program that attempts to go
13 out and stop these drivers. Besides the suspensions and
14 whatnot, they do have a plate pick-up system where upon
15 learning that the vehicles are not registered or lack of
16 insurance, et cetera, the notices go out, and if people
17 don't respond in a factual way and it ends up not being
18 resolved, PennDOT will issue plate pick-ups to the local
19 municipalities; to go out to either the local police or
20 state police, issue a report to go pick up those tags.

21 In some of our areas of the state compliance is
22 fairly good. In other areas, which you could imagine,
23 especially the City of Philadelphia, it is basically non-
24 existent. So we have a program that is attempting to do it,
25 and in some cases it does meet the needs, but in other cases

1 it radically does not meet the needs.

2 Other groups have identified the problem and have
3 given their endorsements. Philadelphia City Council
4 recently has recognized the outrageousness of the system and
5 the problem. They have issued a Council Ordinance upon
6 adoption of some sort of enabling state legislation that
7 would allow them to go out and to impound vehicles. They
8 have taken that step. They have realized it's such a
9 problem in their area that they want the right, at least in
10 Philly, and of course, if it's a state right also, to go out
11 and confiscate these vehicles that do not comply, the
12 violators. They have passed a Resolution. City Council has
13 testified before us at the last hearing, and Representative
14 Thomas is trying to address that in a piece of legislation
15 that he has introduced.

16 One of my particular townships, and I can only talk
17 about some of my area because I don't communicate that well
18 with the rest of the townships across the state, they have
19 recognized -- it's a fringe, it's a suburban Philadelphia
20 fringe township -- recognized the problem of their own
21 residents and residents that drive from out of Philly. They
22 have cited a particular section of law which PennDOT feels
23 that they're not accurately using, but it shows the extent
24 that they have identified the problem and they are trying
25 themselves to try to correct it. It was Section 6311 of

1 Title 75, which basically in their mind allows them to
2 detain vehicles till the proper documents are found. So if
3 it's a lack of insurance, they detain the vehicle
4 temporarily till the proper documents are obtained.

5 Now, PennDOT basically feels that they are misusing
6 this particular section because they feel it relates more to
7 weighing and inspecting trucks, but the township is -- and
8 local judges have upheld those tickets. But I suspect that
9 sometime that will be turned over.

10 Also, Philadelphia Traffic Court, I have not received
11 official documents, but in newspaper quotes the Traffic
12 Court is very much in favor of impoundment or something
13 similar to it. The Daily News, Philadelphia Inquirer, our
14 local papers in the suburban areas have all endorsed some
15 sort of impoundment process.

16 To sum up, people that do not have insurance
17 registration or inspection are breaking the law. Some are
18 by accident. We all have constituents that have paperwork
19 problems, missed notifications, et cetera. But the vast
20 majority of these people do not have them and they know that
21 they do not have the proper documents, and they are
22 consciously breaking the law. The Resolution basically
23 asks, are those violators posing a risk upon the rest of the
24 citizens? I personally believe that they are. They are
25 posing a safety risk and they are posing a risk in terms of

1 financial, such as increased auto insurance and litigation,
2 and these people are outright just breaking the law.

3 I do not have a recommendation of what to do, and I'm
4 just hoping that the Committee comes up with some sort of
5 recommendations to try to solve this.

6 The last thing is, I want the Committee to remember
7 that the focus of the Resolution was not on why people do
8 not have insurance, even though that is a very important
9 factor, but the point of the Resolution is the people that
10 have been identified as violators, what are we going to do
11 with them to keep them from driving those vehicles? If in
12 the meantime we come up with some possibilities of
13 affordability and availability of insurance and those types
14 of aspects, I think that's only a plus. In the last hearing
15 we did hear a lot of suggestions on that.

16 I thank the Committee for allowing me to offer the
17 resolution and to come and testify.

18 Thank you.

19 CHAIRMAN HESS: Thank you, Matt.

20 Before we go on I wanted to make two introductions
21 which I missed. Phyllis Gould, who is our insurance expert
22 on the Insurance Committee, and Phyllis Brown, who is on the
23 Transportation Committee staff. Thank you for being here.

24 With that we'll proceed with our first person to
25 testify, Betty Serian, Deputy Secretary, Office of Safety

1 Administration for the Pennsylvania Department of
2 Transportation.

3 If you wish, you may summarize your statements, or
4 you may read them, whichever you may prefer.

5 You may proceed.

6 MS. SERIAN: I will probably do a little of both.

7 CHAIRMAN HESS: Thank you.

8 MS. SERIAN: Good morning. My name is Betty Serian.
9 I am Deputy Secretary for Safety Administration for the
10 Pennsylvania Department of Transportation. I appreciate the
11 opportunity to talk to you today about House Resolution 34
12 and also about our continuing concerns regarding uninsured
13 motors in the Commonwealth.

14 My comments today are primarily going to focus on
15 PennDOT's current efforts regarding identifying uninsured
16 motorists, through an audit and verification process, and
17 how our future efforts can be improved. Additionally, this
18 morning, I would like to comment on an equally serious side
19 of the insurance verification business from a motor vehicle
20 registration perspective, and that is relative to fraud and
21 sanctions. And I'll talk a little bit about that later in
22 my testimony.

23 First of all, the given, what we all know. The law
24 requires that vehicle owners provide proof of insurance in
25 order for their vehicles to be legally registered and be

1 operated on our highways. While this should be a given, as
2 we just heard it is not, and it does cause serious safety
3 concerns. It also causes customer inconvenience and an
4 administrative burden in a lot of ways.

5 Insurance verification by PennDOT is primarily done
6 in six ways. In other words, we have six interface points
7 with motorists to determine their insurance verification.
8 These include, first of all, registration renewals and other
9 registration and vehicle-related activity; that is both with
10 PennDOT and also with our agents. Secondly, through
11 insurance company notifications of cancellations is the
12 second interface point. Thirdly, we conduct random audits.
13 Fourth, annual safety inspections are one way of also
14 determining insurance. And also through the Department's
15 accident record system and through convictions for operating
16 a vehicle without insurance. So there are six interface
17 points.

18 I won't address all six, but I do want to address
19 some of the key areas of those interface points regarding
20 insurance.

21 Let me first of all, though, address the registration
22 renewal process. Vehicle owners must self-certify so we
23 know that they have insurance. That means that when they
24 renew their registration, they need to tell us the name of
25 their company, the policy number, the effective date and the

1 effective date for termination as well. Along with the
2 self-certification method the law also requires verification
3 of proof of insurance before any temporary registration
4 plates are issued. The applicant must present the
5 Department or the Department's agent with an identification
6 card, a declaration page from a policy, a certificate of
7 financial responsibility or a valid binder issued by an
8 insurance agent, all of those variables.

9 The second method of insurance verification involves
10 an interface with the insurance companies. That means that
11 companies are required to notify the Department within ten
12 calendar days from the time a vehicle insurance policy has
13 been cancelled.

14 In addition to those two methods we randomly audit
15 renewal applications on a sample basis and request
16 information from insurance companies for verification on
17 those policies. Statewide, we audit 25 percent of all
18 renewals, and 50 percent in Philadelphia because of the
19 pervasiveness of the uninsured motorist in our largest city.

20 Insurance information is also, as I noted, required
21 during yearly inspections.

22 Our aim through these key interface points is to
23 provide a necessary check and balance system to help insure
24 that motorists who do drive, drive with insurance. Now, are
25 all these interface points enough? Probably not. But are

1 they working and are they having impact? I would have to
2 say that yes, they are. We take action to suspend
3 registration as the law requires once we identify uninsured
4 drivers. The suspension period is for three months, and the
5 owner must provide new proof that the vehicle is insured and
6 also pay a \$50.00 restoration fee.

7 The numbers are pretty high, and they speak for
8 themselves. In '93-'94, 160,000 registrations were
9 suspended for no insurance. Right now, in '94-'95, that's
10 through April, roughly, about 148,000 registrations have
11 been suspended to date. Also, we suspend the driver's
12 license for three months if they are caught driving without
13 insurance. And as already noted, we also issue
14 notifications to local police for plate pick-ups also, and
15 half of those revenues do go to the locals from the
16 restoration fee.

17 Now, can PennDOT and our partners do a better job? I
18 think we probably can in the insurance verification
19 business. I think we need to, and that certainly is my
20 intention. First of all, the process of verifying insurance
21 needs to be refined. It needs to be clearly refined. I've
22 got to say that currently we're needlessly, and the only
23 word I could use is hassling our customers, our legitimate
24 customers, that is. We're requiring proof of insurance and
25 sending out requests for proof of insurance when, in most

1 cases, customers are just changing policies or looking for
2 better rates or lesser premiums.

3 Let me elaborate just a little bit. The verification
4 process has been extremely cumbersome for the Department as
5 well as insurance companies in that it requires considerable
6 investment, in the past, in terms of human resources to
7 ensure compliance and to ensure the information is properly
8 transmitted. The process, though, as cumbersome as it is,
9 has served to assist in identifying those drivers who drive
10 without insurance.

11 As I noted earlier, insurance companies are required
12 to notify the Department within ten days when a policy is
13 canceled. Until recently the Department has not attempted
14 to exercise its authority to require insurers to notify us
15 when new policies are issued. We are very much interested
16 in getting the industry to provide us with this information.
17 We've taken steps to streamline the process, and that is
18 clearly our intention, is to get the new information.

19 PennDOT recently contracted with Andersen Consulting
20 to redesign a new financial responsibility system, up and
21 running as of April, and I'm happy to say this new system
22 provides us with tremendous opportunities for even greater
23 interface with the insurance industry, and also increased
24 productivity, and also improvements to our verification
25 process.

1 Our objective with the system was a more customer-
2 friendly process; I mentioned the increased automation; to
3 allow for an electronic exchange of information between the
4 Department and insurance companies. I do believe we're at
5 the point right now with this new system where we can work
6 together to proactively identify those motorists who are
7 uninsured and not unnecessarily hassle those motorists who
8 are insured, our legitimate customers. Our goal is to
9 improve service and customer contact with the Department,
10 and that's certainly one of the key foundations in safety
11 administration as we continue to improve our overall
12 services and our overall customer focus.

13 I want to avoid, very clearly, hassling the
14 legitimate customer and, at the same time, improve
15 efficiency. It's hard to believe, but about 50 percent of
16 the letters that we send out, proof letters as they're
17 called, asking for verification of insurance, 50 percent of
18 those letters go to customers who probably just changed
19 policies. That leaves for some very unhappy customers, and
20 I'm sure many of you have heard about that as well. To
21 them, we're requiring those folks to jump through hoops that
22 they shouldn't have to.

23 Let me digress just to offer you a little bit of a
24 story relating to how volatile this subject is. On Saturday
25 I got married. At my wedding there was one of my husband's

1 aunts, I guess it was. We were walking around and greeting
2 our guests and she said to him, "Do you know a Lawrence
3 White, and is Lawrence White here?" I said, "Yes, he
4 happens to be." His name is Larry White. Right now he's
5 sitting right behind me and he works for Safety
6 Administration. "Why?" She said, "I got this letter from
7 him and I am angry." What she got was a letter requiring
8 proof of insurance, and all she did was change her insurance
9 policy.

10 A very true story. It happened, so I leave with you
11 that impression of just how volatile this subject really is.

12 Today, really the onus, ladies and gentlemen, rests
13 with the vehicle owner. It probably doesn't have to be that
14 way. Do we know exactly who all the uninsured motorists
15 are? On any given day, I don't think we do. We might be
16 able to give you some statistics and some rates, but we do
17 not know probably exactly how many uninsured motorists there
18 really are. And that's because we don't have the
19 information that we need requiring new policies.

20 We know who the registered vehicles are. By simply
21 exchanging and matching this information, we can more
22 efficiently and with less customer inconvenience provide
23 those kind of details that we really need and find those
24 people who are, indeed, driving without insurance. We are
25 definitely in an information age characterized by a lot of

1 new technology. We have the technology available at PennDOT
2 right now to be able to match those policies, and it's time
3 we use it. We will continue to work with our sister agency,
4 the Insurance Department, and insurance companies to use the
5 technology that we have to better serve our mutual
6 customers.

7 Now, I'm sure you'll probably hear, from the
8 industry, some of the concerns that they have regarding the
9 possibility of new policy information falling into the hands
10 of the wrong people. I can sit here today and tell you that
11 I firmly believe that will not happen, and I can ensure that
12 that will not happen at PennDOT.

13 Right now I would like to turn to a different side of
14 the business, another side of the insurance verification
15 business, and that is a dark side. In a lot of ways there
16 are some dark sides to motor vehicle and driver licensing
17 and titling and registration. And let me talk a little bit
18 about that.

19 There are approximately 10,000 businesses located
20 across the Commonwealth right now. We refer to them as
21 issuing agents. They are our issuing agents, PennDOT's
22 issuing agents. They process vehicle and title transfers,
23 registration plates, which they're provided by a fee from
24 us, and also a number of other motor vehicle related
25 activities. For the most part, and I want to emphasize, for

1 the most part, all of these folks are very legitimate. They
2 provide an excellent service to PennDOT and to our
3 customers. But we have found that some of these agents are
4 not as legitimate as they should be. They have not been
5 properly verifying the applications to ensure that the
6 customer has valid insurance. In fact, we've found this to
7 be quite pervasive recently; that tags are being issued
8 based on bogus insurance or non-existent insurance.

9 It is vital that PennDOT, along with our state police
10 partners, continue to address this alarming concern. I
11 intend to definitely do that. Now that we know this is a
12 concern, I can't sit here and tell you today if it's the tip
13 of the iceberg or how far below the iceberg it goes, but I
14 do know that we have a concern that definitely needs to be
15 addressed.

16 Currently the Vehicle Code sanctions need to be
17 reviewed for their effectiveness in addressing this problem
18 with our issuing agents, and we'll work with our partners in
19 the Transportation Committee to do that.

20 The sanctions right now against issuing agents are
21 probably ineffective. I have directed my staff directly, in
22 fact, to begin addressing the changes that need to be made
23 either administratively or within the laws and existing
24 penalties and statutes that may require Legislative action
25 to address this concern. In working with the state police

1 and others, such as the Insurance Department, the Attorney
2 General's Office, and our issuing agents, I intend to ensure
3 compliance with the statutes and regulations as they exist.

4 In addition, the Department will work with
5 authorities in Philadelphia to help them implement a
6 recently-signed city ordinance. The ordinance, which takes
7 effect August 1, provides for removing vehicles from the
8 highway that are found to be improperly registered or
9 uninsured. We believe that this takes some changes to the
10 Code and requires some statutory language to allow this to
11 happen.

12 More affordable insurance probably for some
13 applicants definitely should be the goal. However, for
14 many, many folks, insurance costs are too high and they will
15 continue to operate motor vehicles any way they can. The
16 fine for operating a motor vehicle without insurance is
17 \$300.00. This violation may also result, as I noted, in the
18 suspension of one's driver's license, along with the
19 registration. But that fine, as noted earlier in testimony,
20 pales in comparison to the cost of insurance in many areas
21 in the Commonwealth.

22 Overall and in summary, our efforts at PennDOT to
23 address uninsured motorists are continuing. They continue
24 to evolve, they continue to improve in-house, and also I
25 hope that happens, too, with our private and public

1 partners. There is no doubt in my mind that uninsured
 2 motorists is a very serious concern; it's a serious subject
 3 that demands, I believe, PennDOT's continued highest
 4 attention, and in reality the sanity and the safety of our
 5 customers I believe require us to take a continuing active
 6 role in the insurance verification process.

7 With that, ladies and gentlemen, thank you for the
 8 opportunity to testify before you. I'll be happy to answer
 9 any questions that you have.

10 (Whereupon, the written statement of Ms. Serian
 11 follows.)

12
 13
 14
 15
 16
 17
 18
 19
 20
 21
 22
 23
 24
 25

**TESTIMONY BEFORE THE
HOUSE TRANSPORTATION COMMITTEE**

**MAY 18, 1995
10:00 A.M.
140 MAIN CAPITOL**

"UNINSURED MOTORISTS"

**DEPUTY SECRETARY BETTY SERIAN
THE PENNSYLVANIA DEPARTMENT OF TRANSPORTATION**

**GOOD MORNING. MY NAME IS BETTY SERIAN. I AM DEPUTY
SECRETARY FOR SAFETY ADMINISTRATION FOR THE
PENNSYLVANIA DEPARTMENT OF TRANSPORTATION. I
APPRECIATE THE OPPORTUNITY TO PROVIDE REMARKS TO
YOU TODAY RELATED TO HOUSE RESOLUTION 34 AND
CONTINUING CONCERNS REGARDING UNINSURED
MOTORISTS IN THE COMMONWEALTH.**

**MY COMMENTS TODAY PRIMARILY FOCUS ON PENNDOT'S
CURRENT EFFORTS REGARDING IDENTIFYING UNINSURED
MOTORISTS (THROUGH AN AUDIT AND VERIFICATION
PROCESS) AND HOW OUR FUTURE EFFORTS CAN BE
IMPROVED. ADDITIONALLY THIS MORNING, I WILL BRIEFLY**

**COMMENT ON AN EQUALLY SERIOUS SIDE OF INSURANCE
VERIFICATION FROM A MOTOR VEHICLE REGISTRATION
PERSPECTIVE RELATIVE TO FRAUD AND SANCTIONS.**

**FIRST, THE GIVEN. PENNSYLVANIA LAW (CHAPTER 17,
SUBSECTION 1786 OF THE VEHICLE CODE) REQUIRES THAT
VEHICLE OWNERS PROVIDE PROOF OF INSURANCE IN ORDER
FOR THEIR VEHICLES TO BE LEGALLY REGISTERED AND
OPERATED ON THE HIGHWAYS. WHILE THIS SHOULD BE A
GIVEN, IT IS NOT AND IT CAUSES SERIOUS SAFETY
CONCERNS, CUSTOMER INCONVENIENCE, AND AN
ADMINISTRATIVE BURDEN.**

**INSURANCE VERIFICATION BY PENNDOT IS ACCOMPLISHED
IN SIX WAYS. IN OTHER WORDS, THERE ARE SIX POSSIBLE
POINTS OF INTERFACE WITH MOTORISTS REGARDING
INSURANCE VERIFICATION. THESE INTERFACE POINTS
INCLUDE: 1) REGISTRATION RENEWALS AND OTHER
REGISTRATION AND VEHICLE RELATED ACTIVITY (WITH
PENNDOT AND WITH AGENTS OF THE DEPARTMENT),**

2) THROUGH INSURANCE COMPANY NOTIFICATION OF CANCELLATIONS, 3) THROUGH RANDOM AUDITS, 4) ANNUAL SAFETY INSPECTIONS, 5) THROUGH THE DEPARTMENT'S ACCIDENT RECORD SYSTEM, AND 6) THROUGH CONVICTIONS FOR OPERATING A MOTOR VEHICLE WITHOUT INSURANCE.

LET ME FIRST ADDRESS THE REGISTRATION RENEWAL PROCESS. VEHICLE OWNERS MUST SELF-CERTIFY THAT THEY HAVE FINANCIAL RESPONSIBILITY (CURRENT INSURANCE) AT THE TIME THEY RENEW THEIR REGISTRATION. THIS IS DONE BY SUPPLYING THE NAME OF THEIR INSURANCE COMPANY, THE POLICY NUMBER, AND THE EFFECTIVE DATES OF INSURANCE ON THE RENEWAL APPLICATION. ALONG WITH THE SELF CERTIFICATION METHOD, THE LAW ALSO REQUIRES VERIFICATION OF PROOF OF INSURANCE BEFORE THE ISSUANCE OF A TEMPORARY REGISTRATION PLATE. THE APPLICANT MUST PRESENT TO THE DEPARTMENT OR ITS AGENT AN INSURANCE IDENTIFICATION CARD, A DECLARATION PAGE FROM A POLICY, A CERTIFICATE OF FINANCIAL RESPONSIBILITY IF (SELF-INSURED), OR A VALID BINDER ISSUED BY AN INSURANCE AGENT.

THE SECOND METHOD OF INSURANCE VERIFICATION INVOLVES AN INTERFACE WITH INSURANCE COMPANIES. INSURANCE COMPANIES ARE REQUIRED TO NOTIFY THE DEPARTMENT WITHIN 10 CALENDAR DAYS FROM THE TIME A VEHICLE INSURANCE POLICY HAS BEEN CANCELLED.

IN ADDITION, THE DEPARTMENT RANDOMLY AUDITS RENEWAL APPLICATIONS ON A SAMPLE BASIS, SENDING THE INFORMATION TO THE INSURANCE COMPANIES FOR VERIFICATION. CURRENTLY, WE AUDIT 25% OF REGISTRATIONS STATEWIDE, EXCEPT FOR PHILADELPHIA WHERE WE AUDIT 50% OF THE REGISTRATION RENEWALS. PHILADELPHIA IS AUDITED AT THE HIGHER RATE BECAUSE OF THE PERVASIVENESS OF UNINSURED MOTORISTS IN OUR LARGEST CITY.

AND, INSURANCE INFORMATION IS REQUIRED DURING YEARLY SAFETY INSPECTIONS. PROOF OF INSURANCE IS ESSENTIAL FOR MOTORISTS TO OBTAIN A SAFETY INSPECTION STICKER.

OUR AIM THROUGH THESE KEY INTERFACE POINTS IS TO PROVIDE A NECESSARY CHECK AND BALANCE SYSTEM TO HELP ENSURE THAT MOTORISTS WHO DRIVE, DRIVE WITH INSURANCE. ARE ALL THESE INTERFACE POINTS ENOUGH? PROBABLY NOT. BUT, ARE WE HAVING AN IMPACT? I WOULD HAVE TO SAY YES. ONCE THE UNINSURED DRIVERS ARE IDENTIFIED, WE TAKE ACTION TO SUSPEND THEIR REGISTRATION AS THE LAW REQUIRES. THE SUSPENSION IS FOR THREE MONTHS AND THE OWNER MUST PROVIDE NEW PROOF THAT THE VEHICLE IS INSURED AND ALSO PAY A \$50.00 FEE BEFORE THE REGISTRATION PRIVILEGE IS RESTORED. IN FISCAL YEAR 1993-94, APPROXIMATELY 160,000 REGISTRATIONS WERE SUSPENDED FOR NO INSURANCE. FOR FISCAL YEAR 1994-95, ROUGHLY 148,000 REGISTRATIONS HAVE BEEN SUSPENDED TO DATE. PENNDOT ALSO SUSPENDS FOR THREE MONTHS THE DRIVERS LICENSE OF MOTORISTS WHO ARE CAUGHT DRIVING WITHOUT INSURANCE.

CAN PENNDOT AND OUR PARTNERS DO A BETTER JOB IN THE INSURANCE VERIFICATION BUSINESS? YES, I THINK WE CAN--AND THAT IS MY INTENTION. FIRST OF ALL, THE

PROCESS REGARDING VERIFICATION NEEDS TO BE REFINED. CURRENTLY, WE ARE NEEDLESSLY HASSLING LEGITIMATE CUSTOMERS. WE ARE REQUIRING PROOF OF INSURANCE AND SENDING OUT REQUESTS FOR PROOF OF INSURANCE WHEN, IN MOST CASES, CUSTOMERS MAY SIMPLY BE CHANGING COMPANIES TO GET A LESSER PREMIUM. LET ME ELABORATE ON THIS POINT. THE VERIFICATION PROCESS HAS BEEN EXTREMELY CUMBERSOME FOR THE DEPARTMENT AS WELL AS INSURANCE COMPANIES IN THAT IT REQUIRES A CONSIDERABLE INVESTMENT IN HUMAN RESOURCES TO ENSURE THAT INSURANCE INFORMATION IS PROPERLY TRANSMITTED AND VERIFIED. THE PROCESS, AS CUMBERSOME AS IT IS, HAS SERVED TO ASSIST IN IDENTIFYING THOSE WITHOUT INSURANCE SO THAT THE DEPARTMENT CAN INITIATE THE SUSPENSION PROCESS.

AS I NOTED, INSURANCE COMPANIES MUST NOTIFY PENNDOT WHEN A POLICY IS CANCELLED. UNTIL RECENTLY, THE DEPARTMENT HAS NOT ATTEMPTED TO

EXERCISE ITS AUTHORITY TO REQUIRE INSURERS TO NOTIFY US WHEN NEW POLICIES ARE ISSUED. WE ARE VERY MUCH INTERESTED IN GETTING THE INDUSTRY TO PROVIDE US WITH THIS INFORMATION. AND WE HAVE TAKEN STEPS TO STREAMLINE THIS PROCESS.

PENNDOT RECENTLY CONTRACTED WITH ANDERSEN CONSULTING TO REDESIGN AND IMPLEMENT A NEW FINANCIAL RESPONSIBILITY PROCESSING SYSTEM. THIS EFFORT STARTED IN JULY 1993, AND I'M HAPPY TO SAY THAT THE NEW SYSTEM BECAME OPERATIONAL AT THE END OF APRIL.

PENNDOT'S OBJECTIVE FOR REDESIGNING THE SYSTEM WAS TO DEVELOP A MORE CUSTOMER FRIENDLY PROCESS, TO INCREASE AUTOMATION, AND TO PROVIDE FOR THE ELECTRONIC EXCHANGE OF INFORMATION BETWEEN THE DEPARTMENT AND INSURANCE COMPANIES. I BELIEVE THAT WE ARE NOW AT A POINT WHERE THE DEPARTMENT AND INSURANCE COMPANIES CAN WORK TOGETHER TO PROACTIVELY IDENTIFY UNINSURED MOTORISTS WITHOUT HAVING TO INVOLVE A MAJORITY OF OUR LEGITIMATE CUSTOMERS IN THE PROCESS SIMPLY BECAUSE THEY

SWITCHED COMPANIES. THIS GOAL OF IMPROVING SERVICE AND SIMPLIFYING CUSTOMER CONTACT WITH THE DEPARTMENT IS ONE OF THE KEY FOUNDATIONS OF OUR OVERALL DRIVE TO IMPROVE SAFETY ADMINISTRATION.

I WANT TO AVOID HASSLING THE LEGITIMATE CUSTOMER AND AT THE SAME TIME, IMPROVE EFFICIENCY. CURRENTLY ABOUT 50% OF THE INSURANCE VERIFICATION LETTERS THAT WE SEND OUT ARE TO CUSTOMERS WHO SIMPLY CHANGED COMPANIES. TO THEM, PENNDOT IS NOT A VERY CUSTOMER FOCUSED ORGANIZATION. TO THEM, WE ARE REQUIRING THEM TO JUMP THROUGH HOOPS THEY SHOULDN'T HAVE TO.

TODAY, THE ONUS OF PROVIDING PROOF OF INSURANCE RESTS WITH THE VEHICLE OWNER. IT DOES NOT HAVE TO BE THAT WAY, AND IT SHOULD NOT BE.

TODAY, PENNDOT DOES NOT KNOW EXACTLY WHO ALL THE UNINSURED MOTORISTS ARE. IT DOES NOT HAVE TO BE THAT WAY, AND IT SHOULDN'T BE THAT WAY.

PENNDOT KNOWS WHO THE REGISTERED VEHICLE OWNERS ARE AND INSURANCE COMPANIES KNOW WHO THEIR INSURED ARE. BY SIMPLY EXCHANGING AND MATCHING INFORMATION, THE OBJECTIVE OF IDENTIFYING UNINSURED MOTORISTS CAN BE ACCOMPLISHED MORE QUICKLY, MORE EFFICIENTLY, AND WITH LESS CUSTOMER INCONVENIENCE. WE LIVE IN AN INFORMATION AGE, CHARACTERIZED BY HIGH TECHNOLOGY--ITS TIME TO USE IT! WE WILL CONTINUE TO WORK WITH OUR SISTER AGENCY, THE INSURANCE DEPARTMENT, AND INSURANCE COMPANIES TO USE THE TECHNOLOGY WE HAVE TO BETTER SERVE OUR MUTUAL CUSTOMERS.

I WOULD NOW LIKE TO TURN TO ANOTHER SIDE OF THE INSURANCE VERIFICATION BUSINESS AND ADDRESS ISSUES RELATED TO VEHICLE INSURANCE FRAUD.

UNFORTUNATELY, THERE IS A DARK SIDE TO MANY ENTERPRISES AND THE VEHICLE TITLING AND REGISTRATION AREA IS ONE THAT CAN BE RIPE FOR FRAUDULENT ACTIVITY. THE LEGAL REQUIREMENT IS QUITE SPECIFIC:

VEHICLE OWNERS MUST HAVE ADEQUATE INSURANCE

BEFORE SUCH VEHICLES CAN BE OPERATED ON OUR HIGHWAYS. UNFORTUNATELY, AS YOU KNOW, THERE ARE MANY VEHICLES BEING OPERATED WITHOUT THE PROPER INSURANCE. COMPOUNDING THE PROBLEM IS THAT SOME OF THE DEPARTMENT'S AGENTS INVOLVED IN THE HANDLING OF THESE TRANSACTIONS ARE SIDE-STEPPING THE LAW.

THERE ARE APPROXIMATELY 10,000 BUSINESSES LOCATED ACROSS THE COMMONWEALTH WHICH WE REFER TO AS ISSUING AGENTS. THEY PROCESS VEHICLE TITLE TRANSFER TRANSACTIONS INCLUDING THE ISSUANCE OF TEMPORARY REGISTRATION PLATES (WHICH ARE PROVIDED BY THE DEPARTMENT FOR A FEE) AND THE TRANSFER OF REGISTRATION PLATES. FOR THE MOST PART, THESE ISSUING AGENTS PROVIDE AN EXCELLENT SERVICE AND ARE VALUABLE TO THE DEPARTMENT AND OUR CUSTOMERS. HOWEVER, WE HAVE FOUND THAT SOME OF THESE AGENTS AUTHORIZED TO ISSUE OR TRANSFER PLATES HAVE NOT BEEN PROPERLY VERIFYING THE APPLICATIONS TO ENSURE THAT VALID INSURANCE COVERAGE DOES, IN FACT, EXIST. WE RECENTLY FOUND THAT REGISTRATION PLATES ARE

BEING ISSUED BASED ON BOGUS OR NON-EXISTENT INSURANCE. WE HAVE SUBSTANTIAL EVIDENCE TO CONFIRM THAT THIS IS HAPPENING AND THERE IS AMPLE ECONOMIC INCENTIVE FOR FRAUDULENT ISSUANCE. IT IS VITAL THAT PENNDOT, ALONG WITH THE STATE POLICE, CONTINUE TO ADDRESS THIS ALARMING CONCERN.

CURRENT VEHICLE CODE SANCTIONS NEED TO BE REVIEWED FOR THEIR EFFECTIVENESS IN ADDRESSING THIS PROBLEM. THE DEPARTMENT WILL WORK WITH OUR ISSUING AGENT PARTNERS AND THE TRANSPORTATION COMMITTEE IN AN EFFORT TO ADDRESS THIS ISSUE.

THE SANCTIONS AGAINST ISSUING AGENTS ARE ALSO INEFFECTIVE. I HAVE DIRECTED MY STAFF TO BEGIN ASSESSING WHAT CHANGES WE CAN TAKE ADMINISTRATIVELY TO CHANGE EXISTING PENALTIES AND DEFINE WHAT CHANGES WOULD REQUIRE LEGISLATIVE ACTION. WORKING WITH THE STATE POLICE AND OTHERS, SUCH AS THE INSURANCE DEPARTMENT, AND THE ATTORNEY GENERAL'S OFFICE, WE HAVE INCREASED THE NUMBER OF VISITS TO ISSUING AGENTS TO ENSURE COMPLIANCE WITH EXISTING STATUTES AND REGULATIONS.

WE ARE ALSO REVIEWING THE STANDARDS AND WILL INITIATE CHANGES WHERE NECESSARY TO IMPROVE THE CERTIFICATION PROCESS WHEREBY BUSINESSES BECOME ISSUING AGENTS.

IN ADDITION, THE DEPARTMENT WILL WORK WITH AUTHORITIES IN PHILADELPHIA TO HELP THEM IMPLEMENT A RECENTLY SIGNED CITY ORDINANCE. THIS ORDINANCE WHICH TAKES EFFECT AUGUST 1, 1995, PROVIDES FOR REMOVING VEHICLES FROM THE HIGHWAY THAT ARE FOUND TO BE IMPROPERLY REGISTERED OR UNINSURED.

MORE AFFORDABLE INSURANCE FOR SOME APPLICANTS PERHAPS SHOULD BE A GOAL. HOWEVER, FOR MANY, ANY INSURANCE COST IS TOO MUCH AND THEY WILL CONTINUE TO OPERATE MOTOR VEHICLES ANY WAY THEY CAN. THE FINE FOR OPERATING A MOTOR VEHICLE WITHOUT THE REQUIRED INSURANCE COVERAGE IS \$300--THIS VIOLATION MAY ALSO RESULT IN THE SUSPENSION OF ONE'S DRIVER'S LICENSE, IN ADDITION TO THE SUSPENSION OF THE VEHICLE REGISTRATION. THE \$300 FINE PALES IN COMPARISON TO THE COST OF ANNUAL VEHICLE INSURANCE IN SOME GEOGRAPHICAL AREAS.

IN SUMMARY, OUR EFFORTS AT PENNDOT TO ADDRESS UNINSURED MOTORISTS ARE CONTINUING. THEY CONTINUE TO EVOLVE AND IMPROVE IN-HOUSE AND THEY CONTINUE TO EVOLVE AND IMPROVE WITH OUR PRIVATE AND PUBLIC PARTNERS. THIS SUBJECT IS A SERIOUS SUBJECT THAT DEMANDS OUR HIGHEST ATTENTION. THE SANITY AND SAFETY OF OUR CUSTOMERS DEPEND ON PENNDOT'S ROLE IN THE INSURANCE VERIFICATION.

THANK YOU FOR THE OPPORTUNITY TO HIGHLIGHT PENNDOT'S CURRENT DIRECTION REGARDING INSURANCE VERIFICATION, OUR CONCERNS, AND OUR FUTURE PLANS.

1 CHAIRMAN HESS: Thank you. Congratulations on your
2 marriage.

3 MS. SERIAN: Thank you.

4 CHAIRMAN HESS: Are there any questions? Keith?

5 REPRESENTATIVE McCALL: Thank you, Mr. Chairman.

6 I, too, would like to congratulate you on your
7 marriage.

8 MS. SERIAN: Thank you.

9 REPRESENTATIVE McCALL: Hopefully, this is not your
10 honeymoon.

11 MS. SERIAN: Yes, it is. Part of it.

12 REPRESENTATIVE McCALL: Let me tell you, I was really
13 happy to hear your testimony, certainly, regarding some of
14 the steps that you'll be taking on verifying insurance. As
15 you know, our offices are really on the front lines. We are
16 issuing agents and we do a lot of work in our district
17 offices and we hear a lot of complaints. One of those
18 complaints certainly has been verification of insurance. I
19 would submit to you that it is well over 50 percent of the
20 people who come to my office are just changing agents. I'm
21 happy to see that you're going to take steps to maybe change
22 that policy verification, because what we find is that
23 oftentimes people are just changing insurance companies.
24 They receive a letter to verify their insurance, and we are
25 calling the insurance company and telling the insurance

1 company that they have to write a letter on their letterhead
2 verifying that they have a change of insurance.

3 I was talking to your Legislative liaison about the
4 problem and discussing whether or not a VIN number should be
5 used, because a VIN number doesn't change, in verification.
6 But let me just comment that I'm happy to hear that you're
7 going to try to address this problem. My district office
8 staff will be delighted to hear that you are trying to fix
9 this problem.

10 But as an alternative, has -- and I have asked this
11 question of Secretary Yerusolim, and I guess I'll throw it
12 out to you. As an alternative, would you ever consider
13 doing a complete reissuance of plates in the Commonwealth?
14 I know it's a costly measure, but couldn't that be a way
15 that we can verify, by doing a complete reissuance?

16 MS. SERIAN: That subject has been approached a
17 number of times. Right now the onus for a new plate, as you
18 know, is on the motorist, and for \$5.00 they can get a new
19 plate. The overall issuance probably would cost between
20 fifteen and twenty million dollars, to issue a new plate.
21 And I've got to say, right now PennDOT probably is not in a
22 position to make that a high priority.

23 REPRESENTATIVE McCALL: A complete reissuance would
24 cost how much?

25 MS. SERIAN: Fifteen to twenty million dollars.

1 REPRESENTATIVE McCALL: Is it that high?

2 MS. SERIAN: Yes. That would be a new plate for
3 every registered vehicle, not just one person who wanted
4 one, but for every registered vehicle, plus all the mail and
5 all the administrative work that would go along with that.
6 We estimate fifteen to twenty million dollars.

7 REPRESENTATIVE McCALL: All of these people that
8 you've cited for driving without insurance, the 160,000 last
9 year and another 148,000 this year, how many of those people
10 are recurring?

11 MS. SERIAN: Recurring we do not know. I do not know
12 exactly how many are recurring. What our new financial
13 responsibility system will allow us to do is to have an
14 exact record of insurance that exists right now with that
15 motorist, as well as any other insurance that they may have
16 had. We'll be able to have a record. We don't have that
17 right now. We have the company that they have as of right
18 now, when they're registered, or when they renew.

19 REPRESENTATIVE McCALL: I guess the point I'm trying
20 to drive at, we have all these people, and if we don't have
21 a high recurrence rate, it seems that the next logical way
22 to try to address this problem would be reissuance.

23 When was the last time PennDOT or this state did a
24 reissuance?

25 MS. SERIAN: I believe it was in the '70s, 1977.

1 That's a good point. I understand.

2 REPRESENTATIVE McCALL: I guess, and I'm not strongly
3 advocating that, but I think it's certainly an alternative
4 that the Department should be looking at to see if we can
5 maybe help Representative Wright in his quest to try to get
6 some of these uninsured motorists off the road.

7 MS. SERIAN: Thank you.

8 REPRESENTATIVE McCALL: Thank you, Mr. Chairman.

9 CHAIRMAN HESS: Thank you.

10 Representative Druce?

11 REPRESENTATIVE DRUCE: Thank you, Mr. Chairman.

12 Thank you for your testimony, Ms. Serian. I just
13 have one question, and it goes back to some comments that
14 were made at our initial hearing by the police department of
15 Philadelphia and a concern that they raised about the
16 ability to interface with the Department's computers in
17 order to accurately verify one's current insurance. If
18 we're to move to this change of legislation, if you will, on
19 our level that would allow for the impoundment of these
20 vehicles by Philadelphia police officers when they pull over
21 motorists, in light of their comments they seemed to
22 indicate at our initial meeting that they didn't have the
23 ability to accurately know whether or not that person was,
24 indeed, driving without insurance through PennDOT's records.
25 I wonder if you could clarify their comments to us. We

1 spoke in my office a little bit about this.

2 MS. SERIAN: Yes.

3 REPRESENTATIVE DRUCE: But maybe for the Committee's
4 benefit, since they heard different comments at our initial
5 meeting, are there efforts underway to try to coordinate so
6 that indeed, if they pull someone over, if they don't have
7 insurance, it's accurate, so then if they impound that
8 vehicle, the last thing they want to be doing is impounding
9 vehicles when, in fact, there is insurance there and the
10 information hasn't made its way through the system.

11 MS. SERIAN: It's my understanding that all police
12 forces, especially those in large cities like Philadelphia,
13 can interface with what is referred to as our claim system,
14 where they do have access to motor vehicle and driver
15 records. We have not taken any further steps at this point
16 to allow for additional interfaces with our system. It's
17 something I think we have to look at, as we talked about.
18 As we look at that we have to ensure that we maintain the
19 security and the integrity of not only that record but that
20 customer also. So I think it's something that, to be
21 honest, at this point, I think we have to continue to look
22 at.

23 REPRESENTATIVE DRUCE: Just for our information, when
24 they interact with that system, what does it tell the
25 Philadelphia police department, as an example? Will it tell

1 them if the person is currently operating or suspended and
2 if they have current auto insurance, both of those pieces of
3 information?

4 MS. SERIAN: Yes. It would tell them what stops are
5 on that person's record, and if there is an F stop -- if
6 there is a stop on that record, it will tell them that they
7 are suspended and that's an invalid registration. Now,
8 that's pretty much all that it will tell them.

9 REPRESENTATIVE DRUCE: They may have a valid
10 registration and not have insurance, and the computer would
11 not be able to communicate that to the police department?

12 MS. SERIAN: Yes. That's true.

13 MR. WHITE: If I might clarify, Representative Druce,
14 the current system where they interface through the claims
15 network provides basic information related to the
16 registration status of that vehicle. It may, on some
17 records, contain what we call an F stop, which would be
18 communicated to the police officer. In fact, an F stop is a
19 financial responsibility stop.

20 Part of our new system design is that we hope to
21 eventually capture insurance information on each vehicle
22 record, at which time we will have the ability to provide
23 them with, hopefully, up-to-date and accurate information.
24 We currently do not have that today, but it's something that
25 we're hoping that with our new system, as we evolve here and

1 we collect more information, that we will be able to in the
2 future provide them with that.

3 MS. SERIAN: They will still have to enter through
4 the claim system.

5 MR. WHITE: Yes. They would still come in through
6 that network, but we would have the information readily
7 available.

8 CHAIRMAN HESS: Pardon me, sir. Would you identify
9 yourself for the record?

10 MR. WHITE: I'm sorry. My name is Larry White. I'm
11 the Acting Director for the Bureau of Motor Vehicles. I'm
12 the guy that I guess her in-law was looking for at the
13 wedding.

14 CHAIRMAN HESS: Thank you.

15 REPRESENTATIVE DRUCE: Thank you, Mr. Chairman.

16 CHAIRMAN HESS: Thank you.

17 Representative Marsico?

18 REPRESENTATIVE MARSICO: Thank you, Mr. Chairman.

19 Good morning. I was wondering if you had the
20 opportunity in the last year or so -- I believe this
21 Committee or a subcommittee of this Committee had a hearing
22 on the question of reissuing new license plates -- if you
23 had an opportunity in the last year or so to see the report
24 that was presented to us at one time during the last year by
25 the Pennsylvania Economy League, which did a study to

1 determine the cost/benefit of a complete new license plate
2 system. If you haven't, I would just ask that you take a
3 look at that, and at some point in time in the future, then
4 give us your thoughts on that.

5 MS. SERIAN: Thank you. I certainly will look at
6 that. The Economy League did you say?

7 REPRESENTATIVE MARSICO: Yes. Actually, it was in
8 January 1994, and it was, again, a study to determine the
9 cost/benefit prepared by the Pennsylvania Economy League
10 actually for the Pennsylvania Chiefs of Police Association.

11 MS. SERIAN: I will definitely take a look at that.

12 REPRESENTATIVE MARSICO: Thank you very much.

13 MS. SERIAN: Thank you.

14 CHAIRMAN HESS: Thank you, Ron.

15 Are there any other questions by any members of the
16 panel?

17 REPRESENTATIVE WRIGHT: I have quite a few.
18 Hopefully, they'll be quick.

19 CHAIRMAN HESS: Representative Wright.

20 REPRESENTATIVE WRIGHT: Thank you, Chairman. I have
21 quite a few of them. Hopefully, we can go through them
22 pretty quick.

23 I'm still a little confused. When a Philadelphia
24 police officer -- following up on Representative Druce's
25 question -- or maybe others, but we'll just say

1 Philadelphia, when they pull a car over, they testified to
2 us that when they do a computer check, and if they're clean,
3 they really don't know whether that vehicle is suspended --
4 this is what they testified to us about -- or whether that
5 driver's license is suspended. Now, I kind of hear a
6 conflicting thing here. I'm really confused.

7 MR. WHITE: Representative Wright, I believe, as I
8 indicated, when they do an inquiry through the network, the
9 basic information that is available to them would also
10 include any suspension activity, that the vehicle is
11 currently suspended or the driver's license would have been
12 currently suspended. So I'm not quite sure that I
13 understand where they're coming from. It's my understanding
14 that that information is available. What is not available
15 at the current time, as I tried to indicate, is that if the
16 vehicle is currently registered and if there is no stop on
17 it for, say, financial responsibility, I think you can make
18 the assumption that they are in fact insured, because
19 they're registered. Now, that may or may not be the case.

20 At some point in time we hope to be able to, on every
21 vehicle record, capture up-to-date insurance information
22 that we would be able to tell them: yes, this person is in
23 fact insured based upon the information that we have
24 available, and possibly, here is the insurance company that
25 they're insured with, so they can verify that information.

1 REPRESENTATIVE WRIGHT: I got the impression from my
2 local police forces in Philadelphia that the concern, the
3 way you described it, it's possible to pull somebody over
4 and the computer says its clean, when in fact it may not be.
5 So that's one possible mistake.

6 MS. SERIAN: That's possible. That's true.

7 REPRESENTATIVE WRIGHT: But my law enforcement in
8 Philadelphia basically implied what they were concerned with
9 was when vehicles are supposedly marked suspended, or the
10 driver's license, and therefore if they follow up and they
11 impound or do something and they find out that they're not
12 suspended, because the driver sitting there says, "I do have
13 valid insurance," or whatever, and then it's found out later
14 that there really was; that the computer was wrong. That's
15 what my local law enforcement says is the biggest problem.
16 They don't want to go get a tow truck guy to come out and
17 impound and then the tow truck impoundment yard, if it's
18 privately owned, is going to have concerns about, "Well,
19 who's going to pay me? I expended time and effort. It was
20 on the lot overnight," et cetera.

21 One of the problems I testified about when I first
22 started this, my local law enforcement was leery about this
23 because of the administrative problems in case there were
24 mistakes. But I got the impression that it was the exact
25 reverse of what you just described was the problem; that it

1 would show that they are suspended, and in fact they were
2 not, which is exactly the reverse of what you are
3 describing.

4 MR. WHITE: I can only address that I think this way.
5 Based on my knowledge, I know the system carries on it, on a
6 very general inquiry screen that our people have access to
7 when they call in, you know, and they're communicating with
8 the police officers, that they would know at that point in
9 time whether the vehicle is under suspension or not, and
10 also a driver's license.

11 I think we can look into that and certainly get some
12 information back to you on that.

13 REPRESENTATIVE WRIGHT: Now, you said called in. I
14 didn't ask the question when we talked specifically with the
15 Philadelphia police department. They have a patrol officer
16 on the street and he sees a car. And I don't know this, I
17 guess it varies, but let's say Philadelphia, because
18 obviously that's where the biggest problem is. What is the
19 normal procedure? You may or may not know. Do they radio
20 contact their control room, their control room then accesses
21 the computer, is that what it is, and then verbally
22 corresponds back over the radio with them?

23 MR. WHITE: There's basically two ways that you can
24 access information, and one is through the state police
25 claim system. Quite a few enforcement agencies go through

1 that system, and it's exactly as you described. You call in
2 and a check is done via computer, because they have access
3 to our system.

4 Another service that we provide in the Bureau of
5 Motor Vehicles, we have a complement of about 15 people in
6 our law enforcement section where we man phones, and a lot
7 of local police departments will call us directly and we
8 will provide information to them over the phone.

9 REPRESENTATIVE WRIGHT: Is that if they're not on
10 line?

11 MR. WHITE: Yes. They may not be going through the
12 claim system. That's basically two ways that that
13 information is provided to them.

14 REPRESENTATIVE WRIGHT: I want to jump subjects now.
15 There's been much talk in the past about people who don't
16 receive documents, notices in the mail. Now, whether
17 generally they're lying or whatever, whatever the case, and
18 as you well know, in the past there have been many
19 legislators who have attempted to require certified mail.

20 MS. SERIAN: Yes.

21 REPRESENTATIVE WRIGHT: For suspension or for all
22 these kinds of documents. I, in fact, just talked to Bob
23 the other day. A woman claimed she never got it. Now, we
24 don't know what the issue is and we're just taking it for
25 face value. How does someone -- this is a reoccurring

1 problem. I don't know if it is strong enough for the
2 Legislature to take action, but what is the opinion of
3 PennDOT about certified mail? Obviously, it's going to
4 increase cost. And would it have any effect if we did do
5 it? If we bit the bullet and we gave you the money, would
6 it have any effect?

7 MS. SERIAN: I don't believe that it would. I still
8 think we would have those folks who wouldn't pick up their
9 mail knowing what it was, getting a certified letter from
10 PennDOT, knowing you might not have insurance or knowing
11 your driver's license might be suspended. I think we would
12 still have that problem. Or we would have people signing
13 for the letter that may not be that person; it might be
14 someone from their family.

15 Our overall position is we believe that how it works
16 now is the best way. I think there are people who probably
17 don't get their letters in the mail. I think they're a very
18 small percentage. And we believe that the costs would be
19 very prohibitive from doing that. I don't know the exact
20 numbers, but I know they're very high in terms of
21 suspensions or in terms of insurance, requests for proof of
22 insurance that we send out. It would be very costly to do
23 that, and our position is that we feel we would not want to
24 use registered mail.

25 MR. MUSTIN: May I address this further?

1 MS. SERIAN: If you would like to, yes.

2 MR. MUSTIN: Bob Mustin from PennDOT, Legislative
3 Liaison.

4 We did certified mail, the Department, in the late
5 '70s. Sixty percent of the people who received that mail --
6 60 percent of the addressees refused to accept delivery of
7 that mail, and it came back to the Department. That's just
8 an inordinate expense and it's a very, very labor intensive
9 process because you have to do the return receipt, and they
10 have to generally be done by hand. It didn't achieve any
11 results.

12 There is also case law on the books that said that
13 it's incumbent upon the police officer to prove that if
14 someone is prosecuted for either operating during suspension
15 of their driver's license or registration, that it's
16 incumbent upon them to prove actual notice. So therefore,
17 if you use certified mail and it's not signed for, you
18 haven't achieved anything, and if someone else signs for it,
19 you haven't achieved anything either because you can't prove
20 that the addressee actually received that notice.

21 So, like I said, it's a very expensive, labor
22 intensive process that does not achieve the results that one
23 would believe that it would.

24 REPRESENTATIVE WRIGHT: Now, turning to a different
25 issue. You said that you are getting better at identifying

1 those vehicles that are going to be suspended for a couple
2 of different reasons. One hundred and sixty thousand
3 notices went out in '93 and '94. Could you describe then
4 what happens next? I've heard this before, but could you
5 describe what the process is next? Excluding the people who
6 then contact you back and try to rectify the problem, what
7 do you do with the rest of those people that haven't
8 responded? What is the process then?

9 MS. SERIAN: The process, aside from the auditing
10 process, the verification process, we get about 115
11 cancellation tapes I believe it's weekly from insurance
12 companies. I'll take you through a flow chart. That's what
13 I'm looking at. That's how I had to understand it as well.
14 We get 115 tapes weekly from the insurance companies. Then
15 we match that tape -- only on cancellation notices right
16 now; we only get cancellation notices, so we're only
17 matching canceled policies or policies where people might be
18 changing. We'll take the cancellation tape, match it
19 against the registration renewals, and then determine that
20 batch of motorists who do not have, we don't believe have
21 insurance.

22 Once those folks are identified, a customer
23 verification or proof letter is sent out to the customer.
24 The customer is asked to provide proof of insurance in one
25 of four different ways that they can provide proof of

1 insurance.

2 The next part of that flow chart is if they provide
3 proof of insurance, we say thank you, in so many ways. We
4 send them a notification that says, "Thank you. You
5 provided it." Many customers don't do anything, or else
6 they call us. They call the telephone information center.
7 And clearly, about 30 percent of the calls that come into
8 our telephone information center are on insurance-related
9 aspects, which is another indication that if we had this
10 match it would be a lot less of customer inquiries.

11 So if they provide us proof of insurance, we say
12 thank you. If they don't provide us proof of insurance, we
13 send an official notification out to them that say. all
14 right; you will be suspended effective such-and-such a date.
15 That suspension becomes effective 42 days after they receive
16 that notice. And then we suspend them effective when they
17 turn their tags or their plates in to us. So that 42 days
18 may be expanded. If they don't turn their plate in to us in
19 50 days, they're suspended, but that three-month suspension
20 starts on that 50th day, so they may have four months of
21 overall suspension. Suspension does not become effective
22 until they turn their plates over to us.

23 Then after three months --

24 REPRESENTATIVE WRIGHT: That was 42 days, or 50,
25 after the first letter went out.

1 MS. SERIAN: Forty-two days after the first letter
2 went out; correct.

3 REPRESENTATIVE WRIGHT: But there was a period of
4 time before that first letter went out.

5 MS. SERIAN: That's correct.

6 REPRESENTATIVE WRIGHT: So how long from discovery
7 that there was cancellation of insurance to the first letter
8 or the second letter?

9 MS. SERIAN: From the proof letter that goes out,
10 they have 45 days to let us know if they had insurance or
11 not. Now, in that 45 days they very well may have had a
12 lapse of 31 days without insurance. They have 45 days to
13 let us know. In that 45 days they may or may not have
14 insurance, once again. Then secondly, after 45 days, a
15 second letter goes out that says: you're suspended, and you
16 have 42 days, 42 more days, to provide proof of insurance or
17 file a timely appeal. And the appeal, if there's a pending
18 appeal, we'll hold off on the suspension.

19 So it's basically 45 days from that first letter,
20 plus 42 days, and then their suspension is effective and a
21 stop is immediately put, as Larry referred to, an F stop, a
22 financial responsibility stop, is put on their vehicle
23 registration. Then they have three months suspension, if
24 they turn their tags back in to us. If they do not turn
25 their tags back in to us, we notify local law enforcement to

1 pick up the tags.

2 REPRESENTATIVE WRIGHT: How long will it take for
3 that letter to go out?

4 MS. SERIAN: Twenty-eight days.

5 REPRESENTATIVE WRIGHT: An additional 28 days?

6 MS. SERIAN: That's correct.

7 REPRESENTATIVE WRIGHT: Now, I've been keeping score
8 here, and we have a month -- it's about a month before you
9 maybe even get notice from the insurance company.

10 MS. SERIAN: Ten days on cancellations. Insurance
11 companies are required to notify us within ten days.

12 REPRESENTATIVE WRIGHT: So you know within ten days.

13 MS. SERIAN: That's required.

14 REPRESENTATIVE WRIGHT: And then do you send that
15 letter out immediately?

16 MS. SERIAN: Within a week, I believe it is, yes.

17 REPRESENTATIVE WRIGHT: That first letter goes out.
18 Then it's a month-and-a-half, roughly, --

19 MS. SERIAN: We're assuming you have insurance.

20 REPRESENTATIVE WRIGHT: Then if nothing happens, the
21 second letter goes out, and then another month-and-a-half
22 comes; then you'll send a notification to the police
23 departments.

24 MS. SERIAN: That's 28 days; that's correct.

25 REPRESENTATIVE WRIGHT: So that's four-and-a-half

1 months, roughly --

2 MS. SERIAN: That's 28 days after the effective date.

3 REPRESENTATIVE WRIGHT: -- that notification goes out
4 to the law enforcement to do something.

5 MS. SERIAN: That's correct.

6 REPRESENTATIVE WRIGHT: And, of course, now -- well,
7 I guess what my first question was, really, starting at this
8 point, what happens when the law enforcement gets it?
9 That's really what my question was. The law enforcement now
10 has notice in their hands --

11 MS. SERIAN: That's what we really can't control.

12 REPRESENTATIVE WRIGHT: Okay, but what's supposed to
13 happen?

14 MS. SERIAN: What's supposed to happen?

15 REPRESENTATIVE WRIGHT: Yes.

16 MS. SERIAN: They're supposed to pick up the tag and
17 return it to us. And by doing that, that local authority,
18 that local government, gets half of the restoration fee.

19 REPRESENTATIVE WRIGHT: That is also the state
20 police, too, or just local?

21 MS. SERIAN: It's both.

22 REPRESENTATIVE WRIGHT: Do you have any statistics of
23 how many notices go out versus returns?

24 MS. SERIAN: No, I don't, not offhand. We could
25 probably get those.

1 REPRESENTATIVE WRIGHT: I think I have that. I think
2 I requested that from the legislative office before, and I
3 think I have that. But I thought that was a very low
4 figure.

5 MS. SERIAN: I would believe it is.

6 REPRESENTATIVE WRIGHT: So I guess the point I was
7 going to make after the response was that even though the
8 computer printout goes to the local township police forces,
9 the rate of return of those plates, for them to go out and
10 get it, is very small, and probably, I'm going to make the
11 assumption, in Philadelphia is very, very poor, so we're
12 probably wasting our time. In maybe some of these more
13 rural areas where they have a little more time to do it,
14 there may be a pretty good return.

15 MS. SERIAN: That's exactly right.

16 REPRESENTATIVE WRIGHT: The place where we have the
17 most problem is where we need the most enforcement. I guess
18 that's where I wanted to follow up and end up. We've
19 identified these vehicles, we have made an attempt to
20 contact them, but really, does PennDOT have a solution of
21 what to do now? Now that we have identified Tom Jones'
22 vehicle, that Chevy is not registered; it's been suspended.
23 You sent the notices out. The plate hasn't come back. Does
24 PennDOT have a recommendation of what should be done?

25 MS. SERIAN: We would hope that local law enforcement

1 would work with us to pick up the plates and return the tags
2 to us. At this point we mainly can suspend the
3 registrations, and that's pretty much what we can do at this
4 point aside from our own employees going out and picking up
5 the tags, and I believe we have done that in the past in
6 some cases. But we do not do that now.

7 CHAIRMAN HESS: Pardon me one second, while we're on
8 that subject about the local law enforcement and the state
9 police picking up the tags. What is the percentage of
10 return of those tags and what's the time frame on that?

11 MS. SERIAN: I don't have that, Representative Hess,
12 but I can get that for you. The percentage of the pick-ups
13 and the returns, I can get that for you. I can find the
14 exact number of letters that go out to law enforcement.

15 CHAIRMAN HESS: Is the percentage pretty high?

16 MS. SERIAN: My guess would be it's almost non-
17 existent; very low.

18 CHAIRMAN HESS: I am told probably the reason that
19 this is happening is that they are not physically going out
20 and picking the plates up; they're making a phone call,
21 "Would you please bring your plate in?" Wait three weeks,
22 if you don't get it, "Would you please bring your plate in?"
23 In the meantime there's three, six, eight, ten weeks go by.
24 I think probably a directive of some sort, maybe working
25 with the Pennsylvania state police commander saying: you

1 must go out physically and pick up those plates, not be
2 making phone calls and asking them to please bring in the
3 plates. I know this is happening. That's why your return
4 is low.

5 MS. SERIAN: And that's not the way it should happen.
6 That's exactly right.

7 CHAIRMAN HESS: That's not the way it's supposed to
8 be.

9 MS. SERIAN: If you were to ask me, would I please
10 bring my plates down, I probably would, but I'm not sure
11 that John Q. Customer would.

12 CHAIRMAN HESS: Probably about 10 percent of those
13 people who are called are law-abiding citizens, they just
14 got behind the 8 ball because they had a house payment to
15 make or a college tuition payment to make, "I'll let my
16 insurance go, but I'll catch it up before the 30 days is up
17 so I don't lose my license," but in the meantime they have
18 an accident. Then there's a problem because their insurance
19 is lapsed. The insurance company doesn't want to pay; then
20 there's a real problem.

21 I think PennDOT might want to meet with Major Miller
22 and discuss this problem with him, and maybe some sort of a
23 directive through the commander's office can be sent out to
24 local enforcement that this practice of making phone calls
25 to return plates should cease and desist and they be

1 physically picked up on routine patrol. Maybe not a special
2 trip being made out that day or whatever, but I'm sure the
3 patrols that are going out in certain areas within the week,
4 that they could swing by and stop and see if that car is
5 physically at that property or whatever.

6 MS. SERIAN: We will do that.

7 CHAIRMAN HESS: Representative Druce?

8 REPRESENTATIVE DRUCE: One clarification for the
9 record. The extraordinary amount of time between the letter
10 and the reply back from the individual, then the second
11 letter and the second subsequent time period for reply, why
12 is that?

13 MS. SERIAN: The first letter that goes out is a
14 proof letter. And I want to preface this by saying ideally
15 we should be concentrating on those people who do not have
16 insurance. If we had matching tapes for new policies, then
17 we would not be concentrating our efforts on those people
18 who have insurance, those legitimate customers. With that
19 information, our concentration should not be on hassling the
20 customer but should be on those people who do not have
21 insurance. That initial proof letter right now provides the
22 legitimate customer, most of them, about 50 percent -- many
23 of them who are -- that initial proof letter is to allow
24 that customer 45 days to tell us if they had insurance or
25 not. If they have lapsed insurance over 30 days, 31 days

1 exactly, if they provide us with the information that
2 they've lapsed insurance on 31 days, then immediately we
3 suspend their registration and tell them when it's
4 effective. We don't do it that day. I believe it's 42
5 other days.

6 There is a considerable amount of time. Part of that
7 time, Representative Druce, is to allow the legitimate
8 customer the opportunity to provide us with proof of
9 insurance. And the other is to provide that customer with
10 the opportunity to appeal, basically, and they have that
11 opportunity. And there might be some legitimate concerns.

12 REPRESENTATIVE DRUCE: They would notify you of that
13 appeal in that process?

14 MS. SERIAN: Yes. They have to notify us of that
15 appeal.

16 REPRESENTATIVE DRUCE: I would be curious about that.
17 If you probably just did for a limited period of time a
18 test, I would suspect that those who are legitimately
19 insured probably reply to you much sooner than 40-some odd
20 days, and I'll bet those who do not, obviously, never reply
21 to you.

22 MS. SERIAN: Right.

23 REPRESENTATIVE DRUCE: I would just like to make one
24 comment. Representative Hess made an excellent point about
25 our police, but I happen to be of the mind that I share

1 their view that they've got more important things to do, and
2 particularly in the City of Philadelphia they do. We
3 discussed and we talked about the idea that I have of
4 bringing our constables into this process in terms of
5 picking up tags, adding to their fee when they pick these
6 up, much like they serve a warrant. Maybe it's a very
7 unorthodox idea, I guess, in the sense of how the Department
8 would deal with those in disseminating this information, but
9 to the extent we can sort of break away from what has been
10 habit and tradition, I think that route may well become a
11 very useful resource to pick up tags from individuals as
12 opposed to relying upon over-exhausted state police who've
13 got other matters to deal with, and certainly the City of
14 Philadelphia police department.

15 MS. SERIAN: I think that we have to step out of the
16 box, if you will, as we look at the subject and find a
17 better way. I'm not exactly sure what that better way is to
18 pick up the tags, if it's working with the state police or
19 if it's through the constable system, or if it's through
20 another private system, possibly, but I think we cannot just
21 rely on the way things used to be, and we need to look at
22 other ways to address this.

23 Thank you.

24 CHAIRMAN HESS: Thank you.

25 Representative Wright, do you have some more

1 questions?

2 REPRESENTATIVE WRIGHT: Yes. I want to continue with
3 my line of thought. I did find a letter signed by Larry
4 White with a couple different things on it. Point number 2,
5 a report is sent to the local police departments identifying
6 the license plates which should be picked up. An estimate
7 is that of the approximately 50,000 plates -- and I think
8 we're talking about the time frame of '93-'94 on this -- of
9 the approximately 50,000 plates, local police picked up
10 approximately 35 percent.

11 MS. SERIAN: That's a lot higher than I would have
12 guessed.

13 REPRESENTATIVE WRIGHT: I don't know if that's good
14 or bad, but I would suspect that's in one of our rural areas
15 as opposed to our urban areas.

16 I guess where I was leading is there is a system out
17 there to attempt to get that car off the road. It may take
18 a long time, but there is a system. Unfortunately, what
19 happens is we have a law enforcement department that may
20 legitimately try to find these vehicles; they may not even
21 be there anymore. They could be in Maryland now or
22 whatever, they moved, et cetera. So that could be one of
23 the reasons why the statistics are down. But in some areas
24 I would think there is a lack of motivation by the police
25 departments, and I guess what maybe the Committee has to do

1 is to find some other motivation.

2 I was going to follow the line of thought that
3 Representative Druce brought up about putting a bounty on
4 it. The local police enforcement departments, I would bet
5 -- I never asked this question, but I would bet that half of
6 the restoration fee is not worth their while
7 administratively for the amount of time that an officer, and
8 his benefits, and the cost of the car, and the insurance.
9 If you divide up every second that that officer is out on
10 the street, how much it costs, I would bet that the
11 administrators of Philly or some other area would probably
12 say, that's at the bottom of the priority list. In a small
13 town they may have time to do it, they may know everybody.
14 But I also thought that the constables might be a very valid
15 prospect, but then we'll have to make it financially
16 rewarding to them. I don't know what dollar that would be.

17 But what I want to talk about, I forgot one thing.
18 Clarification. Right now insurance companies are supposed
19 to notify you when someone discontinues their insurance.

20 MS. SERIAN: Within ten days; that's correct.

21 REPRESENTATIVE WRIGHT: Within ten days. One of the
22 problems you have, at some point you have learned that Tom
23 Jones doesn't have insurance anymore with Allstate. Are
24 insurance companies required, when they sign up a new
25 customer, to notify you?

1 MS. SERIAN: No.

2 REPRESENTATIVE WRIGHT: So, therefore, that's why we
3 have to go through all these long administrative steps to
4 find out whether they have insurance or not?

5 MS. SERIAN: We believe that within the Code the
6 provisions exist for them to provide us with new policy
7 information.

8 REPRESENTATIVE WRIGHT: You mean shall or may?

9 MS. SERIAN: I believe it says "shall." But along
10 those lines, it also calls for the Department to promulgate
11 regulations to do that as well, and we're working on that.
12 We will probably work with the Committee to look for
13 Legislative action to allow that to happen.

14 REPRESENTATIVE WRIGHT: So if it was mandated and
15 followed through, if it worked the way it was supposed to,
16 if the insurance companies had "x" amount of days to notify
17 the Department about new sign-ups, that would cut a lot of
18 your administrative work?

19 MS. SERIAN: Yes, sir, it would. And right now is
20 the opportune time for that. Only until this past April, we
21 did not have the system capability to match tapes and to
22 provide that kind of information from a high tech
23 standpoint, so to speak. Now we do. We have a financial
24 responsibility system that allows those tapes for new
25 policies and canceled policies and registrations to be

1 matched. We did not have that capability until this past
2 April. That's why it even makes it more imperative now that
3 we have the new policy information.

4 REPRESENTATIVE WRIGHT: Thank you.

5 Thank you, Mr. Chairman, for your indulgence.

6 CHAIRMAN HESS: Representative Marsico?

7 REPRESENTATIVE MARSICO: Representative Taylor I
8 think has a problem, and one of our staff people had
9 communicated it to me just before he left, and bear with me
10 because I'm not sure if I understand it completely myself.

11 Issuing agents in Philadelphia, I guess, are having
12 this problem with possible liability if they issue a
13 temporary tag or registration and are not able to verify
14 with the Department over evenings or possibly weekends or
15 things like that, be able to verify immediately with the
16 Department on proof of insurance. Are there going to be any
17 attempts to address this problem, or could there be, in the
18 legislation that you may be proposing?

19 That's how I understand the problem. I'm sorry I
20 couldn't give you any more information on it.

21 MS. SERIAN: I'll be happy to call Representative
22 Taylor, if you'd like. Right now those issuing agents are
23 to verify insurance themselves.

24 REPRESENTATIVE MARSICO: I'm sorry?

25 MS. SERIAN: The issuing agents are to verify

1 insurance themselves. If a customer walks in for a
2 temporary tag, that customer is to provide proof of
3 insurance. As I noted a little bit earlier, we are finding
4 that issuing agents are not properly identifying insurance.
5 That means that they are writing in companies that don't
6 exist; they are putting the same policy number on five or
7 six different registrations. The onus is on them, and the
8 liability should be, and the onus on them as an issuing
9 agent to sign off on that motor vehicle form -- and I'm not
10 exactly sure of the number of it -- but on that motor
11 vehicle form that they have verified proof of insurance.

12 Now, also, what the issuing agents in Philadelphia do
13 is they, too, call our law enforcement area -- and we are
14 there 24 hours a day and on weekends as well -- for them to
15 verify that that tag, that that is a valid registration.
16 But no, we do not tell them if there is insurance or not,
17 because we don't know that. On any given day, right now, I
18 could have insurance today and not have it tomorrow.

19 But I will call Representative Taylor and discuss it
20 with him, if you'd like.

21 REPRESENTATIVE MARSICO: Thank you.

22 MS. SERIAN: You're welcome.

23 MR. MUSTIN: Representative Marsico, I just wanted to
24 add to that that the law already requires -- I believe it's
25 under Section 1318 of the Vehicle Code that it requires that

1 issuing agent to verify that coverage by looking at, as
2 Betty indicated in her testimony, the I.D. card, the
3 declaration page, certificate of self insurance, or a
4 binder. They are required by law to do that already. And
5 the liability is on them.

6 CHAIRMAN HESS: Thank you.

7 Are there any other questions?

8 (No response.)

9 CHAIRMAN HESS: I have one or two myself. What sort
10 of problem would it pose PennDOT -- a twofold question --
11 and also cost, if the officer, when he made the stop to
12 check the registration and the license of that individual,
13 that he be able to check the insurance at that point? Has
14 the Department given any thought to being able to put that
15 on the computer? And what would the cost figure be involved
16 in that?

17 MS. SERIAN: I don't know what the cost figure would
18 be, but there probably is a way for us to interface now,
19 with the new financial responsibility system. I'll let
20 Larry clarify that.

21 MR. WHITE: I think, as I indicated earlier, part of
22 our aim, Representative Hess, is to eventually be able to
23 capture that information and store it on our records so that
24 it would be available to provide to the officer when he
25 called in. But you have to keep in mind that the

1 information that's on our system, it's dynamic, it's not
2 set. You may have it today, but we don't know that you have
3 it tomorrow, unless our system is going to be updated with
4 respect to getting information and working cooperatively
5 with the industry and the companies. Because it's such a
6 dynamic process.

7 CHAIRMAN HESS: Yes. I understand it would be a
8 continuous thing, on a daily basis, updating the system, but
9 it would be 90 percent better than what we have now.

10 MS. SERIAN: That's exactly right. And I think that
11 is something that we should look into. Also, once again, it
12 would be not only dynamic but much more accurate if we had
13 the new policies as well as the cancellations.

14 CHAIRMAN HESS: I would be very interested to know
15 just exactly the price tag that would be put on such a thing
16 versus what the savings would be to PennDOT and the
17 insurance companies by having that information.

18 MR. WHITE: If I may just add one comment. I believe
19 we've already made that investment, and we've designed the
20 new system to be able to capture and retain that
21 information. So I don't believe there would be any
22 additional costs above and beyond what we've already
23 expended in designing and implementing the system in order
24 to do that.

25 CHAIRMAN HESS: Wouldn't there be manpower in putting

1 that information on the system?

2 MR. WHITE: No. It would be done electronically by
3 exchanging information with insurance companies. That's one
4 way to do it.

5 MS. SERIAN: Let me clarify, Representative Hess, so
6 I understand. You're asking what the cost would be for
7 adding new policy information to our system?

8 CHAIRMAN HESS: Yes. Keeping the system updated, and
9 also adding that information to the system.

10 MS. SERIAN: That already exists. That capability is
11 available. That's how the system was designed, to about
12 \$1.5 million, for a new financial responsibility system.
13 You could say that the shelves are there waiting for those
14 tapes to come on so that we can have the new policy
15 information.

16 Now, there is an interface, I believe, that would
17 have to be done with the vehicle registration system, but
18 that pretty much is done also. But if there are any other
19 changes or any other costs involved, I will let you know.

20 CHAIRMAN HESS: To me then, if I may make a statement
21 at this point, that would be very, very important to the
22 officers at the time they make the stop; you know, if they
23 have an automobile there that doesn't have a registration,
24 it's not going to move; if he doesn't have a financial
25 responsibility card from the insurance company, then that

1 automobile is not going to move. He's going to have to let
2 them go, and three weeks later try to find out where the
3 automobile went when he receives notification from PennDOT
4 that he's to pick up such-and-such a plate. And especially
5 in the city. Not so much in the rural area; he can find out
6 where people live, because people are more observant, I
7 think. But I would be very interested in knowing that.

8 MS. SERIAN: I will follow up with you.

9 CHAIRMAN HESS: Are there any further questions from
10 the Committee?

11 REPRESENTATIVE WRIGHT: Mr. Chairman, may I ask one
12 more?

13 CHAIRMAN HESS: Yes. Representative Wright.

14 REPRESENTATIVE WRIGHT: Can I ask PennDOT's opinion
15 about if it was a greater push and we had a greater success
16 rate at confiscating license plates -- not vehicles, but the
17 plates, comments have been raised before that that would
18 promote a behavior of stealing plates. Such as my old beat-
19 up Chevy out back. I don't have insurance or whatever and
20 you come, the police come, and take my plate. I need to
21 drive. I go up the street and I just rip off a person's
22 plate. It has been commented back to us that even by that
23 type of enforcement, people who are pushing that idea of
24 impoundment of vehicles are saying if you just do the
25 current system, which is find ways to improve the pick-up of

1 license plates, we'll be encouraging theft of other plates
2 and those cars will still be driving around. Of course, now
3 we're getting into a higher penalty phase, but people are
4 desperate and they're going to steal license plates, and we
5 really haven't got these cars off the road yet.

6 Do you have any comments about that.

7 MS. SERIAN: That's happening right now. People are
8 stealing tags and they're stealing registration renewal
9 stickers, and that's happening right now. I think that that
10 may continue to happen, but I think from PennDOT's
11 perspective, our primary objective should be to get as many
12 uninsured motorists and cars off the road as possible. So
13 while that may initiate other criminal activities, I'm not
14 sure that's something that we should be that concerned about
15 if our effort is to remove that one vehicle that does not
16 have insurance.

17 REPRESENTATIVE WRIGHT: The way you phrased that
18 perked the question. Do you have opinions on -- I hear
19 debate personally about trying to restructure the tag pick-
20 up, you know, let's try to beef that up, let's try to find
21 the problems, et cetera, versus, no, that's no going to
22 work; let's just impound the vehicle, and that could be a
23 legitimate debate that we may or may not take up, but that
24 could be a debate, and somebody's going to come to PennDOT
25 and say: what's your opinion?

1 MS. SERIAN: Impounding, obviously, is a local
2 decision from Philadelphia's perspective. Our opinion would
3 be that I would suggest that we beef up, so to speak, the
4 tag pick-up program and approach it from that perspective.

5 REPRESENTATIVE WRIGHT: Thank you.

6 CHAIRMAN HESS: Thank you, Representative Wright.

7 Just one more question. I notice in my district we
8 have had a lot more of the stickers being stolen than the
9 tags being stolen. In fact, my neighbor had two stickers
10 stolen within three months time. They just stripped the
11 sticker off the plate. Has there been a significant
12 increase in sticker theft over license plate theft, have you
13 noticed?

14 MS. SERIAN: I believe, yes, that there has been, and
15 I would let Larry address those numbers, if he has them.
16 But yes, there has been a significant increase, because they
17 want the registration sticker. We've looked at options, and
18 we don't have a good one at this point.

19 REPRESENTATIVE WRIGHT: Have you considered a sticker
20 on the window just like an inspection?

21 MS. SERIAN: Yes. We've looked at that as well, but
22 I believe local police enforcement have indicated to us that
23 they still prefer to have that sticker on the tag so you can
24 tell that that's a currently registered vehicle while it's
25 moving, more so than the inspection sticker on the

1 windshield. But it is an issue; it's a growing issue.

2 CHAIRMAN HESS: Thank you. I want to thank all three
3 of you for coming and giving us your time this morning, Bob,
4 and congratulations on your wedding, and Mr. White. Thank
5 you very much for coming.

6 MS. SERIAN: Thank you.

7 CHAIRMAN HESS: The next person to testify before the
8 Committee is Diana Lee, Assistant Vice President of
9 Research, National Association of Independent Insurers.
10 Also, she will be accompanied by Robyn Simon, Assistant
11 Counsel, National Association of Independent Insurers.

12 Thank you. You may begin.

13 MS. LEE: Thank you very much. Good morning
14 everyone. My name is Diana Lee and, as you mentioned, I am
15 Assistant Vice President of Research with the National
16 Association of Independent Insurers. The NAII is a
17 property/casualty trade association representing about 38
18 insurer groups who write about one-third of the premium
19 volume of private passenger automobile insurance here in the
20 Commonwealth of Pennsylvania. In addition, NAII is also an
21 insurance statistical agent. We represent, in our data
22 base, about two-thirds of the premium volume here in the
23 State of Pennsylvania.

24 In the interest of time, I will just summarize my
25 statement. I've been asked to attend to describe the

1 various methodologies that have been used in the past and
2 present with regard to estimating the uninsured motorist
3 populations in different areas, and my associate, Robyn
4 Simon, will address the various problems going on in other
5 states as well as an alternative solution.

6 There have been numerous efforts made to collect
7 information on the number of uninsured motorists or vehicles
8 and the magnitude of the damage that they incur. There are
9 about four approaches that have been used in the past. Each
10 one has certain drawbacks, though, and I will just very
11 briefly run through these different approaches for you. The
12 different approaches involve accident reports, registration
13 samples, a comparison of vehicle registration to insured
14 vehicles, and consumer surveys.

15 Now, accident reports do not really yield direct
16 information on the number of uninsured vehicles. Accidents
17 involve uninsured vehicles and these may not be reported as
18 much as accidents involving insured vehicles. In any event,
19 the reports provide information on uninsured cars only at
20 the time of the accidents. So the methodology of looking at
21 accident reports has been abandoned, essentially, to
22 estimate the uninsured motorist population.

23 Now, you've already heard from Betty Serian the
24 difficulties of looking at registration samples to determine
25 the uninsured motorist population. Again, let me just

1 repeat that the major pitfall is the treatment of
2 unverifiable registrations; in other words, determining
3 whether a registered vehicle really has insurance or not.
4 So that is really not a good way of looking at uninsured
5 motorist vehicle estimations either.

6 Comparing the vehicle registrations with the number
7 of insured cars has very serious drawbacks. The two sets of
8 data are not compatible whatsoever, and in some instances
9 it's been found that the number of insured cars actually
10 exceed the number of registrations; and also the fact that
11 registrations sometimes include commercial vehicles, and
12 there's also double-counting involved sometimes, because if
13 you have a car and you sell it to me, then the car may end
14 up being registered twice. So that is one of the more
15 common methodologies used, where you look at the
16 registrations and you also look at the insured car years and
17 you try to determine the uninsured vehicles based on that,
18 but that's not very workable either.

19 Then lastly, there are consumer surveys that have
20 been done in the past. These do provide some very good
21 estimates based on looking at the entire country, but then
22 if you're looking at local areas or states, that can be a
23 problem because, number one, consumer surveys are very
24 expensive to conduct, and also, you're looking at a
25 relatively small sample of respondents. So consumer surveys

1 have some value, but on a local level probably not as much
2 usefulness as one would hope to have.

3 In the last decade or so a new methodology has arisen
4 which involves auto insurance claims data, and this is
5 another way of measuring the size of the uninsured motorist
6 population. Now, this type of information provides a more
7 direct measure of the injuries and the damage being caused
8 by uninsured and hit-and-run vehicles. Uninsured motorist
9 claims represent injuries to either the insured or their
10 family members or people riding in the car caused by an
11 uninsured motorist or hit-and-run motorist. The bodily
12 injury claim represents injuries caused by insured
13 motorists. Claim frequencies measure the number of
14 insurance claims made per 100 insured cars. It's really
15 more appropriate to look at claim frequencies than the
16 actual claim counts themselves.

17 Now, some useful information can be obtained by
18 looking at the U.M. claim frequencies alone, but there are
19 so many factors that really affect the magnitude of the U.M.
20 frequency by itself. For example, you've got influences
21 such as claims consciousness, a no-fault law, influences
22 such as weather or the price or the availability of
23 gasoline, and other extraneous factors which may influence
24 just looking at the U.M. claim frequency. So it's really
25 important to try to normalize that by comparing that to

1 something else which would minimize any distortions.

2 One way to minimize these influences is to compare
3 the frequency of the uninsured motorist claims to the
4 frequency of bodily injury liability claims. It's believed
5 that this is a fairly reasonable proxy to determine the
6 proportion of uninsured motorist vehicles. It measures the
7 probability that an injury to an insured will have been
8 caused by an uninsured motorist.

9 A simple example is suppose there are 450 bodily
10 injury claims and 45 uninsured motorist claims. The ratio
11 of that is 10 percent. This resulting ratio of 10 percent
12 indicates that claims caused by uninsured and hit-and-run
13 motorists are one-tenth as frequent as claims caused by
14 motorists who can be identified as insured.

15 So this is a methodology that has been used by
16 different insurance companies and insurance research groups
17 to determine the uninsured motorist population among various
18 states. Based on NAII data for the three-year period 1989
19 to 1991, the ratio of the U.M. to B.I. claim frequency is
20 about 15 percent for Pennsylvania. In other words, given an
21 injury to an insured car occupant, the chances are about 15
22 in 100 that an insured motorist caused it.

23 I have attached a table to my testimony that provides
24 estimated uninsured motorist populations for every single
25 state with the exception of New York, Massachusetts and

1 South Carolina. As you see, Pennsylvania ranks 21st highest
2 among the states shown here, again, having a 15 percent
3 uninsured motorist population. Countrywide, the U.M.
4 population is estimated to be about 20 percent, so
5 Pennsylvania is bound to have a slightly better than average
6 U.M. population.

7 Also on page 4 of my testimony I have included
8 population estimates for uninsured motorists, comparing
9 Pennsylvania to countrywide, from 1976 to 1985. These,
10 however, are not based solely on NAII data, but it's data
11 that is based on NAII and another statistical agent. As you
12 look at the numbers here, you'll see that Pennsylvania, for
13 the most part, has had slightly higher than average
14 uninsured motorist populations.

15 The point is that the U.M. to B.I. frequency ratios
16 do indicate that a relatively large number of uninsured
17 motorists continues to exist here in Pennsylvania. Not
18 surprisingly, most of them reside in the Philadelphia area.
19 The Insurance Research Council Group, in its 1989 report on
20 uninsured motorists, found that the estimate uninsured
21 motorist population in the Philadelphia metropolitan area
22 was about two-and-a-half times greater than that of the
23 entire state. This clearly indicates that the compulsory
24 law here in Pennsylvania is not very effective; it doesn't
25 work properly. And we've also found that to be the case in

1 other states having this type of legislation.

2 At this point I would like to turn it over to my
3 associate, Robyn Simon, so that she can address what has
4 been happening in other states and what an alternative
5 solution is.

6 (Whereupon, the written statement of Ms. Lee
7 follows.)

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

**STATEMENT OF THE
NATIONAL ASSOCIATION OF INDEPENDENT INSURERS
BEFORE THE TRANSPORTATION COMMITTEE
OF THE PENNSYLVANIA HOUSE OF REPRESENTATIVES
ON HOUSE RESOLUTION NO. 34**

**Harrisburg, Pennsylvania
May 18, 1995**

INTRODUCTION

My name is Diana Lee, Assistant Vice President of Research, with the National Association of Independent Insurers (NAII). NAII is a property/casualty insurance trade association consisting of approximately 570 companies of all sizes and types. Within this membership are 38 insurer groups writing more than a third of the private passenger automobile business in the Commonwealth of Pennsylvania. NAII also serves as a statistical agent throughout the country; our Pennsylvania personal automobile insurance data base represents more than two-thirds of this state's premium volume. I appreciate the opportunity to be here today to discuss the provisions of House Resolution No. 34 on uninsured motorists in this Commonwealth.

SIZE OF THE UNINSURED MOTORIST PROBLEM

Those concerned about the uninsured motorist problem would like to have reliable information about the number of uninsured vehicles being operated on the streets and highways, and about the magnitude of the damage they cause. Although numerous efforts have been made to collect such information, the task has proved to be surprisingly difficult. I have not seen any precise statistics on the number of uninsured motorists on a state by state basis, despite efforts by insurers and public officials to collect such data.

Several approaches have been used in the past to estimate the percentages of uninsured motorists and the proportion of accidents they cause. The more common ones are based on: (1) accident reports; (2) registration samples; (3) comparison of insured cars with registrations; and (4) surveys. A discussion of each one follows.

(1) Accident reports generally contain insurance information so that state agencies can enforce various state financial responsibility laws. These reports have sometimes been used to estimate the percentage of uninsured vehicles in a state. Because there are wide variations in the results of state accident reports, e.g., the definitions of "reportable accidents," financial responsibility requirements, and in methods of recording and reporting

accident data, attempts to estimate the proportion of uninsured motorists have been abandoned. In any event, it should be noted that these reports only provide information on the proportion of vehicles found to be uninsured at the time of accident.

(2) With respect to registration samples, random selections of registered vehicles have been made in the past to determine whether insurance coverage was in force. Registration studies do not account for unregistered vehicles, which are probably less likely to be insured. In addition, these studies do not account for uninsured vehicles from out of state and for accidents caused by hit-and-run motorists, who may or may not be uninsured.

(3) The method of comparing the number of vehicle registrations with the number of insured cars reported by insurance companies has serious drawbacks. The two sets of data are not fully comparable, rendering this methodology virtually useless for this particular purpose. One anomaly found in the comparison is that the number of insured cars exceed the number of vehicles registered in the same year for one or more states. Registered vehicles may also include some commercial vehicles in addition to being double-counted, as a car sold by one person to another may be registered twice.

(4) Certain consumer surveys make it possible to look at the demographic characteristics of households owning one or more uninsured vehicles. These surveys may be relatively expensive to conduct, especially if state-specific data are needed on a periodic basis. Recent ones conducted by the Insurance Research Council indicate that, countrywide, about 8% of vehicles registered for personal use are uninsured. These surveys, however, provide indications that some of the vehicles reported as uninsured were not in operating condition and were not being used at the time of the interviews. Taken at face value, this would reduce the proportion of vehicles being driven without insurance. It is also possible that some additional vehicles belonging to survey participants were uninsured, but that the persons being interviewed did not report them.

ESTIMATES BASED ON INSURANCE CLAIMS DATA

Automobile insurance claims data offer another way of measuring the size of the uninsured motorist problem. This type of information provides a more direct measure of the injuries and damage being caused by uninsured and hit-and-run vehicles. Claims data are particularly useful for looking at changes over time within a given state. U.M. claims represent injuries to either the insureds, their family members, or people riding in their car caused by an uninsured motorist or hit-and-run motorist. B.L. liability claims are injuries

caused by insured motorists. Claim frequencies measure the number of insurance claims made per 100 insured vehicles; they are more appropriate to examine than the actual claim counts.

Some useful information can be obtained by looking at U.M. claim frequencies alone; that is, the number of claims incurred under the U.M. coverage per 100 U.M.-insured vehicles per year. However, such frequencies are affected not only by the number of uninsured or hit-and-run vehicles, but also by overall accident rates in a given state or locality. In high-hazard areas, both insured and uninsured vehicles are likely to generate higher claim frequencies than their counterparts in low-hazard areas. States with similar proportions of uninsured vehicles also could produce different claim frequencies because of differences in claims consciousness, the impact of tort liability thresholds associated with no-fault auto insurance laws, and other influences such as weather, price or availability of gasoline, and speed limit changes.

One way of minimizing these extraneous influences is to compare the frequency of uninsured motorist claims to the corresponding frequency of bodily injury liability claims incurred in the same areas during the same time periods. The relationship between the two simply can be expressed mathematically by dividing the U.M. claim frequency by the B.I. claim frequency. Since U.M. and B.I. claims both require that the injured person be entitled to payment from a third party on a fault basis, it is likely that both types of claims are affected equally by traffic conditions and other factors that cause accident rates to vary from one area to another. To the extent that such factors affect the B.I. and U.M. claim frequencies in the same way, the ratio of U.M.-to-B.I. frequencies is unaffected.

The ratio of U.M.-to-B.I. claim frequencies produces a reasonable proxy for the number of injury accidents caused by uninsured or hit-and-run motorists. When U.M. claim frequencies are high in relation to the corresponding B.I. liability claim frequencies, this indicates that uninsured and hit-and-run motorists are a more significant part of the accident-involved population in those jurisdictions. Although this ratio provides information similar to that provided by state accident reports, its advantage is that insurance claims data are collected on a more uniform basis from state to state.

An illustration follows which explains the concept of the U.M.-to-B.I. claim frequency ratio. Assume there are 10,000 car owners, 9,000 who have B.I. and U.M. insurance coverage and 1,000 who have no coverage. If both groups have an at-fault injury accident frequency of

0.05 (5%), then one could expect the 9,000 insureds to generate 450 bodily injury claims. The 1,000 uninsured motorists would have 50 at-fault accidents. Based on the population distribution, about 90% of these 50 accidents would be with insured drivers, resulting in their making a U.M. claim. Hence, there would be 450 B.I. claims and 45 U.M. claims, or a 0.10 (10%) ratio which is also the estimated percentage of uninsured motorists. The resulting ratio of 0.10 indicates that claims caused by uninsured and hit-and-run motorists are one-tenth as frequent as claims caused by motorists who can be identified as insured.

The attached table shows U.M.-to-B.I. claim frequency ratios on a countrywide and state-by-state basis. Based on NAI data for the three-year period, 1989-1991, the ratio of U.M.-to-B.I. claim frequency was 15.4% for the Commonwealth of Pennsylvania. This ratio measures the probability that a given injury to an insured car occupant will have been the fault of an uninsured motorist. In other words, given an injury to an insured car occupant, the chances are about 15 in 100 that an uninsured motorist caused it. Also shown in the table are the individual state ranks of the estimated uninsured motorist population. Low numbers in these rankings indicate that the uninsured motorist problem is relatively more significant in those states. Pennsylvania is found to rank twenty-first highest in the nation (excluding Massachusetts, New York, and South Carolina). Compared to the country as a whole, Pennsylvania has a slightly lower-than-average U.M. population.

Using the U.M.-to-B.I. claim frequency ratio as an estimate of the uninsured motorist population, listed below are ratios from 1976 to 1985 for Pennsylvania and Countrywide. The source of this information is the Insurance Research Council (formerly All-Industry Research Advisory Council).

	Pennsylvania	Countrywide
1976	12.9%	9.2%
1977	8.7%	9.7%
1978	9.6%	10.5%
1979	10.8%	11.1%
1980	12.8%	12.1%
1981	16.4%	12.9%
1982	15.7%	12.6%
1983	15.4%	13.2%
1984	15.8%	13.0%
1985	16.2%	13.8%

The above table indicates that for the most part during this decade, the magnitude of the uninsured motorist problem for Pennsylvania has been slightly more severe than the nation as a whole. It should be noted that the above figures were computed using a somewhat larger data base than that of NAI and, hence, may not be entirely comparable to the latest 15.4% computed by our organization.

The U.M.-to-B.I. frequency ratios indicate that a relatively large number of uninsured motorists continues to exist in the Commonwealth of Pennsylvania. Not surprisingly, most of them probably reside in the Philadelphia area. Based on findings in a 1989 report of the Insurance Research Council, the estimated uninsured motorist population in the Philadelphia Metropolitan area is about two-and-a-half times greater than the entire state. Clearly, the present compulsory insurance law in Pennsylvania is not effective; this also has been found to be the case in other states having this type of legislation.

**PRIVATE PASSENGER AUTOMOBILE
ESTIMATED UNINSURED MOTORIST POPULATIONS
1989-1991**

Rank	Estim. UM Pop. (%)	Rank	Estim. UM Pop. (%)		
3	Alabama	28.3%	33	Missouri	12.5%
8	Alaska	23.6%	38	Montana	10.0%
15	Arizona	18.3%	45	Nebraska	6.4%
27	Arkansas	13.4%	18	Nevada	16.4%
22	California	14.8%	40	New Hampshire	9.5%
1	Colorado	39.9%	23	New Jersey	14.2%
34	Connecticut	12.1%	4	New Mexico	27.3%
16	Delaware	17.6%	48	North Carolina	5.0%
11	Dist. of Col.	21.6%	43	North Dakota	8.8%
25	Florida	13.7%	26	Ohio	13.6%
13	Georgia	20.1%	5	Oklahoma	26.9%
19	Hawaii	15.9%	17	Oregon	16.6%
36	Idaho	10.7%	21	Pennsylvania	15.4%
24	Illinois	13.8%	6	Rhode Island	26.7%
9	Indiana	22.7%	47	South Dakota	5.3%
39	Iowa	9.9%	7	Tennessee	24.5%
44	Kansas	7.3%	10	Texas	22.2%
31	Kentucky	13.0%	40	Utah	9.5%
27	Louisiana	13.4%	30	Vermont	13.2%
46	Maine	5.5%	14	Virginia	19.3%
29	Maryland	13.3%	12	Washington	20.4%
32	Michigan	12.6%	42	West Virginia	9.1%
20	Minnesota	15.7%	36	Wisconsin	10.7%
2	Mississippi	32.7%	35	Wyoming	11.2%
				Countrywide	19.9%

Notes: 1. The above figures are individual state ratios of U.M. claim frequency to B.I. claim frequency. These ratios provide a good indication of the percentage of accidents involving uninsured motorists and may, therefore, be used as a proxy to measure the extent of the uninsured motorist problem.

2. New York, Massachusetts and South Carolina are not listed because UM data for NY is not readily accessible, and NAIL does not collect any auto data for MA and SC. Also, note that Colorado's estimated UM population is high, in part, because UM claimants in this state are not required to demonstrate that their injury is serious enough to collect benefits, whereas BI claimants must demonstrate that their injury is serious.

Source: NAIL, based on 1989-1991 consolidated experience

1 CHAIRMAN HESS: I only have one question before we
2 move on. I was looking at the last sheet here. I noticed
3 North Carolina. Is there some reason why they are so low, 5
4 percent?

5 MS. LEE: Well, again, using the methodology of the
6 U.M. to B.I. claim frequency, they obviously have a very low
7 proportion of uninsured motorist claims relative to bodily
8 injury claims, and as far as the reason why, I'm not really
9 sure. I can't answer that directly. All I can say is that
10 North Carolina also has one of the lowest average premiums
11 for private passenger auto insurance in the country.

12 CHAIRMAN HESS: Do you think that that would be the
13 deterrent, is the premium?

14 MS. LEE: No, I don't think the premium would be the
15 deterrent. I think a lot of factors probably go into it.
16 Perhaps it's just the attitude of the drivers down there,
17 the claim behavior, the type of law that they have, the
18 rating law that they have down there. It could be the
19 possible enforcement that they have down there.

20 CHAIRMAN HESS: Are the penalties much different in
21 North Carolina for driving without financial responsibility?

22 MS. LEE: I can't answer that. I don't know if my
23 associate is aware of that either. We could find out for
24 you, though.

25 CHAIRMAN HESS: Okay. Thank you.

1 REPRESENTATIVE WRIGHT: Mr. Chairman, may I ask a
2 question along that same line?

3 CHAIRMAN HESS: Yes. Representative Wright.

4 REPRESENTATIVE WRIGHT: We had testimony from the
5 trial lawyers in Philadelphia, and others, and I'm just
6 summarizing different things that were said from different
7 groups. I can't remember exactly who said what. But, for
8 instance, in Philadelphia, the Greater Philadelphia area,
9 the amount of bodily injury claims -- and I realize you're
10 using that in the sense of claims to the insurance
11 companies, right, what you're talking about, and that would
12 also include litigation?

13 MS. LEE: Well, we're not looking at any dollar
14 amounts at all here.

15 REPRESENTATIVE WRIGHT: I'm not talking about
16 dollars. Claims.

17 MS. LEE: Right. We're just looking at claims, claim
18 frequencies.

19 REPRESENTATIVE WRIGHT: So we're doing a ratio of
20 uninsured motorist to bodily injury claims. If one of those
21 two categories that are being made into a ratio is affected
22 somehow, that affects the ratio. So if the bodily injury
23 claim side is somehow pushed up or down, that will affect
24 the ratio number.

25 MS. LEE: That's true, but --

1 REPRESENTATIVE WRIGHT: So if people have a tendency
2 in a rural area to settle, to not submit a claim, to work
3 among themselves, to work with the person, for cash, "I'll
4 fix your car, if you have a doctor, go to the doctor and
5 visit," to not want to, "Well, I have a pain. My family
6 never historically went to these high-priced doctors, you
7 know, and have all the tests; I'll just live with it."
8 Sometimes it's an attitude about going to an insurer or an
9 attitude of going to an attorney for a lawsuit, which will
10 drive up that statistic. So if they have a behavior of not
11 going to a system for redress, working it out themselves,
12 that may bring bodily injury claims down, such as in North
13 Carolina.

14 MS. LEE: Yes, but because the uninsured motorist and
15 bodily injury claims reflect coverage from which a third
16 party has to pay, it's felt that the factors affecting
17 either uninsured motorists or bodily injury are the same,
18 and hence, we feel that the ratio of the U.M. to B.I. should
19 not be affected by it.

20 What would happen if a person were to not want to
21 pursue a bodily injury claim? Then most likely he wouldn't
22 want to pursue an uninsured motorist claim as well, and vice
23 versa. Hence, whatever factors would affect one coverage,
24 seemingly they would affect the other coverage as well.
25 Therefore, the ratio should not be affected.

1 REPRESENTATIVE WRIGHT: The Federation of Insurance
2 Companies or whatever made the statement that in the Greater
3 Philadelphia area, Delaware Valley, the amount of claims,
4 bodily injury claims, respective to the number of accidents
5 reported was tremendously high, and in rural Pennsylvania,
6 per accident, it was extremely low. An accident would
7 happen; very few people, percentage-wise, would submit a
8 bodily injury claim. But in Greater Philadelphia everybody
9 had a bodily injury claim for every accident. Now, the
10 accidents must be far greater or more severe, I guess, in
11 Delaware Valley.

12 My point I'm making is that there's obviously a
13 behavior difference and an attitude difference about seeking
14 assistance either through the insurance system or through an
15 attorney in rural Pennsylvania. I'm having problems
16 agreeing with your methodology about that ratio, and I'm
17 just trying to make that statement, make the Committee aware
18 that even in Pennsylvania we heard testimony saying that per
19 accident there is a tremendous difference in ratios of
20 claims submitted for bodily injury. Now, maybe this does
21 have a connection with uninsured motorists. We just heard
22 that in Delaware Valley everybody has an injury in every
23 accident.

24 MS. LEE: But the point that I'm trying to make
25 though, is that if you live -- I assume the Delaware Valley

1 is the Philadelphia area?

2 REPRESENTATIVE WRIGHT: Yes.

3 MS. LEE: If you live in that area, then you're going
4 to be pursuing a U.M. claim as much as you would be pursuing
5 a B.I. claim, so I don't think those people in the
6 Philadelphia area, their claiming attitude would be any
7 different regardless of whether it's U.M. or B.I. I agree
8 with you, though, that there is a difference between the
9 rural areas and the metropolitan areas as far as claiming
10 behavior. We have statistics that show that there tends to
11 be some excessive claiming in the Philadelphia area compared
12 to the rural areas.

13 REPRESENTATIVE WRIGHT: I just wanted to state that.

14 CHAIRMAN HESS: Thank you, Matt.

15 Are there any other questions of the Committee?

16 (No response.)

17 CHAIRMAN HESS: Thank you.

18 You're on.

19 MS. SIMON: I would have loved to have come up here
20 and said that somewhere in the United States someone has
21 solved the uninsured motorist problem. Unfortunately, I'm
22 not going to be able to do that. But I wanted to talk a
23 little bit about -- I thought it might be beneficial to
24 touch on some of the things that other states have tried and
25 some of the problems they have had, and you can learn from

1 their experience and try not to duplicate their mistakes, or
2 perhaps provide an example for them in adopting something
3 else. And then when I am done, I have an alternative
4 solution that NAII has developed.

5 I think part of the problem is that there is always
6 going to be a certain percentage of uninsured motorists that
7 you're just not going to get off the road, whether it's
8 because it's too much of an economic sacrifice or others
9 just believe that they have an unabridged right to drive,
10 and they'll do it without plates, they'll do it without a
11 license. That's how they feel.

12 States all over the United States are dealing with
13 this. Right now 43 states have compulsory insurance laws.
14 Just this session alone, over 65 bills have been introduced
15 trying to beef up those laws, mostly in terms of
16 enforcement. Confronted with this intractable uninsured
17 motorist population, many states have gravitated towards
18 increasingly complex state-administered schemes for
19 identifying those uninsured motorists. As you heard,
20 basically those systems require insurers to report all new
21 insurance policies issued, existing business, lapsed
22 policies and terminated policies, via computer tape to the
23 Department of Motor Vehicles. Then the DMV attempts to
24 match the policy information with their vehicle information
25 to identify the uninsured motorists.

1 This creates double problems. As you already heard,
2 insurance companies are a little uneasy about turning over
3 all their proprietary business to a state agency in the
4 chance that they could fall into a competitor's hands. That
5 would be unfortunate. But that's not the major problem
6 because that can be, in cooperation with the DMV, that can
7 be reasonably assured that that won't happen. What the
8 problem is is the price tag of it for the insurance
9 companies. It costs a great deal of money to comply with
10 the DMV system in general. In New York, their compulsory
11 system has ended up costing them \$10 million. And aside
12 from the additional cost of doing business that the
13 insurance company bears, it's not merely -- I mean you're
14 shifting the cost of enforcement to the private sector, and
15 that cost eventually gets wrapped up in rates and it's the
16 consumers that are buying insurance that end up paying for
17 it.

18 You might ask yourself, at some point this might be
19 worth the cost. If we are indeed -- if this system is going
20 to get uninsured motorists off the road, then perhaps it is
21 a price that we should be willing to pay. Unfortunately,
22 there are two other problems. The systems have not proved
23 to be overly accurate. In Florida they implemented a system
24 in 1989 and consistently every year since then they have had
25 19 percent of the motorists that either are uninsured or

1 they simply can't reconcile the records and they can't tell.
2 So what happens then is you still have all those people
3 receiving threatening letters and you still have the same,
4 perhaps to a slightly lesser degree, you still have the same
5 public relations nightmare that you had beforehand.

6 But even if you have the most accurate system in the
7 world, and even if you could detect every single uninsured
8 motorist, the problem is enforcement. You can identify
9 every uninsured motorist and no one has found a way to
10 either force them to buy insurance or to keep them off the
11 road.

12 Florida, again, is illustrative of that. They have a
13 plate confiscation program. In 1993, they identified
14 approximately 60,000 uninsured motorists. They executed
15 60,000 plate confiscation orders. They only collected 42
16 plates out of that whole amount. And they even had a fund
17 of money that they were offering law enforcement as an
18 inducement; you know, if you turn in these plates we will
19 give you, I think it was, \$50.00 per plate. Granted, it's
20 not a lot. But that fund just sat there unused. Florida
21 has even tried some of the methods -- well, they recently
22 passed legislation that would let private parties now come
23 and try and confiscate plates, so we will all be interested
24 to see how that works. But I will tell you that a man at
25 the DMV there, who is a wonderful man to talk to, and very

1 knowledgeable about all this -- if you would like his name,
2 he loves to talk. But what he is frightened of is when you
3 have these private agents showing up somewhere in Miami to
4 take the plates from someone's car, he's actually worried
5 about them getting shot at. I mean enforcement is a huge
6 problem.

7 Louisiana has tried another kind of system. They
8 also have a very complex, complicated, expensive DMV data
9 base system. But what they've tried recently is setting up
10 roadblocks, just randomly stop people and see if they have
11 insurance. If they don't have proof of insurance on them,
12 they slap stickers on the car, take the plates; they have a
13 few days to show proof. If they don't show proof, then the
14 car is impounded until they show proof. It's a very complex
15 system and very expensive, and they still, to this date,
16 have 10 to 15 percent -- it fluctuates -- uninsured
17 motorists.

18 So where that basically leaves us is you have to
19 decide how much you're willing to pay. How much is it
20 worth? How much do you want to harass citizens that do
21 comply? How much of their time and money do you want law
22 enforcement to spend chasing down these people?

23 What the NAII proposes, and it is by no means a
24 panacea, is to focus your efforts on the drivers that are
25 causing the most problems, to have very strict financial

1 responsibility laws that kick in after someone has had an
2 accident. That way you can take the limited state resources
3 and allocate them where you really need to focus in on the
4 worst drivers.

5 How it works is you have the insurance companies
6 track them by forcing them to get FR22 policies, which are
7 very similar -- which are the exact same policies that
8 people who have been convicted of DUIs have, where the
9 insurance company monitors. If they don't pay, it's
10 reported to the court system and the DMV, so you can keep a
11 very careful eye on these people. And it's much easier to
12 confiscate the plates and impound the vehicles of a smaller
13 group of people, instead of going after everyone. We feel
14 that it is more cost efficient.

15 In a perfect world compulsory insurance would be
16 wonderful. Everyone would have insurance and every claim
17 and accident would be paid for, but unfortunately, it just
18 doesn't seem to be working.

19 I guess I would like to open it for questions, if you
20 have any.

21 (Whereupon, the written statement of Ms. Simon
22 follows.)
23
24
25

**Statement of the
National Association of Independent Insurers
On House Resolution 34
Before the Pennsylvania House Transportation
Committee**

May 18, 1995

Good morning. My name is Robyn Simon, and I would like to thank the Committee for the opportunity to participate in this hearing. Uninsured drivers are a menace to socially responsible drivers everywhere. Eliminating this threat poses a significant challenge to not only the State, but also to the automobile insurance industry that pays claims for damages caused by uninsured motorists and incurs substantial business expenses in a growing partnership with state law enforcement channels in enforcing mandatory insurance laws. For these reasons, the NAII welcomes the opportunity to offer a few thoughts on this frustrating problem.

First let me assure you that Pennsylvania is not alone in attempting to grapple with an intractable uninsured motorist population. The NAII is currently monitoring at least 65 pieces of legislation in 49 states relating to compulsory auto insurance enforcement. Unfortunately, compulsory insurance laws have not proved to be the panacea that people had once hoped. Auto insurance is compulsory in 43 states, yet uninsured motorist claims have not been significantly abated. The large body of pending legislation in this area indicates that states are still striving to perfect their laws to eradicate the uninsured motorist.

Why has compulsory insurance failed to rid the roads of uninsured motorists? Part of the answer can be discerned from examining the uninsured motorist population itself. Many of the people who do not have insurance are citizens who want to be insured, but the required financial sacrifice is too great. A recent study of the effects of compulsory insurance on lower-income individuals in Arizona indicates that in households with an annual income between \$6500 and \$26,000, the percentage of that income that goes towards car insurance premiums ranged from 31.6% to 7%. The national average is 2%. For many of these individuals it makes more sense to risk getting caught and being slapped with sanctions than to pay the auto insurance premiums up front. In addition, others may feel that they are judgment proof because they do not possess assets that they need to protect. Couple these factors with the entrenched American belief in the right to drive a car, and the difficulty inherent in forcing these citizens to either buy insurance or relinquish their driving privileges becomes apparent.

Initially, compulsory laws and enhanced enforcement schemes will intimidate some people into buying insurance. The true test of a program's effectiveness, however, is measured over time. The graph in Appendix 1 shows the insurance policies in effect over time of an NAII member company doing business in Illinois prior and subsequent to the enactment of compulsory insurance in the State. As you can see from the graph, the number of policies in effect immediately after the law's implementation skyrocketed. The retention ratio quickly tapers off, however, once people realize that the chances of getting caught are slim. These results have been repeated nationwide.

States have consistently responded to this trend by gravitating toward increasingly complex, state-administered, insurance database systems for identifying uninsured motorists. Basically, these schemes require insurers to report all new insurance policies issued, existing business, lapsed policies, and terminated policies via computer tape to the motor vehicle department. The DMV creates a data base and then attempts to match the policy information with the drivers license or vehicle registration files. This creates several problems for the insurance industry. When insurance companies have to turn over proprietary business records to state agencies, they

face the possibility that such information will fall into the hands of the competition. In addition, converting insurance policyholder files into each state's computer format and then assisting the state in reconciling "no-matches" between policy file data and state driver license records shifts enforcement costs to the private sector. This additional cost of doing business is eventually borne by the policy holder in the form of higher premiums. In essence, these complex tracking systems are funded by an indirect tax. Are they worth the money. We think that they are not.

First, the reliability of these systems is suspect. When New York implemented their program, the data base identified approximately 30, 000 registered vehicle owners without insurance. The DMV issued notice of suspension letters to those persons only to discover that most of those drivers did in fact have the requisite coverage. As you can imagine, it was a public relations nightmare.

In Florida, the state has enforced a similar matching program since 1989. According to the Chief of Financial Responsibility for the Department of Highway Safety and Motor Vehicles, in 1989, 75% of eligible vehicles had insurance in force, 6% of the vehicles had their registrations revoked, and 19% of the vehicles either had no insurance or no match could be made between the state motor vehicle records and the insurance policy data. In 1994, these numbers remain largely the same indicating that the reliability of Florida's matching program has not significantly improved. The Department's massive matching effort identified over 62,000 insurance law offenders; however license plate confiscation orders remained pending for those 60,000-plus drivers. If uninsured motorists are detected, but unapprehended what have we gained?

This reveals another impediment to enforcing compulsory: enforcement is time consuming, not to mention expensive and most police departments are already functioning under severe budgetary constraints. Attempting to address this problem, Florida just passed a law authorizing private parties ("bounty hunters") to confiscate plates for a fee of \$50 a plate.

In February of 1993, Louisiana implemented a new and relatively extreme enforcement mechanism. The state police began establishing random roadblocks across the state to ask motorists for proof of insurance. Drivers who did not have insurance had their license plates removed and a large, bright yellow sticker placed on the rear windshield. Those who could produce proof of coverage within five days had their plates returned and were not fined. After 10 days those that were unable to show proof of coverage could have their cars impounded and their plates destroyed. While by September of 1993, 27,000 plates had been confiscated, reports indicate that drivers are complying, just as they had in Illinois, by making an initial payment to obtain an insurance card, and then failing to make subsequent payments. Consequently, the estimated percentage of uninsured motorists in Louisiana still ranges anywhere from 10% to 15%.

These elaborate enforcement programs come with a hefty price tag. New York alone spends almost \$10 million a year to enforce its compulsory insurance law. And this figure does not take into account the increase in premiums resulting from shifting the enforcement costs of a complex data reporting systems to the private sector. Not to mention the fact that compulsory insurance laws by their very nature force those who already have insurance to shoulder higher premiums

because they will be paying for the losses of previously uninsured, high-risk drivers. However, not all of the costs are monetary—the quest for maximum compliance eventually results in harassment of citizens that have insurance.

The question becomes how far are Pennsylvanians willing to go to decrease the uninsured motorist population. For its \$10 million, New York's uninsured motorist population is still hovering around 15%. Because of the nature of the uninsured motorist population, 100% compliance is not within the realm of possibility. Hence, when the point of diminishing returns is reached, it is no longer equitable or cost effective to have the majority of the citizens bare the burden of paying for the forced compliance of a few.

NAII's solution - Financial Responsibility

NAII's solution to the problem is a simple one. We advocate the repeal of compulsory laws and the implementation of tough financial responsibility laws that takes strong action after there has been an infraction of the law (i.e., an accident wherein the person does not have any insurance). In this way, we are not harassing the majority of the public and we are only targeting people who are involved in an accident and who are not being financially prudent. Hence, society is not overburdened or taxed with expensive compulsory schemes and the law breaker is identified at the time of an infraction and punished.

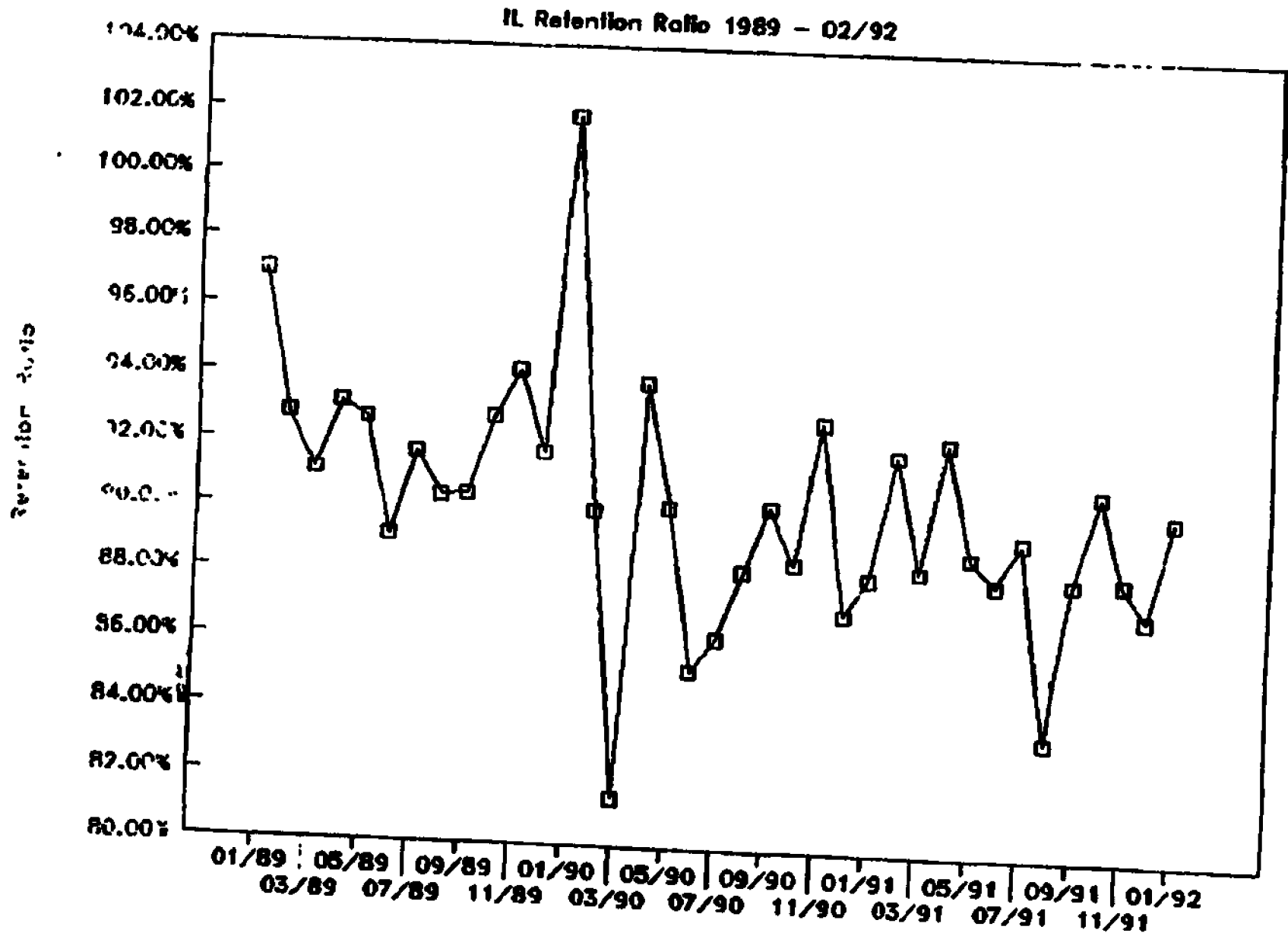
NAII has enclosed a copy of NAII's financial responsibility model law which it believes would satisfactorily replace Pennsylvania's compulsory law effectively reducing the cost of the system and fairly targeting people who do not carry insurance. This NAII inspired model is called "The Mandatory Safety Responsibility Act" and contains the following elements:

- ♦ Assures that both a security deposit and future proof features are included to protect against past accidents as well as future occurrences involving high-risk drivers;
- ♦ Imposes new duties on the enforcing agency to assure that the public understands how FR laws work so that they can avail themselves of its protection and leverage against uninsured accident-causing drivers;
- ♦ Incorporates a user-fee system so as to develop supplementary revenues which the state motor vehicle department could use to offset administration expenses;
- ♦ Permits victims of uninsured drivers to contact the motor vehicle department directly to learn whether the crash "triggers" the security deposit requirement and whether the uninsured driver has posted such deposit;
- ♦ Uses more swiftly applied driver license and vehicle registration suspensions as the leverage to penalize noncomplying uninsured drivers and deter unsafe driving habits;
- ♦ Could be easily amended to allow for the automatic confiscation of the driver's license and vehicle tags at the time of accident investigation and authority to impound the vehicle if it

were operated despite the imposition of suspensions;

- ◆ Requires that dangerous drivers (those who have had their driving license suspended or have had convictions for serious moving offenses) be forced to file certified future proof of insurance before they can reacquire their driving privilege, thus invoking the broader liability protection afforded under such insurance and subjecting the individual to close monitoring by the insurer and the state driver licensing agency for three years; and
- ◆ Requires that the motor vehicle department make periodic reports to the legislature and public on the performance of the law, hence providing some basic, baseline information on the scope and magnitude of the uninsured problem as well a track record on which to determine whether the law should be perpetuated.

Financial responsibility laws have been criticized in the past because their enforcement begins after an accident. However, the FR laws offer simple cost effective means of monitoring and punishing financially irresponsible drivers. In addition, NAII strongly suggests that all drivers have the option to purchase uninsured motorist coverage. Although a foolproof solution to the uninsured motorist problem has not been discovered, buying coverage for your own protection is the next best option.



MANDATORY SAFETY RESPONSIBILITY ACT

PREAMBLE

The U.S. DOT estimates that auto crashes cost our society over 40,000 lives annually, 3.4 million injuries, 45 million damaged vehicles, and total economic costs in the range of \$80 billion. By enacting into law this Chapter (Article), the legislature responds to the increasingly serious problem caused by uninsured and financially irresponsible motor vehicle operators. Accident report studies compiled in this state suggest that as many as ___% of the local driving population are uninsured or financially irresponsible. These irresponsible motorists often inflict injury and financial hardship on other motorists and pedestrians. In shaping the driver's license penalties and enforcement under this Act, the legislature must reemphasize the fact that driving remains a privilege in this state and that privilege shall be withdrawn swiftly if a motorist fails to operate their vehicle in a safe and responsible manner. The legislature deems financial responsibility to be a condition precedent to the privilege of operating a motor vehicle. If a motorist whose crash involvement triggers this Act fails to demonstrate financial responsibility, their privilege to operate a motor vehicle shall be withdrawn immediately by the (driver licensing official) of this state. Continued driving in violation of this Act warrants the extraordinary sanctions called for, including registration tag confiscation and impoundment of the vehicle.

ARTICLE I -- ADMINISTRATION

7-101--Short Title.

This chapter shall be known as the "Mandatory Safety Responsibility Act."

7-102--Commissioner to Administer Chapter.

The commissioner shall administer and enforce the provisions of this Chapter. The commissioner may make rules, regulations, and prescribe suitable forms necessary for its administration. Under the direction of the Commissioner, the department shall develop and written information explaining this Chapter, including an easily understandable recitation of rights and responsibilities under the Act, which will be included as part of all mail correspondence to motor vehicle registrants and licensed drivers resident in this state.

ARTICLE II--SECURITY FOLLOWING ACCIDENT

7-201--Application of Article II.

The provisions of this Chapter, requiring deposit of security and suspensions for failure to deposit security, shall apply to the owner and driver of any

vehicle of a type subject to registration under the motor vehicle laws of this state which is involved in an accident within this state, which has resulted in bodily injury to or death of any person or damage to the property of any one person in excess of \$_____.

7-202--Written Report of Accident by Owners or Drivers.

1. Except as provided in subsection 2, the owner or driver of a vehicle involved in an accident as specified in 7-201 shall, within 10 days after the accident, forward a written report of the accident, including details concerning any bodily injury or death, to the department of motor vehicles. Whenever damage occurs to a motor vehicle, the owner or driver shall attach to the accident report an estimate of damage from a repair garage or an insurance adjuster qualified to do business in this state. The department may require the owner or driver of the vehicle to file supplemental written reports whenever the original report is deemed to be insufficient.
2. A written accident report is not required from any person who is physically incapable of making a report.

7-203--Failure to Report, False Reports, Penalties.

1. If an owner or driver fails, refuses, or neglects to make a report of any accident in accordance with the provisions of this Chapter, that person's driving privilege and registrations of all vehicles owned by such person shall be immediately suspended. These suspensions are to remain in effect until the report is received by the department or for one year following the date of suspension, whichever is earlier.
2. Any owner or driver who provides information in a report required by this Chapter knowing or having reason to believe that such information is false, is guilty of a Class ___ misdemeanor.

7-204--Security Deposit Required; Notices.

1. Each owner or driver of a vehicle involved in an accident as specified in 7-201 and identified by the department through a written report of the accident as provided in 7-202 or through a report filed by a law enforcement officer shall be required to deposit security with the department in an amount sufficient to satisfy any judgment or judgments for damages resulting from such accident as may be recovered against such operator or owner.

The department shall promptly notify owners or drivers subject to this Act of the security filing requirements of this section in writing after their identity has been established through an accident report, a policy report, or any other reliable written notice submitted by the public. The department's written notice shall advise the operator or owner that he/she has 20 days in which to file the requisite security.

2. The department may increase the amount of security deposit ordered in any case within six months after the date of the accident if in its judgment the amount ordered is insufficient.
3. The security deposited in accordance with this section shall be distributed:
 - (a) For the payment of any settlement of a claim arising out of the accident at the discretion of the department; or
 - (b) For the payment of a judgment or judgments rendered against the person required to make the deposit for damages arising out of the accident.
 - (c) To the commissioner in an amount not to exceed \$_____, to be used to offset expenses incurred by state agencies in the administration of this Act.
4. Any deposit in excess of a judgment against such person shall be returned provided there are no suits pending, judgments outstanding, or unsatisfied claims arising out of the same accident.
5. Any security remaining on deposit after two years from the date of the deposit shall be returned to the person that made it upon presentation of satisfactory evidence to the department that:
 - (a) No action for damages arising out of the accident for which deposit was made is pending against any person on whose behalf the deposit was made; or
 - (b) There is no existing unpaid judgment rendered against any person on whose behalf the deposit was made.

7-205--Exceptions to Requirement of Security Deposit.

Notwithstanding the provisions of 7-201, the security deposit and suspension requirements of 7-204 and 7-207 shall not apply:

1. To the owner or driver if either had in effect at the time of the accident one of the forms of financial responsibility defined in 7-206. A driver shall be exempt from the security and suspension requirements of this Chapter if the vehicle was being operated with the owner's permission;
2. To the owner or driver of a vehicle if at the time of the accident the vehicle was owned by or leased to the United States, this state or its political subdivisions or a municipality;.

3. To the owner or driver of a vehicle if at the time of the accident the vehicle was being operated by or under the direction of a police officer in the performance of official duties.

7-206--Financial Responsibility Defined.

For the purposes of this Article, the term "financial responsibility" shall mean:

1. An automobile liability insurance policy which meets the specifications of 7-209;
2. A certificate of insurance as defined in 7-307;
3. A bond which meets the specifications of 7-209 and 7-307;
4. A certificate of deposit of money or securities which meets the specifications of 7-307; or
5. A certificate of self-insurance which meets the specifications of 7-307.

7-207--Failure to Deposit Security and Satisfy Judgments--Suspensions.

Should any owner or driver required to deposit security fail to do so within 20 days after receipt of notice as provided in 7-204, the department shall immediately suspend:

1. The driver's license of that person.
2. The registrations of all vehicles owned by that person.
3. If a nonresident, the operating privilege of that person.

The department shall also impose immediate suspension when it receives written notice from any judge or clerk in this state that a judgment arising out of a reportable accident as defined in 7-202 has remained unsatisfied for _____ days.

7-208--Suspension--Right to a Hearing, Notice, Request for Hearing, Waiver, Scope of Hearing.

1. Should any owner or driver required to deposit security fail to do so within 20 days after receipt of a notice as provided in 7-204, the department shall serve immediate notification on such person that his or her driver's license, the registrations of all vehicles owned by that person, and if a nonresident, the operating privilege of that person in the state, will be suspended in 21 days from the date of the suspension notice.

2. The notice of suspension shall be mailed to the person at the address shown on a written accident report if available, a written report of a law enforcement officer if available, or to the last known address shown on the department's records. The notice shall be deemed received three days after mailing, unless returned by postal authorities.
3. The notice of suspension shall clearly specify the reason and statutory grounds for the suspension, the effective date of the suspension, the right of the person to request a hearing, the procedure for requesting a hearing, and the date by which that request for a hearing must be made. The notice shall also inform the person that unless a hearing is requested he or she will be responsible for turning over their driver's license and the registration plates for all owned vehicles to the department on the effective date of the suspension.
4. If a hearing is desired by the person who is the subject of the suspension action, the request must be submitted in writing to the department within 14 days. Failure to do so waives the right to a hearing. If a timely request for a hearing is not made, the department shall carry out the suspension of driver's license and vehicle registration on the date specified in the notice. The commissioner shall have discretionary authority to waive the 14-day filing requirement if, in the interest of justice or in light of extenuating circumstances, such action is warranted.
5. If the subject of the suspension notice requests a hearing in accordance with the above provisions, the department shall afford such person a hearing within 30 days of the date written notice is received. The commissioner shall give at least 10 days advance written notice of the hearing to all interested parties. The notice must contain a brief explanation of the proceedings to be taken and the possible consequences of an adverse determination.
6. The hearing shall determine:
 - (a) If the accident is subject to the provisions of 7-201;
 - (b) If the provisions of 7-205 apply; and
 - (c) If the person against whom the suspension action is being taken has in fact failed to deposit the security requested by the department in compliance with the provisions of 7-204.

7-209--Requirements of Policy or Bond.

1. No policy or bond shall be effective unless issued by an insurance or surety company authorized to do business in this state, except as provided in subdivision 2. of this section, and unless the policy bond is subject to a limit, exclusive of interest and costs, of not less than

\$_____ because of bodily injury to or death of one person in any one accident and, to a limit of not less than \$_____ because of bodily injury or death of two or more persons in any one accident, and to a limit of not less than \$_____ because of injury to or destruction of property of others in any one accident.

2. If an insurance or surety company is not authorized to do business in this state, it must execute a power of attorney authorizing the commissioner to accept service on its behalf of notice or process in any action upon a policy or bond arising out of the accident.
3. The department may rely upon the accuracy of the information in a required report of an accident as to the existence of insurance or a bond unless or until the department has reason to believe the information is erroneous.
4. An owner or operators' policy of liability insurance shall be as defined by law.

7-210--Application to Nonresidents, Unlicensed Drivers, Unregistered Vehicles and Accidents in Other States.

1. If the owner or driver of a vehicle subject to registration in this state is involved in an accident and has no license registration in this state, the driver shall not be allowed a license, nor shall the owner be allowed to register any vehicle in this state, until the requirements of this Chapter have been complied with.
2. When a nonresident's operating privilege is suspended under 7-207, the department shall transmit a certified copy of the record of the action to the appropriate official in the state in which the nonresident resides or is licensed or both.
3. Upon certification that the operating privilege of a resident of this state has been suspended or revoked in any other state for failure to deposit security for the payment of judgments arising out of a motor vehicle accident, the department shall suspend the license of the resident driver, and the registration of the motor vehicle involved in the accident if known. The suspension shall continue until the resident furnishes evidence of compliance with the law of the other state relating to the deposit of security.

7-211--Agreements for Payment of Damages.

1. Any two or more of the persons involved in or affected by an accident as described in 7-201 may at any time enter into a written agreement for the payment of an agreed amount with respect to all claims of these persons because of bodily injury, death or property damage arising from an accident. The agreement may provide for payment in installments.

2. The department, to the extent provided by any written agreement, shall not require the deposit of security and shall terminate any prior order of suspension. If security has previously been deposited, the department shall immediately return such security to the depositor or his or her personal representative.
3. On notice of a default in any payment under an agreement, the department shall suspend the driver's license, registration(s), or if a nonresident, the driving privilege of the person in default. The suspension shall remain in effect until:
 - (a) Security is deposited as required under this Chapter;
 - (b) The person in default has paid the balance of the agreed amount; or
 - (c) At least one year has elapsed following the effective date of the suspension and evidence satisfactory to the department has been filed with it that during the period no action at law upon the agreement is pending.

**ARTICLE III--PROOF OF FINANCIAL RESPONSIBILITY
FOR THE FUTURE**

7-301--Application of Article III.

The provisions of this Article requiring the deposit of proof of financial responsibility for the future, subject to certain exemptions, shall apply:

1. to persons who have had their driver's license suspended or revoked under the motor vehicle laws of this state;
2. to persons who fail to deposit security in accordance with 7-204; and
3. to persons who have failed to pay judgments arising out of the ownership, maintenance, or use of vehicles subject to registration under the laws of this state.

7-302--Definitions.

The following words and phrases when used in this Article mean:

1. **Motor vehicle liability policy.**
 - (a) **Certification:** A motor vehicle liability policy shall mean an owner's or operator's policy of liability insurance, certified in accordance with 7-307 or 7-308 as proof of financial responsibility for the future, and issued, except as otherwise provided in 7-307, by an insurer duly authorized to transact business in this state. An owner's or operator's policy shall be as defined by law.

- (b) **Excess or Additional Coverage:** Any policy which grants the coverage required for a motor vehicle liability policy may also grant any lawful coverage in excess of or in addition to the coverage specified for a motor vehicle liability policy. Excess or additional coverage shall not be subject to the provisions of this Chapter. With respect to a policy which grants the excess or additional coverage, the term "motor vehicle liability policy" shall apply only to that part of the coverage which is required by this section.
2. **Proof of financial responsibility for the future:** Wherever used in this Article the terms "proof" or "proof of financial responsibility" shall be synonymous with the term "proof of financial responsibility for the future." The methods of giving proof specified in 7-307 shall be required as proof of financial responsibility for the future. Such proof shall provide liability coverage for accidents arising out of the ownership, maintenance or use of a motor vehicle subject to registration, in amounts specified in 7-210, occurring subsequent to the effective date of the proof.
 3. **Judgment:** Judgment means any final judgment rendered by a court of competent jurisdiction.
 4. **State:** The word "state" includes any state, territory, or possession of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or any province of Canada.

7-303--Proof Required Upon Certain Convictions.

Whenever, under any law of this state, the driver's license or any person is suspended or revoked because of a conviction or forfeiture of bail under this section, the department shall suspend the registrations of all vehicles registered in the name of that person except that if the owner gives and maintains proof with respect to all owned vehicles, the department shall not suspend the registrations unless otherwise required by law.

No license shall be issued and no motor vehicle shall be registered in the name of a person unless he or she gives and maintains proof of financial responsibility when that person is convicted of, forfeits bail for, or has their license privilege withdrawn or restricted by the commissioner in conjunction with:

1. Any offense requiring the suspension or revocation of a license;
2. Driving a motor vehicle without being licensed to do so; or
3. Driving an unregistered vehicle on the highways.

7-304--Suspension Until Proof Furnished.

A suspension or revocation shall remain in effect and the department shall not issue any new or renewal license or register or reregister in the name of such person any vehicle until permitted under the motor vehicle laws of this state, and not then until the person gives and maintains proof of financial responsibility.

7-305--Action in Respect to Nonresidents.

When the department suspends or revokes a nonresident's operating privilege because of a conviction or forfeiture of bail, the privilege shall remain suspended or revoked unless that person gives and maintains proof of financial responsibility.

If the defendant named in any certified copy of a judgment reported to the department is a nonresident, the department shall transmit a certified copy of the judgment or a certificate of facts relative to the judgment to the motor vehicle administrator in the state where the defendant is a resident or is licensed.

7-306--Proof to be Furnished for Each Registered Vehicle.

No vehicle shall be registered or continue to be registered in the name of any person required to file proof of financial responsibility unless such proof has been furnished to the department.

7-307--Methods of Giving Proof.

Proof may be given by filing:

1. A certificate of insurance;
2. A bond;
3. A certificate of deposit of money or securities; or
4. A certificate of self-insurance, as provided by statute.

Certificate of insurance

1. Proof may be furnished by filing with the department the written certificate of an insurer authorized to do business in this state that there is in effect a motor vehicle liability policy for the benefit of the person required to furnish proof. The certificate shall specify the certificate effective date and by appropriate reference all vehicles covered thereby, unless the policy is issued to a person who is not the owner of a motor vehicle. The department may provide that any certificate filed under provisions of this Chapter shall terminate at the

end of three years from the date the proof was required or as provided in 7-312 if the insurer terminates before the expiration of three years. A nonresident may give proof by filing with the department a written certificate of an insurer, provided the certificate otherwise conforms with the provisions of this Chapter. The department shall accept the same upon condition that the insurer complies with the following provisions with respect to the policies so certified:

- (a) The insurer executes a power of attorney authorizing the commissioner to accept service on its behalf of notice or process in any action arising out of a motor vehicle accident in this state;
- (b) The insurer agrees in writing that such policies shall be deemed to conform with the laws of this state. If an insurer, not authorized to transact business in this state but qualified to furnish proof, defaults in any undertakings or agreements, the department shall not accept as proof any certificate of the insurer so long as the default continues.

Bond as proof

2. Proof may be evidenced by the bond of a surety company authorized to transact business in this state, or a bond with at least two individual sureties each owning real estate in this state and together having equities equal in value to at least twice the amount of the bond. The real estate shall be scheduled in the bond approved by a judge of a court of record and the bond shall be conditioned for payment of the amounts specified in this Chapter. The bond shall be filed with the department and shall not be cancelled except after ten days' written notice to the department.

A bond shall constitute a lien in favor of the state upon the scheduled real estate of any surety upon the filing of notice to that effect by the department in the office of the proper court of the county or city where such real estate is located. The lien shall exist in favor of any holder of a final judgment against the person who has filed the bond, for damages because of bodily injury to or death of any person, or for damage because of injury to or destruction of property resulting from the ownership, maintenance, use or operation of a vehicle subject to registration under the laws of this state after the bond is filed.

(Here add provisions, in conformity with local practice, to regulate the recording of such liens.)

If a judgment, rendered against the principal on a bond, is not satisfied within 30 days after it has become final, the judgment creditor may, for his own use and benefit and at his expense, bring an action or actions in the name of the state against the company or persons executing the bond, including an action to foreclose any lien that may exist on the real estate of a person who has executed the bond.

Money or securities as proof

3. Proof may be evidenced by a certificate of the (State Treasurer) that the person named therein has deposited as required by statute with him or her \$_____ in cash, or securities which may be legally purchased by savings banks or trust funds of a market value of \$_____. The (State Treasurer) shall not accept any deposit and issue a certificate and the department shall not accept the certificate unless accompanied by evidence that there are no unsatisfied judgments of any character against the depositor in the county where the depositor resides.

A deposit shall be held by the (State Treasurer) to satisfy, any execution on a judgment issued against the person making the deposit, for damages because of bodily injury to or death of any person, or for damages because of injury to or destruction of property, resulting from the ownership, maintenance, use or operation of a vehicle subject to registration under the laws of this State after the deposit was made. Money or securities so deposited shall not be subject to attachment or execution unless the attachment or execution arises out of a suit for damages.

Self-insurers

4. Any person in whose name more than 25 vehicles are registered in this State may qualify as a self-insurer by obtaining a certificate of self-insurance issued by the department as provided in this subsection.

The department may upon the application of a person, issue a certificate of self-insurance when it is satisfied that the person has and will continue to have the ability to satisfy a judgment.

On not less than 30 days' notice and a hearing pursuant to the notice, the department may upon reasonable grounds cancel a certificate of self-insurance. Failure to pay any judgment within 30 days after the judgment has become final shall constitute a reasonable ground for the cancellation of a certificate of self-insurance.

7-308--Owner May Give Proof for Others

The owner of a motor vehicle may give proof on behalf of his or her employee or a member of the immediate family or household of the owner.

7-309--Substitution of Proof

The department shall consent to the cancellation of any bond or certificate of insurance or the department shall direct and the (State Treasurer) shall return any money or securities to the person entitled thereto upon the substitution and acceptance of other adequate proof.

7-310--Other Proof May Be Required

Whenever any proof filed under the provisions of this Article no longer fulfills the purposes for which it is required, the department shall require other proof in accordance with this Article and shall suspend the license and registration pending the filing of other proof.

7-311--Duration of Proof--When Proof May Be Cancelled or Returned

1. A certificate of insurance shall terminate; a bond shall be allowed to be cancelled; any money or securities deposited as proof shall be returned or the requirements for filing proof shall be waived in any of the following situations:
 - (a) After three years from the date the proof is required if during the preceding three-year period the department has not received notice of a conviction or a forfeiture of bail which would require or permit the suspension or revocation of the license or registration of the person by or for whom the proof was furnished;
 - (b) In the event of the death of the person on whose behalf the proof was filed or the permanent incapacity of the person to operate a motor vehicle; or
 - (c) If the person who has given proof surrenders his license and registration to the department. If the person reapplies for a license or registration within three years from the date proof was originally required, the application shall be refused unless the person establishes proof for the remainder of the three-year period.
2. The department shall not consent to the cancellation of any bond or the return of any money or securities if any action for damages covered by the proof is pending or any judgment is unsatisfied, or if the person who has filed a bond or deposited money or securities has within one year preceding the request been involved as a driver or owner in any motor vehicle accident resulting in injury or damage to the person or property of others. An affidavit from the applicant as to the nonexistence of such action, or that the applicant has been released from all liability, or has been finally adjudicated not to be liable, shall be sufficient evidence in the absence of evidence to the contrary.

7-312--Notice of Termination of a Motor Vehicle Liability Policy

An insurer may not terminate a motor vehicle liability policy unless the insurer files with the department a notice of termination within ten days after the effective date of the termination. A motor vehicle liability policy subsequently procured shall on the effective date of its certification terminate the insurance previously certified.

ARTICLE IV--GENERAL PROVISIONS

7-401--Confiscation of License and Registration Tags

1. If, during, a lawful arrest, a routine traffic stop, a vehicle equipment inspection, or in conjunction with the issuance of a traffic law citation, a law enforcement officer discovers that a owner or driver of a motor vehicle has failed to report an "accident" as defined in 7-202, failed to deposit security as required in 7-204, failed to file and maintain proof as required in 7-303, or otherwise violated the provisions of this Article, such officer shall, on behalf of the department, serve immediate notice of suspension personally on such owner or operator.

2. When the law enforcement officer serves the notice of suspension, the officer shall take possession of any driver's license issued by this state held by the owner or driver and all vehicle registration tags issued by this state and affixed to such person's motor vehicle. When the officer takes possession of a valid driver's license issued by this state or valid vehicle registration tags issued by this state, the officer, acting on behalf of the department, shall issue a temporary license/vehicle title which is effective for 24 hours after its date of issuance.

7-402--Reporting and Nonpayment of Judgments

When a person fails within 30 days to satisfy any judgment arising out of a reportable accident as defined in 7-202, it shall be the duty of the court in which the judgment is rendered to send to the department immediately a certified copy of the judgment and a certificate of facts relative to the judgment on a form provided by the department. The certificate shall be prima facie evidence of the facts stated therein.

The department upon receipt of the certified copy of the judgment or a certificate of facts relative to a judgment shall suspend the license, registration, and any nonresident's operating privilege of any person against whom the judgment is rendered. The department, when applicable, shall also require such person to comply with the requirements to 7-205.

The provisions of the above paragraph shall not apply with respect to any judgment arising out of an accident caused by the ownership or operation of a vehicle owned by or leased to the United States, this state or any political subdivision of this State or a municipality thereof.

7-403--Exception When Consent Granted by Judgment Creditor or When Insurer Liable

1. If the judgment creditor consents in writing, in a form as the department may prescribe, that the judgment debtor be allowed license and registration or nonresident's operating privilege, it may be allowed by the department until the consent is revoked in writing, notwithstanding default in the payment of the judgment, or of any installments, provided the judgment debtor furnishes proof.

2. No license, registration or nonresident's operating privilege of any person shall be suspended if the department finds that an insurer was obligated to pay the judgment upon which suspension is based, to the extent and for the amounts required in this Chapter, but has not paid the judgment for any reason. A finding by the department that an insurer is obligated to pay a judgment shall not be binding except for the purpose of administering this section. If in any judicial proceedings it is determined that an insurer is not obligated to pay a judgment, the department, regardless of any contrary finding previously made, shall suspend the license and registration and any nonresident's operating privilege of any person against whom the judgment was rendered.

7-404--Suspension to Continue Until Judgments Paid and Proof Given

A license, registration, and nonresident's operating privilege shall remain suspended and shall not be renewed, nor shall any license or registration be issued in the name of the person, including any person not previously licensed, until every judgment is satisfied and until the person gives proof subject to the exemptions stated in this Chapter.

7-405--Payments Sufficient to Satisfy Requirements

1. Judgments may, for the purpose of this Chapter only, be deemed satisfied when the amounts specified in 7-210 have been credited even if the judgment or judgments are rendered in excess of those amounts.
2. Payments made in settlement of any claims because of bodily injury, death or property damage arising from an accident shall be credited to reduce the amounts specified in 7-204.

7-406--Installment Payment of Judgments--Default

1. A judgment debtor upon due notice to the judgment creditor may apply to the court in which the judgment was rendered for the privilege of paying the judgment in installments. The court may, without prejudice to any other legal remedies which the judgment creditor may have, order and fix the amounts and times of payment of the installments.
2. The department shall not suspend a license, registration, or nonresident's operating privilege, and shall restore any license, registration, or nonresident's operating privilege which has been suspended following nonpayment of a judgment, when the judgment debtor gives proof and obtains an order permitting the payment of the judgment in installments.
3. If the judgment debtor fails to pay an installment, upon notice of default the department shall suspend the license, registration, or nonresident's operating privilege of the judgment debtor until the judgment is fully satisfied.

7-407--Discharge of Bankruptcy.

A discharge in bankruptcy or any by other insolvency law, following the rendering of any such judgment, shall relieve the judgment debtor from any of the requirements of this Chapter, except the deposit of proof of financial responsibility for the future for any judgment debtor who wishes to exercise the privilege of operating a motor vehicle in this state.

ARTICLE V--VIOLATION OF PROVISIONS OF CHAPTER 7**7-501--Transfer of Registration to Defeat Purpose of Act Prohibited**

1. If an owner's registration has been suspended, the registration shall not be transferred nor the vehicle to which such registration was issued be registered in any other name until the department is satisfied that the transfer of registration is proposed in good faith and not for the purpose or with the effect of defeating the purposes of this Chapter.
2. Nothing in this section shall in any way affect the rights of any lienholder, conditional vendor, chattel mortgagee or lessor of a vehicle registered in the name of another as owner who becomes subject to the provisions of this chapter.
3. The department shall suspend the registration of any vehicle transferred in violation of the provisions of this section.

7-502--Surrender of License and Registration

1. Any person whose license or registration has been suspended under any provision of this chapter, or whose policy of insurance or bond, when required under this Chapter, has been terminated, shall immediately upon lawful demand return license and registration to the department.
2. Any person willfully failing to return license or registration as required in paragraph 1. of this section shall be guilty of a Class _____ misdemeanor.

7-503--Forged Proof

Any person who forges, or, without authority, signs any evidence of proof of financial responsibility for the future, or who files or offers for filing any evidence of proof knowing or having reason to believe that it is forged or signed without authority, shall be guilty of a Class _____ misdemeanor.

2448C#4

1 CHAIRMAN HESS: Thank you.

2 Do any members wish to address any questions?

3 Representative Druce?

4 REPRESENTATIVE DRUCE: Thank you for your testimony
5 this morning.

6 Just so I understood you correctly, you were talking
7 about the cost of compliance and those things. The
8 Association is not opposed to providing to the Department
9 the names of those who are newly insured; is that correct?
10 Was I hearing that as maybe something that you thought,
11 maybe you would incur that cost to not reap the benefits
12 that you thought, or does the Association not have a problem
13 with providing to PennDOT those who are newly insured so
14 that we're not just giving the Department those who are
15 deleted?

16 MS. SIMON: That's why it's turning over the whole
17 book of business, and the complicated reconciling system and
18 the complicated system that DMV then needs to have, that
19 each insurance company then needs to have tapes that
20 correspond with that. That's what we feel --

21 REPRESENTATIVE DRUCE: Which is what we now have in
22 Pennsylvania, I guess, that complicated system to gather
23 that information. It would just be a question of the
24 insurance companies providing the information to the
25 Department, right?

1 MS. SIMON: Right. I don't know very much about what
2 PennDOT is planning in terms of additional information or
3 exactly how the system works. I do know that they don't
4 require all of that information. I think they just require
5 cancellations and new business.

6 MR. MUSTIN: Not new business yet.

7 REPRESENTATIVE DRUCE: Not new business yet. I mean
8 to get to your suggestion of, "zeroing in on those who are
9 most habitual." I think it's helpful to just weed out, from
10 what the Department's testimony is, take its limited
11 resources itself away from the folks who run it and do the
12 verification process and find out that they're insured
13 already. They could avoid that whole exercise if, in fact,
14 they were notified by the insurance companies that so-and-so
15 is now insured; they simply just change companies. In order
16 to do that we need the cooperation of the insurance industry
17 to submit that information, so then the Department can spend
18 its time focusing on those people who are legitimately
19 uninsured.

20 I know you were talking about the cost of it. I
21 wasn't sure if you were saying that the Association thought
22 this was not a good idea to address the problem or the
23 Association would not object to having the insurance
24 companies provide that information to the Department.

25 MS. SIMON: We've been forced to do it in other

1 states. It has proved exceedingly expensive. It also
2 depends on the degree of cooperation between them. In some
3 states DMVs are very hostile and they fine insurance
4 companies every time there is no match, and they keep fining
5 them until they actually make a match, and sometimes that
6 proves to be impossible. It depends on the degree of
7 complexity of the system, how much it will actually cost to
8 change the system around. And like I said, there's a major
9 concern about turning over the books of the business. But
10 that can be worked out in cooperation.

11 REPRESENTATIVE DRUCE: One other question, and it may
12 be difficult for you to answer coming from a national
13 association. In our previous testimony and in information
14 that we have -- and I think Representative Wright was trying
15 to allude to some of the problems that we have in the
16 southeast. We have an extremely litigious group in
17 southeastern Pennsylvania, but we also have people on TV
18 saying, "Call me and I'll get you money for sitting at home,
19 doing nothing," and I think that's an extraordinary part of
20 the problem. We also have high health care costs, and we
21 also have the uninsured motorist costs. All of this sort of
22 rolls into, for that group that are uninsured that I believe
23 are having a problem -- and I agree with your earlier
24 comment; there's a group that's just going to be out there
25 dodging the system because they don't want to pay. But I do

1 believe there is a small group out there who are finding it
2 difficult to make ends meet for auto insurance because of
3 its high cost. Act 6 was passed by this General Assembly
4 before I got here in '92, and I've seen how it's affecting
5 the rest of the state except the southeast. We developed a
6 system of what was called full tort and limited tort, and in
7 southeastern Pennsylvania most of the folks opt for limited
8 tort who live in the City of Philadelphia because they can
9 see a measurable difference in their insurance premiums,
10 upwards of about \$75.00 on a sample quote I have from State
11 Farm Insurance. But when I looked at the suburban counties,
12 the average cost savings on a six-month premium for someone
13 who chose limited tort as opposed to full tort was only
14 about \$35.00.

15 Now, if we knock the lawyers out of the process --
16 follow me on this; they're the bad guys, hypothetically.
17 That's what we heard from the insurance people at our first
18 hearing -- why are the insurance companies not passing that
19 savings along to the consumer when we've addressed that
20 issue and only say to a limited tort person, whose suits are
21 now very limited, your reduction is only \$35.00? What's
22 happened in the southeast is people said, "Give me the full
23 tort. For \$35.00 I want the right to sue." And so we've
24 seen little cost savings. And it's a question I've raised
25 with some folks who represent insurance companies at the

1 first hearing, and they said they'd get back with some
2 information but I haven't seen it yet, so unfortunately,
3 you're the next person from insurance companies that I've
4 seen, representing insurance companies, so I'll ask you.
5 Why is that? I think if we could address that issue, you
6 might pick up some more people who would be covered, because
7 we would make it a little bit more affordable.

8 MS. SIMON: I think there are all sorts of factors,
9 and I will briefly touch on it, that goes into the premium.
10 In congested metropolitan areas, it is lawyers, it is the
11 health care, and if you solve both of those problems, more
12 power to you. But there are other things as well. There's
13 more cars, more accidents, more people. All these things
14 drive up the cost as well. Complicated compliance schemes
15 also pass on very expensive business expenses as well. All
16 those things are wrapped up, and I think it's impossible to
17 take one factor out at this point without -- I mean no one
18 has ever done it, to see exactly how much of a savings would
19 be passed along.

20 REPRESENTATIVE DRUCE: So you find it difficult to
21 make a comparison, for example, if you would limit the
22 litigious side of your premium policy, it's hard to say what
23 value that is worth in terms of determining premiums? I
24 would think you could determine that. I would think that
25 the insurance industry could say: boy, if we're limited in

1 terms of our liability, that could save you 35 percent on
2 your policy, or 50 percent on your policy. But it doesn't
3 seem to be matching up that way when I look at the premiums
4 of -- State Farm I think is the number two writer in
5 Pennsylvania of auto insurance. I would expect these rates
6 are probably competitive with everyone else in Pennsylvania.

7 MS. LEE: I guess I would hesitate to ever say to
8 anybody that there's going to be an "x" percent reduction in
9 premiums if the law were changed. I know that that's
10 happened a lot, where insurance companies and others have
11 said, "If we pass such-and-such a law, then there will be a
12 reduction," because then people expect to see that
13 reduction. What I've always tried to respond to people is
14 that there are so many external factors that insurance
15 companies have no control over, for example, the medical
16 care costs, physicians' fees, hospitalization rates, body
17 shop repairs, lawyers' fees, even looking, as Robyn
18 mentioned, the traffic density, high traffic density areas,
19 traffic enforcement, law enforcement, and all these other
20 different factors, motor vehicle theft. A lot of these
21 factors, if not all of them, the insurance companies simply
22 cannot control, and even though the insurance consumer is
23 expecting us to provide some kind of a reduction in their
24 premium, we still have to account for all of these rising
25 losses due to these external factors; and until we start

1 working with the doctors and the lawyers and law enforcement
2 and body shops to lower their costs, then I don't believe
3 that the insurance companies can really lower their costs,
4 because our losses, our loss costs, reflect these external
5 factors. It's really a very complicated issue to deal with.

6 That could be I think one of the reasons, Chairman,
7 that you had asked me earlier regarding North Carolina. I
8 mentioned earlier that North Carolina does have one of the
9 lowest premiums in the country, and so perhaps that's why
10 the uninsured motorist population is so low there, is
11 because people there probably feel that they can afford to
12 spend \$300.00, \$400.00 for insurance, whereas here in the
13 Philadelphia area or Pennsylvania itself, the average
14 premium is about \$1,000.00, if not more. That's something
15 that we're going to have to work with with a lot of other
16 organizations in order to try to lower the premium.

17 CHAIRMAN HESS: Thank you.

18 Tom, to answer your question, it might have been
19 better answered if we would have had the Insurance
20 Commissioner here and the state police and the Attorney
21 General. Some of these questions I believe might -- the
22 invitation was extended to those three offices to be here,
23 but they chose not to come and testify. Maybe at some
24 future point we can get them here to answer some of those
25 questions, especially for myself as to the confiscation of

1 vehicles.

2 Some two, three years ago I had offered legislation
3 to confiscate vehicles for driving under the influence, and
4 I was informed at that point in time by the Attorney
5 General's Office that it was not constitutional to do so
6 simply because the automobile might be in two different
7 names, it may be a leased car, it may be a rented car, it
8 may be a loan car. So in their opinion we couldn't -- which
9 was a verbal opinion, by the way, not a written opinion --
10 we couldn't do it. But I see we are confiscating
11 automobiles, boats, trucks, homes, horses or anything that
12 carry marijuana, so what is the difference between the two?
13 Why couldn't we do that on the second offense for driving
14 under the influence? Why couldn't we do that for a second
15 offense for driving without insurance? I don't know. These
16 are some of the questions I think we need to ask some of our
17 legal minds. That's a little bit off the subject.

18 Are there any other questions?

19 REPRESENTATIVE WRIGHT: Yes.

20 CHAIRMAN HESS: Representative Wright.

21 REPRESENTATIVE WRIGHT: I have one question. You had
22 mentioned in Florida they had instituted a program for a
23 plate pick-up, and some numbers. The rough numbers you
24 threw out were approximately 60,000 plates were to be picked
25 up, and if I heard you correctly, only 42 out of 60,000 were

1 returned.

2 MS. SIMON: Yes.

3 REPRESENTATIVE WRIGHT: The question I have is was
4 ever a follow-up or opinions or statements made about why
5 only 42? Why wasn't the number greater? I'm sure there are
6 many reasons, but do you know some of the comments that came
7 back about why there was only 42?

8 MS. SIMON: A lot of it you heard before. They would
9 generally call, the officers would call, someone in the
10 department would call and say, "Bring us your plates," and
11 that doesn't work. Maybe one or two people, or maybe 42,
12 will come in and bring in their plate. But they had trouble
13 getting officers. Their resources were limited, and
14 especially if you're talking about in the Miami area, I know
15 lots of other things that come on their list before plate
16 confiscation; and the money that they would have gotten from
17 it was not enough of an inducement to benefit the department
18 or to compensate for the cost and the time that you would
19 have the law enforcement officers spend chasing down plates.
20 And also it could be a wild goose chase. You'd go to the
21 house; the car is not there. Where are the plates? They're
22 nowhere to be found. The dog ate them. It would have
23 involved repeated visits and be difficult to track them
24 down. And that was why they sort of passed their chief
25 financial responsibility act, which they call the "Bounty

1 Hunter Law," is to try to induce private agents to go and
2 get the plates, because it was just too hard for law
3 enforcement, due mostly to resources. to track down 60,000
4 plates. That's a lot of time and a lot of plates. That's
5 why if you're just tracking down the most pernicious of the
6 drivers, it's a smaller number of plates that you have to
7 get, and it could possibly be more effective in at least
8 getting the worst drivers off the road.

9 REPRESENTATIVE WRIGHT: Because we have a letter from
10 PennDOT that stated that approximately 35 percent are picked
11 up in Pennsylvania out of, in that particular year, 50,000.
12 I think that was the number that was espoused, that 35
13 percent were returned after, you know, upon notice of the
14 law enforcement to pick them up as opposed to voluntarily
15 sending them in or whatever. So we must be doing something
16 better in Pennsylvania than at least Florida is doing. But
17 I just wanted to address that comment because it kind of
18 left me with the feeling, and maybe others who might read
19 the testimony, that plate confiscation is not successful. I
20 think you have to look at why it wasn't successful. Some of
21 the points you raised is that there was no active effort,
22 and I guess, like with anything, if you have lack of effort,
23 of course you're not going to get a success rate.

24 MS. SIMON: Right. But not just lack of effort
25 because they didn't want to. I think really there's a lot

1 of financial concerns, time concerns, things like that.

2 REPRESENTATIVE WRIGHT: Thank you.

3 CHAIRMAN HESS: Thank you, Matt.

4 I have one further question. What role do the
5 insurance companies in Florida play in the bounty?

6 MS. SIMON: What role does the insurance --

7 CHAIRMAN HESS: What role do the insurance companies
8 play in paying the bounty in Florida?

9 MS. SIMON: The bill just passed. I don't think they
10 do, but I'm not 100 percent sure on that. I would be more
11 than happy to check for you.

12 CHAIRMAN HESS: It would be interesting to know who
13 is actually --

14 MR. MUSTIN: Representative Hess?

15 CHAIRMAN HESS: Yes.

16 MR. MUSTIN: I believe the motorist pays. The cost
17 of the bounty, I believe it's somewhere around \$150.00 --

18 CHAIRMAN HESS: Is all part of the cost.

19 MR. MUSTIN: And the cost is assumed by the motorist.
20 He pays that to the state, and the state then pays the
21 bounty hunter whatever his fee is.

22 CHAIRMAN HESS: In other words, the state is
23 guaranteeing the bounty hunter the \$150.00, and then the
24 state tries to collect from the --

25 MR. MUSTIN: I don't know what share of the \$150.00

1 the bounty hunter gets, but the state does basically
2 guarantee the fee.

3 CHAIRMAN HESS: In other words you think that they
4 would be paid the \$150.00, and they would take maybe \$20.00
5 of that for administrative fees and the balance would go to
6 the bounty hunter, or something like that?

7 MR. MUSTIN: I believe. I've seen an article in the
8 St. Petersburg paper about it. However, there is no
9 guarantee that the state is going to get their money out of
10 it, because if it goes into the restoration process, and if
11 a person has an old junk vehicle, there's no guarantee that
12 they're going to ever want to get that car restored, that
13 plate. It's cheaper to go out and buy a new plate.

14 REPRESENTATIVE WRIGHT: Representative Hess?

15 CHAIRMAN HESS: Yes.

16 REPRESENTATIVE WRIGHT: In testimony earlier, written
17 testimony that I had mentioned, in the City of Philadelphia,
18 out of the 57,000 tickets that were written in a two-year
19 period, they only had a 22 percent collection rate of the
20 fine. The reason why I bring this up is I just wanted to
21 look to the last statement that Bob Mustin said, that fine,
22 you identify persons, you go and you get that plate, and you
23 say, "You owe us \$150.00." That doesn't mean you're going
24 to get the \$150.00. Using the statistics of collections in
25 the City of Philadelphia, which is where a lot of these

1 plates are going to be from anyway, you're never going to
2 get the money. So one problem with the bounty system, in
3 theory, if you're going to pursue that logic, bounty hunters
4 would only do it assuming that they were pretty much assured
5 they were going to get a return. There might be a difficult
6 problem about having the bounties unless there was an
7 assurance maybe by the state that the money is there.

8 CHAIRMAN HESS: Maybe what we ought to do is in order
9 to get a license to be a bounty hunter, you have to have a
10 tow truck.

11 (Laughter.)

12 CHAIRMAN HESS: We're going to take a brief five-
13 minute recess before we have our next person who is going to
14 testify.

15 (Recess.)

16 CHAIRMAN HESS: All right. I think we'd better get
17 started. We have one more person to testify, Mr. William
18 Davenport, a member of the Independent Insurance Agents of
19 Pennsylvania.

20 MR. DAVENPORT: Your neighbor. My office is across
21 the river, and I spend considerable time over here for one
22 reason or another.

23 CHAIRMAN HESS: You may proceed.

24 MR. DAVENPORT: Good afternoon, Mr. Chairman and
25 members of the Transportation Committee. As you see by the

1 printout that you have been given, I am Bill Davenport from
2 Lemoyne, Pennsylvania. Some background about me. I own the
3 Hoopy Insurance Agency in Lemoyne and have done so since
4 1974. I started in the insurance business in 1955, served
5 as a field representative for Aetna in the Pittsburgh area,
6 then came in to Harrisburg in 1962 as marketing manager for
7 the same Aetna Casualty and Surety Company.

8 My insurance agency is almost exclusively property
9 and casualty. I have approximately 4,300 clients, mostly
10 from a five-county area in Central Pennsylvania. The
11 insurance that I write is 75 percent personal lines-auto and
12 homeowners coverage.

13 Today I am here representing the Independent Agents
14 Association of Pennsylvania as well as myself. The IIAP
15 includes almost 1,000 property and casualty insurance
16 agencies in the Commonwealth, and these agencies translate
17 to about 6,000 total agents.

18 I appreciate the Transportation Committee's interest
19 in the issue of uninsured and possibly underinsured
20 motorists. As you know, they represent a drag on the system
21 and a drag on everyone in this room, as well as millions of
22 other drivers in Pennsylvania who are paying for the system
23 through higher auto insurance premiums. Although here it is
24 not as widespread in Central Pennsylvania as it is in
25 Philadelphia, it is our belief that the problem still needs

1 to be addressed.

2 I'm going to cut to the chase and share some things
3 that we think that can help. In my opinion each major
4 player can do more than what we are currently doing. We'll
5 turn to PennDOT first.

6 When an individual applies for a vehicle registration
7 here, he or she must put down their insurance carrier and
8 their policy number, plus their effective and expiration
9 date. My question which I hope you will have PennDOT answer
10 is whether or not they check every application. If they
11 don't, should they? And if they should, is the Legislature
12 willing to provide them with the necessary dollars to get
13 the job done?

14 Second, when an officer pulls someone over, there is
15 always a registration check as well as a check to see what
16 kind of driving record that particular individual has. Why
17 should not PennDOT also supply the individual's status from
18 an insurance standpoint? Companies are doing a much better
19 job than they used to to notify the Department of policy
20 cancellations. PennDOT needs to figure out how to supply
21 this information to law enforcement officers almost
22 instantaneously.

23 If we go back to the use of your credit cards, if you
24 go to buy something with your credit card, they contact
25 electronically a central office which tells you, number one,

1 whether that card is legitimate, and also tells the merchant
2 immediately whether you have enough limit in that credit
3 card in order to be able to purchase what you desire to do.
4 I'm not saying that PennDOT should supply all of the police
5 officers' cars in Pennsylvania with one of those readers,
6 but maybe something else can be done, such as digital or
7 something on the bottom of the driver's license. I don't
8 know. I'm not a technocrat so far as electronics are
9 concerned, and I certainly don't understand all of the ins
10 and outs of the Department of Transportation. But in this
11 testimony and prior testimony today I'm glad to hear that
12 PennDOT is at least working on this. We need to clear up
13 the false financial responsibility cards. There's got to be
14 an answer. I don't see this as a major hurdle.

15 A third suggestion for PennDOT is to recommend that
16 they are quick to code that someone has new replacement
17 coverage as they are to code cancellations of coverage. If
18 PennDOT does not respond quickly in entering new business
19 information, the consumer will be at the mercy of a Kafka-
20 esque justice system where the officer relies on incomplete
21 PennDOT information to penalize an innocent driver on the
22 road.

23 None of these suggestions should require major re-
24 tooling of PennDOT, but they would certainly tighten up
25 areas where the abuse does exist. Unlike some parts of

1 Pennsylvania, insurance is not prohibitively expensive here
2 in Central Pennsylvania. If someone says they can't afford
3 it here, although I may feel sorry for them, that excuse
4 doesn't wash really well so far as I'm concerned. I have to
5 balance their choice to disobey the law by not having an
6 auto policy with society's need to have safer roads and a
7 driving public which does not use bogus insurance cards.
8 Besides, as I stated before, uninsured motorists make auto
9 insurance more expensive for the rest of us.

10 The companies can also do more. For the record, I
11 want to compliment them for what they've already done. They
12 have tightened up considerably from just a few years ago.
13 Companies are putting \$8 million into a special fund to
14 combat insurance fraud, and an additional \$4 million
15 targeted specifically to auto theft prevention. This effort
16 stems from legislation that you passed last year.

17 What could companies do in addition to this? I feel
18 that there is still a major loophole in the system.
19 Currently, an individual may pay as little as 20 to 25
20 percent of the premium due, or 35 percent in the case of the
21 assigned risk. When the proof of financial responsibility
22 card is received, it states that it is good for the full
23 six-month interval, or 12 months in the case of the assigned
24 risk. The individual who wants to cheat does nothing.
25 Unless PennDOT does what I suggested and coordinates

1 insurance information with law enforcement, the uninsured
2 motorist can show the card and convince the officer that he
3 has the coverage.

4 Although it will mean additional administrative
5 overhead for companies, I do not think consumers should have
6 a card that says he has fully paid his premium if only 20
7 percent of the actual premium was paid. If, for financial
8 reasons, a consumer must pay in installments, the company
9 could issue a card which clearly states that payments are
10 being made on an installment plan. This would be a flag to
11 the officer to check on the true insurance status through
12 PennDOT, assuming we have the cooperation, and from what
13 I've heard this morning, we certainly should have it as soon
14 as they can get it ready.

15 As a consumer, I would not mind paying incrementally
16 to cover the added expense to the company, because I'm
17 already paying a significant part of my insurance premium
18 thanks to uninsured motorists who now slip through the
19 safeguards that already exist.

20 As someone who sees automobile insurance through the
21 eyes of an agent, and who wants affordable insurance for his
22 clients, and as someone with company experience who wants
23 the solution to be workable, this suggestion is a realistic
24 proposal.

25 Companies could also mount a consumer education

1 campaign to inform people as to what goes into an insurance
2 premium. If consumers understand that insurance fraud and
3 costs incurred by uninsured motorists that are paid are paid
4 by all of us, there might be a reduction of the cult of
5 tolerance that in some circles condones this behavior as
6 beating the system. Instead, they are beating up on all the
7 rest of us.

8 General Assembly. The next time the General Assembly
9 chooses to reopen Act 6, it might take a look at requiring
10 making uninsured/underinsured motorist coverage mandatory.
11 It is now optional. I spend a bit of time now documenting
12 that clients have decided not to take this type of coverage.
13 Thanks to our litigious society, attorneys see if the type
14 of coverage was explained adequately and determine if there
15 was a signed form, which is an option form, signed by the
16 insured. Since lawsuits -- some frivolous, some not -- also
17 drive up the cost of insurance, let's reduce the uncertainty
18 in this area.

19 If you feel up to another round of vehement debate,
20 you might wish to look at limiting excessive legal
21 settlements. I really don't recommend it, but it's there.

22 The biggest thing for the Legislature to do is to
23 hold PennDOT's feet to the fire to get them to do what has
24 been suggested here, so far as we're concerned. Despite
25 good intentions on the part of the Ridge appointees,

1 remember that what you have in PennDOT is a bureaucracy used
2 to doing things a certain way. It will take great
3 perseverance on your part to nudge them along.

4 In conclusion, there are a number of non-drastic
5 reforms that could be undertaken by the Department, by
6 companies, and by the Legislature to reduce the numbers of
7 uninsured motorists. I do not subscribe to the notion that
8 the uninsured, like the poor, will always be with us.
9 Tangible steps can be taken by all parties to address the
10 problem.

11 Let me leave you with one thought. In researching
12 for this testimony I checked with a number of company people
13 to see what snags there were in the system which allowed
14 uninsured motorists to roam the streets. The answer came
15 back emphatically: PennDOT must be reformed. Local
16 enforcement -- picking up tags and vehicles is essential,
17 but local enforcement cannot work if PennDOT is not doing
18 its share; in other words, not giving them the information.
19 Major companies send tapes to PennDOT on a daily or a weekly
20 basis. PennDOT does not seem to process them quickly
21 enough. Local enforcement officers do not get quick access
22 to this information.

23 In New York City, police do pick up tags and they do
24 fine \$4.00 per day for not having insurance. Their
25 transportation department gives them instant information.

1 Uninsured motorist insurance costs \$11.00 per six months.
2 Our insurance here in Pennsylvania is mostly on a six-month
3 basis, so let's convert that. Uninsured motorist insurance
4 costs \$11.00 per six months in Manhattan. It costs \$44.00
5 every six months in Philadelphia. That's a 75 percent
6 reduction. I'm amazed that insurance is cheaper in New
7 York. If PennDOT gets its act together and helps local
8 police enforcement, and requires local police enforcement,
9 we should see a dramatic drop in uninsured motorist coverage
10 here, too. If New York can do it, we in Pennsylvania
11 certainly can do it, too. The key appears to be enforcement
12 on the part of all parties concerned. We have singled out
13 PennDOT because that's where it all starts, but we don't
14 expect PennDOT to be able to do it alone.

15 Thank you very much for the opportunity to present
16 this to you. I will try to answer any questions that might
17 be available.

18 (Whereupon, the written testimony of Mr. Davenport
19 follows.)
20
21
22
23
24
25

TESTIMONY
HOUSE TRANSPORTATION COMMITTEE
MAY 18, 1995

William C. Davenport
Independent Insurance Agents of Pennsylvania



IIA of Pennsylvania
2807 North Front Street
Harrisburg, PA 17110
717/236-4427
FAX 717/236-6697

William C. Davenport
Hoopy Insurance Agency
350 Walnut Street
Lemoyne, PA 17043
717/737-6748
FAX 717/737-9180

Good morning Mr. Chairman and members of the Transportation Committee. I am Bill Davenport from Lemoyne, PA. For the purpose of giving you some background about me, I own the Hoopy Insurance Agency in Lemoyne and have since 1974. I started in insurance in 1955 and served Aetna as a field representative in Pittsburgh and as marketing manager here in Harrisburg before becoming an independent insurance agent. My insurance practice is almost exclusively property and casualty. I have 4,300 clients mostly from a five county area in central PA. The insurance that I write is 75% personal lines-auto and homeowner.

Today I am representing the Independent Insurance Agents of PA (IIAP) as well as myself. The IIAP includes almost 1,000 property and casualty insurance agencies in the Commonwealth. This translates into about 6,000 agents.

I appreciate the Transportation Committee's interest in the issue of uninsured and underinsured motorists. As you know, they represent a drag on the system and everyone in this room as well as millions of other drivers in PA who are paying through higher auto insurance premiums. Although it is not as widespread here in central Pennsylvania as in Philadelphia, it is still a problem which must be addressed.

Davenport Testimony-Page two

Unlike some other testimony, I am not going to get rhetorical with you. I would much rather, as they say, 'cut to the chase', and share some things that could help. In my opinion, each major player can do more than what they are doing.

PENNDOT

Let's start with PennDOT. When an individual applies for a vehicle registration, he or she must put down their insurance carrier and their policy number. My question which I hope you will have PennDOT answer is whether or not they check every application. If PennDOT were to check, they could be a necessary first line of defense. Second, when an officer pulls someone over, there is always a registration check as well as a check to see what kind of driving record an individual has. Why should not PennDOT also supply the individual's status? Companies are doing a much better job than they used to in notifying the Department policy cancellations. PennDOT should figure out how to supply this information to law enforcement officers almost instantaneously. If registration information is readily available, insurance information should be too given that we now live on the Information Superhighway. Using this information, an officer could discover whether the person was insured and if he or she was using a false financial responsibility card. I don't see this as a major hurdle.

Davenport Testimony-Page three

A third suggestion for PennDOT is to recommend that they are as quick to code that someone has new replacement coverage as they are to code cancellations of coverage. If PennDOT does not respond quickly in entering new insurance information, the consumer will be at the mercy of a Kafka-esque justice system where the officer relies on incomplete PennDOT information to penalize an innocent driver on the road.

None of these suggestions should require major re-tooling of PennDOT but they would certainly tighten up areas where abuse exists. Unlike some parts of Pennsylvania, insurance is not prohibitively expensive here in central PA. If someone says that they can't afford it here, although I may feel sorry for them, that excuse doesn't wash really well with me. I have to balance their choice to disobey the law by not having auto insurance with society's need to have safer roads and a driving public which does not use bogus insurance cards. Besides, as I stated before, uninsured motorists make auto insurance more expensive for the rest of us.

COMPANIES

The companies can also do more. For the record, I want to compliment them for what they have already done. They have tightened up considerably from just a few years ago. Companies are also putting \$ 8 million into a special fund to combat insurance fraud and an additional \$4 million targeted specifically to auto theft prevention. This effort stems from legislation you passed last year.

Davenport Testimony-Page four

What could companies do in addition? I feel that there is STILL a major loophole in the system. Currently, an individual may pay as little as 20-25% of the premium due or 35% for Assigned Risk. When the proof of financial responsibility card is received, it states that it is good for the full six month interval. The individual who wants to cheat does nothing.

Unless PennDOT does what I suggested and coordinates insurance information with law enforcement, the uninsured motorist can show the card and convince the officer that he has coverage.

Although it will mean additional administrative overhead for companies, I do not think consumers should have a card that says he has fully paid his premium if only 20% was actually paid. If, for financial reasons, a consumer must pay in installments, the company could issue a card which clearly states that payments are being made on an installment plan.

This would be a flag to the officer to check on the true insurance status through PennDOT (assuming PennDOT cooperation). As a consumer, I would not mind paying incrementally to cover the added expense to the company because I am already paying a significant part of my insurance premium thanks to uninsured motorists who now slip through the safeguards that already exist.

As someone who sees auto insurance through the eyes of an agent who wants affordable insurance for his clients and as someone with company experience who wants the solution to be workable, this suggestion is a realistic proposal.

Davenport Testimony-Page five

Companies could also mount a consumer education campaign to inform people as to what goes into an insurance premium. If consumers understand that insurance fraud and costs incurred by uninsured motorists that are paid by all, there might be a reduction of the cult of tolerance that in some circles condones this behavior as beating the system. Instead, they are beating up on all the rest of us.

GENERAL ASSEMBLY

The next time the General Assembly chooses to reopen Act 6, it might take a look at requiring uninsured/underinsured coverage. I spend a bit of time now documenting that clients have decided not to take this type of coverage. Thanks to our litigious society, attorneys see if the type of coverage was explained adequately and determine if there was a signed form. Since law suits-some frivolous, some not- also drive up the cost of insurance, let's reduce the uncertainty in this area.

If you feel up for another round of vehement debate, you might wish to look at limiting excessive legal settlements.

The biggest thing for the legislature to do is to hold PennDOT's feet to the fire to get them to do what has been suggested here. Despite good intentions on the part of the Ridge appointees, remember that what you have in PennDOT is a bureaucracy used to doing things a certain way. It will take great perseverance on your part to nudge them along.

Davenport Testimony-Page six

CONCLUSION

In conclusion, there are a number of non-drastring reforms that can be undertaken by the Department, by companies, and by the legislature to reduce the numbers of uninsured motorists. I do not subscribe to the notion that the uninsured, like the poor, will always be with us. Tangible steps can be taken by all parties to address the problem.

Let me leave you with this thought. In researching for this testimony, I checked with a number of company people to see what snags there were in the system which allow uninsured motorists to roam the streets. The answer came back emphatically. PennDOT must be reformed. Local enforcement--picking up tags and vehicles is essential but local enforcement cannot work if PennDOT is not doing its share. My major company sends in tapes daily. PennDOT does not process them quickly enough. Local law enforcement does not get quick access to this information.

In New York City, police do pick up tags and they do fine \$4 per day for not having insurance. Their Transportation Dept. gives them instant information. Uninsured motorist insurance costs \$22 per year in Manhattan. It costs \$88 per year in Philadelphia. I am amazed that insurance is cheaper in New York. If PennDOT got its act together and helped local police enforcement, we would see a dramatic drop in UM coverage here too. If New York can do it, we in Pennsylvania can do it too.

Thank you.

1 CHAIRMAN HESS: Thank you.

2 Any questions? Representative Druce.

3 REPRESENTATIVE DRUCE: Thank you for your testimony,
4 Mr. Davenport. I just want to ask one question that I asked
5 to the previous testifiers. I guess I'm a little skeptical
6 that we go through this process that you've outlined, which
7 I think is a good process, and I do think the Department is
8 going to work with us, but dealing with the full tort/
9 limited tort situation in Southeastern Pennsylvania, what
10 assurance does the General Assembly have that if we tackle
11 this issue and require the Department to go through all the
12 processes which you've outlined to identify uninsured
13 motorists, require the insurance companies to give new
14 policyholders over, that in the end the rates don't change?
15 And to me the rates are part of the problem. I wouldn't say
16 the biggest part of the problem, there are other
17 contributing factors I outlined. But what assurance do we
18 get that -- looking at this here, can I assume then that we
19 can see a dramatic reduction in the \$88.00 or \$44.00 six-
20 month premium for uninsured in Philadelphia if we put a dent
21 in this?

22 MR. DAVENPORT: You are referring to limited tort and
23 unlimited tort. Limited tort and unlimited tort have no
24 responsibility so far as uninsured motorist protection is
25 concerned. Uninsured motorist protection is separate from

1 the unlimited or limited tort proposal in the liability
2 section of the policy.

3 REPRESENTATIVE DRUCE: I understand. Maybe I'm not
4 being clear. I guess I'm using the experience that the
5 General Assembly had with reforms to Act 6 and its reform
6 dealing with limited tort and full tort, and hearing that
7 well, if we have this limited tort and we can limit the
8 liability to insurance companies, therefore we'll see this
9 great reduction in cost because that's a contributing factor
10 in our insurance rates, when, in fact, if you look at the
11 Southeast rates compared to State Farm, which I have just
12 outlined earlier, there is no real difference in cost. I
13 understand that's a separate issue. I guess I'm looking
14 over here at an area where insurance companies did not pass
15 the savings along to the consumer. Now when we're dealing
16 with the issue of uninsured motorists, we hear all the good
17 suggestions of things we could do, and we should do, and I
18 guess my question is: if we do do them, are we going to see
19 the same result as we did over here on Act 6, which is no
20 real reduction in cost, or can we see some reduction in cost
21 from insurance companies? Because I don't understand why
22 there's so little difference when I look at full tort and
23 limited tort as it relates to the southeastern counties --
24 minus Philadelphia -- that there is a \$35.00 difference.

25 MR. DAVENPORT: Thirty-five dollars. In this

1 territory it's about \$35.00.

2 REPRESENTATIVE DRUCE: And that just doesn't make any
3 sense to me. So I think it's a legitimate question from a
4 cost standpoint because I think there is a fraction of the
5 people out there that I think cost is a factor for why they
6 may not have insurance. I'm not looking at those that are
7 constant --

8 MR. DAVENPORT: If you get a reduction in the claims
9 that are made in the uninsured motorist section, and also
10 get an accompanying reduction in payout, the Insurance
11 Department is not going to be able to do anything else but
12 require the insurance companies to reduce their costs in
13 that particular area. These costs to the Insurance
14 Department have to be justified, and the statistics that
15 were presented to you earlier, basically if those statistics
16 show that the number of claims have reduced and the payouts
17 have reduced, there's no way the Insurance Department is
18 going to allow the premiums to go up in that particular
19 section of the automobile law.

20 REPRESENTATIVE DRUCE: So that becomes our check
21 then, the Insurance Commissioner, in terms of the statistics
22 provided and in terms of rate reductions as well. Not only
23 increases, but can the Commissioner also require rate
24 decreases? I'm not familiar with that.

25 MR. DAVENPORT: Yes. If the insurance company wants

1 an increase and the Insurance Department looks at the
2 statistics and says, "No way," or "You have enough, keep it
3 where it is," or "Reduce them," the Insurance Department can
4 do that, in my experience, on both the company side and the
5 agent side.

6 You have two aspects of the uninsured motorist
7 protection. If I'm involved in an accident and I receive
8 medical expenses resulting from an automobile loss -- and I
9 could be in anybody's car or I could be walking across the
10 street and be injured and have medical expenses resulting
11 from that accident. The person who caused the accident has
12 no insurance, but on my insurance policy I have uninsured
13 motorist protection with whatever limit; it doesn't make any
14 difference. If the person that caused my loss has no
15 insurance, I can make a claim against my own insurance
16 company just by filling out a claim form and submitting it
17 to them. It will be paid based on the cost of my medical
18 expenses, up to the limits of the coverage in this section
19 of the policy, without reference to anything else, as
20 provided by the contract of insurance in the automobile
21 policy.

22 What happens in many of the cases is the public does
23 not realize that in uninsured motorist, they can make the
24 claim themselves; they don't need any representation. If
25 you come to me with an uninsured motorist claim, I'll make

1 out the claim form, make sure it's acceptable to you, what
2 I've said in reporting the claim, and submit your medical
3 bills with that, and subsequent medical bills, and the
4 insurance company will honor the claim as long as the
5 uninsured motorist is on your policy.

6 What the public doesn't understand, they seek an
7 attorney, and that has a tendency to drive up the cost.

8 REPRESENTATIVE DRUCE: I appreciate that. Just so
9 you know, not to think I'm picking on the insurance
10 companies who were good enough to testify today, but I did
11 ask the trial lawyers in Philadelphia two questions. One is
12 outlawing contingency fees in those situations and requiring
13 them to bill by the hour, which I think would put a more
14 realistic cost on it. Now they're free -- it's an open
15 system for them; it's just go for what you can get. And
16 they questioned about their ability to enter the system
17 immediately without letting the adjusters try to handle the
18 situation. I understand there may be problems with that,
19 but I at least posed those questions. I believe that's part
20 of the problem, too.

21 MR. DAVENPORT: If the insured with the uninsured
22 motorist protection feels the adjuster is not handling it
23 properly, get the agent to get into it, get the supervisor,
24 and if that doesn't happen, then get an attorney.

25 REPRESENTATIVE DRUCE: Thank you for your testimony

1 today. I appreciate it.

2 CHAIRMAN HESS: Thank you, Tom.

3 Are there any other questions? Representative
4 Wright.

5 REPRESENTATIVE WRIGHT: A couple questions. One, you
6 mentioned first a novel idea, I thought, and I have some
7 questions about it. That when you buy insurance, for a six-
8 month policy, you put 20 to 25 percent down on installments,
9 and then you get a card that says good for the next six
10 months, but why doesn't it say installments? That would be
11 a red flag, maybe, that this officer should do a little
12 further checking. But you still have the same problem.
13 Even if they paid in full for the six months and they
14 canceled the policy the next day, they would still have a
15 card; it wouldn't say installments.

16 MR. DAVENPORT: It wouldn't say canceled, either.

17 REPRESENTATIVE WRIGHT: Even if it is installments,
18 then -- well, I'm not too sure that's going to solve
19 anything.

20 MR. DAVENPORT: One more idea in the concept to try
21 and cut down on the people that are avoiding the whole
22 process.

23 REPRESENTATIVE WRIGHT: Now, you made a statement
24 about police officers out on the street do not have enough
25 information to work on, and you alluded that PennDOT was not

1 providing them the proper information that they needed. Can
2 you expand upon that?

3 MR. DAVENPORT: PennDOT's system does not currently
4 provide them with any kind of insurance information at the
5 time, as PennDOT testified and, to the best of my knowledge,
6 is still effective today. You know if the driver's license
7 is in force, you know whether the driver is being sought
8 after for something else that's happened, but the police
9 officer has no way of securing any information -- and
10 PennDOT is working on the system, and that's great -- has no
11 way of getting into the information regarding insurance.
12 PennDOT I think needs to come up, and from what they
13 testified this morning, their new system is going to provide
14 some of this, which is great.

15 REPRESENTATIVE WRIGHT: From PennDOT's point of view,
16 and I'll speak for them, but I think their point is the car
17 is insured unless through one of the processes an F stop has
18 been placed upon that registration. So I guess in reverse
19 it actually assumes that the car is insured unless we show
20 that it is not. If the police officer on the street would
21 do a check, no F stop appears, the assumption is that the
22 car is insured. Of course, if records aren't up to date, we
23 have another problem.

24 The last thing I wanted to point out was we heard
25 earlier that the Legislature only requires insurance

1 companies to provide data to PennDOT when a policy is
2 canceled.

3 MR. DAVENPORT: Canceled. Exactly right.

4 REPRESENTATIVE WRIGHT: And PennDOT does not have --
5 and we've heard some discrepancy here -- but PennDOT does
6 not have the ability to require that information when a new
7 policy is written. There may be a discrepancy about whether
8 they really do or not. But would you be in favor of
9 mandating that when policies are written, within "x" amount
10 of days or whatever the information is provided to PennDOT?

11 MR. DAVENPORT: From my company experience, companies
12 are reluctant to get into anything more that's going to
13 cause them to provide another procedure to anybody, not just
14 PennDOT or anybody else. But if they are now running tapes,
15 and they are, and supplying the tapes to PennDOT for the
16 cancellations, it's just another simple process to run
17 another tape or the second half or the first half of the
18 original tape to give PennDOT the information on the
19 policies that have been written, because if I canceled it
20 from company A because I could get a better deal or whatever
21 from company B, I'm going to get a cancellation notice from
22 Larry White asking me to substantiate the fact that my
23 policy was not in cancellation mode for 31 days, because
24 PennDOT is not able to pick up -- and it's not PennDOT's
25 fault. The companies are not supplying PennDOT with the

1 information that I replaced policy A with policy B.

2 REPRESENTATIVE WRIGHT: I'll ask the direct question
3 then. Are you in favor of the insurance companies providing
4 information to PennDOT upon writing coverage?

5 MR. DAVENPORT: Yes. As long as PennDOT wants to
6 handle it and is capable of handling it. I don't want to
7 create any more problems for PennDOT than they already have.
8 But if this is something PennDOT wants and PennDOT can use,
9 yes.

10 REPRESENTATIVE WRIGHT: Is this personal opinion or
11 could this somewhat be the official opinion from --

12 MR. DAVENPORT: The companies that I talked to are
13 not too enthused about this, but if Pennsylvania requires
14 it, yes, they can supply it.

15 REPRESENTATIVE WRIGHT: We also heard earlier a
16 statement that -- an expectation of \$10 million it would
17 cost. I might be off, but I thought I heard someone who
18 testified before this. For the whole process, they would
19 incur a \$10 million expenditure.

20 MR. DAVENPORT: I have no feeling for that. PennDOT
21 has got to be the source of the information there, because I
22 have nothing on that.

23 REPRESENTATIVE WRIGHT: No, no. I meant the
24 Independent Insurance Companies that testified before us,
25 just before you, had said that if they threw out a figure --

1 of course, it's an approximation, but we'll just use it --
2 that in additional expenditures to the insurance companies
3 of Pennsylvania it would cost approximately \$10 million to
4 implement this new proposal.

5 MR. DAVENPORT: I have no basis to agree or refute.
6 That's not something that I got into.

7 REPRESENTATIVE WRIGHT: Well, if we assume that
8 that's true, that's not an insignificant amount of money.
9 But I agree, it will incur an expense, right, it has to, but
10 I agree, \$10 million sounds like an awful lot of money for
11 it.

12 MR. DAVENPORT: That's basically, I think, a keypunch
13 operation on the computer, but again, I don't know. I left
14 the company 20 years ago.

15 REPRESENTATIVE WRIGHT: Thank you.

16 CHAIRMAN HESS: Thank you. I just have one question.
17 I think, Bob, you might want to listen to this. It's under
18 insurance regulations. Section 221.3 says here, "The
19 insurer shall notify the Department no later than ten days
20 following the effective date of the cancellation or
21 termination. This requirement shall not apply to a policy
22 that has been effect for more than six months from the date
23 of this policy which was issued." I think that needs to be
24 revisited.

25 MR. MUSTIN: It has been. They report all

1 cancellations.

2 CHAIRMAN HESS: All cancellations now?

3 MR. MUSTIN: All cancellations. All cancellations.
4 They're required by the Vehicle Code to do that.

5 CHAIRMAN HESS: My error. I apologize.

6 MR. MUSTIN: The regulations cannot be less stringent
7 than the law. The law clearly says in Section 1786 of Title
8 75 that they are to report all cancellations to us. It also
9 says in Section 1786 that they are to report all new
10 policies to us, conditional on the Department promulgating
11 regulations. We are in the process of promulgating those
12 regulations, but we believe the process would probably work
13 faster if we were to amend the law.

14 CHAIRMAN HESS: I thought these were current
15 regulations. If I'm wrong, I offer my apology.

16 MR. MUSTIN: They may be current, but they are
17 superseded by the Vehicle Code.

18 MS. SERIAN: What regulations were they?

19 CHAIRMAN HESS: Section 221.3 of the --

20 MR. MUSTIN: 67 Pa. Code.

21 MS. SERIAN: We will look.

22 CHAIRMAN HESS: This is the Vehicle Code, Bob, I'm
23 reading from.

24 MR. MUSTIN: It's 67 Pa. Code.

25 CHAIRMAN HESS: Thank you.

C E R T I F I C A T E

I hereby certify, as the stenographic reporter, that the foregoing proceedings were taken stenographically by me, and thereafter reduced to typewriting by me or under my direction; and that this transcript is a true and accurate record to the best of my ability.

COMMONWEALTH REPORTING COMPANY, INC.

By: Judith A. Valencik
Judith A. Valencik

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25