

LAC

A Status Report on the Enforcement of Compulsory Automobile Insurance Laws

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South Carolina law requires that every registered motor vehicle have liability insurance. In spite of this law, there are many uninsured motorists. In 1997, we reported that estimates of the number of uninsured motor vehicles in South Carolina ranged from 10% to 16%. As a result, motorists who purchase insurance are paying higher prices.

The following is a summary of our report on the status of South Carolina's enforcement of compulsory insurance laws. We focus on the efforts of the Department of Public Safety (DPS), which coordinates this function with local law enforcement agencies. Our primary finding is that incomplete data on insurance customers have prevented efficient enforcement of the law by state and local officials. DPS has been working on the development of a reliable insurance customer database, however, its implementation date is not certain.

Revenues Not Retained by DPS

Section 38-73-470 of the South Carolina Code of Laws required that uninsured motorist insurance taxes, paid by insurance companies, be transferred to the department beginning in FY 95-96. After collecting these tax revenues in FY 95-96 and FY 96-97, however, DPS deposited them in the state's general fund.

We found no law indicating that funds were appropriated to DPS to replace the diverted revenues. The amount collected but not retained by DPS during FY 95-96 and FY 96-97 was approximately \$5.8 million.



Insurance Companies Not Audited

Each year, DPS attempts to collect from insurance companies \$1 in uninsured motorist taxes for each motor vehicle insured. The department does not, however, audit insurance companies to ensure that they pay the amount required by state law. Without auditing, there is reduced incentive for insurance companies to pay the full amount they owe.

The Department of Insurance (DOI) also collects taxes from insurance companies. These taxes are based on a percentage of the premiums earned. DOI relies on its own staff to conduct field audits of insurance companies based in South Carolina and on other states to audit companies based elsewhere. If the uninsured motorist insurance tax were also based on a percentage of premiums, DOI could efficiently collect and audit this tax for DPS.

Incomplete data on insurance customers have prevented efficient enforcement of the law by state and local officials.

Incomplete Data

Section 56-10-240 requires insurance companies to notify DPS of the insurance status of certain customers only after their policies have been canceled. This presents a problem, in that DPS does not know whether the vehicles are uninsured or their owners have changed insurance companies, sold the vehicles, moved out-of-state, etc. As a result, DPS attempts to verify coverage through steps including contacting the motorists by mail, calling insurance agents, and sending state troopers to motorists' homes.

Without a data system that includes all new policies, renewals, and cancellations, DPS can neither accurately nor efficiently support efforts to detect uninsured motor vehicles. For example, during the application process An improved data system could result in improved

for a driver's license or vehicle registration, the Division of Motor Vehicles cannot verify the insurance information given by motorists. In addition, during traffic stops, law enforcement officers cannot verify the information on insurance cards presented by motorists.

Florida, Louisiana, Utah, and Virginia are able to cross-check the customer records of insurance companies with state vehicle registrations to produce a listing of vehicles not claimed by any insurance company. Before our review, DPS started working to develop a similar system. To achieve this goal, however, it will be necessary to amend state law to require insurance companies to send more complete information to the department.

which were spent on salaries and benefits of

Funding Priority

enforcement of compulsory insurance laws by DMV and state and local law enforcement officers. In FY 97-98, however, DPS spent almost 95% of uninsured motorist insurance tax revenues on the highway patrol, most of

“administrative” officers. It is therefore not clear whether DPS has identified the improvement and long-term maintenance of its insurance verification data system as a funding priority.

License Plates for Newly Acquired Vehicles

South Carolina law allows a newly acquired, insured motor vehicle to be driven without a license plate for 45 days. This grace period makes it easier for *uninsured* vehicles without license plates to avoid detection.

In North Carolina and Virginia, a vehicle generally may not be operated on a public road without a state-issued license plate. In both states, automobile dealers are authorized to issue license plates. An individual who purchases a vehicle from a private party must obtain his plate from a state government office.

This document summarizes our full report, *A Status Report on the Enforcement of Compulsory Automobile Insurance Laws*. Copies of the full report and all LAC audits are available free of charge. If you have questions, contact George L. Schroeder, Director.