

PERFORMANCE AUDIT

DEPARTMENT OF TRANSPORTATION
MANDATORY MOTOR VEHICLE INSURANCE PROGRAM

Report to the Arizona Legislature
By the Auditor General
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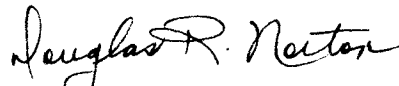
Members of the Arizona Legislature
The Honorable Evan Mecham, Governor
Charles L. Miller, Director
Arizona Department of Transportation

Transmitted herewith is a report of the Auditor General, an audit of Arizona's mandatory automobile insurance program. This report is in response to Chapter 272, Section 3 of the 1983 Session Laws.

The report indicates that the mandatory insurance program has had little effect on the number of uninsured motorists in Arizona due to limited enforcement of the mandatory insurance laws. As a result, the administrative problems and court costs associated with the mandatory insurance law have been minimal, and the law has had little apparent effect on automobile liability premiums.

My staff and I will be pleased to discuss or clarify items in the report.

Respectfully submitted,


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SUMMARY

The Office of the Auditor General has conducted a performance audit of Arizona's mandatory automobile insurance law. This audit was conducted in response to Chapter 272, Section 3 of the 1983 Session Laws. The Auditor General was directed to address: 1) the program's effect on the number of uninsured motorists before and after it was adopted, 2) the administrative problems and costs of enforcing the program for the courts as well as the Arizona Department of Transportation, Motor Vehicle Division (MVD), and 3) the effect of the program on motor vehicle liability premiums in Arizona.

The mandatory insurance (MI) law, enacted in 1983, requires motorists to obtain minimum levels of liability insurance in order to register vehicles in Arizona. The law was the result of growing concern about the inability of motorists to compensate accident victims, and was intended to ensure that drivers at fault would be able to pay for at least a portion of damages. Before 1983, motorists were required to present evidence of financial responsibility only if involved in accidents involving damage greater than \$500, injury or death.

The Mandatory Insurance Program Has Had Little Apparent Effect On the Number of Uninsured Motorists (see pages 7-18)

The mandatory insurance program has had little apparent effect on the number of uninsured motorists in Arizona. An Auditor General analysis of claims made against uninsured motorist policies indicates that Arizonans made claims at almost the same rate in 1986 as in 1982. The MI program had only a limited initial effect. Claims dropped sharply in 1983 and 1984, but returned to prelaw levels during 1986. Thus, three years after the MI law was enacted, Arizonans still had to rely on their own uninsured motorist policies to protect them from damages caused by uninsured drivers.

The minimal impact of the MI program may be due to weak enforcement. The Motor Vehicle Division, which is responsible for the program, has not developed an efficient enforcement program. Early attempts to verify coverage were

unsuccessful in more than 50 percent of the cases, and MVD did not have authority to take action against violators.

Local law enforcement agencies have not consistently enforced MI laws. A survey of nearly 1,300 recently cited motorists indicates that police officers did not request evidence of insurance in almost half of nonaccident traffic stops. Some local courts also fail to impose statutory penalties for MI violations. Many courts have not imposed fines established by law for first time violators, and mandatory sentences for subsequent violations are not imposed because prior violations are not identified.

To strengthen the MI program, MVD should work with law enforcement agencies and courts to help ensure that they have sufficient information to properly enforce the laws. Law enforcement agencies should request evidence of insurance at all traffic stops, and check for prior convictions of the law when citing motorists for MI violations. Municipal and justice of the peace courts should assess proper fines against first time violators.

**Minimal Administrative Problems And
Court Costs Are Associated With The
Mandatory Insurance Law** (see pages 19-23)

The mandatory insurance law has not substantially affected court operations in Arizona. Analysis of caseloads for courts in six representative localities (Phoenix, Scottsdale, Pima County, Kingman, Pinal County/Florence and Prescott Valley) indicates that MI violations account for only a small percentage of cases. These cases require minimal time to adjudicate and most (62 percent) are dismissed. The remaining cases rarely go to trial and do not require extensive court time. As a result, costs for adjudicating MI cases are minimal, according to court personnel.

The Mandatory Insurance Law Has Had Little Apparent Effect On Liability Premiums (see pages 25-29)

The mandatory insurance law does not appear to have affected the cost of liability insurance in Arizona. Although MI was expected to increase liability premiums by forcing previously uninsured, high risk drivers into the insurance pool, premiums have risen at a moderate rate since 1978, approximately 4 percent annually when adjusted for inflation. Moreover, the limited enforcement of the MI program reduces the likelihood that the program would have an impact on premiums. Except for the first two years after MI was enacted, insurance levels have remained the same, indicating that the high risk drivers have not continued to purchase insurance. Thus, low risk policy holders are not required to bear additional costs because of high risk drivers seeking insurance.

Even if the MI program were enforced more effectively, its impact on liability premiums would be difficult to determine. Insurance experts agree that identifying the specific influence of mandatory insurance is complicated by a variety of demographic, economic and legal factors. Legal factors include prohibitions against cancellation, comparative negligence laws and tort liability. Other factors include medical fees, repair costs, road conditions and awards for noneconomic losses. Together or individually these factors can result in high insurance losses which can affect premiums. Isolating the impact of MI on premiums is, therefore, extremely difficult.

MVD Should Improve Its Mandatory Insurance Compliance Program (see pages 31-38)

MVD should improve its program for enforcing mandatory insurance laws. The Division will not be able to reliably determine the level of compliance using its recently implemented verification program, because it excludes unregistered vehicles. Owners of unregistered vehicles are more than twice as likely not to comply with the MI law. The verification program is further limited in establishing compliance rates by motorists who do not respond to the request for verification. Two other mandatory insurance states, Oregon and Minnesota, do not use their verification programs to determine compliance rates because of the problem with nonresponses.

MVD could strengthen its enforcement by targeting motorists most likely to violate MI laws. Sampling motorists recently convicted of unregistered vehicle violations and MI violations would direct MVD's enforcement program toward those individuals who have a greater tendency to violate the law.

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INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a performance audit of Arizona's mandatory auto insurance program. This performance audit was conducted in response to Chapter 272, Section 3 of the 1983 Session Laws.

History Of Mandatory Insurance In Arizona

In January 1983, mandatory insurance became law in Arizona. However, this law has undergone several major changes since its passage due to legal and administrative problems.

Prior to the inception of mandatory insurance, Arizona motorists were required to present evidence of financial responsibility only if involved in an accident involving damage greater than \$500, personal injury or death. However, the increasing number of vehicle accidents, injuries and fatalities, and the inability of uninsured motorists to compensate their victims led to the passage of House Bill 2333 in 1982. The purpose of House Bill 2333 was to require persons owning or operating a vehicle to obtain minimum liability insurance. ⁽¹⁾ However, within months of the bill's inception, amendments were made. On April 27, 1983, an emergency bill (H.B. 2119) was signed into law that altered legal and administrative aspects of the law.

Even after the changes, implementing the mandatory insurance law proved to be extremely difficult due to time consuming and cumbersome procedures. Deficiencies in the program resulted in further changes to the law. House Bill 2143 was initiated in January 1986 and signed into law on April 18, 1986. The bill simplified the sampling procedures used to determine compliance and streamlined enforcement efforts. The changes became effective August 1986.

(1) Minimum liability amounts were set at \$15,000, \$30,000 and \$10,000. Therefore, if an uninsured motorist is at fault in an accident, insurance would cover medical expenses up to \$15,000 per person (but not more than \$30,000 total), and property damage up to \$10,000. Individuals choosing not to obtain insurance may also meet the requirements of the law by depositing \$40,000 with the State Treasurer, posting a \$40,000 surety bond with MVD, or filing a certificate of self-insurance.

Current Mandatory Insurance Program

Arizona's existing mandatory insurance program depends on the involvement of the Motor Vehicle Division, law enforcement agencies and the courts.

Motor Vehicle Division - MVD is statutorily required to verify compliance with the mandatory automobile insurance program. To determine compliance, MVD must randomly sample up to 10 percent of the vehicles currently registered in Arizona. MVD is in the process of conducting its first compliance check under the most recent statutory changes. A sample of 1,000 registered vehicles was initiated in June, 1987. Because the sampling process has just recently been implemented, data on the percentage of uninsured motorists is not available from MVD.

Law enforcement agencies - Law enforcement officers can request a motorist to provide evidence of financial responsibility at any traffic stop or when an accident is involved. Under Arizona Revised Statutes §28-1253, failure to produce evidence of financial responsibility at the request of an officer may result in a civil traffic violation.

Courts - The courts are responsible for adjudicating uninsured motorist violations. If evidence of financial responsibility is produced, a citation is dismissed. However, if no evidence of insurance is presented, the court may impose a civil sanction ranging from \$250 for a first offense to \$750 for a third offense. In addition, the court may direct MVD to suspend the person's driver's license, and vehicle registration and seize the license plates.

Programs In Other States

Arizona is one of 35 states that had compulsory automobile insurance laws as of August 1986. However, compared to some states, the Arizona program has lower administrative costs per registered vehicle.

Strategies common to most of the mandatory insurance states include:

1. Law enforcement authority to inspect evidence of insurance upon demand,
2. Insurance verification of individuals involved in accidents or cited for major traffic violations,
3. Self-certification or evidence of insurance at time of vehicle registration and renewal, and
4. Financial responsibility laws to make it difficult for uninsured motorists at fault in accidents to continue driving uninsured.

Administrative and enforcement efforts vary among states. For example, a 1985 report states that New York allocated \$4 million to its enforcement program, which requires insurers to notify the state when policies are canceled mid-term. For fiscal year 1986-87, South Carolina's \$3.4 million program requires notification any time a policy is canceled. South Carolina has 29 uniformed officers assigned to confiscate license plates of persons found guilty of violating the compulsory insurance law.

Another method of enforcement is a random sample survey. Oregon randomly samples its registered vehicle population. Because it is a highly automated program and requires few personnel, the compliance program cost only \$241,000 in 1986, although the registered vehicle population is comparable to South Carolina's. An Oregon Legislative Research survey identified seven other states, including Arizona, that also use a random sample survey to enforce and verify compliance.

More costly programs do not ensure higher compliance. Tables 1 and 2 outline enforcement costs in eight states. These tables show that programs with cancellation requirements cost an average of 30 cents more per vehicle to administer. Oregon, with an average enforcement cost of 9 cents per vehicle, had a noncompliance rate of approximately 10 percent. With an enforcement cost of 50 cents per vehicle, South Carolina estimates a 7 percent noncompliance rate. However, New York's program costs 47 cents per vehicle to enforce, and a 1983 report estimated its noncompliance rate at more than 15 percent.

TABLE 1
COST OF ENFORCEMENT IN SELECTED STATES
THAT REQUIRE CANCELLATION NOTIFICATION

<u>STATE</u>	<u>NUMBER OF CARS</u>	<u>ENFORCEMENT COSTS</u>	<u>COST PER CAR</u>
Maryland	3,000,000	\$1,500,000	.50
New York	8,500,000	4,000,000	.47
South Carolina	2,600,000	1,300,000	.50

Source: The Uninsured Motorist; The World Almanac and Book of Facts, New York: Newspaper Enterprise Association, Inc., 1985, p. 197.

TABLE 2
COST OF ENFORCEMENT IN SELECTED STATES THAT
DO NOT REQUIRE CANCELLATION NOTIFICATION

<u>STATE</u>	<u>NUMBER OF CARS</u>	<u>ENFORCEMENT COSTS</u>	<u>COST PER CAR</u>
Arizona	2,300,000	285,000	.12
Nevada	743,000	225,000	.30
Oregon	2,700,000	241,000	.09
Utah	1,200,000	271,000	.23
Wyoming	430,000	120,000	.28

Source: Western state survey by Legislative Research; telephone interview on August 4, 1986, with Doug Manthy, Assistant Administrator, Administrative Services Branch, Oregon Motor Vehicle Division.

Methodology

Because no data were available from MVD to evaluate the mandatory insurance law's impact on uninsured motorists in Arizona, other sources were drawn upon. Information from insurance companies was collected and analyzed to identify possible trends in the uninsured motorist population. Several courts were selected to collect data regarding the number of uninsured violations, how uninsured violations are handled, and the impact of uninsured violations on the courts. In addition, insurance data was obtained to analyze the mandatory insurance law's impact on liability premiums.

Insurance company information – Information was obtained from eight insurance companies representing 60 percent of the liability policies written in Arizona in 1984. Data were collected on the number of liability policies written; uninsured motorist policies written; and the number of personal injury, property damage and uninsured motorists claims paid. The figures were analyzed to identify any trends in the uninsured motorist population in Arizona (see Finding I, page 7).

Case study selection – Six courts were selected to collect data for case studies. The case studies include courts with varying case load levels, representing urban and rural localities with population bases ranging from 5,471 to 881,640 in 1985. The courts selected include both municipal courts and justice of the peace courts. The following courts were included in the case studies.

Prescott Valley City Court
Kingman Municipal Court
Pinal County Justice of the Peace Court/Florence
Scottsdale City Court
Pima County Consolidated Courts
Phoenix Municipal Court

Fast Track Monitoring System - This system is operated by the National Association of Independent Insurers (NAII). NAII collects quarterly data on the Fast Track system from a sampling of insurance companies. The data used in our analysis identifies the state, type of coverage (bodily injury/property damage), number of exposures, and earned premium.

Audit Scope

Our audit of the mandatory automobile insurance program was limited to three statutorily mandated areas.

- The program's effect on the number of uninsured motorists before and after it was adopted
- The administrative problems and costs of enforcing the program for the courts and the Motor Vehicle Division
- The effect of the program on motor vehicle liability insurance premiums in Arizona

This audit was conducted in accordance with generally accepted governmental auditing standards.

The Auditor General and staff express appreciation to the Director and staff of the Motor Vehicle Division and the Department of Insurance, the courts, law enforcement agencies and insurance companies for their cooperation and assistance during the course of our audit.

FINDING I

THE MANDATORY INSURANCE PROGRAM HAS HAD LITTLE APPARENT EFFECT ON THE NUMBER OF UNINSURED MOTORISTS

The Mandatory Insurance (MI) program has had little apparent effect on the number of uninsured motorists in Arizona. Analysis of insurance company data suggests that the level of financial responsibility among Arizona motorists has changed little since MI became law in 1983. This may be due to weak enforcement of the mandatory insurance laws by the Arizona Department of Transportation, Motor Vehicle Division, law enforcement agencies, and the municipal and justice of the peace courts.

Little Change In Insurance Levels

The level of uninsured motorists in Arizona remains basically the same as in 1983, when mandatory insurance was enacted. Although the actual numbers of uninsured motorists are not available, insurance company claims and insurance premium information provide an estimate of the aggregate effect of MI.

Claims data - Analysis of claims data from eight insurance companies ⁽¹⁾ writing automobile insurance in Arizona indicates that the MI program had only a short-term effect on the number of uninsured motorists.

By tracking the number of uninsured motorist (UM) ⁽²⁾ claims from 1981 ⁽³⁾ through the MI law's inception in 1983 to 1986, it is possible to show the frequency of UM claims per 1,000 vehicles insured. According to insurance

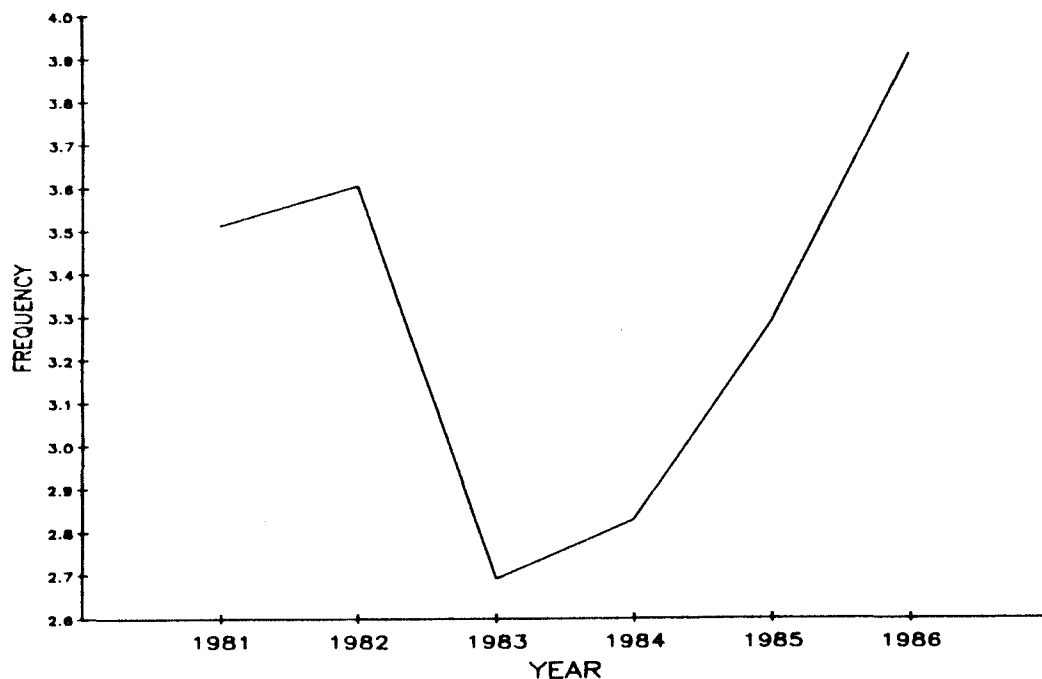
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- (1) The eight companies wrote liability coverages for approximately 60 percent of the insured vehicles in Arizona in 1984, and by 1986 provided coverages for more than 1 million vehicles in Arizona. Twelve companies were initially contacted and provided information; however, four were excluded from the final analysis because of missing data. Because most individual companies write a small percentage of the total automobile liability coverages, our analysis focused on the largest companies.
- (2) Motorists generally make claims against their UM coverage when motorists responsible for the accident are unable or unavailable to pay for the damage.
- (3) Data from 1981 was used because some companies contacted could not provide information prior to that date.

industry experts, the number of UM claims would likely decrease as more drivers obtain liability insurance as required by law. As a result, a successful MI program would decrease the UM claims frequency per 1,000 insured vehicles. Conversely, if the program was not effective, the UM frequency should remain the same or return to prelaw levels if initial decreases occurred. ⁽¹⁾

As illustrated in Figure 1, the introduction of the MI law in 1983 appears to have initially reduced the number of UM claims per 1,000 vehicles. Within three years, however, these numbers exceeded the prior levels.

FIGURE 1

**UNINSURED MOTORIST CLAIM FREQUENCY
PER THOUSAND VEHICLES
1981 THROUGH 1986**



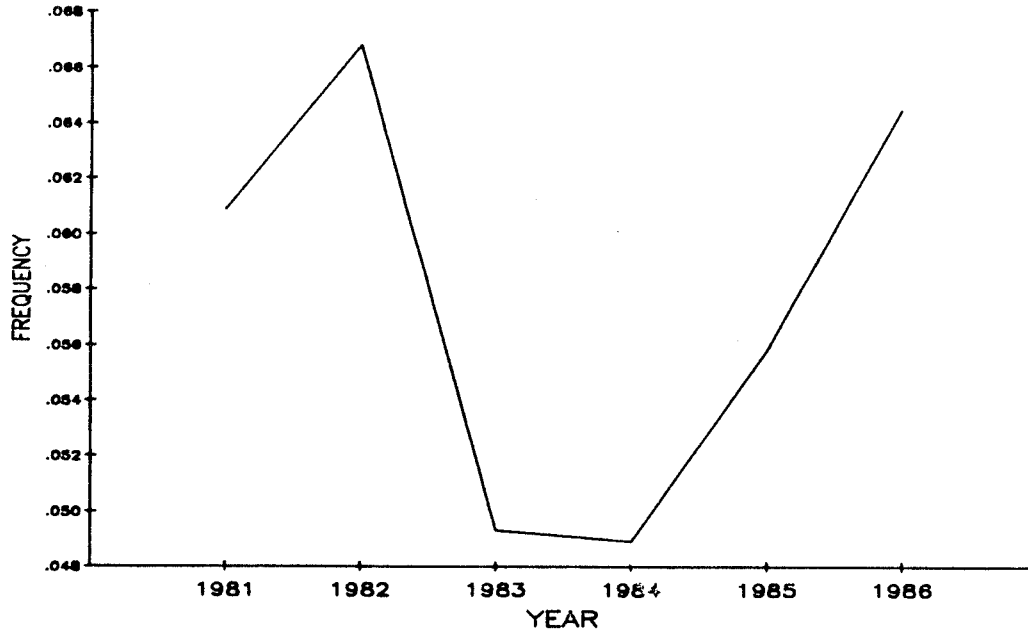
Source: Auditor General analysis of claims data from eight insurance companies writing automobile insurance in Arizona.

⁽¹⁾ Our method of analysis was reviewed and accepted by several experts in the insurance industry.

The short-term decrease in the frequency of UM claims could be the result of initial attention focused on the MI program at its inception. According to insurance industry officials, announcements and press coverage of the MI laws in 1983 resulted in a short-term increase in the number of liability policies written in Arizona.

Further analysis of claims data verifies the short-term effect of the MI program. In Figures 2 and 3, respectively, the number of property damage and bodily injury liability claims for each year is used to control for extraneous factors such as miles driven, accident rates and other factors that might impact the number of claims per year. Once again, there is a temporary impact on the number of UM claims, but levels increase a short time after the introduction of the law.

FIGURE 2
RATIO OF UNINSURED MOTORIST TO
PROPERTY DAMAGE CLAIM FREQUENCY
PER THOUSAND VEHICLES
1981 THROUGH 1986



Source: Auditor General analysis of claims data from eight insurance companies writing automobile insurance in Arizona.

FIGURE 3

RATIO OF UNINSURED MOTORIST TO
BODILY INJURY CLAIM FREQUENCY
PER THOUSAND VEHICLES
1981 THROUGH 1986



Source: Auditor General analysis of claims data from eight insurance companies writing automobile insurance in Arizona.

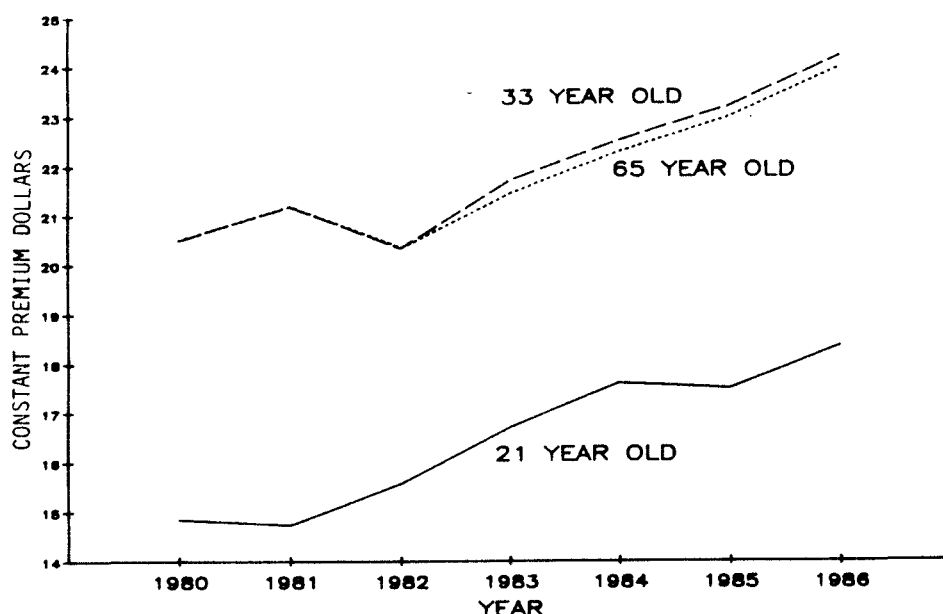
Thus, the MI program has not produced its intended effect. Arizona motorists must still protect themselves by purchasing UM coverages, and appear to be using these coverages at a rate nearly 9 percent higher than before the enactment of the MI laws.

Premium data - Data on insurance premiums from the three largest companies offering automobile insurance in Arizona also indicate the MI program's minimal effect. As illustrated in Figure 4, in constant dollars premiums for UM coverage for 21, 33 and 65-year old age groups has been steadily increasing since 1980. According to industry experts, premiums for UM coverage are based on the total amount of UM losses paid for by the company. In contrast, other liability coverages (i.e., bodily injury and property damage) are based not only on total losses paid but also the driving characteristics of the individual insured. If the program is effective,

fewer UM losses would be paid and premiums should stabilize or decrease. Conversely, if premiums increase, the program may not be effective because UM losses are increasing. As a result, the effectiveness of the MI program can impact UM premiums. However, the steady rise in UM premiums indicates that the MI program may not have been effective in Arizona. ⁽¹⁾

FIGURE 4

**ANNUAL UNINSURED MOTORIST PREMIUM (a)
1980 THROUGH 1986**



- (a) The level of coverage for the three age groups presented accounts for the primary difference in the overall premium levels for the three groups. Uninsured and underinsured coverages for 21-year-old male and female drivers are \$15,000/30,000 while these coverages for 33-year-olds and 65-year-olds are \$100,000/300,000.

Source: Auditor General analysis of averaged uninsured motorist liability premiums data provided by three major insurance carriers.

(1) Increasing uninsured motorist premiums also may be attributed to, or influenced by, other factors such as claim severity.

Mandatory Insurance Program's Limited Effect Due to Weak Enforcement

The MI program's minimal long-term effect on the number of uninsured vehicles may be due to weak enforcement of the mandatory insurance laws. The Arizona Department of Transportation, Motor Vehicles Division (MVD) has not had an enforcement program sufficient to ensure compliance with the MI laws. In addition, State and local law enforcement agencies are not consistently enforcing the MI laws. Further, municipal and justice of the peace courts are not imposing proper penalties for violations of the MI laws.

MVD's enforcement program – MVD has lacked an effective enforcement program to ensure a consistent level of compliance with the MI laws. The initial MI verification program was inefficient, and MVD lacked sufficient authority to enforce sanctions for violations.

MVD's initial MI verification program was inefficient. ⁽¹⁾ Between December 1984 and January 1986, MVD sampled more than 46,000 insurance certifications and attempted to verify this information with the designated insurance companies. More than 50 percent of the initial verifications were returned by the insurance companies unconfirmed. According to MVD officials, this occurred because of errors in the original information provided by vehicle owners.

The initial verification program did not grant MVD sufficient authority to enforce penalties against violators. Until 1986, MVD had no statutory authority to take administrative action against vehicle owners whose insurance information was unconfirmed by insurance companies. MVD's only option was to turn these cases over to the appropriate County Attorney for prosecution. However, Maricopa, Navajo and Graham County Attorney's Offices issued blanket rejections on the prosecution of MI cases, citing the inability to establish the degree of proof required to win a conviction.

(1) Under this program, financial responsibility information (i.e. insurance policy number, company name, etc.) was submitted by the owner when a vehicle was registered. At least 10 percent of motorists with a civil traffic or moving violation conviction within the preceding year were sampled and a verification of their financial responsibility information was conducted.

Inconsistent enforcement by law enforcement – Arizona law enforcement agencies do not consistently enforce the MI laws. Although law enforcement's involvement in the MI laws is essential, enforcement efforts by police agencies vary greatly statewide.

The involvement of State, county and municipal law enforcement agencies to ensure compliance with the MI laws is essential to the program's success. Because MVD has lacked an effective MI compliance program, enforcement of the MI laws by police agencies has been the only means of enforcement to date. Future enforcement efforts by police agencies would provide a constant check of compliance with the MI laws. Law enforcement officers annually stop more motorists than MVD contacts in its automated compliance program. ⁽¹⁾

Although their involvement is essential, most law enforcement officers do not fully enforce the MI laws. An Auditor General survey of approximately 1,300 motorists recently cited for a traffic violation and attending a defensive driving course, ⁽²⁾ shows that police officers requested evidence of insurance in nonaccident cases slightly more than 50 percent of the time statewide. As illustrated in Table 3, this percentage varied greatly among agencies.

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- (1) However, police officers are unable to verify the validity of the insurance evidence submitted to them by motorists. An Auditor General review of 161 accident compliant cases filed with MVD showed that nearly 34 percent of the motorists provided evidence of insurance to police officers at accident scenes which later proved invalid.
- (2) Most courts allow motorists cited for civil traffic violations with no prior convictions within the last three years to attend a defensive driving course in lieu of appearing in court.

TABLE 3
SURVEY OF CITED MOTORISTS

<u>LAW ENFORCEMENT AGENCY</u>	<u>PERCENTAGE OF NONACCIDENT TRAFFIC STOPS IN WHICH EVIDENCE OF INSURANCE WAS REQUESTED</u>
Phoenix Police Department	35 percent
Department of Public Safety	37 percent
Kingman Police Department	50 percent
Pima County Sheriff's Office	52 percent
Mesa Police Department	60 percent
Scottsdale Police Department	75 percent
Statewide	52 percent

Source: Analysis of Auditor General survey of approximately 1,300 motorists attending defensive driving courses.

Court enforcement - Arizona municipal courts and county justice of the peace courts are not properly imposing penalties for violations of the MI laws. Statutorily defined minimum penalties for first offenses are not being assessed. In addition, mandatory sentencing provisions for second and subsequent convictions of the MI law are not being imposed.

City courts and county justice of the peace courts are assessing incorrect penalties for first offenses of the MI law. A.R.S. §28-1253.G clearly establishes the minimum fines for failure to provide evidence of financial responsibility. An April 1987 Legislative Council opinion concluded that:

For a first time violation of A.R.S. §28-1253, a court has the discretion of imposing a civil sanction, but if a court exercises this discretion the court is required to impose a civil sanction of at least two hundred fifty dollars (emphasis added).

However, a review of MI cases in the six case study courts ⁽¹⁾ as well as 40 courts contacted in telephone surveys indicate that penalties for first time offenses differ depending on the court. Many courts impose fines considerably less than the minimum \$250 while some courts suspend the entire fine. Fine amounts for first offenses ranged from \$50 to \$343. ⁽²⁾ Furthermore, in many courts if a person cited for A.R.S. §28-1253 obtained insurance before an arraignment, the court greatly reduced or dismissed the fine.

In addition, review of MI conviction data from MVD indicates that the mandatory sentencing provisions of A.R.S. §28-1253 for subsequent offenses are not being enforced. A.R.S. §28-1253.G requires the courts to impose minimum fines and license and registration suspensions for second, third and subsequent convictions of the MI law within a three year period. As illustrated in Table 4, several drivers convicted of an MI offense also had a prior offense, but few had their licenses suspended.

(1) The six courts are: Phoenix Municipal Court, Scottsdale City Court, Pima Consolidated Justice Courts, Kingman Municipal Court, Pinal Justice of the Peace Court/Florence, and Prescott Valley City Court.

(2) The \$343 figure represents the \$250 minimum statutory fine plus surcharges.

TABLE 4
MI CONVICTIONS WITH PRIOR CONVICTIONS AND LICENSE SUSPENSIONS

	<u>1985</u>	<u>1986</u>
A. Total MI Convictions	22,072	22,973
B. With Prior Convictions	2,108	3,120
C. License Suspensions Resulting From MI Conviction (a)	687	513
D. Percentage of Motorists with Prior Convictions Suspended for Subsequent Offense (C ÷ B)	32.6%	16.4%

(a) These license suspensions include only those directed by the courts.

Source: Auditor General staff analysis of MI conviction data obtained from MVD.

The mandatory sentencing provisions of the MI law are not being imposed because courts are usually not made aware of prior MI convictions. Interviews with judges in six case study jurisdictions indicate that very few MI cases appear before their courts with documentation of prior convictions. As a result, nearly all cases are handled as a first offense.

Responsibility for identifying prior convictions is not clearly assigned. Some court officials feel that it is not the responsibility of the courts to allege prior convictions.⁽¹⁾ According to Arizona Legislative Council, the allegation of prior convictions by the courts could possibly affect the courts neutrality. As a result, it is generally the responsibility of prosecutors to allege prior convictions. However, because violation of A.R.S. §28-1253 is a civil rather than criminal traffic offense, city and county prosecutors are not routinely involved. Because of the minimal involvement of prosecutors, the law enforcement officer writing the citation is expected to present the case to the courts for prosecution.

Although expected to provide evidence of prior MI convictions, police officers are not doing so. According to police administrators and patrol officers, allegations of prior A.R.S. §28-1253 convictions are not being made by police officers for two reasons. First, most officers are not aware of the mandatory sentencing provisions of A.R.S. §28-1253 and, therefore, are unaware of the necessity to identify prior convictions. Second, most officers are not aware that an easily accessible computerized record of prior MI convictions is available from MVD through the Arizona Criminal Justice Information System (ACJIS).⁽²⁾

Administrative suspensions by MVD could alleviate the courts' failure to enforce mandatory sentencing provisions. According to MVD officials, with proper statutory authority, it is possible for MVD to administratively suspend the operator's license of any driver receiving two or more MI convictions within a specified time period. Currently, A.R.S. §28-445 grants MVD the authority to suspend the license of any driver convicted of two or more DWI charges within a 60 month period. This administrative authority serves as a means to catch any DWI cases with prior convictions that may have escaped the courts. Similar authority for MI convictions could increase the effectiveness of the MI program.

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- (1) Some judges in the case study jurisdictions felt the allegation of prior MI convictions was not necessary because they incorrectly believed MVD automatically suspends the operators license and registration of motorists with two or more convictions within a three year period.
- (2) ACJIS is the state repository for criminal history information, and as a part of that function provides MVD drivers' license history information to its law enforcement users.

RECOMMENDATIONS

1. MVD should monitor MI cases periodically to ensure that the mandatory sentencing provisions for second, third and subsequent violations are being applied to individuals with prior convictions.
2. MVD should work with law enforcement agencies to ensure proper enforcement of the MI laws. It should request law enforcement agencies to enforce the provisions of A.R.S. §28-1253 at all traffic stops and accident scenes and inform them that prior conviction information can be obtained from the ACJIS system.
3. MVD should request the Supreme Court to direct municipal and justice of the peace courts to assess the proper penalties for violations of A.R.S. §28-1253.
4. The Legislature should consider granting MVD the statutory authority to administratively suspend the operators' licenses, vehicle registration and license plates of second, third and subsequent violators of A.R.S. §28-1253 within a three year period.

FINDING II

MINIMAL ADMINISTRATIVE PROBLEMS AND COURT COSTS ARE ASSOCIATED WITH THE MANDATORY INSURANCE LAW

Administrative problems and costs associated with the mandatory insurance (MI) law are minimal. The law has had little impact on the courts. Although costs cannot be determined, it appears these costs are minimal. However, stringent enforcement may significantly increase mandatory insurance court cases.

Mandatory Insurance Has Had Little Impact on Courts

Courts have not been burdened by the mandatory insurance law. MI violations are a small portion of a court's total case load, and generally require minimal court time.

Minimal impact on court case load - The mandatory insurance law has not substantially affected court operations in Arizona. MI violations do not represent a large percentage of the courts' total case load. The number of uninsured violations handled between 1985 and 1986 was determined for six representative courts.⁽¹⁾ This was compared to the total number of traffic violations handled by each court for the same time period. In 1986 mandatory insurance violations averaged 8 percent of total traffic violations. Table 5 illustrates the percentage of uninsured violations compared to total case load for the six courts represented in the case studies.

TABLE 5
MI VIOLATIONS AS A
PERCENTAGE OF TOTAL TRAFFIC CASES

<u>Court</u>	<u>1985</u>		<u>1986</u>	
	<u>Number of MI's</u>	<u>Percentage of Case Load</u>	<u>Number of MI's</u>	<u>Percentage of Caseload</u>
Phoenix Municipal	15,027	4.83	23,484	6.84
Scottsdale City	8,689	16.42	9,801	20.16
Pima Consolidated	1,898	5.03	2,447	5.59
Kingman Municipal	291	8.76	137	4.88
Prescott Valley	58	6.12	60	6.42
Pinal Justice/Florence	10	.9	5	.48
Average (a)		<u>6.38</u>		<u>8.16</u>

(a) This is a weighted average for the six courts.

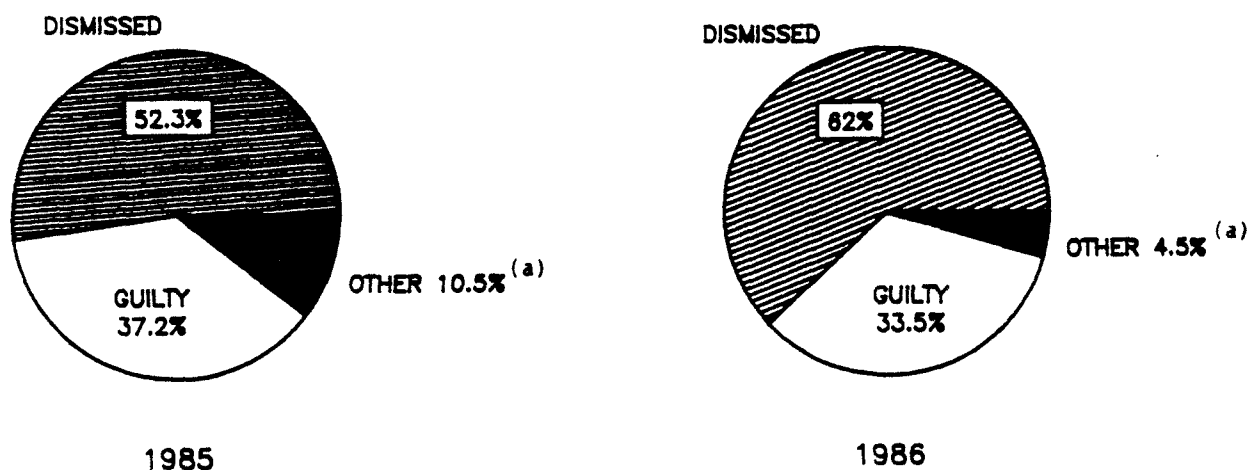
Source: Compiled by Auditor General staff from case study court records and Supreme Court data.

The percentage of uninsured motorist violations is fairly consistent among the case study courts with two exceptions: Pinal Justice of the Peace Court/Florence and Scottsdale City Court. In 1986, less than 1 percent (five of 1,048 cases) of Pinal Justice of the Peace Court's traffic case load were mandatory insurance violations. However, in the Scottsdale City Court, mandatory insurance violations accounted for 20 percent of the court's 1986 case load.

Minimal court time - Judges and administrative personnel at the six courts involved in our case study said that mandatory insurance cases take little time to resolve when acceptable evidence is presented. Most uninsured violations are dismissed. In 1986, 62 percent of uninsured violations were dismissed, up from 52 percent in 1985. Figure 5 breaks out the percentage of guilty and dismissed A.R.S. §28-1253 violations for 1985 and 1986.

FIGURE 5

DISPOSITION OF MANDATORY INSURANCE VIOLATIONS
CASE STUDY COURTS



(a) This category consists primarily of cases in which persons do not appear for arraignment or pay the fine.

Source: Compiled by Auditor General staff from court records.

In addition, mandatory insurance violations are easily disposed of for various reasons. The facts of the case are very straightforward: the person cited either has insurance or has none. If evidence of insurance is presented, the case is dismissed. Many times the person cited was insured but simply failed to produce the required evidence for the officer. In addition, some judges dismiss violations if insurance was purchased after the violation was cited.

Also, various procedures involving mandatory insurance violations minimize court time. Some courts allow clerks to accept evidence of insurance and dismiss the case without the judge becoming involved. Others allow evidence to be mailed to the courts. Judges can review and dismiss such cases without seeing the person cited. Failure to produce evidence of insurance results in an automatic fine in most courts.

Because uninsured violations rarely go to trial, prosecutors are not usually involved. However, a prosecutor may become involved if the person was also cited for a more serious violation such as a DWI or reckless driving.

Mandatory Insurance Court Costs Appear Minimal

Although the court costs associated with mandatory insurance violations cannot be accurately determined, these costs appear minimal. There are no data available, other than general budget figures, to evaluate what it costs the courts to handle mandatory insurance violations. Budget and expenditure reports are in lump sum amounts for all court activities. Although an average cost for all court cases could be determined, this figure may be unrealistic for MI cases.⁽¹⁾ Consequently, an accurate cost associated with handling MI cases is not identifiable. None of the six courts could estimate the costs involved; however, all expressed opinions that mandatory insurance was not costly to administer. In addition, as stated earlier, MI violations require little court time. Consequently, court costs should also be minimal.

Stricter Enforcement May Increase Court Cases

Stringent enforcement of the mandatory insurance law could impact courts. The minimal impact of MI on the courts may be a result of limited enforcement. MI violations as a percentage of total case load are small; however, stringent law enforcement efforts may cause this percentage to increase.

(1) Courts handle a wide variety of violations. While MI violations require minimal court resources, other violations may consume considerably more.

As noted in Finding I, police do not routinely ask for evidence of insurance or cite motorists for violations. If they did, more mandatory insurance cases might be identified. For example, the defensive driving course survey (page 14) revealed that Scottsdale police routinely request evidence of insurance at 75 percent of all traffic stops as well as accident scenes. As a result, mandatory insurance violations account for 20 percent of Scottsdale City Court's total case load (15 percent above the average of the other five case study courts). In contrast, the survey also indicated that Phoenix police request insurance evidence at only 35 percent of traffic stops. Consequently, MI's account for only 7 percent of Phoenix Municipal Court's traffic case load.

RECOMMENDATION

MVD should informally monitor the courts to determine if stricter mandatory insurance enforcement efforts cause administrative problems for the courts. MVD should relay any problems to the Legislature for appropriate action.

FINDING III

THE MANDATORY INSURANCE LAW HAS HAD LITTLE APPARENT EFFECT ON LIABILITY PREMIUMS

Poor enforcement of the mandatory insurance (MI) law decreases the likelihood that it has had an effect on automobile liability premiums. When adjusted for inflation, liability premiums have risen moderately since 1980. Moreover, the MI law has not been effectively enforced. Even with adequate enforcement of the law, experts in the insurance industry agree that the effect on liability premiums could not be accurately determined.

Liability Premiums Have Risen Moderately Since 1980

Premium costs have not increased substantially since 1980, as measured by the average premium or the actual premiums for specific policy holders. When adjusted for inflation, indicators of premium costs have risen at a moderate rate. The average premium for Arizona bodily injury and personal damage insurance has risen approximately 4 percent since 1978. Furthermore, liability insurance costs for specific consumer categories show small to moderate increases since 1980.

The enactment of the mandatory insurance law was expected to increase consumers' liability premiums. Some industry officials argued that requiring all Arizona drivers to obtain liability insurance would force numerous high risk drivers to be insured, causing all premiums to rise.

Average premiums – When adjusted for inflation, the average premium in Arizona has risen 4 percent per year from 1978 through 1986. The average premium is the ratio of earned premium ⁽¹⁾ dollars to number of car-years of insurance written. Figure 6 shows the current and constant dollar ⁽²⁾ average premiums for Arizona from 1978 through 1986. When adjusted for inflation, bodily injury and property damage average premium rose to approximately 85 dollars in 1986 from 72 dollars in 1978. The average premium in constant dollars decreased from 1978 to 1981 and then rose steadily until 1985. From 1985 to 1986, it increased 18 percent.

(1) As coverage for a policy holder is provided throughout the policy period, the premium that is 'earned' by the company as the policy matures is the earned premium.

(2) Current dollars for the Average Premium were adjusted to constant dollars using the the U.S. Consumer Price Index setting 1978 as the base year.

FIGURE 6

AVERAGE PREMIUM
BODILY INJURY AND PROPERTY DAMAGE
INSURANCE - ARIZONA
1978 THROUGH 1986

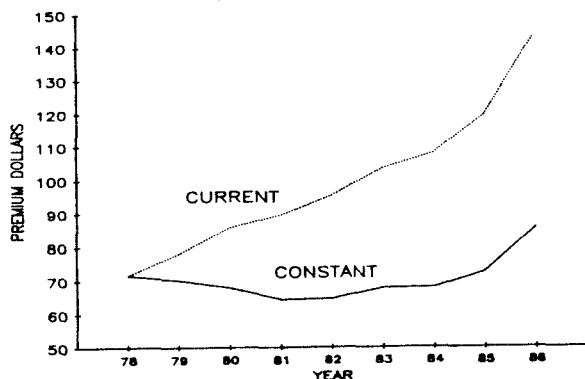
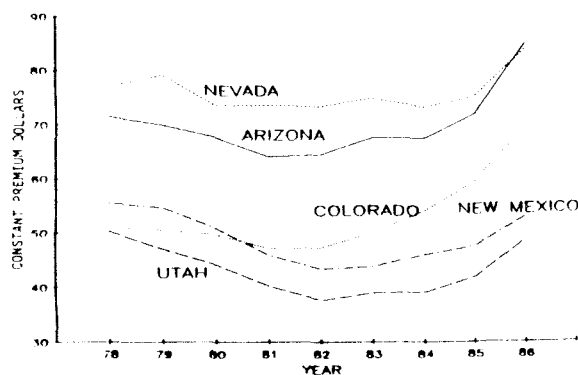


FIGURE 7

AVERAGE PREMIUM
BODILY INJURY AND PROPERTY DAMAGE
INSURANCE - SELECTED WESTERN STATES
1978 THROUGH 1986



Source: National Association of Independent Insurers, Fast Track Monitoring System.

Arizona's upward trend appears similar to four western states. Figure 7 compares Arizona's constant dollar average premium to those of Colorado, Nevada, New Mexico and Utah ⁽¹⁾ from 1978 through 1986. Each of the five western states have either tort liability or no-fault compulsory automobile insurance statutes. ⁽²⁾

Colorado's average premium rose at a 6 percent annual rate while premiums in Nevada, Utah and New Mexico rose at less than 2.3 percent. Although Arizona's 4 percent annual rate is second highest, its pattern of change in premium cost is comparable to the other states.

(1) These states were selected because of their geographical proximity to Arizona.

(2) No-fault automobile insurance is coverage under which accident victims are compensated for losses by their own insurance companies regardless of who is responsible. Under a tort liability system, fault or negligence has to be proven before an injured party can collect from the insurer.

Typical policy holders - Liability premiums for representative Arizona policy holders ⁽¹⁾ show small to moderate increases from 1980 through 1986, when adjusted for inflation. In Table 6, the average annual premium measured in constant dollars ⁽²⁾ for a 21-year-old Tucson male increased the least with .4 percent, while a comparable female's coverage rose 1.8 percent. In Table 7, a 33-year-old ⁽³⁾ Phoenician had the highest average annual increase with 5.8 percent, while a 65-year-old Flagstaff person's premium rose 4.5 percent.

TABLE 6
LIABILITY PREMIUMS IN CONSTANT DOLLARS
21-YEAR OLD DRIVERS
1980 THROUGH 1986

<u>Year</u>	<u>Male</u>	<u>% Difference</u>	<u>Female</u>	<u>% Difference</u>
1980	390.63		252.52	
1981	359.21	(8.04)	234.43	(7.16)
1982	350.24	(2.50)	230.37	(1.73)
1983	347.74	(0.71)	238.09	3.35
1984	335.34	(3.57)	231.62	(2.72)
1985	326.06	(2.77)	224.67	(3.00)
1986	391.35	20.02	274.42	22.14
% Average		.41		1.81

Liability Insurance Coverage

21-year-old male/female
\$15,000/30,000 bodily injury
\$10,000 property damage
\$5,000 medical
\$15,000/30,000 un/underinsured

Driving Characteristics

21-year-old male/female
drives 15 miles a day to school
drives 11,000 miles a year
no citations

Source: Auditor General's analysis of averaged liability premium data provided by three major insurance carriers.

- (1) We contacted three major Arizona insurance companies to obtain premium costs for three age groups (21, 33, and 65-year-old male/female) for the period 1980 through 1986.
- (2) Current dollars for the typical policy holder were adjusted to constant dollars using the Phoenix Metropolitan Consumer Price Index with 1978 as the base year.
- (3) There is no difference between male and female premium costs for the 33- and 65-year-old age group.

TABLE 7
LIABILITY PREMIUMS IN CONSTANT DOLLARS
33 AND 65-YEAR-OLD DRIVERS
1980 THROUGH 1986

<u>Year</u>	<u>33-Year-Old</u>	<u>% Difference</u>	<u>65-Year-Old</u>	<u>% Difference</u>
1980	174.84		117.73	
1981	169.26	(3.19)	114.22	(2.98)
1982	186.25	10.03	121.08	6.00
1983	200.34	7.57	131.72	8.79
1984	202.02	0.84	133.49	1.35
1985	210.60	4.25	133.39	(0.07)
1986	242.84	15.31	151.60	13.65
% Average		5.80		4.46

Liability Insurance Coverage

33- and 65-Year-Old People
 \$100,000/300,000 bodily injury
 \$100,000 property damage
 \$5,000 medical
 \$100,000/300,000 un/underinsured

Driving Characteristics

<u>33-Year-Old</u>	<u>65-Year-Old</u>
drives 20 miles a day	drives 5 miles a day
drives 15,000 a year	drives 4,000 a year
no citations	no citations

Source: Auditor General's analysis of averaged liability premium data provided by three major insurance carriers.

**With Inadequate Enforcement,
Effect On Premiums Would Be Negligible**

As discussed in Finding I, the MI law has been weakly enforced, resulting in no long-term effect on the level of uninsured motorists in Arizona. In addition, prior to the enactment of MI, insurance industry officials indicated that adding all drivers to the insurance pool would increase all policy holders' premiums. However, since the current level of uninsured motorists approximates the pre-MI levels, policy holders are probably not assuming the cost of insuring all high risk drivers. Therefore as implemented to date, MI is not likely to have had a measurable effect on liability premiums.

Impact On Premiums Is Difficult To Determine

Even if enforcement is improved, it may not be possible to determine MI's effect on liability premiums. Insurance experts agree that identifying the specific influence on premiums would be difficult due to the number and interaction of legal and extralegal factors. Consultants and insurance actuary personnel were contacted to determine the feasibility of identifying MI's effect on premiums. One industry official wrote:

It is very difficult to isolate the law's impact on premiums. Other factors affecting claim cost and frequency in the state are not fixed nor changing at a constant rate. Factors which affect claim cost and/or frequency include hospital costs, doctors' fees, auto repair costs, awards for non-economic losses, gasoline prices, speed limits, road conditions (e.g. growth in metropolitan areas without appropriate road improvement and expansion), and law changes. One cannot isolate the impact of one factor in a dynamic environment where all factors interact at varying degrees.

In addition, several legal factors were identified by industry studies and officials as having possible impact on insurance rates in Arizona. For example, according to one insurance company official, Arizona's cancellation/nonrenewal law (A.R.S. §20-1631) does not allow companies to "transfer extremely bad drivers to a more appropriate risk pool," and therefore, may be "partially responsible for maintaining premiums at levels higher" than would be expected. In addition, one insurance company official noted that the comparative negligence law (A.R.S. §12-2505) can increase litigation by allowing any amount of responsibility for negligence to be proportionately assessed against the defendant. Furthermore, several recent studies contrast states with tort liability, such as Arizona, to those with no-fault automobile insurance provisions, and found that no-fault regulation may hold down the cost of insurance in those states. These statutes, either individually or together, may promote exceptional insurance company losses and, therefore impact premiums. Consequently, isolating the effects of the MI law on liability premiums would be difficult.

FINDING IV

MVD SHOULD IMPROVE ITS MANDATORY INSURANCE COMPLIANCE PROGRAM

The Arizona Department of Transportation, Motor Vehicles Division (MVD) should improve its program of enforcing compliance with the Mandatory Insurance (MI) laws. MVD has recently implemented an automated MI compliance program. However, the program's inability to identify those most likely to be in noncompliance and account for those choosing not to respond to requests for verification may severely limit its ability to establish reliable compliance rates. In addition, an enhanced enforcement program may be necessary to target those groups most likely to be in noncompliance.

MVD's Automated Compliance Program

MVD is statutorily required to verify compliance with the mandatory automobile insurance program. To accomplish this task, MVD operates two compliance programs. The first is a random sampling of registered vehicles. The second is a verification program of vehicles involved in traffic accidents.

As amended in 1986, A.R.S. § 28-1256 directs MVD to randomly sample up to 10 percent of the vehicles currently registered. ⁽¹⁾ If selected for the sample, a motorist is requested to provide evidence of financial responsibility to MVD within 30 days. ⁽²⁾ MVD subsequently forwards any insurance coverage information to the relevant insurance company for verification. If evidence is not provided or if

(1) When a motorist registers a vehicle or renews a registration, a statement must be signed that the vehicle is in compliance and will remain in compliance with the minimum financial responsibility requirements.

(2) Under A.R.S. §28-1253, evidence of financial responsibility includes an original, a photocopy or a copy of a current and valid: 1) automobile liability insurance policy that meets the minimum requirements, 2) a binder or certificate of automobile liability insurance that meets the minimum requirements, 3) a certificate of self-insurance issued by the Department of Transportation, 4) a surety bond, 5) a certificate of deposit for a minimum of \$40,000, or 6) a motor vehicle insurance identification card issued by an authorized insurer or an authorized agent of the insurer.

MVD determines the evidence is false or otherwise invalid, the registered owner's driver's license and vehicle registration are suspended until valid evidence of financial responsibility is provided. ⁽¹⁾

This random verification program was created to serve two purposes. First, by randomly sampling the registered vehicle population, it is supposed to generate a statewide rate of compliance with the MI laws. Second, by taking administrative action against those found by the random sample to be in violation, it is intended to serve as an enforcement tool.

A.R.S. §28-1256 also directs MVD to verify the financial responsibility of any operator or the owner of a vehicle involved in an accident within the State and found in violation of the MI laws. Currently, MVD has developed a program of addressing those cases reported by motorists involved in an accident who suspect that the other motorists involved were not in compliance with the financial responsibility requirements.

Program Unable To Establish Reliable Compliance Rates

MVD's automated compliance program will not be able to establish reliable rates of compliance with the MI laws. The program's design of sampling from the registered vehicle population does not include unregistered vehicles, which evidence shows have a greater tendency to be in noncompliance with MI laws. In addition, MVD will not be capable of determining the compliance status of those motorists who do not respond to requests for verification.

(1) MVD is in the process of conducting the first random sample compliance check under the most recent changes in the MI law, effective August 13, 1986. An initial sample of 250 registered vehicles was selected in May 1987. However, due to a programming error this sample was discarded. Another sample of 1,000 registered vehicles was initiated in June 1987. However, at this time incomplete data preclude any analysis of this sample.

Unregistered vehicle population - MVD's automated compliance program samples from the population of registered vehicles. A.R.S. §28-1256 directs MVD to sample throughout the year up to 10 percent of the currently registered vehicles. However, the registered vehicle population does not represent 100 percent of the vehicles operating on the Arizona roadways. Compliance rates established by the program will not reflect the unregistered vehicles.

Unregistered vehicles are more likely to be in noncompliance with MI laws. Conviction data from MVD indicate a relationship between MI and unregistered vehicle convictions. As illustrated in Table 6, while MI convictions represented approximately 4.5 percent of the total traffic convictions in 1985 and 1986, approximately 10.5 percent of the motorists convicted of an unregistered vehicle violation were also convicted of an MI violation as the result of a single traffic stop. This indicates that motorists convicted of an unregistered vehicle violation are more than twice as likely to receive an MI violation than the general traffic conviction population.

TABLE 8
MI AND UNREGISTERED VEHICLE CONVICTIONS

	<u>1985</u>	<u>1986</u>
A. Total Traffic Convictions	499,036	472,859
B. Total MI Convictions	22,072	22,973
C. Total Unregistered Vehicle Convictions	46,637	50,951
D. Conviction of Both From Same Traffic Stop	4,745	5,523
E. MI Convictions as a Percentage of Total Traffic Convictions (B ÷ A)	4.4%	4.9%
F. Percentage of Unregistered Vehicle Convictions with MI Conviction (D ÷ C)	10.2%	10.8%

Source: Auditor General analysis of traffic conviction data supplied by MVD.

NonResponses - Motorists who don't respond to MVD's requests for verification will render the system incapable of establishing reliable compliance rates. Similar programs in other states document the impact of nonresponses.

Motorists who do not respond impact MVD's ability to establish compliance rates. Not all motorists selected in MVD's random verification program will choose to respond. Therefore, MVD cannot determine whether a motorist is in compliance with the MI laws. However, according to the MI program administrator, MVD's current plans call for counting those motorists who do not respond as being in violation.

Random verification programs in other states have a similar problem with nonresponses. We were able to identify three other MI states that currently operate a random verification program: Oregon, Minnesota and Nevada. According to officials in Oregon and Minnesota, they do not use their program as a means of establishing compliance rates, but rather as an enforcement tool. These officials stated that based upon experience, their respective agencies determined that nonresponses were a significant enough factor to preclude generating compliance rates from the verification program. According to an Oregon official, as many as 30 percent of those sampled do not respond to the state's verification program. A Minnesota official stated that nonresponses to Minnesota's verification program routinely exceed 10 percent of those sampled.

In contrast to Oregon and Minnesota, Nevada uses its random verification system to generate compliance rates. According to the program administrator, although nonresponses are counted separately, they have impacted compliance figures quoted by the agency. According to the administrator, Nevada samples approximately 70,000 registered vehicles per year, or 10 percent of the 700,000 registered vehicles covered by the program. In 1986, of all vehicle owners sampled approximately 5 percent did not respond. As a result, the 10 percent noncompliance rate established by the verification program could actually be as high as 15 percent, changing the estimated number of registered vehicles in violation from 70,000 to 105,000.

An Enhanced Enforcement Program May Be Necessary

An enhanced enforcement program may be necessary to address weaknesses in the MI program. MVD could strengthen its enforcement efforts by targeting those motorists most likely to be in noncompliance with the MI laws. Although MVD officials feel that such a program would be impractical, systems exist to implement a program of this type. However, MVD may need statutory authority to conduct such a sample.

Sample motorists – MVD could sample groups of motorists whose driving records indicate a greater tendency to be in noncompliance with the MI laws. Evidence indicates that motorists convicted of unregistered vehicle violations and those with previous MI convictions may have a greater tendency to be in noncompliance.

MVD should sample motorists with unregistered vehicle and MI convictions. As noted previously, MVD's verification program does not sample unregistered vehicles for enforcement purposes. However, motorists convicted of an unregistered vehicle violation are more than twice as likely to be convicted of an MI violation than is the general population of motorists convicted of other traffic violations. In addition, as noted in Finding 1 (see page 16), in 1986 less than 17 percent of those motorists with two or more MI convictions had their drivers' licenses suspended as the law requires. Without receiving a suspension, these drivers are not being placed on a program operated by MVD to ensure compliance with the MI laws.⁽¹⁾ As a result, motorists convicted of unregistered vehicle and MI violations may have a greater tendency to be in violation of the MI laws.

MVD may need statutory authority to sample motorists with unregistered vehicle and MI convictions. MVD officials feel that a change in statute would be necessary for them to begin such a sample. According to Arizona Legislative Council, MVD may not need express statutory authority to sample these groups of motorists. However, Legislative Council indicated that such a statutory change would clarify and mandate the sampling of those motorists who may have a greater tendency to be in noncompliance with the MI laws.

⁽¹⁾ A.R.S. §28-1256 requires all motorists whose drivers' licenses have been suspended to, upon reinstatement, provide evidence of financial responsibility on a continual basis to MVD for a period of three years.

MVD officials - MVD officials are opposed to such a program because at present it could not be fully automated and would, therefore, require some manual effort to be successful. According to MVD officials, the current random sampling system operates from MVD's Title and Registration (T&R) data base, while conviction information is maintained on the Drivers Query (DQ) data base. Therefore, to sample for MI verification purposes those motorists with MI or unregistered vehicle convictions would require using both the T&R and the DQ systems. However, at this time the two systems are unable to communicate because they lack a common identifier for each record. ⁽¹⁾

Although a completely automated system may not be possible at this time, MVD has the necessary information to implement an enhanced compliance program with some manual processing. According to ADOT Systems analysts, although the T&R and the DQ systems cannot communicate at this time, it is possible to sample convicted motorists based on the DQ system and then verify information on vehicles registered to them through microfilm copies of the T&R system. Such a system would require some manual processing and would not be capable of sampling as many motorists as a fully automated system. Therefore, MVD should consider basing the sample on the severity and frequency of the convictions, giving a higher priority to motorists with multiple convictions of one or both violations than those with a single conviction.

(1) According to ADOT systems analysts, neither the T&R nor the DQ system has an identifier for each vehicle owner or licensed driver (i.e. social security or driver's license number) that consistently appears on both data bases. As a result, until a common identifier is developed it will be impossible to run the two systems together. However, according to MVD officials, future plans call for the adoption of a common identifier for both programs.

RECOMMENDATIONS

1. MVD should properly report the compliance rate results of its verification program.
 - a. The limitations of the results due to unregistered vehicles and nonresponses should be clearly noted and accounted for.
 - b. Those motorists confirmed to be in violation and those who do not respond should be segregated so policy decisions are based on accurate information.
2. The Legislature should consider granting MVD the authority to establish an enhanced enforcement program designed to sample motorists with driving records that indicate a greater tendency to be in noncompliance with the MI laws.



ARIZONA DEPARTMENT OF TRANSPORTATION

206 South Seventeenth Avenue Phoenix, Arizona 85007

EVAN MECHAM
Governor

CHARLES L. MILLER
Director

September 11, 1987

Douglas R. Norton
Auditor General
2700 North Central Avenue
Suite 700
Phoenix, Arizona 85004

Dear Mr. Norton:

The Department of Transportation, Motor Vehicle Division staff has reviewed the preliminary report draft of the performance audit of Arizona's Mandatory Automobile Insurance Program. The report is clear and accurate, indicating necessary actions to be taken to strengthen the program.

This agency agrees that the Mandatory Automobile Insurance Program can only be effective if the Motor Vehicle Division, law enforcement and courts work together in carrying out the statutes. To effectively communicate within the criminal justice system, a court liaison officer has been established within the Drivers Licensing Program. The court officer, supported by members of the Insurance and Law Enforcement/Prosecutorial Committees (chaired by the Motor Vehicle Division), will provide the channel for Mandatory Insurance communications. This effort will be further enhanced by timely mailings of insurance related problems and solutions to all involved parties within the criminal justice system.

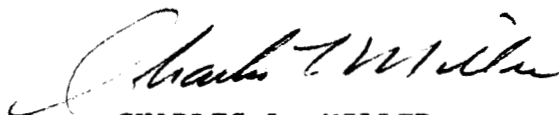
The recommended statutory changes regarding the inclusion of unregistered vehicles will be considered by the Division. This request for legislative change will be made only after careful study to determine the impact upon the existing automated data system and staffing requirements.



PAGE 2

I appreciate the completeness of your audit report and concise recommendations for change. Your staff has been cooperative and understanding during the audit period and are to be commended for their final document.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles L. Miller".

CHARLES L. MILLER
Director
Department of Transportation

cc: Lee A. Prins
Wilson Conover