

TO: Matt Ogden
Texas Senate Infrastructure Development and Security Committee

FROM: G. Richard Kasteler
President, CEO
Insure-Rite, Inc.

DATE: April 22, 2004

RE: Uninsured Motorist Project in Utah

As per your request, please find below a brief explanation and history of the Utah Uninsured Motorist Identification Program begun in 1994. Since the State of Texas is considering a similar program, I have aimed this brief description as goals that can be achieved in Texas. The basis of this description will be a 23.6% uninsured motorist rate. The actual rate in Texas is unknown and could be higher or lower. However, it was discovered that Utah had this rate. As of April 2004, the uninsured motorist rate was 6.9%. For this analysis we can utilize these actual figures and transpose them to Texas.

This discussion will not include technical terms. This discussion will be aimed only towards the results of the past decade. It is important to note that these results have been audited 5 times by the State of Utah; 1997, 1999, 2002, 2003 & 2004.

OVERVIEW:

The Uninsured Motorist Identification Database Project was created in 1994. In July 1995, it was fully implemented where every law enforcement vehicle as well as Financial Responsibility could access the insurance information. Presently the insurance information available thru computers or dispatch to the above named departments consists of:

- Name of Insurance Company if Insured.
- Not Found – Notice Pending. This informs the officers that the insurance information has ceased to be submitted by the insurance companies and notices are being sent to those individuals to discover why.
- NO – This informs the officers that all notices have been sent and no response or,
- Notice Information – This informs the officers either what the result of the notice reply was from the vehicle owner or the dispensation of the notices i.e., vehicle is out of service.

UTAH UNINSURED MOTORIST IDENTIFICATION DATABASE HISTORY:

Please find a quick “bullet Point” history of the Utah Project.

- 1994 – Database Program Initiated.
- 1995 – Database on line with law enforcement and financial responsibility.
- 1996 – Mailing program to uninsured begun.
- 1997 – First Database Audit.
- 1998 – Mandatory Fines increased & **Database supercedes all other forms of proof of insurance.**
- 1999 – Second audit of database.
- 1999 – Expanded communications (included number of notices sent to vehicle owner and the name of the insurance company included).
- 2000 – Database statute extended 10 years.
- 2000 – Automatic revocation of registration for uninsured that do not inform Insure-Rite, Inc. of insurance status. (Notice Program)
- 2000 – Reinstatement fee instigated for registration revocation due to uninsured status.
- 2002 – Third Audit.
- 2003 – Fourth Audit.
- 2004 – Fifth Audit.

TEXAS UNINSURED MOTORIST REDUCTION:

For this part of the discussion we will assume that there are 17,000,000 registered vehicles in Texas. Therefore, from the Utah Experience we can assume the following:

- 23.6% Uninsured = 4,012,000 uninsured vehicles on Texas Highways.
- 6.9% Uninsured = 1,173,000 uninsured.
 - Decrease of **2,283,000** Vehicles (71% reduction).
- 2,283,000 new insurance policies purchased (average policy cost \$400/year).
 - **\$ 913,200,000** in Premium revenue.
- Cost of Program:
 - Estimated Cost for the database proper – Approximately \$ 0.04 per month per vehicle (\$ 0.50 per year - \$8,500,000). This would leave approximately the same amount of \$8,500,000 in the fund for other uses.
 - Revenue: Utah is experiencing approximately _ of the cost of the database being absorbed by reinstatement fee after registration revocation. However, the Utah reinstatement fee is \$100.00. It is our understanding that the reinstatement fee proposed in Texas is \$250.00. Therefore, after the 1st year, it is not out of the realm of possibility that the database will actually generate revenue outside of newly written insurance taxes. Again, the possible revenue generation would be approximately \$15,000,000.

Everyone has been provided with a DVD/VHS that further outlines the history of the Utah Project under Insure-Rite, Inc. If there are any questions whatsoever, please don't hesitate to contact me personally at (801) 531-0731. It has been an honor for our company to have aided Utah in their success. It must be pointed out strenuously that without strategic planning from both the database (identification process) and State Agencies (enforcement) the plan will not prove fruitful. This cooperation is paramount for success, which has been demonstrated in Utah.