

Colorado Motorist Insurance Identification Database
Report to the House Business Affairs and Labor Committee
As Required by HB 06-1178

COLORADO DEPARTMENT OF REVENUE

December 31, 2007

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Background and Executive Summary

The Department of Revenue ("Department") submits this report pursuant to HB 06-1178.

The Motorist Insurance Identification Database originated with 1997 legislation taking effect January 1, 1999. The legislation provided for the development of a state-administered database to house information regarding insured drivers and vehicles to be used by law enforcement as an online check for insured status and by the Department in the administration of driver license and vehicle sanctions. The same legislation created an administrative driver license suspension tied directly to uninsured driving episodes, independent of any criminal charges.

In 1999, Colorado law was changed to prohibit vehicle registration without proof of insurance in effect. The database served as the online source for information regarding insurance on vehicles. Also in 1999, Colorado law imposed the requirement that uninsured vehicle registrants be notified that their license plates were subject to seizure. In response to difficulties enforcing the plate seizure provisions, the law was changed in 2001 to provide for vehicle registration suspensions rather than plate seizure.

Because of these several and overlapping legislative changes through the years, it is difficult, if not impossible, to isolate one factor for impact upon the uninsured rate. However, the combined effect has been a reduction from a reported 29%¹ uninsured rate in 1999 to approximately 10%² in 2006.

In part because of its questionable efficacy, the administrative suspension of vehicle registrations was eliminated in HB 06-1178. Also, the database was restructured to track only insurance on vehicles and not on drivers. However, the prohibitions on vehicle registrations without proof of insurance and the administrative driver license suspension for uninsured driving remained.

Current data indicates a slight, but statistically insignificant reduction in the Colorado uninsured rate since eliminating the registration suspension and narrowing the scope of the database to vehicles, still just below 10% overall.³ The national average uninsured rate is 14%.

¹ Insurance Services Office, Inc., (ISO) collected these data prior to implementation of MIIDB. ISO estimated the number of uninsured personal automobiles in Colorado was 945,000 or about 29% of the total number of personal automobiles in Colorado.

² These data were collected just prior to implementation of HB 06-1178, effective July 1, 2006, to December 31, 2007 to determine the impact of HB 06-1178 on the uninsured rate.

³ The data available at this time actually shows a decrease in the uninsured driving rate of less than 1% since 2006. However, these data were gathered using the restructured insurance database and the applied algorithms varied from the previous data calculations.

HB 06-1178 also provided the means and fiscal impetus for transferring the database management from a private party vendor to Colorado Interactive, LLC ("CI") acting under the authority of the State Internet Portal Authority. The subsequent database redesign and modifications to its management and reporting have improved the quality and quantity of data, data integrity and data timeliness. Enhancements to the system have improved the ability of the Division of Insurance to enforce prompt and thorough data reporting from the insurance providers. This transfer to CI is expected to save Colorado taxpayers \$1.2 million annually in appropriated funds.

Conclusions and Recommendations

Colorado has seen a dramatic reduction in uninsured driving through the many changes in legislation since the inception of the Motorist Insurance Identification Database. It is clear that Colorado is going in the right direction, though difficult if not impossible to isolate the impacts of the many specific measures.

Nevertheless, the system changes resulting from the enactment of HB 06-1178 have:

- Maintained an online resource for the Department and County Clerks
- Simplified the data maintenance and reporting process
- Increased data integrity
- Improved data timeliness
- Eliminated an ineffective enforcement mechanism
- Improved insurance company reporting and enforcement
- Reduced annual appropriations
- Not adversely affected the uninsured driving rates

Therefore, it is the recommendation of this report that current enforcement mechanisms remain intact and that the current database structure and management continue as experience and data develop over the next few years.