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## FISCAL IMPACT REPORT

SPONSOR: Rawson DATE TYPED: 2/23/01 HB \_\_\_\_\_  
 SHORT TITLE: Minimum Term for Vehicle Insurance SB 741  
 ANALYST: Rael

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
		See Narrative	Recurring	Fire Protection Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

Response Not Received

Attorney General's Office (AGO)  
 Public Regulation Commission (PRC)  
 Department of Public Safety (DPS)  
 Municipal League  
 Association of Counties

### SUMMARY

#### Synopsis of Bill

The Minimum Term for Vehicle Insurance bill has three major provisions:

- (1) The minimum term for which a motor vehicle insurance policy may be purchased is six months.
- (2) Once insurance companies notify the Department that an insurance policy has been canceled, the bill requires the Department to pass that information to local police agencies. These agencies are directed to confiscate or permanently deface the registration plate attached to any car owned by the uninsured motorist.
- (3) As part of the insurance process, insurance companies are required to send a sticker with the proof of insurance card. This sticker must be placed in the rear window of any insured vehicle.

Significant Issues

TRD reports that it currently lacks funds to implement the data processing effort that lets insurance companies notify the Department when insurance has been canceled.

**FISCAL IMPLICATIONS**

TRD believes that the six-month minimum term is likely to further decrease the insured population. This will cause a decrease in insurance premiums tax.

**ADMINISTRATIVE IMPLICATIONS**

TRD reports that it has not been funded for the key element in this proposal – the processing of information from insurance companies when an insured person’s coverage lapses. Without this funding, the Department reports that it will be unable to develop the capacity to process information to be passed to the law enforcement agencies. However, HB 476 attempts to address this issue.

**CONFLICT/DUPLICATION/COMPANIONSHIP/RELATIONSHIP**

Relates to HB 476 which authorizes an additional \$2.00 fee to register a motor vehicle to enforce the Mandatory Financial Responsibility Act (MFRA).

**OTHER SUBSTANTIVE ISSUES**

TRD recommends that the design of the sticker have some form of dating and color coding so that law enforcement can easily identify uninsured vehicles.

**POSSIBLE QUESTIONS**

If an insurance policy has a minimum term limit of six months, will it be transferrable to another vehicle?

FAR/njw