

LAC

Report to the General Assembly

January 1999

**A Status Report
on the Enforcement
of Compulsory
Automobile
Insurance Laws**



Legislative Audit Council

400 Gervais Street
Columbia, SC 29201
(803) 253-7612 VOICE
(803) 253-7639 FAX

Public Members

Dill B. Blackwell, Chairman
Philip F. Laughridge, CPA, Vice Chairman
J. Bennette Cornwell, III
Nancy D. Hawk, Esq.
Harry C. Wilson, Jr., Esq.

Members Who Serve Ex Officio

James E. Bryan, Jr.
Senate Judiciary Committee
Ernie Passailaigue
Senate Finance Committee
Henry E. Brown, Jr.
House Ways & Means Committee
James H. Harrison
House Judiciary Committee

Director

George L. Schroeder

Authorized by §2-15-10 *et seq.* of the South Carolina Code of Laws, the Legislative Audit Council, created in 1975, reviews the operations of state agencies, investigates fiscal matters as required, and provides information to assist the General Assembly. Some audits are conducted at the request of groups of legislators who have questions about potential problems in state agencies or programs; other audits are performed as a result of statutory mandate.

The Legislative Audit Council is composed of five public members, one of whom must be a practicing certified or licensed public accountant and one of whom must be an attorney. In addition, four members of the General Assembly serve ex officio.

Audits by the Legislative Audit Council conform to generally accepted government auditing standards as set forth by the Comptroller General of the United States.

Copies of all LAC audits are available to the public at no charge. Some audits are also available on the Internet at www.state.sc.us/sclac.

A Status Report on the Enforcement of Compulsory Automobile Insurance Laws was conducted by the following audit team.

Audit Supervisor

Deputy Director
Cheryl A. Ridings

Staff Counsel

Andrea Derrick Truitt

Typography

Candice H. Pou
Maribeth Rollings Werts

Audit Team

Senior Auditor
Andrew M. Young

Associate Auditor
Elizabeth W. Oakman

LAC

Report to the General Assembly

A Status Report
on the Enforcement
of Compulsory
Automobile
Insurance Laws

Contents

Executive Summary

..... v

Chapter 1 Introduction

Audit Objectives 1
Scope and Methodology 1
Background and History 2
Changes in the Law Going Into Effect in 1999 4

Chapter 2 Collection of the Uninsured Motorist Insurance Tax

Revenues Not Retained by DPS 7
Insurance Companies Not Audited 8

Chapter 3 Incomplete Data Used to Detect Uninsured Motor Vehicles

..... 9

Chapter 4
Making It Easier to
Detect Uninsured
Motor Vehicles

Data Improvements Planned by DPS and the Expected Benefits	13
Funding Priority	14
License Plates for Newly Acquired Vehicles	15

Appendix

Agency Comments	17
---------------------------	----

Executive Summary

State law requires that motor vehicles have liability insurance. In spite of this requirement, there are many uninsured motor vehicles. We reported, in 1997, that estimates of the number of uninsured motor vehicles in South Carolina ranged from 10% to 16%.

The State Reorganization Commission recommended, in June 1998, that the Department of Public Safety (DPS) develop a data system in which insurance companies would provide more complete information on their customers' insurance coverage. In conducting our current review, we focused on the detection of uninsured motor vehicles by the Department of Public Safety (DPS).

Our primary finding is that incomplete data continue to prevent efficient enforcement of the law. DPS has been working on the development of a reliable insurance customer database, however, its implementation date is not certain. This finding and others are summarized below.

- ❑ State law required that uninsured motorist insurance taxes be transferred to DPS, for enforcing compulsory insurance laws, beginning in FY 95-96. In FY 95-96 and FY 96-97, however, after collecting these revenues, DPS deposited them in the state's general fund. The amount collected but not retained by the department was approximately \$5.8 million.
- ❑ DPS does not audit insurance company payments of uninsured motorist insurance taxes.
- ❑ State law 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 have sufficient data to know initially whether the vehicles are uninsured or their owners have changed insurance companies, sold the vehicles, moved out-of-state, etc. DPS officials estimated that 86% of motorists reported to have canceled their insurance, to whom the department sent insurance verification forms in FY 96-97, had insurance coverage.

During the application process for a driver's license or vehicle registration, the Division of Motor Vehicles cannot verify information given by motorists about their insurance coverage. In addition, during traffic stops, state and local law enforcement officers cannot verify the information on insurance cards presented by motorists.

- ❑ In FY 97-98, DPS spent almost 95% of uninsured motorist insurance tax revenues on the highway patrol, most of which were spent on salaries and benefits 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.
- ❑ 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.

Introduction

Audit Objectives

Members of the South Carolina General Assembly asked us to review the administration of a state uninsured motorist insurance tax. They wanted to know whether the South Carolina Department of Public Safety (DPS) has been receiving the revenues from the tax, as required by §38-73-470 of the South Carolina Code of Laws.

After a preliminary review, we determined that we would:

- Assess whether DPS has been receiving revenues from the uninsured motorist insurance tax.
- Summarize the current methods used by DPS to enforce compulsory insurance laws.
- Give a status report on the efforts by DPS to address shortcomings in its enforcement of compulsory insurance laws.
- Research systems used in other states to enforce compulsory insurance laws.

Scope and Methodology

The period covered by our review was primarily July 1997 through June 1998. During the review, we:

- Examined DPS financial records and law enforcement statistics.
- Examined relevant laws in South Carolina and other states.
- Interviewed officials and obtained documents from DPS, the South Carolina Department of Insurance (DOI), and other state governments.
- Reviewed previous reports published by the Legislative Audit Council, the South Carolina Reorganization Commission, and DPS.

To achieve some of our objectives, we relied on computer-generated data maintained by DPS. We have not tested these data to determine their reliability. However, when these data are viewed in context with other relevant data, we believe that the opinions, recommendations, and conclusions in this report are valid.

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

Background and History

Section 56-10-10 of the South Carolina Code of Laws requires motorists to purchase liability insurance before registering their vehicles. In spite of this law, there are many uninsured motor vehicles. In 1997, we reported estimates of the number of uninsured motor vehicles in South Carolina ranging between 10% and 16%. Motorists without insurance cause those with insurance to pay higher prices.

DPS is required by state law to use revenues from an uninsured motorist insurance tax to enforce compulsory insurance laws. In a June 1998 report, the State Reorganization Commission recommended that DPS develop a data system in which insurance companies would provide more complete information on their customers' insurance coverage. Below we summarize the role of DPS and the history of the uninsured motorist insurance tax.

Role of the Department of Public Safety

As part of the restructuring of state government in 1993 and 1996, the General Assembly created the Department of Public Safety and transferred to it the Division of Motor Vehicles (DMV) and the South Carolina Highway Patrol.

The functions of DMV that were transferred to DPS include:

- Issuing vehicle registration certificates, license plates, and driver's licenses.
- Maintaining statewide records on traffic law violations and accidents.
- Determining the insurance status of motorists who have canceled their policies.
- Suspending registration certificates and license plates of vehicles identified as uninsured.

The functions of the Highway Patrol that were transferred to DPS include:

- Enforcing traffic laws.
- Obtaining proof of insurance from motorists involved in accidents or stopped for traffic violations.
- Confiscating the registration certificates and license plates of vehicles without insurance.

History of the Uninsured Motorist Insurance Tax

The uninsured motorist insurance tax was created by the General Assembly in 1974 to provide funds to the State Highway Department for enforcing compulsory insurance laws. Companies selling automobile insurance in South Carolina are required by §38-73-470 to remit \$1 of each yearly premium for uninsured motorist insurance to DPS.

Beginning in FY 97-98, the tax revenues were spent by DPS. Table 1.1 shows the uninsured motorist insurance tax revenues collected and spent by DPS in FY 97-98. Almost 95% of the expenditures were for the highway patrol. Most of the highway patrol expenditures were for the salaries and benefits of “administrative” law enforcement officers, whose duties include locating citizens who fail to surrender their driver’s licenses or license plates.

Table 1.1: FY 97-98 Revenues and Expenditures From the Uninsured Motorist Insurance Tax¹

REVENUES	
Taxes	\$2,807,559
Interest	<u>\$52,393</u>
TOTAL	\$2,859,952
EXPENDITURES	
Highway Patrol	
Salaries and Benefits	\$1,298,059
Equipment	\$486,911
Contractual Services	<u>\$34,060</u>
Total	\$1,819,029
Office of Financial Responsibility	
Salaries and Benefits	<u>\$101,930</u>
Total	\$101,930
TOTAL	\$1,920,959
Year-End Balance	\$938,993

1 Totals are rounded to the nearest dollar.

Changes in the Law Going Into Effect in 1999

In 1997, the General Assembly enacted changes in South Carolina's insurance laws, including the changes listed below, that will go into effect in February 1999. We have summarized some of the changes below.

- Section 56-10-510 of the Code will exempt certain motorists from having liability insurance, or the equivalent, if they pay an "uninsured motorist fee" to the state of \$550 per year. Most of this fee will be transferred to insurance companies based on their respective market shares.

The uninsured motorist fee is not a form of insurance. It is, rather, a legal way for a motorist to get his vehicle registered and licensed without having to prove he will be able to pay for any of the damages or injuries he may cause in an accident. If a legally uninsured motorist were to cause damages or injuries to another party, the victim would have to file a claim under his own uninsured motorist coverage or recover damages from the uninsured motorist if assets were available.

The extent to which this option will be used is not clear. DPS officials report that §56-10-535 of the Code prevents them from offering the option to motorists convicted of certain types and/or numbers of traffic violations or if any household member has been licensed for less than three years. In addition, the \$550 fee, for many drivers, will be more expensive than obtaining liability insurance.

- Section 56-10-551 of the Code will require insurance companies to notify DPS of *all* cancellations of liability policies. This will be an expansion of the current law, which requires insurance companies to notify DPS of customers who cancel their policies within three months and customers with bad driving records who cancel their policies.
- Section 56-10-553(C) of the Code will require DPS to:
 - . . . select a computerized random sample of five hundred of the registered vehicles in the State [daily] and mail to each owner a written request form to be completed by him and his insurance company . . . to verify liability insurance coverage . . . Failure to return the form verified in the proper manner is prima facie evidence that the vehicle is uninsured
- Section 56-10-553(B) of the Code will also require DPS to conduct “. . . random sampling of licensed drivers with moving violations requesting proof of insurance.”
- Section 56-10-520 of the Code will require DPS to suspend a vehicle owner’s driver’s license and all of his license plates and registration certificates if he is convicted of driving an uninsured vehicle not registered as uninsured. DPS may not reissue these items until the owner pays a \$550 fee and furnishes proof of insurance.

Chapter 1
Introduction

Collection of the Uninsured Motorist Insurance Tax

During a two-year period, tax revenues required by state law to be transferred to DPS, for enforcement of compulsory insurance laws, were deposited in the state's general fund. In addition, the payments by insurance companies are not audited to ensure compliance with state law.

Revenues Not Retained by DPS

When DPS was created in 1993, §38-73-470 of the South Carolina Code of Laws was amended to require that uninsured motorist insurance taxes be transferred to DPS, beginning in FY 95-96. It stated:

One dollar of the yearly premium for uninsured motorist coverage must be transferred to the South Carolina Department of Public Safety . . . to provide funds for the costs of enforcing and administering the [state's compulsory insurance laws].

In FY 95-96 and FY 96-97, however, after collecting these tax revenues, DPS deposited them in the state's general fund. The amount collected but not retained by DPS during FY 95-96 and FY 96-97 was approximately \$5.8 million. We were unable to determine why DPS did not retain these revenues.

In 1997, §38-73-470 of the Code was amended. It now states:

One dollar of the yearly premium for uninsured motorist coverage is directed to be paid to the South Carolina Department of Public Safety . . . to provide for the costs of enforcing and administering the [state's compulsory insurance laws]

After the above amendment was enacted, DPS retained and spent revenues from the uninsured motorist insurance tax for the first time in FY 97-98.

Insurance Companies Not Audited

DPS does not have an adequate system for determining whether insurance companies are paying the amount of uninsured motorist insurance taxes required by law.

In FY 97-98, for example, DPS collected approximately \$2.8 million in uninsured motorist insurance taxes from over 140 insurance companies. The department attempted to collect \$1 per vehicle insured, but it did not audit the data submitted to it by the insurance companies. During the fiscal year, more than 2.9 million motor vehicles were registered in South Carolina. Without auditing, there is reduced incentive for insurance companies to pay the full amount they owe.

The South Carolina Department of Insurance (DOI) collects other insurance taxes based on a percentage of the premiums collected by insurance companies. DOI conducts audits of insurance companies based in South Carolina and relies on other states to audit companies based elsewhere. If the uninsured motorist insurance tax were based on a percentage of premiums collected by insurance companies, DOI could efficiently collect and audit this tax for DPS.

Recommendations

1. The General Assembly should consider amending §38-73-470 of the South Carolina Code of Laws to base the uninsured motorist insurance tax on a percentage of premiums collected.
2. If the General Assembly amends §38-73-470 of the Code so that the uninsured motorist insurance tax is based on a percentage of premiums collected, it should consider directing the Department of Insurance to collect and audit the tax for the Department of Public Safety in exchange for an administrative fee.

Incomplete Data Used to Detect Uninsured Motor Vehicles

In this chapter, we summarize the methods used by DPS and local law enforcement agencies to detect uninsured motor vehicles. In addition, we describe how incomplete data have negatively affected efforts to detect uninsured motor vehicles.

This need for more complete data was recognized by DPS and the State Reorganization Commission prior to our review. DPS also noted that it needed to automate its data collection process.

Investigation of Canceled Insurance Policies

Insurance companies are required by §56-10-240 of the South Carolina Code of Laws to notify DPS of customers who cancel their policies within three months of purchase and customers with bad driving records who cancel their policies. This presents a problem, in that DPS does not know whether a vehicle is uninsured or the owner has changed insurance companies, sold the vehicle, 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.

In FY 97-98, the department mailed 99,223 insurance verification forms to motorists reported to have canceled their policies. DPS officials estimated that 86% of the motorists to whom DPS sent insurance verification forms in FY 96-97 had insurance coverage. Conservatively estimated, in FY 97-98 approximately 80,000 of these insurance verification forms were sent to motorists who had insurance.

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. As described below, during the application process for a driver's license or vehicle registration, the Division of Motor Vehicles (DMV) cannot verify the insurance information given by motorists. During traffic stops, law enforcement officers cannot verify the information on insurance cards presented by motorists. Finally, state troopers have been getting unreliable information on suspended registrations and license plates.

During traffic stops, law enforcement officers cannot verify the information on insurance cards presented by motorists.

Insurance Verification When Applying for Vehicle Registrations and Driver's Licenses

Sections 56-10-10 and 56-10-220 of the Code require that motorists applying to register their vehicles provide signed statements that their vehicles have liability insurance. Section 56-1-80 of the Code requires that motorists applying for driver's licenses submit forms for "verification of liability insurance coverage." However, because DPS does not have a reliable insurance customer database, it is not able to verify insurance information presented by motorists at the time of application.

Section 56-10-10 states that a motorist who lies about insurance coverage to obtain vehicle registration is subject to perjury statutes. Section 56-10-260 states that anyone convicted of presenting false evidence about insurance coverage can be fined up to \$200 for a first offense and shall have his driver's license and vehicle registration suspended by DPS. The department reported that, in FY 97-98, it issued four suspensions for providing false insurance information.

Traffic Stops and Accident Investigations

Section 56-10-225 of the Code states that a motorist who fails to maintain proof of insurance in his vehicle can be fined up to \$100. DPS reports that, from January 1, 1998, through August 21, 1998, state and local law enforcement officers issued 7,374 tickets to motorists for not having an insurance card. However, because DPS does not have a reliable database for verifying insurance card information, uninsured motorists can avoid detection. For example, an insurance card can be counterfeited. In addition, 60 days after purchasing insurance and receiving a legitimate card, a motorist may cancel his policy and retain the card.

Section 56-10-270 of the Code states that anyone convicted of knowingly operating an uninsured motor vehicle, subject to registration, can be fined up to \$200 for a first offense and shall have his driver's license and vehicle registration suspended by DPS. Section 56-10-245 of the Code allows DPS to assess a fine of \$5 a day, up to \$200, for each day a motor vehicle is uninsured. DPS reported that, in FY 97-98, it issued 10,593 suspensions to motorists for operating an uninsured vehicle.

Section 56-9-350 of the Code requires that the owner or operator of a vehicle involved in a traffic accident causing bodily injury or \$400 or more in property damage submit an insurance verification form to DPS. This section states that failure to submit insurance verification is “prima facie evidence that the vehicle was uninsured.” Inconsistently, however, §56-5-1270 sets the property damage threshold for submitting insurance verification at \$1,000. DPS reported that, in FY 97-98, a total of 278,033 motorists were required to complete insurance verification forms as the result of traffic accidents; 234,542 were returned with verification of insurance.

Confiscation of Registration Certificates and License Plates

Section 56-10-240 of the Code requires DPS to suspend and confiscate the license plate and registration certificate of any uninsured motor vehicle. DPS attempts to confiscate suspended registration certificates and license plates, with the assistance of law enforcement officers when necessary. In FY 97-98, a total of 11,167 license plates and registration certificates were confiscated.

However, DPS officials stated that the information they convey to the troopers to confiscate license plates is unreliable. The department reports that, in 57% of attempted confiscations in July 1997, motorists were able to prove to troopers that there had been no lapse in coverage.

Conclusion

Incomplete data have been a significant problem at DPS. As a result, the department is planning data system improvements, which we describe in Chapter 4.

Recommendation

3. The General Assembly should consider amending state law to clarify the property damage threshold at which the owner or operator of a vehicle involved in a traffic accident is required to submit verification of liability insurance coverage to the Department of Public Safety.

Chapter 3
Incomplete Data Used to Detect Uninsured Motor Vehicles

Making It Easier to Detect Uninsured Motor Vehicles

In this chapter we summarize the data improvements planned by DPS and the expected benefits. We note, however, that most of the department's expenditures from uninsured motorist insurance taxes have been on the highway patrol. In addition, we cite the need for a law that mandates full-time use of license plates.

Data Improvements Planned by DPS and the Expected Benefits

Since January 1998, DPS has been working toward implementing a new automated data system for insurance verification. With this system, DPS would be able to maintain a database of information on all new automobile insurance customers, all renewals, and all cancellations reported by the insurance companies. DMV could then match the insurance records with its own database of vehicle registrations, producing a list of registered vehicles not claimed by any insurance company that does business in South Carolina.

If implemented as planned by DPS, the new data system would help improve efficiency in identifying uninsured motorists and would eliminate the need for daily sampling of vehicle registrations, as required by state law effective 1999 (see p. 5). DMV branch offices and law enforcement officers would have access to the department's database of insured vehicles. This access would allow DMV staff to confirm that an applicant for a driver's license or vehicle registration is actually insured instead of depending on the applicant's signed statement. State and local law enforcement officers would be able to check the insurance database to verify updated information before confiscating license plates or issuing tickets to motorists for being uninsured.

In a June 1998 report, the State Reorganization Commission recommended that DPS develop an electronic data transfer system as soon as possible. To ensure that insurance companies provide the necessary information on a consistent basis, however, the law will need to be changed. State law does not currently require insurance companies to report to DPS new automobile insurance customers or renewals.

DPS officials stated that they are negotiating with representatives of several insurance companies concerning the additional information needed to facilitate the operation of the new system. DPS expects the system to be in place by the end of 1999; however, achieving this goal will depend on a change in state law.

State law does not currently require insurance companies to report to DPS new automobile insurance customers or renewals.

Systems in Other States

Other states are already cross-checking insurance company customer databases with government vehicle registration records. According to the American Association of Motor Vehicle Administrators, as of November 1997, eight states, including Florida, Louisiana, and Virginia, require insurance companies to report all new policies as well as cancellations.

Utah pays \$1 million per year to an outside contractor to administer its verification program, which, according to a 1997 state audit, achieved a 96% level of accuracy in identifying uninsured motorists. An official with the Virginia Department of Motor Vehicles reported that paperwork and staffing levels have both been reduced since its new verification program went into effect.

Recommendations

4. The General Assembly should consider amending state law to require that companies selling insurance in South Carolina report, in a timely manner, information on all new automobile insurance customers, all renewals, and all cancellations to the Department of Public Safety.
5. DPS should review and consider ideas from other states during the development of its automated data system for insurance verification.

Funding Priority

As described above, an improved data system could result in improved 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 which were spent on salaries and benefits of “administrative” officers (see p. 4). 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.

Recommendation

6. When allocating revenues from the uninsured motorist insurance tax, DPS should give priority to the improvement and long-term maintenance of its insurance verification data system.

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.

Sections 56-3-110 and 56-3-1240 of the South Carolina Code of Laws state that a vehicle cannot be operated on a public road unless it is registered and has a license plate. Section 56-10-10 of the Code makes having liability insurance a prerequisite to obtaining registration. If there were no exception to these laws, a motor vehicle without a license plate, because of lack of insurance or any other reason, would be in violation of state law. Such a motor vehicle would attract the attention of law enforcement officers.

There is an exception, however. Section 56-3-210 of the Code gives the owner of a newly acquired vehicle, or the owner of a vehicle moved here from another state, 45 days to obtain a registration certificate and license plate.

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.

If all South Carolina vehicles were required to display state-issued license plates at all times, some logistical changes might be necessary to make the registration and licensure of newly acquired vehicles efficient for motorists. For example:

- DPS might find it necessary to authorize the issuance of license plates by automobile dealers. This is already permitted by §56-3-2340 of the Code.
- The General Assembly might find it necessary to authorize the issuance of a temporary license plate, by DPS and by automobile dealers, if it is not feasible to issue a metal plate.

- The General Assembly might find it necessary to amend state law so that any owner of a newly acquired vehicle can obtain a registration certificate and a license plate without first paying the local government property tax. Currently, when a person buys a vehicle from a private party and does not have a license plate to transfer from another vehicle, he is required by §12-37-2610 of the Code to pay the property tax before obtaining a registration certificate and a license plate. When a person buys a vehicle from a licensed motor vehicle dealer, however, he is not required to pay the property tax before obtaining a registration certificate and license plate.

Recommendation

7. The General Assembly should consider amending state law so that all motor vehicles owned by persons residing in South Carolina are required to display South Carolina license plates at all times. If the General Assembly decides to enact this amendment, it should consider enacting additional amendments to make the registration and licensure of newly acquired vehicles efficient for motorists.

At the same time, DPS should ensure that it implements these changes so that its processes are efficient for motorists.

Agency Comments

**Appendix
Agency Comments**

South Carolina Department of Public Safety

December 17, 1998

Mr. George Schroeder, Director
400 Gervais Street
Columbia, S. C. 29201

Dear Mr. Schroeder:

The Department of Public Safety has reviewed the final report by the Legislative Audit Council on *A Status Report on Compulsory Automobile Insurance in South Carolina*. We feel that the report recommendations are sound and , if implemented, will greatly assist in more effective enforcement of uninsured motorist laws.

As noted in the report, the Department has already initiated some changes that are necessary to improve the reliability and amount of data necessary to monitor and verify insurance coverages. This process is ongoing. Additionally, we are currently working with the insurance and automobile industry to partner and collaborate on other initiatives that will also assist in these efforts.

The report correctly points out that the Department of Public Safety did not retain and expend uninsured motorists insurance revenues prior to July 1, 1997. The report, however, failed to point out that these revenues had been deposited to the General Fund of the State prior to fiscal year 1996-97 and prior to state government restructuring. This changed with the amendment to §38-73-470 in 1997 which established the "Uninsured Enforcement Fund" and directed that uninsured premiums, along with accrued interest, be paid to the Department of Public Safety.

The Department sincerely appreciates the professionalism and cooperation exhibited by your staff during the conduct of this audit.

Sincerely,

Don Addy
Chief of Staff

DPA/ibm

South Carolina Department of Insurance

October 22, 1998

Hand-Delivered

The Honorable George L. Schroeder
Director
State of South Carolina
General Assembly
Legislative Audit Council
400 Gervais Street
Columbia, South Carolina 29201

Dear George:

The State of South Carolina Department of Insurance has received the South Carolina Legislative Audit Council's October 8, 1998 Draft Report to the General Assembly entitled *A Status Report on Compulsory Automobile Insurance in South Carolina*. This Department commends the staff of the Legislative Audit Council for its continuing efforts towards translating many complex and currently controversial public safety enforcement issues into an understandable *Status Report* with clear recommendations. The Department of Insurance continues to believe that any such well-intentioned findings and recommendations ultimately can only benefit the public of this State.

The initial South Carolina Legislative Audit Council's February 4, 1997 *Report to the General Assembly (on) Auto Insurance in South Carolina* and the subsequent *Final Report*, issued on June 19, 1998, by The Compliance Review Committee for Auto Insurance in South Carolina, through the State of South Carolina State Reorganization Commission, generally and specifically commended the Department of Insurance for its recent pro-active, aggressive positions enforcing this State's automobile insurance laws. This Department appreciates that recognition and, in order to comply with the spirit of the *Status Report* and the initial audit, has carefully reviewed the Draft *Status Report* to determine applicable recommendations and develop Department of Insurance objectives.

The Draft *Status Report*, on Page Number 8, recommends that the S. C. Code Ann. Section 38-73-470 (Supp. 1997) should be amended to require that the Department of Insurance, rather than the State of South Carolina Department of Public Safety, collect and audit insurer payments into the Department of Public Safety's Uninsured Enforcement Fund. That Draft *Status Report* goes on to recommend that insurer payments be based upon a percentage of collected premiums, and that the Department of Insurance should receive an "administrative fee" in exchange for its collection and audit services. That recommendation is based upon the Legislative Audit Council's findings that, because of the current statutory insurance premium tax collection system, the Department of Insurance could accomplish these tasks more efficiently than they are currently being accomplished. The Department of Insurance agrees that, with proper staffing and necessary related funding, it could – and it will – accomplish any task delegated to it by the State of South Carolina General Assembly efficiently, timely, and professionally.

**Appendix
Agency Comments**

Once again, on behalf of this Department, thank you for the professionalism, courtesy, and efforts of the staff of the Legislative Audit Council. Naturally, if you have any further questions or comments in this matter or if I can ever help you in any way, then let me know. My office telephone number is (803) 737-6212. My office telecopier facsimile transmission number is (803) 737-6229.

Sincerely yours,

Lee P. Jedziniak

LPJ:pe