

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB598**

**Bill Subtitle: TO AMEND THE ARKANSAS ONLINE INSURANCE VERIFICATION SYSTEM ACT.**

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### **Basic Change :**

**Sponsor: Sen. Hammer**

Under current law, to title and register a motor vehicle or renew a motor vehicle license plate, proof of insurance is required by either a check of the motor vehicle insurance database or the applicant may provide paper proof, such as an insurance card issued by their insurance company, reflecting the information required by law. Under SB598, proof of insurance for purposes of registration may be provided in an electronic form within thirty (30) days from the date of issuance shown on paper form or electronic form.

SB598 also increases the minimum fine for Operating a Motor Vehicle Without Insurance to \$100.00. If a driver operates a vehicle without insurance, the person would now be subject to fine of not less than one hundred dollars (\$100.00) and no more than two hundred fifty dollars (\$250.00). SB598 provides that the first fifteen dollars (\$15.00) of fines collected for this offense shall be paid to Arkansas Citizens First Responders Safety Enhancement Fund. If the arresting officer is a State Police Officer, the remainder of the fine collected shall be remitted monthly to the Office of Administrative Services for deposit into the State Police Fund for purchase and maintenance of state police vehicles. If the arresting officer is a county officer, the remainder of the fine collected shall be deposited in that county fund for purchase and maintenance of rescue, emergency medical and law enforcement vehicles. If the arresting officer is a municipal law enforcement officer, the remainder of the fine shall be deposited into that municipal fund and used for purchase and maintenance of rescue, emergency medical and law enforcement vehicles, communications equipment, animals owned or used by law enforcement agencies life-saving apparatus, and law enforcement apparatus to be used for those purposes.

SB598 makes it a Class D felony if anyone knowingly makes, sells, alters, forges or presents counterfeit insurance cards. Currently this offense is classified as a Class C felony.

SB598 would also change the distribution of reinstatement fees collected by the Department of Finance and Administration (DFA) when a registration is suspended for failure to maintain required insurance. Specifically, the fee collected would be retained by DFA to defray the cost of administering the online insurance verification system. Under current law, these funds are distributed to the State Police Retirement Fund and to the Department of Arkansas State Police Fund, 25% and 75% respectively.

### **Revenue Impact :**

Unknown change in deposits to the Arkansas Citizens First Responder Safety Enhancement Fund, the Arkansas State Police Fund, and county and municipal law enforcement funds.

### **Taxpayer Impact :**

Taxpayers will have another method to establish proof of insurance for their motor vehicles. If drivers operate vehicle without insurance, they are subject to fine not less than one hundred dollars (\$100.00) and no more than two hundred fifty dollars (\$250.00). A taxpayer is guilty of a Class D felony if he or she knowingly makes, sells, alters, forges or presents a counterfeit insurance card.

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### **Resources Required :**

Undetermined system and ongoing maintenance cost for the Arkansas Online Insurance Verification System.

### **Time Required :**

Adequate time has been allowed.

### **Procedural Changes :**

Revise Motor Vehicle Procedures Manual to reflect the new method for proof of insurance and distribute revisions to State Revenue Offices.

### **Other Comments :**

None.

### **Legal Analysis :**

Under current law, DFA is authorized to establish an online insurance verification system for purposes of verifying compliance with motor vehicle insurance requirements. The verification system is required to be accessible to authorized DFA personnel, courts, insurers, and law enforcement personnel.

Failure to present proof of insurance coverage at the time of a traffic stop or arrest or a failure of the Vehicle Insurance Database or proof of a compliant insurance card to show current insurance coverage at the time of the traffic stop creates a rebuttable presumption that the motor vehicle or the person's operation of the motor vehicle is uninsured. If a person operates a motor vehicle without the mandatory insurance, that person is fined a minimum of \$50. Also, DFA is required to suspend the registration of the motor vehicle. The registration may be reinstated upon payment of \$100 to DFA and the proceeds are distributed to the State Police Retirement Fund and to the Department of Arkansas State Police Fund, 25% and 75% respectively.

If an operator of a motor vehicle does not present proof of insurance when requested by a law enforcement officer during a traffic stop, but the operator proves that the required liability coverage was in effect at the time of the traffic stop, the operator is fined \$25 and is assessed court costs of \$25. 80% of the fine is paid to the Treasurer of State for the benefit of the Arkansas Citizens First Responder Safety Enhancement Fund and the court that tries the offense retains the remaining 20% of the fine. Each insurance company providing the required motor vehicle liability insurance coverage shall provide to DFA a record of each motor vehicle insurance policy in effect as of the previous month that was issued by the insurance company. The reports shall include the name and the address of the named insured; the make, year, and vehicle identification number of each insured vehicle; and the policy number, effective date, and expiration date of each policy, National Association of Insurance Carriers code number, and the name of each driver excluded from coverage. The reports may include the date of birth of each insured owner or operator and the driver's license number of each insured owner or operator.

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SB598 would amend current law to require that satisfactory proof of insurance be presented to the DFA within 30 days of the date of issuance shown on the paper form or electronic form before the DFA could issue a license plate and motor vehicle registration.

The bill would also raise the mandatory fine for operating a motor vehicle without the mandatory insurance to a minimum of \$100. The distribution of fines for operating a motor vehicle without insurance is also amended. Specifically, the first \$15 collected would be paid to the Treasurer of State for the benefit of the Arkansas Citizens First Responder Safety Enhancement Fund. The remainder of the fine would be distributed in accordance with current law.

The bill would also change the reporting requirements of carriers of motor vehicle insurance. Specifically, an insurer would not be required to report each driver excluded from coverage under a policy. The bill would change the distribution of fines for failure to present proof of insurance when a traffic stop has been completed. Specifically, all fines collected would be paid to the Treasurer of State for the benefit of the Arkansas Citizens First Responder Safety Enhancement Fund.

This bill would clarify that the online insurance verification system framework keys include National Association of Insurance Commissioners company code numbers and vehicle identification numbers and clarify that the online insurance verification system be able to access insurers by their National Association of Insurance Commissioners insurer company code number.

The bill also changes the distribution of reinstatement fees collected by the DFA when a registration is suspended for failure to maintain the required insurance. Specifically, the fee would remain with the DFA to defray the cost of administering the online insurance verification system.

This bill also allows DFA to issue a registration or renew a registration if the DFA is presented with proof of insurance in electronic form, such as an electronic image on a cellular phone or portable electronic device.

The bill would also require the DFA to implement the online insurance verification system by January 1, 2020. This bill would also require insurers to continue to submit motor vehicle insurance information under current law until the online insurance verification system goes into effect.

There is no emergency clause so the bill will be effective on the 91st day after the adjournment sine die of the General Assembly.