

APPENDIX A

AAMVA RECOMMENDED UNIVERSAL CERTIFICATE OF TITLE GUIDELINES AND MINIMUM SECURITY FEATURES

SIZE

Title size should be large enough to include odometer information and disclosure statements required by the Truth in Mileage Act of 1986. A title smaller than 7" x 8" generally does not contain sufficient space for this purpose.

AAMVA, therefore, recommends a title size specification range of 7" x 8" as minimum and 8 ½" x 11" as the maximum

MODEL FORMAT FIELDS

DATA	Location	Printed Format	Justification for Inclusions	NMVTIS Data Field System Requirements
1. Name of Jurisdiction	Top, center of form either in or beneath border		If used for NMVTIS, must meet NMVTIS data field requirements.	2 characters
2. Words "Certificate of Title"	Top, center of form either in or beneath border			N/A
3. VIN	First line of vehicle data, top portion of form, left justified		If used for NMVTIS, must meet NMVTIS data field requirements.	30 characters maximum
4. Year	First line of vehicle data, top portion of form, immediately to the right of "VIN"	Four digits, e.g., 2010	Compliance with Y2K. If used for NMVTIS, must meet NMVTIS data field requirements.	4 characters

5. Make	First line of vehicle data, top portion of form, immediately to the right of "Year"	Complete English description of Make, no abbreviations/special codes	If used for NMVTIS, must meet NMVTIS data field requirements.	4 characters
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DATA	Location	Printed Format	Justification for Inclusions	NMVTIS Requirements
6. Model	First line of vehicle data, top portion of form, immediately to the right of "Make"	Complete English description of model, no abbreviations/special codes	Identifies the vehicle and provides for complete description	N/A
7. Vehicle Body	First line of vehicle data, top portion of form, immediately to the right of "Model"	Complete English description of body style, no abbreviations/special codes	If used for NMVTIS, must meet NMVTIS data field requirements.	3 characters
8. Title Number	First line of vehicle data, top portion of form, immediately to the right of "Vehicle Body"	Title number should be no more than 10 digits/characters. If there is an inventory control number or other identifier printed on the title, the number should be identified as such or the statement "This is not a title number" should be printed adjacent to that number.	If used for NMVTIS, must meet NMVTIS data field requirements.	17 characters
9. Date Issued	Second line of vehicle data, top portion of form, left justified.		If used for NMVTIS, must meet NMVTIS data field requirements.	8 characters

DATA	Location	Printed Format	Justification for Inclusions	NMVTIS Requirements
10. Odometer Miles, Status (i.e., actual, not actual, over mechanical limits)	Second line of vehicle data, top portion of form, to the right of Date Issued	Print the odometer miles with an asterisk at the beginning and end, e.g., *9123*, A	Federal requirement. If used for NMVTIS, must meet NMVTIS data field requirements.	9 characters
11. Fuel Type	Second line of vehicle data, top portion of form, to the right of Odometer Miles	Print complete English description	If used for NMVTIS, must meet NMVTIS data field requirements.	1 character
12. Tax Paid	Second line of vehicle data, top portion of form, to the right of Fuel Type	Print dollar amount of taxes paid	Serve as proof that SUT has been paid.	N/A
13. Empty Weight	Second line of vehicle data, top portion of form, to the right of Sales Tax Paid		Used by jurisdictions to determine fees. Prevents manual research by staff.	N/A
14. Gross Weight	Second line of vehicle data, top portion of form, to the right of Empty Weight		Used by jurisdictions to determine fees. Prevents manual research by staff.	N/A
15. GVWR	Second line of vehicle data, top portion of form, to the right of Gross Weight		Federal requirement. GVWR is used as a determining factor to see if emissions are required.	N/A

DATA	Location	Printed Format	Justification for Inclusions	NMVTIS Requirements
16. Vehicle Color	Third line of vehicle data top portion of form, left justified		Add "Color" of vehicle.	Primary- 3 character NCIC code
17. Odometer Brand	Third line of vehicle data, top portion of form, under Odometer Miles/Status		If used for NMVTIS, must meet NMVTIS data field requirements.	1 Unit
18. Brands	Third line of vehicle data, top portion of form, to the right of Odometer Brand	For state-specific brands, print "Brand" and the name of the Originating state on the form.	If used for NMVTIS, must meet NMVTIS data field requirements.	7 characters
19. Owner(s) Name and Address	Top half of form beneath vehicle data.		If used for NMVTIS, must meet NMVTIS data field requirements.	N/A
20. Lienholder(s) Name and Address	Lower portion of form beneath vehicle data			N/A

DATA	Location	Printed Format	Justification for Inclusions	NMVTIS Requirements
21. Lienholder's Release	Adjacent, or below appropriate lien information			N/A
22. PDF417 Barcode	Lower right portion of face of form		Improvements in technology; provides document security, accuracy of information and easier availability of information.	N/A
23. Owner Reassignment	Lower portion of face of form		Provides ease of ownership transfer for customer.	N/A
24. Dealer Reassignments	Reverse side of form, upper to middle portion of the form	Include at least three (3) Dealer Reassignments on the title form	Standardizes the number of dealer reassignments.	N/A
25. Application for Title & Registration	Reverse side of form, lower portion		Convenience for customers.	N/A

① Name of Jurisdiction

② CERTIFICATE OF TITLE

③ Vin	④ Year	⑤ Make	⑥ Model	⑦ Vehicle Body	⑧ Title Number	
⑨ Date Issued	⑩ Odometer Miles	⑪ Fuel	⑫ Sales Tax Pd.	⑬ Empty Wt	⑭ Gross Wt	⑮ GVWR
⑯ Vehicle Color	⑰ Odometer Brand	⑱ Brands				

⑲

Owner's Name and Address

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Lienholder's Release

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Lienholder's Name and Address

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PDF417 Barcode

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Owner Reassignment

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Dealer Reassignment #1

Dealer Reassignment #2

Dealer Reassignment #3

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Application for Title and Registration

APPENDIX B

SPECIFICATIONS FOR PRINTING A MANUFACTURERS CERTIFICATE OF ORIGIN (CO) FOR MOTOR VEHICLE STANDARDS

SECURITY FEATURES - All Certificates of Origin should contain the following nine security features:

1. Paper
 - (a) Sensitized Security Paper—paper that is reactive to chemicals commonly used to alter documents.
 - (b) Non-Optical Brightener Paper—paper without added optical brighteners which will not fluoresce under ultraviolet light.
2. Engraved Border—a border produced from engraved art work which shall appear on the front of the document.
3.
 - (a) Prismatic—rainbow printing which is used as a deterrent to color copying, and/or
 - (b) Copy Void Pantograph - the word “void” appears when the document is copied.
4. Complex Colors—colors which are developed by using a mixture of two or more of the primary colors (red, yellow or blue) and black if required.
5. Erasable Fluorescent Background Inks—fluoresces under ultraviolet light and reacts to any attempt to erase in such a manner as to be immediately detectable.
6. Background Security Design—a repetitious design consisting of a pattern which hinders counterfeiting efforts.
7. Microline—a line of small alpha characters in capitol letters which requires a magnifying glass to read.
8. Consecutively Numbered—documents that contain a number which is consecutively numbered for control purposes.
9.
 - (a) Security Thread—with or without watermark, and/or
 - (b) Intaglio Print—with or without latent image.

DOCUMENT SIZE — “Certificates of Origin” size specifications shall be seven (7) inches by eight (8) inches.

PAPER STOCK — Sixty (60) pound offset or equivalent durability.

CONSTRUCTION — Unless otherwise specified by the user, the forms should be constructed and fan-folded for use on high-speed pinfed computer printer and/or continuous typewriters.

LAYOUT — Text matter space for 1/10 inch horizontal and 1/6 inch deep characters per AAMVA H-12 Policy for standard format.

FACILITY SECURITY — To insure the integrity of the manufacturers “Certificate of Origin,” the user should require the vendor to maintain secure printing and storage facilities. [*Revised 1990*]

APPENDIX C

Model Salvage Vehicle Titling Legislation

Salvage, Rebuilt Salvage, Flood, and Nonrepairable Vehicles

Sec. 3- X01 Definitions

- (1) MOTOR VEHICLE -- as used in this Article, motor vehicle has the same meaning as found in Section 1-142 of this Code, however, it does not include vehicles with a GVWR of more than 10,000 pounds.

- (2) SALVAGE VEHICLE -- means:
 - (a) any motor vehicle which has been damaged, destroyed, wrecked, or submerged in water to the extent that the total estimated or actual cost of parts and labor to rebuild or reconstruct the vehicle to its pre-accident condition and for legal operation on the roads or highways exceeds 75 percent of the retail value of the vehicle prior to such damage, as set forth in a current edition of any nationally recognized compilation, including automated data bases, of retail values, as approved by the department. The value of repair parts for purposes of this paragraph shall be determined by using the current published retail cost of the original equipment manufacturer parts or the actual retail cost of the repair parts to be used in the repair. The labor cost of repairs for purposes of this paragraph shall be computed by using the hourly labor rate and time allocations that are reasonable and customary in the automobile repair industry in the community where the repairs are performed.

 - (b) any motor vehicle, without regard to whether such vehicle meets the preceding 75 percent threshold which :
 - (i) an insurance company acquires ownership of pursuant to a damage settlement, not including a settlement in connection with a recovered theft vehicle, unless such motor vehicle sustained sufficient damage to meet the 75 percent threshold ; or;

- (ii) the vehicle owner designates as a Salvage Vehicle by obtaining a Salvage Title, without regard to the extent of the motor vehicle's damage and repairs.
- (3) SALVAGE TITLE -- means a certificate of title issued by the department designating a motor vehicle a Salvage Vehicle.
- (4) REBUILT SALVAGE VEHICLE -- means any motor vehicle previously issued a Salvage Title, which has passed state anti-theft and safety inspections to ensure that the motor vehicle was rebuilt to required standards, and has been issued a certificate indicating that the motor vehicle has passed the required anti-theft and safety inspections.
- (5) REBUILT SALVAGE TITLE -- means a certificate of title issued by the department for a vehicle previously designated a Salvage Vehicle which has passed required state anti- theft and safety inspections, and is now designated a Rebuilt Salvage Vehicle.
- (6) NONREPAIRABLE VEHICLE -- means any motor vehicle which is incapable of safe operation for use on roads or highways and which has no resale value except as a source of parts or scrap only or which the owner irreversibly designates as a source of parts or scrap.
- (7) NONREPAIRABLE VEHICLE CERTIFICATE -- means a motor vehicle ownership document issued by the department designating that vehicle a Nonrepairable Vehicle.
- (8) FLOOD VEHICLE --means a motor vehicle that has been submerged in water to the point that rising water has reached over the door sill and has entered the passenger or trunk compartment.

Sec. 3-X02 Duty to Apply for Salvage Vehicle Title -- Nonrepairable Vehicle Certificate

- (1) Unless an insurance company has made a damage settlement arising out of damage sustained to a Salvage Vehicle or a Nonrepairable Vehicle, the vehicle owner shall apply to the department for a Salvage Title or Nonrepairable Vehicle Certificate, whichever is applicable, before the motor vehicle is repaired or the ownership of the motor vehicle is transferred. In no event shall such application be made more than 30 days after the vehicle is damaged.

- (2) Every insurance company, which pursuant to a damage settlement, acquires ownership of a vehicle that has incurred damage requiring the vehicle to be designated a Salvage Vehicle or Nonrepairable Vehicle, shall apply to the department for a Salvage Title or Nonrepairable Vehicle Certificate within 15 days after the title is assigned and delivered by the owner to the insurance company, with all liens released.
- (3) Every insurance company which makes a damage settlement for a vehicle that has incurred damage requiring such vehicle to be designated a Salvage Vehicle or Nonrepairable Vehicle, but does not acquire ownership of the vehicle, shall
- Alternative 1:
notify the vehicle owner of the owner's obligation to apply to the department for a Salvage Title or Nonrepairable Vehicle Certificate for the motor vehicle, and shall notify the department of this fact in accordance with procedures established by the department.
- Alternative 2:
withhold payment of the claim until the vehicle owner applies for a Salvage Title or a Nonrepairable Vehicle Certificate
- (4) The lessee of any vehicle which incurs damage requiring the vehicle to be designated a Salvage or Nonrepairable Vehicle shall notify the lessor of this fact within 30 days of the damage.
- (5) The lessor of any motor vehicle which has incurred damage requiring the vehicle to be titled as a Salvage or Nonrepairable Vehicle, shall apply to the department for a Salvage Title or Nonrepairable Vehicle Certificate within 21 days after being notified of this fact by the lessee.
- (6) Every person acquiring ownership of a motor vehicle that meets the definition of a Salvage or Nonrepairable Vehicle, for which a Salvage Title or Nonrepairable Vehicle Certificate has not been issued, shall apply to the department for the required document prior to any further transfer of such vehicle, but in no event, more than 30 days after ownership is acquired.

Sec. 3-X03 Duty to Notify Lessors, Purchasers, Department of Flood Vehicle Status

- (1) Every owner of a vehicle that becomes a Flood Vehicle shall, at or prior to the time ownership is transferred, give the transferee written notice that the vehicle is a Flood Vehicle.
- (2) Every lessee of a vehicle that becomes a Flood Vehicle, shall, within 15 days of the occurrence, give the lessor written notice that the vehicle is a Flood Vehicle.
- (3) Every vehicle owner transferring ownership of a Flood Vehicle shall at the time of such transfer notify the department of the vehicle's Flood Vehicle designation in accordance with procedures established by the department.

Sec. 3-X04 Department to Designate Salvage, Flood, and Nonrepairable Vehicles

- (1) Upon notification of a vehicle's designation as a Salvage Vehicle, or Nonrepairable Vehicle, and payment of appropriate fees, the department shall issue, a Salvage Title, or Nonrepairable Vehicle Certificate, as appropriate in accordance with procedures established by the department.
- (2) Each Salvage Vehicle Title issued by the department shall, in addition to complying with requirements of Sec. 3-107 of this Chapter, be conspicuously labeled with this designation on its face.
- (3) Upon notification of a vehicle's designation as a Flood Vehicle, and payment of appropriate fees, the department shall conspicuously label this Flood Vehicle status on the face of the vehicle's title.
- (4) Each Nonrepairable Vehicle Certificate shall contain the same identifying information and comply with format, size and security requirements applicable to certificates of title by Sec. 3-107 of this Chapter, and shall be conspicuously labeled with this designation on its face.
- (5) The designation of a motor vehicle's status shall be conspicuously labeled on the face of any subsequent title, including any duplicate title, issued by the department for the vehicle.

- (6) The department shall maintain the preceding designations of a vehicle's status as a permanent part of each vehicle's record, and shall include this information as part of any electronically transmitted or printed vehicle record provided by the department for that motor vehicle

Sec. 3-X05 Restrictions on Use and Transfer of Salvage Vehicles

- (1) No motor vehicle for which a Salvage Title has been issued shall be registered by the department for use on the roads or highways of this state unless it has been issued a Rebuilt Salvage Title.
- (2) The ownership of a Salvage Vehicle shall only be transferred through the use of a Salvage Title.
- (3) No Salvage Vehicle shall be issued a Rebuilt Salvage Title unless the Salvage Vehicle has been repaired or rebuilt, and passed a ~~non-anti-theft~~ and safety inspection by a person or persons licensed or employed by a State under a program approved by the department, [or other designated agency] and an inspection for stolen parts by a certified State or local law enforcement official, under a program approved by the department.

Sec. 3-X06 Restrictions on Use and Transfer of Nonrepairable Vehicles

- (1) No motor vehicle for which a Nonrepairable Vehicle Certificate has been issued shall be titled or registered by the department for use on the roads or highways of this state.
- (2) Ownership of the motor vehicle for which a Nonrepairable Vehicle Certificate has been issued may only be transferred two times.
- (3) Whenever a motor vehicle has been flattened, baled, shredded, **or otherwise destroyed**, whichever comes first, the motor vehicle title or Nonrepairable Vehicle Certificate for the vehicle shall be surrendered to the department within 30 days.

- (4) The department shall update its record to indicate the destruction of such vehicle and no further ownership transactions for the vehicle shall be permitted. If at the time the vehicle is destroyed it is titled in another state, the department shall notify the state where the vehicle is titled of the surrender of the title or Nonrepairable Vehicle Certificate and of the vehicle's destruction.

Sec. 3-X07 Procedures for Titling Rebuilt Salvage Vehicles

- (1) The department shall not issue a Rebuilt Salvage Title for a motor vehicle with a Salvage Title unless the vehicle has passed required state anti-theft and safety inspections. A motor vehicle for which a Rebuilt Salvage Title has been issued may be registered for use on the roads and highways of this state.
- (2) Every owner of a motor vehicle designated as a Salvage Vehicle shall, as a condition of having that vehicle designated a Rebuilt Salvage Vehicle, present to the department the Salvage Title, along with a certificate, which complies with the security and guideline standards established by the department, indicating that the vehicle has passed the required anti-theft and safety inspections.
- (3) Upon satisfaction of the preceding requirements, the department shall issue a Rebuilt Salvage Title, and shall maintain this designation as a permanent part of the vehicle's record, and shall include this information as part of any electronically transmitted or printed vehicle record provided by the department for that motor vehicle.
- (4) Each Rebuilt Salvage Title issued by the department shall, in addition to complying with requirements of Sec. 3-107 of this Chapter, be conspicuously labeled with the designation "Rebuilt Salvage Vehicle --Anti-theft and Safety Inspections Passed" on its face.
- (5) If the vehicle for which a Rebuilt Salvage Title is issued sustained such damage by being submerged in water, the department shall also conspicuously label this Flood Vehicle status on the face of the Rebuilt Salvage Title.
- (6) Ownership of a Rebuilt Salvage Vehicle shall only be conveyed through the use of a Rebuilt Salvage Title.

- (7) After a Salvage Vehicle has passed the required State anti-theft and safety inspections, the inspection official shall affix a secure decal stating "Rebuilt Salvage Vehicle --Anti-theft and Safety Inspections Passed" to the driver's door jamb of the vehicle and issue to the owner of the vehicle a certificate indicating that the motor vehicle has passed the required anti-theft and safety inspections. The decal and certificate must comply with permanency and security requirements established by the department.

APPENDIX D

NON-RESIDENT VEHICLE DEALER LICENSE COMPACT

ARTICLE I

PURPOSE AND POLICY

The party jurisdictions, desiring by common action to facilitate the flow of interstate commerce involving vehicle dealers in such party jurisdictions, and in order to protect the party jurisdictions' dealers and residents from frauds, impositions and abuses by dealers who buy and/or sell vehicles wholesale in such party jurisdictions, have found that they can accomplish their common goals by entering the non-resident dealer license compact.

If a party jurisdiction has substantial evidence of a violation or of a conviction resulting from a party jurisdiction's laws by a non-resident dealer which could result in a dealer license limitation, suspension and/or cancellation of license in that party jurisdiction, the party jurisdiction shall convey that information to the non-resident dealer's home jurisdiction.

If the home jurisdiction dealer license administrator can limit, suspend, and/or cancel a dealer license in their jurisdiction for such violations or convictions as reported against a non-resident dealer, the home jurisdiction license administrator may institute an action to limit, suspend, and/or cancel the dealer license of a non-resident dealer or deny such license to a dealer applicant who applies for license after the license administrator receives any party jurisdiction's substantial evidence about that non-resident dealer.

ARTICLE II

DEFINITIONS

As used in this compact:

- (a) "Conviction" means a conviction of any offense related to the buying and/or selling of vehicles which is prohibited by jurisdiction law, municipal ordinance or administrative rule or regulation, or forfeiture of bail, bond or other security deposited to secure the appearance by a person charged with having committed any such offense, and which such convictions, administrative actions, or forfeitures are required to be reported to the licensing authority.
- (b) "Head of the vehicle dealer licensing authority" means the governor, or designee, or other authority as set forth by jurisdiction law.
- (c) "Home jurisdiction" means the jurisdiction which has issued the vehicle dealer license, registration or certificate of authority.
- (d) "Jurisdiction" means a state, territory or possession of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Canadian Provinces, or any other foreign nation, country or territory.

- (e) “License” means any vehicle dealer license, registration, certificate or other authority issued under or granted by the laws of the granting jurisdiction which would allow a vehicle dealer to buy and/or sell vehicles.
- (f) “Licensing authority” with reference to this Compact means the government unit that issues licenses.
- (g) “Non-resident vehicle dealer” is a person who is licensed in his or her home jurisdiction but not in the party jurisdiction and is engaging in the buying and/or selling of vehicles wholesale in the party jurisdiction.
- (h) “Party jurisdiction” is a jurisdiction other than the home jurisdiction in which the out-of-state or foreign dealer is buying and/or selling vehicles at wholesale.
- (i) “Vehicle” for the purposes of this Compact is any conveyance as defined by a party jurisdiction.
- (j) “Wholesale” is the purchase, sale or transfer of a vehicle or vehicles between licensed vehicle dealers.

ARTICLE III

REPORTS OF CONVICTION

The licensing authority of a party jurisdiction may report each action taken in that jurisdiction resulting in the suspension, revocation or limitation of a license to all other party jurisdictions. Such report shall clearly identify the person; describe the violation specifying the section of the statute, code or ordinance violated; identify the court or administrative hearing in which action was taken; indicate whether a plea of guilty was entered, or if the conviction was a result of the forfeiture of bail, bond or other security; and shall include any special findings made in connection therewith.

ARTICLE IV

EFFECT OF CONVICTION

The licensing authority in the home jurisdiction for the purpose of suspension, revocation, limitation, or an administrative action of the license to operate as a vehicle dealer, may give the same effect to the conduct reported, pursuant to Article III of this Compact, as if such conduct had occurred in the home jurisdiction to insure that full force and effect is given to this Article.

ARTICLE V

APPLICATIONS FOR NEW LICENSES

Upon application for a dealer’s retail or wholesale license to buy and/or sell vehicles, the licensing authority in a home jurisdiction may ascertain whether the applicant has ever held or is the holder of a license issued by any other party jurisdiction. The licensing authority in a jurisdiction where an application is made may elect to not issue a license if the applicant has held such a license in a party jurisdiction, but the license is currently suspended, revoked or limited by reason, in whole or in part, by a violation of the party jurisdiction laws.

ARTICLE VI

APPLICABILITY OF OTHER LAWS

Except as expressly required by provision of this Compact, nothing contained herein shall be construed to affect the right of any party jurisdiction to apply any of its other laws relating to a license issued by the licensing authority.

ARTICLE VII

COMPACT ADMINISTRATOR AND INTERCHANGE OF INFORMATION

(a) The head of the vehicle dealer licensing authority of each party jurisdiction shall be the administrator of this Compact for his or her jurisdiction. The administrators, acting jointly, shall have the power to formulate all necessary and proper procedures for the exchange of information under this Compact.

(b) The administrator of each party jurisdiction may furnish to the administrator of each other party jurisdiction any information or documents reasonably necessary to facilitate the administration of this Compact.

ARTICLE VIII

RECIPROCITY

Entrance into the compact means that a party jurisdiction will allow a non-resident, licensed as a vehicle dealer in and by his/her home jurisdiction of residence, to buy and/or sell vehicles wholesale to or from any vehicle dealer who is authorized by the party jurisdiction to do business in that jurisdiction, provided that, prior to doing business with such vehicle dealer, such non-resident dealer must show evidence to the party jurisdiction of the current dealer license issued to them by the non-resident's home jurisdiction and such non-resident dealer must comply with the party jurisdiction's laws regulating resident vehicle dealer licenses.

ARTICLE IX

ENTRY INTO FORCE, EFFECTIVE DATE, AND WITHDRAWAL

(a) This Compact shall enter into force and become effective as to any jurisdiction when duly authorized agents sign the Compact.

(b) Any party jurisdiction may withdraw from this Compact but no such withdrawal shall take effect until 6 months after the head of the dealer licensing authority of the withdrawing jurisdiction has given written notice of the withdrawal to the heads of all other party jurisdictions. A repeal of enabling legislation will terminate that party jurisdiction's inclusion in the Compact. No withdrawal shall affect the validity or applicability by the licensing authorities of jurisdictions remaining party to the Compact of any report of conviction occurring prior to the withdrawal.

ARTICLE X

CONSTRUCTION AND SEVERABILITY

This Compact shall be liberally construed so as to effectuate the purposes thereof. The provisions of this Compact shall be severable and if any phrase, clause, sentence or provision of this Compact is declared to be contrary to the laws of any party jurisdiction or of the United States or the applicability thereof to any government, agency, person or circumstances held invalid, the validity of the remainder of this Compact and the applicability thereof to any government, agency, person or circumstance shall not be affected thereby. If this Compact shall be held contrary to the laws of any jurisdiction party thereto, the Compact shall remain in full force and effect as to the remaining jurisdictions and in full force and effect as to the jurisdiction affected as to all severable matters.

ARTICLE XI

DUE PROCESS

Except as expressly required by provisions of this Compact, nothing contained herein shall be construed to affect the due process notice and hearing rights of an applicant, licensee, registrant or certificate holder relating to obtaining, retaining or restricting a license to buy and/or sell vehicles wholesale or retail according to the laws of the home jurisdiction and party jurisdiction.

APPENDIX E

MODEL KIT CAR AND STREET ROD DEFINITIONS AND PROCEDURES

DEFINITION OF A KIT CAR

A kit car is a passenger or light truck type vehicle assembled from a manufactured kit, either as a complete kit to construct a new vehicle, which consists of a prefabricated body and chassis, or a kit composed of a prefabricated body to be mounted to an existing vehicle chassis and drivetrain, commonly referred to as a donor vehicle.

TITLE AND REGISTRATION PROCEDURES

Manufactured New Vehicle Kit: The year of the vehicle shall be the year reflected on the MCO. The make shall be “KITV” (Kit Vehicle).

Manufactured Body Kit: The year of the vehicle shall be the year as reflected on the MCO or, if no MCO exists, the year of application for title. The make shall be “KITV” (Kit Vehicle).

Vehicle Identification Number: The VIN of a new vehicle kit shall be taken from the MCO belonging to that vehicle.

The VIN of a body kit shall be as reflected on the MCO or, in the absence of an MCO, a jurisdiction assigned vehicle identification number.

Documents Required: An owner shall supply an MCO or acceptable ownership document for the new vehicle kit.

An owner shall supply a title or acceptable ownership document for the donor vehicle, and bills of sale or invoices for all major components used in the construction of the vehicle.

DEFINITION OF A STREET ROD

A street rod is a motor vehicle, other than a motorcycle, either manufactured prior to 1949, or a motor vehicle which has been assembled or manufactured to resemble a motor vehicle manufactured prior to 1949, which has been modified in its body style or design through the use of non-original or reproduction components, such as the frame, engine, drivetrain, suspension or brakes in a manner that does not adversely affect its safe performance as a motor vehicle or render it unlawful for highway use. An existing motor vehicle which is incidentally repaired, restored or modified, by adding or replacing parts is not a street rod vehicle.

TITLE AND REGISTRATION PROCEDURES

Vehicles Manufactured Prior to 1949 That Have Been Modified in Its Body Style or Design: The make and year shall be the make and year the vehicle resembles. The title shall be branded as a street rod.

Vehicles Assembled or Manufactured to Resemble a Motor Vehicle Manufactured Prior to 1949: The make shall be "STRD" (street rod), and the year shall be the year in which it was assembled or manufactured.

Vehicle Identification Number: A state issued VIN shall be assigned when the original VIN is absent from the body and frame of a vehicle manufactured prior to 1949.

A state issued VIN shall be issued to a vehicle assembled or manufactured to resemble a vehicle manufactured prior to 1949 when no VIN is present or more than one VIN is present on the vehicle.

Documents Required: The owner shall provide a title, or acceptable ownership document for the body/frame, and bills of sale or invoices for all major parts used in the modification of the vehicle.

APPENDIX F

AAMVA MODEL WATERCRAFT TITLE ACT - 1992

Section 1. - Definitions

- (a) Generally, in this subtitle, the following words have the meaning indicated:
- (b) “Certificate” means any certificate of title issued.
- (c) “Dealer” means any person who engages in whole or in part in the business of buying, selling or exchanging ____ or more new and unused vessels, or used vessels, or both, in any one calendar year, either outright or on conditional sale, bailment, lease, Chattel mortgage, or otherwise, and who has an established place of business for sale, trade and display of vessels.
- (d) “Department” means the _____ department acting directly or through its duly authorized officers or agents.
- (e) “Lien holder” means a person holding a security interest.
- (f) “Manufacturer” means any person engaged in the business of manufacturing, building or assembling ____ or more new and unused vessels in any one calendar year for the purpose of sale or trade.
- (g) “Motorboat” means any vessel equipped with propelling machinery, whether or not the machinery is the principal source of propulsion.
- (h) “Operate” means to navigate or otherwise use a vessel.
- (i) “Operator” means the person who operates or has charge of the navigation or use of a vessel.
- (j) “Owner” means a person, other than a lien holder, having interest in or title to a vessel. The term includes a person entitled to use or possess a vessel subject to an interest in another person, but it does not include a lessee under a lease not intended as security.
- (k) “Security interest” means an interest which is reserved or created by an agreement which secures payment or performance of an obligation.
- (l) “State of principal use” means the state on whose waters a vessel is used or to be used most during a calendar year.
- (m) “Use” means to operate, navigate or employ a vessel. A vessel is in use whenever it is upon the water.
- (n) “Vessel” means every description of watercraft, other than a seaplane, used or capable of being used as a means of transportation on water or ice. Ice boats are regarded as watercraft. The term includes the vessel’s motor, spars, sails, and accessories.

- (o) “Proceeds” include whatever is received when collateral is sold, exchanged, collected or otherwise disposed of. The term also includes the account arising when the right to payment is earned under a contract right. Money, checks, and the like are cash “proceeds.” All other proceeds are “non-cash proceeds”.
- (p) “Waters of the state” means any water within the jurisdiction of the state, the marginal sea adjacent to the state, and the high seas when navigated as part of a ride or journey to or from the shore of the state.

Section 2. - Owner’s Certificate of Title—In General

- (a) Application—Except as provided in subsection (d), any owner of a vessel principally used on the waters of the state that is required by the department to be numbered shall apply to the department for a certificate of title for the vessel.
- (b) Contents and form—Each certificate of title shall contain the information and be issued in a form the department prescribes.
- (c) Prerequisite to issuance of certificate of number—The department may not issue or renew a certificate of number to any vessel required to be registered and numbered in the state unless the department has issued a certificate of title.
- (d) Exception for person owning vessel with valid certificate of number (on effective date)—A person who (on effective date) is the owner of a vessel with a valid certificate of number issued by the state is not required to file an application for a certificate of title for the vessel unless any part of that person’s interest in the vessel is transferred.
- (e) Application requirements: Form; oath; contents—Every owner of a vessel subject to titling under the provision of this subtitle shall apply to the department for issuance of a certificate of title for the vessel within ___ days after acquisition. The application shall be on forms the department prescribes and accompanied by the required fee. The application shall be signed and certified that statements made are true and correct to the best of the applicant’s knowledge, information, and belief under penalty of perjury. The application shall contain the date of sale and purchase price of the vessel or the fair market value if no sale immediately preceded the transfer and any additional information the department requires. If the application is made for a vessel last previously registered or titled in another state or foreign country, it shall contain this information and any other the department requires.
 - (i) Dealer buying or acquiring vessel for resale—A dealer who buys or acquires a new or used vessel for resale is not required to apply for and obtain a certificate of title as provided in this subtitle.
 - (ii) Dealer transferring vessel requiring title—Every dealer transferring a vessel requiring titling under this subtitle shall assign the title to the new owner or, in the case of a new vessel, assign the manufacturer’s statement of origin (MSO)/manufacturer’s certificate of origin (MCO).

- (f) Department record of title certificates—The department shall maintain a record of each certificate of title it issues.
- (g) Sale, purchase, etc., without certificate prohibited—effective __/__/__, no person may sell, assign or transfer a _____ model year vessel titled by the state without delivering to the purchaser or transferee a certificate of title with an assignment on it showing title in the purchaser or transferee’s name. No person may purchase or otherwise acquire a _____ model year vessel required to be titled by the state without obtaining a certificate of title for it in the purchaser’s name.

Section 3.- Fees; Duplicates

- (a) Fee for issuance of original and duplicate certificate—The department shall charge a \$_____ fee to issue a certificate of title, a transfer of title, a duplicate, or corrected certificate of title.
- (b) Application to department; lost, destroyed, or damaged certificate—If a certificate of title is lost, mutilated, destroyed, or becomes illegible, the first lien holder or, if there is none, the owner named in the certificate as shown by the department’s records shall, within ____ days, obtain a duplicate by applying to the department. The applicant shall furnish information concerning the original certificate and the circumstances of its loss, mutilation, or destruction as the department requires. Mutilated or illegible certificates shall be returned to the department with the application for a duplicate.
- (c) Marking and delivery of certificate—The duplicate certificate of title shall be clearly marked “duplicate” and mailed or delivered to the applicant.
- (d) Recovery of lost original certificates—If a lost original certificate of title for which a duplicate has been issued is recovered, the original shall be surrendered promptly to the department for cancellation.

Section 4.- Obtaining Manufacturer’s Statement Of Origin (MSO) or Manufacturer’s Certificate Of Origin (MCO)

A manufacturer or dealer may not transfer ownership of a new vessel without supplying the transferee with the manufacturer’s statement of origin (MSO)/manufacturer’s certificate of origin (MCO) signed by the manufacturer’s authorized agent. The MSO/MCO shall contain all of the information required by the department.

Section 5.- Hull Identification Number of Vessel

- (a) Required for certain vessels: procedures for issuance—Every vessel in which construction began after October 31, 1972, shall have a hull identification number assigned and affixed as required by the Federal Boat Safety Act of 1971. The department shall determine the procedures for application and for issuance of the hull identification number for home built boats.

- (b) Destruction, removal, alteration of manufacturer's hull identification number prohibited - A person may not destroy, remove, alter, cover or deface the manufacturer's hull identification number, the plate bearing it, or any hull identification number the department assigns to any vessel without the department's permission.

Section 6.- Dealer's Record Of Vessels Bought, Sold Or Transferred

Every dealer shall maintain for ___ years a record of any vessel bought, sold, exchanged, or received for sale or exchange. This record shall be open to inspection by department representatives during reasonable business hours.

Section 7.- Transfer or Repossession of Vessel by Operation or Law

- (a) If ownership of a vessel is transferred by operation of law, such as by inheritance, order in bankruptcy, insolvency, replevin, or execution sale, the transferee, within ___ days after the transferee has acquired the right to possession of the vessel by operation of law, shall mail or deliver to the department satisfactory proof of the transferee's ownership as the department requires, together with an application for a new certificate of title and the required fee, prior to resale of the vessel.
- (b) If a lien holder repossesses a vessel by operation of law and holds it for resale, he shall secure a new certificate of title and shall pay the required fee.

Section 8.- Lien Perfection Generally

- (a) A security interest in a vessel is not valid against creditors of the owner or subsequent transferees or secured parties of the vessel unless perfected as provided under Section 8 through 13.
- (b) A security interest is perfected by the delivery to the department of the existing certificate of title, manufacturer's statement of origin (MSO), manufacturer's certificate of origin (MCO), and an application for certificate of title on a form provided or approved by the department containing information regarding the security interest and upon payment of a filing fee of \$____. The security interest is perfected as of the time of its creation if delivery and payment to the department are completed within ___ days of the date of its creation; otherwise, perfection is as of the time of its delivery and payment.

Section 9.- Execution of Application; Time When Perfected; Endorsement of Certificate

If an owner creates a security interest in a vessel;

- (1) The owner shall immediately execute the application in the space provided on the certificate of title or MSO/MCO or a separate form the department prescribes, naming the secured party on the certificate of title or MSO/MCO, showing the name and address of the secured party and the date of the security agreement and cause the certificate of title or MSO/MCO and application to be delivered to the department.
- (2) At the time of delivery of the documents described in paragraph (1) of this section to the department, the secured party shall pay to the department a filing fee as required for perfection of the security interest under Section 8(b). The security interest is perfected as of the time of its creation if delivery and payment to the department are completed within

___ days of the date of its creation; otherwise, perfection shall be as of the time of its delivery and payment.

- (3) Upon receipt of the certificate of title or MSO/MCO, application, and the required filing fee, the department shall record the name and address of all secured parties on the existing certificate of title or on a new certificate.

Section 10.- Assignability

- (a) A secured party may assign, absolutely or otherwise, all or part of that party's security interest in the vessel to a person other than the owner without affecting the interest of the owner or the validity of the security interest, but any person without notice of the assignment is protected in dealing with the secured party as the holder of the security interest, and the secured party remains liable for any obligation as secured party until the assignee is named as secured party on the certificate of title.
- (b) The assignee shall delivery to the department the certificate of title, if available, and an assignment by the secured party named in the certificate of title in the form the department may prescribe, accompanied by a filing fee as required for perfection of the security interest under Section 8(b). The assignee's delivery and payment to the department are completed within ___ days of the date of its creation; otherwise, perfection is as of the time of its delivery and payment.

Section 11.- Relief Upon Satisfaction

Upon the satisfaction of a security interest in a vessel, the secured party shall enter a release upon the certificate of title or securely attach to the certificate of title a release of security interest in whatever form as prescribed or acceptable to the department, and within ___ days mail or deliver the certificate of title with attached release to the owner.

Section 12.- Adoption of Rules and Regulations

The department shall adopt necessary rules and regulations to implement the provisions of Sections 2 through 11.

Section 13.- Exclusive Method

The method provided in Sections 8 through 13 of perfecting and giving notice of security interests is exclusive.

Section 14.- Forms

The department shall prescribe and provide suitable forms of applications, certificates of title, notice of security interests and all other notices and forms necessary to carry out Section 2 through Section 14.

APPENDIX G

ONE LICENSE/ONE DRIVER CONTROL RECORD

1. FORMAT AND CONTENT

The Driver Control Record (DCR) shall be maintained by the Jurisdiction of Record (JOR) in the format described in the AAMVAnet Code Dictionary (ACD) and the Interprovincial Record Exchange (IRE) documentation which have been adopted by the Driver Licensing and Control Committee of AAMVA and the Driver and Vehicle Committee of CCMTA/CCATM.

Generally, the required data includes, but is not limited to the following:

- name, address and other identifying information about the driver,
- a licensing history including dates when licenses were issued and withdrawn and jurisdiction(s) where those actions occurred,
- a history of collision information,
- a list of convictions, and
- a list of withdrawal actions, including license suspensions and administrative actions.

2. ACTION BY THE ISSUING JURISDICTION

When a jurisdiction (issuing jurisdiction) receives notice of a conviction, collision or administrative action for a person not licensed by the jurisdiction, the jurisdiction (subject to the limitations as delineated in the immediately subsequent paragraph) shall forward the notice of conviction, collision or administrative action to the Jurisdiction of Record (JOR).

Only convictions that have been described in the AAMVAnet Code Dictionary (ACD) and the Interprovincial Record Exchange (IRE) documentation which have been adopted by the driver license and control committee of AAMVA and the driver and vehicle committee of CCMTA, shall be forwarded to the JOR. The issuing jurisdiction shall not take withdrawal action for drivers licensed by the Jurisdiction of Record.

3. ACTION BY THE JURISDICTION OF RECORD

The JOR shall acknowledge receipt of the notice of conviction, collision or administrative action, place it on the Driver Control Record (DCR) and take any appropriate withdrawal action, notify the driver and require the pertinent compliance responses, e.g., SR-22 filing, payment of reinstatement fee, retesting, etc. All withdrawal actions shall be based on the laws and procedures of the JOR.

4. CHANGE IN JURISDICTION OF RECORD

When a jurisdiction issues a license to a driver who was licensed by another jurisdiction, the new jurisdiction then becomes the JOR.

The new JOR shall notify the old JOR of its licensing action and shall acknowledge its responsibility to maintain the DCR.

The necessity and eligibility to become licensed in a particular jurisdiction are determined by the requirements found in the laws and regulations of that jurisdiction. Nothing in this policy has any force or effect on the licensing jurisdiction's requirements.

5. CONVICTIONS NOT FOUND ON THE ACD CODE LIST

Nothing in this policy precludes a jurisdiction from maintaining its own driver records and to take withdrawal actions based on any convictions not found in the ACD code list. However such withdrawal actions shall be effective only in the jurisdiction which takes the action.

The record of such convictions and any withdrawal actions taken based on such convictions shall not be made part of the Driver Control Record, nor entered on any driver control national data file, e.g., CDLIS, PDPS, NLETS, NCIC, etc.

APPENDIX H

PROCEDURES FOR THE ADOPTION OF OFFICIAL AAMVA POLICY POSITIONS

1. Proposed policies may be sponsored by regional and international board members, regional and international standing committee chairs and member jurisdictions in good standing.
2. The Chair of the International Board of Directors shall appoint a Policy Review Committee at the Annual International Conference that will meet prior to the winter meeting of the AAMVA Board of Directors and will review comments from the jurisdictions and forward recommendations to the Board. The chair of each standing committee having jurisdiction over a proposed policy may participate in the committee's review of the proposed policies.
3. The following format shall be followed:
 - ?? Title
 - ?? Policy Statement
(Any policy that amends existing AAMVA policy should indicate language being deleted from current policy by striking through such language. New language to be added to an existing policy should be underlined.)
 - ?? Purpose addressed in clear, concise, understandable English
 - ?? Statement of background and relation to existing policy
 - ?? Analysis of fiscal impact on AAMVA and jurisdictions
 - ?? Analysis of customer service delivery impacts on AAMVA jurisdictions
 - ?? Name, full address, telephone and fax numbers of sponsor
4. Proposed policies shall be submitted to the chair of the international standing committee having jurisdiction over the subject matter of the proposal, within 7 calendar days prior to that committee's workshop. The Policy Committee will review each proposed policy to ensure it complies with format requirements, and to determine how it affects existing AAMVA policies.
5. Proposed policies will be reviewed at the fall workshop of the international standing committee to which they have been referred. Formal notice of the date and time for public discussion and vote on the policy shall be given in a reasonable period of time in advance of the meeting.
6. Proposals may be redrafted or modified as appropriate at the workshop with the necessary assistance to be provided by the Policy Committee.

7. After policy proposals are adopted by a vote of members present at the fall workshop business session, the chair shall forward them to the Legal Services Steering Committee with recommendations and comments. The Legal Services Steering Committee shall review the policies for legal sufficiency and send comments to the Policy Committee.
8. The Policy Committee shall forward any comments or revisions proposed by the Legal Services Committee to the chair of the international standing committee having jurisdiction over the policy in order that they may consider comments offered by the Legal Services Committee. The chair of the international standing committee will submit in writing the committee's position on the comments to the Chair of the Policy Committee.
9. The Policy Committee will send the proposed policies to all member jurisdictions in order that they may send comments and recommendations to the Policy Committee.
10. After review of comments from the Legal Services Committee, chairs of the international Standing Committees, and member jurisdictions, the Policy Committee has the authority to recommend to the International Board of Directors that it approve, disapprove, or amend proposed policies based on member comments.
11. The International Board of Directors will review all proposed policies, the recommendations of the policy committee, and any comments from the chairs of the Standing Committees at its winter Board meeting. The Board shall have the authority to approve, disapprove, or amend proposed policies. The Chair of the International Board of Directors will share any amendments made with the standing committee(s) having jurisdiction over the proposed policy.
12. Proposed policies approved by the International Board of Directors shall be circulated to all member jurisdictions for a vote by ballot either by certified mail, return receipt requested, or through electronic means between January 15th and April 1st with a summary of the recommendations and comments made during the review and approval process.

Each official ballot shall contain the following:

1. a ballot number assigned by the Board,
2. a ballot date, which shall be the date of distribution by the Board,
3. a vote due date which shall be 60 days from the date of distribution, and
4. a complete statement of the proposed policy.

Any member not casting a vote shall be deemed to have abstained, and such abstention shall not be considered in determining passage or failure of a proposed policy. Each member jurisdiction shall be entitled to one vote and shall designate the person who shall cast the vote for the member jurisdiction as prescribed by the Board.

A jurisdiction's action on a ballot may be:

- ?? Pass
- ?? Do not pass
- ?? Abstention

Jurisdictions indicating an abstention or recommendation that the proposed policy not pass may submit a written explanation with their ballots.

Immediately upon closing of the voting period, the Board shall prepare a report of the ballot by ballot number and shall list the vote and comments of all jurisdictions.

13. A proposed policy that has not been approved by the International Board of Directors shall be referred by the Chair of the Board to the Chair of the appropriate Standing Committee to determine whether the explanation for non-approval can be addressed through redrafting. In those cases where redrafting is appropriate, the Standing Committee Chair shall forward the redrafted policy proposal to the Policy Committee 90 days prior to the Annual International Conference. The Chair of the Policy Committee will forward the redrafted policy to the Chair of the Legal Services Committee for a determination of legal sufficiency. The Chair of the Legal Services Committee will forward a determination of legal sufficiency to the Chair of the Policy Committee no later than 45 days prior to the Annual International Conference. The Policy Committee will review the redrafted policy and forward a recommendation to the Chair of the International Board of Directors 30 days prior to the Annual International Conference.

If the International Board of Directors, at the Annual International Conference, approves the redrafted policy proposal, it shall be submitted to each member jurisdiction in good standing for a vote by ballot immediately after the International Conference in accordance with the procedures specified in section 12.

14. A proposed policy approved by a majority of member jurisdictions in good standing and casting a pass or do not pass vote shall be adopted. The International Board of Directors will certify such adoption at its spring Board meeting and advise all member jurisdictions accordingly.
15. Proposed policies that are not approved by a majority of member jurisdictions will be sent back to the chair of the standing committee(s) having jurisdiction over the policy in order that they may be resubmitted at the next scheduled international workshop of the committee(s).

Amended by the AAMVA Board of Directors, Spring 1999.

APPENDIX I

STANDARDIZING THE WAY WE MEASURE THE UNINSURED MOTOR VEHICLE RATE

PREFACE

Nationwide enforcement of financial responsibility (FR) laws has become more and more important in recent times. However, evaluation of the effectiveness of enforcement has always been elusive, since the end result – the number of people brought into compliance through enforcement methods, has been extremely difficult to measure. The reasons for this are:

- ?? The number of motorists not in compliance is dynamic and ever changing
- ?? Tracking the number of non-compliant customers has limited effectiveness
- ?? Data on customers with adequate “insurance” or financial responsibility is inaccurate
- ?? Data maintenance on initiations and cancellations of insurance is untimely and inadequate
- ?? Limitations on resources available to jurisdictions due to legislative constraints
- ?? Inaccuracies in jurisdictions’ databases on registrations
- ?? Errors in programming leading to inaccurate assessment of data and results

The above constraints are enumerated to highlight that it would be ludicrous for any jurisdiction or entity to claim that an absolutely accurate measurement of insured vehicles or the number of uninsured vehicles or motorists is possible. On the contrary, these constraints are highlighted to make the reader aware that any measurement should be accepted with the full knowledge that the final result has these limitations.

The Uninsured Motorist Rate Working Group was established by the Financial Responsibility Committee of AAMVA, with the specific purpose of identifying the constraints and coming up with recommendations to measure the uninsured motorist/motor vehicle rate. It was also decided that since the laws are not identical in the different jurisdictions, it might be necessary to come up with more than one method of measuring the uninsured, so that jurisdictions with similar laws on financial responsibility can adopt similar methods.

The recommendations are by no means binding. Each jurisdiction may adopt its own method, or adopt one of these recommendations with a slight modification to suit the specific jurisdiction’s unique requirement.

National Survey

It was important for the working group to gather important data and assess the needs of the various jurisdictions before embarking on this venture of calculating UMR. With this in mind, the working group prepared a survey to assess the following elements:

1. The number of vehicles in each jurisdiction by vehicle type in broad categories
2. The number of driver licenses issued in each jurisdiction
3. Types of FR laws in force in various jurisdictions
4. Current methods of calculating the UMR, wherever such measurement is done

5. Purpose for which jurisdictions calculate UMR
6. How FR laws are enforced in the different jurisdictions

The above data was broken into 23 simple questions and mailed to all jurisdictions. Responses were received from 35 jurisdictions and tabulated. **The survey clearly indicated a need for some uniformity in calculating the UMR, and that such calculation was essential to make evaluation of the enforcement of our laws more effective.**

Uninsured Motor Vehicle Rate vs Uninsured Motorist Rate

The working group discussed at length whether the number of uninsured motor vehicles or the number of uninsured motorists must be measured. Many jurisdictions enforce FR on both vehicles and motorists. However, when the basic purpose of financial responsibility is analyzed, if every vehicle is insured, then the victims in an automobile crash will be duly compensated within the limits of the law. The purpose of enforcing the laws on motorists is to improve their driving abilities when once they prove to be problem drivers.

Members of the insurance industry also confirmed that automobile insurance follows the vehicle and not the driver, and will be the primary coverage in case of crashes. A policy held by an individual who does not own a vehicle becomes primary, only when they rent a vehicle and deny the renter's coverage, or when they drive an uninsured vehicle. Further, it is easier to track vehicles without a valid registration or a tag for a match with insurance data, rather than tracking a driver license with an insurance policy. Many jurisdictions and companies do not obtain driver license numbers as data integral to a policy. Considering these, the group members decided that the measurement methods should focus on uninsured motor vehicles rather than motorists. **The UMR will therefore denote Uninsured Motor Vehicle Rate.** *(Reference: For more information and a more detailed explanation, please refer to "Estimating Uninsured Vehicle & Unregistered Vehicle Rates: Sensitivity to Data and Assumptions", by Lyn Hunstad, California Department of Insurance, published in July 1999.)*

Limitations to the Methods

As explained at the outset, the measurement of insured and uninsured vehicles has inherent constraints. This is due to the nature of registration data maintained throughout the nation. No two databases are alike, the terms applied to various types of vehicles are different, and their registration methodology is also different. Evolution of technology, particularly use of computers, has made it more demanding that every aspect of a vehicle such as type, make, model, weight, color, usage, applications, etc., be codified and appropriately changed whenever warranted. This has posed enormous problems for the administrators due to internal resource constraints. As a result, in many instances, different types of vehicles have been combined into a single code, thereby making clear identification difficult. These make enforcement more difficult. For example, if all passenger vehicles of all types, including taxis are codified in a single code, but taxis are exempt from financial responsibility laws, then obtaining an accurate number of vehicles requiring insurance will be extremely difficult. The same would apply to fleet vehicles.

Mr. Hunstad, in his article referred above, provides a statistical method to calculate the number of registered vehicles in a jurisdiction. His method, however, requires someone with sound knowledge of statistics, and the ability of the jurisdiction to generate the types of raw data required in her methods. Further, there are many assumptions, each of which would have an error factor due to the estimation of several key data elements, such as: a) vehicles with more than one invalid data field, b) vehicles registered out of jurisdiction but not captured within the jurisdiction's database, c) assuming movements of vehicles in and out of a jurisdiction follows a uniform distribution, d) estimating double counting of vehicles with more than one registration in one year, etc. The more elements estimated, the higher would be the error factor.

The group also decided that it is important to keep the focus of the group to finding the **most reasonable solution to a difficult problem**, rather than get unduly focused on excessive technicalities, which could make each problem area an end in and of itself.

In keeping with the objectives of reasonableness, the group decided that vehicles would be identified into those that would be included for the measurement of the UMR, and those that would be excluded. It was also decided that a survey would be conducted to obtain additional data from various jurisdictions that would be relevant for the conclusion of the study.

Types of Motor Vehicles Included for UMR Calculation

For the purposes of calculating the Uninsured Motor Vehicle Rate, the definition of “Motor Vehicles” will **include**:

- 1) Privately owned passenger vehicles to **include**: Cars, Pick-ups, Sports Utility Vehicles and Mini-vans
- 2) Non-fleet business vehicles

The definition of “Motor Vehicles” for UMR calculations will **exclude**:

- 1) Semi-Trucks
- 2) RVs and Motor Homes
- 3) Motorcycles
- 4) Trailers
- 5) Government vehicles
- 6) Buses
- 7) Passenger Vehicles for hire (taxis, limousines, etc.)

Note: There are instances when an insurer fails to pay damages and injuries on an **insured vehicle due to a violation of the insurance policy terms**. Such vehicles will be considered as insured and **will not be included as an uninsured vehicle**.

The survey results indicated that a majority of registered vehicles in any jurisdiction comprises of the types of vehicles in the “included” category above. Further, the cost and expense of purchasing and maintaining the types of vehicles excluded above are so high that a vast majority of the owners maintain insurance on those vehicles and such owners are not the problems for victims in any jurisdiction. Their liability is so high that generally they maintain required insurance. Since the purpose of measurement of UMR is to identify irresponsible owners and drivers and make them financially responsible, this is restricted to the types of vehicles/owners most often found to cause problems to victims.

Based on current practices and ease of calculation, four methods to calculate UMR have been identified and are described below. These are: 1) Database Method; 2) Random Sampling Method; 3) Law Enforcement Method; and 4) Crash Statistics Method.

METHOD ONE: THE DATABASE METHOD OF CALCULATING UMR

Note: This method is applicable only to those jurisdictions that maintain an insurance database and the industry's book of business.

Base Formula: Stage 1

$$100\% \text{ minus } \left\{ \frac{\text{VEHICLES INSURED PER INSURANCE DATABASE*}}{\text{VEHICLES REQUIRING INSURANCE PER REGISTRATIONS**}} \right\}$$

* Vehicles insured will be based on matching vins with current registration

** Registrations includes only current registrations on the day UMR calculated
Vehicles per definition stated earlier.

Example: Vehicles insured: 5,000,000 Vehicles with valid registration: 6,000,000
UMR: $100\% - (5,000,000/6,000,000) = 100\% - 83.33\% = 16.67\%$

Stage 2: Improved accuracy: This will be a second level of sophistication for jurisdictions which maintain data on the number of vehicles claimed to be insured by customers who are not posted on the insurance database, but subsequently verified as insured by insurance carriers.

$$\text{(Stage 1 result) minus } \left\{ \frac{\text{VEHICLES VERIFIED AS INSURED}}{\text{VEHICLES REQUIRING INSURANCE}} \right\}$$

Example: Vehicles verified as insured: 300,000 Registered vehicles: 6,000,000
UMR: $16.67\% - (300,000/6,000,000) = 16.67\% - 5\% = 11.67\%$

Stage 3: Improved accuracy: This will be a third level of sophistication for jurisdictions that can identify the **NET** percent of electronic transactions submitted by carriers for vehicles with valid insurance, which could not be updated on the database due to technical errors in coding, etc.

$$\left. \text{(Stage 2 result) minus } \left\{ \frac{\text{INSURED MV REJECTED DUE TO CODING ERROR}}{\text{VEHICLES REQUIRING INSURANCE}} \right\} \right\}$$

Example: Vehicles rejected for coding errors: 200,000 Registered vehicles: 6,000,000
UMR: $11.67\% - (200,000/6,000,000) = 11.67\% - 3.33\% = 8.34\%$

METHOD TWO: THE RANDOM SAMPLING METHOD

In any sampling method, the most important element is to select the right sample size. It is also important to understand the universe and to ensure that it is homogenous. Sample size selected from a specific area of a jurisdiction, or a specific demographic will not be accurate when extrapolated for the entire jurisdiction. A random sample should reflect the characteristics of the entire jurisdiction and distributed as normal distribution. Sample size is NOT directly proportional to the population we are dealing with. Also, the three concepts pivotal to scientific sampling are: confidence level, precision and error rate.

Confidence level is the degree to which we are justified in believing that the estimate based on a sample drawn at random will fall within a specified range, usually expressed as a percentage. For example, a 95% confidence level means that there are 95 chances out of a hundred that the sample results will not vary from the true characteristics of the whole population by more than a certain specified amount. 5 chances out a hundred they will. The confidence level for a sample can never be 100%.

Precision is the range within which the estimation of the population characteristics will fall at the stipulated confidence level, and is usually expressed as a plus-or-minus percentage. Once the confidence level, say 95%, and precision of 2% is determined, the estimate obtained from the sample may permit us to say that we are 95% confident that the UMR is 15% \pm 2%, or falls within a range of 13% to 17%.

Error rate is an estimate of the maximum number of errors occurring in the sample. For our purpose, we shall assume that it will be **5%**.

Once the confidence level and precision have been determined, the sample size can be determined. (There is a third factor, variability, which can be measured. However, measurement of variability would be irrelevant to our purpose and quantifying the various parameters determining variability for this exercise would make it impossible to measure.) To improve the effectiveness, and keep it cost-beneficial, it is recommended that this exercise be completed once a quarter. Further, each jurisdiction could be divided into four quadrants, and vehicle owners selected from each quadrant. This would make the sample homogenous. The sample size would be almost identical, if the population size in each quadrant is similar. In jurisdictions with fewer than 1 million population, it is sufficient to measure the jurisdiction as a single homogenous area and not divide into four quadrants.

It is important to ensure that when the quadrants are determined there are no unique demographic factors within a quadrant that would skew the result. For example, in a quadrant populated predominantly with low-income neighborhoods, one small segment has a high population of very high-income families. In such cases, some consideration must be given to “rezoning” the quadrant to avoid misleading results. Now let us select the method for sample size. The sample size indicates the minimum, and can be increased.

Random Sample Method (Contd.)

The formula to establish sample size has two parts. The first is used to obtain the sample for an infinite population. The second adjusts the size to the population being considered.

The first formula:

$$n(e) = \frac{Z^*(p)(1-p)}{A^*}$$

Note: * indicates to the power of 2

Where: $n(e)$ = First estimate of sample size
 Z = Standard Deviation Factor (from table enclosed)
 p = Error rate (Assumed at 5%)
 A = Desired precision (evaluator decides)

The second formula: uses the first estimate of sample size and adjusts it to fit the population:

$$n(f) = \frac{n(e)}{1 + (n(e) / N)}$$

Where: $n(f)$ = Final Sample size
 $n(e)$ = First estimate of sample size (from formula 1)
 N = Population

Example: For a universe of 1,000 (N), with a desired confidence level of 95%, a precision rate of 2% (A), and error not more than 5% (p), the sample size will be calculated thus:

<u>First Formula</u>	<u>Second Formula</u>
$n(e) = \frac{1.96^* (.05)(.95)}{0.02^*}$	$n(f) = \frac{456}{1 + (456/1,000)}$
$= \frac{3.8416 \times .05 \times .95}{.0004} = \underline{456}$	$= \frac{456}{1.456} = \underline{313}$

(Note: * indicates to the power of 2) Final Sample size: 313

Once the sample size has been decided, the following steps must be taken to estimate the UMR. The sample population should be only vehicle owners with valid registration selected randomly.

- Step 1: Mail a notice to the sample population, requesting insurance verification.
- Step 2: Verify if any of the mail was returned undeliverable.
- Step 3: Replace those undelivered with new ones to complete sample size. Repeat process until complete and there is nothing undelivered.
- Step 4: Send all responses with insurance information to carriers for verification.
- Step 5: Non-responses should be counted as uninsured.
- Step 6: Total of all denied policies and non-responses are the **total uninsured**.

Final Formula:

$$\frac{\text{Total Uninsured in random sample}}{\text{Sample Size}} \times 100 = \text{UMR\%}$$

Example: Sample size is 500.
 Received finally, 460 responses with insurance information.
 Carriers verified and confirmed 448, denied 12.
 Total uninsured = 40 (non-responses) + 12 denied by carriers = 52
UMR = 52/500 = 10.4%

Note: When a jurisdiction is divided into quadrants, the formula could be applied for the results from all quadrants as one calculation, or UMR calculated individually for each quadrant, as decided by the jurisdiction. If calculated individually, the average of the four UMR % would be the jurisdiction's UMR. It is unnecessary to calculate the weighted average since sample sizes would mostly be similar, even though not identical.

Factors Required to Achieve Given Confidence Levels

(Confidence Levels in percentages converted to standard deviation units, based on the normal distribution curve.)

<u>Confidence Level</u>	<u>Factor</u>
99.9	3.2905
99.7	3.0000
99.5	2.8070
99.0	2.5758
98.0	2.3263
95.5	2.0000
95.0	1.9600
90.0	1.6449
85.0	1.4395
80.0	1.2816
<u>Confidence Level</u>	<u>Factor</u>
75.0	1.1503
70.0	1.0364
68.3	1.0000
60.0	0.8416
50.0	0.6745
40.0	0.5244
30.0	0.3853
20.0	0.2534
10.0	0.1257

(**Note:** All information, examples, explanations, and the above table are from “*The Practice of Modern Internal Auditing*” by Lawrence B. Sawyer, CIA. While this book is prescribed for auditing purposes, the techniques have been adapted for this study.)

METHOD THREE: THE LAW ENFORCEMENT METHOD

This is perhaps the simplest method and not the most accurate. However, this could give an estimate, within a wider range, of the seriousness of the UMR problem.

Law Enforcement Officers routinely cite drivers of motor vehicles for driving without insurance. This finally leads to convictions or dismissals. However, the driver record may have other convictions as well. Hence the following formula is applied:

$$\text{UMR}\% = \frac{\text{Number of driver records with convictions for lack of insurance}}{\text{Number of driver records with all convictions}} \times 100$$

Example:

$$\begin{aligned} \text{Convictions in driver records for lack of insurance in 1999} &= 20,000 \\ \text{All convictions of all types in driver records in 1999} &= 500,000 \\ \text{UMR} &= (20,000/500,000) \times 100 = 4\% \end{aligned}$$

(It must be pointed out that it is generally recognized that violators have repeat violations and safe drivers have few or no convictions. Hence the result obtained by this method may be a slightly inflated number and not necessarily as accurate as the other three methods.)

METHOD FOUR: THE CRASH STATISTICS METHOD

This method simply uses the number of motor vehicles identified as uninsured in crashes during the crash investigation. Considering that this sample is a specific segment of the universe and not a random selection, the results may not be quite as accurate as the database method or the random sampling method. The UMR is calculated under this method as under:

$$\text{UMR}\% = \frac{\text{Number of Vehicles Uninsured in Crashes}}{\text{Number of Vehicles Involved in Crashes}} \times 100$$

If total vehicles involved in crashes is not available, multiply number of accidents by 1.84. 1.84 is the factor recommended by NHTSA as a nationwide average vehicle per accident.

Example: Uninsured vehicles in 2000 crashes = 200 Total vehicles in crashes = 4,000

$$\text{UMR}\% = (200/4000) \times 100 = 5\% \text{ or } (200/2000 \times 1.84) \times 100 = 5.43\%$$

CONCLUSION

This report has been prepared to assist jurisdictions, in a most cost-beneficial manner, measure the seriousness of financial responsibility violations in the jurisdiction. These methods could provide uniformity between like jurisdictions, as expressed in the survey, and also provide a mechanism for legislators in the various jurisdictions when addressing issues for pertinent legislation. These methods are by no means the only methods, nor are they expected to yield absolutely accurate results. However, they are excellent indicators of the possible violations and will help provide focus for efficient enforcement of the financial responsibility laws in each jurisdiction.