Uninsured-Driver Dilemma
States Yank License Plates, Curb Lawsuits to Try to Prompt More People to Insure

By Leslie Scism

Patrick McGehee and his wife were returning to his sister’s Oklahoma City neighborhood from dinner when a driver plowed through a stop sign and crashed into the Jeep in which they were riding, sending them both to the hospital with serious injuries.

More bad news came several days after the 2011 accident, when they saw the police report: The at-fault driver didn’t have insurance, making Mr. McGehee and his family responsible for thousands of dollars of healthcare bills.

An estimated 14% of drivers nationally are uninsured, according to the industry-funded Insurance Research Council—chronic problem that states have been unable to solve. While auto insurance has been mandated in most states for decades, lawmakers and insurance regulators say they feel increasing pressure to tackle the problem, which results in higher rates for drivers who do follow the law.

Many have decided that the traditional deterrent—the threat of fines—isn’t enough. In search of alternatives, states are experimenting with the use of databases to better identify the uninsured, programs that remove the license plates from vehicles driven by offenders and “no pay, no play” laws that restrict the ability of uninsured drivers to sue for damages after accidents.

Most states require liability coverage to pay for any damage and injuries caused by the driver. A bare-bones liability policy costs about $500 a year nationwide on average—while fines for not having liability coverage typically range from $100 to $500, according to trade groups.

Alex Hageli, director of autoinsurance policy for the Property Casualty Insurers Association of America, said uninsured drivers weigh “what are the odds” of being caught against “what will I get in a fine and court costs?”

The average annual bill is $607 for people who buy the required liability coverage as well as coverage for damage they cause to their own car plus uninsured and underinsured motorists’ coverage, according to Mr. Hageli’s group, based on data from the National Association of Insurance Commissioners. The uninsured and underinsured coverage can account for as much as about $100 of a family’s annual insurance bill, totaling about $15 billion to $12 billion nationwide, according to Mr. Hageli’s group.

John Doak, Oklahoma’s insurance commissioner, said he has “yet to be in a room [for a speech] where there weren’t someone there who was hit, or a had a family member who was hit” by an uninsured driver.

In November, Oklahoma became at least the third state to put into effect a law that allows troopers to yank license plates from uninsured motorists. The driver can reclaim the confiscated tag from a sheriff’s department after obtaining car insurance and paying a $125 administrative fee, a $250 fine and court and some other costs.

Mr. McGehee, the Oklahoma City accident victim, and his wife, Megan, hired a lawyer to sue the at-fault driver, who had ignored a stop sign, according to a police report. But the 24-year-old man, who couldn’t be reached for comment, appeared to have few assets, so “all we would do was incur legal expenses for pursuing the lawsuit,” said Mr. McGehee, 28, a city engineering inspector in Dallas.

Under a deal negotiated by their lawyer, the McGehees resolved more than $550,000 in medical bills with money from their families’ uninsured-motorist coverages and health insurance. A weightlifting enthusiast, Mr. McGehee is sidelined indefinitely due to internal injuries from the crash. He said he faces $6,000 in yearly medical costs as his treatment continues, due to health-insurance deductibles and other out-of-pocket expenses.

California, meanwhile, has had limited success with a program to make coverage more affordable to low-income drivers with good driving records.

In Sacramento, Virginia Evans, who relies on Social Security income, obtained an approximately $300-a-year, bare-bones liability policy through the program. “I wasn’t going to be eating much,” she said of higher-priced policies she had considered before learning about the cheaper alternative. But only about 11,000 drivers were recently participating in the program, which went statewide in 2007—though California has an estimated three million uninsured motorists. California is the only state to adopt a “no pay, no play” law, under which uninsured drivers who are in accidents caused by insured drivers can’t sue for pain and suffering, with certain exceptions.

A 2012 Insurance Research Council study concluded that a state’s uninsured-motorist rate can fall by as much as 16% under such a law, a decline it calls “moderate, yet statistically significant.” Critics maintain that the laws unfairly take away people’s right to sue.

Some states have turned to database firms to identify the uninsured. The companies cross check car registrations against insurers’ policyholder lists to counteract a common trick in which drivers buy coverage to get a car registered, then stop paying the premiums. Mississippi hired a database vendor earlier this year, and Rhode Island has been soliciting bids.

In about eight states, police and other state officials can query an industry-developed, web-based system in real time to verify the existence of coverage. But such some programs have hit roadblocks. The American Civil Liberties Union of Indiana last year challenged a 2010 law under which the state’s Bureau of Motor Vehicles randomly selects people from a database of drivers who had been convicted of operating a vehicle without insurance. The state demanded proof of insurance to avoid suspension of their drivers’ licenses—even if they didn’t currently own a vehicle.

The ACLU maintained the program violated due-process rights. It won a preliminary injunction, and the state since has discontinued the effort.
**Highway Scofflaws**
The rate of uninsured drivers has declined over the years but remains a chronic problem, despite state-imposed fines and other measures.

**Percentage of uninsured motorists** in the U.S.

2009 uninsured rates, by state:
- 16.0%+
- 14.0-15.9%
- 12.0-13.9%
- 10.0-11.9%
- 8.0-9.9%
- 0-7.9%

2009 13.8%

*Measured by the ratio of uninsured motorists claims to bodily injury claims frequencies*  
*2011 analysis of 2009 data*  
*Source: Insurance Research Council*  
*The Wall Street Journal*