

**Department of Public Safety and Corrections**  
**Public Safety Services**  
**Office of Motor Vehicles**

## **Facts About OMV Debt Recovery Program**

- The Office of Motor Vehicles (OMV) has been working on a process to collect unpaid reinstatement fees owed to the state relative to reported violations of the Compulsory Motor Vehicle Liability Security law and for failure to appear in court for traffic citations. The work being conducted by OMV has been in coordination with the Office of Debt Recovery (ODR) and pursuant to legislation enacted over the past several years designed to authorize and better enable state agencies to collect delinquent debt owed for various reasons including these types of penalties.
- Act 399 of the 2013 Regular Session established the Office of Debt Recovery (ODR) within the Louisiana Department of Revenue to serve as a centralized debt collection agency for state agencies. Act 399 stated, "It shall be the public policy of this state to aggressively pursue the collection of accounts or claims due and payable to the state of Louisiana through all reasonable means." ODR is designed to be an efficient highly automated centralized collection operation utilizing state-of-the-art collection tools that are unique to state government, as well as outside collection agencies and suspension of licenses where appropriate. Pursuant to Act 399, ODR focuses on collecting delinquent debts that have been final for sixty days or more.
- Act 414 of the 2015 Regular Legislative Session authorized certain reinstatement fees relative to insurance cancellations and failure to appear in court violations owed to OMV to be declared final delinquent debt and forwarded to the ODR for collection. Prior to these delinquent fees being declared as final delinquent debt and forwarded for collection, procedures outlined in state law are required to be followed. In an effort to begin this process and allow the state to collect the outstanding delinquent fees owed, OMV began the notification process as required by law.
- In March 2013, CGI Technologies and Solutions, Inc. presented a report to the Division of Administration estimating that the expected collections using an aggressive, centralized collections unit with expanded collection authorities would collect between \$118 million and \$190 million over 60 months – an incremental increase in revenues of \$106 million. In addition, the CGI report recommended, among other things, implementation of state-of-the-art collections tools to offset debts to the state and extensive use of administrative procedures to clarify debt as final.
- In 2014 the Department of Public of Public Safety and Corrections, Public Safety Services entered into an Agency Participation Agreement with the ODR, pursuant to which the

agencies, along with the Office of the Attorney General, identified certain legal issues relating to whether hundreds of millions of dollars of delinquent debt owed to DPS was final.

- To better realize the need for the initiation of the delinquent debt notification process and the use of ODR as a method of collecting unpaid reinstatement fees, it is important to understand how OMV administers the requirements of the Compulsory Motor Vehicle Liability Security law which was initially passed in 1977.
  - This law mandates all registered vehicles required to maintain minimum liability insurance must maintain the coverage at all times as long as the vehicle is registered in Louisiana and the plate has not been surrendered. Failure to maintain the required coverage subjects the vehicle owner to a reinstatement fee based upon the number of days the vehicle was uninsured.
  - Insurance security providers/companies are required to notify OMV any time a vehicle insurance policy has been cancelled or initiated within 15 days of the initiation or termination of the policy.
    - Example: When a person cancels an insurance policy on a vehicle the insurance company has 15 days to notify OMV. OMV records the cancellation and waits an additional 15 days to allow for new insurance coverage initiation to be reported. Although insurance companies have a 15 day period to report cancellation/initiation, OMV runs the 15 day periods consecutively. In addition to this 30 day period, OMV will allow an additional 15 days to eliminate the expenses related to mailing unnecessary notices due to any delayed reporting data transfer and file matching issues.
  - If the insurance company reports the initiation of a new policy and there was no lapse of coverage between the termination date and initiation date, OMV databases are updated with the appropriate information and no action is required to be taken.
  - Following the 45 day period, if no new policy initiation has been reported or the initiation date indicates a lapse in coverage, OMV will mail an **initial** notice of non-compliance to the customer that OMV had received notification from their insurance company indicating the customer failed to maintain compulsory liability insurance. This initial notice advises the customer that they have the right to request an administrative hearing or show compliance with these laws. Thousands of customers comply timely and resolved their issue by providing

proof of compliance and payment of the appropriate fees if applicable; however many do not.

- In accordance with the passage of Act 399 and Act 414 listed above, OMV began the process to identify any non-compliant customers with outstanding insurance cancellation reinstatement fees owed to the state and have gone uncollected to date. Prior to the authorization provided for in Act 414, the collection of these fees owed to the state was dependent upon customer compliance following the initial notice from OMV. Although OMV routinely receives compliance from many customers, it has become apparent that, based upon the number of outstanding cancellation records on file, the establishment of additional methods in order to obtain compliance with applicable laws was necessary.
  - OMV identified approximately 1.2M insurance cancellations on file with the agency where an initial notice had been mailed to the customer explaining that OMV had received notification from their insurance company indicating the customer failed to maintain compulsory liability insurance coverage as required by law and have not complied with the initial notice.
  - Beginning October 13, 2015 OMV mailed a **second** notice advising the customers that our records still indicated that the requested compliance with the required insurance coverage had not been received or the appropriate fee owed had not yet been paid by the customer. This second notice granted the customer 60 days to contact the OMV to provide the proper documentation and/or pay the fee owed. Following the 60 days, failure to comply would result in the fee being declared final delinquent debt and subject to being forwarded to the Office of Debt Recovery for collection.
  - As required by law and after 30 days from the date of the second notice (60 day letter) OMV will send a **third** notice to the remaining non-compliant customers that have not yet provided compliance or paid the fee owed. This third notice will again request compliance and inform the customer that they have 30 days remaining before the fees will be declared final delinquent debt and increased to the maximum of \$525 in addition to a 25% collection fee which would be retained by the Office of Debt Recovery.
  - Following the 60<sup>th</sup> day and the third and final notice, OMV can declare all customers fees owed as final delinquent debt and forward those records to the Office of Debt Recovery for collection. The Office of Debt recovery has numerous tools available for the collection of debt to include income tax refund offsets.

- Until outstanding obligations become final delinquent debt at the end of the sixty day notification period, customers will be allowed to clear insurance cancellations without a fee if they are capable of providing proof of compliance with the compulsory insurance law on the insurance cancellation date reported. Any individual that may have already been assessed a fee in response to this notice and is able to provide such proof of compliance will be refunded accordingly, as long as the matter is cleared prior to it being turned over to the Office of Debt Recovery.
- OMV cannot forgive any debt owed to the state. Regardless of the time period elapsed since non-compliance was reported to OMV, the failure of the customer to respond to the initial notice does not preclude the requirement that a fee may be owed. Therefore, OMV provided notification to all non-compliant customers regardless of the date of cancellation and the amount of time delinquent.
- In addition to the three notices listed above, customers would have received notices from their insurance companies notifying them that their liability insurance was being cancelled, or the notice they received when the law enforcement officer issued the traffic ticket.
- The intent of the notification process is designed to inform our customers that the records of OMV indicate that non-compliance with existing state laws has been recorded and that compliance documentation and any applicable fees owed are required to be paid to the state. OMV understands the anxiety and discomfort these notices may cause those who received them. We also understand how the public might perceive the intent of Act 414. The legislation was intended to collect outstanding penalties and fees owed by customers who failed to comply with the compulsory insurance law or who otherwise may have failed to appear in court pursuant to a traffic citation.
- To this date, OMV has only begun the notification process on insurance cancellation records on file that qualify as final debt as of August 22, 2015. Due to the volume of records for that specific category, OMV will not begin work on other delinquent fee categories until additional programming and other administrative processes can be developed.
- OMV office hours have been extended until 8:00 p.m. and opened on Saturdays to better assist customers.