

TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations



226 Capitol Boulevard Bldg., Suite 508
Nashville, Tennessee 37243-0760
Phone: (615) 741-3012
Fax: (615) 532-2443
www.tn.gov/tacir

MEMORANDUM

TO: The Honorable Terri Lynn Weaver
Chair, House Transportation Subcommittee

FROM: Senator Mark Norris, Chairman
Lynnise Roehrich-Patrick, Executive Director

DATE: March 25, 2015

SUBJECT: House Bill 2457 of the 108th General Assembly, Uninsured Motorist Identification and Enforcement Legislation

Mark Norris
Lynnise Roehrich-Patrick

The uninsured motorist enforcement act (House Bill 2457 by Lundberg, attachment A, and Senate Bill 2517 by Ketron) introduced in 2014 was intended to decrease Tennessee's high uninsured motorist rate, which is estimated to be the sixth highest in the nation. The bill would have made proof of compliance with the state's Financial Responsibility Law a requirement for vehicle registration and renewal and created an uninsured motorist identification database, maintained by a third-party contractor, for verifying compliance. The House Transportation Subcommittee sent the bill to the Commission for study, but the Senate Commerce and Labor Committee studied the bill itself during June 2014. As part of its study, the Commission convened two panels to discuss the bill and answer questions from members. The first panel consisted of those from the insurance industry and experts on insurance verification systems; the second consisted of state and local government officials. (See attachment B for a summary of the testimony and discussion.)

The 2014 bill was superseded by new legislation in 2015, Senate Bill 648 by Ketron and House Bill 606 by Lamberth (attachment C), which makes substantial substantive changes based on consultation by the drafters with members of the panels and others after review by the summer study committee appointed by the Senate Commerce and Labor Committee. Given the changes, the Commission offers this memorandum, which compiles and summarizes the information presented to it and to the Senate Commerce and Labor Committee, as its report on the 2014 legislation. In addition to the attachments already mentioned, this memorandum includes

- two power point presentations provided by panelists at the January meeting (attachments D and E);
- a map of the uninsured motorist rates for each state as of 2012 (attachment F);
- a table of the uninsured motorist rates, median household incomes, and poverty rates for each state as of 2012 (attachment G);
- a table showing the effect of poverty, median household income, and verification systems on uninsured vehicle rates (attachment H);
- materials from the Senate Commerce and Labor Committee's summer study on the companion bill to House Bill 2457, Senate Bill 2517 (attachments I, J, K, and L);
- the staff update on uninsured motorist verification systems presented at the November 2014 Advisory Commission meeting (attachment M).

Attachment A. Uninsured Motorist Enforcement Act of 2014 (House Bill 2457)

HOUSE BILL 2457

By Lundberg

AN ACT to amend Tennessee Code Annotated, Title 4; Title 6; Title 7; Title 10, Chapter 7; Title 12; Title 38; Title 39; Title 40; Title 55 and Title 56, relative to the Uninsured Motorist Enforcement Act.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

WHEREAS, it is the policy of this state that no vehicle be registered or driven on the highways of this state that is not in compliance with the Tennessee Financial Responsibility Law of 1977; now, therefore:

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 55, Chapter 12, is amended by designating the existing language of the chapter as part 1 and adding SECTIONS 2 – 10 as a new part 2.

SECTION 2. This part shall be known and may be cited as the "Uninsured Motorist Enforcement Act".

SECTION 3. As used in this part:

(1) "Database" means the uninsured motorist identification database created in SECTION 5;

(2) "Department" means the department of revenue;

(3) "Designated agent" means the third party described in SECTION 5(b);

(4) "Fleet vehicle" means a vehicle that is one (1) of one thousand (1,000) or more vehicles owned or long-term leased by a corporation or other legal entity and registered in this state pursuant to chapter 4, part 5 of this title;

(5) "Interested person" includes:

HB2457
012228
-1-

(A) Heirs, devisees, children, spouses, creditors, beneficiaries and any others having a property right in or claim against a trust estate, or the estate of a decedent, ward, or protected person; and

(B) Persons having priority for appointment as personal representative, other fiduciaries representing interested persons, a settlor of a trust, if living or the settlor's legal representative, if any, if the settlor is living but incapacitated;

(6) "Program" means the uninsured motorist identification database program created in SECTION 5; and

(7) "Rental vehicle" means a private passenger motor vehicle, including passenger vans, mini vans, and sport utility vehicles, and a cargo motor vehicle, including cargo vans, pickup trucks, and trucks with a gross vehicle weight of less than twenty-six thousand pounds (26,000 lbs.).

SECTION 4.

(a) No registration or renewal of registration of a motor vehicle shall be issued by the department unless the application for registration or renewal is accompanied by evidence that the vehicle meets the requirements of this chapter on the date of the application for registration or renewal.

(b) Every registration shall be accompanied by the following notice: "THIS REGISTRATION SHALL AUTOMATICALLY TERMINATE UPON THE FAILURE TO MAINTAIN EVIDENCE SHOWING THAT THIS VEHICLE AND ITS OWNER MEET THE REQUIREMENTS OF THE TENNESSEE FINANCIAL RESPONSIBILITY LAW."

(c) Submission of one (1) of the following is sufficient evidence to show a vehicle and its owner has complied with this chapter:

(1) A certificate, as described in § 55-12-111 or § 55-12-120 and valid for one (1) year, that states that a policy of insurance meeting the requirements of this chapter has been issued and will be in force during the period of registration or renewal; or

(2) A certificate, issued by the department of safety and valid for one (1) year, that states that a cash deposit or bond in the amount required by this chapter, has been paid or filed with the department of safety for the period of registration or renewal.

(d) Upon the cancellation or termination of any policy of insurance that was used as a basis of the certificate provided in subdivision (c)(1), the registration of the vehicle shall automatically terminate within ten (10) business days unless the owner or operator complies with the requirements of this chapter.

(e) Upon the withdrawal of any cash deposit or bond that was used as a basis for the certificate provided in subdivision (c)(2):

(1) The department of safety shall, within five (5) business days, provide notice to the registrant that to the department of safety's knowledge the vehicle no longer meets the requirements of this chapter; and

(2) The registration of the vehicle will automatically terminate within ten (10) business days from the date of the department of safety's notice unless the owner or operator complies with the requirements of this chapter or appeals the department of safety's decision pursuant to subsection (f).

(f) A registrant may appeal the department of safety's decision within the time period described in subdivision (e)(2) by submitting the appeal in writing to the commissioner. The department of safety shall provide an appeals process in accordance with the Uniform Administrative Procedures Act, compiled in title 4, chapter 5.

SECTION 5.

(a) There is created the uninsured motorist identification database program, to be administered by the department of revenue, with the assistance of the designated

agent described in subsection (b) and with the cooperation of the departments of safety and commerce and insurance, for the purpose of:

- (1) Establishing a database to verify compliance with financial responsibility requirements under this chapter;
- (2) Assisting in reducing the number of uninsured motor vehicles on the highways of this state; and
- (3) Assisting in the identification and prevention of identity theft and other crimes.

(b) The department shall contract, in accordance with title 12, with a third party to establish and maintain the database for the purposes established under subsection (a); provided:

- (1) No contract shall obligate the department to pay the third party more money than is available; and
- (2) The third party shall not be this state, any department of this state or any political subdivision thereof.

(c)

(1) The designated agent shall develop and maintain the database from the information provided by:

- (A) Insurers under § 56-7-1118;
- (B) The department of safety under subsection (e); and
- (C) The department of revenue under subsection (f).

(2)

(A) The department shall promulgate rules regarding the development and maintenance of the database to ensure that law enforcement agencies can efficiently access the records of the database.

(B) The records:

(i) Shall be in a form and contain information approved by the department; and

(ii) May be made available through the Internet or through another electronic medium, if the department determines that sufficient security is provided to ensure compliance with SECTION 7.

(d) With information provided by the department, the designated agent shall:

(1) Update the database with the motor vehicle insurance information provided by the insurers in accordance with § 56-7-1118; and

(2) Compare all current motor vehicle registrations against the database.

(e) The department of safety shall provide the designated agent with the name, date of birth, address and driver license number of all persons on the driver license database.

(f) The department of revenue shall provide the designated agent with a record of all current motor vehicle registrations before the seventh and twenty-first days of each calendar month.

(g) The comptroller of the treasury shall audit the program at least once every three (3) years. The audit shall include verification of billings made by the designated agent and the accuracy of the designated agent's matching of vehicle registration with insurance data. The designated agent shall archive computer data files at least semi-annually for auditing purposes.

(h) Upon request, the designated agent shall make available the information provided by insurers under § 56-7-1118 to law enforcement agencies and the

departments of revenue, safety, and commerce and insurance for the purposes listed in SECTION 7(a).

SECTION 6.

(a) If the comparison conducted by the designated agent pursuant to SECTION 5(d)(2) shows that a motor vehicle is not insured for three (3) consecutive months, the designated agent shall provide notice to the owner that the owner has fifteen (15) days from the date of the designated agent's notice to provide the designated agent with:

- (1) Proof of financial responsibility as described in this chapter; or
- (2) Proof of exemption from financial responsibility requirements.

(b) If an owner fails to provide satisfactory proof of financial responsibility or proof of exemption from the financial responsibility requirements to the designated agent, the designated agent shall:

- (1) Provide a second notice to the owner that the owner has fifteen (15) additional days to provide the requested information in subsection (a);
- (2) For each notice provided, indicate information relating to the owner's failure to provide proof of financial responsibility in the database; and
- (3) Notify the department and applicable law enforcement agencies in accordance with SECTION 7.

(c) The department shall:

- (1) In accordance with the Uniform Administrative Procedures Act, compiled in title 4, chapter 5, revoke the registration if the owner:
 - (A) Has been convicted of operating a registered motor vehicle in violation of this chapter;
 - (B) Is under an administrative action taken by the department of safety for operating a registered motor vehicle in violation of this chapter;

(C) Has failed to provide satisfactory proof of owner's or operator's security to the designated agent after the second notice provided under subsection (b); or

(D) Provided a false or fraudulent statement to the department or the designated agent; and

(2) Provide appropriate notices of the revocation, the legal consequences of operating a vehicle with revoked registration and without financial responsibility and instructions on applying for reinstatement of the registration; provided, the department may direct the designated agent to provide the notices.

(d) Any action by the department to revoke the registration of a motor vehicle under this section may be in addition to an action by a law enforcement agency to impose the penalties under this chapter.

(e) It is a Class B misdemeanor, punishable only by fine, to provide a false or fraudulent statement to the department or the designated agent.

(f) This part does not affect other actions or penalties that may be taken or imposed for a violation of this chapter.

SECTION 7.

(a) Information in the database, provided by a person to the designated agent, is not a public record under title 10, chapter 7, except that:

(1) For the purposes of investigating, litigating or enforcing the financial responsibility requirements under this chapter, the designated agent shall:

(A) Verify insurance information through the state computer network for a state or local government agency or court; and

(B) Upon request, issue to any state or local government agency or court a certificate documenting the insurance information, according to

the database, of a specific individual or motor vehicle for the time period designated by the government agency;

(2) Upon request, the department or its designated agent shall disclose whether a person is an insured individual and the insurance company name to:

(A) That individual or, if that individual is deceased, any interested person of that individual;

(B) The parent or legal guardian of that individual if the individual is an unemancipated minor;

(C) The legal guardian of that individual if the individual is legally incapacitated;

(D) A person who has power of attorney from the insured individual;

(E) A person who submits a notarized release from the insured individual dated no more than ninety (90) days before the date the request is made; or

(F) A person suffering loss or injury in a motor vehicle accident in which the insured individual is involved, but only as part of an accident report;

(3) For the purpose of investigating, enforcing or prosecuting laws or issuing citations by law enforcement agencies related to the:

(A) Registration and renewal of registration of a motor vehicle under chapter 4 of this title;

(B) Purchase of a motor vehicle; and

(C) Financial responsibility requirements under this chapter;

(4) Upon request of a peace officer acting in an official capacity under subdivision (a)(3), the department or the designated agent shall, upon request, disclose relevant information for investigation, enforcement or prosecution of the laws;

(5) For the purpose of the comptroller of the treasury conducting audits of the program; and

(6) Upon the request of a law enforcement agency for the purpose of investigating and prosecuting identity theft and other crimes.

(b)

(1) The department may allow the designated agent to prepare and deliver, upon request, a report on the insurance information of a person or motor vehicle in accordance with this section.

(2) The report may be in the form of:

(A) A certified copy that is considered admissible in any court proceeding in the same manner as the original; or

(B) Information accessible through the Internet or through another electronic medium if the department determines that sufficient security is provided to ensure compliance with this section.

(3) The department may allow the designated agent to charge a fee established by the department for each:

(A) Document authenticated, including each certified copy; and

(B) Record accessed by the Internet or by another electronic medium.

(c) A person who knowingly releases or discloses information from the database for a purpose other than those authorized in this section or to a person who is not

entitled to the information commits a Class A misdemeanor, punishable only by fine;
provided:

(1) An insurer is not liable to any person for complying with § 56-7-1118
by providing information to the designated agent; and

(2) Law enforcement agencies, the state, and the designated agent shall
not be liable to any person for gathering, managing, or using the information in
the database in accordance with § 56-7-1118 and this part.

SECTION 8.

(a) At the time application is made for reinstatement or renewal of registration of
a motor vehicle after a revocation of the registration under this part, the applicant shall
pay a registration reinstatement fee of one hundred dollars (\$100).

(b) The fee imposed under subsection (a) is in addition to any other fee imposed
under this title.

SECTION 9. Fleet and rental vehicles are exempt from this part.

SECTION 10. The department shall report to the general assembly by January 1, 2016,
and every year thereafter, concerning implementation of the program and shall include within
the report the findings and recommendations of the department regarding the effectiveness and
efficiency of the program. The report may be done in conjunction with any other report to the
general assembly; provided, the combined report meets the first day of the January deadline.

SECTION 11. Tennessee Code Annotated, Title 56, Chapter 7, Part 11, is amended by
adding the following language as a new, appropriately designated section:

56-7-1118.

(a) As used in this section:

(1) "Department" means the department of commerce and
insurance; and

(2) "Designated agent" has the same meaning as set forth in SECTION 3.

(b) Beginning January 1, 2015, and until the department determines otherwise pursuant to subsection (f), each insurer that issues a policy that includes motor vehicle liability coverage, uninsured motorist coverage, underinsured motorist coverage or personal injury coverage under this chapter shall, before the seventh day and twenty-first days of each calendar month, provide to the designated agent a complete record of each motor vehicle insurance policy in effect for vehicles registered in this state; provided, no insurer is precluded from more frequent reporting.

(c)

(1) A record provided by an insurer under subsection (b) shall include:

(A) The name, date of birth, and driver license number, if the insured provides a driver license number to the insurer, of each insured owner or operator, and the address of the named insured;

(B) The make, year and vehicle identification number of each insured vehicle; and

(C) The policy number, effective date and expiration date of each policy.

(2) Each insurer shall provide the information required by this subsection (c) by an electronic means or by another form accepted by the designated agent.

(d)

(1) In addition to the reporting requirements under subsection (b), each insurer that issues a policy that includes motor vehicle liability coverage, uninsured motorist coverage, underinsured motorist coverage, or personal injury coverage under this chapter shall, upon request, provide to the designated agent, verification of whether or not a motor vehicle insurance policy is in effect for a specified vehicle.

(2) Each insurer shall provide the verification required by this subsection (d) using an electronic service established by the insurers, through the Internet, world wide web, or a similar proprietary or common carrier electronic system that:

(A) Is compliant with applicable industry standards;

(B) Is available twenty-four (24) hours a day, seven (7) days a week, subject to reasonable allowances for scheduled maintenance or temporary system failures; and

(C) Includes appropriate security measures, consistent with industry standards, to secure its data against unauthorized access and maintain a record of all information requests.

(e) The department may, following procedures set forth in the Uniform Administrative Procedures Act, compiled in title 4, chapter 5, assess a fine against an insurer of two hundred fifty dollars (\$250) for each day the insurer fails to comply with this section; provided, if an insurer shows that the failure to comply with this section was inadvertent, accidental or the result of excusable neglect, then the department shall excuse the fine.

(f) Notwithstanding subsection (b), the department may cease requiring the submissions under this section if the designated agent can prove to the

department and the comptroller's office that the database is as effective and accurate without the need for the submissions.

(g) Fleet and rental vehicles are exempt from this section.

SECTION 12. The commissioners of revenue, safety, and commerce and insurance are authorized to promulgate rules to effectuate the purposes of this act. All such rules shall be promulgated in accordance with Tennessee Code Annotated, Title 4, Chapter 5.

SECTION 13. For purposes of promulgating rules, this act shall take effect upon becoming a law, the public welfare requiring it. For all other purposes, this act shall take effect July 1, 2015, the public welfare requiring it.

Attachment B. Testimony Before the Commission on January 28, 2015

Insurance Industry and Verification Systems Panel

Matthew Hudnall, Senior Associate Director, Center for Advanced Public Safety (CAPS), University of Alabama

Mr. Hudnall explained that CAPS is a state agency that develops computer systems for the Alabama Motor Vehicle Division, including the state's vehicle registration system, online titling system, online insurance verification system, mandatory liability insurance system, and other law enforcement related systems. CAPS also provides systems for other states, including Mississippi and Arkansas. See attachment D for a copy of the power point used by Mr. Hudnall.

Alabama implemented its first mandatory liability insurance law in 2000. At the time, the state had an uninsured vehicle rate of 25%. Initially, Alabama enforced this law only through randomly targeted letters to registered vehicle owners asking them to verify whether they had insurance. By 2012 the uninsured rate had dropped to 20%. Alabama began using an online insurance verification system and began requiring electronic verification of insurance coverage for vehicle registration in 2013. The state initiated a public awareness campaign and used billboards, TV, radio and online ads to inform the public of the new requirement.

Alabama operates a hybrid web service verification system that allows county officials, law enforcement, and the courts to make queries to a centralized system that authenticates the user, logs the insurance information for the vehicle being verified, and routes it to the appropriate insurance company for verification. Insurance companies are required to send policy information once a month to CAPS to assist the centralized system in the routing of verification information. This information creates a record that can be used to automatically generate insurance verification requests to insurers, making the verification process easier and more precise by reducing manual entry at the point of registration and traffic stops.

In response to a question by Mayor Rowland, Mr. Hudnall said that Alabama requires insurance companies to participate, and there is a \$1,000 fine for each failure to respond to a verification request. He said he believes the fine is too large, and in fact Alabama has never imposed it. He thinks the \$250 fine per day in Tennessee's bill is much more reasonable.

In conjunction with the Insurance Industry Committee on Motor Vehicle Administration (IICMVA), CAPS authorized a standardized web service system which insurance companies can use to make their data available to the state. CAPS can query insurers' databases in real time to determine if a vehicle is insured on a specific date. The query goes through the central server, out to the insurance company, back to the central server and then to the original requester in less than a second. See attachment D for an illustration of this process.

If the insurance is not verified, all of the vehicle's insurance information is sent to the central server, which retains the information for 30 days. After 30 days, CAPS attempts to verify the

information a second time. If after the 30 day period insurance cannot be verified, the vehicle is entered into CAPS Mandatory Liability Insurance Suspension process, which generates a letter of notice to the vehicle owner.

When a person receives a letter, they have an option to provide proof of insurance by (1) entering the information online, (2) completing the form provided in the letter and mailing it back to the state, or (3) visiting the local licensing office. If the person successfully verifies insurance, there is no penalty; if they do not, the vehicle's registration is suspended. In Alabama, the cost to renew a suspended registration is \$200 for the first offense and \$400 for subsequent suspensions.

Mr. Hudnall cautioned the Commission about vehicle owners who attempt to circumvent the law by claiming a working vehicle is inoperable. To address this problem, CAPS makes citation information from police available to registration officials, allowing them to check for citations issued for a vehicle when a person claimed it was inoperable.

In January 2014, CAPS had a 75% confirmation rate, meaning that only 25% of the queries sent to insurers came back as invalid or unconfirmed. By December of 2014, CAPS' confirmation rate increased to 85%.

Every insurance record in Alabama is re-verified monthly. Since January 2013, CAPS has processed 170 million verification requests. From January to December of 2014, 94 million transactions were processed, averaging about 8 million queries per month. The Alabama Department of Revenue continues to report a drastic decrease in the uninsured rate. The state police had a 30% reduction in the number of citations issued for failure to provide insurance in the first year of the program.

Mayor Burgess asked Mr. Hudnall about the initial contractual amount between the state and the University of Alabama to develop the system and about the recurring cost. Mr. Hudnall said that CAPS developed two components for Alabama. The technology component, which includes the web service used to query insurance companies and the software used by officers and licensing officials, cost approximately \$350,000. The state wide marketing campaign consisting of TV and radio commercials and billboards cost about \$500,000. The only recurring costs are those for employing the people who keep the system running and for the individuals devoted to resolving data discrepancy issues.

Bart Blackstock, Executive Vice President, Insure-Rite, Inc.

Mr. Blackstock works for Insure-Rite, a company that designs and operates verification systems. He said that the best verification systems require insurers to provide both a full-book-of-business download at least twice a month and to implement the IICMVA model. The advantage of the full-book method is it gives the system administrator the ability to match data from insurers and the state and provides a 95% or better match rate, as shown by Insure-Rite's experience in Utah and Texas. See attachment E for a copy of Mr. Blackstock's presentation slides.

The IICMVA model is great for online verification, but requires an exact vehicle identification number (VIN) and policy number for it to work. Insure-Rite recommends, as the second best method, requiring a full-book-of-business only, but Mr. Blackstock noted that there is insurance industry opposition to providing a full-book-of-business.

Because of insurers' concerns, Insure-Rite developed a hybrid approach for Tennessee, which is included in legislation introduced in 2015 (see attachment B). This approach requires insurance companies to either participate in the IICMVA model or report a full-book-of-business. If an insurer chooses to use the IICMVA model only, they might have to manually enter VIN and policy numbers. However, an optional IICMVA component allows for an "unknown carrier request" or "VIN only request," helping avoid the manual entry problem.

Insure-Rite would first match all the full-book-of-business insurance policy information to the registration and vehicle data sent by the state. VINs for registered vehicles with data not matching the full-book information would be sent to all of the insurance companies that use the IICMVA model. The insurers would then reply either confirming the insurance or not. Insure-Rite would record confirmed vehicles in their database. Owners of vehicles not verified by either method would be sent letters requesting verification. The letter method is similar to Alabama's, but Insure-Rite is recommending a 90 day period before sending a letter while Alabama only waits 30 days.

In West Virginia, Insure-Rite is implementing the IICMVA model only, and it has been a challenge. About half the insurers there are voluntarily giving Insure-Rite a full-book-of-business so they can pre-match data.

The third best option is an "add/delete" system that requires insurers to report all new insurance policies and cancellations. But these systems are very inaccurate and difficult to manage. Mr. Blackstock does not recommend this approach for Tennessee. The least-preferred choice would be the IICMVA model by itself because it is labor intensive for those that have to use it, such as law enforcement, and is designed to be reactive only.

Benjamin Sanders, Executive Director of Government Affairs, Farm Bureau Insurance of Tennessee

Mr. Sanders said any solution to the uninsured motorist problem should have three characteristics: (1) the penalties should change behavior, (2) unintended consequences should be avoided, and (3) the benefits should outweigh the costs to consumers. Tennessee's maximum fine of \$100 is not enough to change the behavior of those who make a risk versus reward assessment of whether to break the law. The minimum price for a vehicle liability policy is about \$300 a year in Tennessee. There are a lot of people in Tennessee that weigh the certainty of \$300 a year versus the risk of \$100 fine. Before the state looks at expensive verification programs, he said the first step is to look at the enforcement and ask whether the risk of breaking the law outweighs the benefit of breaking the law.

The system should avoid the unintended consequence of increased premiums for those who maintain their insurance to cover the cost of those who drop it immediately after registering the vehicle if that's the only point at which it is required. Most states require insurance at the time of registration, something Farm Bureau has strenuously opposed in Tennessee. They are concerned that people will buy insurance, register the vehicle, and then drop the policy. Kentucky, for example, requires insurance at registration and has an uninsured motorist rate, similar to Tennessee, about 20%. That means 1 in 5 drivers in Kentucky buy insurance to register their vehicles and then drop it. [Note: The current rate in Kentucky is 15.8%.] Issuing a new insurance policy costs Farm Bureau about \$120. If someone with a minimum liability policy costing \$25 per month keeps the policy for two weeks just to register the vehicle, Farm Bureau will refund all but \$12 of that first premium payment and will be out about \$108. On a large scale, this is expensive, and states that require insurance before registration have higher average premium costs because insurance companies have to spread this increased cost to others.

Finally, the benefit of the verification program should outweigh the cost to customers. Insurers should not be part of the enforcement arm of the state, but the first step in many discussions of uninsured solutions involves the insurance companies implementing an expensive computer program. While Farm Bureau is glad to be a good corporate citizen and help the state, they question the benefit to their policy holders. The argument is that if the uninsured rate drops it will lower premiums. That is somewhat but not entirely true because of the need to have uninsured motorist coverage that includes coverage for uninsured and underinsured vehicles to insure for the underinsured. Even if every vehicle is insured, it is still important to have underinsured coverage to protect yourself from those with insufficient insurance. The cost of uninsured coverage ranges from \$2 to \$7 a month. Even if there were no uninsured drivers on the road, rates would probably not drop significantly.

In response to a question from Mayor Rowland about what happens when a motorist gets insurance and cancels after two weeks but still has an insurance card to show to law enforcement and is pulled over, Mr. Sanders said that the IICMVA model allows law enforcement to "ping" insurance company information to confirm the validity of the cards.

It is important to take a rational and thoughtful approach to developing a verification system. Most states have some type of insurance verification program, and Farm Bureau has reams of data from other states on what works and what does not. Some systems, like Alabama's, are more promising. As technology increases, it's easier to have a successful system. The bill's sponsor for Tennessee's legislation and interested parties have agreed to an incremental approach, which is a good solution for Tennessee. This solution can lower the uninsured rate without adding cost to those people that are already being responsible.

Alex Hageli, Director of personal lines policy for the Property Casualty Insurers Association of America (PCI) and vice-chair, Insurance Industry Committee on Motor Vehicle Administration.

Mr. Hageli said that, although it may be surprising coming from an insurance trade association, PCI opposes insurance requirements because they lead to verification programs that waste a lot of insurance company resources on resolving discrepancies between databases and insurance company information. For example, he may register his vehicle under Alex Hageli but buy his insurance under Alexander Hageli, creating a data discrepancy that has to be resolved. Insurance companies have to employ people to resolve these discrepancies.

Furthermore, the moment data is entered into the database it becomes dated and may not be accurate if it is referenced several days later. Because of this, the IICMVA model allows the state to access the insurance company's information in real-time rather than relying on information in state-run or third-party databases. PCI considers this a superior approach. Among his other points were these:

- Any insurance-verification legislation should require an advisory council to facilitate communication between state agencies and the insurance industry. Mr. Hageli is on Alabama's advisory council and says that it has been an invaluable tool there.
- People make an economic decision whether to buy insurance or be penalized. It does a state no good to simply know who is driving without insurance unless it has effective enforcement. Tennessee should raise its fine for violating the law and not allow judges to reduce the amount because of a "hard-luck story." He said that a universal sentiment that he hears across states is, "if I'm required to buy insurance, other people should buy it too, and the state should make sure it happens."
- Commercial insurance policies should be excluded because they are very different from personal insurance coverage. Personal coverage involves specific vehicles make, VIN, etc., while commercial policies often don't list specific vehicles because they have so many coming and going.

State and Local Government Panel

Roger Hutto, General Counsel, Department of Safety & Homeland Security

Mr. Hutto said that, although the Department of Safety enforces the Financial Responsibility Law, the Uninsured Motorist Enforcement Act of 2014 would have very little effect on the Department of Safety. Currently, there is no requirement to show proof of insurance to register a vehicle or to get a driver's license, but failure to have insurance is a violation that can result in suspension of the driver's license by the department for one year. Current law requires proof of insurance in only certain situations, such as traffic stops for moving violation and involvement in an accident.

There are about 20 traffic offenses for which the person convicted must show proof of vehicle insurance to the Department of Safety in order to get their license back. The requirement to show proof means either showing that the person had insurance at the time of the offense, or that the person has obtained prepaid auto insurance for a period that varies with the seriousness of the offense, referred to by the insurance industry as SR-22

The department suspended about 67,000 licenses last year because of violations of the Tennessee Financial Responsibility Law. The Tennessee Highway Patrol alone issued about 61,000 citations for failure to show proof of insurance, but some of those cited were insured but did not have proof on hand. Asked by Mayor Rowland whether people are allowed to drive away after being cited for failure to provide proof of insurance at traffic stops, Mr. Hutto replied that they are.

Richard Roberts, Commissioner of Revenue

Commissioner Roberts said the question of whether uninsured coverage should be required in order to register a vehicle is the province of the legislature. If there is a directive from the legislature on this matter, it should not be allowed to slow the work of county clerks or be cumbersome for those needing to renew registrations. Clerks are dealing with 40-year-old-technology, particularly for vehicle titling and registration, and there have been some ill-conceived attempts that cost a lot of money over the years to update technology.

In an example of a successful technology update, the department recently, with the help of clerks and their vendor, developed a print-on-demand process for vehicle registration labels at the time of renewal that incorporates the license plate number. About two-thirds of the counties currently do this, which allows an officer stopping the vehicle to know whether it is stolen. In the past, all the counties would package and mail millions of pages of documents. The department now receives electronic copies of those documents for at least 85 of the 95 counties. The department is making great progress in these areas. Implementation of a new system should be similarly an incremental process.

The department is currently developing an insurance verification system that Commissioner Roberts said he hopes to be testing and implementing by next year. The department does not yet have all the details that comprehensive legislation should include, such as appropriate fine amounts and lapse periods. From looking at all the bills on this issue, while they are comprehensive, it's not clear whether they meet all of Tennessee's needs. Once the department has more information from the development and testing of the verification system, the department can come back with those specifics next year.

Commissioner Roberts said he spoke with Senator Ketron about the possibility of allowing the department to develop and test a verification system in consultation with the Department of Safety and county clerks. He said the department could come back next year with a definitive report on the successes and failures of the system and a verification system could be ready to operate in less than a year and half. Testing of the program could begin this fall and be used to identify any gaps in the system.

Responding to a question from Mayor Waters clarifying whether Commissioner Roberts was recommending not passing this type of legislation or asking for more time to develop an insurance verification system, Commissioner Roberts made clear that the Department of Revenue is not taking a position on any legislation but is already working to develop a solution and would like more time to evaluate and test it in order to come back with a proposal based on what they find most workable. He noted the department's past successes in solving problems with generating dealer drive out tags, print-on-demand, and electronic delivery of data as evidence as examples of the department's ability to solve problems in an orderly and efficient way. Commissioner Roberts also suggested allowing time for additional recommendations from citizens and the legislature for appropriate fines, grace periods, notice, and basis for suspending a registration. He said this issue raises a lot of policy questions beyond one department.

Responding to a question from Mayor Burgess about the verification system he had under consideration, whether it was the full-book approach, the IICMVA model, or some combination, Commissioner Roberts said they were contemplating allowing insurance companies to decide, at least initially, to see how that works. He said they might narrow it down to one system in the future, but they do not know enough now to eliminate one or the other. He said that he has heard pros and cons for both systems and would like to accommodate both at the start.

Asked by Mayor Rowland whether people can still post a bond as opposed to buying insurance to meet the requirements of the Financial Responsibility Law, Commissioner Roberts responded that it is still permitted but only one person in the state posts a bond in place of insurance.

Michael Humphreys, Assistant Commissioner for Department of Commerce and Insurance; and Tony Greer, Chief Counsel for Department of Commerce and Insurance

Mr. Humphreys said that the Department of Commerce and Insurance's role in the changes proposed by the referred legislation is limited to enforcing insurance companies' participation in whatever verification system is used and had no further comment.

Kellie Jackson, County Clerk, Montgomery County, Representing the County Clerks Association

Ms. Jackson said the County Clerks Association understands that uninsured vehicles are a problem and is willing to assist in reducing that number. She asked that any verification requirement be reviewed to make sure county clerks are not overly burdened with a heavy workload. She said the biggest challenge for county clerks across the state is a lack of manpower.

To illustrate how a small change could have a large effect on county clerks, she provided statistics from Montgomery County, which processes 125,000 registrations annually, averaging about 500 daily. With correct information, the renewal process takes about one minute. With

complications, such as residency issues, the process takes much longer. If they are required to verify insurance and that process takes even one additional minute, then renewals would take 500 additional minutes every day, but the bill would not have allocated any amount from the fees to the county clerks' offices to defray the increased costs.

Approximately 49% of registration renewals in Montgomery County take place online or by mail. If they had to require additional materials because an applicant failed to submit them, they would have the additional expenses of mailing a request and following up on it. Also, since military service members have taken advantage of online renewals and many renew while overseas to have the registered vehicle ready when they get back, requiring additional documentation could create a hardship for them.

Ms. Jackson recommends not requiring county clerks to check hardcopy proof of insurance when customers come in to register, and if there is a requirement, prefers that there is an electronic way to check for proof of insurance. Notations alerting county clerks not to renew registrations, as well as emission testing information, are already embedded in the state's computer system, and 93 of the 95 county clerk's offices are using software and technology services provided by a single company to access that system. This is a seamless process that prevents clerks from renewing those registrations.

Ms. Jackson closed by saying that local government shouldn't have to absorb the costs associated with any insurance verification program and we shouldn't hinder 80% of Tennesseans because of the 20% that don't comply with the law.

Other Questions and Comments by Members of the Commission

Representative Carter questioned the need to address the uninsured motorist problem by creating the proposed bureaucracy when people can fix the problem for themselves by buying uninsured coverage for \$2 to \$7 a month. He also questioned the requirement to sign to reject uninsured coverage when buying a policy. Mr. Sanders said that a lot of complaints come from those who rejected uninsured coverage but are upset when involved in an accident with an uninsured driver and have to pay out-of-pocket for the damage. He also said that about 95% of Farm Bureau's customers carry uninsured coverage and that Tennessee prohibits rate increase for those hit by uninsured drivers, whether they have uninsured coverage or not. Representative Carter responded that the complaint he hears from some motorists is that their insurance agent didn't explain the uninsured coverage to them and asked whether the state should require uninsured motorist coverage. Noting that it is a profound punishment to take a working person's driver's license and that doing so could ultimately put them on public assistance, if Tennessee is going to do this, we need to know that we are correcting a tremendous problem.

Mr. Hageli responded that the catalyst for the Alabama program was its high uninsured rates. According to the latest Insurance Research Council numbers, which is the only comprehensive study for all 50 states' uninsured rates, Tennessee's uninsured rate is one of the highest. Mr. Sanders said we have to remember that insurance is an inherently selfish product. You buy it

to protect yourself and your assets. There are a lot of people that have no assets, no home, and an inexpensive vehicle. If that person doesn't feel that they have anything to lose, there is less incentive to buy insurance. Mr. Sanders said that the data shows that states with the lowest uninsured rates also have the highest household incomes. For example, states like Massachusetts, Maine, Vermont, and New York that have higher average incomes than Tennessee also have lower uninsured rates. Further, while Utah has a verification system and a very low rate, it also has a much higher average income than Tennessee.

Representative Carter, drawing on his experience as a judge, made the point that issuing citations and suspending licenses does not stop people from driving, particularly those who have to drive to get to work and cannot afford not to work. Given the number of citations issued by the Tennessee Highway Patrol, he suggested that there are probably hundreds of thousands of citations being issued across the state. Numerous statutes require judges to revoke driver's licenses, which raises the question of what to do about working Tennesseans that have their licenses suspended. Council Member Senter speculated that many of those without insurance are those without licenses.

Attachment C. James Lee Atwood Jr. Law of 2015 (Senate Bill 648)

HOUSE BILL 606
By Lamberth

SENATE BILL 648

By Ketron

AN ACT to amend Tennessee Code Annotated, Title 4;
Section 9-4-603; Title 10; Title 12; Title 55,
Chapter 12; Title 55, Chapter 4; Title 55, Chapter
10 and Title 56, relative to motor vehicles.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 55, Chapter 12, is amended by adding the following language as a new part:

55-12-201. This part shall be known and may be cited as the "James Lee Atwood Jr. Law."

55-12-202. The purpose of this part is to develop and implement an efficient insurance verification program that utilizes the online verification system, standards, specifications, model, and guide of the Insurance Industry Committee on Motor Vehicle Administration or a full book of business under § 55-12-207, in order to verify whether the financial responsibility requirements of this chapter have been met with a motor vehicle liability insurance policy.

55-12-203. As used in this part, unless the context otherwise requires:

(1) "Auto liability insurer" means an insurance carrier licensed under title 56 to provide vehicle insurance, as defined in § 56-2-201, in this state;

(2) "Batch file" means a group of records contained in a file or files, the format of which complies with the IICMVA Model User Guide for Implementation Online Insurance Verification;

(3) "Commercial auto coverage" means any coverage provided to an insured, regardless of the number of vehicles or entities covered, under a commercial coverage form and rated from a commercial manual approved by the department of commerce and insurance;

SB0648
001426
-1-

(4) "Designated agent" means the third-party vendor that the department of revenue contracts with, in accordance with title 4, chapter 56, and title 12, to develop and implement the program;

(5) "Full book of business" means a full book of business download that contains the data elements described in § 55-12-207(c);

(6) "IICMVA" means the Insurance Industry Committee on Motor Vehicle Administration;

(7) "NAIC" means the National Association of Insurance Commissioners; and

(8) "Online electronic insurance verification program" or "program" means an online electronic insurance verification program that is created in compliance with the online verification system, standards, specifications, model, and guide of the IICMVA, and developed by the department of revenue in compliance with this part.

55-12-204.

(a) The commissioner of revenue shall contract with a designated agent to develop and implement an online electronic insurance verification program to electronically verify whether the financial responsibility requirements of this chapter have been met with a motor vehicle liability insurance policy.

(b) Prior to developing and implementing the program, the department of revenue shall consult with the following entities to determine the details and deadlines related to the program:

(1) Auto liability insurers;

(2) Private service providers who have successfully developed and implemented similar online verification systems in other states;

(3) The department of safety; and

(4) The department of commerce and insurance.

55-12-205. The program shall:

(1) Be an accessible common carrier based system for online electronic verification of proof of motor vehicle liability insurance in accordance with IICMVA specifications and standards;

(2) Verify, on an on-demand basis, minus reasonable downtime for system maintenance as agreed upon by the department of revenue and the insurer, the liability insurance status of a motor vehicle, whose status is determined:

(A) As of the time of the inquiry; or

(B) At other times not exceeding six (6) months prior to the inquiry unless otherwise agreed upon by the commissioner of revenue and the insurer;

(3) Require auto liability insurers that only participate in the IICMVA model to accept unknown carrier requests in an effort to confirm the liability insurance status of the motor vehicle in instances where the program is unable to verify the liability insurance status;

(4) Use multiple data elements to make insurance verification inquiries more accurately by utilizing:

(A) The auto liability insurer's NAIC code;

(B) Vehicle identification numbers;

(C) Insurance policy numbers or policy key;

(D) The date of the verification request; and

(E) Other data elements as set forth in any IICMVA Insurance Data Transfer Guide specifications;

(5) Provide sufficient measures for the security and integrity of data collected by the program;

(6) Limit the usage of the information obtained through the operation of the program to the department of revenue, the department of safety, the department of

commerce and insurance, law enforcement, and the judiciary to effectuate the purposes of this chapter;

(7) Utilize open data and data transmission standards as determined by the department of revenue by rule;

(8) Send requests to auto liability insurers for verification of evidence of financial responsibility via online services established by the auto liability insurers, or offered through a similar proprietary or common carrier electronic system in compliance with the specifications and standards of the IICMVA;

(9) Respond to a verification request within a time period established by the department of revenue and consistent with the IICMVA Insurance Data Transfer Guide Specifications; and

(10) Work in conjunction with existing state programs and systems related to this title if necessary to carry out this part.

55-12-206. In developing and implementing the program, the department of revenue, where applicable, shall:

(1) Consult and cooperate with auto liability insurers in establishing and operating the program;

(2) Designate and maintain a contact person for auto liability insurers during the establishment, implementation, and maintenance of the program;

(3) Publish for comment, and then issue, a detailed guide of the program;

(4) Establish and maintain the systems necessary to make verification requests to insurers using the data elements that the department of revenue and auto liability insurers have agreed upon and are necessary to receive accurate responses from auto liability insurers;

(5) Implement and maintain, for all information transmitted and received, strict system and data security measures consistent with applicable industry standards as determined by the department of revenue by rule; provided, data secured by the department of revenue via the program shall not be shared with any party other than those permitted by state or federal privacy laws, including, but not limited to, the federal Driver's Privacy Protection Act of 1994 (18 U.S.C. §§ 2721 et seq.);

(6) Be responsible for keeping the designated agent informed on the implementation status, functionality, and planned or unplanned service interruptions; and

(7) Provide alternative methods of reporting for auto liability insurers writing fewer than five hundred (500) noncommercial motor vehicle policies in this state as determined by the department of revenue.

55-12-207.

(a) If an auto liability insurer chooses not to participate in the IICMVA model, including unknown carrier requests, the auto liability insurer shall provide to the designated agent a full book of business by the seventh day of each calendar month.

(b)

(1) Each auto liability insurer that chooses not to participate in the IICMVA model pursuant to subsection (a) shall, before the seventh day of each calendar month, provide to the designated agent a record of each motor vehicle insurance policy in effect for vehicles registered in this state as of the previous submission that was issued by the auto liability insurer.

(2) Subdivision (b)(1) does not apply if the policy covers a motor vehicle that is registered as a vehicle of a political subdivision or of this state, or as a vehicle registered pursuant to § 55-4-122 or § 55-4-502.

(3) This subsection (b) does not preclude an auto liability insurer from more frequent reporting.

(c)

(1) The record provided pursuant to subsection (b) shall include:

(A) The name and date of birth of each insured owner or operator, and the address of the named insured;

(B) The make, year, and vehicle identification number of each insured motor vehicle; and

(C) The policy number, effective date, and expiration date of each policy.

(2) Each auto liability insurer that chooses not to participate in the IICMVA model pursuant to subsection (a) shall transmit the information described in this subsection (c) by electronic means or by another means of transmission acceptable to the department of revenue and its designated agent.

55-12-208. Nothing in this part precludes an auto liability insurer from participating in both the IICMVA and the full book of business download process described in § 55-12-207.

55-12-209.

(a) Any information obtained by the designated agent or the department of revenue from the program is for the sole use of the department of revenue, the department of safety, the department of commerce and insurance, law enforcement, and the judiciary to effectuate this chapter and is not a public record for purposes of title 10, chapter 7, nor discoverable in the course of legal proceedings.

(b) The department of safety shall cooperate with the department of revenue in developing, implementing, and maintaining the program.

(c) A law enforcement officer from a jurisdiction that has reasonable access to the program shall utilize the program to verify proof of financial responsibility as required by § 55-12-139.

(d) Nothing in this part precludes a law enforcement officer from a jurisdiction that does not have reasonable access to the program from utilizing the program to verify proof of financial responsibility as required by § 55-12-139.

(e) Nothing in this part prohibits an auto liability insurer from using the services of a third-party vendor to comply with this part.

(f) This part shall not apply to motor vehicles insured under commercial auto coverage; however, insurers of those vehicles may participate on a voluntary basis. Auto liability insurers shall provide commercial automobile customers with evidence reflecting that the vehicle is insured under a commercial auto policy. Sufficient evidence shall be an insurance identification card clearly marked in the title with the identifier: "Commercial Auto Insurance Identification Card".

(g) No later than January 1, 2019, and annually thereafter, the department of revenue and the department of safety shall issue a joint report to the general assembly, evidencing:

- (1) The costs of the program to the department of revenue, insurers, and the public;
- (2) The effectiveness of the program in reducing the number of uninsured motor vehicles;
- (3) The number of persons complying with the financial responsibility requirements of this chapter through means other than motor vehicle liability insurance; and

(4) The number of persons convicted per year for failing to show evidence of financial responsibility pursuant to § 55-12-139.

55-12-210.

(a) If there is evidence based on either the IICMVA or the full book of business reporting that a motor vehicle is not insured for three (3) consecutive months, the department of revenue shall direct the designated agent to provide notice to the owner of the motor vehicle that the owner has fifteen (15) days to provide:

- (1) Proof of owner or operator's security in a form allowed under this chapter;
- (2) Proof of exemption from the owner or operator's security requirements;
- (3) Proof that the motor vehicle is no longer in the owner's possession; or
- (4) A statement, under penalty of perjury, that the vehicle is not in use on any public road.

(b) If an owner of a motor vehicle fails to provide satisfactory proof or a statement as described in subsection (a), the designated agent shall:

- (1) Provide a second notice to the owner of the motor vehicle that the owner now has fifteen (15) days to provide the proof or a statement as described in subsection (a);
- (2) For each notice provided, indicate information relating to the owner's failure to provide proof or a statement as described in subsection (a) in the database; and
- (3) Provide this information to state and local law enforcement agencies as requested.

(c) If the owner of the motor vehicle fails to comply with the notice described in subsection (b), the department of revenue:

(1) Shall revoke the registration in accordance with the Uniform Administrative Procedures Act, compiled in title 4, chapter 5;

(2) Shall provide appropriate notices of the revocation, the legal consequences of operating a motor vehicle with revoked registration and without owner or operator's security, and instructions on how to get the registration reinstated; and

(3) May direct the designated agent to provide the notices under subdivision (c)(2).

(d) Any action by the department of revenue to revoke the registration of a motor vehicle under this section may be in addition to an action by a law enforcement agency to impose penalties under this chapter.

(e)

(1) A person shall not provide a false or fraudulent statement to the department of revenue or the designated agent.

(2) In addition to any other penalties, a violation of subdivision (e)(1) is a Class B misdemeanor.

(f) This part does not affect other actions or penalties that may be taken or imposed for violation of the owner or operator's security requirements of this chapter.

(g) For auto liability insurers that participate using the IICMVA model only, the designated agent shall send a batch file to the auto liability insurer of record asking for verification that the vehicle is still insured. If the vehicle is no longer insured by the auto liability insurer of record and no other insurance company using the IICMVA model indicates coverage after an unknown carrier request under § 55-12-205(3), the vehicle

enters the ninety-day pool with the vehicles identified through the full book of business download process. If the vehicle remains uninsured for ninety (90) days, the vehicle becomes eligible for notice as described in subsection (a).

55-12-211.

(a) At the time application is made for reinstatement or renewal of registration of a motor vehicle after a revocation of the registration under § 55-12-210, the applicant shall pay a registration reinstatement fee of three hundred dollars (\$300).

(b) The fee imposed under subsection (a):

(1) Is in addition to any other fee imposed under this chapter; and

(2) Shall be deposited in the uninsured motorist identification restricted fund created by § 55-12-213.

(c) The department of revenue shall waive the registration reinstatement fee imposed under this section if:

(1) The registration was revoked under § 55-12-210; and

(2) The applicant provides proof acceptable to the department of revenue that the applicant had an owner or operator's security in effect for the vehicle on the date before the revocation went into effect.

(d) Of the total reinstatement fee amount, the department shall retain two hundred ninety dollars (\$290), and ten dollars (\$10.00) shall be transmitted to the county clerks in the county in which the vehicle is registered.

55-12-212. The program shall be installed and fully operational by January 1, 2017, following a twelve-month implementation period. Until the successful completion of the twelve-month implementation period, no law enforcement action shall be taken based on the system.

55-12-213.

(a) There is established within the general fund an account to be known as the "uninsured motorist identification restricted fund."

(b) The fund shall consist of money generated from this part and funds appropriated by the general assembly. The commissioner of revenue shall use only the money in the fund in administering this part.

(c) Any unencumbered moneys and any unexpended balance of the fund remaining at the end of any fiscal year shall not revert to the general fund, but shall be carried forward and maintained in separate accounts until expended in accordance with this part.

(d) Moneys in the fund shall be invested by the state treasurer for the benefit of the fund pursuant to § 9-4-603. Interest accruing on investments and deposits of the fund shall be returned to the fund and remain a part of the fund. The fund shall be administered by the commissioner of revenue.

55-12-214. Nothing in this part shall alter the existing financial responsibility requirements provided in this chapter.

55-12-215. Nothing in this part shall allow the department of revenue or its designated agent to levy any fee or surcharge on auto liability insurers.

SECTION 2. Tennessee Code Annotated, Section 55-12-139(b), is amended by deleting the subsection and substituting instead the following:

(b)

(1) At the time the driver of a motor vehicle is charged with any violation under chapters 8 and 10, parts 1-5, and chapter 50 of this title; any other local ordinance regulating traffic; or at the time of an accident for which notice is required under § 55-10-106, the officer shall request evidence of financial responsibility as required by this section. In case of an accident for which notice

is required under § 55-10-106, the officer shall request evidence of financial responsibility from all drivers involved in the accident without regard to apparent or actual fault. If the driver of a motor vehicle fails to show an officer evidence of financial responsibility or provide the officer with evidence of a motor vehicle liability policy as evidence of financial responsibility, the officer shall rely on the information provided by the online electronic insurance verification program as defined in § 55-12-203, for the purpose of verifying evidence of liability insurance coverage.

(2) For the purposes of this section, "financial responsibility" means:

(A) Documentation, such as the declaration page of an insurance policy, an insurance binder, or an insurance card from an insurance company authorized to do business in this state, whether in paper or electronic format, stating that a policy of insurance meeting the requirements of this chapter has been issued;

(B) A certificate, valid for one (1) year, issued by the commissioner of safety, stating that:

(i) A cash deposit or bond in the amount required by this chapter has been paid or filed with the commissioner of revenue;
or

(ii) The driver has qualified as a self-insurer under § 55-12-111; or

(C) The motor vehicle being operated at the time of the violation was owned by a carrier subject to the jurisdiction of the department of safety or the interstate commerce commission, or was owned by the

United States, this state, or any political subdivision thereof, and that the motor vehicle was being operated with the owner's consent.

SECTION 3. Tennessee Code Annotated, Section 55-12-139(c)(2), is amended by deleting the language "one hundred dollars (\$100)" and substituting the language "three hundred dollars (\$300)".

SECTION 4. Tennessee Code Annotated, Section 55-12-139(c)(3), is amended by adding the following language as a new subdivision:

A violation of subdivision (c)(1) is a Class A misdemeanor, if a person acts to demonstrate financial responsibility as required by this section by providing proof of motor vehicle liability insurance that the person knows is not valid.

SECTION 5. Tennessee Code Annotated, Section 10-7-504, is amended by adding the following language as a new subsection:

(r) The records in the possession of the designated agent of the online electronic insurance verification program created pursuant to the James Lee Atwood Jr. Law, compiled in title 55, chapter 12, part 2, or in the possession of the department of revenue, the department of safety, the department of commerce and insurance, law enforcement, and the judiciary pursuant to the James Lee Atwood Jr. Law, shall be treated as confidential and shall not be open for inspection by members of the public. Subsection (c) shall not apply to the records described in this subsection (r).

SECTION 6. Tennessee Code Annotated, Title 56, Chapter 7, Part 11, is amended by adding the following language as a new section:

56-7-1118.

(a) Auto liability insurers, as defined in § 55-12-203, shall comply with any requirements set forth in the James Lee Atwood Jr. Law, compiled in title 55, chapter 12, part 2, and any rules promulgated thereto.

(b) Auto liability insurers, as defined in § 55-12-203, shall also comply with the following requirements:

(1) Cooperate with the department of revenue, the department of safety, and the department of commerce and insurance in establishing, operating, and maintaining the online electronic insurance verification program, as defined in § 55-12-203;

(2) Maintain the data necessary to verify the existence of financial responsibility, including liability insurance coverage provided to its customers pursuant to the required time period established by the department of revenue, for the online electronic insurance verification program;

(3) Maintain Internet service, pursuant to the requirements established under the James Lee Atwood Jr. Law, through which online insurance verification can take place, including responding to authorized inquiries from the designated agent of the online electronic insurance verification program; and

(4) Provide security consistent with accepted insurance industry and United States motor vehicle agency standards related to the transmission of personal data.

(c) Auto liability insurers that make a good faith effort to comply with the requirements described in subsections (a) and (b), shall have immunity from civil and administrative liability as to any action related to the good faith effort.

SECTION 7. Tennessee Code Annotated, Section 56-2-305, is amended by adding the following language as a new subsection:

(f) If, after providing notice consistent with the process established by § 4-5-320(c) and providing the opportunity for a contested case hearing held in accordance with the Uniform Administrative Procedures Act, compiled in title 4, chapter 5, the

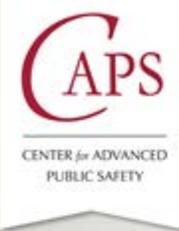
commissioner finds that an auto liability insurer, as defined in § 55-12-203, has intentionally violated § 56-7-1118, the commissioner may, at the commissioner's discretion, assess a civil penalty against the auto liability insurer of up to two hundred fifty dollars (\$250) for each day the insurer fails to comply with § 56-7-1118. The commissioner may excuse or reduce the civil penalty under this subsection (f) for good cause shown.

SECTION 8. If any provision of this act or the application thereof to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of the act that can be given effect without the invalid provision or application, and to that end the provisions of this act are declared to be severable.

SECTION 9. The commissioner of revenue, the commissioner of safety, and the commissioner of commerce and insurance are authorized to promulgate rules to effectuate the purposes of this act. All rules shall be promulgated in accordance with the Uniform Administrative Procedures Act, compiled in Tennessee Code Annotated, title 4, chapter 5.

SECTION 10. For the purposes of contracting with a designated agent pursuant to § 55-12-204(a), consulting with entities pursuant to § 55-12-204(b), developing and implementing the program pursuant to § 55-12-206, and promulgating rules pursuant to Section 9, this act shall take effect upon becoming a law, the public welfare requiring it. For all other purposes, this act shall take effect January 1, 2016.

Attachment D. Matthew Hudnall's Presentation to TACIR



Overview of the
**ONLINE INSURANCE
VERIFICATION SYSTEM**
presented by
Matthew Hudnall



BEFORE OIVS

- ✓ Original MLI law in place **since 2000**
- ✓ Approximately **25%** uninsured rate
- ✓ **One in four** passenger vehicles
- ✓ Random MLI targeted mailers

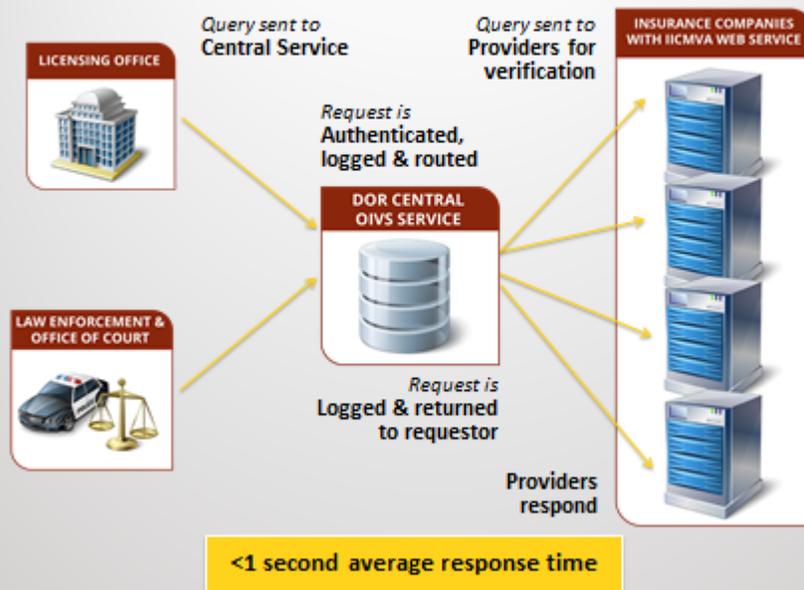


IMPLEMENTATION OF OIVS

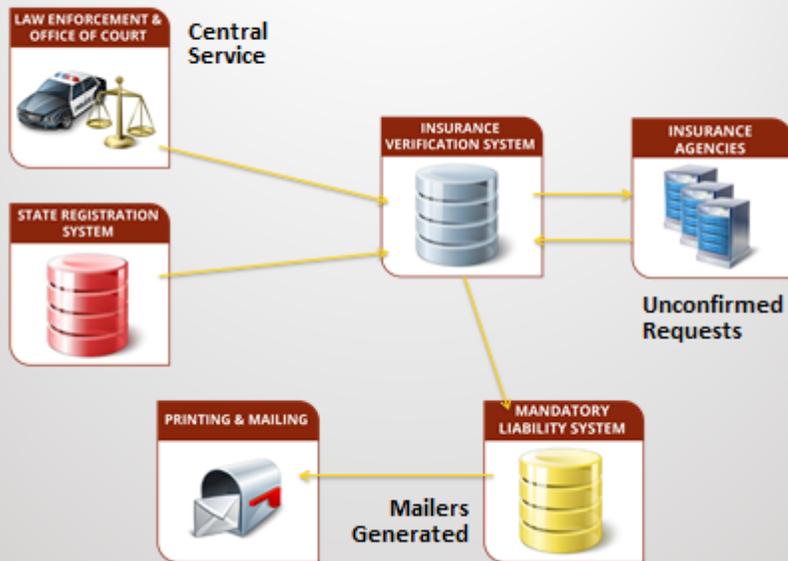
- ✓ New MLI Law effective **January 1, 2013**
- ✓ **6 month** development process
- ✓ **12 months** for full adoption
- ✓ Large-scale statewide multimedia public awareness campaign **“Be Sure to Insure”**



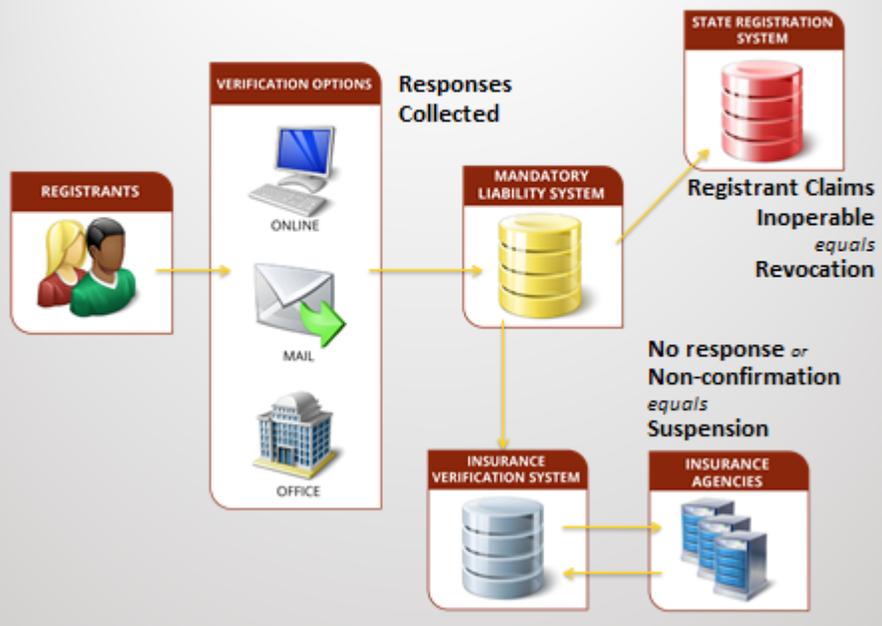
ONLINE INSURANCE VERIFICATION PROCESS



INSURANCE VERIFICATION MAILER GENERATION



INSURANCE VERIFICATION REGISTRANT RESPONSE



VERIFICATION CONFIRMATIONS

- ✓ **75% confirmed** in January 2014
- ✓ **85% confirmed** in December 2014

**10% confirmation increase
in one year**



**Increased accuracy of
insurance records**

- ✓ Automated **re-verifications** sent monthly

OIVS RESULTS

- ✓ Since January 2013, **170 million** verification requests have been processed
- ✓ From January – December 2014:
 - **94 million** total transactions
 - **8 million** average queries per month

Alabama Department of Revenue
continues to report

decrease in uninsured rate



CENTER for ADVANCED
PUBLIC SAFETY

THANK YOU

Q&A SESSION

Matthew Hudnall

Senior Associate Director
mhudnall@cs.ua.edu

Center for Advanced Public Safety
Tuscaloosa, AL | (866) 349-2273
caps.ua.edu

Connect with UACAPS  

**INSURANCE VERIFICATION
SYSTEMS
BEST PRACTICES**

BASED ON 20 YEARS AS AN
ADMINISTRATOR AND 10 YEARS IN THE
PRIVATE SECTOR

G. BART BLACKSTOCK

BEST PRACTICE

- FULL BOOK DOWNLOAD TWICE A MONTH OR MORE
- IICMVA MODEL WITH VIN ONLY (aka broadcast or unknown carrier) VERIFICATION
 - Best of both worlds, a reliable (95% or better) database is created allowing for proactive enforcement
 - Real time check to fill in the gaps between full book downloads

NEXT BEST

- Full book only
 - The advantage is a database that is better than 95% accurate is created allowing for proactive enforcement
 - The only thing missing is a real time check

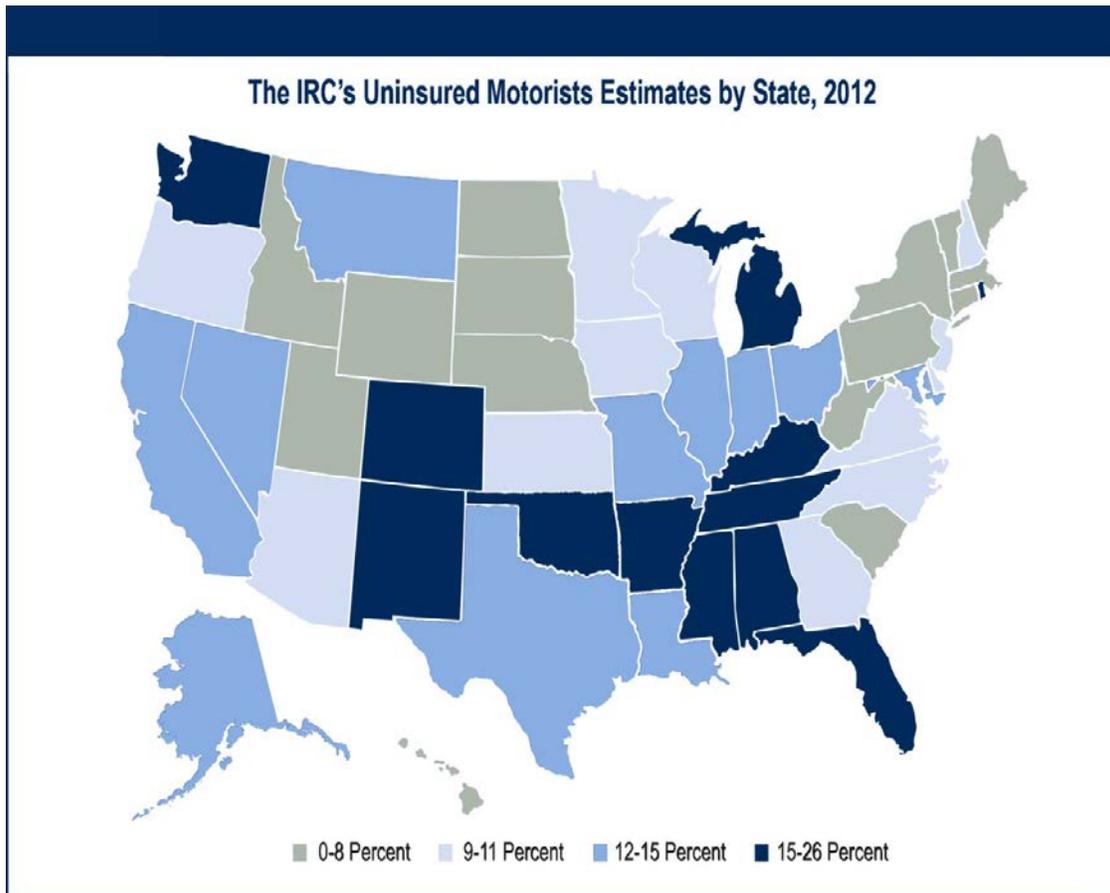
THIRD BEST

- Add/delete with or without IICMVA MODEL with VIN ONLY (aka broadcast or unknown carrier) verification
 - Advantage is you can create a database that allows the system to be both proactive and reactive
 - Disadvantage is there is so much cross traffic they are very difficult to manage. Most of the programs that still show high uninsured rates are add/delete systems

LAST

- IICMVA MODEL ONLY
 - This system is designed to be reactive only
 - Verification requires data entry by requestor
 - The policy number on the insurance card may not be the number the company will confirm coverage on.

Attachment F. Uninsured Motorist Estimates by State, 2012



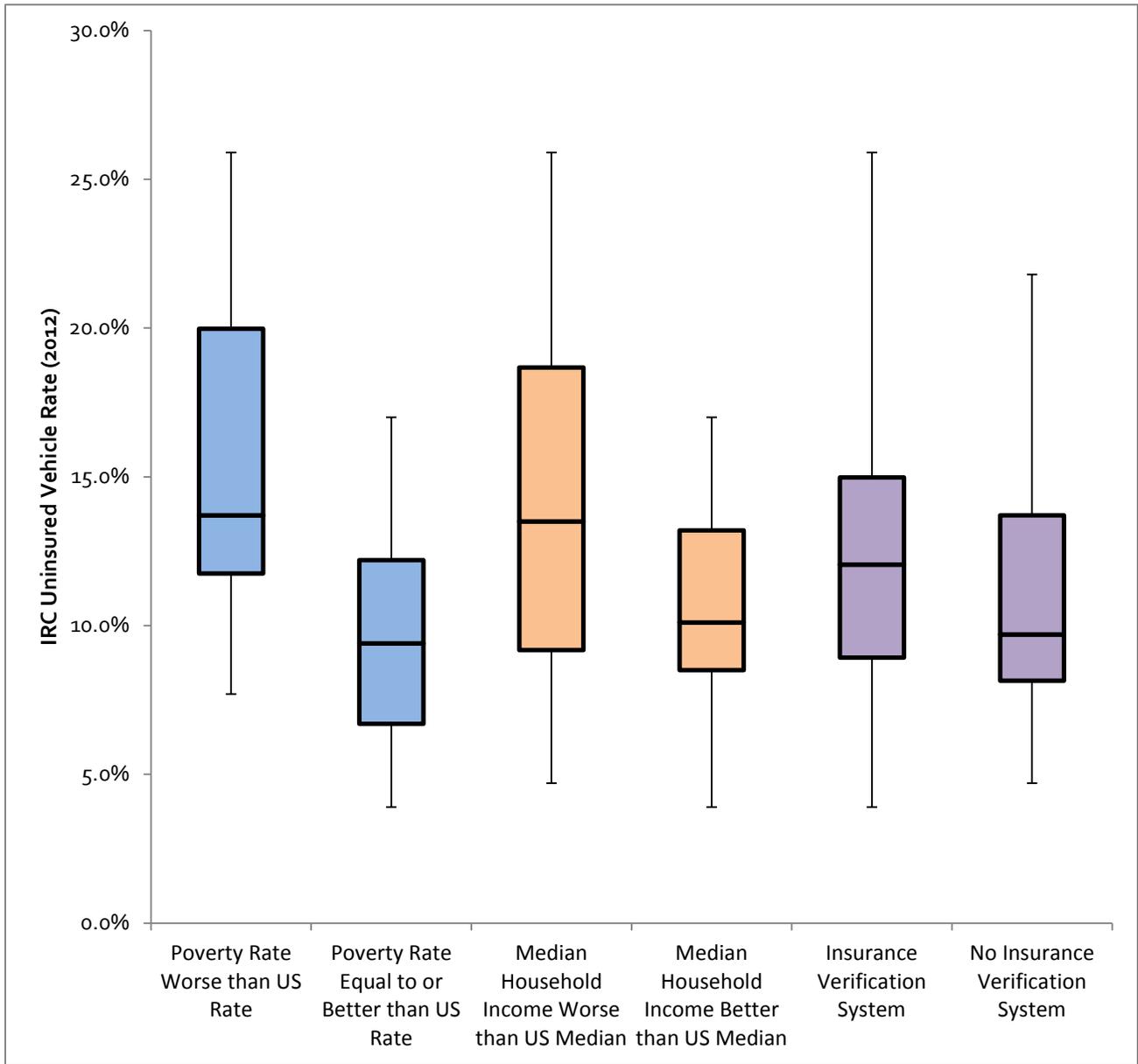
Source: Insurance Research Council. 2014. *Uninsured Motorists*.

Attachment G. Uninsured Motorist Rate, Median Household Income, and Poverty Rate for Each State as of 2012

2012							
State	IRC Uninsured Rate	Median Household Income	Poverty Rate	State	IRC Uninsured Rate	Median Household Income	Poverty Rate
Oklahoma	25.9%	\$49,110	17.2%	Delaware	11.5%	\$49,684	12.0%
Florida	23.8%	\$46,740	17.1%	Minnesota	10.8%	\$62,693	11.4%
Mississippi	22.9%	\$37,173	24.2%	Arizona	10.6%	\$47,728	18.7%
Michigan	21.8%	\$50,742	17.4%	New Jersey	10.3%	\$67,661	10.8%
New Mexico	21.6%	\$44,055	20.8%	Virginia	10.1%	\$65,571	11.7%
Tennessee	20.1%	\$43,620	17.9%	Iowa	9.7%	\$54,219	12.7%
Alabama	19.6%	\$44,096	19.0%	Kansas	9.4%	\$50,730	14.0%
Rhode Island	17.0%	\$56,880	13.7%	New Hampshire	9.3%	\$68,805	10.0%
Colorado	16.2%	\$58,087	13.7%	North Carolina	9.1%	\$42,157	18.0%
Washington	16.1%	\$63,091	13.5%	Oregon	9.0%	\$52,527	17.2%
Arkansas	15.9%	\$39,585	19.8%	Hawaii	8.9%	\$57,081	11.6%
Kentucky	15.8%	\$41,683	19.4%	Wyoming	8.7%	\$58,348	12.6%
California	14.7%	\$57,849	17.0%	Vermont	8.5%	\$56,390	11.8%
Indiana	14.2%	\$46,829	15.6%	West Virginia	8.4%	\$44,186	17.8%
Montana	14.1%	\$45,743	15.5%	Connecticut	8.0%	\$65,181	10.7%
Louisiana	13.9%	\$39,653	19.9%	South Dakota	7.8%	\$50,133	13.4%
Missouri	13.5%	\$50,487	16.2%	South Carolina	7.7%	\$45,046	18.3%
Ohio	13.5%	\$45,020	16.3%	Idaho	6.7%	\$48,618	15.9%
Illinois	13.3%	\$52,490	14.7%	Nebraska	6.7%	\$52,954	13.0%
Texas	13.3%	\$52,681	17.9%	Pennsylvania	6.5%	\$52,658	13.7%
Alaska	13.2%	\$64,573	10.1%	North Dakota	5.9%	\$56,576	11.2%
Maryland	12.2%	\$72,880	10.3%	Utah	5.8%	\$59,189	12.8%
Nevada	12.2%	\$48,021	16.4%	New York	5.3%	\$48,373	15.9%
D.C.	11.9%	\$66,194	18.2%	Maine	4.7%	\$49,872	14.7%
Georgia	11.7%	\$48,820	19.2%	Massachusetts	3.9%	\$64,581	11.9%
Wisconsin	11.7%	\$53,850	13.2%	United States	12.6%	\$51,758	15.9%

Sources: Insurance Research Council and US Census Bureau

Attachment H. The Effect of Poverty, Median Household Income, and Verification Systems on Uninsured Vehicle Rates



Attachment I. Farm Bureau Insurance's Position Letter



Auto • Home • Life

June 5, 2014

**Tennessee Farmers
Insurance Companies**
Corporate Headquarters
Post Office Box 307
Columbia, TN 38402-0307
931.388.7872 • www.fbitn.com

Senator Steve Southerland
301 6th Avenue North
Suite 10 Legislative Plaza
Nashville, TN 37243

Dear Senator Southerland,

We appreciate the Senate Commerce Committee studying the problem of motorists driving in violation of Tennessee's Financial Responsibility Law.

Tennessee has a favorable insurance market that is worth protecting. The General Assembly has diligently created an insurance environment that is efficient, does not burden companies with excessive regulations, and encourages competition and innovation in the market. The result is two-fold: 1) Tennessee auto insurance rates are some of the lowest in the country, and 2) availability of insurance is such that virtually every driver can find an insurance product to match their needs.

Almost every state has some type of auto insurance verification program similar to the proposed legislation (SB 2517). Notably, 20 of those states still require drivers to carry uninsured motorist (UM) coverage. Twenty-eight other states, Tennessee included, require companies to offer UM coverage and consumers must "opt out" by written documentation. We stress to our members that the only way to truly protect themselves is to carry UM coverage—regardless of how many uninsured drivers are on the road. (For example, even if every Tennessee driver had insurance the number of out-of-state drivers would still necessitate purchase of UM coverage.)

As your committee thoughtfully evaluates how to best approach the uninsured motorist problem, there are several questions that should be addressed in order to craft the best system for Tennessee.

1. What will be the effect of changing Tennessee law to reflect mandatory insurance based on vehicle registration as opposed to vehicle operation on a public road?
2. How will this be accomplished in statute?
3. How will enforcement be strengthened as a result of a new verification program?
4. What is the cost of the proposed verification system, both to the state and to the companies?
5. How can a program be cost-neutral to companies, and thus cost-neutral to policyholders?
6. What states have shown a decrease in uninsured drivers due to a verification program?
7. What states have seen a decrease in the cost of insurance as a result of a verification program?

We agree that uninsured motorists are a problem in Tennessee. Our priority is protecting our Farm Bureau members. Responsible drivers – those carrying insurance – should not bear the enforcement cost of uninsured drivers. We hope this study committee will seek thoughtful, innovative methods to address the uninsured motorist problem while also protecting those responsible consumers who carry insurance. We look forward to working with both the committee and Senator Ketron to find the best solution for Tennessee.

Sincerely,

A blue ink signature of Matthew M. (Sonny) Scoggins, Chief Executive Officer of Farm Bureau Insurance Tennessee.

Matthew M. (Sonny) Scoggins
Chief Executive Officer

c: Sen. Jack Johnson; Sen. Bill Ketron

Attachment J. State Farm Insurance's Position Letter



June 6, 2014

To: Senator Steve Southerland
301 6th Avenue North
Suite 10 Legislative Plaza
Nashville, TN 37243

From: George Cooper
P&C Underwriting Manager
State Farm Insurance

Subject: Senate Bill 2517

Thank you for the opportunity to provide comments on Senate Bill 2517. As a national insurance provider, State Farm possesses the most extensive experience within the industry in complying with Auto Liability Insurance verification programs. It is that experience with every state program which exists that our comments are offered to assist in ensuring that if enacted, the most effective and efficient program possible be implemented in Tennessee. Of utmost importance, is that a verification program should not be a financial burden on law abiding citizens, both collectively and individually. Individually, programs of the nature prescribed in SB 2517, routinely misidentify some number of insured vehicles as uninsured and therefore impose a burden on the citizen.

The provisions of this bill propose a methodology which is dependent upon insurers tabulating and reporting insurance policy information on a periodic basis to the regulatory agency or to the agency's chosen third party administrator. Our experience with this methodology in states which have deployed it has consistently shown it to be less than effective. While the overall objectives of identifying and reducing the number of uninsured vehicles being operated on the roadways are commendable, the proposed methodology has repeatedly demonstrated to impose significant hardships on law abiding vehicle owners as well as significant costs on insurers for development, maintenance, and responding to customer complaints as a result of their vehicles being inaccurately identified as uninsured.

Periodic studies of the uninsured motorist issue conducted by the Insurance Research Council (IRC) have repeatedly concluded that the significant resources devoted by both states and insurance companies in states with similar programs have had negligible impact on the overall uninsured motorist rate. The effectiveness of these programs and the proposed methodology are hampered by data integrity issues related to consistency, accuracy and timeliness.

Consistency - Customers are hardly consistent in their use of personal data, often times providing different parties with accurate but somewhat varying information. For example, a driver may register his vehicle with the state under the name "James Robert Smith," but apply for an insurance policy under the name of "Bobby Smith." The inconsistency between these values make it difficult, if not impossible, to match when comparing information from the divergent databases. While the information may be similar, the independent and unique purposes for which it is collected adversely affect the ability of the state to successfully match insurance and vehicle registration records.

Accuracy-Typographical errors caused by keystroke mistakes or customer miscommunication are common during the collection of data by both state jurisdictions and insurance carriers.

Timeliness-Insurer and state business practices differ and sometimes conflict. For example, a state's requirement of valid evidence of insurance before a vehicle is permitted to be driven or registered conflicts with an insurance policy's typical provision of providing coverage for a newly acquired vehicle for a period of time prior to formally adding it to the policy. Moreover, once an automobile is added to a policy an insurer's business practice may mean the vehicle isn't added to their database until days or weeks later. These timing issues obviously impact the ability to match registered vehicles to reported insurance data.

In addition, the time required for processing when policy information is required to be reported by the insurer to the regulatory agency means some portion of the information is obsolete the moment it leaves the insurer. The inherent delays of the reporting methodology means the state is verifying evidence of insurance based on out-of-date information.

At any given point, certain data maintained by either party may be incorrect or outdated. Simply put, it is impossible for either a jurisdiction or an insurance company to collect and maintain data that is 100% accurate and complete.

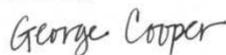
Consumers Pay Twice-Consumers are forced to pay twice under laws enacting insurance verification programs. They pay higher insurance premiums to offset insurer costs associated with these laws and they pay again when they pay for jurisdictional expenses associated with the program via fines and fees. The cost to consumers is compounded by the fact that they are frequently forced to spend their time correcting data errors that incorrectly identify them as uninsured and are not within their control.

Conclusion

In an age in which business is increasingly conducted almost instantaneously through internet technology, a data reporting methodology as prescribed in this bill would be technological step backward imposing hardship on law abiding citizens. A methodology deploying internet based real-time technology such as the model developed by the Insurance Industry Committee on Motor Vehicle Administration (IICMVA) is inherently more effective. I urge you to consider the limitations of this proposal and its negative impacts on citizens.

On behalf of State Farm, thank you for the opportunity to express our educated and experienced opinion on the provisions of this bill.

Sincerely,



George Cooper

State Farm Insurance Companies
P&C Underwriting Services Department
Bloomington, Illinois 61710-0001

Attachment K. IICMVA Position Letter



**Insurance Industry Committee
on Motor Vehicle Administration**

Marianne Allard Chair	George Cooper Vice Chair	Kelly Olsen Secretary	Sandy Babich Treasurer
860.277.6299	309.763.8828	847.413.5244	860.284.5933

Please address correspondence to the Chair – c/o Travelers, One Tower Square, CR12, Hartford, CT 06183

STATEMENT
INSURANCE INDUSTRY COMMITTEE
ON MOTOR VEHICLE ADMINISTRATION
(IICMVA)

June 10, 2014

The Insurance Industry Committee on Motor Vehicle Administration (IICMVA) respectfully offers the following comments on Senate Bill 2517, legislation requiring automobile insurers to report coverage information to the Tennessee Department of Commerce and Insurance (The Department). Our comments are made on behalf of the member companies of the IICMVA – a not-for-profit industry advisory group comprised of approximately 70% of the personal auto insurance writers and 50% of commercial auto insurance writers in the United States. The IICMVA acts primarily as a liaison between the insurance industry and Motor Vehicle Departments and mainly assists with the implementation and maintenance of compulsory insurance and financial responsibility laws.

Senate Bill 2517 requires insurance companies to report information regarding every automobile insurance policy to the Department bi-monthly. We generally oppose reporting programs on the basis that there simply is no evidence that these programs reduce the uninsured motorist rate. More importantly the insurance industry opposes data reporting of any kind that potentially exposes the personal information of our customers to a possible breach of security.

The requirements of SB 2517 specifies the reporting of personally identifiable information (PII), including the name, address, date of birth and drivers license number of every customer to a third party. We strongly urge this committee to instead require the use of IICMVA model for insurance coverage verification that does not require the exchange of personal information and provides real-time verification with greater accuracy.

21st Century Insurance
American Family Insurance Company
Arch Insurance Group
Cincinnati Insurance Company
Employers Mutual Casualty
Federated Mutual Insurance Company
GEICO Corporation
Liberty Mutual Insurance Company
The Progressive Group
Hartford Insurance Group
XL Group

ACE Group
American Modern Insurance Group
Canal Insurance Company
CNA Insurance
esurance
Fireman's Fund Insurance Company
Horace Mann Insurance
Nationwide Insurance Companies
Sampo Japan Insurance Co. of America
The Travelers Companies, Inc.
Zurich N.A.

Allstate Insurance Company
AMICA
Chartis U.S.
Direct General
Farmers Insurance Group
Foremost Insurance Group
Infinity Property & Casualty Corp.
Northland Insurance
State Farm Insurance Group The
USAA



**Insurance Industry Committee
on Motor Vehicle Administration**

Marianne Allard Chair 860.277.6299	George Cooper Vice Chair 309.763.8828	Kelly Olsen Secretary 847.413.5244	Sandy Babich Treasurer 860.284.5933
---	--	---	--

Please address correspondence to the Chair – c/o Travelers, One Tower Square, CR12, Hartford, CT 06183

The IICMVA model is a web service, event-based method for the verification of insurance coverage currently in use in Alabama, Montana, Nevada, Oklahoma, West Virginia and Wyoming. California, the District of Columbia, and South Carolina supplement their existing reporting programs, providing a secondary method of verification for those insurers who voluntarily provide web services access to the DMV.

While traditional database systems attempt to confirm coverage by first capturing insurance information for all drivers and vehicle owners in a jurisdiction, the web services model does not require the state to collect and maintain any coverage data. Rather, the state simply sends an inquiry to an insurer to verify coverage at the time the state wishes to confirm coverage, such as registration.

Importantly, a web services model would allow the confirmation of coverage at regular, pre-established intervals, at the Department’s discretion, effectively creating a prospective regime to ensure that coverage is not only in place at the time of registration, but that it is also maintained going forward. The web service model offers the following advantages over database programs:

- No more periodic exchanges of massive amounts of data

Because the web services operates as a live link between the state and insurer, there is no need for the state to collect the insurance coverage information for all insured in order to populate a database. The exchange of data is limited to an inquiry from the state to the insurer containing the policy number (policy key), vehicle identification number (VIN) and verification date. The insurer responds with a transmission of “Confirmed” or “Unconfirmed”. The confidentiality of the individual policy information is maintained within each insurer’s information technology environment.

- Verification of coverage is done on a real-time basis.

The data contained in any database are necessarily only as current as when they leave their origin/source. SB 2517 requires insurers to report coverage data twice a month,

21st Century Insurance
American Family Insurance Company
Arch Insurance Group
Cincinnati Insurance Company
Employers Mutual Casualty
Federated Mutual Insurance Company
GEICO Corporation
Liberty Mutual Insurance Company
The Progressive Group
Hartford Insurance Group
XL Group

ACE Group
American Modern Insurance Group
Canal Insurance Company
CNA Insurance
esurance
Fireman’s Fund Insurance Company
Horace Mann Insurance
Nationwide Insurance Companies
Sompo Japan Insurance Co. of America
The Travelers Companies, Inc.
Zurich N.A.

Allstate Insurance Company
AMICA
Chartis U.S.
Direct General
Farmers Insurance Group
Foremost Insurance Group
Infinity Property & Casualty Corp.
Northland Insurance
State Farm Insurance Group The
USAA

AIA

NAMIC

PCIAA



**Insurance Industry Committee
on Motor Vehicle Administration**

Marianne Allard Chair 860.277.6299	George Cooper Vice Chair 309.763.8828	Kelly Olsen Secretary 847.413.5244	Sandy Babich Treasurer 860.284.5933
---	--	---	--

Please address correspondence to the Chair – c/o Travelers, One Tower Square, CR12, Hartford, CT 06183

yet consumers purchase and cancel insurance coverage every single day. It is also possible, then, that the state is using information that is weeks out-of-date to determine whether a vehicle is insured. With web services, the data are current because coverage is confirmed against the insurer’s data as of that moment. It eliminates the lag time inherent in the operation of database programs such as the one proposed.

- Responsibility for confirming coverage resides with the insurer, not the state.

With web services, the responsibility for confirming coverage rests with the insurer and not the Department or designated vendor (as it does with a database program). This allows for a much greater flexibility in the confirmation process because, unlike the vendor, the insurer is not bound to follow a one-size-fits-all approach in verifying coverage. Instead, insurers are free to establish their own matching criteria based on their own business rules. This means the likelihood of an insured driver being falsely identified as uninsured simply because a vehicle is registered under “Robert O. Public” but his insurance policy is under the name “Bob Public” is substantially, if not entirely, eliminated.

In addition, the IICMVA model, based on web services, unlike database programs, is an open, non-proprietary system utilizing the same technology in use in other states. This means many insurers selling insurance in Tennessee are already familiar with web services technology, and the IICMVA model, and can easily apply and implement the service here.

In addition, the IICMVA urges the committee to consider a commercial reporting exemption. Commercial insurance, unlike personal insurance, often does not require the collection of detailed vehicle information (Vehicle Year, Vehicle Make, Vehicle Model, Vehicle Identification Number (VIN)) as part of their business and underwriting process. Commercial insurance carriers that do not require this information for underwriting purposes would have no recourse but to demand a customer provide this information simply to meet the requirements for reporting under this bill.

21st Century Insurance
American Family Insurance Company
Arch Insurance Group
Cincinnati Insurance Company
Employers Mutual Casualty
Federated Mutual Insurance Company
GEICO Corporation
Liberty Mutual Insurance Company
The Progressive Group
Hartford Insurance Group
XL Group

ACE Group
American Modern Insurance Group
Canal Insurance Company
CNA Insurance
esurance
Fireman’s Fund Insurance Company
Horace Mann Insurance
Nationwide Insurance Companies
Sompo Japan Insurance Co. of America
The Travelers Companies, Inc.
Zurich N.A.

Allstate Insurance Company
AMICA
Chartis U.S.
Direct General
Farmers Insurance Group
Foremost Insurance Group
Infinity Property & Casualty Corp.
Northland Insurance
State Farm Insurance Group The
USAA

AIA

NAMIC

PCIAA



**Insurance Industry Committee
on Motor Vehicle Administration**

Marianne Allard Chair	George Cooper Vice Chair	Kelly Olsen Secretary	Sandy Babich Treasurer
860.277.6299	309.763.8828	847.413.5244	860.284.5933

Please address correspondence to the Chair – c/o Travelers, One Tower Square, CR12, Hartford, CT 06183

For this reason, we urge the committee to consider the inclusion of the following amendment in lieu of the “Fleet” vehicle exemption:

“For the purposes of this section, commercial auto coverage is defined as any coverage provided to an insured, regardless of the number of vehicles or entity covered, under a commercial coverage form and rated from a commercial manual approved by the Department of Insurance. This section shall not apply to vehicles insured under commercial auto coverage, however, insurers of such vehicles may participate on a voluntary basis.”

This amendment would exempt commercial insurance carriers from electronic coverage verification and reporting where the data is not available, but would allow carriers to participate voluntarily should they have the data.

The IICMVA appreciates the opportunity to provide our comments on this bill, and would be happy to address any questions you may have on this subject.

21st Century Insurance
American Family Insurance Company
Arch Insurance Group
Cincinnati Insurance Company
Employers Mutual Casualty
Federated Mutual Insurance Company
GEICO Corporation
Liberty Mutual Insurance Company
The Progressive Group
Hartford Insurance Group
XL Group

ACE Group
American Modern Insurance Group
Canal Insurance Company
CNA Insurance
esurance
Fireman’s Fund Insurance Company
Horace Mann Insurance
Nationwide Insurance Companies
Sompo Japan Insurance Co. of America
The Travelers Companies, Inc.
Zurich N.A.

Allstate Insurance Company
AMICA
Chartis U.S.
Direct General
Farmers Insurance Group
Foremost Insurance Group
Infinity Property & Casualty Corp.
Northland Insurance
State Farm Insurance Group The
USAA

AIA

NAMIC

PCIAA

OLV ON LINE (Auto Insurance) VERiFiCATION

Presented to:

Tennessee Senate Commerce and
Labor Subcommittee on SB2517

June 10, 2014



**Insurance Industry Committee
on Motor Vehicle Administration**

ON LINE VERiFiCATION - OLV

❖ **What is *OLV*?**

- ◆ Electronically verifies evidence of insurance (Auto ID Card) presented by the vehicle owner or operator.
- ◆ Web-based service established by insurance carriers
- ◆ Real-time inquiry and responses in seconds.
- ◆ OLV Service available 24/7
- ◆ More accurate than database systems

❖ ***OLV* does not...**

- ◆ Identify specific policy limits
- ◆ Transmit personally identifiable information
- ◆ Confirm coverage of a claim or substitute for an insurance company's claims handling function



Insurance Industry Committee on Motor Vehicle Administration

2

OLV – How it works

- ❖ State Laws mandate Insurance Companies provide evidence of insurance (Auto ID Card)
- ❖ The vehicle owner or operator presents evidence identifying:
 - ◆ Insurance Company
 - ◆ Policy Key (Policy Number)
 - ◆ VIN
 - ◆ Effective Date (s)
- ❖ The Jurisdiction prepares and sends the inquiry to the Insurance Company
 - ◆ NAIC Number (used for routing)
 - ◆ Policy Key
 - ◆ VIN
 - ◆ Coverage Verification Date (current date)
- ❖ Insurance Company responds: **Confirmed or Unconfirmed**



Insurance Industry Committee on Motor Vehicle Administration

3

OLV – How it works

❖ When to Verify

- ◆ New Vehicle Registration
- ◆ Registration Renewal
- ◆ Emission/Safety Inspections
- ◆ Traffic Stop / Accident Scene Investigation
- ◆ Court Proceedings



❖ Required Data Elements

- ◆ NAIC Number
- ◆ Policy Key (Policy Number)*
- ◆ VIN
- ◆ Verification Date

❖ Response

- ◆ Confirmed
- ◆ Unconfirmed

* "UNKNOWN" may be substituted



Insurance Industry Committee on Motor Vehicle Administration

4

OLV - Response

❖ Confirmed

- ♦ minimum financial responsibility insurance was present and the policy was active on the requested verification date

❖ Unconfirmed

- ♦ System Validation Failed – Request Invalid
- ♦ minimum financial responsibility insurance was not present and/or the policy was not active on the requested verification date



Insurance Industry Committee on Motor Vehicle Administration

5

UCR – Optional Reason Codes

❖ System Validation Failed – Request Invalid

- ♦ Incorrect Data Format
- ♦ Policy Key Not Submitted
- ♦ NAIC Code Not Submitted
- ♦ VIN Not Submitted
- ♦ Verification Date Not Submitted
- ♦ Unauthorized Requestor
- ♦ System Unavailable

❖ Unconfirmed decision

- ♦ System Cannot Locate Policy Key Information
- ♦ System Found Policy Key – Coverage on Verification Date Cannot Be Confirmed
- ♦ System Found Policy Key – VIN Cannot Be Verified
- ♦ System Found VIN – Policy Key Cannot Be Verified
- ♦ System Cannot Locate Policy Information - Manual Search in Progress
- ♦ Coverage on Verification Date Cannot Be Confirmed*
- ♦ System Cannot Locate VIN*
- ♦ System Found VIN – Coverage on Verification Date Cannot Be Confirmed*
- ♦ System Cannot Locate NAIC*

*Available in later schema versions



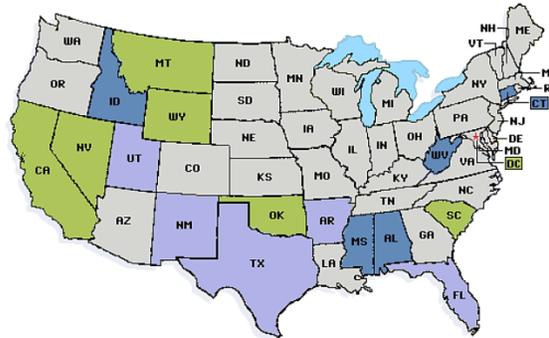
Insurance Industry Committee on Motor Vehicle Administration

6

Who uses *OLV* ?

CA – In production
 DC – In production
 MT – In production
 NV – In Production
 OK – In Production
 SC – In Production
 WY – In Production

AL – Implementing Jan. 2013
 ID – Implementing Jan. 2014
 MS – Implementing July 2013
 WV – Implementing 2012-2013



FL – Testing complete, implementation TBD
 NM – Testing complete, implementation TBD
 TX – Testing complete, implementation TBD
 UT – Testing complete, implementation TBD
 CT – Testing (2011) (Commercial Only)



Insurance Industry Committee on Motor Vehicle Administration

7

Why use *OLV* ?

❖ Business Benefits

- ◆ Carrier's business decision to confirm coverage (not state matching process)
- ◆ Standardized approach to verification
- ◆ Better Customer Service
- ◆ Reduces Manual Processing
- ◆ Eliminates the delay associated with database reporting
- ◆ Deters the use of fraudulent ID Cards

❖ Customer

- ◆ More reliable verification
- ◆ Personal Information not exchanged

❖ IT Benefits & Cost Savings

- ◆ Only Appropriate Requestors can use
- ◆ Secure & Encrypted request & response
- ◆ Services is real-time, available 24/7
- ◆ Scalable & Portable
- ◆ Interoperability (machine to machine)
- ◆ Based on Industry accepted standards



Insurance Industry Committee on Motor Vehicle Administration

8



Marianne Allard
 Chair, Board of Directors
mmallard@Travelers.com
 860-277-6299
www.iicmva.com

Insurance Industry Committee on Motor Vehicle Administration

9

Estimated Percentage of Uninsured Motorists by State, 2009 ⁽¹⁾

State	Uninsured	Program	State	Uninsured	Program	State	Uninsured	Program
MA	4%	Y	MT	11%	N	MD	15%	Y
ME	4%	N	NH	11%	N	TX	15%	Y
NY	5%	Y	NJ	11%	Y	WI	15%	N
PA	7%	Y	SC	11%	Y	AR	16%	Y
VT	7%	N	VA	11%	Y	GA	16%	Y
ID	8%	N	WV	11%	N	IN	16%	N
NE	8%	Y	AZ	12%	Y	OH	16%	Y ⁽³⁾
UT	8%	Y	AK	13%	N	WA	16%	N
ND	9%	N	LA	13%	Y	KY	18%	Y
SD	9%	N	MN	13%	Y	RI	18%	N
CT	10%	Y	NV	13%	Y	MI	19%	Y
KS	10%	Y	MO	14%	Y	AL	22%	Y ⁽³⁾
OR	10%	Y	NC	14%	Y	FL ⁽²⁾	24%	Y
WY	10%	Y	CA	15%	Y	OK	24%	Y
DE	11%	Y	CO	15%	Y	TN	24%	N
HI	11%	N	DC	15%	Y	NM	26%	Y
IA	11%	N	IL	15%	Y ⁽³⁾	MS	28%	N

- (1) Percentage of uninsured drivers, as measured by the ratio of uninsured motorists (UM) claims to bodily injury (BI) claims frequencies.
- (2) In FL, compulsory auto laws apply to PIP and physical damage, but not to third party bodily injury coverage.
- (3) Random Sampling Program in Place

10

Source: Insurance Research Council



AAMVA

FR & Insurance Resource Guide

Conclusions:

- NO correlation between compulsory insurance and the number of uninsured motor vehicles on the highway
- Same absence of correlation can be said of insurance data reporting programs

IRC studies of states with reporting programs in place for 5 years showed:

- 2/3's of those states showed an increase in the uninsured motorist
- Only 1/3 showed a reduction

11

Attachment M. November 2014 Staff Memo



7

226 Capitol Boulevard Bldg., Suite 508
Nashville, Tennessee 37243-0760
Phone: (615) 741-3012
Fax: (615) 532-2443
www.tn.gov/tacir

MEMORANDUM

TO: Commission Members

FROM: Lynnisse Roehrich-Patrick
Executive Director

DATE: 20 November 2014

SUBJECT: Background on House Bill 2457 on Uninsured Motorist Enforcement

According to insurance industry estimates, Tennessee has the 6th highest uninsured motorist rate (20.1 percent) in the nation.³ The average uninsured motorist rate in the United States is 12.6%, but rates range from a high of 25.9% in Oklahoma to low of 3.9% in Massachusetts (see the table on the next page). Every state, with the exception of New Hampshire, requires proof of financial responsibility.

The Tennessee Financial Responsibility Law of 1977 requires that all vehicles registered in the state have adequate insurance or other proof of ability to pay for damages resulting from an accident (including a cash deposit or bond held by the Department of Safety). However, Tennessee does not have a means other than checks at traffic stops and accidents to ensure motorists maintain insurance coverage on their vehicles. Moreover, when police officers check proof of insurance or other coverage, they aren't able to verify the validity of the information provided—for example, there is currently no way for police officers to verify whether the insurance cards that motorists provide them are real or whether the policies are still in effect.

House Bill 2457 by Representative Lundberg (Senate Bill 2517 by Ketron), sent to the Commission by the House Transportation Subcommittee of the 108th General Assembly, would have addressed these issues by making proof of compliance by drivers with the state's financial responsibility law a requirement for vehicle registration and renewal and would have provided for termination of registration if coverage is cancelled or terminated (see attachment A). The bill would also have created an uninsured motorist identification database,

³ Insurance Research Council 2014.

administered by the Department of Revenue with the cooperation of the Departments of Safety and Commerce and Insurance and maintained by a contractor.

Uninsured Motorist Rates by State, 2012

State	Rate	State	Rate
Oklahoma	25.9%	Delaware	11.5%
Florida	23.8%	Minnesota	10.8%
Mississippi	22.9%	Arizona	10.6%
New Mexico	21.6%	New Jersey	10.3%
Michigan	21.0%	Virginia	10.1%
Tennessee	20.1%	Iowa	9.7%
Alabama	19.6%	Kansas	9.4%
Rhode Island	17.0%	New Hampshire	9.3%
Colorado	16.2%	North Carolina	9.1%
Washington	16.1%	Oregon	9.0%
Arkansas	15.9%	Hawaii	8.9%
Kentucky	15.8%	Wyoming	8.7%
California	14.7%	Vermont	8.5%
Indiana	14.2%	West Virginia	8.4%
Montana	14.1%	Connecticut	8.0%
Louisiana	13.9%	South Dakota	7.8%
Missouri	13.5%	South Carolina	7.7%
Ohio	13.5%	Idaho	6.7%
Illinois	13.3%	Nebraska	6.7%
Texas	13.3%	Pennsylvania	6.5%
Alaska	13.2%	North Dakota	5.9%
Maryland	12.2%	Utah	5.8%
Nevada	12.2%	New York	5.3%
District of Columbia	11.9%	Maine	4.7%
Georgia	11.7%	Massachusetts	3.9%
Wisconsin	11.7%	United States	12.6%

Source: Insurance Research Council, "Uninsured Motorists," 2014.

Proof of Insurance Required for Registration and Renewal

The bill would have forbidden the Department of Revenue to issue a registration or renewal unless the application is accompanied by evidence that it meets the requirements of the financial responsibility law. Because vehicle owners do not go to the Department of Revenue to register their vehicles or renew them—county clerks as their agents do this for the department—they will have to take or send proof that they meet the statutory requirement to

the county clerk's office. Because of the new requirement for proof at registration, this could make mail-in and online renewals more difficult.

Insured Vehicle Database

The bill would have created a database that included all insured vehicles in the state. The database would have been used to

1. verify compliance with financial responsibility requirements of present law but not at the time or place of registration or renewal,
2. assist in reducing the number of uninsured motor vehicles on the highways of this state, and
3. assist in the identification and prevention of identity theft and other crimes.

The database would have been accessible by law enforcement agencies to allow for verification of insurance at traffic stops or accidents. In addition, the database would have been used by the contractor to verify that vehicles remain insured, and if it showed that a vehicle was not insured for three consecutive months, the contractor would notify the vehicle owner to provide proof of financial responsibility or exemption from financial responsibility requirements within 15 days. If the owner did not comply, then the contractor would have notified the Department of Revenue and applicable law enforcement agencies and sent a second notice to the owner informing him that he have 15 additional days to provide the required proof. If convicted for failing to comply following the second notice, the owner's registration would have been revoked by the department of revenue. To reinstate or renew registration after revocation, the applicant would have had to pay a reinstatement fee of \$100. Under current law, failure to comply with insurance requirements results in suspension or revocation of vehicle registration and driver's license until proof of insurance is provided.

The bill would also have required insurers to verify coverage upon request by the contractor using a web-based system available 24 hours a day, 7 days a week. If the insurers failed to comply, a fine of \$250 for each day not in compliance would have been assessed.

Other States' Electronic Verification Systems

As shown in a 2013 report (attachment B) commissioned by the Ohio Department of Public Safety and the Ohio Department of Insurance, states use three basic types of systems to verify vehicle insurance:

- Database systems—These systems rely on extensive, usually monthly, data transfers from insurance companies to the state. States then use the data to identify drivers or vehicles that were insured at one time but are no longer insured. Although most database systems provide immediate access, the information is only as current as the most recent update.
- Web-based systems—These systems allow state and local governments, including law enforcement, to directly query insurance companies' databases.

This approach can provide more up to date data because it reflects documented insurance policy information at the time an inquiry is made, but it relies on fewer data points than database systems to match vehicles to active policies, leading to more errors.

- Hybrid systems—These systems offers elements of database systems and web-based systems, as well as other functionality such as alternative reporting requirements for smaller companies. A state's primary method for verifying insurance may be through a web-based system, but it might continue to collect book of business data on a weekly or monthly basis as a backup data source.

Penalties

According to the Consumer Federation of America, the penalties for violating financial responsibility laws are substantial in many states and include large fines, vehicle impoundment, loss of registration, loss of license, and even jail time. However, the Federation has found that the severity of penalties a state imposes does not affect its uninsured motorist rate. Attachment C, summarized below, lists all states and their fines as compiled by the Federation:

- Overlap of Penalties: Seven states allow for first time offenders to be jailed, have their license suspended, and be fined \$500 or more. Five states allow for these offenders to be jailed and be fined at least \$500. Fifteen states allow them to have their license suspended and be fined at least \$500.
- Fines: Thirty-three states have possible fines of \$500 or more for a first offense with four additional states having possible fines of \$500 or more for a second offense. In West Virginia, the possible maximum fine is \$5,000.
- Registration Suspension or Revocation: Twenty-seven states and the District of Columbia will suspend or revoke vehicle registrations for a first offense. Seven other states suspend or revoke vehicle registrations for subsequent offenses.
- License Suspension: Thirty-two states allow for the possibility of license suspension for a first offense. In fourteen of these states, the suspension can continue even after the driver has supplied proof of insurance and/or payment of fees.
- Jail time: Fourteen states allow jail sentences for a first offense, and an additional six states allow jail sentences for a second offense.