

Personal and Commercial Auto Insurance DMV Reporting: "Apples and Oranges?"

By Patricia Barkdoll, Vice President - Commercial Auto, CNA Insurance; Virginia Boyles, Product Line Manager - Commercial Auto, ACE-INA Group; Loren McGlade, Vice-President - Regulatory Data Management & Compliance, AIG; Val Pristera, Product Director - Commercial Auto, formerly of Fireman's Fund Insurance Company

All auto insurance is not handled the same way. Commercial auto insurance, for example, is handled differently than Personal auto insurance. Not only is it different from Personal auto insurance, Commercial auto procedures and processes differ from insurer to insurer and insured to insured.

Many state reporting programs require that Commercial Lines Auto insureds be reported without an appreciation for the differences in coverage and handling processes. Concerns have been expressed that the uninsured motorist situation that exists for Personal Auto also prevails for Commercial Auto. This extrapolation is flawed due to the following considerations.

Commercial businesses in the U.S. have a need to protect their assets. A great deal of time and money have been invested in the business and insurance provides the "cushion" that allows the business to take on greater risk and grow. A Commercial insured is not going to try to escape the purchase of auto insurance. There is no better advertisement for the business than the truck with its name on the side. That company name has value. The vast majority of business owners are not going to tamper with that value by not insuring their vehicles.

Commercial businesses typically and willingly buy high limits of insurance to protect those assets. Many commercial businesses are not content with the coverage limits available in the primary or first dollar policies. Consequently they augment those limits by purchasing excess or umbrella policies to increase available coverage.

Automobile fraud cannot be attributed to Commercial insureds to any degree that justifies onerous reporting burdens. There is little evidence that commercial insureds commit fraud. Automobile fraud is more often perpetrated on the Commercial insured rather than the Commercial insured perpetrating fraud on someone else.

Commercial insureds do not register all vehicles the same way. Therefore matching on DMV registration databases causes undue hardship on Commercial customers as opposed to Personal insureds who register using personal information such as name, address and VIN. Commercial insureds purchase broad coverage covering all vehicles and exposures for all named insureds on the policy. Commercial risks are often comprised of many subsidiaries owned by the parent company which are named insureds under the policy. A vehicle covered under the policy can be owned or registered to any one of the named insureds (possibility of hundreds) so matching to a state's registration data base is nearly impossible.

Reliance on VIN reporting mechanisms penalizes Commercial insureds. Collecting the 17 digit VIN for each and every vehicle on a Commercial policy is an involved and difficult process. There's too much room for error - letters are misinterpreted as numbers, numbers as letters, transposition of digits occurs frequently. It is not the best way to identify if Commercial insureds have insurance coverage.

Commercial policies are written with the understanding that Liability coverage applies to all autos whether they are owned at the time the policy is written or acquired during the policy term. Commercial insurer's typically provide coverage for all vehicles owned, leased, borrowed by that insured.

Commercial customers can be a business, institution, organization, association, or an individual(s) that is part of a business group. Basically, anything reported to the various Departments of Insurance on the combined annual statement business page as Other Commercial Automobile Liability (line 19.4) is considered a commercially insured vehicle. These types of vehicles include personally titled private passenger vehicles owned or used as part of a Commercial enterprise.

Therefore Commercial auto insureds and customers can be all of these entities, some of these entities or just one of these entities. It's not unusual for a corporation that's 100% owned by one person to have a fleet of vehicles registered in that corporation's name and also have vehicles that the owner has registered in his name - - all on the same policy and legitimately so. Some vehicles may be insured under one entity, some under another and still others under a third entity - - all three entities should be on the same policy. A personally owned vehicle can be and, often is, used in a Commercial business and therefore is insured as a Commercial vehicle under the Commercial Auto policy form.

The following definition has been drafted and recommended to aid DMV's and others on what constitutes a Commercial Insured:

Commercial auto coverage is any coverage provided to an insured, regardless of number of vehicles or entity covered, under a commercial auto, garage or truckers coverage form and rated from either a commercial manual or rating rule as filed and approved by the state Insurance Department. Vehicle type and ownership are not the primary factors in either underwriting the coverage or rating the coverage. The rating may be subject to individual risk characteristics including but not limited to experience rating, schedule rating, loss rating or deductible rating.

The fleets of Commercial insureds can consist of a variety of vehicle types or a single vehicle type. The vehicles can be large trucks, panel vans, or private passenger vehicles. Yet some DMVs consider only vehicles with weights of 26,001 pounds and greater to be commercial vehicles. Others see private passenger type vehicles as always insured under Personal Lines Auto policies.

State Registration databases do not match up to Commercial Auto Insurance policy information. Registrants do not equal named insureds. This problem is unique to Commercial automobile insureds. DMV systems that expect a driver name for each vehicle or only allow one

name per policy are causing headaches for business owners. A lot of time is spent attempting to rectify these situations; time spent in non-business activity takes away from the Commercial insured's business activities. Commercial insurers are most successfully able to comply with reporting requirements when permitted to provide policy level information (insured name, address, policy number, policy effective date) and not individual vehicle information.

Commercial insurers are not normally notified of vehicle additions or deletions as they happen. They prefer to collect this information after the expiration of the policy usually through policy audits. Specific vehicle descriptions with VINs are not necessary to the underwriting process for commercial insurers. That degree of detail is difficult to obtain and to maintain for commercial insureds. It has become irrelevant to the commercial insurer.

These reasons are why Commercial insurers continue to urge an exemption from reporting requirements for commercially insured vehicles. The current DMV reporting systems are not flexible enough to allow for high level reporting (without VIN and Driver information); the business processes of Commercial insurers have not been understood.

Since the reporting systems will not likely be changing, an exemption for vehicles insured under Commercial Automobile Policies (Commercially insured vehicles) needs to occur.

While there may on occasion, be exceptions to this rule whereby voluntary reporting of commercial risk is desired by an insurance carrier or an insured for registration purposes, the standard practice should be full exemption for vehicles insured under a commercial policy, with voluntary reporting available as an option for those carriers that want to report their commercial book of business or specific policies and/or vehicles, but it should not be made mandatory for commercially insured vehicles.

In every cliché, truth exists. When it comes to Personal and Commercial automobile insurance, it's **"like comparing apples and oranges."** The customers are different. The processes are different. The level and amount of detail are different. It is for these reasons that Commercial auto policies should be exempt from reporting requirements.