

Insurance Settlement Pilot

California
Department of Motor Vehicles
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How It Works

Customer negotiates a claim with an insurer and agrees to an electronic settlement process.

Settlement documents are emailed to the customer, or they are directed to a secure website.

Customer identity is authenticated and documents are signed electronically; the process varies depending on the signature vendor.

Funds are electronically deposited into the customer's bank account.

Documents for a Salvage Title or Nonrepairable Certificate are printed by the insurer and delivered to DMV as usual.

How The Pilot Happened

In May 2010 Farmer's Insurance sought approval to incorporate title release into their electronic claims settlement process.

An insurer typically covers several costs in a total-loss payout, such as the value of the vehicle, car rental support, and storage of the vehicle.

In addition to premiums, insurers receive income from the sale of cars purchased in settlements and sold at auction through salvage pools.

To comply with federal Truth In Mileage Act (TIMA) requirements, DMV requested that Farmer's incorporate a signature on secure paper forms as part of the settlement process.

Pre-Pilot Analysis

Electronic settlement is faster, reducing the cost of car rentals, storage, and policyholder support.

Speeding the title transfer means companies recover a portion of the settlement payout more quickly.

DMV concluded the pilot is consistent with TIMA and California's statutes regarding electronically-submitted documents and signatures.

Salvage vehicle transfers carry little risk. The insurer risk at settlement is bigger than any state risk in authorizing a salvage title to be issued.

No system changes were required at DMV to provide this benefit to insurers and their customers.

Pilot Expansion

Five additional insurance carriers are now participating:

- Mercury
- Infinity
- Kemper Services Group
- California State Automobile Association
- General National (formerly GMAC)

Three electronic signature products are in use:

- EZ Sign (Farmer's in-house branding of Right Signature)
- RPost
- AssureSign

Pilot initially involved only total-loss salvage vehicles sold to auto auctions but now includes unrecovered stolen vehicles.

Insurer Requirements

Insurers must submit a plan including:

- Overview of the signature vendor process.
- Description of the identity authentication process.
- Description of transaction forensics.
- Disclosure of personnel with access to transaction information.
- Description of “opt-out” process for customers.

Electronic signature vendor selection is left to the insurer.

The insurer is responsible for fraud prevention.

Pilot Benefits

Time Savings – Documents signed and settlement checks issued in days rather than weeks.

Process Savings – Mailing costs associated with claim settlements are greatly reduced or eliminated.

Efficiency – Settlement is less expensive, is combined with the title transfer process, and less dependent on policyholder follow through.

Reduced Rental Car Costs – Faster settlement means a replacement vehicle can be obtained more quickly.

Improved Customer Satisfaction – Policyholders are paid faster and view the claims process favorably, which helps insurers retain policyholders.

Outcomes

More than 100,000 electronic settlements have been conducted, saving millions for insurers and policyholders.

California State Automobile Association settlements went from 11 days to 1.9, shaving 9 days off car rental and storage costs.

In the first two years, Farmer's settled 41,135 claims; they now average more than 1,700 electronic settlements monthly.

RPost reports more than 53,000 items have been completed for Infinity, Kemper, and Mercury.

DMV is working to offer the program to all insurers by the end of 2014.

Future Challenges

Grow the program. California averages more than 200,000 total loss claims annually.

Consolidate document printing at the salvage pools rather than print at each insurance company site.

Establish a process for qualifying the electronic signature products insurers use in settlements.

Expand the use of electronic signatures to non-salvage transactions.

Transition from secure paper to an electronic update. This requires federal action regarding the secure paper requirement in TIMA.