Insurance Certificate Verification in Michigan

One small change can have a big impact

October 28, 2014
Voluntary Reporting by Insurance Companies since 1980’s

Enabled online services for customers with verified insurance

Mandatory Reporting started in 2012
Changes in 2012

- Mandatory electronic insurance reporting for personal vehicle No-Fault liability insurance
- All companies report the 1\textsuperscript{st} and 15\textsuperscript{th} of every month
- VINS not reported for four consecutive reporting cycles (60 days) are purged -
- CHANGE from old voluntary system where VINs were not purged until 6 months later
Branch Office Staff began seeing renewal notices indicating insurance verified; however, they were marked on system “NO” for Electronic Insurance Verification (EIV)

Was the new system working correctly?

Research indicated the system was working....fraud?

Employee Fraud Case – EIV was no; clerk accepted transaction for a bribe – manager caught him
Procedural Change

- New procedures enacted in branch January 22, 2013
- If EIV is “NO” on system, ask for proof of insurance even if renewal notice indicates otherwise
- Branch Office keeps copies of insurance and vehicle registration, branch report indicates which license plates had a “NO” indicator.
- Managers review next business day and verify if suspicious
Fakes!

STATE OF MICHIGAN CERTIFICATE OF NO FAULT INSURANCE

SOUTHERN MICHIGAN INSURANCE COMPANY
MARSHALL, MICHIGAN

An authorized Michigan insurer, certifies that it has issued a policy complying with Act 294, P.A. 197, as amended for the described motor vehicle

To Demohni Stanly
615 Sadie Ct. Apt-49
Lansing MI 48906

1996 4 Door Ford Explorer 1FMDU34XSTUA07808
Year Make Vehicle No.

WARNING: KEEP THIS CERTIFICATE IN YOUR VEHICLE AT ALL TIMES. If you fail to produce it upon a police officer's request, you will be responsible for a civil infraction.

Michigan Law (MCLA500.3101) requires that the owner or registrant of a motor vehicle registered in this state must have insurance or other approved security for the payment of no fault benefits on the vehicle at all times. An owner or registrant who drives or permits to be driven upon a public highway without proper insurance or other security is guilty of a misdemeanor.

An owner or registrant convicted of a misdemeanor shall be fined not less than $200.00 nor more than $500.00 or imprisoned for not more than 1 year.

A PERSON WHO SUPPLIES FALSE INFORMATION TO THE SECRETARY OF STATE OR WHO ISSUES OR USES AN INVALID CERTIFICATE OF INSURANCE IS GUILTY OF A MISDEMEANOR PUNISHABLE BE IMPRISONMENT FOR NOT MORE THAN 1 YEAR, OR A FINE OF NOT MORE THAN $1,000.00 OR BOTH.

Policy No. 598987206
Expiration Date: February 26, 2013
On this August 25, 2012
Month Day Year

From PP 110 Insured Copy
And the Game Began
Do Not take this certificate into the Sec of State.
Go to Ten & Telegraph. Call us when you get
in the parking lot. Say State Farm faxed your
insurance over.
At Another Office

- Downriver Area Plus: 2040 Van Horne Rd, Trenton, MI 48183 (888) 767-6424
- SW Wayne County Plus: 795 Sandstone Rd, Belleville, MI 48111 (800) 767-6424
- West Wayne County Plus: 8500 N Livsey Rd, Canton, MI 48187 (888) 767-6424
- Ypsilanti: 2726 Washtenaw Rd, Ypsilanti, MI 48197 (800) 762-6424
- Southwest Oakland County Plus: 32164 Beck Rd, Novi, MI 48377 (888) 767-6424
- East Oakland County Plus: 5111 S Long Lake Rd, Troy, MI 48085 (888) 767-6424
- West Bloomfield: 4207 Orchard Lake Rd, West Bloomfield, MI 48221 (888) 767-6424
- Sterling Heights: 7917 19 Mile Rd, Sterling Heights, MI 48311 (888) 767-6424
- Monroe: 3107 S Telegraph Rd, Monroe, MI 48161 (888) 767-6424
- Clinton Township: 13001 S Gratiot Ave, Clinton Township, MI 48036 (888) 767-6424
- Rochester Hills: 2250 Crooks Rd, Rochester Hills, MI 48309 (888) 767-6424
- Oakland County Supercenter: 1608 N Perry St, Pontiac, MI 48307 (888) 767-6424
- Central Macomb County Plus: 50540 Schoenfeld Rd, Shelby Township, MI 48315 (888) 767-6424
- North Macomb County Plus: 51305 Gratiot Avenue, Chesterfield, MI 48051 (888) 767-6424
- West Oakland County Plus: 872 N Milford Rd, Highland, MI 48356 (888) 767-6424
- Washtenaw County Plus: 285 N Maple Rd, Ann Arbor, MI 48103 (888) 767-6424
- North Oakland County Plus: 7900 Sashabaw Rd, Clarkston, MI 48346 (888) 767-6424
- Temperance: 7200 Lewis Ave, Temperance, MI 48182 (888) 767-6424
- Romeo: 71130 Van Dyke Rd, Bruce, MI 48065 (888) 767-6424
- Chelsea: 1333 S MAIN ST, Chelsea, MI 48118 (888) 767-6424
- Livingston County Plus: 1448 Lawson Rd, Howell, MI 48843 (888) 767-6424
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**An authorized Michigan insurer, certifies that it has issued a policy complying with Act 294, P.A. 1972, as amended for the described motor vehicle.**

**Secretary of State's Copy**

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**Secretary of State's Copy**
Manager refused to accept a faxed in certificate from Premier Insurance Agency, did not call the agent’s number listed on fax but a company phone number— who verified the insurance was fraudulent.

Staff called the agent’s number on the certificate and a professional, polite woman verified all info on the policy; asked where the agency was and she gave the address.

Here’s the business location.
Vacant for 3 Years
From: Kipp, Kimberly (MDOS)  
Sent: Friday, May 10, 2013 3:47 PM  
To: Taylor, Tyonia (MDOS)  
Subject: Fraudulent Ins. from L A Insurance

This is Insurance that has been faxed to Sterling Hts. office today several times. 
We have called the actual agent, she has verified this is in fact fake. 
First of all an Oak Park phone number would not be a 248 exchange. 
They have even gone as far as to send a letter (after we would not renew with this insurance) stating that we should accept this even adding a State seal!

Kimberly Kipp  
Support Mgr
Attention: Staff members this is. Kelly Walker Manager of the LA Branch located at 13381 W. 10 MILE RD, in oak park, mi, 48237 there was an error made on your behalf of the staff members. The vehicle information you received was verified and is in good standing. We have been informed of the problem we are sorry for the mistake that was made by one of our staff members we have corrected the problem. The customer name is ALBERT BAPTISTE JR. address: 39 HILL ST,HIGHLAND PARK MI 48203 LICENSE No. B132041887283, Vin. No: 1LNHM86S83Y669455 IF there are any questions please contact the office number (313) 455-0146 or our Fax:no:1(248) 455-0129

THIS CERTIFIES THAT THE ABOVE IS A TRUE COPY OF FACTS RECORD ON THIS RECORD OF THE PERSON NAMED HEREON, AS FILED.

GLORIA L. HARPER
REGISTRAR, VITAL RECORDS

KELLY WALKER
MANAGER
March 6, 2013

To All Branch Office Staff:

**Do Not Accept Certificates of Insurance issued by LA Insurance Agent Randall Wood**

The Department of Legal and Regulatory Affairs has confirmed that certificates presented showing Randall Wood of LA Insurance as the agent should not be accepted. Randall Wood has not been an LA Insurance agent since 2006.

Someone answering the phone number listed on these certificates states he is Randall Wood and verifies that the policy is valid; however, other LA Insurance Agencies are unable to verify the policies because they do not exist.

Thank you for all your hard work and effort in identifying these fraudulent certificates.
29 people submitted renewals to Renewal by Mail using a certificate with this agent’s name. The policies did not exist. The fraud perpetrator confessed & was convicted.
Suspending registrations for fraudulent insurance identified by branches began on February 6.

Customer notified and must return, bring in valid insurance that must be verified and pay a $5.00 replacement plate fee.

- 1,895 suspensions were processed by April 1.
- 3,148 by June 11.
- Suspensions only for transactions staff weren’t able to verify as fraudulent up-front.
December 2013 - Policy change – cancelling instead of suspend – 5510 vehicle registration cancellations to date

Customer must provide valid insurance and pay full fees again.
Dealers Involved Too

- Sold credit gap insurance as liability insurance
- Purchased Progressive Insurance for customers using stolen credit card account numbers
- Department issued summary suspension; Dealer surrendered dealer license
- National Insurance Crime Bureau is now investigating
Help from Others

• The Department of Insurance and Financial Services has helped to verify valid companies and agents
• Issued Cease and Desist Orders against bad dealers and fraudulent agents
• MDOS staff met with State Police to identify strategies to combat fraudulent certificates
• State Police investigated the mail renewal case involving Progressive Insurance; found the perpetrator and turned over to prosecutor
• Craig’s List phony insurance seller – advertising for $200 per certificate
• Insurance with Grace – Detroit Police Dept. arrested perpetrator for selling fake insurance out of a church; estimated earnings over $360,000 per year.
More Investigations

• **GEICO/Ameriprise Certs Involving Fraudulent Payment** – online use of stolen credit cards

• **Great Lakes Michigan Insurance** – fraudulent insurance – had their own website

• **Progressive Policies Involving Appointment of Agents/Fraudulent Payment** – “runners” would bring in registration renewals and insurance – insurance was purchased with stolen credit cards
Insurance Industry

- Willing to verify insurance
- Help Eliminate Auto Theft (HEAT) working to obtain/establish 800-numbers for verification
- Willing to provide info on insurance policy numbering conventions
- Working with agents to ensure certificates are conforming
July 31, 2013: One-day Snapshot

Reports of Fakes Statewide

16.1% of all paper auto insurance certificates submitted to branch offices deemed invalid

Results from insurance certificate survey conducted at Department of State branch offices July 31, 2013
STATE LAW PROHIBITS USING FALSE PROOF OF NO-FAULT INSURANCE

Michigan law requires all vehicle owners to have VALID PROOF of NO-FAULT INSURANCE when registering a vehicle and while operating a vehicle on roadways.

People who supply false insurance information to the Secretary of State’s Office, or use altered or fraudulent insurance certificates when registering a vehicle will have their plates cancelled, forfeit their registration fees and may be charged with a crime. Penalties range from a MISDEMEANOR offense that carries up to a YEAR IN JAIL and a FINE OF $1,000 to a FELONY OFFENSE for knowingly possessing or selling a stolen or fraudulent insurance certificate.

Proof of insurance must be verified at the time license plates and tabs are being purchased or renewed. We will verify your coverage electronically before we issue or renew your plate.

If Secretary of State computer records show that your vehicle does not have valid insurance coverage, you must provide an insurance certificate issued within the last 30 days to prove that your vehicle has valid Michigan no-fault insurance.

PLEASE MAKE SURE YOUR INSURANCE COVERAGE IS UP TO DATE.
State Law Prohibits Using False Proof of No-Fault Insurance

Michigan law requires all vehicle owners to have VALID PROOF of NO-FAULT INSURANCE when registering a vehicle and while operating a vehicle on roadways.

People who supply false insurance information to the Secretary of State’s Office, or use altered or fraudulent insurance certificates when registering a vehicle will have their plates cancelled, forfeit their registration fees and may be charged with a crime. Penalties range from a MISDEMEANOR offense that carries up to a YEAR IN JAIL and a FINE OF $1,000 to a FELONY OFFENSE for knowingly possessing or selling a stolen or fraudulent insurance certificate.

Proof of insurance must be verified at the time license plates and tabs are being purchased or renewed. WE WILL VERIFY YOUR COVERAGE ELECTRONICALLY BEFORE WE ISSUE OR RENEW YOUR PLATE. This process may cause additional wait time. If Secretary of State computer records show that your vehicle does not have valid insurance coverage, you must provide an insurance certificate issued within the last 30 days to prove that your vehicle has valid Michigan no-fault insurance.

Please make sure your insurance coverage is up to date.
September 16, 2013 - Task Force established by Michigan Secretary of State Ruth Johnson, MSP Colonel Kristie Etue, DIFS Director Kevin Clinton

Goal - Address emerging problem of fraudulent insurance certificates in Michigan
FAIR Task Force

Members:
- Michigan State Police
- Michigan Department of Insurance and Financial Services
- Prosecuting Attorneys Association of Michigan
- Insurance Institute of Michigan
- Property Casualty Insurers Association of America
- Michigan Association of Insurance Agents
17 Recommendations:

- Creation of an Insurance Fraud Authority
- Electronic Insurance Verification system enhancements
- External Communication Campaign
- Provide DIFS with regulatory authority against unlicensed agents
FAIR Task Force

- Develop and maintain key fraud prevention partnerships with insurance carriers
- Minimum term coverage
- MDOS – cancel license plates for invalid insurance
- Data analytics
- Provide MDOS EIV information to law enforcement and promote seizure of license plates
- Fraud Detection training – MDOS and MSP
Next Steps

• Legislation – Insurance Fraud Authority, more frequent reporting – 7 days

• Administrative – MDOS request – fraud appropriation for FY15 - $1.4 million – Proof of Insurance Verification Pilot

• Insurance information for law enforcement – 11/16/14
Future

- Real Time Insurance Verification for MDOS and Law Enforcement
- Monitor Insurance Coverage during registration period
Questions?

- James Fackler – Assistant Administrator, Customer Services Administration
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  517-636-0949
  517-204-1390 (cell)
  facklerj@michigan.gov