The Uninsured Motorist Problem: An Overview
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47 States Compel Auto Insurance
- New Hampshire is Live Free or Die
- Tennessee is secondary violation

Virginia allows motorists to pay $500/yr

Despite Laws, IRC Estimates Approx. 12.6% of Motorists Nationwide Lack Insurance

How Do States Enforce Requirement?
What are the Results?

- States with Highest and Lowest UM #s Have Databases
  - Massachusetts, New York and Utah are in Top 5 Lowest UM states; all have database programs
  - Florida, Michigan, New Mexico and Oklahoma are in Top 5 Highest UM states; all have database programs
  - Majority of states with above average UM rates have database programs
Problems with Databases

• Dated Data
• Reconciling Discrepancies Between State and Insurer Data Drain Resources
• Proprietary
• No Proof Database Programs Actually Reduce UM Rates
  – Most of the states with above average UM rates have database programs
Alternatives

• Increased Enforcement Efforts
  – Mandatory fees that cannot be reduced
  – Increased law enforcement at courthouses

• Indiana Previously Uninsured Motorist Registry
  – Targets those previously cited and/or convicted of driving without insurance
  – Subjects them to random verification requests over 5 years
• No Pay No Play Legislation
  – Prohibits uninsured motorists from suing insured motorists to collect non-economic (i.e., pain and suffering) damages
  – Missouri became 11th state to adopt in October
  – IRC report concludes NP/NP legislation results in statistically significant drop in UM rate
  – No fault states like Kansas and Michigan have adopted
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
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
**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
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
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
Who uses OLV?

Primary:
Alabama; Montana; Nevada; Oklahoma; Texas (hybrid); West Virginia; Wyoming.

Secondary:
California; South Carolina; Utah (pilot); Washington, D.C.

Misc.:
CT – Testing (Commercial Only)
ID – 2012 Law On Hold
MS – 2012 Law On Hold
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
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