



Solving the Uninsured Motorist Problem

Michigan House Insurance Committee
Lansing, MI
February 27, 2014

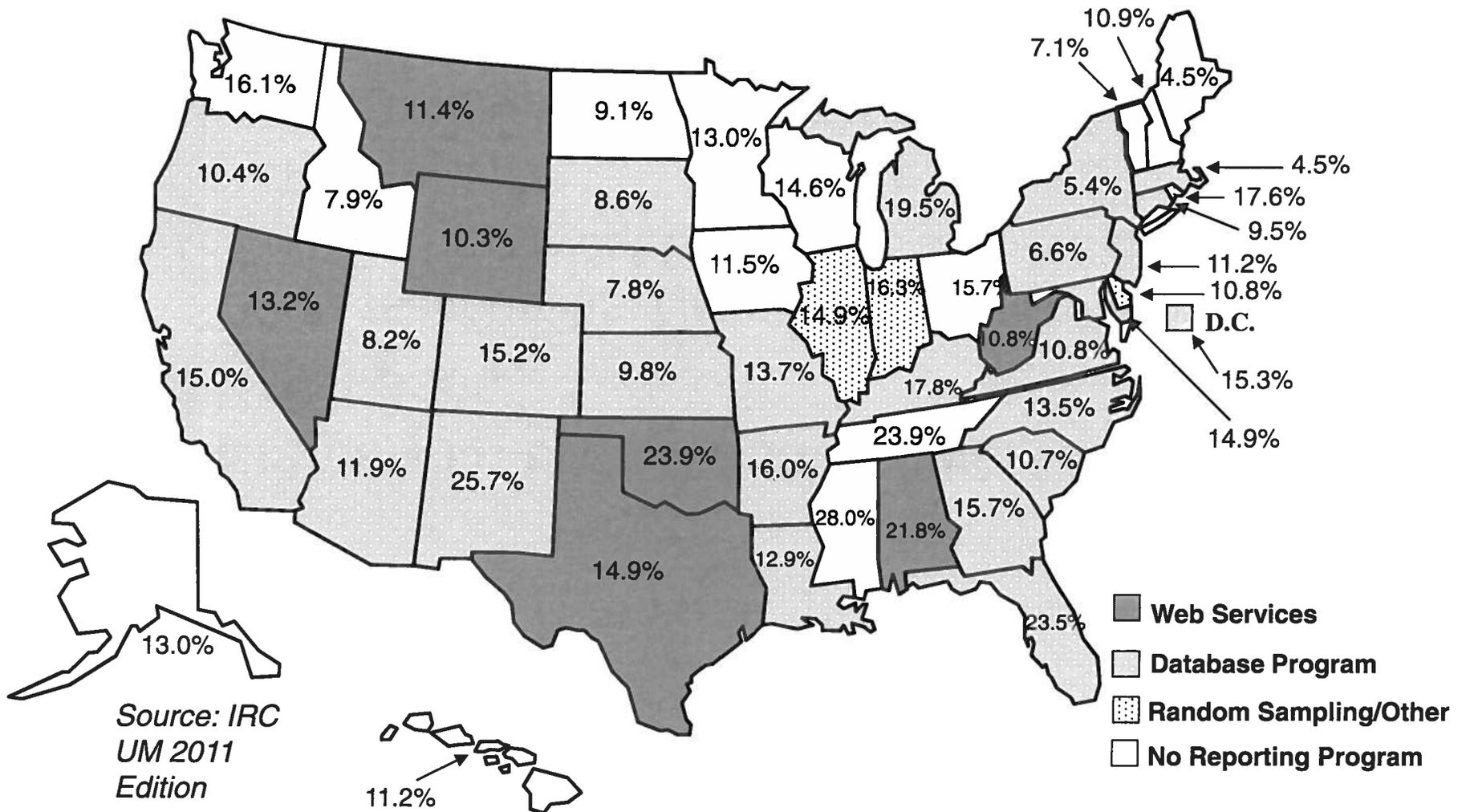


Uninsured Motorists

- 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. 14% of Motorists Nationwide Lack Insurance
- How Do States Enforce Requirement?



UM Rate & Reporting Program Type



Source: IRC
UM 2011
Edition



What Are The Results?

- States with Highest and Lowest UM #s Have Databases
 - Massachusetts, New York and Pennsylvania are in Top 5 Lowest UM states; all have database programs
 - Florida, 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



The Problem with Databases

- Dated Data
- Reconciling Discrepancies Between State and Insurer Data Drain Resources
- 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



Alternatives cont.

- 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

OLV
ON LINE (Auto Insurance)
VERIFICATION

Presentation

February 2014



**Insurance Industry Committee
on Motor Vehicle Administration**

ON LINE VERIFICATION - OLV

❖ What is ***OLV***?

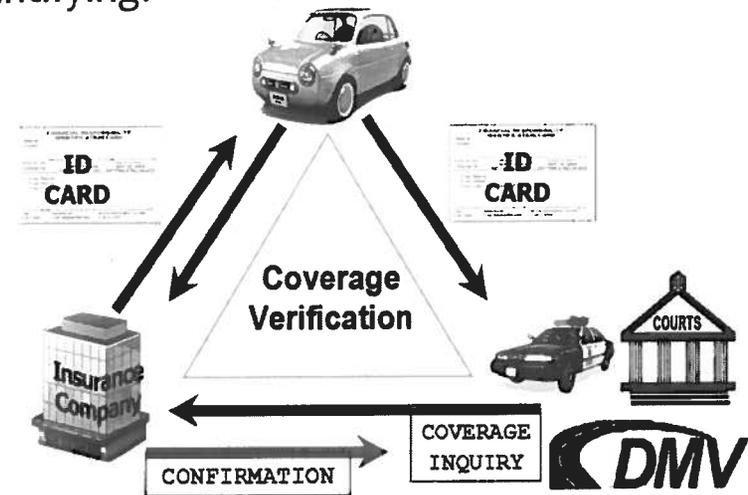
- ◆ Electronically verifies evidence of insurance (Auto ID Card) presented by the vehicle owner or operator
- ◆ Web-based service established by insurance carriers
- ◆ Real-time inquiry and responses in seconds
- ◆ OLV Service available 24/7
- ◆ More accurate than database systems

❖ ***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

OLV – How it works

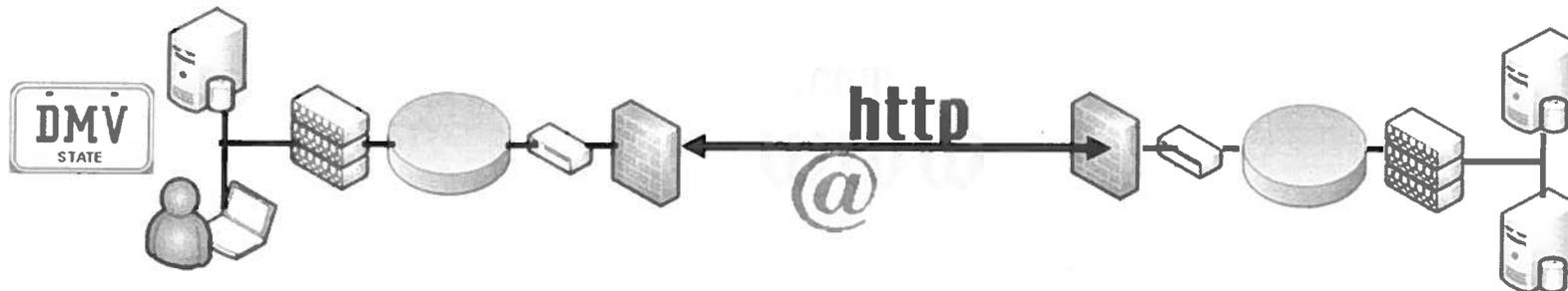
- ❖ State Laws mandate Insurance Companies provide evidence of insurance (Auto ID Card)
- ❖ The vehicle owner or operator presents evidence identifying:
 - ◆ Insurance Company
 - ◆ Policy Key (Policy Number)
 - ◆ VIN
 - ◆ Effective Date (s)
- ❖ The Jurisdiction prepares and sends the inquiry to the Insurance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



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



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



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:

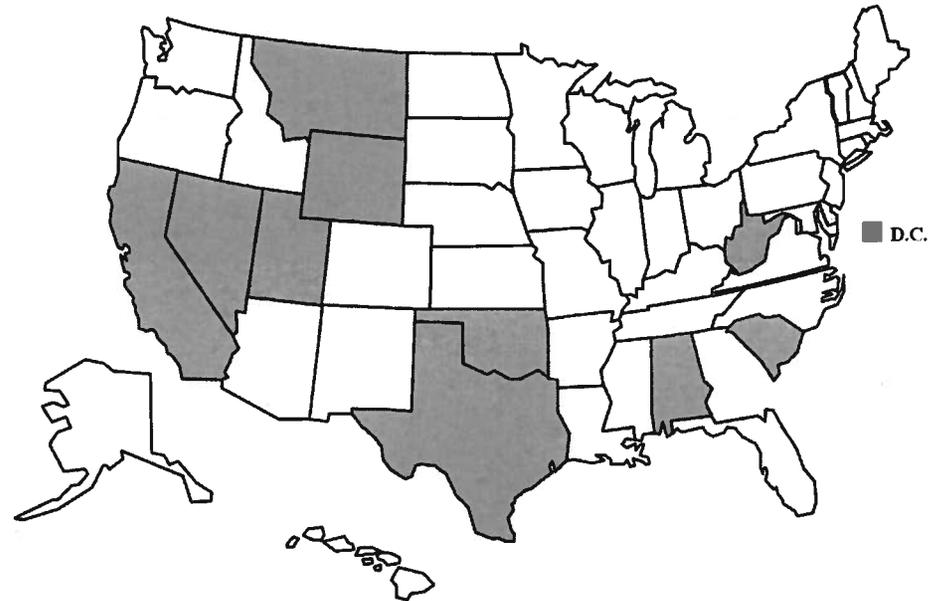
California; South Carolina; Utah
(pilot); Washington, D.C.

Misc.:

CT – Testing (Commercial Only)

ID – 2012 Law On Hold

MS – 2012 Law On Hold



FL – Testing complete, implementation TBD
NM – Testing complete, implementation TBD
TX – Testing complete, implementation TBD
UT – Testing complete, implementation TBD



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





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