

# **REPORT OF THE INSURANCE VERIFICATION WORKING GROUP**

Report to the Hawaii State Legislature  
Pursuant to Senate Concurrent Resolution No. 97, S.D. 1 (2012)

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# TABLE OF CONTENTS

	<i>Page</i>
<b>Introduction</b> .....	1
<b>Discussion</b> .....	2
I.    Creation of a Web Services-Based Database Program to Track Uninsured Motorists.....	2
II.   Establishing a Mechanism for Funding the Uninsured Motorist Database Program .....	9
III.  Other Ways to Reduce the Number of Uninsured Motorists in the State; Alternative Financing Options.....	10
<b>Recommendations</b> .....	12
<b>Proposed Legislation</b> .....	15

## Appendices

A.    Senate Concurrent Resolution No. 97, S.D. 1, Twenty-sixth Legislature, 2012 .....	44
B.    MV VeriSol Comprehensive Real-Time Motor Vehicle Insurance Verification .....	47
C.    Senate Bill No. 2631, Mississippi Legislature, 2012 Regular Session.....	54
D.    On-Line IVS Powered by Insure-Rite and HDI Solutions Insurance Verification Model .....	65
E.    Best Practices for Insurance Verification .....	74
F.    Nevada Department of Motor Vehicles, Nevada LIVE.....	79
G.    Hawaii State Judiciary, Insurance Violation Statistics .....	97

# **INSURANCE VERIFICATION WORKING GROUP REPORT**

## **INTRODUCTION**

Senate Concurrent Resolution No. 97, S.D. 1 (2012) (hereafter S.C.R. No. 97 or Resolution) requested the Insurance Commissioner to do the following:

- (1) Convene a working group to explore the creation of a web services-based database program to track uninsured motorists;
- (2) Establish a mechanism for funding the uninsured motorist database program and recommend penalties or sanctions for motorists found to be in violation of the State's mandatory motor vehicle insurance requirements; and
- (3) Explore other alternatives or ways to reduce the number of uninsured motorists in the State, including alternative financing options.

(A copy of the Resolution is attached as Appendix A.)

The Resolution specified that the Working Group be composed of the Insurance Commissioner, the Administrator of the Motor Vehicle and Licensing Division of the City and County of Honolulu, and representatives from the Department of the Attorney General, a county police department, Property Casualty Insurers Association of America (PCI), Hawaii Insurers Council (HIC), and State Farm Insurance Companies (State Farm).

The Working Group was encouraged to consult with the Chief Information Officer for the City and County of Honolulu, or other appropriate party possessing familiarity with a web services-based database program at the county level. The Resolution also authorized the Working Group to form investigative committees and to bring in additional stakeholders and interested parties, as appropriate.

The Working Group consisted of the following members: Gordon Ito, Insurance Commissioner; Calvin Ching, Deputy Chief Court Administrator, and Linda Tom, Traffic Violations Bureau, representing the Judiciary; George Cooper, State Farm;<sup>1</sup> Dennis Kamimura, Motor Vehicle and Licensing Division Administrator, City and County of Honolulu; Major Kurt Kendro, Honolulu Police Department, Traffic Division; Michael Onofrietti, HIC; Mark Sektnan, PCI; Debbie Stelmach, Department of Information Technology, City and County of Honolulu; and Elmira Tsang, Deputy Attorney General, Department of the Attorney General, Commerce and Economic Development Division.

The Resolution requested that the Legislative Reference Bureau submit a final report of the Working Group's findings and recommendations, including any proposed legislation, to the Legislature no later than twenty days prior to the convening of the Regular Session of 2013; provided that the Working Group transmits a draft report of its findings and recommendations, including any proposed legislation, to the Legislative Reference Bureau no later than November 1, 2012. The Working Group is to be dissolved on June 30, 2013.

## **DISCUSSION**

### **I. Creation of a Web Services-Based Database Program to Track Uninsured Motorists**

The Working Group gathered information about insurance verification systems from various sources, including the Insurance Industry Committee on Motor Vehicle Administration (IICMVA), state motor vehicle departments, and vendors who specialize in designing and implementing verification systems.

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<sup>1</sup> Mr. Cooper also serves as Vice Chair of the Insurance Industry Committee on Motor Vehicle Administration, a non-profit, all industry advisory group which acts as a liaison between the insurance industry and state motor vehicle departments and assists with the implementation and maintenance of compulsory insurance and financial responsibility laws.

Insurance verification programs that are in use or under development across the country include database reporting programs (which include book of business data transfers and/or coverage initiation/termination reporting) and web services-based online verification.

Online verification of auto insurance is an inquiry made via the Internet to verify that a motor vehicle has the minimum insurance coverage required by law. It provides real-time communication between a state and insurance providers. The four data elements necessary for online verification are:

- (1) Policy number;
- (2) Vehicle identification number (VIN);
- (3) Insurer's National Association of Insurance Commissioners (NAIC) number; and
- (4) Confirmation data for evidence of insurance.

The electronic response is either “Confirmed” or “Unconfirmed” coverage.

There are many states with web services-based, real-time, online insurance verification programs in use (including Nevada, Oklahoma, and Wyoming) or under development (including Alabama, California, Mississippi, Montana, South Carolina, Utah, and West Virginia).

#### A. Possible Models for an Insurance Verification Program

##### 1. Department of Information Technology Proposed Model

The Working Group considered a high level diagram and outline prepared by the Department of Information Technology, City and County of Honolulu (DIT), for a proposed insurance verification program, using a third-party as a repository for the City and County’s Motor Vehicle and Licensing Division. A repository is needed as the City and County’s mainframe system, which was built circa 1968, has no place to capture and retain insurance data. The advantages of using a third-party vendor include quicker implementation time as well as

prior experience and expertise in designing insurance verification systems. DIT is currently unable to build an insurance verification database internally, unless funding and staff are made available.

## 2. Models Used in Other States

The Working Group also heard presentations from vendors who specialize in designing and implementing insurance verification systems.

### MV VeriSol Model

Charles Pecchio of MV VeriSol provided information about its insurance verification system, which is based on the IICMVA online approach.<sup>2</sup> Requests for insurance verification by law enforcement, motor vehicle administrators, and other authorized users are sent to insurer web services for an instant response; coverage is either confirmed or unconfirmed. The request may include license plate or VIN, policy number, or date of coverage.

Since the verification system is integrated with existing systems with policy data on file, it does not require keying of additional information. Software routes each request to the insurance company web services, based on the pointer file. If there is no coverage during the grace period, there is a follow-up letter campaign. The complete response time for requests by law enforcement averages over one second.

This system has been implemented and tested in fourteen states. The platform used by Wyoming is a mainframe that was built circa 1971.

### Insure-Right Model

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<sup>2</sup> See MV VeriSol, *Comprehensive Real-Time Motor Vehicle Insurance Verification*, attached as Appendix B, and S.B. 2631, 2012 Reg. Sess. (Miss. 2012), attached as Appendix C.

Bart Blackstock of Insure-Rite provided information about its insurance verification systems.<sup>3</sup> Insure-Rite created the nation's first system to proactively identify uninsured motorists, as well as the nation's first real-time 24/7/365 provision of insurance verification services to law enforcement. Insure-Rite has implemented three vastly different systems in Utah, Texas, and West Virginia. It has fourteen years of experience operating the first full book reporting insurance verification system in the nation.

For the Utah program, the full book of business is downloaded twice a month from all insurers licensed to and doing business in Utah, the Motor Vehicle Division (DMV), and the Driver License Division (DLD). These records are matched using a series of cascading algorithms. These algorithms account for the differences between insurer data and DMV and DLD data. Insure-Rite consistently matches over 97% of vehicles to a policy in Utah and over 99.5% in Texas. Next July, Insure-Rite will add the web services-based IICMVA model to the system for instant verification and to find canceled policies.

After matching, an insured motorist database is created. By default, an uninsured database is also created. An accurate uninsured vehicle rate is derived, once it is known how many vehicles are insured and how many are not insured. According to MV VeriSol, the uninsured motorist rate in Utah was approximately 24% when the program was implemented; while the current rate is consistently under 5%, using the same methodology.<sup>4</sup>

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<sup>3</sup> See Insure-Rite, *On-Line IVS Powered by Insure-Rite and HDI Solutions Insurance Verification Model*, attached as Appendix D, and Insure-Rite, *Best Practices for Insurance Verification*, attached as Appendix E.

<sup>4</sup> According to the Insurance Research Council, the percentage of uninsured drivers, as measured by the ratio of uninsured motorists claims to bodily injury claims frequencies, for Utah was 9% in 2004 and 8% in 2009. See News Release, Insurance Research Council, IRC Estimates More Than 14 Percent of Drivers Are Uninsured (June 28, 2006), available at <http://www.prnewswire.com/news-releases/irc-estimates-more-than-14-percent-of-drivers-are-uninsured-56990892.html>, and News Release, Insurance Research Council, Recession Marked by Bump in Uninsured Motorists: IRC Analysis Finds One in Seven Drivers Are Uninsured (Apr 21, 2011), available at [http://www.insurance-research.org/sites/default/files/downloads/IRCUM2011\\_042111.pdf](http://www.insurance-research.org/sites/default/files/downloads/IRCUM2011_042111.pdf).



Once a vehicle has been identified as potentially uninsured for ninety consecutive days, a notification by letter phase begins. The first letter gives the owner a chance to correct the problem (i.e., purchase insurance) or provide information to demonstrate that the vehicle is exempt from coverage requirements (e.g., information to establish that the vehicle has been sold, is out of service, or used only seasonally, etc.). If there is no response after fifteen days, a second letter is sent giving the same options. If there is no response to the second letter, Utah DMV is notified and the vehicle registration is revoked.

With respect to verification of commercial vehicles and fleet vehicles, Texas provides an exemption to the verification program while Utah does not. Mr. Cooper noted that fleet vehicles are usually insured and likely not part of the uninsured motorist problem.

#### Nevada Model

Bernadette Nieto and Frank Maiden of the Nevada Department of Motor Vehicles (Nevada DMV) provided information about the Nevada Liability Insurance Validation Electronically (Nevada LIVE) program, which became operational on March 15, 2010. It is a “home grown” system which follows the IICMVA guidelines. This system allows registered owners to actively participate in updating their insurance record and to see their record online.

Nevada DMV learned early on that each insurer does business a little differently. It became important to find methods which were accommodating to as many companies as possible. This included providing options to accommodate insurers that used:

- (1) Web services (electronic pinging) – Group A;
- (2) Secure File Transfer Protocol (SFTP) – Group B; and
- (3) Excel spreadsheets (for insurers with under 500 policies) – Group C.

These options allowed insurers to make a gradual transition to electronic reporting. All insurers in the state eventually converted to web services. SFTP is still used for a book of business or for large scale data corrections.

Registered owners, insurance agents, or underwriters enter the insurance information online via the Nevada DMV website. The data entered is uploaded to the DMV Application instantly. Nevada is now joining other web services-based states in requiring a monthly file, which is the insurer's book of business containing all policies and that is formatted in accordance with IICMVA guidelines.

When Nevada DMV needs to verify insurance coverage, an electronic query or "ping" is sent to that URL. The request sends the following data elements: VIN, registered owner(s), vehicle information, dates being verified, NAIC number, policy number, driver license number (optional), and federal employer identification number (optional). The insurer responds by indicating that coverage is either confirmed or unconfirmed (with a reason code explaining why the insurance policy was unconfirmed). Nevada DMV uses the response to determine whether the insurance coverage is continuous or if there is a lapse.

If the record comes back confirmed, Nevada DMV stores the information. At least every sixty days, the policy is pinged to verify continuous coverage. If the record comes back unconfirmed, Nevada DMV's system needs to determine whether the insurance record is new or existing. If the insurance record is new, the record will be pinged every seven days until the twenty-eighth day or a confirmed response is received. If the record remains unconfirmed on the twenty-eighth day, a verification postcard is sent to the registered owner asking the owner to provide insurance information again. If, on the other hand, the insurance record is an existing record, the insurance record will be pinged to locate the first day of the potential lapse. A

verification postcard is then sent asking the registered owner to provide insurance information for the incident date. Using the information provided, Nevada DMV can then initiate a new ping to the insurer in an attempt to verify coverage.

Nevada law requires that vehicles registered in the state maintain continuous liability insurance coverage. If the Nevada LIVE process detects no insurance or a lapse in coverage, the registered owner is sent a postcard requesting the owner to verify insurance information. A vendor is used to mail the postcards.

The registered owner has fifteen days to submit a response to Nevada DMV, either by completing the postcard or responding online. If the registered owner admits no insurance or fails to respond to the postcard, or the insurer denies coverage exists, a certified letter is sent. If insurance records still cannot be confirmed by the suspension date stated on the certified notice, the vehicle registration is suspended. An estimated 75% of incidents for no insurance are resolved after the registered owner receives the postcard or notice of suspension. At any time, insurance records can be confirmed and the suspension can be rescinded or prevented.

In 2011, the Nevada Legislature passed a bill instituting a system of tiered penalties for those who have had a lapse of insurance coverage, as a means of reducing the uninsured motorist rate in Nevada. Penalties are based on the length of the lapse and the number of previous lapses within the past five years.

For Nevada LIVE, there are about twenty-one DMV employees on the floor, with two IT technicians and support from Nevada DMV Management Services and Administration.

With respect to commercial vehicles, Nevada DMV occasionally gets calls regarding fleet vehicles, as there is a problem with name matching.<sup>5</sup>

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<sup>5</sup> See Nevada Department of Motor Vehicles, *Nevada LIVE*, attached as Appendix F.

## B. Insurance Industry Data

According to insurance industry data, there is no significant difference between the uninsured motorist rates of states that have insurance verification programs (about thirty-three states) and those that do not.<sup>6</sup> PCI recommended that states do not adopt electronic verification programs, as there are simpler and less costly alternative approaches to addressing the uninsured motorist problem. However, if a broad-based statewide verification program is adopted, PCI recommends adopting a web services-based program.

In 2009, the percentage of uninsured drivers, as measured by the ratio of uninsured motorists claims to bodily injury claims frequencies, for Hawaii was estimated at 11%.<sup>7</sup>

Based on insurance industry research, there is little evidence that electronic insurance verification systems reduce uninsured motorist rates.<sup>8</sup>

## II. Establishing a Mechanism for Funding the Uninsured Motorist Database Program

The Working Group finds that an effective law must fulfill four criteria:

- (1) The law must make clear the behavior that is required to comply with the law;
- (2) It must be enforceable;
- (3) The public must believe they will be caught if they break the law; and
- (4) The consequences must be sufficient to provide an effective deterrent (for example, the penalty for violating an insurance law must be at least as expensive as the cost of purchasing insurance).<sup>9</sup>

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<sup>6</sup> See News Releases, *supra* note 4.

<sup>7</sup> See *id.*

<sup>8</sup> See *id.*

<sup>9</sup> See Appendices D and E.

There was discussion on whether the database program would be pre-funded and the length of time needed to build the database. Implementation time would need to include time for the procurement process. Mr. Kamimura suggested that an additional \$1 motor vehicle registration fee, fines imposed on offenders who violate the insurance law, and insurer fees could be deposited into a special fund dedicated to establishing the insurance verification system. Mr. Onofrietti advised against a fee by insurers, as this fee would ultimately be borne by law-abiding people who already purchase insurance. Mr. Cooper indicated that the additional \$1 registration fee may be sufficient to establish the verification system.

In Utah, an additional \$1 fee is paid at the time of vehicle registration. The fee is deposited in a restricted account which pays for their verification program. According to MV VeriSol, implementing a similar \$1 fee in Hawaii would more than pay for an insurance verification system.

Other funding options include:

- (1) Having insurers pay \$1 or other amount per year for each policy written; or
- (2) Taking a portion of the reinstatement fee paid when revoked registrations are reinstated.

Mr. Kamimura suggested the creation of an administrative office for adjudicating offenses for driving without insurance, similar to the Judiciary's Administrative Driver's License Revocation Office, where the offense is non-criminal.

### III. Other Ways to Reduce the Number of Uninsured Motorists in the State; Alternative Financing Options

The Honolulu Police Department (HPD) provided statistical data on traffic citations issued by HPD from 2003 to 2011. The number of HPD citations for driving uninsured has

decreased from 30,799 (2003) to 14,177 (2011). HPD opined that this may be due to the increased ability to produce realistic forgeries of motor vehicle insurance cards.

The Judiciary presented statistical data on traffic citations issued for lack of proof of motor vehicle insurance, fees and fines collected, and conviction rates.<sup>10</sup>

With respect to enforcement, Mr. Kamimura stated that the penalties for driving without insurance must be sufficient to ensure compliance (e.g., the cost of insurance) and should be mandatory, rather than discretionary. Mr. Onofrietti suggested vehicle forfeiture as a penalty for the third or fourth offense of driving without insurance.

There was discussion regarding penalties imposed under Section 431:10C-117, Hawaii Revised Statutes (HRS). Of particular interest was the discretionary authority that judges possess to suspend fines in cases where a person is convicted of not having had motor vehicle insurance at the time the citation was issued, but provides the court with proof of current coverage, pursuant to Section 431:10C-117(a)(2)(B), HRS.

Under current law, each violation is subject to a fine of \$100 to \$5,000, pursuant to Section 431:10C-117(a)(2)(A), HRS. The fine cannot be suspended except as provided in subparagraph (B) of that section.

Under Section 431:10C-117(a)(2)(B), HRS, a person who is convicted of not having had a motor vehicle insurance policy in effect at the time of the citation is subject to a fine of \$500 for the first offense and a minimum of \$1,500 for each subsequent offense that occurs within a five year period. However, the judge has the discretionary authority to suspend all or any portion of the fine if the defendant provides proof of current motor vehicle insurance coverage or, at the defendant's request, to grant community service in lieu of the fine.

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<sup>10</sup> A copy of the data provided by the Judiciary is attached as Appendix G.

Judiciary representatives reported that outstanding, unpaid fines are sent for collection by an outside collection agency, pursuant to Section 706-644(5), HRS.

## **RECOMMENDATIONS**

After much discussion and deliberation, the Working Group makes the following recommendations:

1. The Working Group recommends establishing a program to identify uninsured motor vehicles utilizing web-based technology.<sup>11</sup>
2. The Working Group recommends the utilization of a qualified vendor to perform all necessary services.
3. It is recommended that a working group of stakeholders, which includes the participants identified in S.C.R. No. 97 and others deemed appropriate, be established for the purpose of providing recommendations regarding:
  - (A) A request for proposals from vendors to perform services necessary to develop and operate an insurance verification system;
  - (B) Vendor selection; and
  - (C) Appropriate benchmarking criteria and reporting requirements to determine the efficacy of the program and measure the proportion of uninsured motor vehicles.

The new working group may consider which motor vehicles should be included in the motor vehicle insurance verification program, and whether commercial vehicles and fleet vehicles should be exempt from the reporting requirements of the program.

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<sup>11</sup> The Working Group could not agree on the department to which the insurance verification program would be administratively attached.

4. The program should adhere to established industry standards for real-time automobile liability insurance verifications.
5. The Working Group also recommends sending letters of notification to uninsured motorists, specifically targeting repeat offenders, with additional checks unless there are other triggers, and providing for suspension of motor vehicle registration upon the failure to respond to notification letter.
6. With respect to funding, the Working Group recommends adding a small fee to the motor vehicle registration fee and imposing mandatory fines, with the fee and a portion of the mandatory fines being deposited into a newly created special fund for the administration of the insurance verification program.
7. The Working Group recommends an implementation date of January 1, 2015, for the insurance verification program.
8. The Working Group recommends a sunset date of June 30, 2020, for the insurance verification program. Prior to the sunset date, the efficacy of the program shall be determined by measuring the proportion of uninsured motor vehicles.
9. After implementation of the insurance verification program, the Working Group also recommends deleting subsection (c) in Section 431:10C-107, HRS, which requires motor vehicle insurance identification cards to be “forgery-resistant.” Motor vehicle insurance identification cards are still necessary when motor vehicle accidents occur.
10. After implementation of the insurance verification program, the Working Group recommends:



- (A) Repealing the requirement that motor vehicle insurance identification cards be verified at safety check inspection stations; and
  - (B) Requiring the examiner of drivers to validate through the motor vehicle insurance verification program that the vehicle used by an applicant for a driver's license is insured.
11. The Working Group recommends amending Section 431:10C-117(a)(2)(B), HRS, by deleting the judge's discretionary authority to suspend all or any portion of the fine if the defendant provides proof of current motor vehicle insurance coverage, while retaining the judge's discretionary authority to grant community service in lieu of the fine.
12. The Legislature may consider the use of electronic motor vehicle insurance identification cards.

Proposed legislation to implement these recommendations is attached to this report.

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# A BILL FOR AN ACT

RELATING TO INSURANCE.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1 PART I

2 SECTION 1. (a) There is established a working group to  
3 assist in the development of a program to identify uninsured  
4 motor vehicles in the State using web-based technology. The  
5 working group shall be attached to the department  
6 of for administrative purposes.

7 (b) The purpose of the working group, as described in  
8 subsection (c), shall be to provide recommendations regarding:

9 (1) The development of a request for proposals from  
10 qualified vendors to perform all services necessary to  
11 develop and operate the motor vehicle insurance  
12 verification program; provided that the program shall  
13 include the following:

14 (A) Adherence to established industry standards for  
15 real-time automotive liability insurance  
16 verifications;

## .B. NO.

(B) Sending of notification letters to uninsured motorists, specifically targeting repeat offenders, with additional checks;

(C) Providing for suspension of motor vehicle registration upon failure to respond to notification letters; and

(D) Implementation of the program by January 1, 2015;

(2) The selection of a qualified vendor; and

(3) Appropriate benchmarking criteria and reporting requirements to determine program efficacy and measure the proportion of uninsured motor vehicles to insured motor vehicles.

(c) The working group shall comprise the following members:

(1) The insurance commissioner;

(2) The deputy chief court administrator of the district court of the first circuit;

(3) The court administrator of the traffic violations bureau of the district court of the first circuit;

(4) The administrator of the motor vehicle and licensing division of the city and county of Honolulu;

## .B. NO.

(5) A representative of the Honolulu police department,  
traffic division;

(6) A representative of the Hawaii Insurers Council;

(7) A representative of the Property Casualty Insurers  
Association of America;

(8) A representative of the department of information  
technology of the city and county of Honolulu;

(9) A representative of the commerce and economic  
development division of the department of the attorney  
general; and

(10) Other members, as deemed appropriate by the chair of  
the working group.

The insurance commissioner shall serve as chair of the working  
group.

(d) The working group shall cease to exist on January 1,  
2015.

### PART II

SECTION 2. Chapter , Hawaii Revised Statutes, is  
amended by adding a new section to be appropriately designated  
and to read as follows:

**"§ -A Motor vehicle insurance verification program;  
special fund established.** (a) The shall develop and

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## .B. NO.

1 operate a program to identify uninsured motor vehicles in the  
2 State.

3 (b) There is established within the state treasury a  
4 special fund to be known as the motor vehicle insurance  
5 verification special fund, into which shall be deposited the  
6 following moneys:

7 (1) The allocated portion of motor vehicle registration  
8 fees provided for by section 249-31; and

9 (2) The allocated portion of fines provided for by section  
10 431:10C-117.

11 All interest accrued on moneys deposited in the fund shall  
12 become part of the fund.

13 (c) The motor vehicle insurance verification special fund  
14 shall be administered by the \_\_\_\_\_ and shall be used for  
15 developing and operating a program to identify uninsured motor  
16 vehicles in the State."

17 SECTION 3. Section 26-9, Hawaii Revised Statutes, is  
18 amended by amending subsection (o) to read as follows:

19 "(o) Every person licensed under any chapter within the  
20 jurisdiction of the department of commerce and consumer affairs  
21 and every person licensed subject to chapter 485A or registered  
22 under chapter 467B shall pay upon issuance of a license, permit,

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**.B. NO.**

1 certificate, or registration a fee and a subsequent annual fee  
2 to be determined by the director and adjusted from time to time  
3 to ensure that the proceeds, together with all other fines,  
4 income, and penalties collected under this section, do not  
5 surpass the annual operating costs of conducting compliance  
6 resolution activities required under this section. The fees may  
7 be collected biennially or pursuant to rules adopted under  
8 chapter 91, and shall be deposited into the special fund  
9 established under this subsection. Every filing pursuant to  
10 chapter 514E or section 485A-202(a)(26) shall be assessed, upon  
11 initial filing and at each renewal period in which a renewal is  
12 required, a fee that shall be prescribed by rules adopted under  
13 chapter 91, and that shall be deposited into the special fund  
14 established under this subsection. Any unpaid fee shall be paid  
15 by the licensed person, upon application for renewal,  
16 restoration, reactivation, or reinstatement of a license, and by  
17 the person responsible for the renewal, restoration,  
18 reactivation, or reinstatement of a license, upon the  
19 application for renewal, restoration, reactivation, or  
20 reinstatement of the license. If the fees are not paid, the  
21 director may deny renewal, restoration, reactivation, or  
22 reinstatement of the license. The director may establish,

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**.B. NO.**

1 increase, decrease, or repeal the fees when necessary pursuant  
2 to rules adopted under chapter 91. The director may also  
3 increase or decrease the fees pursuant to section 92-28.

4       There is created in the state treasury a special fund to be  
5 known as the compliance resolution fund to be expended by the  
6 director's designated representatives as provided by this  
7 subsection. Notwithstanding any law to the contrary, all  
8 revenues, fees, and fines collected by the department shall be  
9 deposited into the compliance resolution fund. Unencumbered  
10 balances existing on June 30, 1999, in the cable television fund  
11 under chapter 440G, the division of consumer advocacy fund under  
12 chapter 269, the financial institution examiners' revolving  
13 fund, section 412:2-109, the special handling fund, section  
14 414-13, and unencumbered balances existing on June 30, 2002, in  
15 the insurance regulation fund, section 431:2-215, shall be  
16 deposited into the compliance resolution fund. This provision  
17 shall not apply to the drivers education fund underwriters fee,  
18 sections 431:10C-115 and 431:10G-107, insurance premium taxes  
19 and revenues, revenues of the workers' compensation special  
20 compensation fund, section 386-151, the captive insurance  
21 administrative fund, section 431:19-101.8, the insurance  
22 commissioner's education and training fund, section 431:2-214,

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# .B. NO.

1 the medical malpractice patients' compensation fund as  
2 administered under section 5 of Act 232, Session Laws of Hawaii  
3 1984, the portion of fines imposed under section 431:10C-117(a)  
4 deposited into the motor vehicle insurance verification special  
5 fund, section -A, and fees collected for deposit in the  
6 office of consumer protection restitution fund, section 487-14,  
7 the real estate appraisers fund, section 466K-1, the real estate  
8 recovery fund, section 467-16, the real estate education fund,  
9 section 467-19, the contractors recovery fund, section 444-26,  
10 the contractors education fund, section 444-29, the condominium  
11 education trust fund, section 514B-71, and the mortgage  
12 foreclosure dispute resolution special fund, section 667-86.  
13 Any law to the contrary notwithstanding, the director may use  
14 the moneys in the fund to employ, without regard to chapter 76,  
15 hearings officers and attorneys. All other employees may be  
16 employed in accordance with chapter 76. Any law to the contrary  
17 notwithstanding, the moneys in the fund shall be used to fund  
18 the operations of the department. The moneys in the fund may be  
19 used to train personnel as the director deems necessary and for  
20 any other activity related to compliance resolution.

21 As used in this subsection, unless otherwise required by  
22 the context, "compliance resolution" means a determination of

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## .B. NO.

1 whether:

2 (1) Any licensee or applicant under any chapter subject to  
3 the jurisdiction of the department of commerce and  
4 consumer affairs has complied with that chapter;

5 (2) Any person subject to chapter 485A has complied with  
6 that chapter;

7 (3) Any person submitting any filing required by chapter  
8 514E or section 485A-202(a)(26) has complied with  
9 chapter 514E or section 485A-202(a)(26);

10 (4) Any person has complied with the prohibitions against  
11 unfair and deceptive acts or practices in trade or  
12 commerce; or

13 (5) Any person subject to chapter 467B has complied with  
14 that chapter;

15 and includes work involved in or supporting the above functions,  
16 licensing, or registration of individuals or companies regulated  
17 by the department, consumer protection, and other activities of  
18 the department.

19 The director shall prepare and submit an annual report to  
20 the governor and the legislature on the use of the compliance  
21 resolution fund. The report shall describe expenditures made  
22 from the fund including non-payroll operating expenses."

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SECTION 4. Section 36-27, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) Except as provided in this section, and notwithstanding any other law to the contrary, from time to time, the director of finance, for the purpose of defraying the prorated estimate of central service expenses of government in relation to all special funds, except the:

(1) Special out-of-school time instructional program fund under section 302A-1310;

(2) School cafeteria special funds of the department of education;

(3) Special funds of the University of Hawaii;

(4) State educational facilities improvement special fund;

(5) Convention center enterprise special fund under section 201B-8;

(6) Special funds established by section 206E-6;

(7) Housing loan program revenue bond special fund;

(8) Housing project bond special fund;

(9) Aloha Tower fund created by section 206J-17;

(10) Funds of the employees' retirement system created by section 88-109;

## .B. NO.

- 1       (11)   Unemployment compensation fund established under  
2            section 383-121;
- 3       (12)   Hawaii hurricane relief fund established under chapter  
4            431P;
- 5       (13)   Hawaii health systems corporation special funds and  
6            the subaccounts of its regional system boards;
- 7       (14)   Tourism special fund established under section 201B-  
8            11;
- 9       (15)   Universal service fund established under section 269-  
10           42;
- 11       (16)   Emergency and budget reserve fund under section 328L-  
12           3;
- 13       (17)   Public schools special fees and charges fund under  
14           section 302A-1130;
- 15       (18)   Sport fish special fund under section 187A-9.5;
- 16       (19)   Glass advance disposal fee established by section  
17           342G-82;
- 18       (20)   Center for nursing special fund under section 304A-  
19           2163;
- 20       (21)   Passenger facility charge special fund established by  
21           section 261-5.5;

**.B. NO.**

(22) Court interpreting services revolving fund under  
section 607-1.5;

(23) Hawaii cancer research special fund;

(24) Community health centers special fund;

(25) Emergency medical services special fund;

(26) Rental motor vehicle customer facility charge special  
fund established under section 261-5.6; ~~and~~

(27) Shared services technology special fund under section  
27-43~~[7]~~; and

(28) Motor vehicle insurance verification special fund  
established under section -A,

shall deduct five per cent of all receipts of all special funds,  
which deduction shall be transferred to the general fund of the  
State and become general realizations of the State. All  
officers of the State and other persons having power to allocate  
or disburse any special funds shall cooperate with the director  
in effecting these transfers. To determine the proper revenue  
base upon which the central service assessment is to be  
calculated, the director shall adopt rules pursuant to chapter  
91 for the purpose of suspending or limiting the application of  
the central service assessment of any fund. No later than

twenty days prior to the convening of each regular session of  
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## .B. NO.

1 the legislature, the director shall report all central service  
2 assessments made during the preceding fiscal year."

3 SECTION 5. Section 36-30, Hawaii Revised Statutes, is  
4 amended by amending subsection (a) to read as follows:

5 "(a) Each special fund, except the:

6 (1) Transportation use special fund established by section  
7 261D-1;

8 (2) Special out-of-school time instructional program fund  
9 under section 302A-1310;

10 (3) School cafeteria special funds of the department of  
11 education;

12 (4) Special funds of the University of Hawaii;

13 (5) State educational facilities improvement special fund;

14 (6) Special funds established by section 206E-6;

15 (7) Aloha Tower fund created by section 206J-17;

16 (8) Funds of the employees' retirement system created by  
17 section 88-109;

18 (9) Unemployment compensation fund established under  
19 section 383-121;

20 (10) Hawaii hurricane relief fund established under section  
21 431P-2;

## .B. NO.

- 1       (11)   Convention center enterprise special fund established
- 2               under section 201B-8;
- 3       (12)   Hawaii health systems corporation special funds and
- 4               the subaccounts of its regional system boards;
- 5       (13)   Tourism special fund established under section 201B-
- 6               11;
- 7       (14)   Universal service fund established under section 269-
- 8               42;
- 9       (15)   Emergency and budget reserve fund under section 328L-
- 10              3;
- 11       (16)   Public schools special fees and charges fund under
- 12              section 302A-1130;
- 13       (17)   Sport fish special fund under section 187A-9.5;
- 14       (18)   Center for nursing special fund under section 304A-
- 15              2163;
- 16       (19)   Passenger facility charge special fund established by
- 17              section 261-5.5;
- 18       (20)   Court interpreting services revolving fund under
- 19              section 607-1.5;
- 20       (21)   Hawaii cancer research special fund;
- 21       (22)   Community health centers special fund;
- 22       (23)   Emergency medical services special fund;

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**.B. NO.**

(24) Rental motor vehicle customer facility charge special fund established under section 261-5.6; ~~and~~

(25) Shared services technology special fund under section 27-43~~[7]~~; and

(26) Motor vehicle insurance verification special fund established under section -A,

shall be responsible for its pro rata share of the administrative expenses incurred by the department responsible for the operations supported by the special fund concerned."

SECTION 6. Section 249-31, Hawaii Revised Statutes, is amended to read as follows:

**"§249-31 State registration fee.** (a) All vehicles and motor vehicles in the State as defined in section 249-1, including antique motor vehicles, except as otherwise provided in sections 249-4 and 249-6, shall be subject to a ~~[\$45]~~ \$\_\_\_\_\_ annual vehicle registration fee. The fee shall be paid each year together with all other taxes and fees levied by this chapter on a staggered basis as established by each county as authorized by section 286-51, and the state registration for that county shall likewise be staggered so that the state registration fee is due and payable at the same time and shall be collected together with the county fee. The state

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## .B. NO.

1 registration fee shall be deemed delinquent if not paid with the  
2 county registration fee. The respective counties shall collect  
3 this fee together with the vehicle registration tax collected  
4 for the county and shall transfer the moneys collected under  
5 this section to the State.

6 (b) From each annual motor vehicle registration fee, the  
7 director shall deposit \$40 into the state highway fund [~~and~~], \$5  
8 into the emergency medical services special fund[~~-~~], and  
9 \$ into the motor vehicle insurance verification special  
10 fund."

11 SECTION 7. Section 431:2-215, Hawaii Revised Statutes, is  
12 amended by amending subsection (a) to read as follows:

13 "(a) All assessments, fees, fines, penalties, and  
14 reimbursements collected by or on behalf of the insurance  
15 division under title 24, except for the motor vehicle insurance  
16 verification special fund (section -A), the commissioner's  
17 education and training fund (section 431:2-214), the patients'  
18 compensation fund (Act 232, Session Laws of Hawaii 1984), the  
19 drivers education fund underwriters fee (sections 431:10C-115  
20 and 431:10G-107), and the captive insurance administrative fund  
21 (section 431:19-101.8) to the extent provided by section 431:19-  
22 101.8(b), shall be deposited into the compliance resolution fund

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## .B. NO.

1 under section 26-9(o). All sums transferred from the insurance  
2 division into the compliance resolution fund may be expended by  
3 the commissioner to carry out the commissioner's duties and  
4 obligations under title 24."

5 SECTION 8. Section 431:10C-117, Hawaii Revised Statutes,  
6 is amended by amending subsection (a) to read as follows:

7 "(a) (1) Any person subject to this article in the  
8 capacity of the operator, owner, or registrant of a  
9 motor vehicle operated in this State, or registered in  
10 this State, who violates any applicable provision of  
11 this article, shall be subject to citation for the  
12 violation by any county police department in a form  
13 and manner approved by the traffic violations bureau  
14 of the district court of the first circuit;

15 (2) Notwithstanding any provision of the Hawaii Penal  
16 Code:

17 (A) Each violation shall be deemed a separate offense  
18 and shall be subject to a fine of not less than  
19 \$100 nor more than \$5,000 which shall not be  
20 suspended except as provided in subparagraph (B);  
21 and

# .B. NO.

1 (B) If the person is convicted of not having had a  
2 motor vehicle insurance policy in effect at the  
3 time the citation was issued, the fine shall be  
4 \$500 for the first offense and a minimum of  
5 \$1,500 for each subsequent offense that occurs  
6 within a five-year period from any prior offense;  
7 provided that the judge:

8 (i) Shall have the discretion [~~to suspend all or~~  
9 ~~any portion of the fine if the defendant~~  
10 ~~provides proof of having a current motor~~  
11 ~~vehicle insurance policy; provided further~~  
12 ~~that],~~ upon the defendant's request, [~~the~~  
13 ~~judge may]~~ to grant community service in  
14 lieu of the fine, of not less than seventy-  
15 five hours and not more than one hundred  
16 hours for the first offense, and not less  
17 than two hundred hours nor more than two  
18 hundred seventy-five hours for the second  
19 offense; and

20 (ii) May grant community service in lieu of the  
21 fine for subsequent offenses at the judge's  
22 discretion;

## .B. NO.

(3) In addition to the fine in paragraph (2), the court shall either:

(A) Suspend the driver's license of the driver or of the registered owner for:

(i) Three months for the first conviction; and

(ii) One year for any subsequent offense within a five-year period from a previous offense;

provided that the driver or the registered owner

shall not be required to obtain proof of

financial responsibility pursuant to section 287-

20; or

(B) Require the driver or the registered owner to

keep a nonrefundable motor vehicle insurance

policy in force for six months;

(4) Any person cited under this section shall have an opportunity to present a good faith defense, including but not limited to lack of knowledge or proof of insurance. The general penalty provision of this section shall not apply to:

(A) Any operator of a motor vehicle owned by another person if the operator's own insurance covers such driving;

## .B. NO.

(B) Any operator of a motor vehicle owned by that person's employer during the normal scope of that person's employment; or

(C) Any operator of a borrowed motor vehicle if the operator holds a reasonable belief that the subject vehicle is insured;

(5) In the case of multiple convictions for driving without a valid motor vehicle insurance policy within a five-year period from any prior offense, the court, in addition to any other penalty, shall impose the following penalties:

(A) Imprisonment of not more than thirty days;

(B) Suspension or revocation of the motor vehicle registration plates of the vehicle involved;

(C) Impoundment, or impoundment and sale, of the motor vehicle for the costs of storage and other charges incident to seizure of the vehicle, or any other cost involved pursuant to section 431:10C-301; or

(D) Any combination of those penalties; ~~and~~

.B. NO.

(6) Any violation as provided in subsection (a)(2)(B) shall not be deemed to be a traffic infraction as defined by chapter 291D~~[7]~~; and

(7) \$ \_\_\_\_\_ of any fine imposed under this subsection shall be deposited into the motor vehicle insurance verification special fund."

PART III

SECTION 9. Section 286-26, Hawaii Revised Statutes, is amended to read as follows:

**"§286-26 Certificates of inspection.** (a) The following vehicles shall be certified as provided in subsection (e) once every year:

(1) Trucks, truck-tractors, semitrailers, and pole trailers having a gross vehicle weight rating of more than 10,000 pounds;

(2) Buses;

(3) Rental or U-drive motor vehicles two years of age or older; and

(4) Taxicabs.

Ambulances shall be certified as provided in subsection (e) once every six months.

# .B. NO.

(b) All other vehicles, including motorcycles, trailers, semitrailers, and pole trailers having a gross vehicle weight rating of 10,000 pounds or less, and antique motor vehicles as defined in section 249-1, except those in subsections (c) and (d), shall be certified as provided in subsection (e) every twelve months; provided that any vehicle to which this subsection applies shall not require inspection within two years of the date on which the vehicle was first sold.

(c) Any vehicle that has been involved in an accident shall be certified as provided in subsection (e) before it is operated again if:

(1) It is determined by a police officer or an insurer that the vehicle's equipment has been damaged so as to render the vehicle unsafe; or

(2) It is rebuilt or restored.

(d) Every vehicle shall be certified prior to the issuance of a temporary or permanent registration by the director of finance and prior to the transfer of any registration; provided that this requirement shall not apply to a subsequent transfer of registration in a vehicle that carries a current certificate of inspection.

# .B. NO.

(e) Upon application for a certificate of inspection to be issued for a vehicle, an inspection as prescribed by the director under subsection (g) shall be conducted on the vehicle, and if the vehicle is found to be in a safe operating condition, a certificate of inspection shall be issued upon payment of a fee to be determined by the director. ~~[The certificate shall state the effective date, the termination date, the name of the issuing insurance carrier, and the policy number of the motor vehicle insurance identification card for the inspected motor vehicle as specified by section 431:10C-107 or state the information contained in the proof of insurance card as specified by section 431:10C-106.]~~ A sticker, authorized by the director, shall be affixed to the vehicle at the time a certificate of inspection is issued. An inspection sticker which has been lost, stolen, or destroyed shall be replaced without reinspection by the inspection station that issued the original inspection sticker upon presentation of the vehicle's current certificate of inspection; provided that the current certificate of inspection and inspection sticker shall not have expired at the time the replacement is requested. The director shall adopt rules to determine the fee for replacement of lost, stolen, or destroyed inspection stickers.

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# .B. NO.

1 (f) The operator of an official inspection station shall  
2 pay, from the fee in subsection (e), an amount to be determined  
3 by rules adopted pursuant to chapter 91 to the director of  
4 transportation. This amount shall be expended only for  
5 administration and enforcement of the periodic motor vehicle  
6 inspection program. The funds collected pursuant to this  
7 subsection shall be deposited into the highway special fund.

8 (g) The director of transportation shall adopt necessary  
9 rules for the administration of inspections and the issuance of  
10 certificates of inspection.

11 (h) This section shall not apply to:

12 (1) Any motor vehicle which is covered by part XI,  
13 governing safety of motor carrier vehicle operation  
14 and equipment; provided that the rules adopted  
15 pursuant to part IA impose standards of inspection at  
16 least as strict as those imposed under subsection (g)  
17 and that certification is required at least as often  
18 as provided in subsections (a), (b), (c), and (d); and

19 (2) Aircraft servicing vehicles that are being used  
20 exclusively on lands set aside to the department of  
21 transportation for airport purposes.



# .B. NO.

1       ~~[(i) As part of the inspection required by this section,~~  
2       ~~the owner of the vehicle to be inspected shall produce and~~  
3       ~~display the motor vehicle insurance identification card for the~~  
4       ~~inspected motor vehicle required by section 431:10C-107 or the~~  
5       ~~proof of insurance card required by section 431:10G-106. If no~~  
6       ~~card is displayed, then the sticker authorized by the director~~  
7       ~~shall not be affixed to the vehicle and the certificate of~~  
8       ~~inspection shall not be issued.]"~~

9       SECTION 10. Section 286-108, Hawaii Revised Statutes, is  
10       amended by amending subsection (d) to read as follows:

11       "(d) As part of the examination required by this section,  
12       ~~[the applicant for a driver's license shall produce and display~~  
13       ~~a valid motor vehicle or liability insurance identification card~~  
14       ~~for the motor vehicle required by sections 431:10C-107 and~~  
15       ~~431:10G-106, when the applicant demonstrates the ability to~~  
16       ~~operate a motor vehicle to the satisfaction of the examiner of~~  
17       ~~drivers. If no valid motor vehicle or liability insurance~~  
18       ~~identification card is displayed, the examiner of drivers shall~~  
19       ~~not issue a driver's license to the applicant.]~~ the examiner of  
20       drivers shall validate that the vehicle being used for the on  
21       road performance test is insured via the motor vehicle insurance  
22       verification program established under section       -A. If the

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## .B. NO.

1 motor vehicle insurance verification program indicates that the  
2 vehicle is not insured, the examiner of drivers shall not take  
3 the applicant on the performance test utilizing the uninsured  
4 vehicle."

5 SECTION 11. Section 431:10C-107, Hawaii Revised Statutes,  
6 is amended to read as follows:

7 **"§431:10C-107 Verification of insurance: motor vehicles.**

8 (a) Every insurer shall issue to its insureds a motor vehicle  
9 insurance identification card for each motor vehicle for which  
10 the basic motor vehicle insurance coverage is written. The  
11 identification card shall contain the following:

12 (1) Name of make and factory or serial number of the motor  
13 vehicle; provided that insurers of five or more motor  
14 vehicles which are under common registered ownership  
15 and used in the regular course of business shall not  
16 be required to indicate the name of make and the  
17 factory or serial number of each motor vehicle;

18 (2) Policy number;

19 (3) Names of the insured and the insurer; and

20 (4) Effective dates of coverage including the expiration  
21 date.

# .B. NO.

1 (b) The identification card shall be in the insured motor  
2 vehicle at all times and shall be exhibited to a law enforcement  
3 officer upon demand.

4 ~~[(c) The identification card shall be resistant to forgery~~  
5 ~~by whatever means appropriate. The commissioner shall approve~~  
6 ~~the construction, form, and design of the identification card to~~  
7 ~~ensure that the card is forgery resistant.~~

8 ~~-(d)]~~ (c) The commissioner shall issue a certificate of  
9 self-insurance periodically, as necessary, for use in each motor  
10 vehicle insured under section 431:10C-105.

11 ~~[(e)]~~ (d) The identification card issued by an insurer  
12 shall not be issued for a period exceeding the period for which  
13 premiums have been paid or earned; provided that this subsection  
14 shall apply only to the first application of a person for a  
15 motor vehicle insurance policy and shall not apply to  
16 applications for commercial vehicles and fleet vehicles."

17 SECTION 12. Section 805-13, Hawaii Revised Statutes, is  
18 amended by amending subsection (d) to read as follows:

19 "(d) Upon subsequent hearing ordered by the court or upon  
20 the driver's or registered owner's motion, the court may, in its  
21 discretion, terminate any judgment previously entered under  
22 subsection (c) upon finding that the registered owner and the

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**.B. NO.**

1 driver, as applicable, have complied with chapter 287 with  
2 respect to any prior accident as evidenced by a form properly  
3 validated by a police department and:

4 (1) Complied with all requirements under chapter 431:10C  
5 as evidenced by a motor vehicle insurance  
6 identification card and the insurance policy issued by  
7 a licensed insurer; or

8 (2) Complied with all requirements under chapter 431:10C  
9 as evidenced by a certificate of self-insurance issued  
10 by the insurance commissioner pursuant to section  
11 ~~[431:10C-107(d).]~~ 431:10C-107(c)."

12 PART IV

13 SECTION 13. In codifying the new section added by section  
14 2 of this Act, the revisor of statutes shall substitute an  
15 appropriate section number for the letter used in designating  
16 the new section in this Act.

17 SECTION 14. Statutory material to be repealed is bracketed  
18 and stricken. New statutory material is underscored.

19 SECTION 15. This Act shall take effect on July 1, 2013;  
20 provided that:

21 (1) Part III shall take effect on January 1, 2015;

**.B. NO.**

(2) The amendments made to section 26-9(o), Hawaii Revised Statutes, by this Act shall not be repealed when that section is reenacted on September 30, 2014, pursuant to Act 48, Session Laws of Hawaii 2011; and

(3) This Act shall be repealed on June 30, 2020, and sections 26-9(o), 36-27(a), 36-30(a), 249-31, 286-26, 286-108(d), 431:2-215(a), 431:10C-107, 431:10C-117(a), and 805-13(d), Hawaii Revised Statutes, shall be reenacted in the form in which they read on the day before the effective date of this Act.

INTRODUCED BY: \_\_\_\_\_

# .B. NO.

**Report Title:**

Insurance Verification Working Group; Motor Vehicle Insurance;  
Uninsured Motorists

**Description:**

Implements the recommendations of the insurance verification working group. Establishes working group to assist in development of request for proposals and vendor selection for motor vehicle insurance verification program. Establishes special fund to develop and operate motor vehicle insurance verification program. Increases annual motor vehicle registration fee. Removes duplicative and unnecessary requirements for insurance identification cards and safety inspection requirements. Removes judges' discretionary authority to suspend a fine for failure to have insurance if a defendant later obtains insurance. Requires that a portion of fines be deposited into special fund. Sunset 6/30/2020.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

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# SENATE CONCURRENT RESOLUTION

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REQUESTING THE INSURANCE COMMISSIONER TO CONVENE A WORKING GROUP  
TO EXPLORE THE CREATION OF A WEB SERVICES-BASED DATABASE  
PROGRAM TO TRACK UNINSURED MOTORISTS.

1 WHEREAS, a national report from the Insurance Research  
2 Council estimates that the rate of uninsured motorists in Hawaii  
3 was eleven percent in 2009; and

4  
5 WHEREAS, uninsured motorists contribute to the increased  
6 cost of motor vehicle insurance for all Hawaii motorists; and

7  
8 WHEREAS, one method of reducing the number of uninsured  
9 motorists is the adoption of a web services-based database  
10 program that connects a state agency directly with an insurer to  
11 provide real-time confirmation of insurance coverage; and

12  
13 WHEREAS, other states, including Wyoming, Oklahoma, and  
14 Nevada, have adopted web services-based programs to verify motor  
15 vehicle insurance coverage; and

16  
17 WHEREAS, Utah has a similar uninsured motorist  
18 identification program funded through a \$1 per vehicle uninsured  
19 motorist identification fee; and

20  
21 WHEREAS, motor vehicle registration in Hawaii is managed by  
22 the counties; and

23  
24 WHEREAS, although the City and County of Honolulu has a web  
25 services-based database program, there is no statewide motor  
26 vehicle registration database; and

27  
28 WHEREAS, the State and insured motorists would benefit if  
29 Hawaii had a program designed to track uninsured motorists and  
30 enforce penalties or sanctions against those motorists found in  
31 violation; now, therefore,



1 BE IT RESOLVED by the Senate of the Twenty-sixth  
2 Legislature of the State of Hawaii, Regular Session of 2012, the  
3 House of Representatives concurring, that the Insurance  
4 Commissioner is requested to convene a working group to explore  
5 the creation of a web services-based database program to track  
6 uninsured motorists; and

7  
8 BE IT FURTHER RESOLVED that the working group be composed  
9 of the Insurance Commissioner, the Administrator of the Motor  
10 Vehicle and Licensing Division of the City and County of  
11 Honolulu, and representatives from the Department of the  
12 Attorney General, a county police department, Property Casualty  
13 Insurers Association of America, Hawaii Insurers Council, and  
14 State Farm Insurance Companies; and

15  
16 BE IT FURTHER RESOLVED that the working group is requested  
17 to establish a mechanism for funding the uninsured motorist  
18 database program and recommend penalties or sanctions for  
19 motorists found to be in violation of the State's mandatory  
20 motor vehicle insurance requirements; and

21  
22 BE IT FURTHER RESOLVED that the working group may form  
23 investigative committees and bring in additional stakeholders  
24 and interested parties, as appropriate; and

25  
26 BE IT FURTHER RESOLVED that the working group is encouraged  
27 to consult with the Chief Information Officer for the City and  
28 County of Honolulu, or another appropriate party who has  
29 familiarity with a web services-based database program at the  
30 county level; and

31  
32 BE IT FURTHER RESOLVED that the working group may explore  
33 other alternatives or ways to reduce the number of uninsured  
34 motorists in the State, including alternative financing options;  
35 and

36  
37 BE IT FURTHER RESOLVED that the Legislative Reference  
38 Bureau is requested to submit a final report of the working  
39 group's findings and recommendations, including any proposed  
40 legislation, to the Legislature no later than twenty days prior  
41 to the convening of the Regular Session of 2013; provided that  
42 the working group transmits a draft report of its findings and  
43 recommendations, including any proposed legislation, to the  
44 Legislative Reference Bureau no later than November 1, 2012; and





1  
2 BE IT FURTHER RESOLVED that the working group members not  
3 be considered employees for the purposes of chapter 84, Hawaii  
4 Revised Statutes, based solely upon their participation in the  
5 working group; and  
6

7 BE IT FURTHER RESOLVED that the working group be dissolved  
8 on June 30, 2013; and  
9

10 BE IT FURTHER RESOLVED that certified copies of this  
11 Concurrent Resolution be transmitted to the Insurance  
12 Commissioner, Department of the Attorney General, Administrator  
13 of the Motor Vehicle and Licensing Division of the City and  
14 County of Honolulu, respective county police departments,  
15 Property Casualty Insurers Association of America, Hawaii  
16 Insurers Council, and State Farm Insurance Companies.





***Comprehensive Real-Time  
Motor Vehicle Insurance Verification***

**INFO@MvVeriSol.com  
888-837-4765**



# IICMVA Online Approach

- Model created by Insurance Industry Committee on Motor Vehicle Administration (IICMVA)
- Requests for verification by law enforcement, motor vehicle administrators, and other authorized users are sent to insurer Web services
  - Instant response – Confirmed or Unconfirmed
  - No personal information is required
  - Most accurate and up-to-date method - same as calling insurer
- Standard approach supported by the insurance industry
  - Minimizes implementation expense for insurers and states
- Implemented/tested in 14 states
- Legislated in 5 states with more soon...

# How it Works

- An event occurs
  - Traffic Stop
  - Registration
  - Renewal
  - Inspection
  - Accident
  - Court Appearance
- A verification request is made through Motor Vehicle Administration, Law Enforcement, or Court systems
  - Verification system is integrated with existing systems
    - Does not require keying of additional information
  - Web browser also available for queries by authorized users



# How it Works

- Software routes each request to the insurance company Web services based on the Pointer File and responds immediately with “Confirmed” or “Unconfirmed”
- Ability to “broadcast” requests to insurers
- Response is the same as picking up the phone and calling the insurance company
- Ongoing Verification
  - Book of Business per IICMVA specs for data matching, pointer file, and identifying cancellations

## Request

License Plate [help](#)

02-P-05392

VIN (Vehicle Identification Number)

Insurance Company (NAIC Code)

ALL INSURERS

Policy Number

Policy State

Wyoming

Date of Coverage (default is today)

Month Day Year

ENTER

RESET

CLEAR

## Request

License Plate [help](#)

02-P-05392

VIN (Vehicle Identification Number)

Insurance Company (NAIC Code)

ALL INSURERS

Policy Number

Policy State

Wyoming

Date of Coverage (default is today)

Month

▼

Day

▼

Year

▼

ENTER

RESET

CLEAR

## Response

VIV Response Code

**CONFIRMED**

Confirming Insurer Name

**USAA**

Confirming Insurer NAIC Code

**18600**

Insurer Response Code

**Confirmed**

Registration VIN

**1G1ND52J63M727193**

Insurance VIN

**1G1ND52J63W727193**

Tracking Number

**WY1-240-3918**

Vehicle Info

**2003 CHEVR 4DR CLARK\*ELVIN DARYL II**



***Comprehensive Real-Time  
Motor Vehicle Insurance Verification***

**INFO@MvVeriSol.com**  
**888-837-4765**



By: Senator(s) Clarke

To: Insurance;  
AppropriationsSENATE BILL NO. 2631  
(As Sent to Governor)

1 AN ACT TO CREATE THE PUBLIC SAFETY VERIFICATION AND  
2 ENFORCEMENT ACT; TO REQUIRE THE DEPARTMENT OF PUBLIC SAFETY, IN  
3 COOPERATION WITH THE COMMISSIONER OF INSURANCE AND THE DEPARTMENT  
4 OF REVENUE, TO CREATE AN ACCESSIBLE COMMON CARRIER-BASED MOTOR  
5 VEHICLE INSURANCE VERIFICATION SYSTEM; TO PROVIDE FOR LAW  
6 ENFORCEMENT USE OF THE SYSTEM; TO ALLOW INSURERS TO PROVIDE  
7 CERTAIN INFORMATION TO BE USED IN THE SYSTEM; TO REQUIRE THE  
8 DEPARTMENT OF PUBLIC SAFETY AND THE DEPARTMENT OF REVENUE TO  
9 ADMINISTER AND ENFORCE THE PROVISIONS OF THIS ACT AND REQUIRE THE  
10 DEPARTMENTS TO MAKE RULES NECESSARY FOR THE ADMINISTRATION OF THE  
11 MOTOR VEHICLE INSURANCE VERIFICATION SYSTEM CREATED UNDER THIS  
12 ACT; TO REQUIRE COMPLIANCE WITH THE MOTOR VEHICLE  
13 SAFETY-RESPONSIBILITY LAW BEFORE RECEIVING A MOTOR VEHICLE  
14 REGISTRATION; TO REQUIRE THE OWNER OF THE MOTOR VEHICLE TO  
15 MAINTAIN CONTINUOUS COVERAGE THROUGHOUT THE LICENSE PERIOD; TO  
16 REQUIRE THE COMMISSIONER OF PUBLIC SAFETY, THE COMMISSIONER OF  
17 REVENUE OR A COURT OF PROPER JURISDICTION TO SUSPEND THE DRIVING  
18 PRIVILEGES AND/OR REGISTRATION IF A MOTOR VEHICLE OWNER FAILS TO  
19 HAVE THE REQUIRED MOTOR VEHICLE LIABILITY INSURANCE; TO REQUIRE  
20 THE COMMISSIONER OF PUBLIC SAFETY, THE COMMISSIONER OF REVENUE OR  
21 A COURT OF PROPER JURISDICTION TO IMPOSE CIVIL PENALTIES BECAUSE  
22 OF SUCH FAILURE; TO PROVIDE THE REQUIREMENTS FOR REINSTATEMENT OF  
23 A SUSPENDED LICENSE OR REGISTRATION; TO PROVIDE THAT MONIES FROM  
24 THE CIVIL PENALTIES SHALL BE DEPOSITED INTO A SPECIAL FUND IN THE  
25 STATE TREASURY TO BE KNOWN AS THE UNINSURED MOTORIST  
26 IDENTIFICATION FUND; TO PROVIDE THAT CERTAIN MONIES FROM THE CIVIL  
27 PENALTIES SHALL BE DEPOSITED INTO A MUNICIPALITY OR COUNTY'S  
28 GENERAL FUND; TO PROVIDE THAT MONIES DEPOSITED IN THE SPECIAL FUND  
29 MAY BE USED BY THE DEPARTMENT OF PUBLIC SAFETY AND DEPARTMENT OF  
30 REVENUE, UPON APPROPRIATION BY THE LEGISLATURE, FOR THE PURPOSE OF  
31 DEFRAYING EXPENSES AND COSTS FOR THE MOTOR VEHICLE INSURANCE  
32 VERIFICATION SYSTEM; TO PROVIDE THAT MONIES IN THE SPECIAL FUND IN  
33 EXCESS OF THE AMOUNT NEEDED TO DEFRAY THE EXPENSES AND COSTS OF  
34 THE VERIFICATION SYSTEM REMAINING IN THE FUND AT THE END OF A  
35 FISCAL YEAR SHALL BE TRANSFERRED TO THE MOTOR VEHICLE AD VALOREM  
36 TAX REDUCTION FUND AND THE MISSISSIPPI TRAUMA CARE SYSTEMS FUND;  
37 TO AMEND SECTION 63-15-4, MISSISSIPPI CODE OF 1972, IN CONFORMITY  
38 THERETO; AND FOR RELATED PURPOSES.

39 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:  
40 SECTION 1. Sections 1 through 7 of this act shall be known  
41 as the "Public Safety Verification and Enforcement Act."

42        SECTION 2. (1) The Department of Public Safety, hereinafter  
43 referred to in this section as "department," in cooperation with  
44 the Commissioner of Insurance and the Department of Revenue, shall  
45 establish an accessible common carrier-based motor vehicle  
46 insurance verification system to verify the compliance of a motor  
47 vehicle owner or operator with motor vehicle liability policy  
48 requirements under the Mississippi Motor Vehicle  
49 Safety-Responsibility Law.

50        (2) The department in cooperation with the Department of  
51 Revenue may contract with a private vendor or vendors to establish  
52 and maintain the system.

53        (3) The system must:

54            (a) Send requests to insurers for verification of motor  
55 vehicle liability insurance using electronic services established  
56 by the insurers through the Internet, World Wide Web, or a similar  
57 proprietary or common carrier electronic system in compliance with  
58 the specifications and standards of the Insurance Industry  
59 Committee on Motor Vehicle Administration and other applicable  
60 industry standards;

61            (b) Include appropriate provisions to secure its data  
62 against unauthorized access and to maintain a record of all  
63 requests and responses;

64            (c) Be accessible, without fee, to authorized personnel  
65 of the department, the Department of Revenue, the courts, law  
66 enforcement personnel, county tax collectors, and other entities  
67 authorized by the department or the Department of Revenue under  
68 the provisions of Section 4 of this act;

69            (d) Be able to interface with existing department and  
70 Department of Revenue systems;

71            (e) Be able to be accessed by authorized users via a  
72 secure web browser;

73            (f) Receive insurance data file transfers from insurers  
74 under specifications and standards set forth in paragraph (a) of

75 this subsection to identify motor vehicles that are not covered by  
76 an insurance policy;

77 (g) Provide a means by which low-volume insurers that  
78 are unable to deploy an online interface with the system can  
79 report insurance policy data to the department, the Department of  
80 Revenue or their designee for inclusion in the system;

81 (h) Provide a means to track separately or distinguish  
82 motor vehicles that are subject to a certificate of insurance  
83 under Section 63-15-39 or 63-15-41, a certificate of  
84 self-insurance under Section 63-15-53, a bond under Section  
85 63-15-49, or a certificate of deposit of money or securities under  
86 Section 63-15-51;

87 (i) Distinguish motor vehicles that are exempt from the  
88 provisions of Sections 1 through 7 of this act;

89 (j) Be available twenty-four (24) hours a day, seven  
90 (7) days a week, subject to reasonable allowances for scheduled  
91 maintenance or temporary system failures, to verify the insurance  
92 status of any motor vehicle in a manner prescribed by the  
93 department or the Department of Revenue; and

94 (k) Be installed and operational not later than July 1,  
95 2013, following an appropriate testing period of not less than six  
96 (6) months.

97 (4) Every insurer shall cooperate with the department and  
98 the Department of Revenue in establishing and maintaining the  
99 system and shall provide access to motor vehicle liability policy  
100 status information to verify liability coverage for:

101 (a) A motor vehicle insured by that company that is  
102 registered in this state; and

103 (b) If available, a motor vehicle that is insured by  
104 that company or that is operated in this state regardless of where  
105 the motor vehicle is registered.

106 **SECTION 3.** (1) A law enforcement officer or authorized  
107 employee of a law enforcement agency may, during the course of a

108 traffic stop or accident investigation, access the verification  
109 system established under Section 2 of this act to verify whether a  
110 motor vehicle is covered by a valid motor vehicle liability policy  
111 in at least the minimum amounts required under Section 63-15-3(j).

112 (2) The response received from the system supersedes an  
113 insurance card produced by a motor vehicle owner or operator, and  
114 notwithstanding the display of an insurance card by the owner or  
115 operator, the law enforcement officer may issue a complaint and  
116 notice to appear to the owner or operator for a violation of the  
117 Mississippi Motor Vehicle Safety-Responsibility Law.

118 (3) Except upon reasonable cause to believe that a driver  
119 has violated another traffic regulation or that the driver's motor  
120 vehicle is unsafe or not equipped as required by law, a law  
121 enforcement officer may not use the verification system to stop a  
122 driver for operating a motor vehicle in violation of this act.

123 SECTION 4. (1) The Department of Public Safety, hereinafter  
124 referred to in this section as "department," and the Department of  
125 Revenue shall administer and enforce the provisions of Sections 1  
126 through 7 of this act, as applicable, and shall make rules,  
127 jointly or separately, necessary for the administration of the  
128 motor vehicle insurance verification system created under Section  
129 2 of this act.

130 (2) The rules must:

131 (a) Establish standards and procedures for accessing  
132 the system by authorized personnel of the department, the  
133 Department of Revenue, the courts, law enforcement personnel, tax  
134 collectors of each county and any other entities authorized by the  
135 department or the Department of Revenue that are consistent with  
136 specifications and standards of the Insurance Industry Committee  
137 on Motor Vehicle Administration and other applicable industry  
138 standards;







205 owner's or the operator's driving privilege and shall impose a  
206 civil penalty in an amount of Three Hundred Dollars (\$300.00) upon  
207 a first conviction, in an amount of Four Hundred Dollars (\$400.00)  
208 upon a second conviction and in an amount of Five Hundred Dollars  
209 (\$500.00) upon a third or subsequent conviction. If suspended,  
210 the registration or driving privilege shall not be reinstated  
211 until the owner has motor vehicle liability insurance in at least  
212 the minimum amounts required under Section 63-15-3(j) and has paid  
213 the civil penalties imposed. Any person shall have the right to  
214 appeal any suspension or civil penalty under this section in a  
215 court of proper jurisdiction. If the matter is appealed and a  
216 violation is found, then the court shall not reduce, suspend or  
217 suspend the execution of any penalty imposed under the provisions  
218 of this subsection, in whole or in part. It shall be the duty of  
219 the county prosecuting attorney, an attorney employed under the  
220 provisions of Section 19-3-49, or in the event there is no such  
221 prosecuting attorney for the county, the duty of the district  
222 attorney to represent the state in any appeal held under this  
223 subsection. Civil penalties collected under this subsection shall  
224 be deposited into the special fund created under subsection (2) of  
225 this section. However, if the appeal of such civil penalty would  
226 be under the proper jurisdiction of a municipal court, One Hundred  
227 Dollars (\$100.00) of the funds from such civil penalty shall be  
228 deposited in the general fund of that municipality. If the appeal  
229 of such civil penalty would be under the proper jurisdiction of  
230 any of the courts of a county, One Hundred Dollars (\$100.00) of  
231 the funds from such civil penalty shall be deposited in the  
232 general fund of that county. A person convicted of a civil  
233 violation under this subsection (1) shall not be convicted of a  
234 criminal offense under Section 63-15-4(4) arising from the same  
235 incident.

236 (2) (a) There is created in the State Treasury a special  
237 fund to be designated as the "Uninsured Motorist Identification

238 Fund." The fund shall consist of monies deposited therein as  
239 provided under subsection (1) of this section and monies from any  
240 other source designated for deposit into such fund. Unexpended  
241 amounts remaining in the fund at the end of a fiscal year shall  
242 not lapse into the State General Fund, and any interest earned or  
243 investment earnings on amounts in the fund shall be deposited to  
244 the credit of the fund; however, one-half (1/2) of any monies in  
245 excess of the amount needed to defray the expenses and costs of  
246 the verification system created under Section 2 of this act  
247 remaining in the fund at the end of a fiscal year shall be  
248 transferred to the Motor Vehicle Ad Valorem Tax Reduction Fund  
249 created under Section 27-51-105, and one-half (1/2) of any monies  
250 in excess of the amount needed to defray the expenses and costs of  
251 the verification system created under Section 2 of this act  
252 remaining in the fund at the end of a fiscal year shall be  
253 transferred to the Mississippi Trauma Care Systems Fund created  
254 under Section 41-59-75.

255 (b) Monies in the special fund may be used by the  
256 Department of Public Safety and the Department of Revenue, upon  
257 appropriation by the Legislature, only for the purpose of  
258 defraying expenses and costs for the motor vehicle insurance  
259 verification system created under Section 2 of this act. Monies  
260 in the fund used for the purposes described in this paragraph (b)  
261 shall be in addition to other funds available from any other  
262 source for such purposes.

263 SECTION 8. Section 63-15-4, Mississippi Code of 1972, is  
264 amended as follows:

265 63-15-4. (1) The following vehicles are exempted from the  
266 requirements of this section:

267 (a) Motor vehicles exempted by Section 63-15-5;

268 (b) Motor vehicles for which a bond or a certificate of  
269 deposit of money or securities in at least the minimum amounts



270 required for proof of financial responsibility is on file with the  
271 department;

272 (c) Motor vehicles that are self-insured under Section  
273 63-15-53; and

274 (d) Implements of husbandry.

275 (2) (a) Every motor vehicle operated in this state shall  
276 have an insurance card maintained in the motor vehicle as proof of  
277 liability insurance that is in compliance with the liability  
278 limits required by Section 63-15-3(j). The insured parties shall  
279 be responsible for maintaining the insurance card in each motor  
280 vehicle.

281 (b) An insurance company issuing a policy of motor  
282 vehicle liability insurance as required by this section shall  
283 furnish to the insured an insurance card for each motor vehicle at  
284 the time the insurance policy becomes effective. Beginning on  
285 July 1, 2013, insurers shall furnish commercial auto coverage  
286 customers with an insurance card clearly marked with the  
287 identifier, "Commercial Auto Insurance" or "Fleet" or similar  
288 language, to reflect that the vehicle is insured under a  
289 commercial auto policy.

290 (3) Upon stopping a motor vehicle at a roadblock where all  
291 passing motorists are checked as a method to enforce traffic laws  
292 or upon stopping a motor vehicle for any other statutory  
293 violation, a law enforcement officer, who is authorized to issue  
294 traffic citations, shall verify that the insurance card required  
295 by this section is in the motor vehicle. However, no driver shall  
296 be stopped or detained solely for the purpose of verifying that an  
297 insurance card is in the motor vehicle unless the stop is part of  
298 such roadblock. If the law enforcement officer uses the  
299 verification system created in Section 2 of this act and receives  
300 a response from the system verifying that the owner of the motor  
301 vehicle has liability insurance in the amounts required under  
302 Section 63-15-3(j), then the officer shall not issue a citation

303 under this section notwithstanding any failure to display an  
304 insurance card by the owner or operator.

305       (4) Failure of the owner or the operator of a motor vehicle  
306 to have the insurance card in the motor vehicle is a misdemeanor  
307 and, upon conviction, is punishable by a fine of Five Hundred  
308 Dollars (\$500.00) and suspension of driving privilege for a period  
309 of one (1) year or until the owner of the motor vehicle shows  
310 proof of liability insurance that is in compliance with the  
311 liability limits required by Section 63-15-3(j). Fraudulent use  
312 of an insurance card shall be punishable in accordance with  
313 Section 97-7-10. The funds from such fines shall be deposited in  
314 the State General Fund in the State Treasury. However, if such  
315 fines are levied in a municipal court, fifty percent (50%) of the  
316 funds from such fines shall be deposited in the general fund of  
317 the municipality. If such fines are levied in any of the courts  
318 of the county, fifty percent (50%) of the funds from such fines  
319 shall be deposited in the general fund of the county. A person  
320 convicted of a criminal offense under this subsection (4) shall  
321 not be convicted of a civil violation under Section 7(1) of this  
322 act arising from the same incident.

323       (5) If, at the hearing date or the date of payment of the  
324 fine, the motor vehicle owner shows proof of motor vehicle  
325 liability insurance in the amounts required by Section 63-15-3(j),  
326 the fine shall be reduced to One Hundred Dollars (\$100.00). If  
327 the owner shows proof that such insurance was in effect at the  
328 time of citation, the case shall be dismissed as to the defendant  
329 with prejudice and all court costs shall be waived against the  
330 defendant.

331       **SECTION 9.** It is the intent of the Legislature that no  
332 portion of this act shall be interpreted to mean that any  
333 particular vendor's verification system or methodology be  
334 considered preferential to another's solely based on any language

335 in this act and as long as the system is in compliance with this  
336 act.

337       **SECTION 10.** Sections 1 through 7 of this act shall stand  
338 repealed from and after July 1, 2018.

339       **SECTION 11.** This act shall take effect and be in force from  
340 and after July 1, 2012, except for Section 5 of this act which  
341 shall take effect and be in force from and after July 1, 2013.

# On-Line IVS Powered by Insure-Rite and HDI Solutions Insurance Verification Model

# Create an Effective Law

- The law must make clear the behavior that is required to comply with the law
- It must be enforceable
- The public must believe they will be caught if they break the law
- The consequences must be sufficient to provide an effective deterrent

# Utah Program

- The full book of business is downloaded twice a month from:
  - All insurance companies licensed to and doing business in Utah
  - The Motor Vehicle Division
  - The Driver License Division

# Utah Program

- These records are matched using a series of cascading algorithms
- These algorithms account for the differences between insurance company data and DMV and DLD data
- We consistently match over 97% of vehicles to a policy in Utah (over 99.5% in Texas)
- Next July we will add the “WEB services, IICMVA, model to our system

- After matching an insured motorist data base is created
- By default, an uninsured database is also created
- Once we know how many vehicles are insured and how many are not insured we have accurate uninsured vehicle rate
- In Utah we started at about 24%, the current rate is consistently under 5% (using the same methodology)



# Letter Campaign

- Once a vehicle has been identified as potentially uninsured for 90 consecutive days they enter the letter phase.
  - The first letter gives the owner a chance to correct the problem or exempt the vehicle (insured, sold, out of service, seasonal etc.)
  - If no response after 15 days a second letter is sent giving the same options
  - If no response, DMV is notified and the registration is revoked

# Costs

- In Utah there is an additional fee of \$1.00 paid at the time of registration
- That fee is deposited in a restricted account which pays for the program
- In Hawaii, as in Utah, the \$1.00 fee more than pays for the system

# Funding Options

- Have insurance companies pay \$1.00 per year for each policy they write
- Take a portion of the reinstatement fee paid when revoked registrations are reinstated (several legislators we have spoken with like this option as is not a “tax” and the offenders pay for the program)

# QUESTIONS?

## BEST PRACTICES FOR INSURANCE VERIFICATION

The following observations are based on Insure-Rites 14 years of experience operating the first full book reporting insurance verification system in the Nation.

Create an effective law:

In order for a law to be effective it must contain 3 elements:

It has to be clear enough for the public to clearly understand what constitutes illegal behavior.

The public must have the perception that if they engage in the illegal behavior they will be caught.

The punishment must fit the crime. For example, a violation of an insurance law must be at least as expensive as purchasing insurance.

Identify what you are really trying to accomplish:

The jurisdictions goal should always be to reduce the overall uninsured rate. The majority of the insurance verification programs currently operating in the U.S. focus on the accuracy of the insurance information supplied by individual companies. In essence, these programs tend to focus on "data cleansing" and punishing insurance companies and lose sight of the overall objective.

Another trap regulators tend to fall in is to become more concerned with catching individuals rather than reducing the overall uninsured rate. The best practice is to err on the side of attaching insurance to a vehicle rather than making the mistake of accusing someone who does have insurance of not having it. This is particularly critical for police officers on the street that will take an enforcement action. Law enforcement will lose faith in the system very quickly if they write tickets, which are later dismissed because the information they received was wrong. Once that faith is lost, it is almost impossible to get back.

Don't focus on data cleanup, that is the database administrator's job. If a record is matched it doesn't matter if all the data elements do not match identically. For unmatched records, the letter campaign will serve to link the records.

It is important to remember that insurance companies only collect information that allow them to operate within their business rules. A prime example of this is the VIN. Many companies are only concerned with the data

elements in the VIN, which provide them with rating information, model, engine size, air bags etc.. As a result, they are not overly concerned with the portions of the VIN, which do not focus on those elements.

The same challenges exist with name(s). It is common for the name on the policy to be different from the name on the registration. A prime example is an executive who has a company car, which is insured under the company policy but registered to the individual.

Determine how you will measure the uninsured rate, and then stick with it. There is no foolproof method to measure the uninsured rate. The key is to establish a method that is repeatable so you can measure the rate over time that will allow you to evaluate the impact of the remedial measures or changes in laws you will employ over time.

Notify vehicle owners prior to taking any action, including the status of the vehicle you will give to law enforcement. Give the citizen an opportunity to correct a problem before you put them in harms way for an enforcement action.

Depending of the frequency of reporting, allow at least 60 days between the first time a vehicle is suspected of being uninsured and starting a notification process. While some companies are better than others, it takes time for new policies to be reported. Accounting for this reality will save considerable time (customer service) and money (postage) and increase the overall acceptance and effectiveness of the program.

Require full book reporting at least once a month, (twice a month is better, every week is overkill). Full book allows you multiple bites of the apple. For example, in add/delete systems data can be lost on a particular day that will never be recovered. With a full book system, even if a record, or group of records, is missing on one submission, they will appear in subsequent downloads.

Along with full book reporting, implement the IICMVA WEB services on line verification program. When used in conjunction with a full book reporting system (to create a pointer file) employing this technology will provide you with the best of both worlds. Even if you don't have participation from all companies, the WEB services model will save time and money as you engage enforcement and administrative actions.

## Model Legislation Summary

The Bill should propose a complete system to reduce the uninsured motorist rate without undue burden on either the State or its citizens as follows:

- The core component is the creation of a Motorist Insurance Identification Database. This Database is created by matching a full book of business from each insurance company licensed to write auto liability policies with the full DMV file and DLD file. This should be done either once or twice per month.
- This creates an uninsured vehicle pool
- It is the most cost affective, user friendly (no data entry by end users) and accurate method given today's technology.
- Letters are generated and sent to the owners of vehicles that have been identified as uninsured.
- The owners may then either provide proof of insurance or show that they are exempt from the insurance requirements.
- Owners who fail to prove their vehicle is insured or legitimately exempt should have an enforcement action taken against the owners registration.

| The Bill should safeguards owners who move from one insurance company to another by waiting 90 days before they are sent the first notification. Why 90 days? This allows sufficient time for the new company to begin reporting and has proven to be the most effective strategy through real world experience in Utah.

Include a reinstatement for registrations that are suspended or revoked for lack of insurance that is equal to or greater than the cost of insurance.

The final component is a real time check through a WEB service going directly to the insurance company. By using a database/pointer file this check is automatic and requires no data entry by the end user.

Who benefits from this program?

1. The Department and motorists, by accurately pulling registrations from uninsured cars.
2. Law enforcement, by having immediate access to an up-to-date insurance database rather than asking for proof of insurance cards that are often meaningless anyway.
3. Insured motorists renewing their registrations, because they will no longer have to find and carry proof of insurance papers into the registration agent.
4. Everyone buying car insurance in the jurisdiction, because their insurance rates reflect the cost of protecting themselves from uninsured drivers on the road.

InsureRite, has been operating an identical program in Utah since 1995 with a match rate, which varies from 96% to 98%. **When the program began the uninsured rate was about 25%, the current rate is consistently below 5% now.**

We recommend that the jurisdiction add \$1.00 to the registration fee placed in a restricted fund to cover all costs associated with the program.

## **The Benefits – The E's of Evidence**

**Event based system** (registration, traffic stop, court inquiry, periodic verification).

As planned there is no ongoing enforcement

**Eliminates the delay associated with database reporting programs.**

The system is only as good as the insurance companies ability to add and delete policies as a result there are delays associated with this program also. It also relies on "broadcasts" which are not currently even in the model program to identify coverage when the carrier and all the data elements are not present.

**Ends the creation and maintenance of data**

This is true only if you do not do periodic verification. If you are going to do periodic verification you need to create a database of known policies.  
repositories; reduces expenses and labor.

**Enhances results with greater accuracy and more precise matching.**

In fact, "the more precise matching criteria" proposed will result in multiple non matches that the IR database matches. We know that about 20% of insurance companies VINS's do not match the State VIN. The IR database matches 97% to 99% of those making the database more accurate. In order for the match to be better, the clerk, officer, prosecutor must hand enter all 5 data elements exactly as they appear on the companies database.

**Ensures that standardization and future advancements are available to all jurisdictions.**

The WISDL is not standardized in practice. Multiple concessions must be made to connect and continue to send and receive data. Utah has been trying to connect USAA, one of the standard barriers of the IICMVA model, for several months without success, primarily because of difficulties on USAA's end. Everything IR has learned over the past 15 years and everything we learn as we go forward is available to all jurisdictions that use or service, exactly as the IICMVA model is.

**Enhances data security; confidential customer data is not required.**

In 15 years of operation, the IR database has never been compromised, not has any confidential customer data been given to a third party that was not entitled to the information.

**Easily identify counterfeit Auto Insurance Identification Cards.**

So does the IR database program.

**Evidence of insurance can be used with DMV vehicle registrations and renewals, police roadside inquiries, accident investigations and court requests.**

So does the IR database. In addition, with the IR database an actual person can be subpoenaed to ensure a conviction.



## HOUSE BILL 2411, Representatives Colona, sponsor

This Bill a complete system to reduce the uninsured motorist rate in Missouri without undue burden on either the State or its citizens as follows:

- The core component is the creation of a Motorist Insurance Identification Database.
- This creates an uninsured vehicle pool
- It is the most cost affective, user friendly (no data entry by end users) and accurate method given today's technology.
- Letters are generated and sent to the owners of vehicles that have been identified as uninsured.
- The owners may then either provide proof of insurance or show that they are exempt from the insurance requirements.

The Bill safeguards owners who move from one insurance company to another by waiting 90 days before they are sent the first notification. Why 90 days? This allows sufficient time for the new company to begin reporting and has proven to be the most effective strategy through real world experience in Utah.

The reinstatement fee increases to a more reasonable fee of \$100.

The final component is a real time check through a WEB service going directly to the insurance company. By using a database/pointer file this check is automatic and requires no data entry by the end user.

Who benefits from this program?

1. The DOR, by accurately pulling registrations from uninsured cars.
2. Law enforcement, by having immediate access to an up-to-date insurance database rather than asking for proof of insurance cards that are often meaningless anyway.
3. Insured motorists renewing their registrations, because they will no longer have to find and carry proof of insurance papers into the DOR agent.
4. Everyone buying car insurance in Missouri, because their insurance rates reflect the cost of protecting themselves from the one in seven uninsured drivers on the road!

My company, InsureRite, has been operating a virtually identical program in Utah since 1995 with a match rate, which varies from 96% to 98%. **When the program began the uninsured rate was about 25%, the current rate is consistently below 5% now.**

We also created a database for the Texas program which, when fully operational, will be virtually identical to the program being proposed here. In Texas, insurance companies submit files weekly, which mean we "crunch" approximately 100,000,000, records every week there and have a match rate consistently over 99%.

We look forward to competing with the other companies in our industry for the privilege of implementing Missouri's program.



**Nevada LIVE**



# History of Nevada LIVE



- In 2007, the Nevada Department of Motor Vehicles (DMV) made a decision to update the system to verify insurance coverage on actively registered vehicles.
  - The old system was very antiquated and relied upon the submission of insurance records using diskettes, CD's or data cartridges.
- Nevada Liability Insurance Validation Electronically (Nevada LIVE) when live on March 15, 2010.



- Nevada LIVE is a “home grown” system and is one of a kind. In creating and implementing this system, DMV followed the IICMVA Guidelines.
  - The process which once took up to several weeks now can be accomplished in under one second.
  - The change enabled the registered owners to actively participate in updating their insurance record and having the ability see their record online.



- DMV learned early that each insurance company does business a little bit different and it became important to find methods which were accommodating to as many companies as possible.
  - Web Services (pinging)
  - SFTP (Secure File Transfer Protocol)
  - Excel Spreadsheets
- Allowing these options allow insurance companies to make a gradual transition to electronic reporting.
- Through a gradual transition, all companies in the state eventually converted to web services.
- SFTP is still used for a Book of Business or for large scale data corrections. SFTP and Excel spreadsheets are no longer a primary reporting method.



# Where is the data coming from?



- The registered owner provides their insurance card which includes the NAIC, policy number, and effective dates that are entered:
  - By a DMV Technician, or
  - By the registered owner, agent, or underwriter
  - By the insurance company in a book of business
- The registered owner, agent, or underwriter enters the insurance information online and that data is uploaded to the DMV Application instantly.



# Book of Business



- A book of business is a large data file which contains the policy information for all current policies that company has for Nevada.
- An insurance company submits a SFTP book of business when:
  - They make the transition to web services, or
  - They need to correct all of their insurance records
- Using the data that company provides, the DMV then match the records to our existing vehicle registration. The insurance information is used to ping the company's web server.



- Nevada is now joining all the other Web Service states in requiring a monthly file. The file is referred to as a book of business containing all policies and follows the IICMVA's 300 format.
- Nevada will use the same 300 format but will only require new or amended policies.
  - When Nevada LIVE first began, a monthly update was not a part of our program.
  - Nevada's registered owners are responsible to update their insurance records but do not.
  - 75% of the incidents for no insurance are resolved after the registered owner receives the postcard or notice of suspension.
- The receipt of the new and amended policies will reduce the number of postcards and suspension notices sent for no insurance.



# Pings



- When the DMV needs to verify insurance coverage, an electronic query or “Ping,” is sent to that URL.
- A Ping is request using SOAP (*Simple Object Access Protocol*), this request sends the following data elements:
  - VIN
  - Registered owners
  - Vehicle Info
  - Dates being verified
  - NAIC number
  - Policy number
  - Driver License Number (optional)
  - FEIN number (optional)
- The insurance company responds with a confirmed or un-confirmed response.
  - A reason code accompanies the response explaining why the insurance policy was unconfirmed.



# What Happens Next



- DMV receives the response and uses that information to determine if the insurance coverage is continuous or if there is a lapse.

## CONFIRM

If the record comes back confirmed, DMV stores the information. At least every 60 days the policy is pinged to verify continuing coverage without sending correspondence to the registered owner.

## UN-CONFIRMED

If the record comes back unconfirmed, our system will follow the next steps based on the insurance records on file. It often takes up to 30 days for insurance information to become available to DMV on new policies.



- When the insurance record is un-confirmed, the DMV's system needs to determine if the insurance record is new or existing.
  - New insurance record will be pinged every 7 days until the 28<sup>th</sup> day or a confirmed response is received.
    - On the 28<sup>th</sup> day, the unconfirmed record will produce a verification postcard to the registered owner asking them to provide their insurance information again.
  - Existing insurance record will be pinged to locate the first day of the potential lapse. That record will produce a verification postcard asking the registered owner to provide their insurance information for the incident date(s).
- Using the information the customer provides in their reply, DMV can then initiate a new ping to the insurance company in attempt to verify coverage.



## Example of multiple insurance records

Policies		Policy Details			
Company	Policy Num.	Ty.	Eff. Date	Term. Date	
MIKING INSURANCE COMPANY OF WISCONSIN	285634937	V	8/16/2012	2/16/2013	
PROGRESSIVE NORTHERN INSURANCE COMPANY	71651965	V	2/3/2012	8/3/2012	
PROGRESSIVE NORTHERN INSURANCE COMPANY	716519650	V	2/3/2012	8/3/2012	
ALLSTATE FIRE AND CASUALTY INSURANCE COMPANY	986822706	V	1/8/2012	1/8/2012	
ALLSTATE FIRE AND CASUALTY INSURANCE COMPANY	986822706	V	2/17/2011	1/7/2012	
PROGRESSIVE CASUALTY INSURANCE COMPANY	65095199	V	2/18/2010	2/16/2011	

## Example of the policy details

Policies		Policy Details	
<b>Insurance Information</b>			
Insu. Co.:	PROGRESSIVE NORTHERN INSURANCE COMPA ▼		
NAIC:	38628		
Policy No.:	71651965		
Policy Ty.:	VEHICLE ▼		
Eff. Date:	2/3/2012	Term Date:	8/3/2012
<b>Insurance Policy History</b>			
Verified	Status	Reason	DTS
8/3/2012	Confirmed - C		8/14/2012 15:31:54
2/3/2012	Unconfirmed - U	INITIAL RECORD BEFORE QUERYING INSURANCE COMPANY	8/14/2012 15:31:51

# The Verification Process



- Nevada law requires that vehicles registered in the state maintain continuous liability insurance.
- If the NV LIVE process detects no insurance or a laps in coverage the registered owner is sent a postcard asking them to verify their insurance information with DMV.
- Nevada DMV uses a vendor to mail the postcards. An electronic file is transmitted nightly. The postcards are printed and mailed the next day.



- The registered owner is allotted 15 days to submit a response to the DMV, by completing the postcard or responding online.
  - The registered owner may provide their insurance information, or
  - Explain why there was no coverage (i.e. they have sold the vehicle).
- If the response is insurance information, that information is used to ping the insurance company's data base.
  - If the postcard is returned to DMV, a technician will enter the data to get a ping.
  - If the postcard is responded to on the web, the new insurance record will be pinged.
- If the response is an explanation for no coverage, the reason is verified. DMV is able to verify if the vehicle is registered in another state or has been sold.
- If the policy cannot be verified electronically, a written request is forwarded to the insurance company.
  - The insurance company can update their data base so the information can be verified, or
  - The insurance company can deny coverage that will result a suspension.



# Suspensions



- If the registered owner admits no insurance, fails to respond to the postcard, or the insurance company denies coverage a certified letter is mailed.
- If insurance records still cannot be confirmed by the suspension date given to the customer on the certified notice, the vehicle registration is then suspended.
- At any time, however, insurance records can be confirmed and the suspension can be rescinded or prevented.



# Penalties



- In 2011, Nevada legislature passed a bill which instituted a system of tiered penalties for those who have had a lapse of insurance.
- The goal of this particular bill was to reduce the uninsured motorist rates in Nevada.
- The penalties for this suspension are based upon the length of the lapse and the number of previous lapses the customer has had on this vehicle registration in the past five years.
- The penalties are in the following matrix.



# NEVADA LIVE REINSTATEMENT REQUIREMENTS



Length of Lapse	1-30 Days	31-90 Days	91-180 Days	More than 181 Days
1 <sup>st</sup> Offense				
TOTAL Fee and Fine	\$250	\$500	\$750 and SR22	\$1,250 and SR22
2 <sup>nd</sup> Offense within the past five years				
TOTAL Fee and Fine	\$500	\$1,000	\$1,000 and SR22	\$1,500 and SR22
3 <sup>rd</sup> Offense within the past five years driver's license suspension for 30 days and				
TOTAL Fee and Fine	\$750	\$1,250	\$1,500 and SR22	\$1,750 and SR22

## Additional Resources



- Full technical specifications and reporting manuals can be found on our website at <http://www.dmvnv.com/insuranceagents.htm>
- Information DMV have provided to the public can be found at <http://www.dmvnv.com/insurance.htm>
- More information on our programs development can be found at <http://www.dmvnv.com/nvlive.htm>
- More information on the IICMVA model can be located at <http://www.iicmva.com>



Thank  
You

### Fees and Fines Collected

	First Circuit C&C Honolulu	Second Circuit Maui County	Third Circuit Hawaii County	Fifth Circuit Kauai County
2006	\$2,479,379	\$810,129	\$1,080,491	\$183,216
2007	\$2,497,925	\$965,266	\$891,787	\$290,180
2008	\$2,479,251	\$981,213	\$853,644	\$439,172
2009	\$1,972,934	\$569,642	\$883,946	\$294,703
2010	\$1,555,126	\$691,025	\$729,391	\$145,143
2011	\$1,394,391	\$603,604	\$782,701	\$125,608
2012	\$711,258	\$332,594	\$513,617	\$205,401
<b>Totals</b>	<b>\$13,090,266</b>	<b>\$4,953,472</b>	<b>\$5,735,577</b>	<b>\$1,683,423</b>
			<b>Grand Total</b>	<b>\$25,462,737</b>

Average Fine/Fee collected per cited violation: **\$110**

Average Fine/Fee collected per conviction: **\$279**

#### Notes

<sup>1</sup>Violations counted include HRS 431:10C, HRS 431:10C-104, HRS 431:10C-104(a), HRS 431:10C-104(a)-[PM], HRS 431:10C-104(b), HRS 431:10C-104(b)-[PM], HRS 431:10C-104-[PM], HRS 431:10C-107, HRS 431:10C-108, HRS 431:10C-108(1), HRS 431:10C-108(2).

<sup>2</sup>Conviction Dispositions: DJ-Default Judgment, GLP-Accept Glty Plea Prior to Trial, GLTB-Guilty-Bench Verdict, JFS-Judgment for State, NCP-Accept Nolo Contendere Plea, DAG-Defer-Accept Guilty Plea, DNC-Defer-No Contest Plea.

### Cited Violations<sup>1</sup> for No Proof of Insurance

	First Circuit C&C Honolulu	Second Circuit Maui County	Third Circuit Hawaii County	Fifth Circuit Kauai County
2006	26,559	3,705	6,402	832
2007	28,270	3,736	5,980	1,051
2008	37,623	3,349	6,162	1,355
2009	23,895	3,225	5,450	1,142
2010	22,527	4,774	5,181	1,254
2011	18,643	2,964	2,331	985
2012	9,704	1,470	2,715	497
<b>Totals</b>	<b>167,221</b>	<b>23,223</b>	<b>34,221</b>	<b>7,116</b>
			<b>Grand Total</b>	<b>231,781</b>

### Conviction<sup>2</sup> Rate for No Proof of Insurance

	First Circuit C&C Honolulu	Second Circuit Maui County	Third Circuit Hawaii County	Fifth Circuit Kauai County
2006	19.0%	37.7%	43.3%	48.0%
2007	19.0%	42.5%	42.2%	50.8%
2008	14.5%	43.9%	44.3%	56.2%
2009	20.3%	39.7%	46.8%	55.9%
2010	17.3%	26.0%	47.2%	50.2%
2011	15.9%	35.4%	105.9%	44.4%
2012	15.4%	36.1%	49.0%	37.0%
<b>Average</b>	<b>17.3%</b>	<b>37.3%</b>	<b>54.1%</b>	<b>48.9%</b>
			<b>Overall Average</b>	<b>39.4%</b>