



# **DMV Insurance Industry Proof of Coverage Reporting May 24, 2004**



# Panelists

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# Background

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- Compulsory insurance laws exist in 47 of the 50 states today.
- Primary goal of these laws: eliminate uninsured motorists or vehicles within the jurisdiction.
- Other objective - identify motorists or vehicles that do not carry mandatory coverage when operating within the jurisdiction



# Background

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- **Two sources of information can be used to confirm insurance coverage:**
  1. Individual Drivers
  2. Insurance Industry Data Reporting
  
- **Types of Insurance Reporting:**
  - Book of Business Transfers
  - Cancellation Reporting
  - Comprehensive Database Approach



# The Problem with Reporting Systems

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- **Data Integrity Issues**
  - Accuracy
  - Timeliness
  - Consistency – e.g. “James Robert Smith” vs. “Bobby Smith”



# The Problem with Reporting Systems

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- **Costs**

- **Costs to States**

- Implementations and maintenance range from \$1.2 to \$7.1 million

- **Costs to Insurers**

- \$408,000 average for NY implementation in 2000
- Commercial carriers spend \$30 million annually
- Negative publicity



# The Problem with Reporting Systems

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- Costs to Consumers
  - Negative impact on law-abiding citizens.
  - Increased time spent correcting state reporting errors.
  - Increased costs mean less choice for consumers.
  - Insured motorists bear costs for the systems that track the uninsured motorist.



# The Problem with Reporting Systems

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- **Reporting Programs Do Not Accommodate Commercial Insurers and Their Customers:**
  - Personal identifiers are not used.
  - High limits are already purchased.
  - Less likely to have uninsured employee drivers.
  - Need exists to protect assets.
  - Multi-state operations add layer of complexity.



# The Problem with Reporting Systems

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- Less fraud is attributed to commercial insureds.
- Differences exist in vehicle registration.
- Commercial customers can be individuals, businesses, or other organizations.
- Commercial vehicle types vary.
- Commercial customers are not required to report vehicle deletions or additions immediately.
- Special requirements & reporting methodologies are needed for commercial insurers.



# The Problem with Reporting Systems

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- **The 2002 American Association of Motor Vehicle Administrators (AAMVA) FR Resource Guide:**
  - Indicates there is no correlation between reporting programs and the number of uninsured motorists.
  - However, new programs continue to become law.



# Difficulties for Insureds

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- **Large organizations do not always deal with vehicle administration and ownership the same way:**
  - Centralized vs. decentralized purchase
  - Buy vs. Lease
  - Multiple Leasing Companies
  - Multiple 'Insured' companies
  - 'Fleet' policy – audit only reporting
  - Different vehicle 'owners'



# Difficulties for Insureds

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- **Risk Managers have not previously needed to collect VIN, leasing, or ownership information**
- **Longer turnaround times are caused by the inevitable re-keying of data errors**



# What Other Options Exist?

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- Technological advances may provide new opportunities.
- The use of Web services to verify auto insurance coverage should be explored.
- The Insurance Industry Committee on Motor Vehicle Administration (IICMVA) is reviewing the issue.



# Insurance Industry Committee on Motor Vehicle Administration

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## **What is IICMVA?**

- Established in 1968.
- Members include PCI companies, AIA companies, and other independent insurers.
- Not a lobbying organization.
- Liaison between insurance industry and state motor vehicle departments.
- Working relationship exists between IICMVA and AAMVA.



## Where Are We Going?

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- **Reporting Methods in Use Today:**
  - Paper
  - Tape
  - Electronic reporting
  
- **IICMVA's Goal:**
  - Partner with state agencies to resolve a public policy issue.



# IICMVA's Vision

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- **IICMVA Vision:**

- Simple, online applications to support single policy inquiries.
- True Web services interconnecting authorized entities.
- Event-based verification.

- **IICMVA's Vision Does *NOT* include:**

- National database reporting systems
- Data clearing houses
- Invasive data extraction programs or gleaner software
- Radio Frequency Identification (RFID) technologies



# Benefits

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- Cost effective.
- Confidentiality protected.
- No matching routines.
- Current policy status confirmed.
- Smaller amounts of data are exchanged.
- Facilitates commercial carriers' compliance.
- Improved customer service.



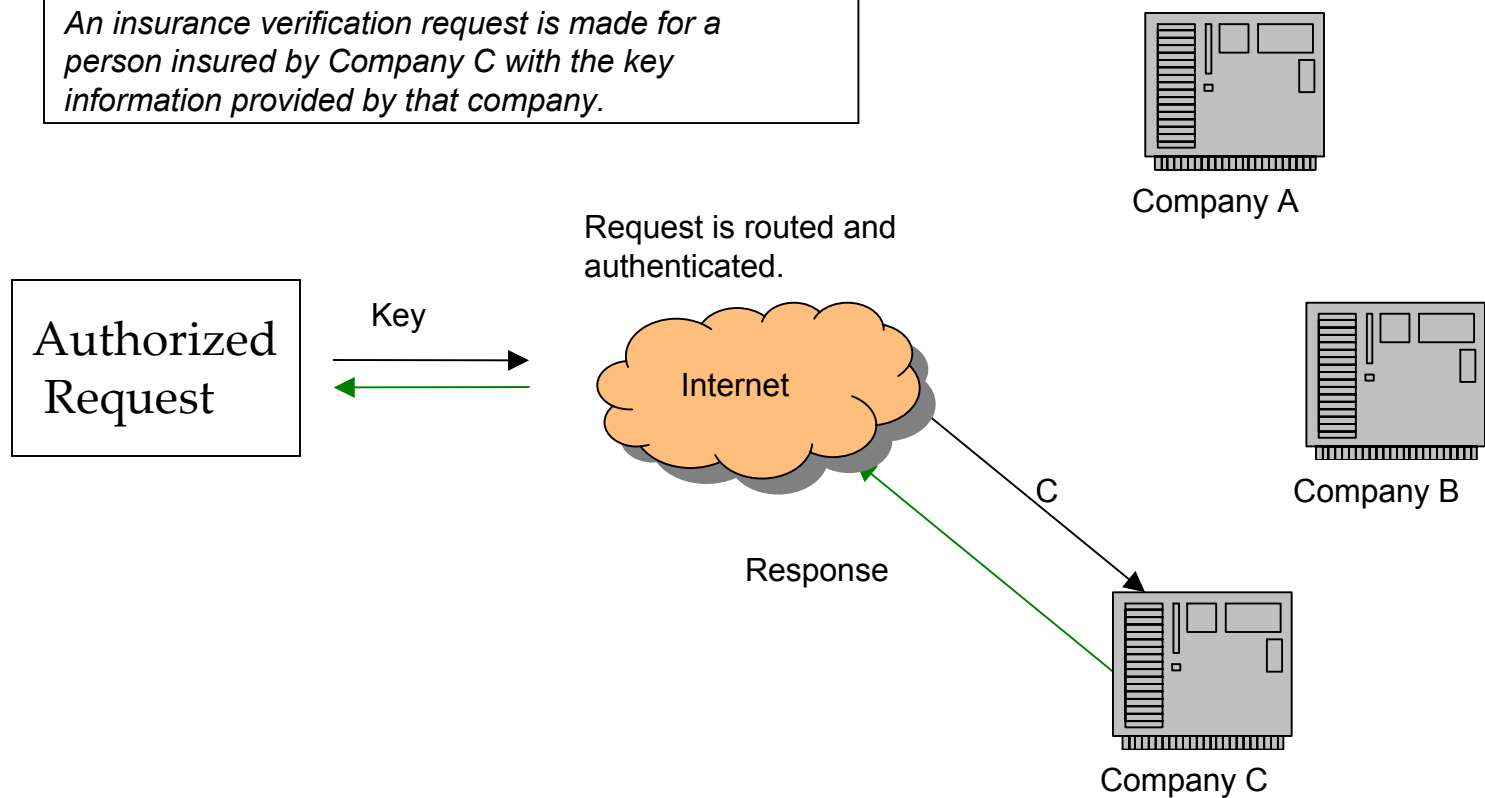
# IICMVA's Proposal

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- **IICVMA proposes an automobile insurance verification system based on secure Web services technology and online inquiries.**

# Diagram

*An insurance verification request is made for a person insured by Company C with the key information provided by that company.*





# Next Steps

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- **Develop the technical requirements and standards to address:**
  - Security
  - Authentication
  - Business to business standards
  - Routing of requests
- **Work with states to develop business requirements.**



# Conclusion

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- IICMVA supports an event-based, not a preemptive, approach to enforcing mandatory insurance laws.
- Web services and online inquiries promise to be cost effective with benefits to states, insurers, consumers.
- Companies can transfer benefits gained from one state to another.
- Core technical competencies can be leveraged and applied to other business units.
- Proactive approach to public policy issue and a positive impact on consumers.
- Separate considerations should be granted for commercially insured vehicles.



# Panelists contact information

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