

INSURANCE VERIFICATION  
SYSTEMS  
BEST PRACTICES

BASED ON 20 YEARS AS AN  
ADMINISTRATOR AND 10 YEARS IN THE  
PRIVATE SECTOR

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# BEST PRACTICE

- FULL BOOK DOWNLOAD TWICE A MONTH OR MORE
- IICMVA MODEL WITH VIN ONLY (aka broadcast or unknown carrier) VERIFICATION
  - Best of both worlds, a reliable (95% or better) database is created allowing for proactive enforcement
  - Real time check to fill in the gaps between full book downloads
  - Directed real time checks to confirm coverage are reliable because VIN mismatches are reduced to less than 5% during the matching process
    - Note: Do not use the IICMVA model elements for the full book download, there are not enough data fields for effective matching

# DATA ELEMENTS

## FULL BOOK DOWNLOADS

- Utah and Texas:
  - Our formats have between 16 and 22 mandatory data elements
    - The key is one record per driver per vehicle, i.e. a family of 2 with 2 vehicles give us 4 chances to make an acceptable match
    - We have a series of 16 algorithms that are applied in a cascading method to create a mathematical probability of an acceptable match
- IICMVA
  - The only mandatory elements that can be used for matching are the NAIC, Policy Key (which has challenges for some companies) and the VIN all of which must match exactly
  - Even if you a company submits the optional elements there is only one record to match to and includes name only, no vehicle specific information except VIN

# NEXT BEST

- Full Book download twice a month or more
  - The only thing you loose is the real time check before you send a letter or registration withdrawal notice
  - Note: The IICMVA real time check should NEVER be used to override the database for enforcement (issuing a citation or towing a vehicle) purposes

# The Keys to Reducing the Uninsured Motorist Rate

- The key is an effective law:
  - Owners must know they are required to purchase and maintain liability insurance
  - Owners must believe they will be identified if they fail to purchase and maintain liability insurance
    - Reliable information provided automatically for police officers at points of contact
    - Letters sent to vehicle owners that are believed to be uninsured
  - Cited drivers must know they will be convicted if cited and suffer those consequences and letter recipients must know their registration will be revoked/suspended and that they will pay the reinstatement fee

# FUNDING THE PROGRAM

- The best option is to add a small, 50 cents to \$1.00 fee on all registrations and pay the vendor a portion of that fee
  - The advantage is that this method is inflation proof, i.e. if the number of vehicles up, revenue and the payment to the vendor goes up and vice versa.
  - It also creates a surplus that can be used to fund other projects as authorized by the legislature
- Another option is to fund the program with funds generated by fines or administrative fees. The challenge is the program is not funded at start up and the more successful the program is, the lower the funding level becomes

# THE TEXAS SYSTEM

- Every week all insurance companies writing liability policies in Texas submit a full book of business
- The Motor Vehicle division submits all the changes to their database every week
- All submissions are monitored and tracked. If there are any anomalies the company is contacted personally to resolve the issue

# TEXAS CONTINUED

- Policies are matched to vehicles every week and a new “insured” database is created.
- The new database is sent to our partner, HDI.
- HDI has programs that identify uninsured vehicles and on a scheduled basis sends notices to the owners of the vehicles identified as uninsured
  - This will change under the new contract, Texas has chosen to stop the letter campaign

# TEXAS CONTINUED

- The new data is made available to law enforcement (Note: Commercial vehicles are currently exempt, but will be included under the new contract)
- Drivers are being cited and in some counties the vehicle is towed based on information provided from the database
- A customer service call center is available to resolve issues related to the letters or law enforcement action

# TEXAS HIGHLIGHTS

- Driver license matching is not part of the insurance database by DPS choice
- There are no administrative consequences based on information in the database
- We produce an uninsured by ZIP code report every quarter that could be used to target high risk areas
- Even without administrative sanctions, the Texas system has reduced the overall uninsured rate from **25% to 12%** (Note: The match rate and uninsured rate has been validated by a Texas State audit)

# The Utah System

- In 1995 the Sponsor of the Utah bill called press conferences and participated in a number of PSA's before the first letter was sent or the insurance information was made available to law enforcement
  - Note: The uninsured rate dropped from 24% to 17% based on the PSA's alone
- Law enforcement receives insurance information automatically every time they request vehicle or driver license information
- Insure-rite supplies affidavits to prosecutors and upon request will actually testify
- A list of uninsured vehicles is sent weekly to the Utah DMV and the registrations are revoked
- Utah law requires a vehicle identified as uninsured to be impounded with certain exceptions for public safety reasons (Starting in March, there is a method to have the fees reimbursed under certain circumstances after a hearing at DLD)
- The current uninsured rate in Utah is consistently under 5%. By statute the match rate and uninsured rate have been audited and verified by Utah State Auditors 8 times
- We upload a file to Motor Vehicle Enforcement every week that identifies all the vehicles that the owner reported as out of service (plate readers notify the officer when an out of service vehicle is discovered on the road)

# The Letter Campaign

- The first letter is sent 90 days after the database identifies a vehicle as uninsured
  - For a couple of years the Legislature changed that to 60 days, 90 days proved to be more efficient
- The recipient has 15 days to respond
- If they fail to respond a second letter is sent informing them that failure to respond to this letter will result in the revocation of the registration
- If they fail to respond again, an electronic file is sent to the DMV and they generate and send the revocation order

# Letter Recipients Options

- Customers responding to letters have multiple options:
  - Snail mail; The bottom of each letter provides the owner with a way show the vehicle in question is exempt from liability requirements, i.e. Sold, Out of Service, Seasonal, Military
  - Customers are given a PIN for use with our WEB Site reply system which has the same options as the snail mail option
  - Customers can fax in the reply or if they are actually insured have their agent fax the DEC page
  - Customers can call the office and talk to a real person

# Utah Customer Service

- All calls are either answered or called back the same working day
- Utah CSR's do not use "scripts" when responding to customer inquiries
- CSR's are empowered to solve problems
- Although rare, there is an escalation process for very challenging customers

# Customized application for the Driver License Financial Responsibility Unit and the DMV supervisors and researchers'

- Provides the ability to verify insurance status on a specific date
- Provides the exact response a police officer received when they ran the vehicle tag (Utah law provides for a refund if a vehicle is impounded improperly)

# SUMMARY

- The end game of any verification program is to reduce the uninsured rate
  - Owners must understand they are required to maintain insurance/financial responsibility
  - Owners must know if they fail to do so they will be identified
  - There must be a sure consequence when they are identified
  - No insurance verification system is perfect

## Summary Continued

- Whatever system a State chooses must be accurate and timely
- The only way to assure an accurate system is to require a full book download and a matching process that exceeds 95% accuracy
- No action should be taken against an owner until they have been uninsured at least 60, preferably 90, days (including changing the insurance status)
- Under no circumstances should an unconfirmed response based on a WEB service inquiry result in a law enforcement