

# Motor Vehicle Insurance Coverage Verification Task Force



Report to the Legislature  
February 1, 2015

This document reports on the results of Minnesota's Motor Vehicle Insurance Coverage Verification Task Force (established per Laws of Minnesota 2014, chapter 310, section 10 and chapter 312, section 37). The report presents the task force's review and evaluation of approaches to insurance coverage verification, reducing the number of people who drive without insurance, and recommends legislation to create and fund a program in Minnesota.

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## Motor Vehicle Insurance Coverage Verification Task Force

January 30, 2015

The Honorable Mark Dayton  
Governor, State of Minnesota  
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Saint Paul, Minnesota 55155

The Honorable Senator James Metzen,  
Chair  
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Minnesota Senate  
Capitol Building, Room G-9  
Saint Paul, Minnesota 55155

The Honorable Rep. Joe Hoppe, Chair  
Commerce Committee  
Minnesota House of Representatives  
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The Honorable Senator D. Scott Dibble,  
Chair  
Transportation Committee  
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The Honorable Rep. Tim Kelly, Chair  
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The Honorable Senator John C. Pederson  
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The Honorable Rep. Ron Erhardt  
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The Honorable Senator Vicki Jensen, Chair  
Insurance Reform Sub-Committee of the  
Commerce Committee  
Minnesota Senate  
Capitol Building, Room 205  
Saint Paul, MN 55155-1606

The Honorable Rep. Frank Hornstein  
Transportation Committee  
Minnesota House of Representatives  
243 State Office Building  
Saint Paul, MN 55155

Dear Senators, Representatives and Governor Dayton:

The 2014 Minnesota Legislature established the Minnesota Motor Vehicle Insurance Coverage Verification Task Force to “review and evaluate approaches to insurance coverage verification and recommend legislation to create and fund a program in this state.”

Specifically, the legislature directed the task force to: review and evaluate programs established in other states as well as programs proposed by third parties, identify one or more programs recommended for implementation in this state, and, as to the recommended programs, adopt findings concerning: (1) comparative costs of programs; (2) implementation considerations, and in particular, identifying the appropriate supervising agency and assessing compatibility with existing and planned computer systems; (3) effectiveness in verifying existence of motor vehicle insurance coverage; (4) identification of categories of authorized users; (5) simplicity of access and use for authorized users; (6) data privacy considerations; (7) data retention policies; and (8) statutory changes necessary for implementation. The task force deliberated for seven months, reviewed information from Minnesota, other states, and other experts, and presents the attached report in accordance with the legislative directive.

The enclosed report completes the work of the task force to date and presents their recommendations to address the issues of motor vehicle insurance coverage verification.

We, along with other members, would be pleased to discuss the work of the task force in any setting or forum you feel appropriate.

Sincerely,



George Cooper, Chair  
State Farm Insurance, representing the  
Insurance Federation of Minnesota



Susan Kent, Vice Chair  
Minnesota Senate

Enclosure

cc: Minnesota Legislative Reference Library  
Members, Motor Vehicle Insurance Coverage Verification Task Force

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# Executive Summary

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## Introduction

In 2014, the Minnesota Legislature established a task force to “review and evaluate approaches to insurance coverage verification and recommend legislation to create and fund a program in this state.” Between July 2014 and February 2015, the Motor Vehicle Insurance Coverage Verification (MVICV) task force assessed approaches to insurance coverage verification and related processes and issues.<sup>1</sup> The MVICV Task Force included 15 members representing many interests and areas of expertise. This report presents their finding and recommendations.

## Background

Minnesota law requires drivers to possess proof of insurance at all times and maintain insurance when a vehicle is operated or when its use is contemplated.<sup>2</sup> Still, an estimated 10.8 percent of Minnesotans drive without insurance, compared to a national estimated average of 12.5 percent. The rate declined from over 15 percent in 1993, to 13 percent in 2009, to 10.8 percent in 2012. Minnesota’s verification system is a manual process in which the state verifies insurance in rare cases. State trends suggest that new technologies provide an opportunity for states to improve their verification processes and reduce the number of Minnesotans who drive without insurance. Over 30 states have electronic verification systems.

## Findings

- **Data is limited:** One of the clearest findings of the task force was the lack of valid, reliable, up-to-date data related to uninsured motorist (UM) rates, the characteristics of uninsured drivers, and the costs and effectiveness of various options for verifying insurance or otherwise trying to reduce UM rates.
- **Many factors affect UM rates:** A state's ability to reduce UM rates depends on a wide variety of factors. Valid data does not exist to show the relative importance or costs of each of these factors.
- **No verification system will be completely accurate or lead to 100 percent compliance:** It is critical to minimize errors as much as possible, and acknowledge that some people will always drive without insurance.
- **If an Electronic Verification Program (EVP) is pursued, timing is critical:** DPS currently has a mainframe computer system and it is in the process of being replaced by the Minnesota Licensing and Registration System (MNLARS). One reason for a task force to focus on electronic verification systems now is to coincide with MNLARS development. However, it is clear that DPS cannot devote resources to EVP until at least 2018, when MNLARS is operational.

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<sup>1</sup> Note: see list of acronyms in Glossary.

<sup>2</sup> Minnesota Statute 2014 § 169.791 and §169.792

- **Some alternatives are not recommended, at least for now:** The task force considered many options for affecting UM rates including implementing an electronic verification program (EVP). Many options that initially appeared to be relatively easy solutions were later determined to be infeasible or not desirable for the state.

## Recommendations

The task force recommends a comprehensive approach to addressing the UM problem in Minnesota, including the possible implementation of an electronic verification system.

**1. Department of Public Safety, Driver and Vehicle Services (DVS) should strengthen its proof of insurance requirements and processes.**

The task force recommends that in all DVS transactions, people be required to provide three additional pieces of information as proof of insurance (insurance company name, policy number and expiration data). People who now attest to coverage at vehicle registration and vehicle renewal would have to show proof of insurance.

**2. The state should increase penalties for people who are convicted of driving without insurance or without proof of insurance.**

The task force recommends that the state Judicial Council consider removing “no insurance” and “no proof of insurance” offenses from the Statewide Payables Lists. Fines would have the potential to more than triple if the maximum fine were assigned by a judge. Also, offenders would need to appear in court.

**3. The state should implement a public awareness program to support new processes and promote compliance with the compulsory insurance law.**

Public awareness of any new state requirements is critical in assuring that the new policies are implemented with a minimum disruption to the public. An emphasis on penalties is expected to encourage people to carry insurance.

**4. An ongoing committee or advisory council should be created to help implement the task force’s recommendations and assist the state in developing effective policies to reduce UM rates.**

Ongoing measurement and analysis is needed to assure that decisions about UM and EVP approaches and systems are based on evidence of their effectiveness in meeting targeted goals. The group would establish goals, direct activities associated with the recommendations and measure and analyze data.

**5. The state should reassess EVP’s expected benefits, costs and implementation issues after MNLARS is implemented and operational, and the results of stronger proof of insurance requirements are known (Recommendation 1).** EVP has the potential to be a benefit in addressing the uninsured motorist issue. In the next several years, as MNLARS is implemented, EVP in other states evolve and the state implements recommendations 1–3, Minnesota has the opportunity to assess the impact of new approaches and gather and analyze information about UM and EVP.



# Introduction

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## Legislative directive

Minnesota and 48 other states require drivers to carry vehicle insurance.<sup>3</sup> Despite the law, more than one in ten Minnesotans drive without insurance, according to recent estimates.<sup>4</sup> Minnesota and other states use a variety of methods to reduce the rate of uninsured motorists. In Minnesota, motorists attest to coverage at contact points (such as vehicle registration with DVS) and show proof of insurance at other contact points (such as showing law enforcement an insurance card at traffic stops). Additionally, Minnesota enacts penalties for motorists who drive without insurance. Many states have also implemented electronic verification programs (EVP) to help states verify whether a person has insurance.

In 2014, the Minnesota Legislature established a task force to “review and evaluate approaches to insurance coverage verification and recommend legislation to create and fund a program in this state.”<sup>5</sup> Specifically, the legislature directed the task force to:

review and evaluate programs established in other states as well as programs proposed by third parties, identify one or more programs recommended for implementation in this state, and, as to the recommended programs, adopt findings concerning: (1) comparative costs of programs; (2) implementation considerations, and in particular, identifying the appropriate supervising agency and assessing compatibility with existing and planned computer systems; (3) effectiveness in verifying existence of motor vehicle insurance coverage; (4) identification of categories of authorized users; (5) simplicity of access and use for authorized users; (6) data privacy considerations; (7) data retention policies; and (8) statutory changes necessary for implementation.

Between July 2014 and February 2015, the Motor Vehicle Insurance Coverage Verification (MVICV) task force assessed approaches to insurance coverage verification and related processes and issues. This report presents the results of the task force’s assessment and recommendations. Recommendations relate to insurance verification as well as broader issues associated with reducing the number of Minnesotans who drive without insurance.

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<sup>3</sup> Insurance Research Council (IRC). *Uninsured Motorists, 2014 Edition*. (Malvern, PA: The Institutes, August 2014).

<sup>4</sup> Ibid.

<sup>5</sup> Laws of Minnesota 2014, chapter 310, section 10 and chapter 312, section 37. See Appendix A for the full text.

# Task force membership and process

## Membership

The MVICV Task Force included 15 members representing many interests and areas of expertise. Members represented two state agencies, the legislature, law enforcement and other stakeholders involved with developing, regulating, examining and implementing verification programs or related issues.<sup>6</sup> Other interested parties also had the opportunity to attend the meetings and provide public comment.

## Process

The diverse and broad representation of task force members led to practical and workable recommendations. George Cooper<sup>7</sup> and Senator Susan Kent served as chair and vice chair, respectively. The Department of Public Safety (DPS) convened the group, coordinated meetings, provided technical assistance, and delivered the report to the Legislature on behalf of the task force. Another state agency provided facilitation, writing and other support.<sup>8</sup> The task force held eight meetings between July 2014 and February 2015 to:

- **Organize the group's structure and task** (e.g., frame issues, goals and scope).
- **Build common knowledge** through presentations from representatives from other states, EVP vendors, Minnesota agencies and other experts, along with a review of models used in other states, the insurance industry and academic studies.
- **Identify viable options** by considering potential outcomes and alternatives, technical resource information, funding and financing options and criteria for selecting options.
- **Select best options, develop recommendations and create a report** based on additional information, review and discussion.

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<sup>6</sup> Specifically, members represented the state agencies of DPS and Commerce, the legislature (two members of the Minnesota House of Representatives and Senate, each), Minnesota deputy registrars, insurers, bankers, attorneys and law enforcement. Group members also included staff from the Minnesota Association for Justice, AAA Minnesota, AARP Minnesota and the Minnesota chapter of the International Association of Special Investigation Units. See list of members on the inside report cover.

<sup>7</sup> State Farm Insurance, representing Insurance Federation of Minnesota

<sup>8</sup> Management Analysis & Development, Minnesota Management & Budget.

# Background

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## The problem of uninsured motorists

The Insurance Research Council's (IRC) 2014 report estimates that 511,021 motorists in Minnesota were driving without vehicle insurance in 2012. IRC also estimated that cost of uninsured motorist (UM)<sup>9</sup> claim payments in Minnesota topped \$9.79 million in 2012.<sup>10</sup> Uninsured motorist coverage purchased by individuals helps cover the costs of liability claims if a person with an insured vehicle is in an accident with a person without insurance.

Ideally, Minnesota and other states would have current, reliable information about the uninsured population to help shape improved approaches to verification and reducing UM rates. Unfortunately, such data is not available. Very limited, old data from other states suggested that UM are more likely to be young, male and home renters than other drivers.<sup>11</sup> Task force members observed that buying insurance is an economic choice in several ways (e.g., a person may not be able to afford it or see its importance given other priorities).

## Minnesota trends

Minnesota law requires drivers to maintain insurance when a vehicle is operated or when its use is contemplated.<sup>12</sup> The law also requires drivers to possess proof of insurance at all times.<sup>13</sup> Despite these laws, an estimated 10.8 percent of Minnesotans drive without insurance, compared to a national estimated average of 12.5 percent.<sup>14</sup> Nationally, IRC estimates of uninsured motorists range from four percent to 26 percent of US drivers, depending upon the state (Figure 1). Reflecting national trends, Minnesota's UM rate has been somewhat cyclical but shows an overall downward trend. The rate declined from over 15 percent in 1993, to 13 percent in 2009, to 10.8 percent in 2012, giving Minnesota the 28<sup>th</sup> lowest UM rate in the country.<sup>15</sup>

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<sup>9</sup> "Uninsured motorists" generally refers to people who drive a vehicle they have not insured. Motor vehicle insurance covers *vehicles*. However, "uninsured motorists" is the common way to refer to motorists who do not have motor vehicle insurance.

<sup>10</sup> IRC, *Uninsured Motorists*.

<sup>11</sup> Khazzoom, J. Daniel. "What We Know About Uninsured Motorists and How Well We Know What We Know." *Journal of Insurance Regulation*, 2000. Accessed Oct. 28, 2014, <http://rff.org/RFF/Documents/RFF-DP-98-09-REV.pdf>; also, Hunstad, Lyn. "Characteristics of Uninsured Motorists." California Department of Insurance, February 1999. Accessed Oct. 28, 2014, <http://www.insurance.ca.gov/0400-news/0200-studies-reports/0600-research-studies/auto-policy-studies/upload/characteristics-of-uninsured-motorist.pdf>.

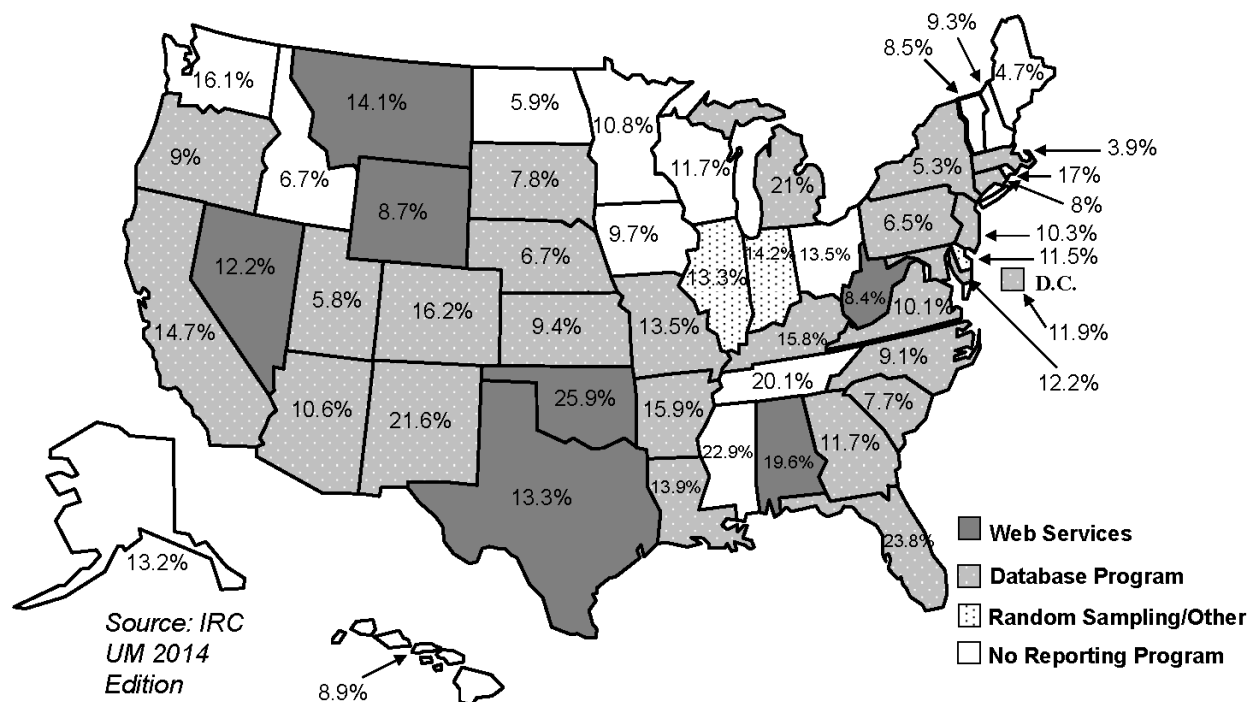
<sup>12</sup> Minnesota Statute 2014 § 65B.48; § 169.797 Sub 4.

<sup>13</sup> Minnesota Statute 2014 § 169.791 and § 169.792.

<sup>14</sup> IRC, *Uninsured Motorists*.

<sup>15</sup> Ibid.

**Figure 1: IRC Estimates of UM Rate and Reporting Program Type**



For Minnesota in 2012, just over 7,343 people were convicted of having no insurance (NI) and over 17,789 were convicted of a failure to provide proof of insurance (NPI). The number of no proof of insurance violations in Minnesota rose from 17,789 in 2009 to 21,577 in 2012, while the number of no insurance violations remained virtually steady during this time.<sup>16</sup>

## Major elements of Minnesota's current approach

To develop final recommendations, the task force pooled their expertise across DPS, law enforcement, the courts, and other areas to understand and document Minnesota's current processes related to verification and associated issues. Three major elements, relevant in different circumstances, include: proof of insurance requirements, insurance verification, and penalties for people who drive with no insurance or no proof of insurance.

### Requiring proof of insurance

DPS's Driver and Vehicle Services (DVS), law enforcement and others require drivers to attest they have coverage or produce proof of insurance during many contact points.<sup>17</sup> DVS, for example, requires applicants to attest to coverage when the vehicle is registered or registration is renewed. This is the largest component of the system, in terms of number of people affected:

<sup>16</sup> In 2013, law enforcement issued 70,819 tickets for NI or NPI. Of these, 32,819 (46%) tickets were paid, and 38,000 were not resolved. "Tickets" are police-issued citations; "violations" are items DVS records on a person's driving record when an Accident Report indicates the person has no insurance. (DPS, internal memo, 2013). For more information on violations, see Appendix B.

<sup>17</sup> See Appendix C for a depiction of the current system.

in 2013, over 4.99 million vehicles were registered.<sup>18</sup> Law enforcement requires a motorist to show their insurance card when involved in a crash or traffic stop. A person may have a NI citation dismissed if they show proof of insurance—such as an insurance card—to the court before their court date. Law enforcement impound lots require a person to show proof of insurance before leaving an impound lot. Other entities that always or sometimes require drivers to carry insurance include car rental agencies, car dealers and vehicle finance agencies. People provide proof of insurance in a variety of ways. For example:

- A person **attests** to coverage (i.e., they confirm coverage by signature or checking a box on a form that says they have coverage).
- A person presents an **insurance card** in paper or electronic format (on a mobile device such as an iPad) or insurance **policy**.
- A person presents a **certificate of coverage** from an insurance company (e.g., required when a person has two or more offenses of driving without insurance or proof of insurance in five years).

## Verifying coverage

In addition to requiring proof of insurance, in certain situations, DVS or law enforcement verifies a person's coverage by communicating with insurance companies. For example, DVS will call an insurance company to confirm that a driver has insurance as requested by the courts or law enforcement. In the private sector, car dealers and financiers may sometimes call insurers to verify coverage. Minnesota's laws and business processes do not require the state to systematically verify insurance coverage or use electronic verification programs to support verification.

## Penalties for “no insurance” (NI) or “no proof of insurance” (NPI) violations<sup>19</sup>

The state imposes a number of penalties on people who drive without insurance or proof of insurance. In general, these violations are misdemeanor offenses. DVS revokes the driver's license and the driver must meet the requirements for license reinstatement. The person must also pay a fee (\$200 fine plus \$75 in additional fees). The NI and NPI offenses are on the Statewide Payables Lists, meaning the driver can mail in the payment of \$275 (a \$200 fine plus fees) instead of appearing in court. A driver may appear in court to show proof of insurance. If a driver accumulates three or more NI violations in ten years, the offense is a gross misdemeanor and DVS may revoke vehicle registration and driver's license for up to 12 months. DPS may take action against drivers when accident reports indicate a driver has no insurance.<sup>20</sup>

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<sup>18</sup> DPS data presented at January 13, 2015 task force meeting.

<sup>19</sup> Minnesota Statute 2014 § 169.791 and § 169.797.

<sup>20</sup> DVS process and consequences for NI and NPI is complex; see details in Appendix B.

## Previous Minnesota approaches

Minnesota relies heavily on attestation and presentation of an insurance card as proof of insurance or verification methods. Minnesota has considered or tried other approaches over the years. These include:

- **Random attestation and verification program:**<sup>21</sup> Under a 2003 law, the Minnesota Legislature mandated that the Commissioner of Public Safety implement a monthly sampling program to verify insurance coverage. The program was mandated to sample at least two percent of all drivers, one-half of whom during the previous year had been convicted of at least one vehicle insurance law violation. DVS sent letters asking people to provide basic insurance information and suspended the licenses if people did not respond to the letter. Due to the number of “false negatives” (where people who did not respond to the letter had their license suspended but actually had insurance), the program was very unpopular and ineffective in meeting its goals, so was discontinued.<sup>22</sup>
- **Showing card as proof of insurance at vehicle registration and renewal:** Until 2003, DVS required drivers to provide their insurance card as part of the vehicle registration and renewal process. This program was discontinued when DVS did not have the resources to store and verify the collected data.<sup>23</sup>
- **Consideration of electronic insurance verification programs:** In the past, as reported by some task force members, some Minnesota policymakers considered developing an electronic verification program, but did not pursue the idea due to cost concerns and a lack of evidence supporting program effectiveness in reducing UM rates.

## Approaches in other states

### High tech alternatives

#### State trends

New technologies provide an opportunity for states to improve their verification processes. Manual or low tech ways for a state to verify an individual’s insurance coverage are often time and staff intensive. For example, it can take a considerable amount of time for a vehicle services

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<sup>21</sup> Specifically, the Minnesota Legislature mandated that DPS implement a monthly sampling program to verify insurance coverage required under sections 65B.41 to 65B.71 (Minnesota Laws 2003, 1st Special Session, Chapter 19, Article 2, section 30). 91,346 drivers were sampled with a response rate of 60%. DVS mailed out 37,998 suspension notices and 4,606 people had their license suspended (5% of the total sample and 12% of those notified). Both DVS and legislators received hundreds of complaints questioning the program requirements and its effectiveness at reducing the UM rate. As a result, the 2005 Legislature suspended the program (Minnesota Laws 2005, 1st Special Session, Chapter 6, Article 3, section 91). DPS, 2006. “Report to the Legislature on Insurance Verification Program.”

<sup>22</sup> Group discussion, 2014. Also, Lopez, Richard, “MN Lawmakers Target Uninsured Drivers,” *Star Tribune*, December 12, 2014. Accessed December 31, 2014,

<http://www.startribune.com/politics/statelocal/285572331.html>.

<sup>23</sup> Ibid.

employee or law enforcement office to call or email an insurance company to confirm someone's coverage. Importantly, the information the inquirer receives may or may not be up-to-date. In Minnesota and other states which are in the process of modernizing their information systems, it is impractical for the motor vehicle agency or law enforcement to verify coverage except in a small number of high-priority cases.

There are currently 35 states which have some sort of verification program. Of these, 32 have electronic verification programs. The remaining three administer a more manual process (Figure 1).<sup>24</sup> Electronic verification systems offer the potential for a state to more easily verify evidence of insurance, presenters at task force meetings reported. Some states report that electronic verification systems allow them to make large numbers of real-time data inquiries and receive more current and accurate information than could be gained from low tech systems. Task force members reviewed these systems with a practical eye toward helping DVS and law enforcement confirm coverage. A perfect system would allow a DVS employee, county deputy registrar or police officer to query the system and know within seconds whether a vehicle is covered by insurance.

### **EVP types**

Electronic verification systems are generally categorized as three basic types, although the nomenclature and descriptions vary by source:

- **Database, book-of-business, state reporting systems:** insurance companies periodically provide the state with data on insured vehicles, and states can query a database as needed.
- **Online verification systems (OLV):** states can query a network concerning whether a vehicle has active insurance. OLV are web-based services established by the regulatory entity and supported by insurance carriers with inquiries based on four pieces of information: insurance company's name,<sup>25</sup> insured's policy number, VIN and the policy's effective dates. OLV verifies insurance when a state has a specific reason to check coverage (e.g., new vehicle registration and renewal, traffic stop). A manual or database system can also be used in this manner (i.e., an event or particular transaction is the catalyst for a verification process).<sup>26</sup>
- **Hybrid systems:** states use a combination of the database and online system. The database creates a pointer file to direct an online inquiry to a particular insurance carrier.

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<sup>24</sup> Again, definitions vary regarding what might be considered a "manual" or "electronic" or "high tech" system. Source: Cooper, George (State Farm Insurance, representing Insurance Federation of Minnesota). Email based on IRC data. January 21, 2015.

<sup>25</sup> The "company name" in this instance is the North American Industry Classification System (NAICS) number that correlates to a company name.

<sup>26</sup> Cooper, George (State Farm Insurance, representing Insurance Federation of Minnesota). Email communication. January 14, 2015. Also, Hageli, Alex, Property Casualty Insurers Association of America/ Insurance Industry Committee on Motor Vehicle Administration (IICMVA) presentation at October 21, 2014 task force meeting.



The Insurance Industry Committee on Motor Vehicle Administration (IICMVA) recommends that if states decide to implement an auto liability insurance verification program, they should develop an online, real-time verification program using the IICMVA model and standards.<sup>27</sup>

### **Electronic verification issues**

Task force discussions and presentations indicate several issues, potential benefits and potential concerns for states when deciding whether to develop an electronic verification approach.

### **Effectiveness in reducing UM rates**

A foundational question for states is whether EVPs are effective in reducing UM rates. Research in this area is inconclusive and hampered by a lack of valid and reliable data. Some vendors and states reported in task force meetings that EVPs help reduce UM rates, while other national research indicates no association between UM rates and EVP or other verification programs.<sup>28</sup> Others argue that some types of EVP are not effective (i.e., database-only systems), but that other types such as OLV or hybrid systems lead to lower UM rates.<sup>29</sup> Among EVP vendors and states reporting at task force meetings, a majority seemed to favor a hybrid or online system.

### **Costs**

Unfortunately, as the task force discovered, there is a scarcity of valid cost data. An Ohio Study<sup>30</sup> sample of several programs indicates that monthly operating costs range from \$160,000 to negligible. Data on implementation costs were harder to obtain but an Ohio presenter to the task force talked of a range from \$1.05 million to \$7.0 million. Overall, the lack of strong data makes it difficult—if not impossible—for states to do an accurate costs-benefit analysis at this time. States take different approaches to funding EVP, such as adding fees to registration or relying upon penalties assessed for violations.<sup>31</sup>

### **Data timeliness and accuracy**

In some ways, electronic verification systems offer states the opportunity to obtain more accurate and closer to “real-time” data than low tech systems. However, whether data is timely depends on several factors beyond whether the system is electronic or manual. Manual systems have the potential to offer real-time data, but on a very small scale (e.g., a DVS employee could call and get up-to-date information from an insurance company employee related to a few cases). In either system, an initial insurance policy application takes time to be processed by an insurance company or its agent. Also, inaccurate data entry, among other things, could cause

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<sup>27</sup> Insurance Industry Committee on Motor Vehicle Administration. “Model User Guide for Implementing Online Insurance Verification: Using Web Services to Verify Evidence of Auto Liability Insurance.” Accessed January 14, 2015, [http://www.dmvnv.com/pdf/forms/iicmva\\_model\\_user\\_guide\\_v4.pdf](http://www.dmvnv.com/pdf/forms/iicmva_model_user_guide_v4.pdf).

<sup>28</sup> Task force meeting discussions and IRC, *Uninsured Motorists*.

<sup>29</sup> IICMVA, Model User Guide.

<sup>30</sup> Ohio Department of Public Safety and Ohio Department of Insurance. “HB 278 – Financial Responsibility Study Committee Report.” 2013. Accessed December 30, 2014, [http://publicsafety.ohio.gov/links/HB278\\_FRSC\\_Report\\_Main\\_Web.pdf](http://publicsafety.ohio.gov/links/HB278_FRSC_Report_Main_Web.pdf).

<sup>31</sup> Task force meeting discussions; also Cooper, George (Insurance Federation of Minnesota). Email communication. January 14, 2015.

the data to not match what is in the DPS system. Consequently, false negative results may occur when drivers switch insurance companies, replace vehicles during registration periods or have other reason to provide proof of insurance. All states experience a major problem when people who have insurance are incorrectly identified as having no insurance, and when people who do not have insurance are missed. Presenters reported—and the task force acknowledged—that any system will have some data errors (e.g., miskeyed policy numbers). Therefore a factor to consider in any verification system is the burden it places on people who are mistakenly identified as not having insurance when they have it (e.g., due to mismatches in databases).

Electronic verification systems offer states the opportunity to obtain more accurate and “real-time” data on a large number of vehicles than low tech systems. For example, a DVS employee using a manual system (e.g., calling an insurance company) might be able to obtain current data on vehicle if the insurance contact provided the information quickly, but this type of verification can only be done on a small scale and depends on reaching the right person at the right time. Database systems are as current as of their latest update; some states receive data from insurance companies on a weekly, semi-monthly or monthly basis. Online inquiry systems appear to offer the most up-to-date information, in general, along with the ability to process a large number of inquiries. Because electronic verification systems offer the potential for the state or a vendor to review large amounts of information on a frequent basis, this can make it more difficult for people to “game” the system by buying insurance one day (e.g., when buying tabs) and cancelling it the next.

### **Data privacy**

In a manual or electronic system, the general public, the state and insurance companies have serious concerns about data privacy and retention issues. A potential benefit of an electronic verification system is that data can be better protected and information is not exchanged over insecure phone lines or processed by call center employees who may give out more information than allowed. A potential drawback to an electronic system is the large number of people and organizations who have their information in a database or online system. For example, a major issue for insurance companies, as indicated in task force discussions, is concern about trade secret information. However, task force discussion indicated, with an online system (as compared to a database system), less data is transferred from insurers to DMVs, which is one reason insurance companies appear to regard it as more secure.

### **Administration**

Logically, more expansive verification systems might be expected to have higher administrative costs. Another issue is who administers the state’s program. In Minnesota, for instance, both DPS and Minnesota Department of Commerce are involved in motor vehicle insurance. Some states use outside vendors to administer their programs. Of the 32 states with EVPs, 11 of the state programs are outsourced to a vendor for development, maintenance and in some cases, ongoing customer interaction.<sup>32</sup>

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<sup>32</sup> Cooper, George (Insurance Federation of Minnesota).Email communication. January 21, 2015.

## Advice to Minnesota

Presenters at task force meetings<sup>33</sup> offered their advice to help Minnesota's efforts:

- Develop a good understanding of EVPs (e.g., the differences between database and web-based systems, particularly regarding how recent the data is)
- Do not reach for perfection: EVPs will not eliminate the UM problem or solve the issue of people who are chronically uninsured.
- Make sure the system does not put a burden on people who have coverage; if letters are sent based on incorrect information, people have to call or go online to ensure that the information is corrected.
- A public information campaign is important; tell people at the time of vehicle registration that they will get caught if they do not maintain coverage.
- The enabling legislation and RFP should be very specific and consider the main objectives of the program: it should be cost-effective, reduce UM, assure quality of services delivery and (perhaps) generate revenue. In terms of revenue, the courts might receive more money from fines, but DVS would not receive any of these monies. DVS is a fee-based agency whose focus is on people complying with insurance requirements.

## Other approaches

Verification processes are just one way that states attempt to reduce the number of people driving without insurance on their vehicles. Presentations at task force meetings by vendors and other states highlighted other state efforts. These include:

- Higher penalties such as greater fines, vehicle impoundment, license suspension and possible jail time. Fines in other states vary from \$14 to \$700, reported one vendor.<sup>34</sup>
- Public awareness campaigns, such as the Alabama program that created posters, flyers, billboards and radio and television ads to educate the public about the state's online insurance verification system prior to implementation.<sup>35</sup>

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<sup>33</sup> See Table 1 for who presented at task force meetings.

<sup>34</sup> Pasco/Validati vendor presentation to task force, September 29, 2014

<sup>35</sup> State of Alabama Department of Revenue. "Online Insurance Verification System Annual Report." January 29, 2014. [http://revenue.alabama.gov/motorvehicle/pdf/Alabama\\_OIVS\\_annual\\_report.pdf](http://revenue.alabama.gov/motorvehicle/pdf/Alabama_OIVS_annual_report.pdf).

# Task force findings

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The task force reviewed reports and related information presented by other states, vendors and Minnesota experts at monthly meetings.<sup>36</sup> The Task Force Information Review and Activities highlights the content of each meeting and materials reviewed. The task force made several findings based on its review.

## **Data is limited**

One of the clearest findings of the task force was the lack of valid, reliable, up-to-date data related to UM rates, the characteristics of uninsured drivers, and the costs and effectiveness of various options for verifying insurance or otherwise trying to reduce UM rates. Data from various sources is inconsistent and researchers often use different methodologies in examining the impact of various strategies.<sup>37</sup>

## **Many factors affect UM rates**

A state's ability to reduce UM rates depends on a wide variety of factors, noted task force members, such as what penalties exist, how strongly the law is enforced, socioeconomic factors that can influence insurance purchasing decisions, public awareness of UM issues, individuals' sense of responsibility, and state processes for monitoring and verifying insurance coverage. Valid data does not currently exist to show the relative importance or costs of each of these factors.

## **No verification system will be completely accurate or lead to 100% compliance**

There will always be some data mismatches or errors that result in some people being misidentified as having or not having insurance. False positives and false negatives can create a lot of problems for all stakeholders, so it is critical to minimize errors as much as possible. Likewise, no verification system or other method will eliminate the fact that some people will never carry motor vehicle insurance.

## **If an EVP is pursued, timing is critical**

DPS currently has a mainframe computer system. It is in the process of being replaced by the Minnesota Licensing and Registration System (MNLARS). One reason for a task force to focus on electronic verification systems now is to dovetail with MNLARS development. However, it

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<sup>36</sup> See bibliography in Appendix D.

<sup>37</sup> An oft-cited data source is the Insurance Research Council. The IRC determines the percentage of uninsured motorists in a state by measuring the ratio of UM claims to bodily injury claims. Task force members noted that IRC method allows a comparison of UM rates across states. However, some members questioned IRC's method of using UM to bodily injury ratio as a way to estimate the percentage of UM in a state. Members had similar concerns about the limitations of data from individual states and vendors. For example, different states and vendors use different methodologies and their findings may or may not be relevant to Minnesota.

is clear that DPS cannot devote resources to EVP until at least 2018 when MNLARS implementation is complete. Any new system must be compatible with DPS's other systems for collecting and monitoring data.

## **Some alternatives are not recommended, at least for now**

The task force considered a wide range of options for affecting UM rates including implementing an electronic verification program (EVP). Many options initially appeared to be relatively easy solutions to a complex problem. However, upon deeper investigation, the task force determined that many alternatives are infeasible or not desirable for the state. For example, some options were out of the group's scope of work or there was no evidence that the action would reduce the number of people who drive without insurance. For other options, the expected benefits did not appear to warrant the financial costs or other drawbacks. Below are the alternatives the task force considered along with the primary reason the task force did not forward these on to recommendations.

### **Broad changes**

- **Do nothing** – let current (downward) trends continue  
*The task force determined that current estimates suggesting that more than one in ten people drive without insurance, can be reduced through increased action.*
- **Repeal the compulsory insurance law**  
*The task force supports the current law, which acknowledges that people have a responsibility to carry insurance to protect themselves and others.*

### **Penalties**

- **Impound vehicles or require NI violators to drive with special plates** (e.g., similar to "whiskey plates" for driving while impaired (DWI) violators)  
*This option has not pursued because of administrative and cost concerns.*
- **Elevate second NI and NPI violations to a gross misdemeanor**  
*Some task force members were skeptical about the appropriateness and feasibility of making a second offense a gross misdemeanor. Currently, it is a gross misdemeanor for a third NI offense in 10 years.*
- **Increase fines for a second offense**  
*This option is not feasible because fines are set by the type of offense, not number of times an offense is committed (a misdemeanor fine is a maximum of \$1000). Also, sometimes judges waive fees, so a larger fine may be ineffective.*
- **Reduce the number of NI and NPI convictions that are waived when they are committed in connection with other offenses**  
*Waiving fines is under the purview of the courts, not the legislature, so this option was not within the scope of the task force.*

### **Insurance changes**

- **Change minimum requirements for liability coverage**  
*This option is not within the scope of the task force's charge.*
- **Require repeat NI violators to purchase a one year policy**, similar to certain repeat DWI offenders.

*This option was rejected due to concerns with requiring insurance companies or offenders to buy a mandatory policy that cannot be cancelled.*

## **Task Force Information Review and Activities**

### **July 2014**

- Members reviewed the task force purpose and scope, and laid a course for future meetings. Some members viewed *verification* as the main problem to be addressed (anticipating discussion about technological approaches), while others viewed UMs as the major problem (anticipating discussion about broader changes in law or policy).
- DPS's overview of UM and verification issues included these facts: it is estimated that more than one in ten Minnesota drivers do not have insurance; a past program for randomly verifying coverage proved very unpopular and ineffective. The IICMVA has a model and standards for electronic auto liability coverage verification systems.

### **August 2014**

- DVS provided information about the number and processes associated with NI and NPI violations. Members noted the fine for NI is less than insurance premiums. The group reviewed a list of approaches to verification, such as electronic verification systems (e.g., database systems and hybrid systems). Several vendors presented information. Members offered ideas for moving ahead.

### **September 2014**

- George Cooper, State Farm Insurance representing the Insurance Federation of Minnesota, provided an overview of a 2014 IRC study. Minnesota rates fell from 13 percent in 2009 to 10.8 percent in 2012. The IRC methodology (ratio of UM claims to bodily injury claims) allows comparisons over time and across states. IRC and all data sources have limitations.
- Staff from Ohio described their program, including a 2013 study calling for replacement of the state's random selection program with an EVP. Two vendors described their EVPs, saying database-only systems are problematic and no system will eliminate UM.
- Task force members had a variety of opinions about whether EVP or other methods would be expected to impact UM rates.

### **October 2014**

- Alex Hageli, Property Casualty Insurers Association of America/ IICMVA, spoke of the UM problem and stated that database programs do not reduce UM rates—OLV systems are preferred. His group is opposed to requiring people to buy insurance. Some states target repeat offenders. The group reviewed options for addressing UM rates and selecting some for further study, particularly increased penalties and use of OLV.
- Laurie Beyer-Kropuenske, Information Policy Analysis Division, discussed federal and state data privacy practices. If the state had an EVP, statutory language would need to be very clear about data use. Bob Johnson, Insurance Federation of MN, advised the group to talk more about penalties, lauded OLV as a goal and said privacy issues are considerable. He

advised the state not to fund any program with a tax on insurance premiums due to concerns with retaliatory taxes in other states.

## **November 2014**

- A small “penalties” subgroup reported its recommendations, such as trying to move insurance violations off the “payables list” (meaning offenders can pay a fine instead of going to court). Janet Marshall and Deb Bleese, State Court Administrator’s office, discussed various court issues and said that moving UM violations off the payable list would cost the state an estimated \$2.45 million.
- Members reported that research about the UM population is outdated, scarce and often lacks rigor; very limited research suggests that young men with lower incomes are more likely to be UM. Task force analysis also showed no correlation between UM rates and poverty, or EVP type and UM rates.
- Ongoing discussion clarified how DPS and others monitor and enforce NI and NPI laws. The group reviewed the status quo from the perspective of drivers, DPS, law enforcement and the courts.

## **December 2014**

- Members refined their understanding of how proof of insurance and verification policies work in Minnesota, including penalties for NPI/NI. The group revisited information about the UM population. Members had mixed feelings about the relevance of this information.
- The group discussed the benefits and drawbacks of many options for reducing UM rates. Members agreed that the mandatory insurance law was critical. They also agreed that the following options were still under consideration increased penalties, public awareness campaign, improved DVS processes by requiring proof of insurance at all transactions and development of an EVP.
- Charles Burhan, Liberty Mutual Insurance, recommended that the state target repeat offenders and realize that data errors (e.g., people misidentified as having insurance who actually have it) will cause problems, and, if EVP is implemented, do so in stages.

## **January 2015**

- Members discussed the decision-making process for determining final recommendations, reviewing the legislative directive and iterating the group’s goal for a reduced number of Minnesotans who drive without insurance. Others noted a need to give law enforcement a tool, and the need to increase penalties. The group continued its discussion of the benefits and costs associated with each option, and refined the options that remained after discussion.
- The task force discussed the key components of a public awareness campaign and what they should accomplish. Members refined their recommendations, identifying 5 to present to the Legislature.



# Recommendations

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## Introduction

The task force deliberated for six months on how to best improve the state's auto liability insurance verification program and otherwise reduce the number of people who drive without insurance. Members contributed their own expertise and reviewed materials presented by other agencies, experts and states, including programs proposed by third parties.

## A comprehensive approach

As noted, verification processes are just one way states pursue the goal of reduced UM rates. Minnesota and other states use a set of incentives, enforcement, penalties and DVS processes and policies to work toward their goals. The task force determined early on that verification processes must be examined within this larger context of policies to reduce UM rates. The multiplicity of approaches is also one reason it is so difficult for any state to study and identify which policies, technologies and methodologies actually affect UM rates and are cost-effective. Members agreed that if Minnesota seeks to reduce the number and percentage of people who drive without insurance on their vehicles, the state needs to implement a comprehensive approach that:

- improves proof of insurance requirements;
- increases penalties for driving without insurance or proof of insurance;
- makes people aware of changes in DVS processes, penalties and other UM issues;
- measures the impact of various policies on UM rates and other key indicators to continually improve state efforts; and
- implements an EVP if future analysis shows that it is a viable and cost-effective way to assist DPS, law enforcement and other key stakeholders to verify in real time that insurance coverage exists.

## Electronic verification systems and DPS technology redesign

While members agreed on the general approach, they disagreed on some specifics. The biggest area of disagreement centered on electronic verification systems. Some members viewed electronic verification programs very favorably and wanted Minnesota to implement one as soon as possible and others felt the programs' lack of available data in key areas called for caution. Still others felt that EVPs are quickly evolving and in a few years Minnesota and other states would know more about the effectiveness of various options in meeting system goals (e.g., better data indicating how to cost-effectively reduce UM rates through EVPs or other improved measures).

A key issue in the EVP discussion is the current state of technology in DVS. The DVS mainframe computer system is being replaced by the new MNLARS system that will not be operational until 2018. DVS notes that resources and expertise are focused on the MNLARS system;

planning or developing a new EVP system before the MNLARS system is operational would be impossible.

Ultimately, the task force's recommendations are a merging of these various perspectives to produce a set of recommendations that work for Minnesota—while strengthening proof of insurance requirements, penalties, public awareness efforts and studying the impact of implementing short-term recommendations, the state should lay the groundwork for the later development or reassessment of an EVP.

## Specific Recommendations

### Short-term Recommendations

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#### **Recommendation 1: DVS should strengthen proof of insurance requirements and processes.**

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##### **Summary**

The task force recommends that in all DVS transactions, people be required to provide three additional pieces of information as proof of insurance: insurance company name, policy number and expiration date. For in-person transactions, for example, DVS would require motorists to show an insurance company's Proof of Insurance card or other proof of insurance. People registering their vehicles online or by mail would be required to provide the proof of insurance information as part of the registration process. People who now attest to coverage when they register or renew registration (nearly five million vehicles a year) would have to show proof of insurance, providing a higher standard of proof than simple attestation, and incenting drivers to carry current insurance.

##### **Rationale**

The state currently requires drivers to show proof of insurance at several contact points, such as traffic stops and accidents. **However**, at the most common contact point, vehicle registration and vehicle registration renewal, people currently attest to insurance coverage by signing a form indicating they have coverage. The task force recommends that DVS strengthen its requirements by requiring people to provide insurance company name, policy number and expiration date when they register or re-register a vehicle. These additional requirements are expected to provide an incentive for people to purchase insurance. Task force discussions suggest that even an announcement in a state's DVS waiting room that a state will not accept false information can make a difference in compliance. Task force members expect that when people have to proactively supply the information, they will be more likely to obtain insurance and report accurate coverage information.

##### **Considerations**

DVS used to require people to submit insurance cards at vehicle registration and renewal. DVS made copies of the cards which resulted in storage problems. Now, however, DVS can scan

completed forms into its document management system. Several changes would be needed to implement this option, including:

- **New forms:** DVS would require new forms for registrations. Also, suggested one member, the form could be redesigned to show in larger letters that submitting false information is against the law. DVS-captured information would provide a foundation for evaluating EVPs in the next several years. As currently allowed, outside entities could request insurance information.
- **Steps toward capturing information and using an EVP:** Requiring people to present an insurance card or proactively fill in insurance information on paper or online forms is the first step in the state's move toward stronger proof of insurance and verification processes. In the next step, DVS may be able to capture information in its computer system (e.g., adding fields to MNLARS so that information is more easily stored, captured and recalled). Eventually, the state may use this information in developing its EVP to support DVS business processes (see Recommendation 5).
- **Statute change:** This option would require a change in statute (Minnesota Statute § 169.798 sub. 4) because current law does not require that people registering or transferring title on a motor vehicle or motorcycle to submit proof of insurance (they currently attest to coverage).
- **Measure results:** The task force recommends the state use several measures to assess the impact of stronger requirements (see recommendation 4). One concern is that requiring proof of insurance (rather than attestation) has the potential to slow the process of registration.

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**Recommendation 2: The state should increase penalties for people who are convicted of driving without insurance or without proof of insurance.**

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**Summary**

- The task force recommends that the Judicial Council consider the removal of NI and NPI from the Statewide Payables Lists and consider imposing increased penalties to encourage drivers to purchase insurance.
- For each biennium that NI and NPI violations remain on the Statewide Payables List, the task force recommends that the Judicial Council consider compiling, reviewing and reporting on trends in the number of NI and NPI violators and reconsider removing these violations from the Statewide Payables Lists.

**Rationale**

NI and NPI offenses are currently on the States Payables Lists, meaning a person who is found to not have insurance at a traffic stop can choose to pay the listed fine instead of making a court appearance.<sup>38</sup> The state's Judicial Council annually reviews and approves offenses to put on the payables list, and sets the fees. For NI and NPI offenses, an offender pays a \$200 fine plus \$75 in

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<sup>38</sup> Minnesota Judicial Branch. "Statewide Payables Lists." Accessed January 13, 2015, <http://www.mncourts.gov/?page=1774>.

fees. The cost of violating the law, therefore, is much less than the annual cost of insurance. If NI and NPI offenses were taken off the Payable Lists, the judge may assign an offender a misdemeanor fine of up to \$1,000. In addition to penalizing violations, this change would add an incentive for drivers to purchase insurance in the first place. The task force reviewed many other ways to potentially increase the penalties for NI and NPI offenses. However, as noted, these were not feasible because of administrative or cost concerns, or because the action was not within the purview of the legislature or within the scope of the task force's work.

### **Considerations**

Removing NI and NPI violations from the Payables Lists would require additional funds to cover the costs of judges, clerks and administrative support associated with drivers appearing in court rather than paying their fines without a court appearance. The State Court Administrator's office estimated this cost at \$2.45 million each year.<sup>39</sup> However, if the implementation of task force recommendations resulted in motorists purchasing insurance on more vehicles, and the number of people who received NI and NPI violations decreased, then costs would be expected to be less than the \$2.45 million as fewer drivers appeared in court.

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### **Recommendation 3: The state should implement an insurance coverage public awareness program to support new processes and promote compliance with the compulsory insurance laws.**

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#### **Summary**

The task force recommends the creation of public awareness campaign to:

- **Educate and inform people about DVS process changes** associated with new proof of insurance requirements (Recommendation 1).
- **Encourage and enforce compliance, and focus on consequences of violating the law**, irrespective of whether Recommendation 1 is implemented. The program would remind people that it is illegal to drive without insurance and there are penalties for breaking the law. It would also explain why people need to have insurance.

An effective public awareness campaign would require the participation of the many entities involved in developing and enforcing NI and NPI laws and requirements. Also, a strong information and awareness campaign would benefit from easily-remembered catchphrases targeted to people most likely to be violators (and repeat violators) of compulsory insurance laws.

#### **Rationale**

Public awareness of any new state requirements for proof of insurance is critical in assuring that the new policies are implemented with a minimum disruption to the public, particularly among the vast majority of people who have insurance coverage, according to IRC estimates. More generally, public education is needed regarding the benefits and importance of insurance

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<sup>39</sup> State Court Administrator's office task force meeting presentation, November 12, 2014.

coverage to encourage people to get insurance and understand the consequences of not doing so. Finally, if an EVP is implemented, Minnesotans would need to generally understand how it works to build support for and understanding of the program.

### **Considerations**

**Multiple messages and forums:** In some other states, some public awareness efforts have been extensive. For example, Alabama’s program involved the creation of posters, flyers, billboards, radio ads and TV ads to educate the public regarding the new system prior to implementation. The state also created a website to provide information about law changes.

**DPS updates:** DPS will also need to update its driver’s manual and make sure deputy registrars and other staff are trained on the new procedures (if Recommendation 1 is implemented).

**Evaluation:** The task force advises that the state evaluate the impact on these efforts toward meeting established goals (Recommendation 4).

## **Longer-term Recommendations**

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**Recommendation 4: An ongoing committee or advisory council should be created to help implement the task force’s recommendations and assist the state in developing effective policies to reduce UM rates.**

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### **Summary**

The task force recommends the creation of an ongoing group consisting of a broad array of stakeholders and experts to:

- establish goals and direct activities (e.g., work groups) associated with implementing the task force’s UM recommendations; and
- collect, monitor, measure and analyze key data and information to inform state UM policy.

The group (potentially created in the short-term) could be a subgroup of an existing legislative committee (e.g., the Insurance Reform Subcommittee of the Senate Commerce Committee) or an independent advisory group, for example. The group should include a broad mix of stakeholders and other experts. For example, like the task force, the group should include diverse perspectives of a broad array of relevant people, agencies and organizations (e.g., individuals representing all branches of government, industry interests, UM and EVP experts, researchers and people involved in other relevant policy development [e.g., Driving While Impaired policy experts], to name a few.)

### **Rationale**

The MVICV task force has made significant progress in understanding UM and verification processes and issues, and in making recommendations for reducing UM rates in Minnesota. However, as has been noted repeatedly, analysis of various options has been hampered by a lack of data in key areas. Ongoing measurement and analysis is needed to assure that decisions

about UM and EVP approaches and systems are based on evidence of their effectiveness in meeting targeted goals.

### Considerations

**Group focus and measures:** The task force recommends the state use several measures to assess the impact of implementing the programs described in Recommendation 1 (stronger proof of insurance requirements) and, potentially, Recommendation 5 (an EVP system). Specific measures to use in analyzing and improving UM policy could include:

- the number of people convicted of driving vehicles without insurance or proof of insurance (the state's primary measure)
- demographic characteristics of offenders (i.e., people who do not carry insurance on their car and have a NI or NPI violation), including age, gender, address (location, urban or rural), age and type of vehicle, whether the person is a multi-time offender
- economic conditions in the state and nation
- state public relations/public awareness actions taken
- costs of operating the program (e.g., changing forms, monitoring implementation, etc.)
- defining and monitoring the rate of uninsured motorists' vehicles in the state
- other intended/unintended consequences (e.g., changes in customer satisfaction and wait times)

### Measurement tools

Given the complexity of measurement and research in this area, the state may want to consult with experts in Results Based Accountability or similar method for building population-based and program-based measures of improvement. The task force realizes that measures and research in this area are complex; no study will definitively assess the impact of any one factor.

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**Recommendation 5: The state should reassess EVP's expected benefits, costs and implementation issues after MNLARS is implemented and operational, and the results of stronger proof of insurance requirements are known (Recommendation 1).**

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### Summary

The task force recommends that in 2018, after MNLARS is implemented and the state has assessed the impact of stronger proof of insurance requirements, the state should reassess EVP as a means of supporting DVS processes and reducing the number of uninsured drivers. In the meantime, the state (via the committee or advisory council) can capture and study data to prepare for EVP, track the state-of-the-art EVP development and study implementation issues in greater depth, using the foundation of the MVICV task force's work.

### Rationale

The task force found many reasons to favor an EVP. As noted earlier, EVP has the potential to reduce the number of uninsured motorists by providing fast, effective, real-time verification of insurance coverage. If DVS and law enforcement have access to accurate real-time data, people will likely be dissuaded from gaming the system. However, although EVP has potential

benefits, reaching its full potential is uncertain. Systems are rapidly evolving and data is lacking about the real costs and impact of EVP in a variety of areas. Every approach is associated with complex benefits and concerns. However, the greatest drawback to an EVP in Minnesota at this time is the need to redesign DVS's computer system. Until system redesign is completed, an EVP is unwarranted because of technological consideration and resources (time, expertise and cost).

### **Considerations**

- **Time to assess:** If used wisely, the three year delay in implementing an EVP in Minnesota because of MNLARS can be a critical time to study impacts of state actions and to assess the state-of-the-art EVPs in other states, potentially providing Minnesota with an effective option in addressing the UM issue.
- **Priorities:** If the state develops an EVP, the task force recommends that verification processes focus on repeat offenders rather than the vast majority of people who do purchase insurance, and that the state implement EVP in stages. Options include law enforcement at traffic stops, DVS use with people at vehicle registration and re-registration, DVS and law enforcement use with crash reports, or generally use an online system for everyone.
- **Measure results:** If EVP is used, the state should measure results (Recommendation 4).



# Glossary

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**AAMVA** – American Association of Motor Vehicle Administrators

**DPS** – Minnesota Department of Public Safety

**DVS** – DPS's Driver and Vehicle Services

**EVP** –Electronic verification programs

**IRC** – Insurance Research Council

**IICMVA** – The Insurance Industry Committee on Motor Vehicle Administration

**MNLARS** – Minnesota Licensing and Registration System

**MVICV** – Motor Vehicle Insurance Coverage Verification

**NI** – People who drive with no insurance

**NPI** – People who drive with no proof of insurance

**OLV** – Online verification systems

**UM** – Uninsured motorist

# Appendix A: Legislative Directive

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## Laws of Minnesota, Chapter 310, Section 10

### TASK FORCE ON MOTOR VEHICLE INSURANCE COVERAGE VERIFICATION.

Subdivision 1. **Establishment.** The task force on motor vehicle insurance coverage verification is established to review and evaluate approaches to insurance coverage verification and recommend legislation to create and fund a program in this state.

Subd. 2. **Membership; meetings; staff.** (a) The task force shall be composed of 14 members, who must be appointed by July 1, 2014, and who serve at the pleasure of their appointing authorities:

- (1) the commissioner of public safety or a designee;
- (2) the commissioner of commerce or a designee;
- (3) two members of the house of representatives, one appointed by the speaker of the house and one appointed by the minority leader;
- (4) two members of the senate, one appointed by the Subcommittee on Committees of the Committee on Rules and Administration and one appointed by the minority leader;
- (5) a representative of Minnesota Deputy Registrars Association;
- (6) a representative of AAA Minnesota;
- (7) a representative of AARP Minnesota;
- (8) a representative of the Insurance Federation of Minnesota;
- (9) a representative of the Minnesota Bankers Association;
- (10) a representative of the Minnesota Association for Justice
- (11) a representative of the Minnesota Police and Peace Officers Association.
- (12) a representative of the Minnesota chapter of the International Association of Special Investigation Units.

(b) Compensation and expense reimbursement must be as provided under Minnesota Statutes, section 15.059, subdivision 3, to members of the task force.

(c) The commissioner of public safety shall convene the task force by August 1, 2014, and shall appoint a chair from the membership of the task force. Staffing and technical assistance must be provided by the Department of Public Safety.

Subd. 3. **Duties.** The task force shall review and evaluate programs established in other states as well as programs proposed by third parties, identify one or more programs recommended for implementation in this state, and, as to the recommended programs, adopt findings concerning:

- (1) comparative costs of programs;
- (2) implementation considerations, and in particular, identifying the appropriate supervising agency and assessing compatibility with existing and planned computer systems;

- (3) effectiveness in verifying existence of motor vehicle insurance coverage;
- (4) identification of categories of authorized users;
- (5) simplicity of access and use for authorized users;
- (6) data privacy considerations;
- (7) data retention policies; and
- (8) statutory changes necessary for implementation.

Subd. 4. **Report.** By February 1, 2015, the task force must submit to the chairs and ranking minority members of the house of representatives and senate committees and divisions with primary jurisdiction over commerce and transportation its written recommendations, including any draft legislation necessary to implement the recommendations.

Subd. 5. **Sunset.** The task force shall sunset the day after submitting the report under subdivision 4, or February 2, 2015, whichever is earlier.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

## **Laws of Minnesota, Chapter 312, Section 37**

### **TASK FORCE ON MOTOR VEHICLE INSURANCE COVERAGE VERIFICATION.**

Subdivision 1. **Establishment.** The task force on motor vehicle insurance coverage verification is established to review and evaluate approaches to insurance coverage verification and recommend legislation to create and fund a program in this state.

Subd. 2. **Membership; meetings; staff.** (a) The task force shall be composed of 13 members, who must be appointed by July 1, 2014, and who serve at the pleasure of their appointing authorities:

- (1) the commissioner of public safety or a designee;
- (2) the commissioner of commerce or a designee;
- (3) two members of the house of representatives, one appointed by the speaker of the house and one appointed by the minority leader;
- (4) two members of the senate, one appointed by the Subcommittee on Committees of the Committee on Rules and Administration and one appointed by the minority leader;
- (5) a representative of Minnesota Deputy Registrars Association;
- (6) a representative of AAA Minnesota;
- (7) a representative of AARP Minnesota;
- (8) a representative of the Insurance Federation of Minnesota;
- (9) a representative of the Minnesota Bankers Association;
- (10) a representative of the Minnesota Bar Association; and
- (11) a representative of the Minnesota Police and Peace Officers Association.

(b) Compensation and expense reimbursement must be as provided under Minnesota Statutes, section 15.059, subdivision 3, to members of the task force.

(c) The commissioner of public safety shall convene the task force by August 1, 2014, and shall appoint a chair from the membership of the task force. Staffing and technical assistance must be provided by the Department of Public Safety.

Subd. 3. **Duties.** The task force shall review and evaluate programs established in other states as well as programs proposed by third parties, identify one or more programs recommended for implementation in this state, and, as to the recommended programs, adopt findings concerning:

- (1) comparative costs of programs;
- (2) implementation considerations, and in particular, identifying the appropriate supervising agency and assessing compatibility with existing and planned computer systems;
- (3) effectiveness in verifying existence of motor vehicle insurance coverage;
- (4) identification of categories of authorized users;
- (5) simplicity of access and use for authorized users;
- (6) data privacy considerations;
- (7) data retention policies; and
- (8) statutory changes necessary for implementation.

Subd. 4. **Report.** By February 1, 2015, the task force must submit to the chairs and ranking minority members of the house of representatives and senate committees and divisions with primary jurisdiction over commerce and transportation its written recommendations, including any draft legislation necessary to implement the recommendations.

Subd. 5. **Sunset.** The task force shall sunset the day after submitting the report under subdivision 4, or February 2, 2015, whichever is earlier.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

# Appendix B: Penalties and Number of Violations

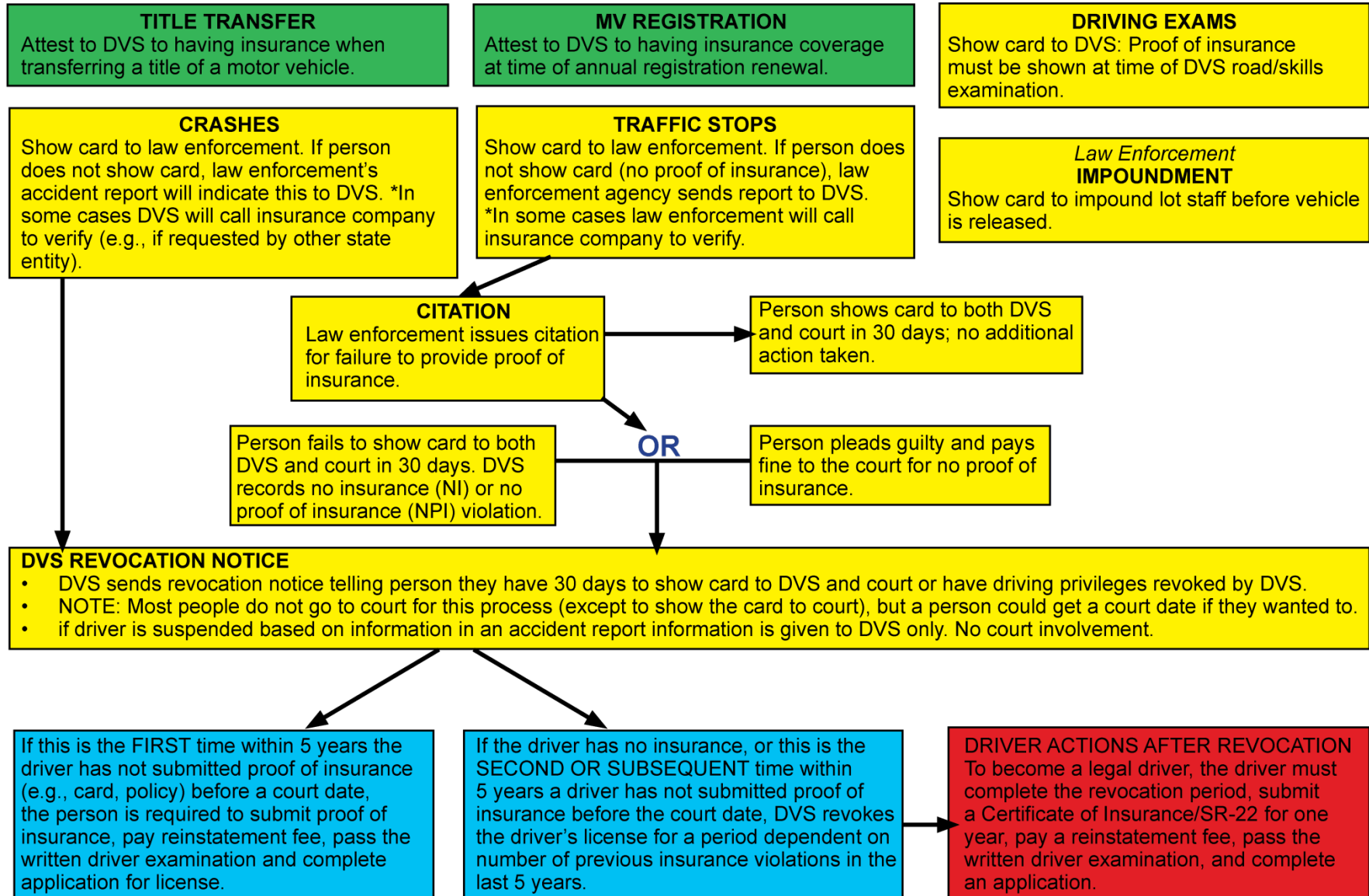
Statute	Offense	Numbers	Penalties	Rule	Withdrawal Periods
169.791 (criminal penalty) 169.792 (DVS penalty)	<b>Violation</b> Person is convicted of failure to provide proof of insurance when requested by law enforcement.	Number of violations <sup>40</sup>  2009: 17,789 2010: 20,263 2011: 19,680 2012: 21,577	These actions subject to MS §169.791 subd. 6 <ul style="list-style-type: none"> <li>The offense is a misdemeanor with \$200 fine</li> <li>Court may allow community service</li> </ul> These actions subject to MS §169.792 <ul style="list-style-type: none"> <li>DVS revokes driver's license. Driver must retake written exam, apply for a license, and pay reinstatement fee.</li> <li>DVS revokes vehicle registration until offender completes requirements. Driver must show proof of insurance.<sup>41</sup></li> <li>DVS requires a Certificate of Insurance (SR-22) for 2 or more offenses.</li> </ul>	7409. 1600	Driver's license revocation period based on number of offenses in previous 5 years: <ul style="list-style-type: none"> <li>✓ 30 days for 0 offenses</li> <li>✓ 90 days for 2 offenses</li> <li>✓ 180 days for 3 offenses</li> <li>✓ 1 year for 4 offenses</li> </ul>
169.797	<b>Violation</b> Person is convicted by courts of not having insurance.	Number of violations  2009: 7,343 2010: 8,929 2011: 8,220 2012: 7,249	<ul style="list-style-type: none"> <li>The offense is a misdemeanor with \$200 fine</li> <li>The offense is a gross misdemeanor if it is the third offense in 10 years.</li> <li>Court may allow community service</li> <li>DVS shall revoke vehicle registration for up to 12 months</li> <li>DVS revokes driver's license for up to 12 months.</li> <li>The driver must retake the written examination, apply for license, pay a reinstatement fee and file a Certificate of Insurance (SR-22) before license reinstatement.</li> </ul>	7409. 1600	Driver's license revocation period based on number of offenses in previous 5 years: <ul style="list-style-type: none"> <li>✓ 30 days for 0 offenses</li> <li>✓ 90 days for 2 offenses</li> <li>✓ 180 days for 3 offenses</li> <li>✓ 1 year for 4 offenses</li> </ul>
169.797 subd. 4a	<b>DPS review</b> DPS records such as accident reports show person has no insurance.	Number of suspensions:  2009:627 2010:558 2011:864	<ul style="list-style-type: none"> <li>DVS suspends the driver's license and revokes vehicle registration. The driver must retake written exam, apply for license, and pay reinstatement fee.</li> <li>The driver must file a Certificate of Insurance/SR-22 with DVS. The driver may be required to keep the certificate on file a year</li> </ul>	7409. 2400	Driver's license suspension period based on number of driver's license withdrawals for MS§ 169.797 offenses in previous 5 years: <ul style="list-style-type: none"> <li>✓ 30 days for 0;</li> <li>✓ 90 days if withdrawn once</li> <li>✓ 180 if withdrawn twice</li> <li>✓ 1 year if withdrawn 3+ times</li> </ul> Driver's license suspension becomes revocation if the driver is convicted for same offense.

<sup>40</sup> In 2012, 63% of these violations were convictions under 169.792 (subd. 7 (failure to provide proof of insurance)), 34% were under 169.792 (subd. 6 (police-issued, no proof of insurance under implied consent)) and three percent were under 169.792 (subd. 6 (court administration notice, no proof of insurance under implied consent)).

<sup>41</sup> If proof of insurance is submitted before the court date, DVS clears all requirements. For traffic stops, if a person submits proof of insurance after the court date but before DVS revokes the license, DVS clears all requirements except the reinstatement fee.

# Appendix C: Minnesota's Current Proof of Insurance and Verification Process

KEY: Green=attest; yellow=show proof (e.g., card); red=certificate of insurance; blue=DVS action; \*=direct contact w/ insurance company



# Appendix D: Bibliography

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