



The Uninsured Motorist Problem: An Overview

NCOIL P&C Insurance Committee

November 19, 2021

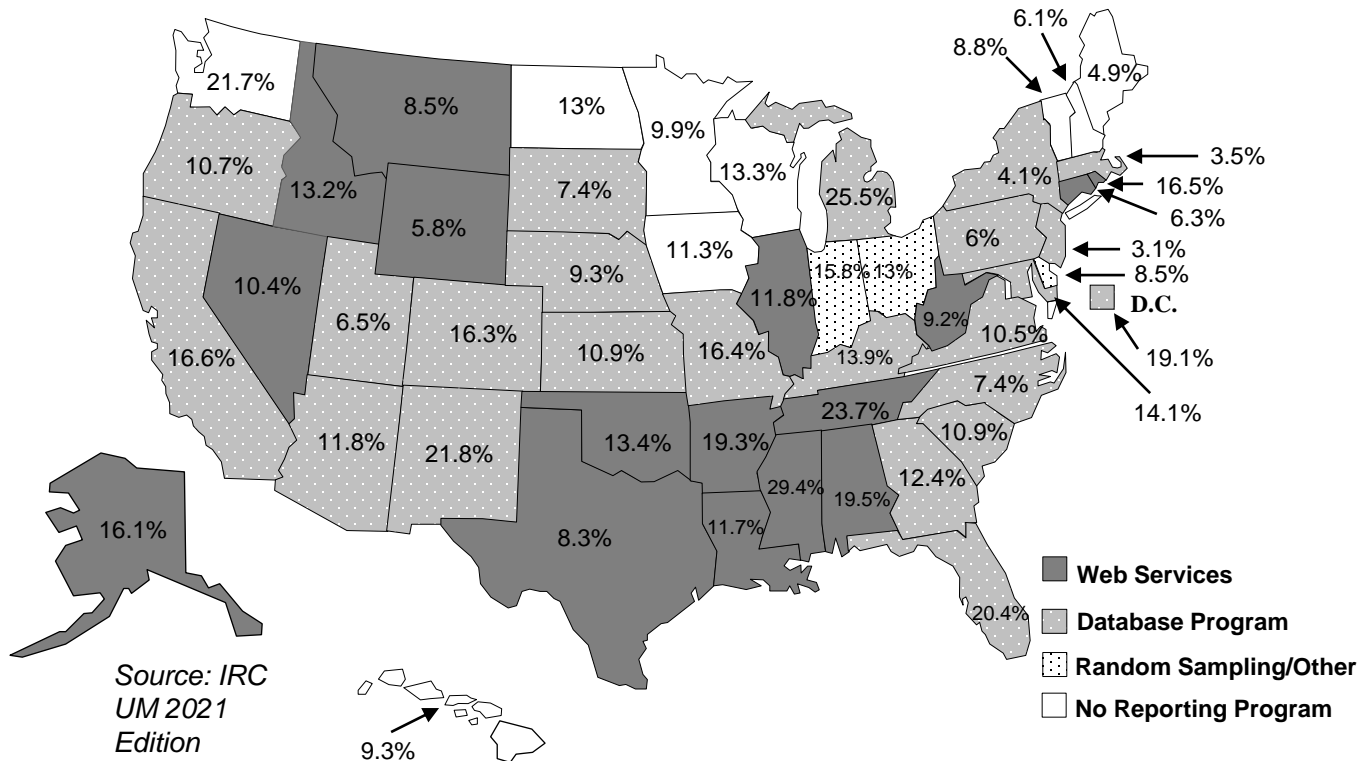


Uninsured Motorists

- 48 states compel auto insurance
 - New Hampshire is Live Free or Die
 - Virginia allows motorists to pay \$500/yr. Uninsured Motorist Vehicle Fee
- Despite these laws, IRC estimates 12.6% of motorists nationwide lack auto insurance
- How do states enforce the requirement?



UM Rate & Reporting Program Type





What Are The Results?

- States with the highest and lowest UM #s have databases
 - Massachusetts, New Jersey and New York are in Top 5 lowest UM states; all have database programs (but all three also no-fault states; bias?)
 - Michigan, Mississippi, New Mexico & Tennessee are in Top 5 highest UM states; two (MI; NM) have database programs & two have OLV programs
 - Majority of states with above-average UM rates have database programs



The Problem With Databases

- Data becomes dated as soon as its reported
- Reconciling state and insurer data discrepancies drains resources
- Proprietary and/or antiquated DMV systems
- No proof database programs actually reduce UM rates (most states w/above-average UM rates have database programs)



The Problem With Transactional Databases

- Transactional databases (FL; MD; NY; PA) collect new business/cancels/non-renews
- Same problems as databases, only worse
 - Existing policy must be cancelled before new policy reported, but insurers don't know when existing policy cancelled; policies cancel each other out (MD; NY)
 - Records become confused, require periodic reloads (FL)



Alternatives – Targeted Approaches

- Increased enforcement efforts
 - Mandatory fees that cannot be reduced
 - Increased law enforcement presence at courthouse
- Indiana Previously Uninsured Registry
 - Targeted those previously cited and/or convicted of driving w/o insurance
 - Subjected to random verification requests over 5 years
 - Ended as result of ACLU lawsuit
- Oklahoma Temporary Motorist Liability Plan
 - If caught driving w/o insurance, license pulled & auto enrolled in pool coverage; pay for coverage when you collect



Targeted Approaches cont.

- No Pay/No Play
 - Prohibits uninsured motorists from suing insured motorists to collect non-economic (i.e., pain and suffering) damages
 - Indiana most recent state to adopt; 11 states total
 - IRC report concludes NP/NP legislation results in statistically significant drop in UM rate
 - No fault states like Kansas and Michigan have adopted
 - No associated enforcement expense



Online Insurance Verification (OLV)

- Web-based service providing instantaneous verification of coverage
- Developed by insurance industry to address database deficiencies
- Provides for event-based verification or ongoing monitoring
 - Traffic stops, vehicle registration/renewal, cameras, etc.
 - Ongoing monitoring through scheduled verification



How Does OLV Work?

- Four data elements sent directly to insurer of record
 - Eliminates time delay of databases
 - Insurer, not state, verifies coverage
- Data elements collected from insurers on periodic basis
 - Jurisdiction collects info from insurers; creates pointer file
 - Pointer file determines which insurer to send query to
- Some systems include “broadcast” function that scans for coverage



How Much Does OLV Cost?

- IICMVA model is open source (vs. typically proprietary databases)
- Either built in-house or provided by third-party vendor
- Program more than pays for itself in Alabama and Nevada



Who Uses OLV?

- States that currently operate OLV-based systems
 - AL, AR, CT, ID, IL, LA, MS, MT, NV, OK, TN, TX (hybrid), WV, WY
 - Optional in CA & SC



Conclusions

- IRC numbers suggest traditional database programs have little to no affect on UM rate
- Targeted enforcement should work better
 - Mandatory penalties
 - Courthouse presence
 - Indiana model
- OLV superior to database-based programs



Questions?

Alex Hageli

alex.hageli@apci.org

847-553-3656