

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 913 Motor Vehicle Insurance Online Verification System
SPONSOR(S): Transportation & Infrastructure Subcommittee; Hardemon
TIED BILLS: IDEN./SIM. **BILLS:** SB 1256

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Transportation & Infrastructure Subcommittee	12 Y, 0 N, As CS	Johnson	Vickers
2) Transportation & Tourism Appropriations Subcommittee			
3) Government Accountability Committee			

SUMMARY ANALYSIS

Florida law requires persons to possess proof of motor vehicle insurance. This is primarily accomplished using insurance cards that are issued periodically by an insurance company. However, there is currently no mechanism to determine, in real time, whether or not a motor vehicle is properly insured.

The bill requires the Department of Highway Safety and Motor Vehicles (DHSMV) to create the motor vehicle insurance online verification system to allow for the verification of automobile insurance. The system will provide authorized persons access via the Internet to insurers' records indicating the insurance status of any motor vehicle registered in this state. Law enforcement officers are required to access the information during a traffic stop or crash investigation and insurers are required to cooperate with DHSMV in establishing and maintaining the system.

The online verification system is required to replace the current procedures for verifying motor vehicle insurance at the time of registering the vehicle. DHSMV is also required to implement a method of insurance verification.

DHSMV is directed to conduct a pilot program to test the system prior to putting it into statewide use. The verification system must be installed and operational by July 1, 2020.

The bill is expected to have a negative fiscal impact to DHSMV and insurers will incur indeterminate costs associated with implementing the motor vehicle insurance online verification system.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current Situation

Chapter 324, F.S., is the Financial Responsibility Law of 1955.¹ The intent of Ch. 324, F.S., is to recognize the existing privilege to own or operate a motor vehicle when such vehicles are used with due consideration for others and their property, and to promote safety and provide financial security requirements for such owners or operators whose responsibility it is to recompense others for injury to person or property caused by the operation of a motor vehicle. Therefore, the law requires that the operator of a motor vehicle involved in a crash or convicted of certain traffic offenses is required to provide proof of financial ability to respond for damages in future accidents as a requisite to his or her future exercise of operating a motor vehicle.²

Section 316.646, F.S., requires persons required by law to maintain certain motor vehicle insurance coverage to possess proof of insurance and provides when the person is required to provide proof of motor vehicle insurance.

Section 320.02, F.S., requires the registration of motor vehicles. Section 320.02(5), F.S., requires proof of certain insurance in order to register a motor vehicle and requires proof of insurance to be provided at the time the motor vehicle is registered.

Section 324.0221, F.S., requires motor vehicle insurers to provide certain information to DHSMV. In summary, the statute requires insurers to notify DHSMV of cancellations or nonrenewals of motor vehicle insurance, and the issuance of new insurance policies from persons not previously insured by that insurance company. The statute requires DHSMV to suspend the registration and driver license when its records show that a person does not have the required motor vehicle insurance.

Currently, there is no mechanism in place to determine in real time that a proof of financial responsibility is valid. The current process requires insurance carriers to report insurance information so that it can be compared to vehicle registration data maintained by DHSMV. Under this reporting process, any vehicle registrations not tied to an insurance record are considered uninsured. Unfortunately, data integrity problems and outdated information inherent to the reporting process make it an inaccurate and costly method of verifying coverages.

A number of states are currently implementing online motor vehicle insurance verification programs including Alabama, Oklahoma, Texas, and Tennessee. Most of the states that have implemented online motor vehicle verification programs require that the systems generally meet standards developed by the Insurance Industry Committee on Motor Vehicle Administration.

Several states that have instituted motor vehicle insurance verification programs have reported significant reductions in the number of uninsured motorists.

Proposed Changes

The bill creates s. 324.252, F.S., requiring DHSMV to establish an online verification system for motor vehicle insurance, subject to the following:

- The verification system must be accessible through the Internet by authorized personnel of the DHSMV, the courts, law enforcement personnel, any other DHSMV authorized entities and insurers authorized by the Office of Insurance Regulation to offer motor vehicle insurance.

¹ Section 324.251, F.S.,

² Section 324.011, F.S.

- The verification system must provide for direct access to insurers' records by personnel authorized by DHSMV.
- DHSMV is required to conduct a pilot program to test the system before statewide use. However, the verification system must be installed and operational by July 1, 2020.
- The verification system must be available 24 hours a day to verify the insurance status of any vehicle registered in this state through the vehicle's identification number, policy number, registered owner's name, or other identifying characteristic or DHSMV prescribed marker.
- DHSMV may contract with a private vendor to assist in establishing and maintaining the verification system.
- The verification system must include appropriate provisions, consistent with industry standards, to secure its data against unauthorized access and to maintain a record of all information requests.
- A law enforcement officer, during a traffic stop or crash investigation, is required to access information from the online verification system to establish compliance with Ch. 324, F.S., and to verify the current validity of the policy described on any insurance identification card produced by the operator of a motor vehicle during the traffic stop or crash investigation.
- The verification system is required to include a disaster recovery plan designed to ensure business continuity in the event of a disaster.
- The verification system is required to include information which will enable DSHMV to make inquiries of evidence by using multiple data elements for greater matching accuracy, specifically: insurer NAIC³ company code, Vehicle Identification Number, policy number, levels/types of coverage or other data elements established by DHSMV.
- Every insurance company authorized to issue motor vehicle insurance policies in Florida, is required to comply with the verification of evidence of motor vehicle insurance by that company as required by DHSMV rules.
- Section 324.252, F.S., does not apply to vehicles insured under commercial auto coverage. However, insurers of such vehicles may participate on a voluntary basis.

The bill requires insurers to cooperate with DHSMV in establishing and maintaining the insurance verification system and must provide access to motor vehicle insurance policy status information.

The bill authorizes DHSMV to adopt rules to implement the motor vehicle insurance online verification system.

The bill creates s. 320.02(5)(f), F.S., providing that upon the implementation of the online insurance verification system the online verification system will replace the procedures for verifying insurance in s. 320.02, F.S., and DHSMV and its authorized agent registering motor vehicles is required to use the system unless the system is not online or the required information is not available. In such a case, DHSMV and its authorized agents may accept verification as provided in s. 320.02, F.S., to certify the existence of the required insurance before processing any application for motor vehicle registration.

The bill creates s. 324.0221(1)(c), authorizing DSHSMV to directly verify insurance information directly from insurance company databases. However, this does not relieve insurance companies of any reporting requirements in s. 324.0221, F.S.

The bill creates s. 322.0221(1)(d), F.S. , requiring insurers to transmit to DHSMV weekly their' records of all active insurance policies, commonly known as the "book of business" so actively registered vehicles can be checked daily against all active policies in order to identify uninsured vehicles.

The bill creates s. 324.0221(4), F.S., authorizing DHSMV to, by rule, implement a method of insurance verification.

The bill creates s. 316.646(6), F.S., authorizing, a law enforcement officer during a traffic stop or crash investigation, to access information from the motor vehicle insurance online verification system to establish compliance with Chs. 316 and 324, F.S., and to verify current validity of the policy described on any insurance identification card produced by the operator of a motor vehicle during the traffic stop or crash investigation.

B. SECTION DIRECTORY:

Section 1 creates s. 324.252, F.S., creating the motor vehicle insurance online verification system.

Section 2 amends s. 320.02, F.S., relating to registration required; application for registration.

Section 3 amends s. 324.0221, F.S., relating to reports by insurers to DHSMV, suspension of driver license and vehicle registrations; reinstatement.

Section 4 amends s. 316.646, F.S., relating to security required; proof and display of security.

Section 5 provides an effective date of July 1, 2017.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

DHSMV will incur indeterminate, but significant expenditures associated with developing the motor vehicle insurance online verification system.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Insurers will incur some costs associated with implementing the online insurance verification system and providing certain information to DHSMV; however, the costs are unknown at this time.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not Applicable. This bill does not appear to require counties or municipalities to spend funds or take action requiring the expenditures of funds; reduce the authority that counties or municipalities have to raise revenues in the aggregate; or reduce the percentage of state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill authorizes DHSMV to adopt rules implementing the motor vehicle insurance online verification system. The bill also authorizes DHSMV to implement, by rule, a method of insurance verification using the motor vehicle insurance online verification system.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On March 21, 2017, the Transportation & Infrastructure Subcommittee adopted a strike-all amendment and reported the bill favorably as a committee substitute. The strike-all amendment:

- Changed the implementation date from July 1, 2019 to July 1, 2020.
- Added additional requirements for the motor vehicle insurance online verification system.
- Provided an exception to the verification system for commercial insurance policies.
- Authorized DHSMV to verify certain insurance information from insurance company databases and required insurance companies to provide certain information to DHSMV.
- Authorizes law enforcement officers to access the motor vehicle insurance online verification system during a traffic stop or crash investigation.
- Revised DHMSV's rulemaking authority to make it permissive.

This analysis is drafted to the committee substitute as reported favorably by the Transportation & Infrastructure Subcommittee.