

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 441 Motor Vehicle Insurance Online Verification System

SPONSOR(S): Hardemon

TIED BILLS: IDEN./SIM. **BILLS:** SB 78

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Transportation & Infrastructure Subcommittee	12 Y, 0 N	Roth	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 paper insurance cards that are issued periodically by an insurance company. However, there is currently no mechanism to verify, 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 expedited verification of automobile insurance coverage. 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. However, insurers will continue to furnish a uniform insurance card in paper or electronic format to the insured individual.

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, 2021.

The bill is anticipated 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:

[R]ecognize 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 notify the Department of Highway Safety and Motor Vehicles (DHSMV) of cancellations or nonrenewals of motor vehicle insurance within 10 days after the processing or effective date of each cancellation or nonrenewal. Furthermore, the statute requires insurers to notify DHSMV within 10 days of the issuance of new insurance policies from persons not previously insured by that insurance company. When DHSMV receives a notice of cancellation from an insurer, the system will attempt to verify if additional insurance has been provided and if the registration for the vehicle is still valid.³ If no additional insurance is verified for the registered vehicle after 20 days, the system will create a financial responsibility case on the owner or registrant's driver license and registration.⁴ Five days after the case is created a letter is generated and submitted to the vehicle owner or registrant notifying him or her that additional insurance is required for the registered vehicle.⁵ If insurance information is not provided, or the owner or registrant does not cancel the registration, the owner or registrant's license and registration will be suspended at 12:01 a.m. on the fifteenth day from the date of the postmarked letter.⁶

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 that are not tied to an insurance record are considered uninsured.⁷ Unfortunately, data integrity problems and outdated information inherent to the reporting process often

¹ Section 324.251, F.S.

² Section 324.011, F.S.

³ Email from Rachel Jarriel, Legislative Liaison, Department of Highway Safety and Motor Vehicles, RE: s. 324.0221, F.S. (November 8, 2017).

⁴ *Id.*

⁵ *Id.*

⁶ Section 322.251(2), F.S.

⁷ See section 324.011, F.S.

results in inaccuracies. As of 2015, Florida has the highest number of uninsured motorists in the nation at 26.7 percent.⁸

A number of states have implemented online motor vehicle insurance verification programs including Alabama,⁹ Oklahoma,¹⁰ Texas,¹¹ and Tennessee¹². 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.¹³

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.
- 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, and the verification system must be installed and operational by July 1, 2021.
- 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 NAIC¹⁴ 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, but insurers of such vehicles may participate on a voluntary basis.

⁸ Insurance Information Institute, *Background on: Compulsory Auto/Uninsured Motorists* (September 1, 2017), available at <https://www.iii.org/article/background-on-compulsory-auto-uninsured-motorists> (last visited November 8, 2017).

⁹ Alabama Act 2011-688.

¹⁰ Okla. Stat. tit. 47, § 7-600.2

¹¹ Tex. Transp. Code Ann. §§ 601.053(c) & 601.191.

¹² Tenn. Code Ann. §§ 55-12-201 – 55-12-215

¹³ Alice Holbrook, *Are Auto Insurance Verification Programs a Good Idea?*, available at <https://www.nerdwallet.com/blog/insurance/auto-insurance-verification-programs-good-idea/> (last visited November 6, 2017).

¹⁴ National Association of Insurance Commissioners.

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

The bill creates s. 320.02(5)(f), F.S., providing that upon the implementation of the online insurance verification system the system will replace the procedures for verifying insurance in s. 320.02, F.S., and DHSMV and its authorized agents registering motor vehicles are 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. Additionally, insurers will continue to furnish a uniform insurance card in paper or electronic format to the insured individual.

The bill creates s. 324.0221(1)(c), authorizing DHSMV to verify insurance information directly from insurance company databases, but 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 records of all active insurance policies, 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; forms.

Section 3: Amends s. 324.0221, F.S., relating to reports by insurers to the department; suspension of driver license and vehicle registrations; reinstatement.

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

Section 5: Provides an effective date of July 1, 2018.

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