

State of Alabama

Department of Revenue

Online Insurance Verification System

2017 Annual Report

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INTRODUCTION

This report was prepared in accordance with Section 32-7B-3, Code of Alabama 1975, which provides that the insurance advisory council will issue a written report to the Alabama Department of Revenue (DOR), Alabama Law Enforcement Agency (ALEA) and Department of Insurance (DOI) twelve (12) months after the Online Insurance Verification System (OIVS) is implemented and annually thereafter. The purpose of this report is to outline the system's effectiveness in identifying uninsured motorists.

Background

The DOR is responsible for administering the Mandatory Liability Insurance (MLI) law (Act 2000-554). The law was established to effectively administer and enforce minimum motor vehicle liability insurance requirements in Alabama. Alabama registrants are required to maintain motor vehicle liability insurance coverage as a prerequisite to registering vehicles.

Legislative Act 2011-688 required the DOR to create an OIVS to be used to verify a registrant's compliance with the MLI law (§32-7A-1 et seq.) of Alabama. The OIVS was fully implemented and in production on January 1, 2013.

As detailed in the [IICMVA Model User Guide for Implementing Online Insurance Verification \(version 4.0\)](#), the purpose of the OIVS is to assist in the administration and enforcement of motor vehicle liability insurance requirements. It allows requesting parties to go directly to the source of insurance information – the insurance companies. It allows a real time response to be provided to an insurance inquiry that contains standardized request information. It is utilized to verify a minimum liability insurance policy is in effect on a vehicle prior to the issuance of a motor vehicle registration by a license plate issuing official, by law enforcement officers during traffic stops or accidents, and by the DOR to ensure policies are being maintained on vehicles registered in Alabama.

Advisory Council

The legislative act created an insurance advisory council for the purpose of facilitating the implementation of an OIVS in Alabama using the Insurance Industry Committee on Motor Vehicle Administration (IICMVA) specifications and standards. The thirteen (13) member council includes the following persons:

- Two (2) representatives of the DOR
- One (1) representative of the ALEA
- One (1) representative of the DOI
- Three (3) insurance company representatives appointed by the Commissioner of Insurance

- One (1) representative of the AIA
- One (1) representative of the NAMIC
- One (1) representative of the PCIAA
- One (1) representative of the AIAA
- One (1) representative of the APJA
- One (1) representative of the AATA

The council is chaired by the DOR Commissioner or his/her designee. The council held its first meeting July 20, 2011, to begin development and implementation of the OIVS. The DOR is responsible for keeping the advisory council informed on the operational status of the OIVS. DOR maintains information relating to the implementation of OIVS on the motor vehicle division webpage labeled “Insurance Advisory Council” at: <http://revenue.alabama.gov/motorvehicle/iac.cfm>. Initially, the council met every month in person. As the OIVS progressed, the council began meeting bi-monthly via teleconference call. In 2016, the council began meeting quarterly.

Former DOR commissioner and council chair, Julie Magee, was replaced as DOR commissioner by Vernon Barnett in 2017. Mr. Barnett appointed Motor Vehicle Division director, Jay Starling, to serve as the chair of the council. Mr. Starling appointed Troy Thigpen, MLI Unit Supervisor, to serve as the department’s second representative. Todd Feltman replaced George Cooper as the National Association of Mutual Insurance Companies (NAMIC) representative and Kim Decker replaced Harvey Fischer as the American Insurance Association (AIA) representative.

Insurance Questionnaire and Notice of Suspension

Prior to October 2017, two (2) MLI questionnaire postcards and a Notice of Suspension (NOS) were mailed to registrants whose insurance could not be confirmed. The first questionnaire was mailed after a second unsuccessful attempt to verify insurance through OIVS. A second questionnaire was mailed if the registrant failed to respond to the first insurance questionnaire within thirty (30) days. The NOS was mailed if the registrant failed to respond to the second questionnaire within thirty (30) days. After review of the law, it was determined that the second questionnaire was not required; therefore, in October 2017, the second questionnaire was eliminated. The elimination of the second insurance questionnaire postcard has saved the DOR an estimated \$15,000 per month in printing and mailing costs.

The DOR also eliminated the MLI system queue which now allows questionnaires to go out sooner when insurance cannot be confirmed through OIVS.

Deferred Suspension Status

In September 2017, the MLI system was updated to reflect a new status code: “Deferred Suspension (DS)”. A DS code is used to reflect a pending registration

suspension status that occurs when a registrant admits to an insurance violation, but has not remitted reinstatement fees or provided current evidence of insurance. In this case, the registrant's record will reflect a DS code in the MLI system and MLI suspension file, and the vehicle registration will be suspended thirty (30) days from the date of the registrant's response.

MLI Suspension File

The DOR provides a file to license plate issuing officials which reflects all vehicle registrations with a MLI status requiring action from a registrant. This file is available to licensing officials and their registration system vendors each night. The file is used to update county licensing systems so that a registration is not issued to a vehicle owner who has a registration suspension resulting from a MLI violation. In December 2017, the MLI suspension file was updated to include the registration status code: "Deferred Suspension (DS)" to ensure that the licensing official is aware of any pending registration suspensions.

Stored/Inoperable Responses

When a registrant provides a stored/inoperable response to an insurance questionnaire, the vehicle registration is revoked for the remainder of the registration period. When the vehicle is no longer stored, inoperable, or unused, a new license plate/registration must be obtained prior to operating the vehicle. The vehicle owner must provide evidence of the vehicle's non-use to the licensing official prior to re-registering the vehicle, as provided in administrative rule 810-5-1-.244 entitled Proration of Motor Vehicle Registration Fees. A Motor Vehicle Affidavit form may be utilized to satisfy the evidence of non-use requirement or any documentation (repair receipts, etc.) the official's office deems appropriate. If the owner fails to provide acceptable evidence of non-use to the licensing official, the vehicle registration will be suspended and reinstatement fees are due.

The Advisory Council expressed concern about registrants providing a stored/inoperable response for the purpose of avoiding paying reinstatement fees when due. Licensing officials have expressed to the DOR their commitment to identifying such registrants. The DOR suggested to the licensing officials that repeat offenders be dealt with in a more progressive nature over time. For example, an affidavit could be accepted as proof of non-use the first time a registrant claimed that the vehicle was stored or inoperable. However, more documentation (repair bills, etc.) should be requested for the registrant's second or subsequent claim of vehicle storage or inoperability.

Revoked registration records are flagged as such in the state registration database available to law enforcement so an officer could issue a citation for operation of a

vehicle with a revoked registration. The DOR will continue to monitor stored/inoperable responses to determine what actions, if any, should be taken.

Email Initiative

The DOR collects email addresses from county licensing officials and their vendors to allow the DOR to send Questionnaires via email instead of mailing insurance questionnaire postcards. The email initiative allowed over 47,000 questionnaires to be emailed to registrants during 2017. This resulted in a printing and mailing cost savings of over \$22,000.00 for calendar year 2017.

Insurance Data Transfer (Limited Scope Book of Business Files)

Insurers currently provide a limited scope book of business (BOB) file to the DOR. The BOB file is formatted in accordance with the IICMVA data transfer model. The BOB files are provided by insurers on a monthly or quarterly basis and are used to identify changes in vehicle insurance policies. Note: BOB files are not used to verify insurance.

In October 2017, the DOR began contacting the state's ten largest insurers to encourage them to provide BOB files more often (daily or weekly). This would allow the DOR to better identify policy changes and ensure that MLI questionnaires are not being sent to registrants who have maintained insurance on their vehicles. As of January 2018, the DOR began receiving files from the largest insurers on a weekly basis.

Insurer Information Form

Prior to utilizing the OIVS, each insurer is required to submit an Insurer Information Form (see Appendix A or pg. 23 of the OIVS User Guide: [OIVS User Guide](#)) for each insurer's NAIC number. Within ten (10) calendar days of any contact or company information changes, insurers should submit a revised Insurer Information Form to DOR.

OIVS Requests, Responses, and MLI Statistics

Appendix B reflects OIVS and MLI statistics from the 2017 calendar year. As detailed in the report, over 62M insurance verification requests were submitted to insurers through OIVS. Nearly 60M of these requests were "first requests" received from license plate issuing officials, law enforcement, and the DOR reverification process. Over 2M of the remaining requests were "second requests" by DOR thirty (30) days after the "first request" in an attempt to verify insurance before an insurance questionnaire postcard was mailed to the registrant.

In 2017, 802,824 insurance questionnaires and notices of suspension were sent to registrants via mail or email. 755,505 (94%) of this correspondence was mailed, and

the remaining 47,319 (6%) correspondence was emailed to registrants. During 2017, 226,674 registrant responses to insurance questionnaires were received. 87,863 (39%) of the registrant responses were received electronically via the registrant response system, and the remaining 138,811 (61%) registrant responses were received via mail, fax or in person.

In 2017, 637,350 MLI record responses/updates were processed. Of that total, 109,159 (17%) were registration reinstatements. 51,154 of the registration reinstatements (R1 or R2) occurred after the registration had been suspended, the registrant presented current proof of insurance and paid the reinstatement fees due. The remaining 58,005 reinstatements did not require the payment of reinstatement fees because the registrant had valid insurance on the insurance verification date (R3). 43,169 (7%) of MLI records were closed (CL) because the vehicle was insured on the verification date, and 129,968 (20%) registration revocations (VR) were processed because the registrant responded that the vehicle was sold, inoperable, or stored on the insurance verification date. The remaining 355,054 (56%) updates processed resulted in registration suspensions (S1 or S2) because the registrant failed to respond to correspondence or could not provide evidence of insurance on the insurance verification date.

Reinstatement Fees

Reinstatement fees of over \$7.6M were collected for the 2017 fiscal year. Over \$3.4M was collected for the 2016 fiscal year, and \$2.2M was collected for the 2015 fiscal year.

In accordance with the law, licensing officials retain 10% of the reinstatement fee that is collected by them. Fifty (50) percent of this fee is distributed to county general fund and Fifty (50) percent is distributed to a special registration/titling technology fund. Fifteen (15) percent of the reinstatement fees received by the department are distributed to the peace officers annuity fund. Any remaining funds are used by DOR to pay for the operation of the MLI program.

Alabama Uninsured Motorist Rate

In October 2017, the IRC reported that based on 2015 data, Alabama has reduced its uninsured motorist rate to 18.4 percent. Prior to the OIVS, the IRC reported that Alabama had an uninsured motorist rate of over 22 percent.

Inquiries from Other Jurisdictions

DOR representatives spoke with representatives from the State of Tennessee and the State of Illinois regarding the Alabama OIVS during 2017.

Department Outreach

DOR representatives attended the IICMVA meetings held in October 2017. DOR representatives also attended the Alabama Licensing Officials Conference (January 2017), Probate Judges' Summer Conference (June 2017), AATA Summer Conference (June 2017), and the Probate Judges' Meeting (September 2017) to provide information on MLI system updates and Administrative Rules.

ACRONYMS

AATA – Alabama Association of Tax Administrators
AIA – American Insurance Association
AIAA – Alabama Independent Agents Association
ALEA – Alabama Law Enforcement Agency
ANSI – American National Standards Institute
APJA – Alabama Probate Judges Association
BOB – Book of Business
DOR – Department of Revenue
DOI – Department of Insurance
IICMVA – Insurance Industry Committee on Motor Vehicle Administration
IRC – Insurance Research Council
MLI – Mandatory Liability Insurance
NAIC – National Association of Insurance Commissioners
NAMIC – National Association of Mutual Insurance Companies
PCIAA – Property and Casualty Insurers Association of America
OIVS – Online Insurance Verification System

PROGRAM CONTACTS

Mandatory Liability Insurance

Alabama Department of Revenue
Motor Vehicle Division
Mandatory Liability Insurance Unit
P O Box 327650
2545 Taylor Road
Montgomery, AL 36117
Telephone: (334) 242-9000
Email: mli@revenue.alabama.gov
Website: www.mli.mvtrip.alabama.gov

Financial/Safety Responsibility

Alabama Law Enforcement Agency
Driver License Division
Safety Responsibility Section
P.O. Box 1471
Montgomery, AL 36102
Telephone: (334) 242-4222
Website: www.alea.alabama.gov

APPENDIX A



ALABAMA DEPARTMENT OF REVENUE
 MOTOR VEHICLE DIVISION
 P.O. Box 327650 · Montgomery, AL 36132-7650 · (334) 242-3000
 www.revenue.alabama.gov

MV-MLI-C
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**Mandatory Liability Insurance
 Insurer Information Form**

Please complete for each NAIC code and submit via email to mli@revenue.alabama.gov.

Insurer Name _____ **NAIC Code** _____
Mailing Address _____
City _____ **State** _____ **Zip** _____

Contact Type	Contact Name	Email Address	Phone Number
Business Practices (BP)			
Alternate BP			
Information Technology (IT)			
Alternate IT			

Please place a check by each report method that can be used to provide insurance information.

_____ **Web Services:** _____ **2005 ANSI Schema** _____ **2008 ANSI Schema**

_____ **Alternative** – only allowed for companies that insure 500 or less vehicles in Alabama

APPENDIX B

**State of Alabama
OIVS and MLI Statistics
2017 Calendar Year**

OIVS Summary	
First Request OIVS Totals	59,712,161
Second Request OIVS Totals	2,799,286
Other OIVS Request Totals	223,578
Total OIVS Requests	62,735,025

Correspondence Sent		
Questionnaires Via Mail	451,342	56.2%
Questionnaires Via E-Mail	46,095	5.7%
NOS Via Mail	304,163	37.9%
NOS Via E-Mail	1,224	0.2%
Total Correspondence Sent	802,824	100%

Responses Received		
Questionnaires-MLI System-clerk entry (mail, fax, or walk in)	87,707	38.7%
Questionnaires - Registrant Response System	57,003	25.1%
NOS-MLI System-clerk entry (mail, fax, or walk in)	51,104	22.5%
NOS-Registrant Response System	30,860	13.6%
Total Responses	226,674	100%

MLI Summary		
R1 (\$200 fee paid)- 1st Violation	48,867	7.7%
R2 (\$400 fee paid)- 2nd Violation	2,287	0.4%
R3 (No fee paid) -Valid Insurance	58,005	9.1%
CL-Closed Record Prior to Suspension	43,169	6.8%
VR-Revoked Registration	129,968	20.4%
1st Suspension (S1)	296,230	46.5%
2nd Suspension (S2)	58,824	9.2%
Total MLI Record Responses/Updates	637,350	100%

APPENDIX C**MLI Advisory Council Members
Established by Section 32-7B-2, Code of Alabama 1975****Alabama Department of Revenue (2)**

Jay Starling, Motor Vehicle Division, Chair
(334) 242-9078
jay.starling@revenue.alabama.gov

Troy Thigpen, Motor Vehicle Division
(334) 242-9671
termaine.thigpen@revenue.alabama.gov

Alabama Law Enforcement Agency (1)

Michael Robinson
(334) 353-8216
michael.robinson@dps.alabama.gov

Alabama Department of Insurance (1)

Jerry Workman
(334) 241-4115
jerry.workman@insurance.alabama.gov

Assoc. of Alabama Tax Administrators (1)

Greg Tucker, License Commissioner
Limestone County
(256) 233-6430
gtucker@limestonecounty.net

Alabama Probate Judges Association (1)

Sheila Moore, Probate Judge
Winston County
(334) 682-4883
pjwinston@hotmail.com

**Insurance Reps. (3) - selected by DOI
Commissioner**

Dustin Wilson, ALFA
(334) 613-4795
dwilson2@alfains.com

Ken Needham, Allstate
(205) 981-5991
Ken.needham@allstate.com

John Morales, USAA
(210) 296-7753
John.morales@usaa.com

American Insurance Association (AIA) (1)

Kim Decker
Director of State Legislative Affairs
Farmers Insurance
7340 W. Memorial Road
Oklahoma City, OK 73142
(405) 823-2638
kim.decker@farmersinsurance.com

**National Association of Mutual Insurance
Companies (NAMIC) (1)**

Todd Feltman
State Farm Insurance
(309) 763-5792
todd.feltman@StateFarm.com

**Property and Casualty Insurers Association of
America (PCI) (1)**

Alex M. Hageli
Director, Personal Lines Policy
Property Casualty Insurers Assoc. of America
2600 South River Road
Des Plaines, IL 60018-3286
(847) 553-3656 Direct
(847) 759-4313 Direct Fax
Alex.Hageli@pciaa.net

**Alabama Independent Insurance Agents (AIIA)
(1)**

Ken McFeeters
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518 North 19th Street
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Total members: 13