

State of Alabama

Department of Revenue

Online Insurance Verification System

2016 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.

Changes to OIVS Process Throughout 2016

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 Commissioner of Revenue or his/her designee. The advisory council held its first meeting July 20, 2011, to begin discussions regarding the 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>. Beginning with the April 15, 2015 advisory council meeting, the council began meeting every two months. As of the April 20, 2016 meeting, the council began meeting quarterly.

Stored/Inoperable Responses

The council is concerned with the number of insurance questionnaire responses where registrants indicate the vehicle was not insured because it was inoperable or stored on the insurance verification date in accordance with Section 32-7A-11, Code of Alabama 1975, for the purpose of avoiding paying reinstatement fees when due.

When a registrant provides a stored/inoperable response to an insurance questionnaire, the vehicle registration is revoked for the remainder of the registration period. The registration record is flagged so that law enforcement will know if a registration is revoked, therefore an officer could issue a citation for operation with a revoked registration. Also, Administrative rule 810-5-8-.10 entitled Mandatory Liability Insurance (MLI) Questionnaire and Notice of Suspension, was amended effective August 21, 2015 to add language specifying if a registrant responds that a vehicle was not insured on the insurance verification date because the vehicle was stored, inoperable, or otherwise unused, the registration will be revoked. 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. 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 would be due. Generally, licensing officials are doing a good job in identifying registrants who repeatedly indicate the vehicle was inoperable or stored on

the insurance verification date, and licensing officials do a thorough job of scrutinizing the evidence of non-use documentation. The number of revoked registrations resulting from stored/inoperable responses is less than 2% (see statistics on pg. 12) of the vehicle population subject to OIVS. The DOR will continue to monitor stored/inoperable responses to determine what actions, if any, should be taken.

Email Initiative

The DOR is collecting email addresses from county licensing officials and their vendors to allow the DOR to send more Questionnaires and Notices of Suspension via email instead of mailing an insurance questionnaire postcard. This will result in cost savings for the DOR. Email addresses are currently available for approximately 10% of vehicle registration records, which results in an estimated cost savings of \$20,000 annually.

Insurance Data Transfer (Limited Scope Book of Business Files)

During the July 23, 2014 council meeting, the council decided to allow insurers to voluntarily provide a limited scope book of business (BOB) to the DOR, based on the IICMVA data transfer model. The DOR uses the BOB files to populate the registration databases with current policy information to be utilized for OIVS queries and does not rely on the BOB files as verification of insurance coverage. In December 2015, thirty NAICs were identified as not submitting BOB files. During 2016, the DOR contacted insurers to encourage them to provide updated BOB files on a monthly basis at a minimum. The DOR is able to process BOB files as often as the insurer submits the files (i.e. monthly, weekly, daily, etc.). Council members also contacted insurers that were not submitting BOB files to DOR in order to encourage insurers to provide the BOB files. As of December 2016, only one insurer with active business in Alabama was not providing a monthly BOB file to the DOR. This insurer indicated they were waiting for IT resources to be allocated to work on the project and recently provided a test BOB file. The DOR's efforts to ensure that insurers are submitting BOB files on a regular basis resulted in identification of several insurer NAIC numbers where active policies are no longer being written in Alabama. These NAIC numbers have been updated on the insurer lists that are available on the DOR Insurance Advisory Council web page. These lists are utilized by licensing officials and insurers to identify OIVS participating insurers. Currently, there are 482 distinct NAIC numbers utilizing OIVS (170 personal line and 312 commercial only insurers).

The receipt of insurer BOB files from OIVS participants contributed to an eighty-six percent (86%) "confirmed" insurance verification request rate in 2016. The "confirmed" insurance verification request rate was eighty-four percent (84%) in 2015. Prior to receiving BOB files from all OIVS participants, the "confirmed" insurance verification request rate was seventy-nine percent (79%) in 2014 and sixty-eight percent (68%) in 2013.

Repeat Offenders

The Advisory Council requested that the DOR begin identifying repeat offenders; registrants who have multiple records which result in a suspension and/or revocation. Repeat offenders are identified in the MLI case management system by DOR staff and licensing offices when the registrant attempts to reinstate their registration. The council received reports of insurers advising potential customers to claim the exemption as provided by Section 32-7A-11, Code of Alabama 1975, and provide a “stored/inoperable” response on insurance questionnaires in order to avoid a registration suspension and reinstatement fee. The council agreed that in order to strengthen the MLI law, more citations should be written by law enforcement for operating a vehicle without liability insurance coverage or for operating a vehicle with a suspended or revoked registration. The council is interested in working with ALEA to begin using OIVS to strengthen Alabama’s uninsured motorist program.

Insurer Information Form

Prior to utilizing the OIVS, each insurer is required to submit an Insurer Information Form for each insurer’s NAIC number as recommended by the IICMVA. A copy of this form is provided as Appendix A in this report. This form provides contact information for insurers’ business and information technology representatives as well as the web services schema to be utilized by the insurer. Insurers that write policies for 500 or less vehicles in Alabama also utilize this form to request an alternative method for verification of policy information for their customers. Insurers should submit a revised Insurer Information Form to DOR when the insurer contact or company information changes. The revised form should be submitted to DOR within ten (10) calendar days of such change. Insurers are strongly encouraged to notify DOR when their company discontinues writing personal vehicle liability insurance policies for vehicles registered in Alabama so that ADOR can maintain an accurate list of participating insurers.

MLI Requests, Response, and Reinstatement Statistics

Appendix B reflects statistics from the 2016 calendar year related to the OIVS. As detailed in the report, over 57M total OIVS requests were submitted. Nearly 55M of these requests were “first requests” received from license plate issuing officials, law enforcement, and the DOR. Nearly 2M of the remaining requests were “second requests” that were submitted 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. Eighty-six percent (86%) of the “first” OIVS requests resulted in a “confirmed” response from the insurer. Approximately eleven percent (11%) of the “second requests” resulted in a “confirmed” response from the insurer.

In 2016, 467,193 insurance questionnaires and 377,140 notices of suspension were mailed to registrants. 266,197 responses to these questionnaires and notices of

suspension were received. 116,865 (49%) of postcard responses resulted in registration revocations because the registrant responded that the vehicle was sold, inoperable, or stored on the insurance verification date. 51,881 insurance questionnaire responses (22%) resulted in the case being closed because the vehicle was insured on the verification date. 67,595 (29%) of the remaining responses were registration reinstatements which occur after the registration has been suspended, the registrant presents current proof of insurance, and pays the reinstatement fees due.

Fifty-five percent (55%) of the 67,000 reinstatements did not require the payment of reinstatement fees because the registrant had valid insurance on the insurance verification date. Reinstatement fees were collected for the remaining forty-five percent (45%) of reinstatements because the vehicle was not insured on the verification date, which resulted in over \$3.4M in reinstatement fees for the 2016 fiscal year. As compared to over \$2.2M for the 2015 fiscal year, and \$1.1M for the 2014 fiscal year.

Inquiries from Other Jurisdictions

DOR representatives met with representatives from the State of Tennessee on January 7, 2016, regarding the Alabama OIVS. DOR representatives met with representatives from North Carolina on January 21, 2016 and Iowa by conference call on January 20, 2016 which led to a call with the Iowa Senate Transportation Committee on February 3, 2016. DOR representatives met with Florida representatives on February 23, 2016. Information on Alabama's OIVS was provided to Kansas on January 25, 2016. DOR representatives also spoke with Georgia insurers regarding Alabama's OIVS during 2016.

Department Representatives' Presentations

DOR representatives attended the IICMVA meetings held in March and October 2016. DOR representatives also attended the Alabama Licensing Officials Conference (January 2016), Probate Judges' Summer Conference (June 2016), AATA Summer Conference (June 2016), and the Probate Judges' Meeting (September 2016) 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
USAA–United Services Automobile Association
VIN – Vehicle Identification Number

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) 242-3000
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
 1/12

**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

Mandatory Liability Insurance Status Report 2016	
	Totals
OIVS Request Grand Totals	57,177,033
First Request OIVS Totals	55,017,933
Counties	5,891,322
Law Enforcement	2,624,680
30 Day Reverify Process	46,501,931
Second Request OIVS Totals - Unconfirmed for Questionnaire Process	1,955,654
Subsequent Request OIVS Totals - Questionnaire Responses	203,446
OIVS Response Grand Totals	57,177,033
First Request OIVS Response Totals	55,017,933
Confirmed	47,278,420
Unconfirmed - Insurer Provided No Reason Code	1,698,727
Unconfirmed - Incorrect Data Format - IDF	65,154
Unconfirmed - NAIC Code Not Submitted - NAIC1	0
Unconfirmed - System Cannot Locate NAIC - NAIC2	23,569
Unconfirmed - Policy Key Not Submitted - PKEY1	0
Unconfirmed - Cannot Locate Policy Key - PKEY2	638,057
Unconfirmed - Matched Policy Key - Verification Date Cannot be Confirmed - PKEY3	1,381,172
Unconfirmed - Matched Policy Key - Cannot Locate VIN - PKEY4	872,645
Unconfirmed - Cannot Locate Policy - Manual Search in Progress - POL1	6
Unconfirmed - System Unavailable - SYSU	84,400
Unconfirmed - Unauthorized Requestor - UREQ	1,234
Unconfirmed - Verification Date Cannot be Confirmed - VDT1	11,060
Unconfirmed - Verification Date Not Submitted - VDT2	166
Unconfirmed - Cannot Locate VIN - VIN1	682,113
Unconfirmed - Matched VIN - Verification Date Cannot be Confirmed - VIN2	2,253,183
Unconfirmed - Matched VIN - Cannot Locate Policy Key - VIN3	27,691
Unconfirmed - VIN Not Submitted - VIN4	336
Second Request OIVS Response Totals	1,955,654
Confirmed	208,547
Unconfirmed - Insurer Provided No Reason Code	399,731
Unconfirmed - Incorrect Data Format - IDF	3,836
Unconfirmed - NAIC Code Not Submitted - NAIC1	0
Unconfirmed - System Cannot Locate NAIC - NAIC2	3,784
Unconfirmed - Policy Key Not Submitted - PKEY1	0
Unconfirmed - Cannot Locate Policy Key - PKEY2	111,565
Unconfirmed - Matched Policy Key - Verification Date Cannot be Confirmed - PKEY3	364,432
Unconfirmed - Matched Policy Key - Cannot Locate VIN - PKEY4	196,787
Unconfirmed - Cannot Locate Policy - Manual Search in Progress - POL1	0
Unconfirmed - System Unavailable - SYSU	1,164
Unconfirmed - Unauthorized Requestor - UREQ	13
Unconfirmed - Verification Date Cannot be Confirmed - VDT1	3,623
Unconfirmed - Verification Date Not Submitted - VDT2	0
Unconfirmed - Cannot Locate VIN - VIN1	106,577
Unconfirmed - Matched VIN - Verification Date Cannot be Confirmed - VIN2	551,852
Unconfirmed - Matched VIN - Cannot Locate Policy Key - VIN3	3,737
Unconfirmed - VIN Not Submitted - VIN4	6
Subsequent Request OIVS Response Totals	203,446
Confirmed	85,874
Unconfirmed - Insurer Provided No Reason Code	24,682
Unconfirmed - Incorrect Data Format - IDF	1,001
Unconfirmed - NAIC Code Not Submitted - NAIC1	0
Unconfirmed - System Cannot Locate NAIC - NAIC2	539
Unconfirmed - Policy Key Not Submitted - PKEY1	0
Unconfirmed - Cannot Locate Policy Key - PKEY2	13,612
Unconfirmed - Matched Policy Key - Verification Date Cannot be Confirmed - PKEY3	14,869
Unconfirmed - Matched Policy Key - Cannot Locate VIN - PKEY4	16,201
Unconfirmed - Cannot Locate Policy - Manual Search in Progress - POL1	0
Unconfirmed - System Unavailable - SYSU	594
Unconfirmed - Unauthorized Requestor - UREQ	46
Unconfirmed - Verification Date Cannot be Confirmed - VDT1	219
Unconfirmed - Verification Date Not Submitted - VDT2	124
Unconfirmed - Cannot Locate VIN - VIN1	18,225
Unconfirmed - Matched VIN - Verification Date Cannot be Confirmed - VIN2	26,446
Unconfirmed - Matched VIN - Cannot Locate Policy Key - VIN3	980
Unconfirmed - VIN Not Submitted - VIN4	34

APPENDIX B (Continued)

Mandatory Liability Insurance Status Report 2016	
	Totals
Questionnaire Sent	467,193
(Source) Law Enforcement	76,947
(Source) Reverification	390,246
Notice of Suspension Sent	377,140
(Source) Law Enforcement	71,957
(Source) Reverification	305,183
Questionnaire Response	164,148
Registrant Response System	67,339
MLI System - clerk entry (mail, fax or walk in)	96,809
Notice of Suspension Response	102,049
Registrant Response System	50,105
MLI System - clerk entry (mail, fax or walk in)	51,944
Suspensions	343,191
1st Suspension (S1)	311,874
2nd or Subsequent Suspension (S2)	31,317
Reinstatements (Registration Suspended)	67,595
R1 (\$200 fee paid) - 1st Violation	29,471
R2 (\$400 fee paid) - 2nd Violation	615
R3 (no fee paid) - Valid Insurance	37,509
RV - Revoked Registration	116,865
CL - Closed Record without Suspension	51,881

APPENDIX C

MLI Advisory Council Members
Established by Section 32-7B-2, Code of Alabama 1975

Alabama Department of Revenue (2)

Julie Magee, Chair
 (334) 242-1175
julie.magee@revenue.alabama.gov

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

Alabama Law Enforcement Agency (1)

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

Alabama Department of Insurance (1)

Charles Angell
 (334) 240-4422
charles.angell@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)

Harvey Fischer
 Farmers, Zurich - Governmental Affairs
 Farmers Insurance Group
 6 Cadillac Drive #250
 Brentwood, TN 37027
Louis.fischer@farmersinsurance.com

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

George Cooper
 State Farm Insurance
 (309) 763-8828
george.cooper.BQBG@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
 PAC Insurance
 518 North 19th Street
 Bessemer, Alabama 35020
 (205) 426-9885
Ken35216@yahoo.com

Total members: 13