MINUTES OF THE SENATE TRANSPORTATION COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 8:35 a.m. on January 20, 2010, in Room 152-S of the Capitol.

All members were present.

Committee staff present:
  Bruce Kinzie, Office of the Revisor of Statutes
  Daniel Yoza, Office of the Revisor of Statutes
  Julian Efird, Kansas Legislative Research Department
  Jill Shelley, Kansas Legislative Research Department
  Cindy Shepard, Committee Assistant

Conferees appearing before the Committee:
  Wayne Pettigrew, National Marketing Director, InsureNet
  Dr. Jonathan Miller, President and Chairman of the Board, InsureNet

Others attending:
  See attached list.

Presentation on Vehicle Insurance Verification System

Wayne Pettigrew, National Marketing Director, InsureNet, gave a brief overview noting that many states have been working towards better control of uninsured motorists, and several recent changes have allowed InsureNet to become available. One change, in the past two years, is the inception of the Non-Resident Violators Compact (NRVC). According to Mr. Pettigrew, the states created this compact to prevent interstate and intrastate violators from ignoring citations. Vehicle registration and driver's license renewal depends on clearing and paying fines from any jurisdiction including uninsured vehicles.

Mr. Pettigrew reported that the second significant change is the Automated License Plate Readers (ALVR) which records the back of the vehicle and is for non-moving violations. The third major change is that InsureNet is able to contract with the National Law Enforcement Telecommunications System (NLETS) allowing access to all 50 states' data and it is instantaneously available. Mr. Pettigrew introduced the other members present from the InsureNet consortium, Dr. Scott Bolkema, Human Resources Department and Board Member, Barry Switzer and Tinker Owens, Sooner Communications Group. He stated that Dr. Jonathan Miller, President and Chairman of the Board, would continue with the bulk of the presentation.

Dr. Miller indicated that InsureNet can quickly resolve all problems associated with the current system, while fully protecting Kansans, and estimates a total economic impact of hundreds of millions of dollars to Kansans each year with more than $150 million in direct income to Kansas Government. He stated that the intent of this system is to have no cost to Law Enforcement, and also have no net cost of any kind to the State of Kansas. The system's costs would be paid from a small percentage of the income generated (Attachment 1).

A full written presentation detailing the benefits and costs of the National Vehicle Insurance Verification and Compliance System was distributed (Attachment 2).

Following questions and discussion, the meeting was adjourned at 9:30 a.m. The next meeting is scheduled for January 21, 2010.

SENATE TRANSPORTATION COMMITTEE
GUEST LIST

DATE: 1-20-10

NAME	REPRESENTING
Bill Sneed	State Farm
Wayne Pettigrew	INSURENET
Michael Mclin	KDOR
Ray Wilk	" "
Andy Sheley	"
Terry Heidner	KDOT
Lori Church	KAPCIC
Lee Wright	Farmers Ins.
KEVIN GREGG	KMCA
William Bradt	Self
Whitney Damron	KS Good Roads, Inc.
Day Mays	KCA
Woody Moses	KAPA
Kurti Spielman	KAFA

InsureNet

The National Insurance Verification System

What This Can Do for Kansas:

- It can quickly resolve all problems, (public relations, enforcement and legislative issues), associated with the current system, while fully protecting the People of Kansas.

- It can ensure that no letters are sent to policyholders threatening suspension of their motor vehicle registrations when they switch insurers or suspend insurance regarding seasonal use.

Further, we estimate a total economic impact of hundreds of millions of dollars to Kansas each year *and more than $150 million in direct income to Kansas Government:*

Additional Revenues from:

- ✓ *Roadside Citation Revenues – Insurance of $10.224 million*
- ✓ *Automated Citation Revenues – Insurance of $107.352 million*
- ✓ *Roadside Citation Revenues –Registration of $2.879 million*
- ✓ *Automated Citation Revenues – Registration of $30.24 million*
- ✓ **Premium Tax - $10.75 million**, (in addition to other tax revenues)

and....

- ✓ *Potential Additional Savings of $910,000. to the Courts,*
- ✓ *$17.267 million in Public Healthcare/Hospitals*
- ✓ *$4.4 million to Law Enforcement*

- **savings to vehicle insurers of over $284 million.**, (repair scams, back-dated policies, premium diversion and much else can be eliminated),

- additional insurance business of well **over $671 million dollars,**

- **$23 million to insurers** from the use of automated IVR, (Interactive Voice Response), touch-tone telephone and PDA and computer access to policy status and accident reporting,

- savings to banks and other lien holders of **over $16 million,**

- savings for trial attorneys, prosecutors and DAs of **over $1.5 million,**

- **$29 million to Healthcare** Insurers by linking every emergency room and first responder in the State to the system

It can dramatically reduce the number of accidents each year that involve an uninsured vehicle, enable insurance status to be known for vehicles registered in other States, (and the Provinces of Canada, and if you wish, provide all requirements for issuing electronic citations to owners of those vehicles). It will make the roads of Kansas far safer and, ensure that the recent rise in average vehicle policy price, (9% in 2008), is reversed.

InsureNet

The National Insurance Verification System

This is the National Insurance Verification System

It was designed to provide all vehicle insurance verification requirements for the Nation and also for each State and over 35,000 separate law enforcement organizations.

The Official U.S. Law Enforcement Insurance System, it is the only NLETS–authorized insurance source and... *the only*:

- non-invasive,
- accurate,
- automatic,
- instant,
- interstate and
- international system. It also embraces....

  - all jurisdictions,
  - vehicle insurers,
  - protocols, and
  - transmission formats, and can provide......

    - instant and
    - accurate status and benefits to all.....

      - Courts,
      - Insurance Commissioners,
      - DMVs, and
      - Law Enforcement Organizations in North America and all

        <u>without reliance on VINs</u>, (Vehicle Identification Numbers – the current method of "accuracy", thirty percent of which are inaccurate).

    This system is totally accurate. Status is controlled at all times by the insurer of record and no file or even a field in any file can ever be modified.

    This totally and forever solves VIN-related problems

This is the only method ever developed to provide accurate vehicle insurance status and is available now. Owned by all States, it can be implemented by State Police in less than twenty minutes, be fully implemented by an insurer in less than thirty minutes and start providing benefits to all parties almost immediately.

1-2

InsureNet
The National Insurance Verification System

What Makes This Different in 25 Words or Less.....It's:

Web-Enabled,

Accurate,

Secure,

Noninvasive,

Non VIN-Reliant,

No Cost to & NLETS-Based for Law Enforcement

Real-Time,

Interstate

International,

Automatic,

No Cost/Extra Effort – Insurers,

.....Complete

Additional Explanation: "Real Time" must mean instant access to and response from the information source for all users. Every Agent has a secure portal and benefits greatly from entering transactions as they occur. Those portals are being certified by insurers and the insurers involved alone decide who can and cannot bind coverage, etc. Likewise, each insurer has a secure portal for reporting as transactions occur but it is important to note that no insurers actually update as transactions occur. Instead, binders are in place and requirements are handled in batch each night. This system is updated each night at that time so insurer data is just as current and Agent-generated data *more so*. Unlike an IICMVA-style approach, this involves all insurers in a state, not a small number of large insurers increasing market share at the expense of smaller companies. This system accommodates all insurers equally... and in fact requires nothing new of insurers, (actually less than what they do now). This system also involves not only DMV, but Law Enforcement, (both interstate and interstate use), the Courts, the Insurance Commissioner and Staff, a Turnpike Authority, (if there is one), vehicle dealerships, vehicle rental agencies, every lien holder, DAs, MADD, AARP, ACLU, other privacy and consumer groups and many other organizations, and... every Citizen and Resident.

1-3

The Evolution of Vehicle Insurance Reporting Systems

Phase One:
Database populated by events, including guilty verdicts for "No Insurance"

Phase Two:
Random Sampling - Aggressively promoted by insurers for decades, it is little better

Phase Three:
Traditional Database – This is the system now used by the vast majority of all jurisdictions some are good; all are invasive

Phase Four:
Hybrid IICMVA "Pull" and Linked Traditional Database System. Web-Enabled but Not Real-Time; It is Difficult, Inaccurate and Invasive

Fifth and Final Phase:
A Complete Answer: Non-Invasive, Real-Time, Web-Enabled, Accurate, Interstate and International, No Cost to... or Effort for...Insurers

---

Phase One

Good: It is slightly better than nothing at all and it is also not invasive. It requires nothing of insurers and almost nothing at all of government.

Bad: All else is very bad. It is intrastate only, retroactive and most important, it is highly inaccurate, so largely useless. This may have some limited value to a DMV but is almost totally worthless for the Courts and Law Enforcement. It also provides no real benefits at all for any insurer, the agents, and others. Almost no States have failed ove on from this limited, initial level.

Phase Two

Good: It is slightly more accurate than Phase One, but still a miserable method. It does not however, require much support from insurers.

Bad: It is retroactive and easily circumvented with back-dated policies from rogue agents or fake documents. Partial, it only applies to intrastate and certain types of vehicles. It is expensive and very difficult to administer. It challenges vast numbers of honest vehicle owners, yet it can never address the majority of uninsured vehicles. Some success is claimed, but the real Uninsured Rate always remains unknown. This has been discontinued in many States.

Phase Three

Good: Those versions which require frequent, electronic reporting in a simple but safe format are far more accurate than those which do not. The good systems, (and there are several which are very good and have posted impressive results), are far better than any Phase Two approach or even the current Phase Four method. Over a dozen States receive daily updates from all big insurers and have a great accuracy advantage.

Bad: Highly invasive, often expensive and intrastate only. These too often provide little support for the courts and law enforcement. Most do not include Commercial and other types of vehicles. Difficult for Insurers as there are many formats to deal with and far too little in insurer/ agent benefits. Countless incorrect "challenge" letters sent out to policyholders.

Phase Four

Good: Easier and cheaper for insurers (and avoids accountability). Originally designed to circumvent reporting to a database, insurers must now do so.

Bad: Access is to batched data; this is far more invasive and less secure than Phase Three Systems, it can send names and addresses via net to hundreds of insurers using only PGP, (Pretty Good Protection). It is only intrastate and is retroactive. Despite "pointer file", the status of insurance remains uncertain and an ALPR link is impossible. Almost all cost and very considerable effort shifts from insurers to government. Database far more limited/of less value. Insurers deny responsibility for accuracy, making government the legal target. Courts need to know certain status the date of citation - this can't help. Officers need a quick and accurate response and can't count on this. This failed in Florida trials, was never successful in Texas and is a litigation nightmare.

Fifth and Final Phase

Good: This can accept data in any format; insurers need to do nothing new yet enjoy great savings. Law Enforcement pays nothing. This can also use IICMVA Standard to get data daily to populate the database, (but can't accept or use personal details). Letters sent re. known uninsureds only. Secure portals provided for all Agents and Insurers to benefit real-time, eliminating back-dated policies, premium diversion and repair scams - losses now passed on to policy holders. It provides full non-invasive camera support and is NLETS-hosted/powered (nlets.org) which is connected to every law enforcement officer/agency in the Nation. This provides DMVs with far more accurate data than any alternative. It totally supports all Court needs and delivers VALID/INVALID status on-screen/automatically in seconds along with registration, etc., for intrastate and interstate vehicles.

Bad: Nothing; a complete solution.

InsureNet
The National Insurance Verification System

No Cost Issues Exist with This System

This System will both increase revenues and reduce costs for insurers. There is no requirement to purchase software, hardware or communications equipment. There are no fees, licenses, per-click charges or any other costs. This is a "plug and play" technology, a...'set it once and forget it" system that ensures far greater policy value by enabling verification by over 1.2 million law enforcement officers throughout the U.S. This system does not invade any firewalls or require modifications to insurers' internal systems. Insurers can use any current state format they use now. In addition to greater revenues, far greater support is also provided for Agents and Policyholders while ensuring against "ghost riders" and many other problems at accident sites. Insurers' portals provide many additional features including: license plate number(s) assigned, repair scam, back-dated policies, and jurisdictional rate scam reports and much more...all certain to greatly enhance profitability.

No Additional Effort Issues Exist with This System

For insurers involved with over 90% of all policies, less...not more... is required than what is being done now for other states. For all other insurers, reporting should also be less, but will certainly be no more difficult than at present. Every Insurer and Agent is provided a secure portal to enable, (if the insurer wishes), real-time activation and reporting. Otherwise, if batch mode, the insurer simply sends a copy of the daily activity file which is already created, (and typically being sent to IVANS, etc, for parsing by jurisdiction), to ensure that this system is as current as that of the insurer. If the insurer wishes for the IICMVA "pull" system to be used, that too if fully supported, except that the current inefficiencies, inaccurate data, and privacy violations involved with IICMVA are properly handled by InsureNet's involvement. This System takes all daily activity and can never use names and/or addresses. It cannot do so in going to look for files "one-at-a-time" or in batch. **It also cannot accept, maintain and thus use, any privacy-sensitive data**. If an insurer sends in a file with an incorrect VIN, that and every other version of that VIN will be maintained and linked so that access to records for insurers is made simple and the system is always, (even if an incorrect VIN is used), *accurate.* The smallest vehicle insurer is fully supported. Reporting can even be via fax and a bureau service will handle everything...also without charge.

Government will decide requirements and unless, names and addresses are requested, (impossible for InsureNet), this system will support those requirements. We recommend only six elements: 1. Effective and/or Termination Date, 2. Policy Number, (linked with NAIC #), 3. VIN, (or if a commercial vehicle and they are recorded, the Asset ID or USDOT#), 4. ZIP Code, 5. Make/Model/Year, 6. Lien Holder ID and Policy levels, (Liability, Comprehensive, Collision, and UMI to meet reporting requirements and guard against under-insured status). The system will handle reporting to lien holders if the insurer wishes.

InsureNet
The National Insurance Verification System

No Privacy Issues exist with this Proposed Vehicle Insurance Verification System

- **Privacy Invasion is Impossible:**

  This system is incapable of receiving, maintaining and thus using, any name or address. Even if sent, the system does not identify such elements or record them. The system provides at no-cost, built-in secure portals for the ACLU, NAACP and other minority and privacy advocacy groups and encourages all such organizations to monitor the actual files to confirm the non-invasive character of the system for themselves at any time.

- **Only Codes Identify the Vehicle and Report Current Insurance Status**

  The only file elements recorded are: 1) the complete policy number, including NAIC Code which should be part of the transmission ID, 3) Effective and/or Termination Date, 4) VIN (Vehicle Identification Number or if a commercial vehicle and recorded, the Asset ID or DOT#), 5) ZIP Code, 6) Make/Model/Year, 7) Lien Holder ID and Policy levels for Comprehensive, Collision, UMI, and PIPS if applicable, so those too can be reported.

- **Positive Default**

  This system shows respect for everyone. No vehicle can be identified as uninsured unless the insurer of record specifically indicates that the vehicle was once insured, is no longer and no other insurer currently provides coverage. No "challenge" or random sampling program is necessary. The status of a vehicle's insurance is always and only exactly what the insurer of record indicates for both intrastate and interstate vehicles.

- **The System Acknowledged As "World's Safest" Stores the Information**

  Owned and controlled by…and operational as an extension of each State Government, NLETS, (founded as the National Law Enforcement Telecommunications System in 1961), is now handling almost 100 million transactions each month. It has never once been compromised. It is the National Recovery System for the FBI, delivers Homeland Security, Amber and Stolen Vehicle Alerts, INTERPOL transmissions, and is linked to every U.S. State and now, Canadian Province. The system proposed is hosted and powered by NLETS. All transmissions are, without exception, via NLETS. InsureNet is the vehicle insurance element for NLETS and InsureNet, Inc. is both a Strategic and Business Partner. All InsureNet staff involved in development and maintenance of the system have been both thoroughly NLETS and FBI cleared and fully approved by both organizations. ***Even so….no names and addresses are accepted or maintained.***

i - 6

Oklahoma Turnpike Authority – Final Notice of Toll Evasion Violat.

Notice Number: 2009004990   License Plate: 508XQV   Total Due: $75.00   Date: **08/18/2009**

VIN: WDDNG71X98A161464

1-1
PETTERGREW, WAYNE
2405 RIVA WAY
ARCADIA OK 73007-9100
IIuuIuIIuIIIuuIIuuIuuIIuIIIIuuIIIuuIIuuIIuuIuIuIuIuI
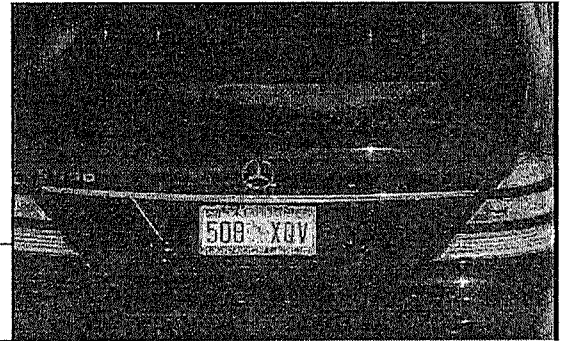
Violation Number:	2009004990	Turnpike:	Kilpatrick
Violation Date:	6/21/2009	Plaza:	Santa Fe Mainline
Violation Time:	4:28 PM	Lane:	EB - Inside

PIKEPASS Account Holder

You have received this notice for one of the following reasons:
(a) Your license plate number is not updated in your Pikepass account records
(b) Your active Pikepass was not properly displayed or read during turnpike travel
(c) Your Pikepass was deactivated due to account suspension, account termination or scheduled tag retirement

If you were using an active Pikepass (a) or (b), dismissal of this violation can be accomplished online (see **Online Resolutions REDUCED PAYMENT or PIKEPASS DISMISSAL** option below).
Or write your Pikepass Account Number here _____ and fax to 405.755.8243

The person or entity named above is the current registered owner / responsible party of a vehicle that was detected in the PIKEPASS ONLY lane detailed above and generated a toll evasion violation incident for the improper use of the PIKEPASS electronic toll collection system as defined by both the Oklahoma Electronic Toll Collection Act 47 O.S. § 11-1401.2 (O.E.T.C.A.) and the PIKEPASS License and Use Agreement. Pursuant to the O.E.T.C.A., the current registered owner / responsible party of the vehicle imaged above is required to resolve this toll evasion violation incident.

This notification provides an opportunity for the registered owner / responsible party to voluntarily pay the civil penalty or provide documentation necessary to resolve the indicated violation prior to the assessment of administrative late fees and/or collections efforts that are authorized by the O.E.T.C.A. Failure to resolve this violation by **09/08/2009** (within 21-days of the Final Notice date) will result in the assessment of a $10.00 administrative late fee and possible collections processing.

To expedite the resolution of this toll evasion violation incident, please review and choose an appropriate response associated with one of the following options.

OPTION	RESPONSE
Online Resolutions **REDUCED PAYMENT** or *PIKEPASS* **DISMISSAL**	From web browser, navigate to https://www.pikepass.com/violations & enter following: Code 1 4TKCL Code 2 8KZTC License Plate 508XQV Click on Search Violations button & follow instructions for credit/debit card payment or **Dismissal if an active Pikepass was being used**
Pay violation by Mail or Phone	(a) Detach & return payment coupon w/check or money order **payable to OTA** or (b) Credit/Debit Card payment (toll free 877-774-9569) or (local 405-755-1221)
Rental or leased vehicle on violation incident date	Provide copy of rental or lease agreement with name & address of driver
Did not own vehicle on violation incident date	Provide copy of purchase agreement, trade-in agreement or bill of sale
Paid toll prior to violation process date	Provide copy of payment receipt
Paid OHP citation for same incident	Provide copy of citation & proof of payment
Vehicle reported stolen prior to violation incident date	Provide copy of police report
Improper notification	Contact Enforcement Branch by phone, fax or email (below)
Formal contest	

Telephone		Fax Line	Email
Monday - Friday / 8:00am - 4:30pm		405-755-8243	violations@pikepass.com
Toll Free	877-774-9569		
Local	405-755-1221		

Any mailed correspondence should include the <u>violation number</u> and <u>license plate</u> referenced in this notice and addressed to:

OTA / ENFORCEMENT BRANCH
PO BOX 11255
OKLAHOMA CITY, OK 73136-0255

Sincerely, O.T.A. Enforcement Branch

MAIL-IN PAYMENT ONLY – Cut along dashed line & return with payment to ensure proper credit

MAIL WITH PAYMENT TO:

Oklahoma Turnpike Authority
Enforcement Branch
PO Box 960007
Oklahoma City, OK 73136-0255

1-1
PETTERGREW, WAYNE
2405 RIVA WAY
ARCADIA OK 73007-9100

Violation Number:	2009004990	Turnpike:	Kilpatrick
Violation Date:	6/21/2009	Plaza:	Santa Fe Mainline
Violation Time:	4:28 PM	Lane:	EB - Inside
License Plate:	508XQV		
Due Date:	**09/08/2009**	Total Due:	**$75.00**

1601

L-7

Instructions for completing and returning this form: If you are a Lessor or Rental Agent, please complete the Lessor/Rental Agent Section. All others must complete the Registered Owner Section. Sign this form before a notary public and return with any accompanying documentation to: **OTA - Enforcement Branch, P.O. Box 11255, Oklahoma City, OK 73136-0255**

IMPORTANT - Failure to contest or respond to a Certified Notice of Toll Evasion Violation within twenty-one (21) days of the date of such Certified Notice of Toll Evasion Violation shall be deemed an admission of liability and the charge shall be imposed and may be collected as authorized by law.

LESSOR/RENTAL AGENT SECTION

To provide proper evidence for re-assignment of the violation, a copy of the lease agreement must be attached to this form. The Authority shall reassign the notice of toll evasion violation to a lessee, if the lessor provides the Authority with the name, address and driver license number of the lessee at the time of the occurrence of the toll evasion violation. (Please Print)

Lessor Name: _____

Violation No.: _____

Lessor Phone (Daytime): (_____) _____

Date of Violation: _____

Lessee Name: _____

Driver License Number: _____

License Plate: _____

Address:

_____

Signature (Registered Owner): _____

_____

Date: _____

_____

REGISTERED OWNER SECTION

Defenses include:
1. **You have received and paid an OHP Citation for the same incident** – return completed affidavit with a copy of the ticket and your cancelled check.
2. **You no longer own the vehicle** – return completed affidavit with a dated copy of either the title, purchase agreement, trade-in agreement or the bill of sale.
3. **The vehicle was stolen and not recovered at the time of the violation** – return completed affidavit with a certified copy of the police report of the stolen vehicle.
4. **You have previously paid the toll** – return completed affidavit with a copy of the cancelled check or payment receipt issued at the toll lane.
5. **You have a PIKEPASS account or were using someone else's PIKEPASS in your vehicle** – contact us at 1-877-774-9569.

Within thirty (30) days of receipt of this form, the Oklahoma Turnpike Authority will complete its investigation and mail the results of the investigation. (Please Print)

Registered Owner Last Name: _____

Violation No.: _____

Registered Owner First Name: _____

Date of Violation: _____

Phone Number (Day): (_____) _____

License Plate: _____

The undersigned, having been duly sworn, upon oath state that based on the following defense, I am not guilty of the foregoing toll evasion violation: _____

_____
_____
_____
_____
_____
_____
_____
_____

Signature: _____

Date: _____

RETURN THIS FORM TO:

OTA - Enforcement Branch
P.O. Box 11255
Oklahoma City, OK 73136-0255

Subscribed and sworn before me on the _____ day of _____ 20_____.

My commission expires _____.

_____ Notary Public

l-8

Presentation to the Legislature

of the State of Kansas

Benefits and Costs of the
National Vehicle Insurance Verification
and Compliance System

This is the Vehicle Insurance Verification and Compliance Element of the Services Offered by the Kansas Public Safety Consortium.

None of These Elements Require Direct Government Funding. All Provide Substantial New Revenues and Additional Benefits to the State of Kansas.

This document is provided in Thirteen Sections:

1. Introduction

2. Benefits of the Modules Proposed

3. Two Additional Modules We Wish to Discuss in Depth

4. Other Additional Modules for Possible Implementation

5. Overview of Modules Offered

6. Proposed Implementation Elements

7. Communications and Support to Ensure Success

8. Insurer Reporting Requirements

9. Evolution of Vehicle Insurance Reporting Systems

10. Costs

11. Sole Source Statement

12. An Offer of No-Cost Safety Cars

13. Suggested Next Steps

2-2

Section One: Introduction

This is intended to introduce the new NLETS-hosted Solution developed specifically to aid Law Enforcement and DMVs with vehicle insurance verification. This System provides instant, accurate vehicle insurance status on vehicles, handles all requirements non-invasively and does this along with, (and on the same screen as), vehicle registration information prior to the Officer leaving his or her vehicle or the DMV staff member dealing with any other issue. This should not be confused with dated concepts like random sampling or the standard IICMVA, (Insurance Industry Committee on Motor Vehicle Administration) concept. This is the only real-time, advanced system available and the only method possible to fully address and correct Kansas's problems regarding uninsured vehicles.

In addition to serving Law Enforcement and DMVs, this system also has broad applicability for the Insurance Commissioner, the Courts, The future Turnpike System, and other Divisions of Kansas's Government. It provides for each, far more than any possible alternative can. It forms a base of accurate data regarding insured and uninsured vehicles which dramatically enhances many current efforts while making many others unnecessary.

This specific document further details and now updates comments regarding the use of this system for normal roadside….but also interstate, future toll way and other high traffic location-based vehicle insurance verification. One intent of this system is to have no cost whatever to Law Enforcement, and also…. have no net cost of any kind to the State of Kansas, yet provide very dramatic benefits. This System can be easily and quickly implemented and will provide a safer, more professional, and far more efficient environment for Law Enforcement. It will also provide very dramatic new revenues to the State from many sources not currently available.

While the Law Enforcement Module can enable an officer to know vehicle insurance status the moment he or she does a query on a vehicle registration, it can also entirely automate the process regarding Interstate traffic and also later toll way traffic, enabling citations on both intrastate and interstate uninsured vehicles, Canadian-registered vehicles and later, Mexican-registered vehicles, (only Mexican Commercial records are currently available).

We submit that this is an ideal "win/win" system that benefits everyone involved….Law Enforcement, DMV, The Courts, All Kansas Insurers, and most importantly, all Kansas Citizens and Residents. While Kansas's recent accomplishments have long been impressive, the average vehicle insurance policy price remains at $1886. (insurance.com); minimum coverage levels are however, a very respectable 30/60/25, now slightly higher than the national average. Many of the issues the State is trying to address are outside its control. The National System can address those issues and complete your system. *It can provide many dramatic advantages….*

The Kansas Answer to All Problems Regarding Uninsured Vehicles, Call 800.853.7267

2-3

Because it is non-invasive, it has the support of Privacy and Minority Advocates and can provide many benefits, (including Accident and Emergency Reporting, bill payment status checks and much more), for everyone via an "800" phone line and internet access. **This system is supported by the NAACP and privacy advocates.**

Because it is National, it was designed to ensure vehicle insurance data for all States and the District of Columbia, thus ensuring that Kansas can have compliance with her vehicle insurance laws regarding those vehicles as well.

Because it is International, it can address status regarding both Canadian and soon, (perhaps next year), even Mexican private passenger vehicles, (it can do so now for Mexican commercial vehicles). It is also connected to INTERPOL.

Because it is totally accurate, it will be trusted and used by all Law Enforcement Officers, DMV Staff and others. The record of insurance is always and only exactly what the insurer of record says it is at that moment.

Because it is totally secure and in over forty years of service to Kansas and all other States, NLETS, (of which Kansas is an owner), has never once been compromised, it is trusted by all users. Now handling almost 100 million transactions a month, it is the National Recovery System for the FBI, provides you with Homeland Security, Amber Alerts, and many other forms of secure data, "24/7/365".

Because it is automatic, is a "plug and play"/"set it once and forget it" system for insurers and status appears on-screen automatically for Law Enforcement Officers, DMV Staff and others as an extension of what they do now, effort is greatly reduced for all parties. For Law Enforcement, status in fact, actually appears on the same screen, and in the same manner as do vehicle registration records. For DMV, it can provide a totally accurate alternative back-up system to what is provided now, and deliver additional and higher quality information, allowing DMV to set its own schedule to embrace elements and benefits as it best determines.

Because it has no cost of any kind to Law Enforcement and no net cost to any other government user, no funding bill is required. Since over a dozen States already get status data daily and electronically from insurers, and this System's requirements are less....not more than what insurers do now, there should be no barrier to an early implementation and dramatic new benefits.

Because it requires less of insurers than what they do now for Kansas, and has no privacy concerns or cost, it has no legitimate barriers to use.

While the current law requires auto insurance, the current paper certificate system encourages many to scam the system by purchasing, then instantly cancelling insurance and by scheming repairs, back-dating policies, and easily committing other insurance fraud. This system can finally end that abuse and provide a total solution.

Section Two: Benefits of the Modules Proposed

- This NLETS-powered System can provide interstate insurance status automatically when vehicle registration is checked by any Law Enforcement Officer in the State. Simply advise NLETS you wish to receive this data and it will happen automatically for all Kansas Law Enforcement.

- Your NLETS-based link can provide insurance status when any Kansas vehicle registration is checked by Law Enforcement anywhere in the Nation. This does not happen now and will greatly assist your efforts. Through no fault of DMV or others in the Government this now results in mistakes and greatly disadvantages law enforcement here and elsewhere, and it also disadvantages Kansas motorists and vehicle owners who may be falsely cited in other States for "no proof". This system corrects all of those problems.

- This being an interstate system as well, it can end that element of fraud, resulting in greatly increased revenues. All States now require some form of vehicle insurance and their data can greatly assist Kansas in combating crime.

- Your NLETS-powered system can also provide *accurate* intrastate insurance status automatically when a Kansas-registered vehicle's status is checked by any Law Enforcement Officer in the State, greatly enhancing your current efforts.

- Over thirty percent of all insurance fraud has an interstate component; this level of service can complete your system and end that. We can handle all details for the State.

- The system can handle all vehicle insurance needs with a direct NLETS link. This will take a very great load off existing system resources, ensuring that no equipment, software or services need to be purchased. This is certain to provide large savings over time, improved features and better access and communications for all users.

- Most vehicle insurance status data is now supplied daily and electronically by all national insurers which in turn write almost 87% of all policies nationally. In fact, most write policies in almost every state. With other Regional Insurers becoming involved, it means that over 90% of Kansas's requirements regarding vehicle insurers will be already provided by activity in other states, eliminating the need for any requirements at all for them. This quickly helps enable your law enforcement and other elements of government to greatly benefit.

- Kansas requires full VIN specific reporting for all commercial vehicles insured, but exempts fleet-registered commercial vehicles. Reporting is EDI and in a proprietary format. We offer a commercial vehicle reporting system that will require no changes at all for Kansas Government but provides a very long list of additional benefits. InsureNet can properly track commercial vehicles using VINs, UCs, (Unique Codes), USDOT Numbers, Asset IDs, and uses "Parent-Daughter" relationship links to ensure accuracy and accountability. **We can permanently resolve these current problems.**

- An extensive Insurer and Insurance Agents Benefits Module includes the ability for Insurers to send, and for the system to maintain, data at no cost *if they wish*. There are also no charges to insurers in order to parse and report insurer reporting requirements to other States and there is an automatic UC, (Unique Code – a unique identifier - linked to each policy and VIN combination)/binder system which can eliminate back-dated policies and provide dramatic benefits to policyholders.

- There is a support system for small insurers that includes a bureau service and also a support system to eliminate repair scams and much more. Agents have many benefits, including, (like insurers), secure portals, but no cost of any kind and their efforts are greatly reduced while providing far superior service. They can safely issue policies and binders at point-of-sale for all insurance types including commercial and family policies, and provide many other new services.

- All of this will result in savings certain to lower insurance rates. A noted insurer actuary has projected savings the first year of over $104./vehicle/policy. As noted elsewhere, this can result in **over $708 million dollars** in demonstrable savings to insurers, based on the number of vehicles in service as of 2008, now being passed on to policyholders and to a lesser degree, Citizens and Residents. **There is also $1.856 billion dollars in potential new business for insurers.**

- There is no net cost to Kansas Government, Insurers and Agents for any of these services. For those insurers who choose to take advantage of these benefits, this is easier and faster than what they do currently but provides dramatically *demonstrable* new benefits. To accomplish this, the State must require of insurers less than they do now....there is no longer any need to parse, (sort by jurisdiction), their data.

There is no possible reason that can be provided by any insurer to refuse as *they all dramatically benefit from this level of service and it costs them nothing.*

- This was designed as the interstate (and international) system for vehicle insurance verification for the entire Nation. What is being discussed is not *if* Kansas will use this system, *all states will use this system*....but adding the intrastate benefits to what will already be available and in place. Kansas is being asked to join other states regarding intrastate use. In all cases and with all states, these services have no net cost but are paid for by a percentage of new, additional revenues.

- This provides an accurate yet non-invasive DMV Insurance Verification System that will greatly enhance current efforts, including automatic, *accurate* insurance status at Registration, totally accurate "e" registration, complete IRP and Commercial Insurance verification, a full VIN cleaning system, additional servers, comms, and other equipment as you require, OS, and all other software elements required, and complete reporting system, (see details re. reports and additional features in the "Kansas InsureNet Offer" document). This can dramatically enhance your current DMV System and build on the great work done previously by Kansas.

This should result in over **$150 million dollars** to government, based first, on an estimate of an increase of almost **$10.75 million in additional Premium Tax** based in turn on elimination of 4/5 of the currently uninsured vehicles. Kansas continues to have a far lower UVR, (Uninsured Vehicle Rate), than the average in the rest of the Nation. In 2007, the Insurance Research Council estimated that Kansas had only a 10% rate of uninsured vehicles, but that was based on reporting from accident sites when people are often unlikely to be truthful and virtually no follow-up. Likewise, only nine prestige insurers reported, there was no broad-based reporting at all, and so, this rate was certainly lower than the actual UVR. Other data suggests that the effective rate in 2007 was at least 15%, based largely on vehicles not recorded at all in the Kansas System. With adjustments, such as the inclusion of motorcycles which have an uninsured rate higher than other vehicles and adjustments for a soaring UVR nationally based on economic conditions, it currently appears to be at least 19% when also accounting for the very large number of out-of-State vehicles on the State's roadways. For these projections, we have used 17%, which we are confident is both defensible and will be more accurate once news of a comprehensive system to support the State's requirements is announced.

Assuming the previous number of registered vehicles, (2,389,192), is now at least 2.4 million, and further assuming a UVR of 17%, using the Premium Tax rate of 2% and further using the total insurance policy price as reported by insurance.com of $1646., then acknowledging that only 80% of these vehicles will be forced into compliance, we get an estimated Premium Tax increase of $10,745,088., (17% of 2.4 million is 408,000 x $1646. Is $671,568,000 X 80% = $537,254,400 x .02 = $10,745.088.

The State has an excellent reputation nationally for addressing these problems. Kansas has made many improvements and progress continues but our earlier estimates which were lower, are now balanced by the current national trend which is a rapidly rising uninsured vehicle rate.

Kansas has taken steps in combating the problems associated with uninsured vehicles and the State's efforts will continue to produce positive results. That said, the problem was worse than recognized previously and is continuing to deteriorate. In 2008, the State saw a staggering 9% jump in policy costs according to insurance.com. Much of this reflects the impact on Kansas of interstate vehicles and has little to do with the efforts of DMV or those involved in Kansas insurance and law enforcement regulations and oversight. There are a great many factors outside the control of current efforts and it is those issues that the NLETS-based System we are proposing can and will address.

There will of course, also be far greater efficiency for DMV, Court and Law Enforcement Staff, and a more positive, less confrontational environment for them all.

Again, we believe that there's as much as $150.695 million dollars available in additional revenue and $22.58 million in savings for Kansas Government....

Potential Additional ....

- *Premium Tax of $10.75 million*
- *Roadside Citation Revenues – Insurance of $10.224 million*
- *Automated Citation Revenues – Insurance of $107.352 million*
- *Roadside Citation Revenues –Registration of $2.879 million*
- *Automated Citation Revenues – Registration of $30.24 million*

and....

Potential Additional Savings of

- *$910,000. to the Courts,*
- *$17.267 million in Public Healthcare/Hospitals*
- *$4.4 million to Law Enforcement*

These projections do not include reinstatement fees paid to DMV or numerous additional income and savings elements regarding the InsureNet Module. They also do not include any of the additional savings and income generated by other elements provided by IIS, Telvent, Adesta and Federal Signal.

More details.....

- Comprehensive Insurance Commissioner and Fraud Director System with both automatic and secure "wild card" reporting. This could provide substantial new fines and savings the first full year but should decline to almost zero in subsequent years. Detailed tracking of non-compliance along with insurer's NAIC code and contract details to be supplied daily.

- Use of this system with *non-invasive* ALPR, (Automatic License Plate Recognition) systems could result in an estimated additional revenue stream of over $107 million dollars the first full year of operation, (**$107.352 million),** in additional citation-based revenues. Much of this additional income will be based on interstate, not intrastate traffic. The actual amount assumes the State will fully allow for "police multiplier" or "Extended Enforcement" automated systems to be mounted on/with toll way, interstate, ITS infrastructure and in Greenfield sites around the State. This system is entirely non-invasive. Please remember that InsureNet is, not an invasive system. It cannot receive, maintain or use any name or address and can thus, certainly never identify an individual. InsureNet deals only with vehicles, never a person. These projections are based on identification of at least 80% of all vehicles on the State's streets and highways at some time during the year. To obtain this estimate, we have simply multiplied the element referenced below, (Complete Court System), of **$15.336 million,** which is based on identification of 10% of all vehicles on the roads during the year, times seven. In any case, please remember that with InsureNet services, no citation can ever be issued by anyone who is not a Certified Law Enforcement Officer. This automated system is always and only just an extension of law enforcement at roadside.

- Amber Alerts and many other services to the Public can also be provided along with automatic vehicle insurance status on vehicles. This can all be done automatically through NLETS. Final estimates regarding value to the State will be provided once we determine the number and placement of units. In any case, Kansas will not be asked to fund any additional equipment or other system element purchases for this or any other module.

- Complete Court System providing current, accurate insurance status, but also accurate status for the date of citation and date prior to citation in order to eliminate back-dated policies. This could normally result in an estimated **$15.336 million** in **non**-automated citation revenues statewide.

Based on ten percent traffic stops on the 408,000 Kansas uninsured vehicles and an assumed 160,000 uninsured interstate vehicles, (known 800,000 interstate vehicles on the State's roads during a year and an assumed 20% UVR, results in only 160,000 such vehicles).

This equals 568,000 vehicles of which, with the average roadside stop/license plate ID rate of 10% still delivers 56,800. Because the identity of the driver does not matter, we assume a 90% collection rate, so with 56,800 x 90% resulting in 51,120 times the minimum fine of $300., which is still less than the national average, that represents **$15.336 million.**

- Of the $15.336 million above, if we then assume that one-third of this amount is now being identified and collected, that would then provide only **$10.224 million** which is all that is claimed in these projections for additional revenue sourced by the addition of InsureNet to existing systems regarding insurance verification at roadside. That said, please note that much of this is not currently enforced and so, under current conditions, this level of revenues would not be realized and the amount provided by InsureNet instead could be higher.

- Interactive voice response and touch-tone telephone via "800" number and also portals for PDAs and computers allow anyone safe access to status "24/7". There is an estimated savings to **Law Enforcement of $4.4 million.**

  If we simply take the percentage of the U.S. population represented by Kansas, (U.S. Census estimate was 2,802,134 in 2008, and since that is almost 1% of the 304 million people reported in the U.S. in 2008, and we then divide that into the 1.2 million law enforcement officers in the U.S., (iacp.org), It seems safe to then assume that there are approximately 1,200 law enforcement officers in Kansas. To be conservative and to reflect the fact that Kansas population is not quite 1%, we then reduced that further to 1,000. We know from various law enforcement authorities, (but you should check yourself), that vast amounts of time each week are wasted with minor 'fender benders" and similar issues. Enabling anyone at any time with only a touch-tone phone or PDA to determine vehicle insurance status in such an environment and in the process, also helping ensure against "ghost riders" and other forms or fraud, is invaluable. For the law enforcement community, let's assume that only four times each week, an expenditure of only one hour is avoided.

  On that basis, we might assume that 4,000 hours per week or based on a 50 week year, 200,000 hours a year are thus saved which represents, if we further assume a payment package of $18. /hour, **$3.6 million** can be saved and if we also further assume the use of equipment saved might be another $1./hour that makes an easy calculation for us of $4. x 50 x 4,000 or **$800,000.** This then, represents an additional **$4.4 million dollars in savings to government.**

- Additional savings to insurers from avoidance of unnecessary and unwarranted payouts for UMI and for "ghost riders" and much else from use of the IVR system are well over **$23 million** but we are currently researching sources and it could be far higher.

- The LienAssure System automatically provides full support for all Kansas banks and other lien holders. This will provide an estimated **$16.6 million in benefits** to them and we estimate millions in additional revenues to the State in additional tax over time. At this time, over one-third of all lien notices provided to lien makers by lien holders and initiated based on legally-required notifications by vehicle insurers are returned for "bad address." This in turn, is primarily due to the fact that it often takes 30-45 days to receive and log insurer notification. The ability to notify lien holders daily is of very great benefit to them and also.....to vehicle insurers, who can then assume far greater policy value/ sustainability. Estimates of the value of this service range as high as $27 million, and so, vastly different than the $16.6 million estimate but....that is the lowest estimate based on known elements. As research continues, this estimate can be expected to increase substantially.

- Unregistered or improperly registered vehicles in the U.S. are estimated to be well over 7%. This is a significant problem and an issue of growing concern. While NMVITIS and other initiatives are beginning to address this problem, they can do little to identify vehicles driven by undocumented aliens and owners of vehicles being used in jurisdictional rate scams, or many other issues.

  While some continuing progress will be made over time, it is certainly safe to assume that at least 5% of all the vehicles on Kansas's highways, streets and roads are not properly registered. If we again take the 2.4 million vehicles that should be Kansas-registered, and add an estimated 800,000 interstate vehicles, (800,000 will have been in Kansas at some time during a twelve month period), 5% of those 3.2 million vehicles is 160,000. Ten percent of that is 16,000 and that number times $300. is another $4.8 million dollars of potential income. If we assume for a moment that we will cite and collect from only 90% of those, that represents $4.32 million. Further assuming that one-third of this is currently cited and collected, that further reduces this amount to **$2.879 million.**

  To obtain an estimate of what can be accomplished using automated enforcement, if we simply take the 10% identification figure above of $4.32 million and multiply by 7 to reflect instead an 80% rate of identification, with the same deductions already taken, we then arrive at a figure of **$30.24 million.**

- The LegalStatus System automatically provides full support for all Prosecutors/ DAs. This represents an estimated savings of **$910 thousand.** Traffic citations are handled in Kansas's 105 Counties but also in additional courts in various jurisdictions. Assuming now that there will be the previously referenced 56,800 "No Proof" and 16,000 No/Improper Registration" citations that must be handled in the traditional court manner, and further assuming that, according to various court sources, (please confirm this yourself), that the average person from the DA's Office handling these matters has an average income and benefits package of $46,000./year, or, (based on a 40 hour week and a 50 week year), an hourly cost of $23. and further that only an average of thirty minutes is taken per case, (assume half is in support of actual court time and half is process time), that represents 1/2 of $23., ($12.50) x 72,800, or **$910,000.**

The Kansas Answer to All Problems Regarding Uninsured Vehicles, Call 800.853.7267

2-11

- The Medilink System will link all Emergency Rooms in the State with single screen access, (provided the user is pre-approved and has activated use via security channels) to insurance status. This screen will provide insurance coverage levels on all vehicles involved in an accident, thus ensuring that whoever might be responsible is indeed, held responsible.

This one module is expected to save Kansas government healthcare and hospital facilities **$17.267 million annually.** While InsureNet can only provide insurance status and levels of coverage, the hospitals, (if government-approved), can use a Net Anchor to safely access all related current names and addresses associated with the vehicles involved via NLETS.
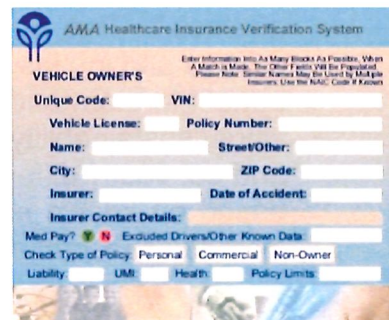
Over half of all healthcare in Kansas is paid for by either State or Federal funds. According to statistics provided on the internet and over the telephone by the Kansas Hospitals Association, that organization's 125 Community Hospitals contributed a total of $157,896,908 in fiscal year 2007 toward free and subsidized healthcare and community benefit programs. Of that total, the amount of free health care provided to those unable to pay was $69,069,390.

These losses do not appear to reflect all trauma care costs. All but of the Association's 125 Community Hospital Members are charged with responsibilities involving accidents of some description. On the telephone, the Association says that they can't be sure of the percentage of losses regarding uncompensated care from traffic accidents but provided instead a "guesstimate" of "at least one-fourth and perhaps one-third" of all loss being the result of auto accidents.

If we assume only one-fourth and then take the $69,069,390 from 2007 and ignore that it is almost certainly higher today, and divide by four, that loss figure is **$17.267 million dollars** that can be directly saved by government entities. We have good reason to think it may be far more than this and research into that issue is continuing.

- Clearly, healthcare insurers in Kansas appear to also be absorbing **at least $29 million** each year in losses that should be paid by vehicle insurers because subrogation cannot work well when identification of responsible parties is as difficult as it is currently. That directly impacts those with healthcare insurance resulting in higher premiums. Like benefits to privately-controlled hospitals, it does not however, directly impact government of course, and has not been included in benefit projections to government. It does, on the other hand, impact policyholders and results in higher policy costs….just not *vehicle* policy costs.

- The current costs for trial attorneys to query Lexis-Nexis and other sources only to be unable to get accurate current vehicle insurance status data and the *extreme* difficulty in obtaining archived data for the date of citation and date prior regarding potential back-dated policies is staggering.

The Kansas Answer to All Problems Regarding Uninsured Vehicles, Call 800.853.7267

We have estimated that **$1.514 million** can be saved based on direct input to us from attorneys. This should be a conservative figure for potential savings regarding these 56,800 roadside "No Proof" and 16,000 "No Registration" automated cases and then the automated 397,600 "No Proof" and 112,000 "No Registration" automated cases. Assuming that only one-fifth of these 582,400 cases have any involvement from/with an attorney, that still represents a total of 116,480 cases. This averages out at $13. each.

- It is a matter of public record that GEICO, Nationwide, Progressive, State Farm, and another twenty national insurers and countless mid-range and small ones, all report electronically to many states every day, even those not requiring it, like Oregon, Virginia, Georgia. That said, reporting to the State remains has remained difficult to monitor and enforce. The result has been that the People of Kansas have been disadvantaged by higher costs and lower service levels while Crime Control and the Courts have been forced to continue dealing with often unknown vehicle insurance status, even for Kansas vehicles and, a serious uninsured vehicle problem that remains "largely invisible" and which no 'pull' system can resolve.

  The System also provides secure portals for:

  - Kansas Independent Insurance Agents Association,
  - New and Used Vehicle Dealers,
  - Vehicle Rental Agencies,
  - Trial Attorneys,
  - Banks, Finance Companies and other Lien Holders,
  - Vehicle Insurers,
  - Kansas Insurance Federation,
  - MADD,
  - AARP, ACLU and Other Privacy Groups
  - NAACP and other Minority Advocacy Groups
  - Consumer Organizations
    - and others as directed by the State.

- Your current NLETS System can provide interstate insurance status automatically when vehicle registration is checked by any Law Enforcement Officer in the State. Simply advise SBI that you wish to receive this data and it will happen automatically for all Kansas Law Enforcement.

The Kansas Answer to All Problems Regarding Uninsured Vehicles, Call 800.853.7267

2-13

- Your NLETS-based link can provide insurance status when any Kansas vehicle registration is checked by Law Enforcement anywhere in the Nation. This does not happen now and will greatly assist your efforts. Through no fault of DMV or others in the Government this now results in mistakes and greatly disadvantages law enforcement here and elsewhere.

  This also currently disadvantages Kansas motorists and vehicle owners who may be falsely cited in other States for "no proof". This system corrects all of those problems. This being an **interstate** system as well, it can end that element of fraud, resulting in greatly increased revenues. All States now require some form of vehicle insurance and their data can greatly assist Kansas in combating crime.

- Your NLETS-powered system can also provide *accurate* intrastate insurance status automatically when a Kansas-registered vehicle's status is checked by any Law Enforcement Officer in the State, greatly enhancing your current efforts.

- Most vehicle insurance status data is now supplied daily and electronically by all national insurers which in turn write almost 88% of all policies, (including those in Kansas). In order to comply with States now requiring such daily electronic insurance status reporting, the insurers are just providing data in the same manner and with the same frequency for all jurisdictions served….including, in the case of large insurers, Kansas; it is easier and less expensive to do so. No matter what Kansas's requirements are, access to the data provided by other States enables your law enforcement and other elements of government to greatly benefit.

- The system proposed has none of the problems seen in Georgia or elsewhere which involved large numbers of honest policyholders being challenged regarding their insurance policies. This is a 'positive default"…not a "negative default" system and identifies vehicles as being uninsured only upon the insurer of record specifically identifying that vehicle as such. This system respects and…..*shows respect*….for everyone.

- This system has none of the problems associated with the system implemented in New York. Insurers are not required to purchase equipment, software or in fact do anything new. They will actually do considerably less than they do for Kansas now.

- Over thirty percent of all insurance fraud has an interstate component; this level of service can complete your system and end that. We can handle all details for the State. A noted insurer actuary has documented hundreds of millions in additional revenues and savings to insurers.

The Kansas Answer to All Problems Regarding Uninsured Vehicles, Call 800.853.7267
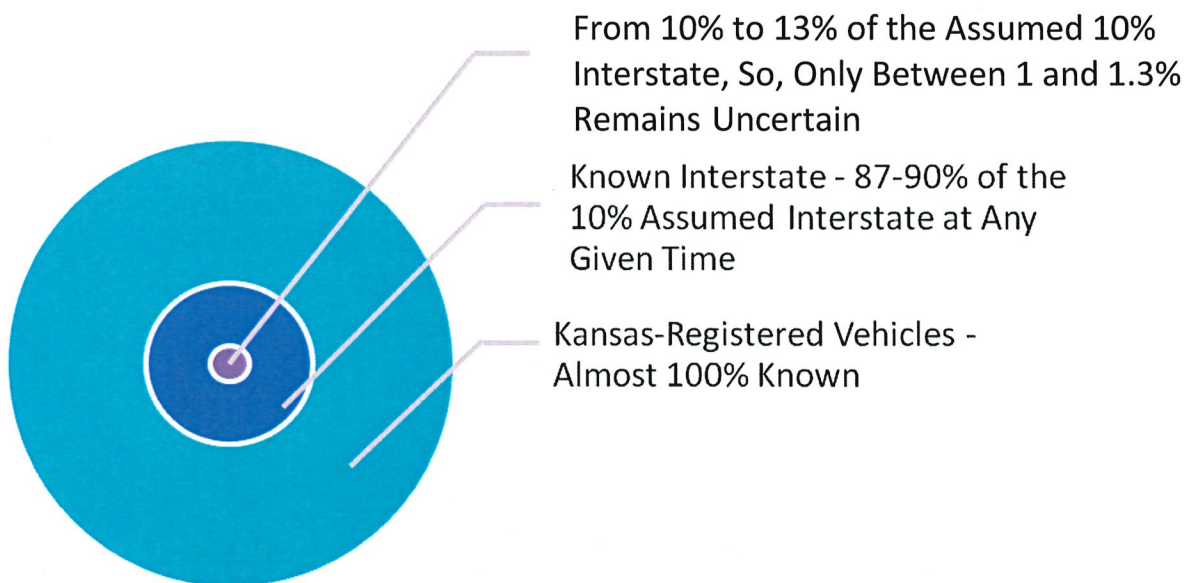
2-14

- An extensive Insurer and Insurance Agents Benefits Module includes the ability for Insurers to send, and for the system to maintain, data at no cost *if they wish*. There are also no charges to insurers in order to parse and report insurer reporting requirements to other States and there is an automatic UC, (Unique Code – a unique identifier - linked to each policy and VIN combination)/binder system which can eliminate back-dated policies and provide dramatic benefits to policyholders.

  There is a support system for small insurers that includes a bureau service and also a support system to eliminate repair scams and much more. Agents have many benefits, including, (like insurers), secure portals, but no cost of any kind and their efforts are greatly reduced while providing far superior service. They can safely issue policies and binders at point-of-sale for all insurance types including commercial and family policies, and provide many other new services.

There is no net cost to Kansas Government, Insurers and Agents for any of these services. For those insurers who choose to take advantage of these benefits, this is easier and faster than what they do currently but provides dramatically *demonstrable* new benefits. There is no longer any need for insurers to parse, (sort by jurisdiction), their data. There is no possible reason that can be provided by any insurer to refuse to support this system as *they all dramatically benefit from this level of service and it costs them nothing.*

As noted, initially, the database will have only approximately 88-90% of known, accurate insurance status from other jurisdictions. Over time, that percentage will increase substantially. One way to look at that might be the graphic below:

From 10% to 13% of the Assumed 10% Interstate, So, Only Between 1 and 1.3% Remains Uncertain

Known Interstate - 87-90% of the 10% Assumed Interstate at Any Given Time

Kansas-Registered Vehicles - Almost 100% Known

For all interstate vehicle insurance status not instantly available, this will deliver, (along with disclaimers regarding date and time recorded, etc.), most of the remaining 13%, sourced directly from the States involved via NLETS. The source of that data will be identified.

Insurance status can also be delivered regarding Canadian vehicles, which will have a slightly higher percentage of accuracy. Insurance status for Mexican commercial vehicles is, as noted, also available via NLETS, but not yet status for Mexican passenger vehicles.

This system is for all of North America. A simple comparison might literally, look like this:
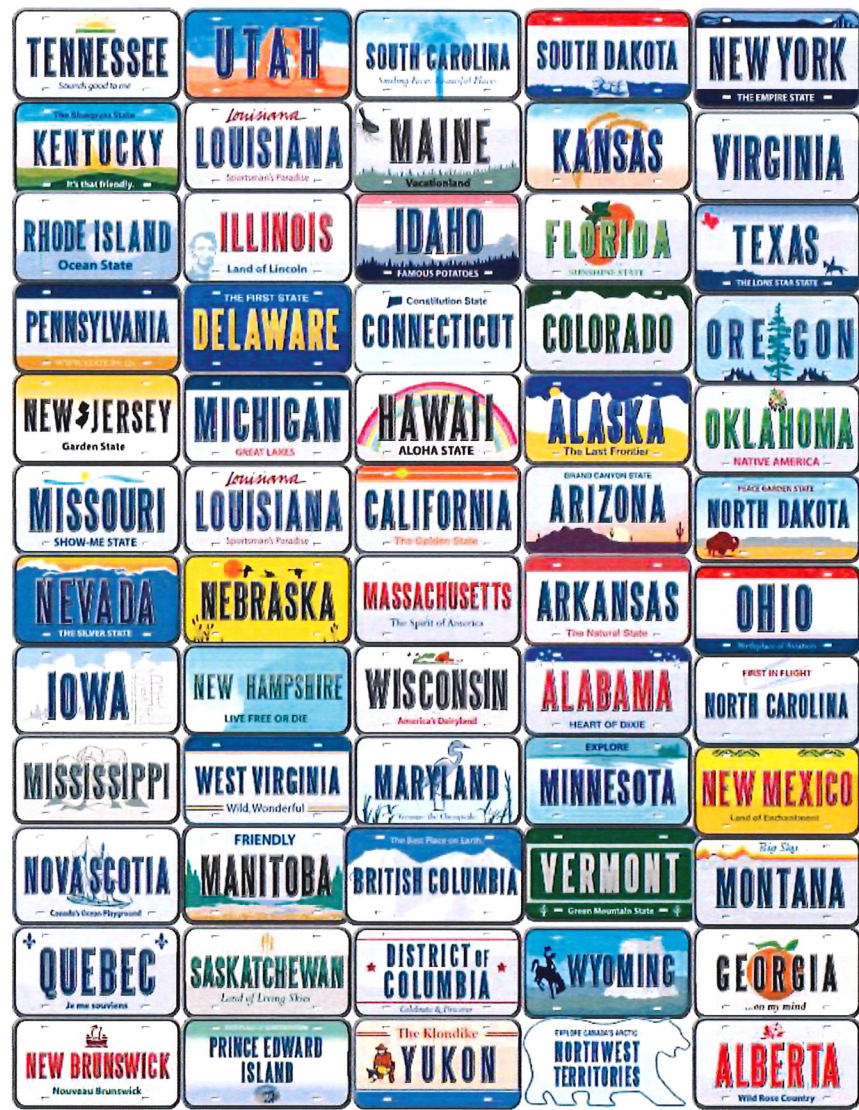
Traditional, current technology: KANSAS OR, JUST ONE STATE

OR….. INSURENET:

- Your NLETS-based link can also provide insurance status when a Kansas vehicle registration is checked by Law Enforcement anywhere else in the nation. This does not happen properly now and will greatly assist your efforts. Through no fault of DMV, Highway Patrol, or others in the Government, this now results in mistakes and greatly disadvantages law enforcement here and elsewhere. It also disadvantages Kansas motorists and vehicle owners who may be falsely cited in other States for "no proof". This system corrects all of those problems.

- Your NLETS-hosted/powered system can also as noted, provide *accurate* intrastate insurance status automatically when a Kansas-registered vehicle's registration is checked by any Law Enforcement Officer inside the State. While Kansas has done much in this regard, we can complete that process for the State.

- NLETS-compliant INSURENET Servers in Topeka can be provided to handle all vehicle insurance needs but it is more efficiently handled over the direct NLETS link the State has used for decades. Either way, this will take a very great load off existing system resources, thus providing large savings over time, improved features and better access and communications. The State of Kansas is not required to purchase equipment or software and any software modifications/links, (which should be very limited) will be reimbursed by INSURENET.

- Assuming that Kansas, like most States, has a problem handling SR-22s and SR-26s, an SR-22/26 Reporting System will be provided to electronically record daily updates from insurers along with the data being sent from those same insurers to NLETS. This will be NLETS-hosted on INSURENET-provided servers but remain at all times under the direct control of DPS. These files will not transfer to the Core INSURENET System because those servers cannot accept any files with names and addresses. Rather, all SR-22 and SR-26 requirements will be handled separately on these Kansas Government-controlled servers.

  Likewise, those Protect and Serve System servers can capture any/all data required by DMV so to ensure that all every element now provided by DMV to insurers, ChoicePoint, ISO and others is made available. The only difference is that data will be more accurate and therefore of greater value, than ever before. **But again, there need be no direct link of any kind with DMV.**

- As noted, most vehicle insurance status data is now supplied daily and electronically for Kansas and other States by all national insurers which in turn write almost 88% of all policies nationally. The system proposed requires even less of those insurers than what they now do for yours and other States; they need not even sort data by jurisdiction. Like Georgia, Oregon and other States, Kansas does not require daily electronic reporting ....but may get it anyway from large insurers. It is easier and less expensive for insurers to report in that manner.

- Kansas should also be supported fully by at least daily updates and access to the data provided by other States (unparsed by jurisdiction), in order to enable law enforcement and other elements of government to greatly benefit as well. Additionally, this system provides secure portals for every Agent and Insurer, then enabling **true real-time vehicle insurance status**.

- An extensive Insurer and Insurance Agents Benefits Module includes the ability for Insurers to send, and for the system to maintain, data at no cost *if they wish*. There are no charges for this and also no charges to insurers in order to parse and report insurer reporting requirements to other States and there is an automatic UC, (Unique Code – a unique identifier linked to each policy and VIN combination)/binder system which can eliminate back-dated policies and provide dramatic benefits to both insurers and policyholders. There is a support system for small insurers that includes a bureau service, (including the ability to report by fax), and also a support system to eliminate repair scams and much more.

- Agents have many benefits but no cost of any kind. Their efforts are greatly reduced while being enabled to provide far greater benefits to policyholders. They can safely issue policies and binders at point-of-sale for all insurance types including commercial and family policies, and provide many other new and improved services.

This initial proposal then, provides initial modules including:

The Secure Reporting System

Our Guardian Reporting System can deliver directly via SFTP, Triple DES Encryption, or via the secure portals provided to each Insurer, Agency or Division of Government, reports based on almost three dozen fields. With date and time stamps, thousands of possible combinations. This can end premium diversion, back-dated policies, fund float, repair scams and much else. Nationally, vehicle insurance fraud now costs policyholders over $80 billion annually; this data can eliminate at least 70% of those losses.

Protect and Serve....

can provide Kansas with an updated, automated and complete SR-22/ SR-26 System. This will record daily updates from vehicle insurers along with names, addresses, conditions and all else. NLETS-hosted but under DPS control and linked to all law enforcement agencies and courts, the DMV and others as required. Insurance status to be recorded by INSURENET, but otherwise no connection with that System.

The Kansas Answer to All Problems Regarding Uninsured Vehicles, Call 800.853.7267

Real-Time Portals for Every Agent and Insurer

INSURENET's GRID is the only way to provide real-time reporting and support. By comparison, current "pull" concepts can only access data that was updated previously. Real-time access to old data means little, but the ability to register a vehicle seconds after purchasing a policy is supported by this....a total solution. Every Agent and Insurer has their own secure portal. Communications problems can finally end. Insurers and Agents both provide and access data in total safety.

LienAssure

Vehicle insurers are required to notify lien holders whenever policies are terminated or coverage levels reduced. LienAssure enables this to happen daily and automatically so that lien holders can take action quickly to protect their investment while insurers meet their requirements as well. Both benefit greatly...as does the public. Better policy maintenance means reduced fraud and lower insurance prices.

The Greatest Revenue Source

ALPR, (Automatic License Plate Recognition) is now revolutionizing Law Rnforcement all around the Nation. Ensuring far greater safety for Officers, it can also provide up to eight times more citation revenue and far better protection regarding interstate violators. All cameras and other equipment, installation, maintenance, citation processing and collections can be provided without State funding from part of proceeds.

Smart Town

Identification, Collection, Distribution and Accounting

INSURETAG

This system identifies uninsured vehicles via ALPR and other automated methods, makes all preparation for approvals, then sends approved citations, (both intrastate and interstate), and tracks them providing follow-up, (Help Desk support, etc.), handles collections and then both distributes and accounts for all revenues.

MediLink

The ability to provide First Responders and Emergency Room Staff with insurance status - for both intrastate and interstate vehicle-related coverages, is essential in saving millions each year. NLETS links can provide names and addresses, while INSURENET provides the actual insurance levels - all on the same screen.

The Kansas Answer to All Problems Regarding Uninsured Vehicles, Call 800.853.7267

2- 19

Drive Safe...Drive Private... with the Privacy Net

Citizens, Residents and Visitors to the State deserve to know that they are being protected and that non-compliant vehicles are being identified....that law enforcement is taking action. They also need to know that their names and addresses are not being made available.... that while vehicles may be seen... they, the drivers and owners, remain invisible to the system.

The average policy price in Kansas as reported by insurance.com, (average policy price by state), is $1646. That, multiplied by the 2.4 million vehicles registered in Kansas represents at least a **$3.95 billion dollar market,** ($3,950400,000). While currently uninsured vehicles tend to be older, driving records associated with those vehicles and payment histories both serve to balance the cost, resulting in an average cost very similar to, (actually slightly higher than), current averages.

According to A.M. Best and other industry sources, vehicle insurance is remarkably profitable and the industry able to easily absorb some additional costs in serving the Public.....even so....the InsureNet System requires no purchases or fees and does not require insurers to do anything not being done now. It is a matter of public record that Nationwide, Progressive, State Farm, and another twenty national insurers and countless mid-range and small ones, all report electronically to many other States every day and also normally, to Kansas.

The DMV needs support. It needs....an accurate yet non-invasive Insurance Verification System that will greatly enhance current efforts, including automatic, **accurate** insurance status at Registration, totally accurate "e" registration, complete IRP and Commercial Insurance verification, (perhaps a later phase), a full VIN cleaning system, additional servers, comms, and other equipment as required, OS, and all other software elements required, and a complete reporting system. This can dramatically enhance your current DMV System and ensure that the system works automatically and properly. It will also ensure against any confrontation at DMV counters if and when proof of insurance is required, as status is always and only exactly what the insurer of record says it is. DMV staff need not concern themselves with insurer-reported status as the system handles all requirements for them.

Section Three: Two Additional Modules We Wish to Discuss

We would appreciate the opportunity to discuss these additional elements. We are well aware that no budget exists for either and will be providing them without additional charge but need to know more about your requirements and wishes prior to proceeding.

The first of these is the availability of a VPN using "Net Anchors" to update/better link DMV and all registration locations.

The Kansas Answer to All Problems Regarding Uninsured Vehicles, Call 800.853.7267

2 – 20

There is a very great deal to discuss in that regard and we ask for a specific meeting to advise what we have in mind, what we are doing elsewhere and what is available. The other issue is something we call "Know on the Go"....

Guardian Secure VPN

Developed for other States to link every Tax Commissioner's Office with instant vehicle insurance verification and registration capability, access to critical files, fund collection and accounting all via Secure Virtual Private Network at full NLETS Standards. Based on previous conversations, some of these features appear to be needed for better connectivity between Divisions.

Kansas Guardian

Know On The Go

Check if a payment was made, if you daughter's date tonight is driving insured, to report a theft, or to find out if the car that just hit yours is actually insured....do it any time... and always in seconds

While many options and benefits are possible, we are anxious to handle this in the manner you wish. We would like to provide a live demo, explain this in detail and then let you decide how much or...how little you wish to activate. While the IVR and touch-tone telephone/"800" number functions are details must be worked out, other access is already planned for many organizations. Specific, dedicated portals to be provided as part of Phase One, include those for:

- Every Insurance Agent and Broker in Kansas
- The Insurance Agents Association, (Big I)
- Every Kansas-licensed Insurer
- The Kansas Insurance Federation
- New and Used Vehicle Dealers,
- Vehicle Rental Agencies
- Trial Attorneys,
- Banks, Finance Companies and other Lien holders,
- MADD,
- AARP, ACLU and Other Privacy Groups
- NAACP and other Minority Groups
- Consumer Organizations
  - and others as directed by the State.

The Kansas Answer to All Problems Regarding Uninsured Vehicles, Call 800.853.7267

2-21

Section Four: Other Additional Modules for Possible Implementation

Later Additions can include, (among many others).....

National Court Verification System

Providing instant and accurate status for court date, and then, on prompt - the citation date and automatically, the date prior to identify back-dated policies. Intrastate and interstate, periods of coverage and much more...a complete system.

Guardian Marine Insurance Verification

NLETS serves every State, the District of Columbia, Puerto Rico, and.... the Coast Guard. Guardian Marine is being developed to provide the first-ever national, (and eventually international) database for water craft and marine registration and insurance. This will support both U.S. Ports and Homeland Security.

Aurora...
The National Aircraft Insurance Verification System

NLETS currently links to and handles FAA data traffic. Working with the Aviation Insurers Association, this will soon provide support for the maintenance and linking of FAA Registration, State Registration records and insurance status for General Aviation.

AURORA

National Workers Comp Verification System

First-ever national database for employers, state governments and all law enforcement. Available June, '09.

KANSAS **The Kansas Answer to All Problems Regarding Uninsured Vehicles, Call 800.853.7267**

2-22

Section Five: Overview of Modules Offered

Additional Modules that also require no direct government involvement or funding but which can provide additional benefits – we will however, need to get additional directions from you regarding how you wish the services implemented and used

Module 20: Additional DMV Elements/Requirements

Module 19: Watercraft, Aircraft, RVs, etc.

Module 18: Vehicle Dealers/Rental Car Insurance Verification

Module 17: VRP/IRP/Commercial Vehicle Monitoring/ Compliance Monitoring, etc.

Module 16: Flood & Disaster Insurance,

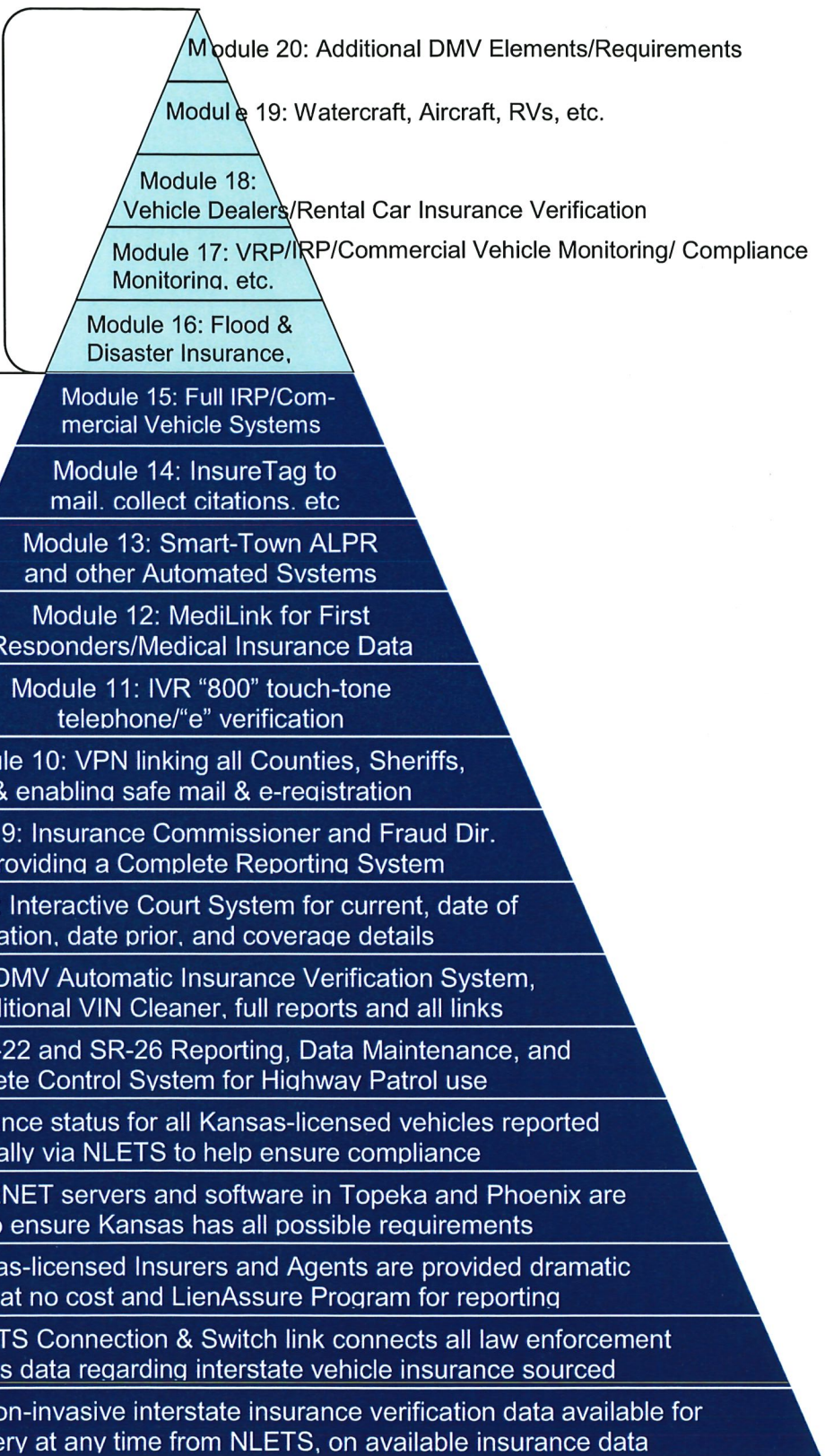These 15 Modules are all elements we wish to discuss at the earliest opportunity. All are planned for without funding from the State

Module 15: Full IRP/Commercial Vehicle Systems

Module 14: InsureTag to mail. collect citations. etc

Module 13: Smart-Town ALPR and other Automated Systems

Module 12: MediLink for First Responders/Medical Insurance Data

Module 11: IVR "800" touch-tone telephone/"e" verification

Module 10: VPN linking all Counties, Sheriffs, & enabling safe mail & e-registration

Module 9: Insurance Commissioner and Fraud Dir. – providing a Complete Reporting System

Module 8: Interactive Court System for current, date of citation, date prior, and coverage details

Module 7: DMV Automatic Insurance Verification System, with Additional VIN Cleaner, full reports and all links

Module 6: SR-22 and SR-26 Reporting, Data Maintenance, and Complete Control System for Highway Patrol use

Module 5: Insurance status for all Kansas-licensed vehicles reported nationally via NLETS to help ensure compliance

Module 4: INSURENET servers and software in Topeka and Phoenix are provided to ensure Kansas has all possible requirements

Module 3: All Kansas-licensed Insurers and Agents are provided dramatic new benefits at no cost and LienAssure Program for reporting

Module 2: State's NLETS Connection & Switch link connects all law enforcement in Kansas to status data regarding interstate vehicle insurance sourced

Module 1: Accurate yet non-invasive interstate insurance verification data available for intrastate vehicle query at any time from NLETS, on available insurance data
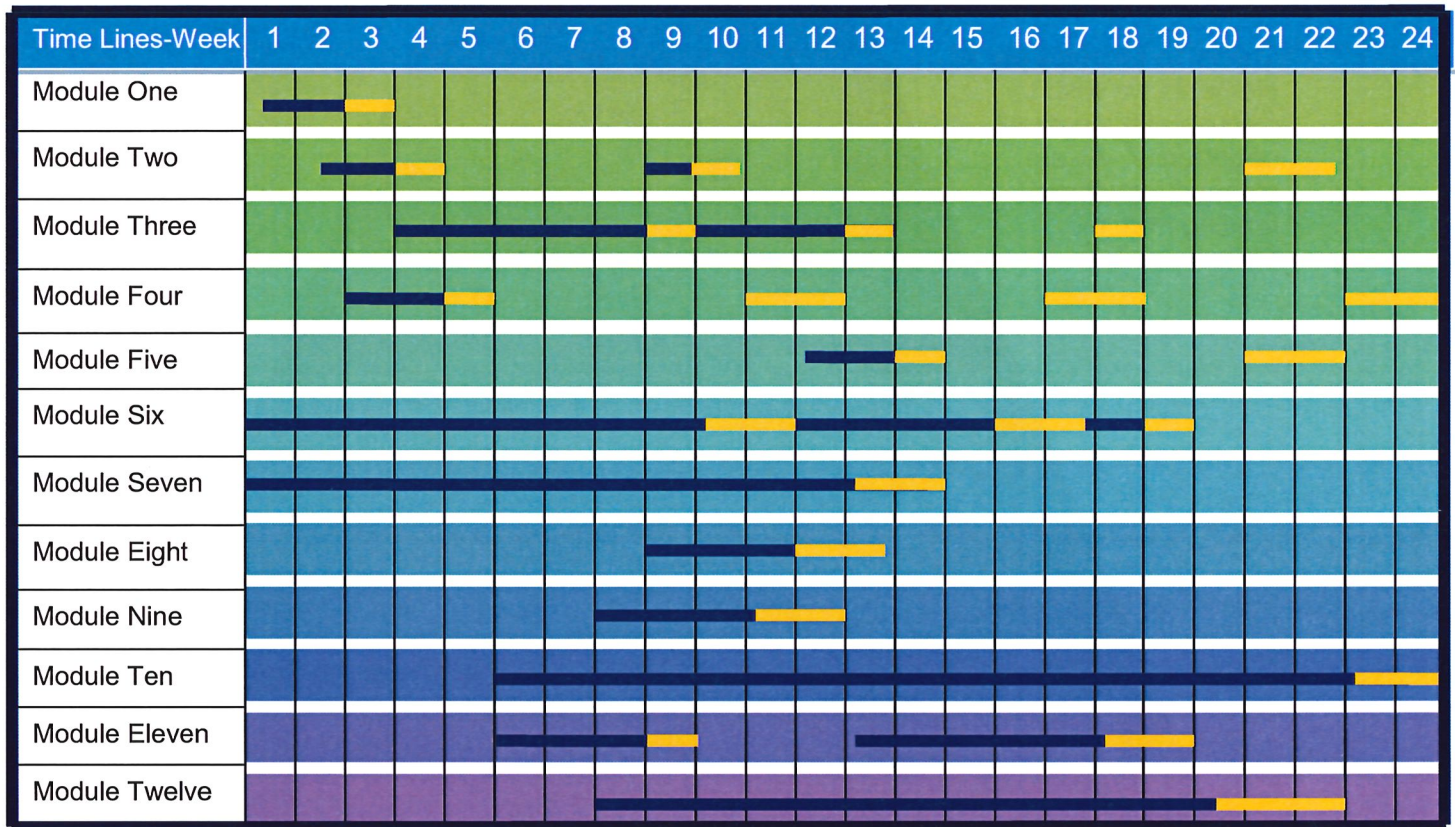
The Kansas Answer to All Problems Regarding Uninsured Vehicles, Call 800.853.7267

2-23

Section Six: Proposed Implementation Elements

Modules One through Nine will require 90 -125 days to fully implement. Modules Fifteen and Sixteen are the only elements not included in this Core, initial proposal. While Modules One through Fourteen and Seventeen are included, we are anxious to discuss the need, use and implementation of Modules Ten and Eleven and caution that Modules Twelve-Fourteen will take longer to implement than the others. We anticipate Module Thirteen being first tested with existing toll way cameras to establish the percentage of uninsured vehicles and focus on "next best steps" before all else. We've included MediLink and all other elements possible at this time as we feel that will all dramatically help reduce the UVR, (Uninsured Vehicle Rate) and assist Kansas in many ways; all are listed below.

The Team Room will provide all elements in both Microsoft Project and VISIO, but as a very simple indication of what we have in mind, some of the main components will appear something like this for the first modules. We must work with you to determine the others:

Time Lines-Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Module One	■	■	□																					
Module Two		■	□					■	□												□	□		
Module Three				■	■	■	■	■	□	□	□				□									
Module Four		■	■	□							□						□						□	□
Module Five												■	□								□	□		
Module Six	■	■	■	■	■	■	■	■	■	■	□						■	■	□					
Module Seven	■	■	■	■	■	■	■	■	■	■	■	■	□	□										
Module Eight										■	■	□												
Module Nine									■	■	■	□												
Module Ten							■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	□	□
Module Eleven							■	■	□	□				■	■	■	■	□	□					
Module Twelve							■	■	■	■	■	■	■	■	■	■	■	■	■	□	□			

NOTES: Yellow indicates testing periods. A very detailed, multi-phased implementation schedule for Module Thirteen will be provided as soon as key menu-based decisions are made.

2-24

Section Nine: Evolution of Vehicle Insurance Reporting Systems

In other nations, vehicle insurance verification is usually far simpler than in the United States. In some nations, payment for insurance is made along with registration to the government, which then forwards funds to the insurer. In nations like Denmark and the Netherlands, there are only a dozen or so insurers and they update records for the government on a nightly basis.

In Germany, there is no real reporting by insurers to government, yet there are few uninsured vehicles. If caught uninsured, the vehicle is impounded and the driver is jailed. In the U.S. there have been five phases of vehicle insurance verification by government.

Phase One: This is a database populated by events, (guilty verdicts for "No Insurance", etc.).

Good: It is slightly better than nothing at all and it is also not invasive. It requires nothing of insurers and almost nothing at all of government.

Bad: All else is very bad. It is intrastate only, retroactive and most important, it is highly inaccurate, so largely useless. This may have some limited value to a DMV but is almost totally worthless for the Courts and Law Enforcement. It also provides no real benefits at all for any insurer, the agents, and others. Almost no States have failed to move on from this limited, initial level.

Phase Two: Random sampling programs aggressively promoted by insurers for decades, are little better than Phase One systems.

Good: It is slightly more accurate than Phase One, but still a miserable method. It does not however, require much support from insurers.

Bad: It is retroactive and easily circumvented with back-dated policies from rogue agents or fake documents. Partial, it only applies to intrastate and certain types of vehicles. It is expensive and very difficult to administer. It challenges vast numbers of honest vehicle owners, yet it can never address the majority of uninsured vehicles. Some success is claimed, but the real Uninsured Rate always remains unknown. This has been discontinued in many States.

Phase Three: Traditional databases which are used by the vast majority of all jurisdictions. Some are very limited but others have posted very positive results. All are however, highly invasive.

Good: Those versions which require frequent, electronic reporting in a simple but safe format are far more accurate than those which do not. The good systems, (and there are several which are very good and have posted impressive results), are far better than any Phase Two approach or even the current Phase Four method.

Over a dozen States now receive daily updates from all big insurers and have a great accuracy advantage over those that require limited and infrequent reporting.

Bad: Highly invasive, often expensive and intrastate only. These too often provide little support for the courts and law enforcement. Most do not include Commercial and other types of vehicles. Difficult for Insurers as there are many formats to deal with and far too little in insurer/ agent benefits. Countless incorrect "challenge" letters sent out to policyholders.

Phase Four: This is a hybrid IICMVA "Pull" concept linked with a Phase Three traditional database. Web-enabled, but not real-time, these are difficult to implement and use. They are also both inaccurate and highly invasive.

Good: Easier and cheaper for insurers (and avoids accountability). Originally designed to circumvent reporting to a database, insurers must now do so.

Bad: Access is to batched data; this is far more invasive and less secure than Phase Three Systems, it can send names and addresses via net to hundreds of insurers using only PGP, (Pretty Good Protection). It is only intrastate and is retroactive. Despite "pointer file", the status of insurance remains uncertain and an ALPR link is impossible. Almost all cost and very considerable effort shifts from insurers to government. Database far more limited/of less value. Courts need to know certain status the date of citation - this can't help. Officers need a quick and accurate response and can't count on this. This failed in Florida trials, was never successful in Texas and is a litigation nightmare. This **could** be a great improvement with daily electronic reporting and an end to invasive data transmissions, but the IICMVA refuses to discuss such modifications. This same system, with those problems corrected is the system we have owned for years and which InsureNet has operational in six nations in this hemisphere. In fact the only operational IICMVA systems anywhere are those we have implemented, (but fixed).

Fifth and Final Phase: This is a complete answer. It is non-invasive, real-time, web-enabled, accurate, intrastate, interstate and international and has no cost to or effort for insurers and no net cost whatever to government.
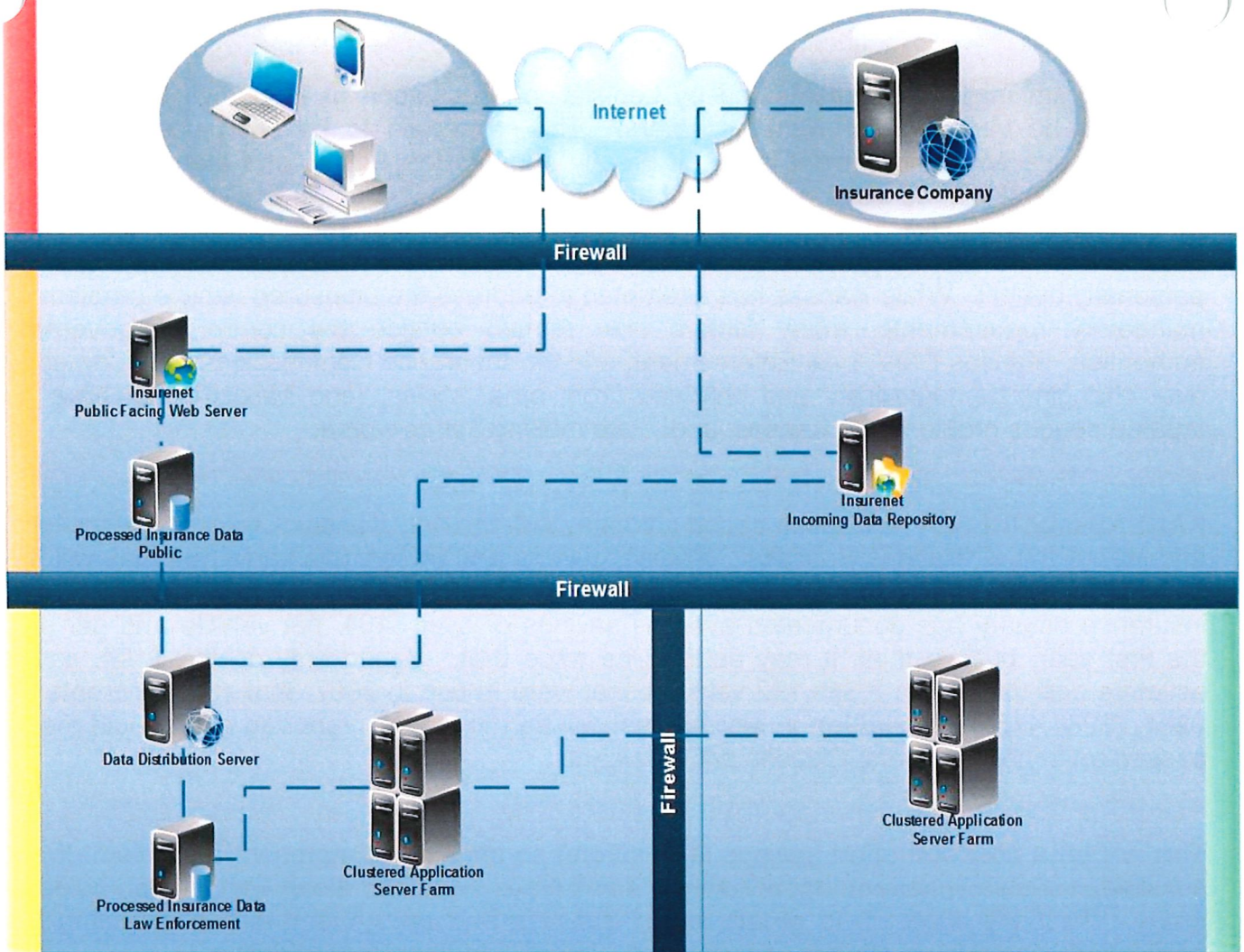
Good: This can accept data in any format; insurers need to do nothing new yet enjoy great savings. Law Enforcement pays nothing. This can also use IICMVA Standard to get data daily to populate the database, (but can't accept or use personal details). Letters are sent re. known uninsured vehicles only. Secure portals provided for all Agents and Insurers to benefit real-time, eliminating back-dated policies, premium diversion and repair scams - losses now passed on to policy holders. It provides full non-invasive camera support and is NLETS-hosted/powered (nlets.org) which is connected to every law enforcement officer/agency in the Nation. This provides DMVs with far more accurate data than any alternative. It totally supports all Court needs and delivers VALID/INVALID status on-screen/automatically in seconds along with registration, etc., for intrastate and interstate vehicles.

Bad: Nothing; this is a complete solution. This is INSURENET.

2-26

Diagram labels: Internet · Insurance Company · Firewall · Insurenet Public Facing Web Server · Processed Insurance Data Public · Insurenet Incoming Data Repository · Firewall · Data Distribution Server · Clustered Application Server Farm · Firewall · Clustered Application Server Farm · Processed Insurance Data Law Enforcement

This simply represents a vast technological improvement over all previous systems and finally resolves the problems associated with uninsured vehicles.

Section Ten: Cost

There is no State funding required for any of the system modules described. Instead, InsureNet's services and its maintenance and equipment, are all paid for by a small percentage of new, additional and demonstrable revenues.

Alone, the initial modules identified as "Phase One", (which will have numerous sub-elements), will be implemented in three sub-phases over a total period of no more than 100-125 days and will provide dramatic benefits. The State will benefit far more by the inclusion of additional modules and many planned enhancements as the implementation progresses and other Phases are initiated, (although Phase Three will commence at about the same time – just take longer).

The Kansas Answer to All Problems Regarding Uninsured Vehicles, Call 800.853.7267

2-27

This program might be implemented by Legislation, Regulation or Executive Decree and is certain to be very popular with the voters. This is certain to be seen positively by the Public.......it's enforcing current laws....it greatly benefits the Public. and there is no funding issue. We would like to discuss the use of a sophisticated and comprehensive media campaign to introduce the new system once exact features and the implementation schedule is determined. Kansas Citizens and Residents will certainly hear and "connect" with **how** they personally benefit. While Kansas has attempted to address the uninsured vehicle problem with mandatory requirements, many factors now remain outside the control of government authorities. Kansas DMV, Law Enforcement, and the Insurance Commissioner have no control over changing demographics and problems from other states, (and Mexico), that have now created serious problems for Kansas, and… are making things worse.

KANSAS INSURENET, a Topeka-based company will hire only Kansas Citizens, pay tax locally and create a true "Kansas Success". Vehicle owners and drivers can know that they will drive on safer streets and roads and they can certainly expect lower insurance rates. A noted insurance actuary has documented average savings of over $104. per vehicle and per policy the first year, but we think it may actually be twice that. Based only on the $104. savings estimate and the known 2,389,192 vehicles that were in use in 2007, that still represents over **$284,** ($284,475,968.), **million** in savings that will be monitored, reported and should then be passed on to policyholders, Citizens and Residents.

This will be a cost and effort <u>savings</u> for insurers, so should not represent a problem. If at all possible, it is also important that policy levels and types be added along with the lien holder ID, if any. That will allow us to greatly assist insurers and the government in providing legal notifications and ensure against underinsured…in addition to uninsured status.

For a small percentage of the projected demonstrable new financial benefits for government, these elements can all be implemented and the proposed "feel good/do good" press campaign launched. This is not a "cost center" but a "revenue generation center".

Assumption Made Regarding This Document:

System elements to be provided to Kansas on trial without conditions to help determine financial, social and government support levels and impact in advance. No connection to DMV is required for these trials.

Section Eleven: Sole Source Statement

National Vehicle Insurance Verification System

The NLETS-hosted National Insurance Verification System is a sole source product. It is the only possible method of providing a non-invasive, intrastate/interstate, complete and fully accurate solution to the problems involving uninsured vehicles.

The following details are provided in support:

- This system is the only accurate insurance status system in the world. It alone can change or modify no field of a single file and is not limited to a single jurisdiction or a certain number of insurers. The insurance status reported on a vehicle is only and always exactly what the insurer involved says it is. Only the insurer of record can modify a record. Insurers and only insurers retain control of what is reported as status at all times.

- This system is the perfect compliment for your existing vehicle insurance verification database and other efforts. Your system can be dramatically enhanced without changing the way you do business now and is the only possible method to provide totally accurate "e", (internet) and also mail-in registration.

- This is the only National System. It is placing insurance status data in the hands of every law enforcement officer in the Nation and can also fully service the needs of DOL, the Courts and all those involved with insurance and law enforcement regulation.

- The system defaults to a positive response and its accuracy ensures against false negatives, (citations for "no proof" based on inaccurate data). It respects.....and shows respect, for every person.

- This is the only Interstate/Multi-Jurisdictional Insurance Verification System. It alone can combat premium diversion, repair scams, back-dated polices, fund float, and many other forms of fraud which it either totally eliminates or dramatically reduces. The potential financial impact to insurers nationally is in the tens of billions of Dollars annually. Currently these losses are passed on to policyholders.

- This is the only Law Enforcement-based system and while fully supporting all DMVs, Courts, and Insurance Commissioners, ensures that instant accurate data is in the hands of those whose lives are at risk in protecting the public.

- This is the only system that can accept any and all insurer data, in any format they choose, in any volume they choose, (even all national activity), and can then parse by state and will forward to each jurisdiction to support the insurer's requirements for reporting to each.

The Kansas Answer to All Problems Regarding Uninsured Vehicles, Call 800.853.7267

- ***This is the only non-invasive system in the world*** and has the support of privacy advocates. Unlike the IICMVA concept which might send out hundreds of emails with names and addresses each time an automatic match is not provided, making the State a litigation magnet….this solution does not require and cannot maintain names, addresses or any other personal data. No person, group or neighborhood can ever be targeted by this system. ***The NAACP supports this system and has its own secure portal to monitor it. The ACLU, MADD, AARP and other organizations also have such portals.***

- This is the only solution that provides safe access to every person with a telephone, PDA or computer so that Citizens become enabled to be part of the solution and directly share in the system's benefits…..whether just checking to ensure they paid their bill or reporting an accident to their insurer….this is the safe, easy and complete system that fully benefits every insurer, all of State Government and every single person as even for the currently uninsured, over time, premiums will be considerably reduced.

- This is the only system capable of providing instant accurate responses to Law Enforcement, (and all other users). Unlike the standard "pull" IICMVA concepts which have now all failed in the U.S., this provides an on-screen response prior to a Law Enforcement Officer leaving their vehicle, can use no personal data to obtain status, does not require long periods, (perhaps hours), to get status, does not need to send queries out to hundreds of insurers, <u>perhaps requiring personal data and endangering the State regarding privacy litigation</u> and it cannot result in a citation being given to someone for "no proof" when they actually had active insurance.

- This is the only system that can provide solutions to all branches of government involved, including SBI, State and Local Law Enforcement, the Courts, Insurance Commissioner and much more. This alone is an accurate, total solution.

- This is the only answer to interstate uninsured vehicle traffic. It alone is a fully automated system and can handle the automatic electronic issuance of citations for interstate traffic.

- This is the only method possible to provide immediate, accurate insurance status to vehicle dealerships and rental car agencies.

- For Kansas, this system is the only answer to planned toll way traffic and is ideal for that use as this proprietary technology links directly and instantly to the unique identifier-based systems, (camera, RFID, etc.), regarding other systems where Kansas registered vehicles may be…. K-Pass, E-Z*Pass* SunPass, Adesta, Mark IV, Federal Signal - PIPS, PlateScan, VeriPlate and all others.

- This is the only "plug and play" technology and takes only minutes to organize for an insurer. This is a true "set-it-once-and-forget-it" technology for all concerned.

- This alone passes no insurer firewall or VPN, requires no modification of any insurer data, and allows insurers to send data far easier than the methods they currently use for other states.

- This is the only system capable of handling vehicle insurance verification for not only private passenger but also commercial and IRP, ("big rig') interstate trucking. IRP needs are handled with the assistance of Strategic Partner, IIS.

- This is the only insurance verification system accepted by NLETS.

    - This is the only insurance verification system hosted by NLETS. Founded over four decades ago as the National Law Enforcement Telecommunications System by Kansas and other States and today owned and controlled by all States, NLETS, now handling almost 100 million transactions each month, is the National Law Enforcement System that connects every law enforcement agency and officer in the Nation.

    - NLETS is the ultimate choice in terms of security for electronic government data transmissions for U.S. Law Enforcement. It serves the FBI, all U.S. States and Territories, links to the Provinces of Canada, USDOJ, Homeland Security, USDOT and many other Federal Agencies.

    - NLETS enables this to be the only system that properly addresses issues regarding Border Control, Toll ways, and Homeland Security. This system has the support of many of this Nation's most influential Homeland Security Experts, who believe that accurate insurance status is a far more accurate indicator of terrorist planning that vehicle registration.

    - NLETS ensures GJXML, (Global Justice XML) transmissions, full interoperability with Law Enforcement nationally and internationally and the NLETS standard is now supported by AAMVA/AAMVANet and others. This is the communications standard for decades to come.

    - Millions of times each month, NLETS transmits vehicle insurance status. The role of InsureNet is to continue dramatically improving the quality of that data and ensure it is both non-invasive and instantly available.

For these and many other reasons, all providing the State with benefits unavailable with any other approach, this is a true sole source item for Kansas.

The Kansas Answer to All Problems Regarding Uninsured Vehicles, Call 800.853.7267

2-31

Section Twelve: An Offer of Safety Cars to Kansas

Protecting the Public's Privacy and Property

Net References: thesafetycar.com, the privacy.net, smart-town.com/.net/.org, thesmartcruiser.com, thesafetycars.com, thesmartcruisers.com, theinsurenet.com/.net/.org, servicetocitizens.com privacy1st.com, policemultiplier.com, autokop.com, automaticofficer.com, themedilink.com/.net

InsureNet will now provide No Cost Safety Cars, also to be known as "Smart Cruisers." These can provide an extensive range of services to State and Local Government. Like regular Police Cruisers, they must be driven only by Certified Law Enforcement Officers who are answerable only to jurisdictional oversight, but salaries will be paid or reimbursed by InsureNet. These vehicles are to have no light bars or roadside stop or "hot pursuit" functions. They will be Minis or similar, each of which is to be clearly marked to distinguish them as a "Privacy and Property Protection Service Vehicle"... dealing with non-invasive issues, not traditional forms of policing.

Designed to extend the role of enforcement, Safety Cars are *SAFE*. No names or addresses are accessible. They report accidents, monitor and record traffic violations, report air quality, traffic congestion and weather, check automatically for both insurance and registration status, (for which they need no personal information), and if required, can identify stolen vehicles and Amber or DHS/ICE Alerts, alerting the closest patrol vehicle with location and direction of travel.

If a non-compliant vehicle regarding vehicle insurance, registration, or traffic violations, the unit sends the license plate number to an ultra-secure site for further identification by experts. Without privacy-sensitive data, this system is about vehicles, never people. If the record clearly shows the vehicle is non-compliant, another Officer reviews the record; verifies the image of the rear of the vehicle with DMV records from that State's DMV or from some other jurisdiction as referenced by the license plate, (NLETS-provided records). If the Officer approves, then government provides the information needed to generate a citation for No or Improper Registration and/or No Proof of Insurance, and/or traffic violation, (noting that the owner regarding a traffic violation may not have been the driver). A "24/7/365" Help Desk, net sites, fax numbers and other means are provided to assist in three different languages. This system is "positive default"...and despite having accurate status data... always assumes innocence and is, in every way....*respectful.*

There are almost countless advantages to this system of which Safety Cars are but one element. First Responders are given access to verify insurance with or without support from these "Smart Cruisers" but these units can assist prior to First Responders arriving.

The Kansas Answer to All Problems Regarding Uninsured Vehicles, Call 800.853.7267

2-32

These Safety Cars are connected on-line/real-time via advanced 700 MHz secure communications to both Law Enforcement dispatch and via NLETS, to the insurenet. They will provide support for First Responders and notify Emergency Medical Staff and others as requested. Although not intended for Accident Response, they can greatly reduce insurance fraud by reporting general conditions and the number of vehicles and people involved, thus reducing the incidence of "ghost riders", (those claiming to have been involved in an accident, but were not), and enabling a far better use of staff/resources.

These units can also greatly assist DOT regarding travel times, road surface conditions, lighting, flooding, and other issues and problems. They can provide automatic counts of vehicles from other States – by State - and call in Roadside Assistance when required.

Acting to support medical facilities, these vehicles can provide an important initial link to status prior to the time that the MediLink's coordinated single screen insurance/ registration/law enforcement records support takes over. This can greatly reduce current losses from confusion over financial responsibility, subrogation, and other issues.

Consumers can know that the price of insurance will fall as the roads become safer. Public portals monitoring the UVR, (Uninsured Vehicle Rate), will help ensure transparency and accountability. On the basis of reduced UMI, (Uninsured Motorist Insurance Coverage), payouts and elimination of back-dated policies alone, there should be a savings of at least $104. per vehicle/policy the very first year.

This greatly supports the rule of law while providing privacy protections and total respect for every vehicle owner. It requires nothing new of insurers and there are no fees or costs to them of any kind. It provides dramatic benefits to all Agents and Brokers. It also has no net cost of any kind to government and is paid for by a small percentage of new, additional revenues generated. **For the average State, hundreds of millions of dollars in new revenue can be provided simply by enforcing existing laws.** InsureNet provides all equipment, staff, communications, and services.

InsureNet is the National Standard for Law Enforcement regarding interstate vehicle insurance status. It is the only NLETS-approved and powered source. NLETS, operational since 1961, has never been compromised and now handling almost 100 million transactions monthly, is connected to all 35,000 law enforcement agencies in the U.S. and to all Provinces of Canada. InsureNet is the National System, providing both intrastate and interstate data. Part of the Company's *Smart Town* Services, these Safety Cars can greatly benefit all but the most rural locations. This system can break the cycle of abuse by supporting those that abide by the law and who, not only having to pay for the refusal of others to do so, must currently prove their innocence.

The Kansas Answer to All Problems Regarding Uninsured Vehicles, Call 800.853.7267

2 - 33

We would like to begin this work with a three step process that can begin as early as next month. This will require that a team of four works in Topeka for a period of at least three days, perhaps four.

> Review features of each Module, consider how to develop Modules Ten and Eleven. Assuming at least the others desired, proceed.....

> Using menus provided in advance, make decisions regarding each Module with decision-makers of each Division as noted below, then......

> Create agreed SOW, (Statement of Work) to include detailed milestones. Initiate Team Room, assign passwords/controls, begin work.

Decisions will need to be made using Menus provided in advance. The estimated time required for each element, (seen here as they will be handled), should therefore, be very limited. Please remember that we intend to keep staff time to an absolute minimum and use the Team Room instead, to allow access and control by Government Staff on their individual schedules.

Highway Patrol - Law Enforcement	Interface Issues, NLETS Links, Decisions to be made regarding distribution and access to data and controls. 3.5 hrs.
Insurance Commissioner	Insurance Commissioner: Decisions regarding features for herself and all staff, including Fraud Director/Team. All reports available. 2.5 hrs.
Protect and Serve – SR22/26	Will need samples of exactly what is needed and desired. Will have some interface questions, but the work then will be handled by us. 2.5 hrs.
Revenue/DMV	Follow-up meetings will be required, but like all else, almost everything will be done/tracked daily via the Team Room. Thirty-six Menu choices, 4 hrs.
GRID – Insurer & Agent Portals	We will need direction regarding what is and is not desired and acceptable, but this is "all good" for government and should go quickly. Max of 1 hr.
LienAssure	This too, is very automatic and has far more to do with providing benefits to insurers and lien holders than involvement with government. Thirty minutes
KBI & Courts	We are unaware of what level of services are currently provided to the Courts but if you wish we can fully automate that process. 2.5 hrs.
Kansas Turnpike Authority	Highlighted here because we are anxious to present to them and discuss needs and opportunities in depth. Would suggest pilots first. for coming toll ways 3 hrs.
IVR, Public Portals	Not yet scheduled and not essential to requirements but would be very effective and great PR. Would like to explain in detail. 2 hrs.
VPN – Sheriffs, the Counties	Not yet focused as an issue but depending on needs may help with efficiency of all else. We are anxious to learn more. 3 hrs.
ITS, Hot Lists and Homeland Security	Also not yet focused as issues, but not because these elements are not badly needed but only because we need direction on the many features available. 3 hrs.

The Kansas Answer to All Problems Regarding Uninsured Vehicles, Call 800.853.7267

2-34

Section Seven: Communications and Support to Ensure Success

Implementation will initially include a Team Room, (ncinsure.net), complete with Electronic Dash Board to control all elements, correspondence/comments, code, downloads and all other requirements. The work will be there for occasional input and certainly monitoring by the State, but the actual effort to accomplish assigned tasks is the responsibility of INSURENET. All costs are also to be absorbed by INSURENET. A Master Portal, (see below), is being developed for your use so that the State can both make decisions regarding how it wishes to use the system, easily explain its goals and provide clear examples of the benefits provided. This system is already in demo mode for your use and a much advanced version will be available soon.

Section Eight: Insurer Reporting Requirements

Only six elements are absolutely required:

1. NAIC Code, (if not part of the header),
2. Policy Number,
3. VIN, (or if a commercial vehicle and they are recorded, the Asset ID or USDOT#),
4. ZIP Code
5. Make/Model/Year
6. Lien Holder ID and Policy levels, (Liability, Comprehensive, Collision, and UMI to meet reporting requirements and guard against underinsured status)

The Kansas Answer to All Problems Regarding Uninsured Vehicles, Call 800.853.7267

2-35

This system is designed to reduce rather than add to insurer effort and costs. Data can be sent in any format an insurer currently uses for any State, (provided the requirements of the State involved are met regarding required fields). For INSURENET purposes, the fields are very simple and detailed fully herein but the State may, for reasons unknown to us, decide to add others. There should be no requirement for any insurer to purchase software or hardware. If an insurer does not currently have the means for secure file transfer, they can quickly obtain that software at no charge by calling 800.853.7267.

Depending on what a State decides regarding small insurer use, we have also provided a service to handle reporting via fax. Forms and information are also available at the same telephone number. Insurers will also be assigned a dedicated portal to ensure they are fully supported and have any/all possible resources required at all times.

NOTES:

- If for some reason, the NAIC Code or ID is not in the Header or multiple NAIC Codes are being transmitted, then the NAIC Code(s) is/are required.

- ZIP Codes are preferable to the two character State ID. We maintain all ZIP Codes by State so a ZIP Code is providing both anyway. Law enforcement and others in government have asked that the system be able to identify files by ZIP so that they can then follow-up by local jurisdiction if they wish.

- Insurers must provide their coverage levels and the Lien Holder ID. This is necessary to ensure that a vehicle is not only insured but also not underinsured. Information can be maintained on their behalf, (always accessible via their secure portal), and we can then assist them in providing required notification to Credit Unions, Banks and others in a timely manner. This greatly assists both insurers and lien holders and can provide for insurers especially, a very great saving in both effort and costs. For large national insurers this can save them millions of dollars annually.

- If an insurer has used pre-assigned UCs, (Unique Codes and/or UC-Binders), those must be sent in the file if, (but only if), the insurer wishes us to provide additional benefits regarding that feature. Again, this is of course, optional and some insurers will use it while others will not.

- Every Insurer and Agent is provided with a secure portal. This provides many advantages, including the ability to initiate a policy and know that action is instantly recorded, thus enabling instant vehicle registration for a policyholder. It also serves to eliminate back-dated policies and many other costly problems. It can link to company systems that are already on-line with agents as well, providing additional benefits.

- This system is as "on-line"...."real-time"....and "web-enabled" as insurers could possibly wish but it does not dictate a single path. It seeks to offer improvement without forcing change. It even provides small insurers with the ability to report via fax. It is intended in every regard, to provide benefits and offer other optional benefits, with little or no disruption to insurers.

- This system can never accept, maintain or use personal details of any kind. If sent, those elements will not be seen, accepted, or captured by this system. That said, if the Insurer wishes and/or the State directs that the data, prior to parsing and being sent on to the servers at NLETS be used to populate the "Protect and Serve" Law Enforcement Server or to provide that data directly to DMV or DPS, that will be done as instructed.

This then, fully supports what insurers do currently or might wish to do and it also supports the current reporting options for DMV in maintaining its support of the reporting needs of Insurers, ISO, ChoicePoint, etc. We will ensure this is handled as we are instructed, provided that the INSURENET system itself has no requirements to be involved in accepting, maintaining or of course, using such privacy-sensitive data for any purpose. In summary, we can support the requirements of any insurer and ensure that data goes wherever we are instructed that it should go, (NLETS, other States, etc.), provided that the actual INSURENET System itself never handles or maintains in any manner.... privacy-sensitive data.

If the insurer chooses to make data available via the enhanced IICMVA Web Standard instead of sending it, then the Protect and Serve's big SUN/Solaris system at NLETS will handle that requirement. If done in that manner, then of course, "Book of Business" elements need not be modified further as that standard, Enhanced IICMVA Web – not Standard AIG Invasive IICMVA Web), would be used. This is not of course, a "go and try to find one file at a time and if no match...broadcast out to all insurers using a name and address"...but something far easier, safer and more efficient for insurers. This is a far more advanced version of the IICMVA Standard. This will simply take daily activity and handle the insurer's needs without any additional requirements or concerns.

An IICMVA Associate, our company has the only operational IICMVA-compliant systems, and almost a decade of experience with that technology. What we are proposing is identical to what our system...a product and company we own....does daily as the national system in Curacao, Netherlands Antilles, Aruba, Venezuela, etc., and so, very well-known to us.

Additional support for Insurers is provided by maintaining and enabling access to:

- Date/Time Stamp for all transactions,

- Periods of coverage for policy quality determinations and to help identify previously salvaged vehicles, title issues, etc.,

- DMV Customer ID Number and Registration Number

- UCs and all UC links, (File relationships to support Commercial and Family Policy use, and to also provide non-invasive reporting and use, etc.),

- License plate number(s) assigned,

- Every VIN ever associated with this vehicle, beginning with activation of this system and each clearly identified as to source, (DMV, Insurer, etc.), when each report or determination was made, and which is considered valid/most valid based on R.L. Polk system suite, access to every DMV in the U.S. and Canada via NLETS and also national comparisons regarding every VIN,

- Jurisdictional duplication and rate scam reports,

- Repair scam reports – VINs with multiple policies, (by jurisdiction, and if allowed, by NAIC Code), etc.,

- Back-dated policy and premium diversion attempts reports,

and......much more.....

Some of the Proposed Kansas Fields

Lines – System's Only Requirements

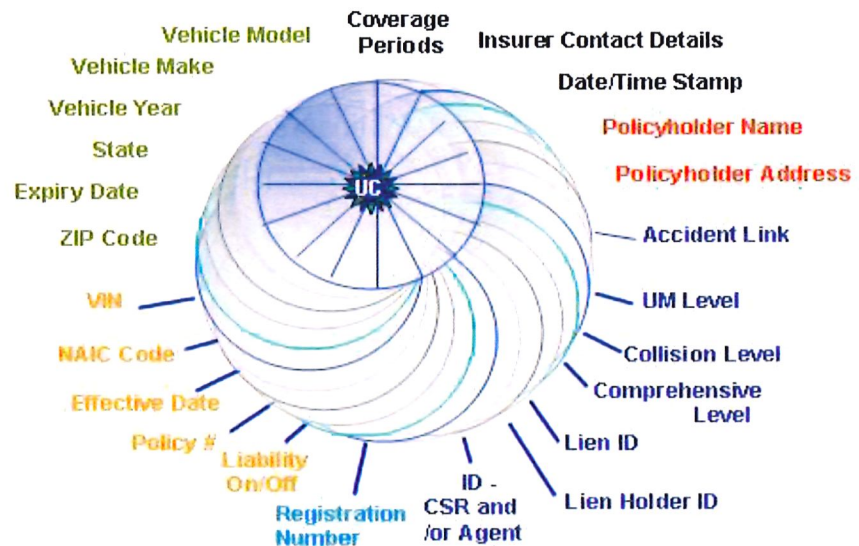Black – Created or recorded automatically

Green – Not part of system requirements but sent automatically to Government

Orange – System fields

Lt. Blue – Provided by Government

Blue – Optional, used only with approval of Insurer and only for Insurer's benefit

Red – Like green, sent automatically but never supplied to or used by the InsureNet....only used by Government.
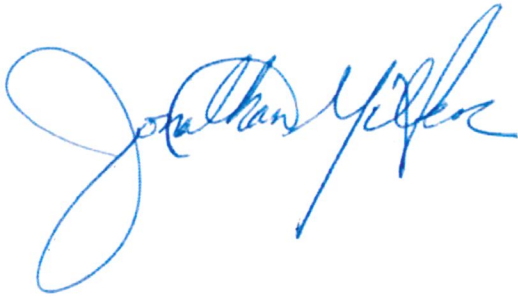

Vehicle Model
Vehicle Make
Vehicle Year
State
Expiry Date
ZIP Code
VIN
NAIC Code
Effective Date
Policy #
Liability On/Off
Registration Number
Coverage Periods
Insurer Contact Details
Date/Time Stamp
Policyholder Name
Policyholder Address
Accident Link
UM Level
Collision Level
Comprehensive Level
Lien ID
Lien Holder ID
ID - CSR and /or Agent
UC

In closing, we ask that you consider that it is our goal to serve the State with a very positive solution to existing problems and help prepare for a long-term future...a stable, mutually beneficial relationship. We see our system modules as "enablement elements" designed to cause as little disruption as possible while providing tools to ensure critical tasks are handled and deadlines met. Everything we do is not about "cost centers" but "revenue generation centers". What we do is also not about adding effort, but removing obstacles and greatly reducing effort and risk from government, while greatly benefiting the Public.

Thanks very much for this opportunity to provide this document. Our entire team looks forward to an opportunity to speak with you about these various options and to be of service to Kansas.

Regards,

Jonathan Miller,
President and Chairman

2-39