

Approved: March 9, 2010

Date

MINUTES OF THE HOUSE INSURANCE COMMITTEE

The meeting was called to order by Chairman Clark Shultz at 3:30 p.m. on March 4, 2010, in Room 152-S of the Capitol.

All members were present except:

Representative Davis - excused  
Amanda Nguyen - excused

Committee staff present:

Bruce Kinzie, Office of the Revisor of Statutes  
Sean Ostrow, Office of the Revisor of Statutes  
Melissa Calderwood, Kansas Legislative Research Department  
Sue Fowler, Committee Assistant

Conferees appearing before the Committee:

Shawn Goff, MV Solutions  
Charles Pecchio, Verification Solutions, Inc  
Charles M. Letcher, Johnson County Treasurer  
Dan Murray, Overstreet Pass  
Carmen Aldritt, Kansas Department of Revenue

Others attending:

See attached list.

Hearing on:

**HB 2474**     **Establishing the on-line motor vehicle financial security verification and compliance system**

Melissa Calderwood, Kansas Legislative Research Department, gave a brief overview on **HB 2474**.

Larrie Ann Brown introduced Charles Pecchio and Shawn Goff to the committee.

Proponents:

Charles Pecchio, Verification Solutions, Inc. and Shawn Goff, MV Solutions, Inc., (Attachment 1), appeared before the committee in support of **HB 2474**.

Charles M. Letcher, Johnson County Treasurer, (Attachment 2), gave testimony in support of **HB 2474**.

Mickey Billinger, Ellis County Treasurer, (Attachment 3), presented written testimony in support of **HB 2474**.

Neutral:

Dan Murray, Overstreet Pass, (Attachment 4), presented neutral testimony before the committee on **HB 2474**.

Opponent:

Carmen Aldritt, Director of Vehicles, Kansas Department of Revenue, (Attachment 5), gave testimony in opposition to **HB 2474**.

Hearing closed on **HB 2474**.

Representative Grant moved without objection to pass the March 2, 2010 committee minutes as written.

The next meeting is scheduled for Tuesday, March 9, 2010.

The meeting was adjourned at 4:48 p.m.

3/4





## Kansas Online Insurance Verification System

### Industry Standard System for Online Insurance Verification

- Standardized vendor neutral model for online insurance verification established by the Insurance Industry Committee on Motor Vehicle Administrators (IICMVA).
- Supported by the American Association on Motor Vehicle Administrators (AAMVA) and insurance industry associations including the PCI, AIA, and NAMIC.
- Minimal impact to insurers because the same method is used for each jurisdiction.

### Proven Model

- Successfully tested/implemented in: CA, FL, NV, OK, SC, TX, UT, and WY.
- Recently legislated in AR and MT.
- Independently audited over 12 times.

### Most Accurate and Effective Approach

- Operates 24/7/365 and has the same result as calling the insurance company.
- Reduced the uninsured motorist rate by up to 80%.

### Identification of Uninsured Motorist

- Event-based Verification: Traffic Stop, Registration Renewal, Accident, Courts.
- Ongoing Verification: Maintain Coverage, Cancellation, Gaps in Coverage.

### No Cost to Kansas

- Vendor responsible for implementation and maintenance costs.
- Annual fixed price paid to vendor through fines and reinstatement fees received from uninsured motorists identified by the system.

### Ease of Implementation and Maintenance

- System can be implemented in three months.
- Easily integrated with existing systems including DMV, Patrol, NLETS, Dispatch, Courts, etc.
- Turnkey system implemented and maintained by the vendor.

### Security and Privacy

- Software and data resides within the jurisdiction's network.
- Vendor has no rights to data for marketing, sale of data, or other uses not related to system operation and maintenance.
- Does not require the use of personal information (name, date of birth, license number, etc.).
- Secure data connection between insurance companies and software.

### How it Works

- An event occurs, such as a traffic stop, accident, new registration, renewal, or vehicle inspection.
- A request for verification of insurance is made through existing law enforcement and/or department of motor vehicles systems by providing the tag number.
- Software routes each request to the insurance company Web Services and responds immediately whether the coverage is confirmed or unconfirmed.
- Every vehicle is checked automatically for ongoing compliance and if any lapse in coverage is found, a letter campaign begins.

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Verification Solutions, Inc.  
Charles Pecchio  
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678-986-9310

House Insurance  
Date: 3-4-10  
Attachment # 1

## HOUSE BILL No. 2474

By Representatives Merrick and O'Neal

1-19

AN ACT establishing the on-line motor vehicle financial security verification and compliance system; amending K.S.A. 2009 Supp. 8-173 and repealing the existing section.

*Be it enacted by the Legislature of the State of Kansas:*

New Section 1. (a) ~~[On or before January 1, 2011, t]~~The secretary of the department of revenue, in consultation with the commissioner of insurance, shall develop and implement an on-line motor vehicle financial security verification and compliance system for the purpose of verifying compliance with the financial security requirements of K.S.A. 40-3101 et seq., and amendments thereto. The verification system shall be installed and fully operational by April 1, 2011, following an appropriate testing/pilot period of not less than nine (9) months. Until the successful completion of the testing/pilot period, no enforcement action shall be taken based on the system.

(b) The system established must be:

(1) The system most likely to:

(A) Reduce the number of uninsured motorists in this state;

(B) operate reliably;

(C) be cost-effective;

(D) sufficiently protect the privacy of the motor vehicle owners;

(E) sufficiently safeguard the security and integrity of information provided by insurance companies;

(F) identify and employ a method of compliance that improves public convenience; and

(G) provide information that is accurate and current; and

(2) capable of being audited by an independent auditor.

(c) The secretary of revenue in consultation with the commissioner of insurance, shall select and enter into a contract with a ~~[n agent]~~ vendor to develop, implement, operate and maintain the system.

(d) The secretary of revenue is hereby authorized to adopt rules and regulations necessary to carry out the provisions of this section.

New Sec. 2. (a) Each insurance company providing motor vehicle liability insurance policies in this state shall provide the necessary information for those policies, on a ~~[daily-]periodic basis, and shall provide on-line access to Web services based on the specifications of the Insurance Industry Committee on Motor Vehicle Administration (ICMVA)~~ to allow the ~~[agent]~~ vendor selected under section 1, and amendments thereto, to carry out the provisions of section 1, and amendments thereto, unless such company is granted an exemption or an alternative method based on rules established by the secretary of revenue. The commissioner of insurance shall adopt rules and regulations requiring insurance companies to comply with the provisions of this subsection.

1. Unless otherwise described herein, the online verification of evidence of insurance system that is adopted shall be the sole and exclusive system for insurers' reporting and verifying evidence of insurance.

2. The verification system shall send requests to insurers for verification of evidence of insurance via Web services established by the insurers, through the Internet, World Wide Web or a similar proprietary or common carrier electronic system, in compliance with the specifications and standards of IICMVA, with enhancements, additions, and modification as required by the state agencies but which do not conflict, nullify, or add requirements that are inconsistent with the specifications and standards of the IICMVA. The system shall include appropriate provisions to secure its data against unauthorized access and shall maintain a historical record of all system requests and responses for a period of at least six months from the date of such requests and responses.

The system shall be used for verification of the evidence of mandatory liability insurance coverage as prescribed by the laws of the state and shall be accessible to authorized personnel of the vendor, the department of revenue, the courts, law enforcement personnel, and any other entities authorized by the state as permitted by state or federal privacy laws, and it shall be interfaced, wherever appropriate, with existing state systems. The system will include information which will enable state agencies and the vendor to make inquiries to insurers of evidence of insurance that is consistent with insurance industry and IICMVA recommendations, specifications and standards by using multiple data elements for greater matching accuracy, specifically: Insurer NAIC (National Association of Insurance Commissioners) company code, Vehicle Identification Number, policy number, or as described in the specifications and standards of the IICMVA.

3. The vendor shall be responsible for having its verification system respond to each requestor within a time period as established by the state agencies. The system shall be available to accommodate the time period established. An insurer's system shall respond within the time period prescribed by the IICMVA's specifications and standards.

4. The goal of the system shall be to assist in the identification of uninsured motorists in the most effective way possible.

5. The state agencies and the vendor shall consult with representatives of the insurance industry and private service providers that results in determining the objectives, details, and deadlines related to the system.

6. The department of revenue will publish for comment and then issue, a detailed guide of its online verification system.

7. The department of revenue and the vendor each will maintain a contact person for insurers during the establishment, implementation, and operation of the system.

8. Every property and casualty insurance company that is licensed to issue motor vehicle insurance policies or is authorized to do business in Kansas shall comply with this act for verification of evidence of vehicle insurance for every vehicle insured by that company in Kansas.

9. Insurers shall maintain a historical record of all system requests and responses for a minimum period of six months from the date of such requests and responses.

10. Insurers shall be immune from civil and administrative liability for good faith efforts to comply with the terms of this act.

11. For the purposes of this act, commercial auto coverage is defined as any coverage provided to an insured, regardless of number of vehicles or entity covered, under a commercial coverage form and rated from a commercial manual approved by the department of insurance. This act shall not apply to vehicles insured under commercial auto coverage; however, insurers of such vehicles may participate on a voluntary basis.

12. Insurers shall provide commercial automobile customers with evidence reflecting that the vehicle is insured under a commercial auto policy. Sufficient evidence would be an Insurance Identification card clearly marked in the title with the identifier: "Commercial Auto Insurance Identification Card."

(b) The [agent] vendor is entitled only to information that is at that time available from the insurance company and that is determined by the secretary of revenue to be necessary to carry out the provisions of section 1, and amendments thereto.

(c) The information obtained under this section is confidential and the [agent] vendor may use such information only for a purpose authorized under section 1, and amendments thereto. Such information may not be used for a commercial purpose. The provisions of this subsection shall expire on July 1, 2015, unless the legislature reviews and reenacts this provision pursuant to K.S.A. 45-229, and amendments thereto, prior to July 1, 2015.

(d) A person who knowingly uses the information obtained under this section for any purpose not authorized under this section, upon conviction, shall be guilty of a class A misdemeanor.

Sec. 3. On and after April 1, 2011, K.S.A. 2009 Supp. 8-173 is hereby amended to read as follows: 8-173. (a) An application for registration of a vehicle as provided in article 1 of chapter 8 of the Kansas Statutes Annotated and amendments thereto, shall not be accepted unless the person making such application shall exhibit:

(1) A receipt showing that such person has paid all personal property taxes levied against such person for the preceding year, including taxes upon such vehicle, except that if such application is made before June 21 such receipt need show payment of only one-half the preceding year's tax; or

(2) evidence that such vehicle was assessed for taxation purposes by a state agency, or was assessed as stock in trade of a merchant or manufacturer or was exempt from taxation under the laws of this state.

(b) An application for registration of a vehicle as provided in article 1 of chapter 8 of the Kansas Statutes Annotated shall not be accepted if the records of the county treasurer show that the applicant is delinquent and owes personal property taxes levied against the applicant for any preceding year.

(c) An application for registration or renewal of registration of a motor vehicle shall not be accepted until the applicant signs a certification, provided by the director of motor vehicles, certifying that the applicant has and will maintain, during the period of registration, the required insurance, self insurance or other financial security required pursuant to K.S.A. 40-3104 and amendments thereto.

(d) An application for registration or renewal of registration of a vehicle shall not be accepted if the applicant is unable to provide proof of the insurance, self insurance or other financial security required by article 31 of chapter 40 of the Kansas Statutes Annotated. Proof of insurance shall be verified by examination of the insurance card or other documentation issued by an insurance company, a certificate of self insurance

issued by the commissioner, a binder of insurance, a certificate of insurance, a motor carrier identification number issued by the state corporation commission, proof of insurance for vehicles covered under a fleet policy, a commercial policy covering more than one vehicle or a policy of insurance required by K.S.A. 40-3104, and amendments thereto and for vehicles used as part of a drivers education program, a dealership contract and a copy of a motor vehicle liability insurance policy issued to a school district or accredited nonpublic school. Examination of a photocopy or facsimile of any of these documents shall suffice for verification of registration or renewal. Proof of insurance may also be verified on-line or electronically ~~and the commissioner of insurance may require, by duly adopted rules and regulations, any motor vehicle liability insurance company authorized to do business in this state to provide verification of insurance in that manner. Any motor vehicle liability insurance company which is providing verification of insurance on line or electronically on the day preceding the effective date of this act may continue to do so in the same manner and shall be deemed to be in compliance with this section~~ *in accordance with the provisions of sections 1 and 2, and amendments thereto.*

Sec. 4. On and after April 1, 2011, K.S.A. 2009 Supp. 8-173 is hereby repealed.

Sec. 5. This act shall take effect and be in force from and after its publication in the Kansas register.

Sec. 6. Not more than two years after the establishment of the online insurance verification system, the department of revenue, after consultation with the department of insurance, law enforcement, and the insurers, shall report to the legislature as to the benefits and the costs of the program for the state agencies, the insurers and the public and the effectiveness of the program in reducing the number of uninsured motor vehicles.



## TESTIMONY

House Committee on Insurance

House Bill No. 2474

March 4, 2010

Chairman Schultz and members of the House Committee on Insurance, my name is Charles M. Letcher, Treasurer of Johnson County and I thank you for the opportunity to testify on behalf of the Kansas County Treasurer's Association and Johnson County in support of House Bill No. 2474. We support this measure to require the implementation of an online method for verification of financial security.

Online verification of insurance will ensure the individual renewing their vehicle is compliant with the state's insurance requirements on the day they renew. Currently, insurance information for a motor vehicle renewal is gathered into the system well in advance of the due date. Due to the age of the information, it is quite often inaccurate. Individuals may have changed insurance providers during this period, which causes our motor vehicle staff to spend time manually updating information in the state's system. If insurance verification was done in a real-time manner, individuals could no longer cancel their vehicle insurance policy prior to renewing their vehicles. Individuals could also no longer purchase vehicle insurance immediately prior to processing their annual registration renewal, then immediately cancel their policy after printing or receiving their proof of insurance card. In both of these instances, individuals renewing their vehicles appear to have current insurance even though they do not. Online verification of financial security will ensure that all insurance information in the motor vehicle system is current and will assure compliance with the statutory financial security requirement for renewal of motor vehicle registrations. This proposal will also expedite the front counter processing for a taxpayer doing a renewal since each cashier would no longer be required to physically view each individual insurance card. Lastly, this proposal would greatly reduce the issues for those who have forgotten their cards who then contact their insurance companies to request that proof of insurance be faxed to our county offices. For these reasons, the Kansas County Treasurer's Association and Johnson County Government support HB 2474.

In conclusion, we respectfully request that this legislation be advanced from this committee for further action. Thank you for your attention and I will be happy to stand for questions.

House Insurance  
Date: 3-4-10  
Attachment # 2



# ELLIS COUNTY TREASURY

Mike "Mickey" Billinger  
*Treasurer*  
Jerry Schmidtberger  
*Deputy Treasurer*

1204 Fort St. \* P.O. Box 520 \* Hays, Kansas 67601-0520  
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FAX 785-628-9467

House Committee on Insurance  
March 4, 2010

## Written Testimony in Support of House Bill 2474

Chairman Schultz and members of this committee, my name is Mike "Mickey" Billinger, Ellis County Treasurer and member of the Kansas County Treasurers' Association Legislative Committee. I sincerely appreciate this opportunity you've given me to offer my support of House Bill 2474 on behalf of Kansas County Treasurers.

I concur with the testimony given by Charles Letcher, Johnson County Treasurer, explaining why County Treasurers support H.B. 2474. I would like to take a moment and make some additional comments. House Bill 2474 will have a somewhat different effect on smaller Kansas counties because individuals transacting business in these counties have a greater expectation of the services provided by the clerks working the counter.

Consequently many registrants come to the courthouse with very little information to renew registrations, especially insurance information, knowing they will be taken care of. If their insurance information is not in the system they expect Treasury clerks to gather this information because "that is what has been done in the past". A relatively simple process becomes time consuming, requiring a phone call, a fax and idle chit-chat. This in turn penalizes those waiting in line, a predicament we have all encountered at one time or another.

This being the age of high technology, more and more registrants rely on the internet to provide services after hours and on their own time. Not having real time insurance updates available in the system aids in eliminating on-line registration renewals. If for some reason a registrant's insurance is not in the system they are not permitted to use the on-line registration process.

If H.B. 2474 becomes law; the general public will save time when renewing motor vehicle registrations, Treasury employees will be more productive and a greater number of Kansas drivers will be in compliance with State insurance requirements. Once again thank you for your time and considerations as I respectfully request your support of H.B. 2474.

House Insurance  
Date: 3-4-10  
Attachment # 3

House Insurance  
Date: 3-4-10  
Attachment # 4

# Overstreet Pass™

## Kansas Presentation Product Development Status Overview

Revision: February 11, 2010

## Current Situation:

- Ongoing problem of uninsured motorists (UM) on the road nationwide
- Statistics show a continuing increase in percentage of UM
- Losses to society due to UM: include lost revenues to insurance companies, lost revenues to States, increased costs for average citizen
- Enforcement of insurance laws is a very difficult problem. Enforcement efforts have been challenging with little measurable results



## Some Background:

- Driving a motor vehicle in the U.S. is a privilege, not a birth right
- Uninsured motorists hurt everyone, including other uninsured motorists!
- Other attempts to address problem have been massive and cumbersome systems such as State-wide databases that are very expensive to maintain and often filled with inaccuracies, or expensive hi-technology solutions that require massive infrastructure investments
- A need exists to provide law enforcement officers with a simple, real-time, on-vehicle means of determining insurance compliance

## Overstreet Pass System: how it works

- A simple, whole-system approach solution for addressing the UM problem that doesn't require major investments in new technology or infrastructure
- Includes a real-time device that is installed inside of the windshield of an automobile in a small, discreet sized form-factor
- Device provides real time compliance indication to the outside of the vehicle
- Device is tamper-resistant and easily programmed
- Insurance companies can utilize current in-house computer systems and existing customer databases in order to program the device

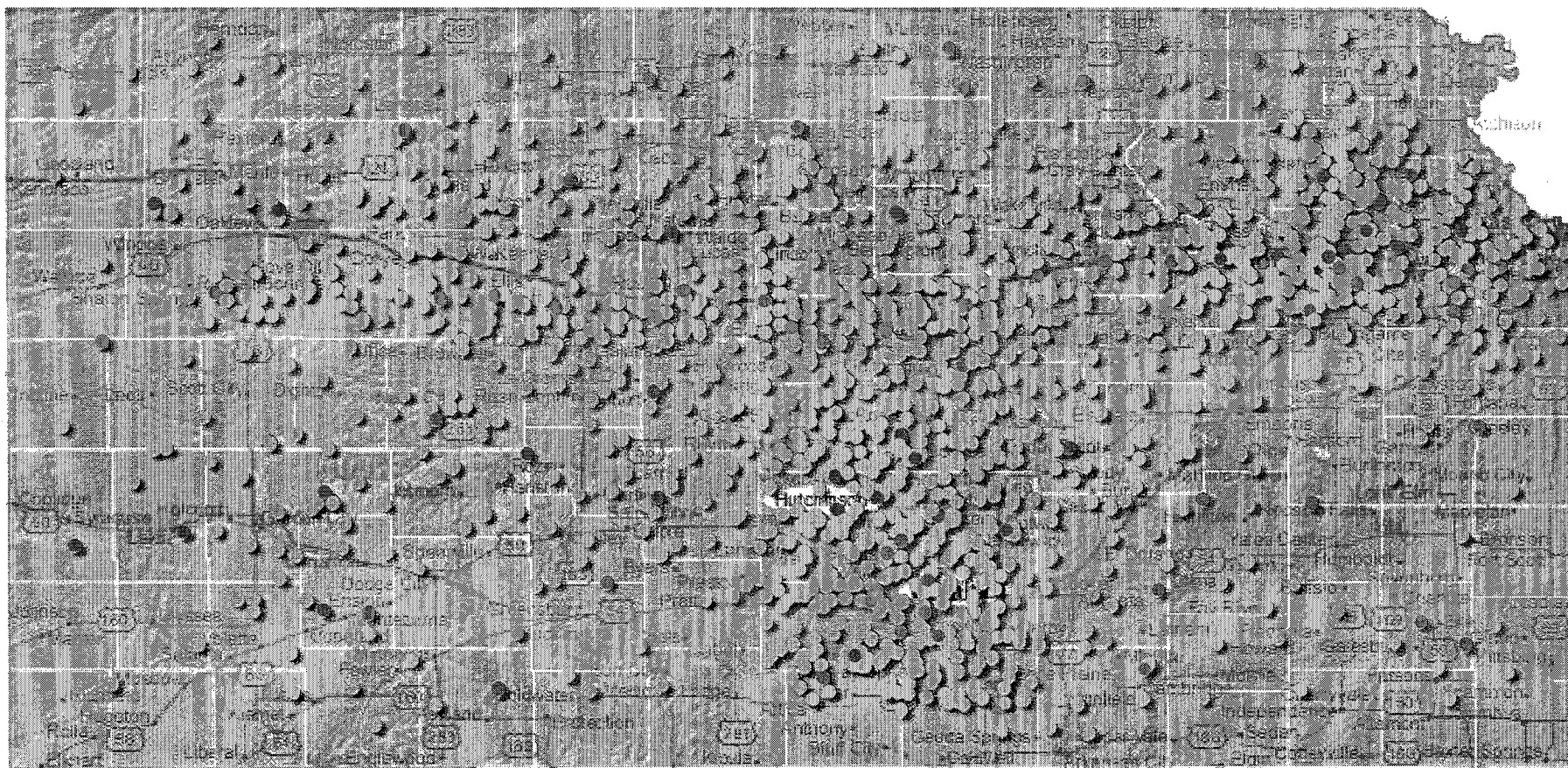
## Overstreet Pass System: how a customer would use it

- Insurance customer receives device (mounts to inside of windshield)
- Customer receives swipe-card or USB key (TBD)
- Customer runs card/USB through the device (sets timeframe for device)
- Encoded card/USB activates and programs the device (starts the count-down timer)
- Customer receives feedback that the device has programmed successfully
- Customer receives feedback for renewal
- On expiration date, device indicates (e.g. red LED) to the outside of the car
- Device is factory sealed and tamper resistant

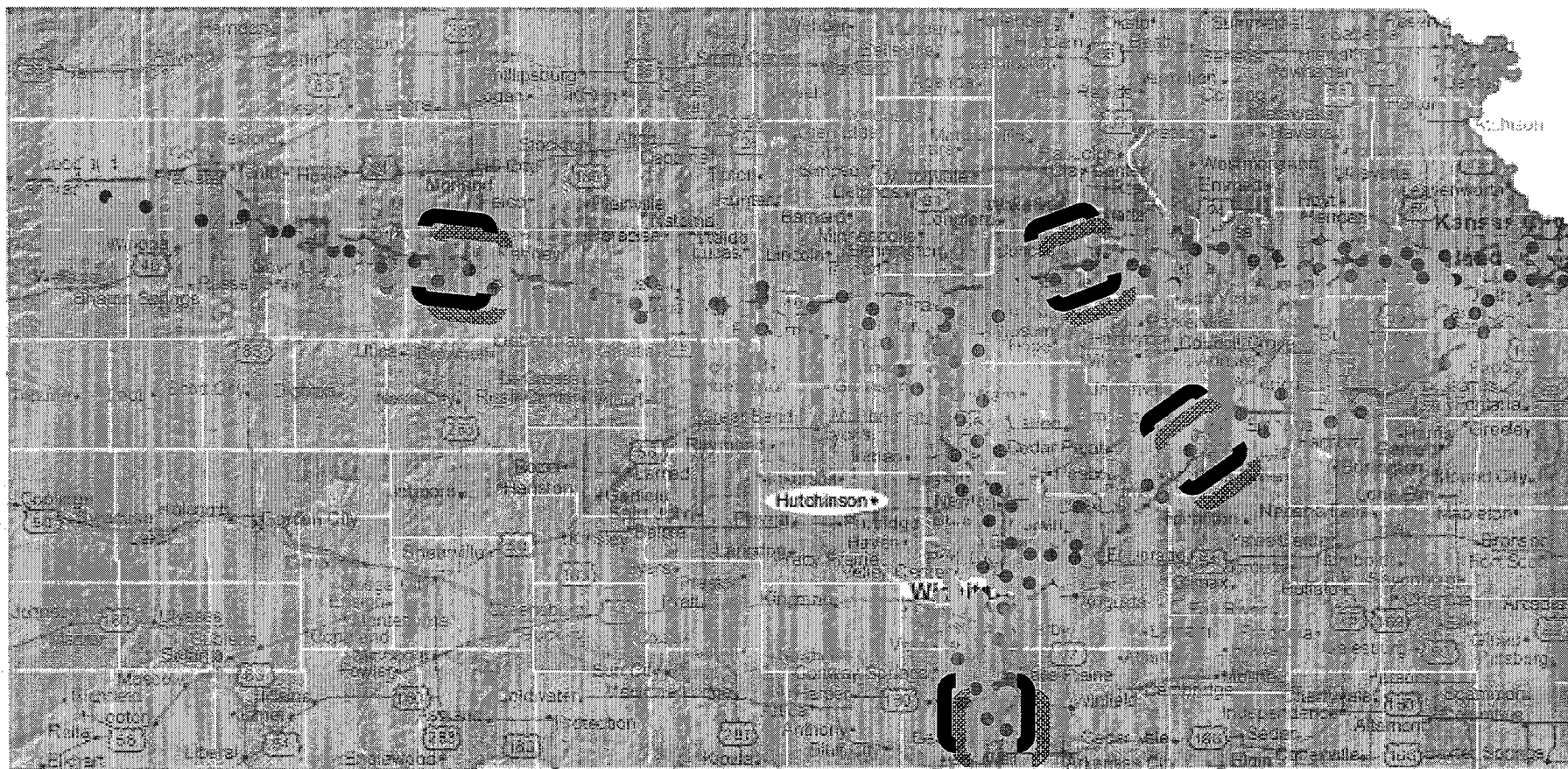
(this operating procedure is still being refined as device development continues)



# Problem: highly distributed motorist population



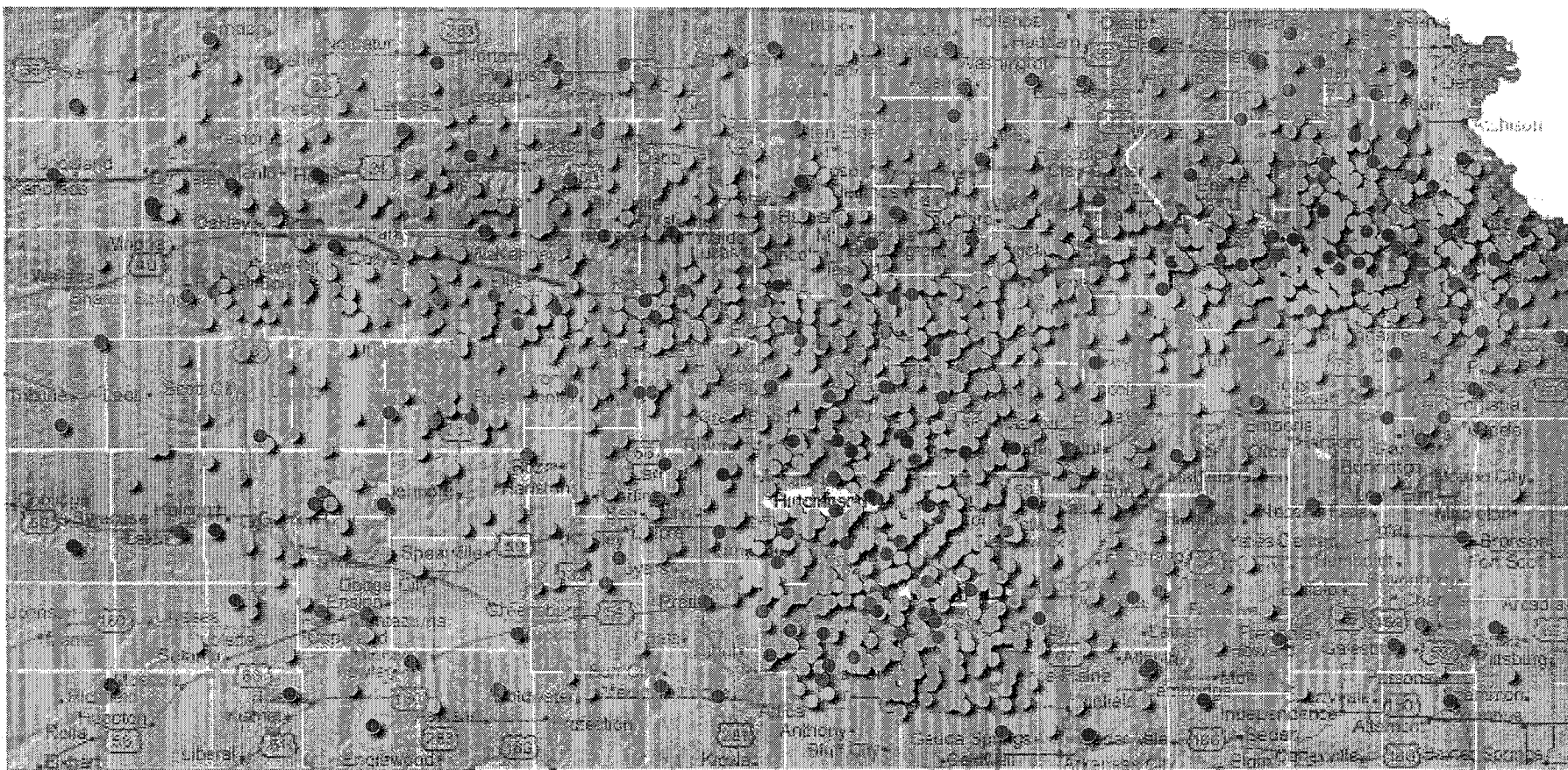
# Limitations: other solutions channel population through "chute"

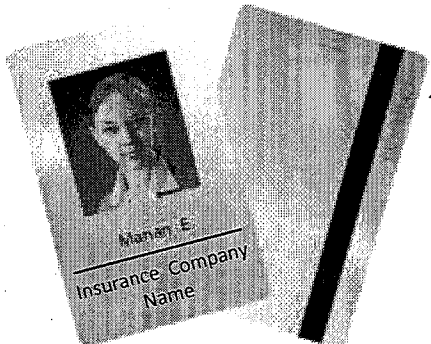
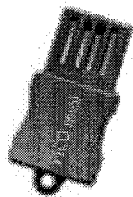




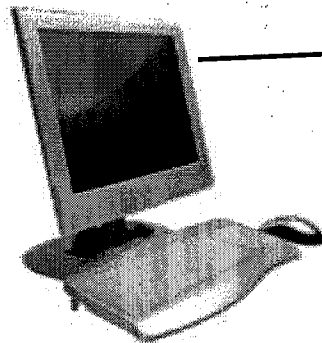
**Challenge:** highly distributed law enforcement

**Opportunity:** device for “self-identification” of all motorists

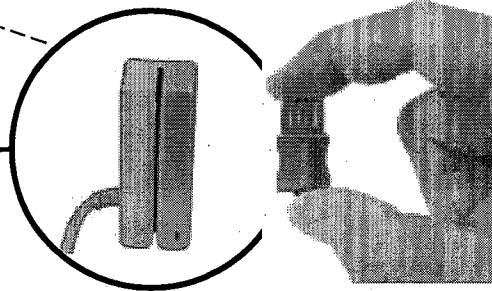




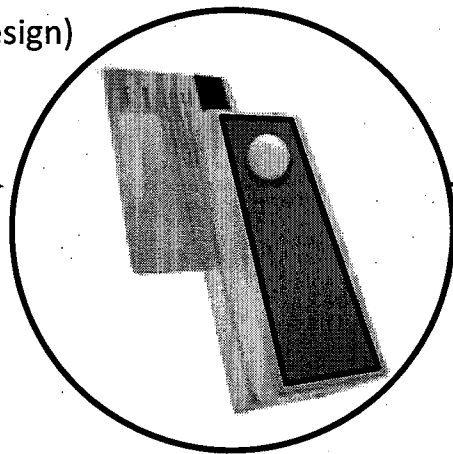
Insurance Customer's USB or Swipe Card  
(could also serve as Insurance Co ID card)



Insurance Company's  
PC with USB or Swipe Card  
Encoder

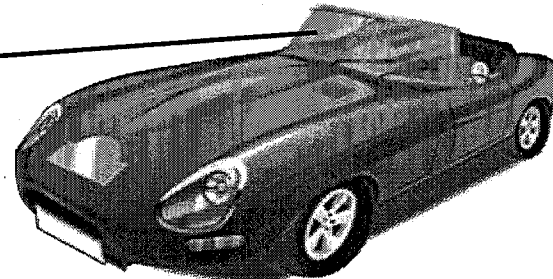


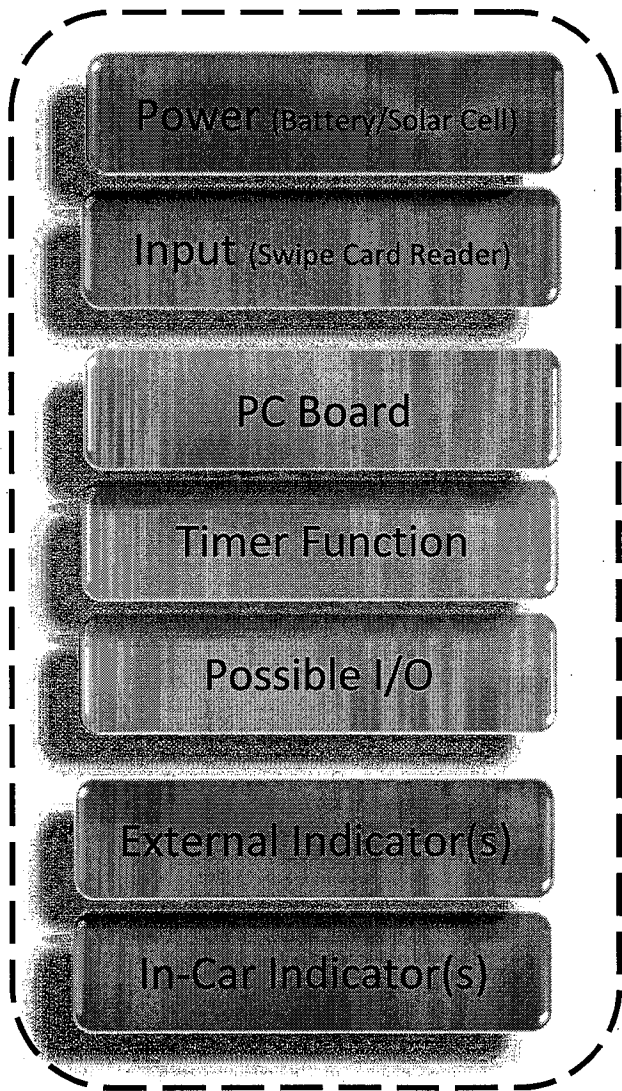
Overstreet Pass Device  
(not actual design)



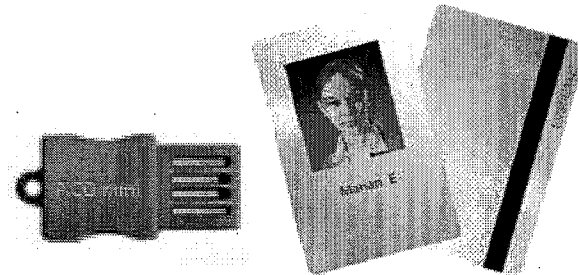
*\* TBD: device may indicate with green light (LED) for current, or only a red light (LED) when out of compliance. Still under design investigation*

Customer's Automobile Windshield  
(device attaches to inside of windshield similar to an inspection sticker or toll pass)





Overstreet pass  
 Device  
 Enclosure  
 (attaches to inside of  
 windshield, similar to  
 an inspection sticker  
 or toll pass)

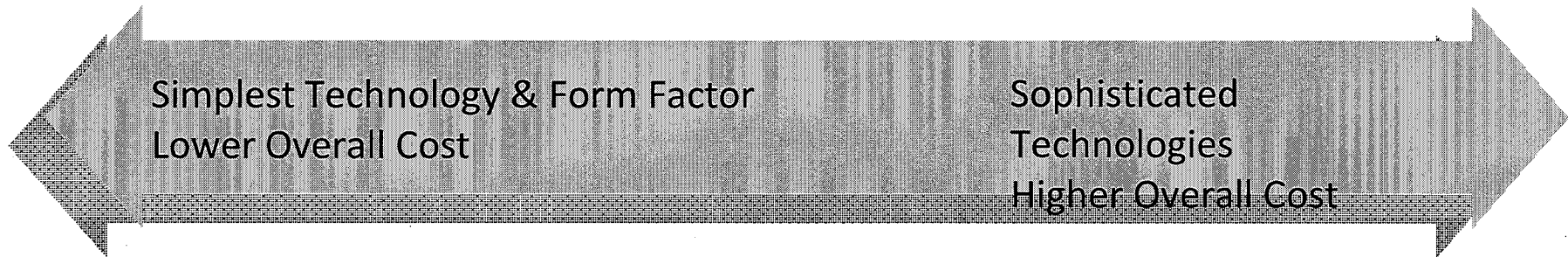


Customer's Swipe Card  
 or Mini USB Drive (TBD)

- Either would contain encoding to activate device countdown
- Either can be printed on outside with customer and insurance company information



# Overstreet Pass System: Product Development Continuum



## Overstreet Pass Solution:

Timer with Indicators  
USB key or Swipe Card

Timer with Indicators  
RFID

Timer with Indicators  
Cellular

## Other Solutions:

State-wide  
Databases

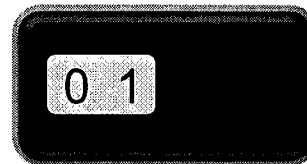
Traffic Light  
Cameras

GPS  
Satellite

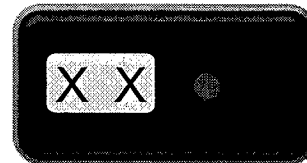
4-11



One day remaining



Expired



**Thank you**

**Contact Information:**  
**Overstreet Pass, LLP**  
**1514 West Fairmont, Suite A**  
**Longview, Texas 75604**  
**(903) 753-1618**

## Requirements for Consideration by the Task Force on Electronic Motor Vehicle Financial Security Verification

An electronic motor vehicle financial security verification system should:

- Assist the director of motor vehicles and county treasurers in registration of motor vehicles in compliance with motor vehicle financial security law,
- Provide law enforcement officers with roadside information during traffic stops to determine whether vehicles are in compliance with motor vehicle financial security law,
- Provide greater assurance to the motoring public that other vehicles on the road are insured as required by law, and
- Offer convenient insurance policy interface and reporting for companies required to provide insurance policy information to the state.

Suggested Requirements:

1. Searches must be national, and if possible international, in scope, not just for vehicles registered in Kansas.
2. Information must be "near real-time." This term will need to be defined, but should occur as soon as practical following any motor vehicle insurance transaction to initiate or cancel coverage.
3. Multiple search fields must be available for input, for example: VIN, company & policy No., state and license plate number, owner name and address.
4. Data accuracy must be very high, addressing current inaccuracy rate of VINs in insurance databases and on policies.
5. System must be easily, reliably and accurately accessible from a patrol car, fixed locations and from other computer applications such as the state's electronic vehicle registration system.
6. Transmission and access must be secure. Private data must be protected. System must be protected from hacking and data harvesting.
7. System must be compatible with and work with virtually all state and insurance company systems.
8. System must maintain compliance with approved national data standards for exchange of electronic insurance reporting information.
9. System may aggregate near real-time data or distribute requests to multiple sources of information, but system should provide access to nearly 100 percent of vehicles operating on roads in Kansas.
10. A new system meeting these requirements should be established legislatively to replace the current system maintained by the Department of Revenue.
11. A funding mechanism must be established to pay for system development, use, enhancement and maintenance.

12. Issues of verifying financial security including insurance for all commercial vehicles should be addressed by the task force.