



## The Evolution of Vehicle Insurance Reporting Systems

In other nations, vehicle insurance verification is usually far easier 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 Netherland, there are only a dozen or so insurers and they update records for the government nightly. 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, including guilty verdicts for “No Insurance.”

**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.

**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 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; this is a complete solution.