

# Online Insurance Verification

Creating an OIV system for Idaho

Category: Improving State Operations

State of Idaho

Idaho Transportation Department

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## Executive Summary

The Online Insurance Verification (OIV) System came about through a legislative mandate. Idaho Statute 49-1234 directed the Idaho Transportation Department to create an online insurance verification system for motor vehicle insurance coverage. The intent of the law was twofold: to lower the number of uninsured drivers in Idaho, and to provide instant information to law enforcement and traffic courts regarding the status of an insurance policy.

The law required the system to be compliant with the Insurance Industry Committee on Motor Vehicle Administration (IICMVA) specifications and standards. It also required the system to maintain a record of all information requests. As a condition for writing motor vehicle liability insurance policies in the State of Idaho, insurance carriers provide access to insurance policy status through the OIV system.

Peace officers have access to the system to verify validity of vehicle liability insurance, and if insurance is verified through the system, the peace officer will not issue a citation. Members of the courts, authorized department personnel, and the Department of Insurance also have access to the system in order to verify insurance.

## Concept

Individuals operating motor vehicles without insurance is a nationwide problem. In Idaho, it is estimated 6.7% of drivers are uninsured.<sup>1</sup> The Idaho legislature desired to create a system that would serve the citizens of Idaho by giving law enforcement and the courts a new tool to verify insurance. Before the OIV system, a peace officer relied upon the motorist to prove insurance was in place on a vehicle they were operating. If the motorist was unable to provide proof of insurance, a ticket would be issued and it would be considered a traffic infraction. If the violator could prove they did in fact have insurance at the time of the infraction, the ticket would be dismissed. If the violator could not prove they had insurance in place, a fine would be levied and the violator would have to make a court appearance when convicted, and pay administrative fees along with the fine. The violator's license would also be suspended until evidence of a current auto insurance policy was provided to the court. For a first violation, the costs could come to over \$130 dollars. For additional offenses, the penalties increase in severity. If convicted of driving without insurance a second time within 5 years, it is treated as a misdemeanor, and violators are subject to fines and imprisonment at the court's discretion. Overall, the costs of driving without insurance or failure to provide proof include money and time spent by motorists as well as peace officers and courts. The OIV system was created to help alleviate some of these problems.

When the OIVS project began, the team researched how best to create a system of instant verification. A developer was hired to write an application that would gather the necessary data and make a query directly to an insurance company, in real time, in order to instantly ascertain the status of an insurance policy. The system works by obtaining data from all insurance companies who write policies in the state of Idaho. At least each month, ITD receives a file transfer of an insurance company's "book of business" that contains the names and policy numbers of all drivers they cover in the state. Some insurance companies opt to send their book of business more frequently in order to provide the latest data. The book of business is critical to the OIV system because it provides the necessary information to know where to send a query. During design, the team incorporated two methods to

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<sup>1</sup> (Marquand 2016)

perform a query. One way is to use the Idaho Law Enforcement Telecommunications System (ILETS), which is tied into the OIV system and displays insurance status upon the return of information on the vehicle. The other method designed is by navigating to a URL online and logging into the OIV application. When a request is initiated, the system uses the Vehicle Identification Number (VIN) to find an Insurance Policy located in the book of business sent by the companies each month. If the VIN number is not known, a query can be run by using a license plate number. This is how law enforcement typically obtains information from the OIV system. If the VIN number matches a policy in the book of business, the system sends a request to the insurance company for real time verification. When the query is sent, it contains the National Association of Insurance Commissioner (NAIC) Code, VIN#, Policy# and the date for the query, all obtained from the book of business. When the policy is found in the insurance company records, and the query date shows a policy is in effect, it returns an answer of "confirmed." If for any reason a policy cannot be located, the system returns a result of "unconfirmed."

The OIV system differs from other systems in that the cost was much lower to develop when compared to surrounding states. The project was successfully executed on a budget of \$100,000 versus the \$698,000 cost if we had partnered with the University of Alabama Center for Advanced Public Safety (CAPS).

The approach used to run the project consisted of using a hybrid of waterfall and agile methodologies. The development of the application followed a more agile approach, while the planning and documentation followed more of a waterfall approach. During the design, we created metrics to show the burn down rate of user stories and tracked progress related to actuals on a line graph. Input from the DMV, as well as stakeholders, was ongoing through the project and course corrections were made as new information was uncovered. The largest challenge in the implementation of the project centered on trying to develop a method for insurance companies to send us their book of business. Due to varying technological capabilities, different companies wanted to send the data different ways. It took much negotiation and architecture design to finalize a standard for all companies to adhere to. Security of information was addressed by mandating all data transferred to be encrypted.

The state is responsible for the collection of information from the OIV system and to maintain a record of all requests. The records are used to track the use of the system and provide information to the legislature upon request.

The project team communicated with members of law enforcement, courts, and insurance companies to promote adoption of the system and received an eager response for implementation of it.

## Significance

The scope of the project included all of the Idaho traffic courts, all law enforcement agencies, and certain members of the Department of Motor Vehicles. All motor vehicle operators are affected by the system as their information is contained in the book of business of their insurance company.

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Successful project implementation was a critical focus due to the legislative mandate. The sponsor of the project needed to have a system that would verify insurance status in real time. The real-time component was necessary to maintain integrity of the system and provide accurate information. Insurance policies can change daily, and to provide accurate information, the system must be able to query an insurance policy in real time to provide reliable results. For example, if a driver purchases a policy to register a vehicle, then immediately cancels it to avoid paying the monthly premiums, the driver would operate the vehicle uninsured. If pulled over by law enforcement, the OIV system would return an "unconfirmed" result based on real-time data to show the insurance policy was not in effect at that time.

The change for the constituents of Idaho is that they receive a benefit from the system when they do not have an insurance card available in their vehicle. If the OIV system returns a status of confirmed, a motorist will not be cited even if they cannot produce a physical copy of the card. This reduces the number of citations written for people who do have an active policy, but are unable to produce the

card. It also reduces the burden on the citizen to then have to appear in court to prove they did have insurance at the time of the citation.

The state also benefits from the system in that law enforcement do not have to write citations for people who don't have their insurance card because they can confirm a policy in real time. This reduces the amount of time police spend writing a ticket that will be dismissed.

The Idaho Courts benefit from the system because they do not have to take the time to process a citation and dismiss it when a policy was in place.

The State of Idaho realized the benefits of an Online Insurance Verification System, and so wrote Idaho statute 49-1234 that mandated the creation of the system. It fits with innovations for information communications technology and benefits the citizens, courts, and law enforcement communities throughout the state.

## Impact

The impact of the OIVS system can be ascertained by looking at the number of times the courts need to use the system. When the system went live in 2015, the courts used the OIV system a total of 478 times to verify insurance for a motorist who was contesting a ticket. Throughout the entire year of 2016, only 164 queries were performed by the courts to validate insurance. So far in 2017, there have been 84 queries by the courts. Also, a larger picture emerges when factoring in the number of ILETS queries conducted by peace officers that return insurance status. In 2015 there were 1,043,712 queries of the OIV system by ILETS. In 2016, there were 2,605,674 queries of the system by ILETS, and only 164 queries to confirm insurance by the courts. The system is providing information that assists with the decision to issue a citation. While the number of ILETS queries more than doubled in 2016, the number of times the courts had to verify a contested citation dropped by 60%.

The immediate impact of the OIV system can be seen in the figures mentioned above. The longer term impact will be the cumulative effect of the short term

benefits. Courts and Law Enforcement utilize the system daily in order to provide information to make decisions regarding insurance. Not needing to cite motorists who have insurance but cannot prove it significantly reduces the burden on courts, citizens, and peace officers. Also, by verifying insurance in real time, an officer and courts can determine when a policy is actually in effect in case it was cancelled for the person who was dropped from the company. The financial impact is found in the hours saved by state workers by providing information immediately upon request.

Overall, the OIV system was implemented with a much smaller cost when compared to other state systems. It saves time and effort for the courts and officers of Idaho, and it provides the citizens with a benefit of validation of an insurance policy. The project implementation was successful and the system is used to query insurance policies over two million times per year. Idaho is leading the way in innovative technology to improve the lives of its citizens and workers.

Marquand, Barbara. *CarInsurance.com*. March 10, 2016.

<http://www.carinsurance.com/Articles/uninsured-motorist-coverage-state-averages-of-uninsured-drivers.aspx> (accessed April 18, 2017).