

ALASKA LEGISLATURE COMMITTEE FILES 2007-2008 SL&C 12607

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Senator Gary Stevens

Alaska State Legislature

INTERIM ADDRESS:
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Kodiak, Alaska 99615
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Sponsor Statement SB 59

"An Act relating to the use of broadcasting to promote raffles and lotteries"

SB 59 would afford an equal playing field for Alaska's broadcasters. Alaska Statute prohibits broadcasters from airing truthful and non-misleading advertisements of lawful "charitable gaming activity." SB 59 would avoid a likely constitutional challenge to the Statute.

As it stands now, AS 05.15.640(a) bans, but only via radio and television, the advertising of lawful charitable gaming or conduct. Newspapers are free to advertise the very same activity and conduct that radio and television stations may not advertise.

In addition, the statute also impedes positive governmental interests. ABA member stations cannot assist deserving not-for-profit organizations in their efforts to raise money to meet their goals.

AS 05.15.640(a) may well deny broadcasters equal protection under the Federal and State Constitutions since the act prohibits, without rational basis, the broadcast media from engaging in conduct which is allowed by the print media, namely the carriage of third party advertising promoting a lawful "charitable gaming activity."

As an example of the current misguided law, local church raffles cannot be promoted by local radio and TV stations. Boy Scout fundraisers involving raffles may not be included in public service announcements. Not-for-profit groups such as the Boys and Girls Club are excluded from promoting fundraisers involving games of chance using radio and TV. Even various statewide fundraising events such as the Iditarod may not be promoted by broadcasters, thus reducing the organizations fundraising ability.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 485-3867 or 485-2450
FAX (907) 485-2029
Mail Stop 3101

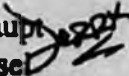
State Capitol
Juneau, Alaska 99901-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

January 22, 2007

SUBJECT: Sectional Summary - SB 59 (Work Order No. 25-LS0410VA)

TO: Senator Gary Stevens

FROM: Gerald P. Luckhaupt
Legislative Counsel 

You have requested a sectional summary of the above-described bill. As a preliminary matter, please note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill - the bill itself is the best statement of its contents.

Section 1. Amends AS 05.15.640(a) to allow radio and television broadcasting to promote raffles and lotteries.

GPL:med
07-035.med



Alaska Broadcasters Association

AN ALASKAN CORPORATION

700 W 41st Avenue #102 Anchorage, AK 99503

P: 907-258-2424

F: 907-258-2414

Email: akba@gci.net

January 25, 2007

Senator Gary Stevens
State Capitol Room 103
Juneau, AK 99801-1182

Dear Senator Stevens:

Thank you for your introduction of SB 59 as a solution to the disparate treatment currently being imposed on Alaska's broadcasters by existing Alaska Statute.

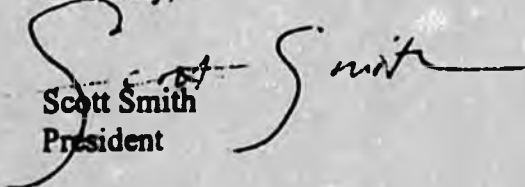
As you know, Alaska Statute §05.15.640(a) bans, but only via radio and television, the advertising of charitable raffles and lotteries. Newspapers are free to advertise the very same activity that radio and television stations may not.

In fact, the current law actually impedes positive governmental interests by prohibiting Alaska's broadcasters from assisting nonprofit organizations in their efforts to raise money to reach their goals. This restriction is simply flawed policy.

This unwarranted restriction in Alaska law, removed from Federal Law many years ago, means that raffles cannot be promoted by organizations such as the VFW, the Boys and Girls Club, and other local nonprofits through the means of broadcasting.

On behalf of all broadcasters in Alaska, we appreciate and support your willingness to seek this amendment to allow each of us, through the power of radio and television broadcasting, to better serve our communities in their fundraising efforts.

Sincerely,


Scott Smith
President

----- Original Message -----

From: "Ric Schmidt" <rschmidtknom@nome.net>
To: "Alaska Broadcasters Association" <akba@gci.net>
Sent: Monday, February 05, 2007 4:48 PM
Subject: Raffle ad story from KNOM

Darlene:

In the first week of January, when the thermometer was routinely dipping below -20, I received a call from Winnifred in Kotlik.

She politely asked if the folks in Kotlik could announce a charitable raffle on KNOM AM & FM.

She said that the city office needed a monitor heater and due to the lack of city funds the citizens had put together a raffle to collectively raise enough money to purchase the desperately needed heater.

I was forced by Alaska State law to tell her NO! I told her that newspapers are allowed to promote this type of effort, but we are not!

She said that the best way to raise the money was this raffle and the best way to promote it, would be announcing it on KNOM.

I apologized to her, and honestly...I was embarrassed!

Here was a community that didn't look to the state or federal government for help.

They were raising the money themselves, and state law was preventing them from standing on their own and buying a monitor heater for their city office.

I would hope that the people of Alaska can work to help communities like Kotlik, help themselves, without restricting their efforts through outdated laws and regulations.

We can't ask people to stand up and help, if we don't give them the tools to succeed.

Thank you for your interest in this sad story. I hope the future brings bright promise to all Alaskans.

Ric Schmidt
KNOM General Manager



**Alaska Juneau
Communications, Inc.**

February 6, 2007

The Honorable Gary Stevens
State Senate
State Capitol Room 103
Juneau, AK 99801-1182

Dear Senator ~~Stevens~~ 


Thank you for introducing SB59 in support of a solution to the disparate treatment currently being imposed on Alaska's broadcasters by current Alaska Statute.

As you know, Alaska Statute §05.15.640(a) bans, but only via radio and television, the advertising of lawful charitable gaming or conduct. Newspapers are free to advertise the very same activity and conduct that radio and television stations may not advertise.

In fact, the current law actually impedes positive governmental interests by prohibiting Alaska's broadcasters from assisting deserving non profit organizations in their efforts to raise money to reach their goals. In a period of tight state revenues and charitable giving, this unwarranted restriction is simply flawed policy.

Broadcasters throughout Alaska appreciate your willingness sponsor legislation to correct this inequity.

Sincerely,


Dennis Egan
President & GM
AJCI (KINY-AM, KSUP-FM)

SB

68

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 1/28/07

FURTHER: Transportation
 Finance

Date of 5-Day Notice: _____
 (in accordance with Uniform Rule 23)

DATE TURNED
 IN TO OFFICE: _____

Labor and Commerce Committee considered SENATE BILL NO. 68

SB 68 MOTOR VEHICLE INSURANCE

"An Act requiring motor vehicle insurers to provide to the commissioner of administration a database listing vehicle insurance policy information that will allow the commissioner to verify whether mandatory motor vehicle insurance has been obtained, limiting access to the database, establishing methods for proving that mandatory motor vehicle insurance is in place, allowing the additional penalties of suspending registration and vehicle impoundment and forfeiture for failure to have mandatory motor vehicle insurance, and authorizing hearings after suspension of registration for failure to have mandatory motor vehicle insurance."

and recommends:

- be replaced with SCS or CS for SB 68 (L+C)
- adopt previous SCS or CS _____
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

| | |
|-------------------------------------|--------------------------|
| SENATE BILL: | |
| <input type="checkbox"/> | Same Title |
| <input checked="" type="checkbox"/> | New Title |
| HOUSE BILL: | |
| <input type="checkbox"/> | Same Title |
| <input type="checkbox"/> | Technical Title Change |
| <input type="checkbox"/> | New Title w/ SCR # _____ |

NEW FISCAL NOTE(S):

| | | | | |
|----------|---------|-------------------------------------|--|-------------------------------------|
| ADMIN | 2/27/07 | <input checked="" type="checkbox"/> | | |
| COMMERCE | 2/26/07 | | | <input checked="" type="checkbox"/> |
| | | | | |
| | | | | |
| | | | | |

PREVIOUS FISCAL NOTE(S):

| | | | | | |
|--|--|--|--|--|--|
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| | | | | | |
| | | | | | |

APPROPRIATION - no fiscal note

| | | | | | |
|--------|--------------------|---------|---|-------------------------------------|--|
| | <i>D. Bunde</i> | Bunde | | <input checked="" type="checkbox"/> | |
| | <i>Bundy Davis</i> | DAVIS | X | | |
| | <i>Stevens</i> | STEVENS | X | | |
| | <i>[Signature]</i> | | | | |
| | <i>[Signature]</i> | | | | |
| CHAIR: | <i>[Signature]</i> | ELLIS | X | | |

Alaska State Legislature



Senator Hollis French

SB 68 - Motor Vehicle Insurance

Sponsor Statement

Senate Bill 68 is designed to reduce the number of uninsured drivers on Alaska's roads. The bill uses modern database capabilities to ferret out automobiles that are not covered by an insurance policy. The mechanism is fairly simple. The Division of Motor Vehicles keeps of a database of known registered automobiles. The insurance industry has records of all automobile insurance policies in effect in the state. By comparing the two lists, we can quickly identify the thousands of vehicles on Alaskan roads that are not covered by an insurance policy.

The bill requires that DMV then take the list of uninsured vehicles and send the registered owner of each one a notification via certified mail stating that proof of insurance must be submitted to the DMV within thirty days. If a vehicle owner fails to insure the car then DMV will suspend the car's registration. Peace officers will be given the authority to impound unregistered vehicles.

Though DMV records currently indicate that one hundred percent of registered vehicles are insured, common sense declares that this is not the case. While auto insurance is mandatory in Alaska, no proof of that insurance is required when registering a vehicle. An estimated fifteen percent of drivers in Alaska are uninsured. Uninsured drivers can cause higher insurance rates for those who follow the letter of the law. Indeed, SB 68 should lower insurance costs for all drivers in Alaska as more individuals get insurance policies. It is my hope that SB 68 will encourage those who are currently driving without insurance to obtain policies, thus giving all Alaska drivers more protection from the often catastrophic effects of an automobile accident.

Alaska State Legislature



Senator Hollis French

SB 68 - Motor Vehicle Insurance

Sponsor Statement

Senate Bill 68 is designed to reduce the number of uninsured drivers on Alaska's roads.

The bill requires the Department of Administration to implement an online verification system that would help ensure that drivers carry the mandatory insurance on their vehicles. The online mechanism would be an "event based" system, meaning that it would check for insurance when the state has contact with a vehicle owner. The most common examples of contact would be when registering a vehicle, when renewing that registration, and during traffic stops.

Online insurance verification is a new technology that has gained support from the insurance industry. The Insurance Industry Committee on Motor Vehicle Administration (IICMVA) issued a report in 2004 in which they support online verification systems for enforcing mandatory insurance. The IICMVA states that online verification is a cost effective method to address uninsured drivers that benefits states, insurers and consumers.

In addition to allowing the implementation of an online verification system, SB 68 requires proof of insurance at the time of vehicle registration and registration renewal. The bill also grants municipalities the right to impound vehicles for failure to have mandatory auto insurance.

Though DMV records currently indicate that one hundred percent of registered vehicles are insured, common sense declares that this is not the case. While auto insurance is mandatory in Alaska, no proof of that insurance is required when registering a vehicle. An estimated fifteen percent of drivers in Alaska are uninsured. Uninsured drivers can cause higher insurance rates for those who follow the letter of the law. Indeed, SB 68 should lower insurance costs for all drivers in Alaska as more individuals get insurance policies. It is my hope that SB 68 will encourage those who are currently driving without insurance to obtain policies, thus giving all Alaska drivers more protection from the often catastrophic effects of an automobile accident.

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Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

January 29, 2007

SUBJECT: SB 68 Sectional summary; Verification of Motor Vehicle Insurance Coverage. (Work Order No. 25-LS0342VA)

TO: Senator Hollis French
Attn: Allison Biastock

FROM: Dennis C. Bailey *DCB*
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. Requires motor vehicle liability insurers to provide information to the commissioner of the Department of Administration.

Section 2. Allows municipalities to impound vehicles with suspended registration for failure to have mandatory insurance.

Section 3. Requires that notice be given if a registration is cancelled for failure to have mandatory insurance.

Section 4. Allows a person whose license is suspended to prove the person has the required insurance and establishes the method of proof.

Section 5. Allows the commissioner of the Department of Administration to adopt regulations using insurance information and registration information to confirm whether mandatory insurance is in place. Provides that the information is not a public record, but is available to police and court personnel and others as determined by the commissioner.

Section 6. Allows the registration to be suspended after notice and, in addition to other existing penalties for driving with suspended registration, provides for impoundment if the vehicle is used or parked without insurance. Provides an opportunity for administrative appeal and allows the section to be implemented by regulation.

If I may be of further assistance, please advise.

DCB:med
07-047.med

25-LS0342\M

Bailey

2/22/07

CS FOR SENATE BILL NO. 68()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY

Offered:

Referred:

Sponsor(s): SENATOR FRENCH

A BILL

FOR AN ACT ENTITLED

1 "An Act requiring motor vehicle insurers to provide to the commissioner of
 2 administration vehicle insurance policy information to allow the commissioner to verify
 3 whether mandatory motor vehicle insurance has been obtained and limiting access to
 4 the information; requiring proof of mandatory insurance coverage when a person
 5 applies for or renews motor vehicle registration; and allowing the additional penalties of
 6 vehicle impoundment and forfeiture for failure to have mandatory motor vehicle
 7 insurance."

8 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

9 *** Section 1.** AS 21.89.020 is amended by adding a new subsection to read:

10 (j) An insurer licensed to issue motor vehicle liability insurance shall provide
 11 to the commissioner of administration or a person designated by the commissioner
 12 information required under AS 28.22.035 that allows the commissioner to verify that a
 13 person has the mandatory insurance required under AS 28.22.011.

1 * Sec. 2. AS 28.01.015(a) is amended to read:

2 (a) Notwithstanding other provisions in this title, a municipality may adopt an
3 ordinance providing for the impoundment or forfeiture of a

4 (1) motor vehicle, watercraft, or aircraft involved in the commission of
5 an offense under AS 28.35.030, 28.35.032, or an ordinance with elements substantially
6 similar to AS 28.35.030 or 28.35.032;

7 (2) motor vehicle involved in the commission of an offense under
8 AS 28.15.291 or an ordinance with elements similar to AS 28.15.291;

9 (3) motor vehicle used by a person whose license is suspended under
10 AS 28.22.041; [OR]

11 (4) motor vehicle used by a person who fails to carry proof of
12 insurance as required under AS 28.22.019; or

13 (5) motor vehicle for failure to have mandatory motor vehicle
14 insurance under AS 28.22.011.

15 * Sec. 3. AS 28.10.021(a) is amended to read:

16 (a) The owner of a vehicle subject to registration shall apply for registration
17 under this chapter by properly completing the form prescribed by the commissioner
18 under AS 28.05.041. Before the issuance of a certificate of registration by the
19 department, the owner shall

20 (1) pay all registration fees and taxes required under this chapter and
21 federal heavy vehicle use taxes required under 26 U.S.C. 4481 (Internal Revenue Code
22 of 1954);

23 (2) unless the owner qualifies as a self-insurer under AS 28.20.400 or
24 is exempted from obtaining liability insurance under AS 28.22.011, certify to the
25 department the existence of a motor vehicle liability policy that complies with
26 AS 28.22.011 for the vehicle being registered; in this paragraph, "certify" means to
27 provide proof, in a [INDICATE BY CHECK-OFF ON THE VEHICLE
28 REGISTRATION] form prescribed by the department, of the existence of a policy of
29 insurance that complies with AS 28.22.011. [IF A POLICY IS REQUIRED AT
30 THAT TIME,] and the intention to continue the policy [OR OBTAIN A POLICY AS
31 REQUIRED BY THIS SUBSECTION]; and

1 (3) comply with other applicable statutes and regulations.

2 * Sec. 4. AS 28.10.111(a) is amended to read:

3 (a) Application for the renewal of vehicle registration shall be made by
4 completing the proper form, providing proof, in a form prescribed by the
5 department, of the existence of a policy of insurance that complies with
6 AS 28.22.011 and the intention to continue the policy, and paying any required fee
7 and tax.

8 * Sec. 5. AS 28.22 is amended by adding a new section to read:

9 **Sec. 28.22.035. Mandatory motor vehicle insurance verification.** (a) An
10 insurer licensed to issue motor vehicle liability insurance shall provide to the
11 commissioner, or to a person designated by the commissioner, motor vehicle insurance
12 policy information that will allow the department to verify that the mandatory
13 insurance required by AS 28.22.011 is in place for a vehicle registered in this state or
14 for a policyholder with an Alaska address.

15 (b) The commissioner may establish methods for determining whether a
16 person has effective mandatory motor vehicle insurance.

17 (c) The commissioner shall adopt regulations for reporting insurance
18 information under this section, including regulations establishing times and methods
19 for reporting. The method for providing information may include electronic or
20 automated methods, worldwide web based systems, and other methods and systems as
21 determined by the department.

22 (d) Information available to the department under this section is not a public
23 record for purposes of AS 40.25.110 - 40.25.140 and shall be available only to peace
24 officers, court personnel, and other persons with a need for the information, as
25 determined by the commissioner. The department shall develop a method by which a
26 peace officer and court personnel may electronically verify that an insurance policy
27 complying with AS 28.22.011 has been issued.

28 * Sec. 6. AS 28.22 is amended by adding a new section to read:

29 **Sec. 28.22.042. Uninsured vehicle impoundment.** In addition to the penalty
30 set out in AS 09.65.320, AS 28.22.041, AS 28.90.010, or other penalty, a motor
31 vehicle without the insurance required by AS 28.22.011 that is driven, moved, or

1 parked on a highway or vehicular way or area may be impounded by a peace officer or
2 an employee of the Department of Public Safety officially designated for that purpose.
3 The impounded motor vehicle shall be considered abandoned and disposed of under
4 AS 28.11. The motor vehicle may be redeemed from impoundment if

- 5 (1) the insurance required by AS 28.22.011 has been obtained;
6 (2) proof of insurance by a method set out in AS 28.22.031 is provided
7 to the department; and
8 (3) the costs of impounding and storing the vehicle have been paid.

Uninsured Motorist Coverage as % of Total Policy Premium

| Full-Coverage | | | | |
|----------------------|---------------|------------------|------------------|----------------|
| | Juneau | Anchorage | Fairbanks | Average |
| State Farm | 6.06% | 4.45% | 5.21% | 5.24% |
| Progressive | 8.98% | 6.70% | 7.05% | 7.57% |
| Geico | 6.29% | 5.62% | 6.64% | 6.16% |
| USAA | 6.69% | 5.86% | 5.59% | 6.05% |
| Leader | 5.31% | 4.88% | 4.66% | 4.95% |
| Allstate | 7.03% | 4.91% | 5.19% | 5.71% |
| Averages | 6.73% | 5.40% | 5.72% | 5.95% |

| Liability Only | | | | |
|-----------------------|---------------|------------------|------------------|----------------|
| | Juneau | Anchorage | Fairbanks | Average |
| State Farm | 11.59% | 7.74% | 11.67% | 10.33% |
| Progressive | 18.77% | 11.80% | 15.29% | 15.29% |
| Geico | 19.39% | 14.27% | 17.63% | 17.10% |
| USAA | 8.37% | 14.90% | 18.44% | 13.90% |
| Leader | 8.36% | 7.15% | 7.65% | 7.72% |
| Allstate | 17.82% | 9.85% | 13.66% | 13.77% |
| Averages | 14.05% | 10.95% | 14.06% | 13.02% |

*Companies listed represent approx. 90% of personal auto market in Alaska

The following numbers represent the average percentage of premium that would have needed to have been collected to cover the actual uninsured motorist losses incurred by companies writing in Alaska (Pure Uninsured Motorist Premium*/Average Premium).

* 2003 Numbers

| | Mississippi | Alabama | California | Alaska | Vermont | Massachusetts | Maine |
|------------------------|--------------------|----------------|-------------------|---------------|----------------|----------------------|--------------|
| Uninsured Pure Premium | \$63.28 | \$42.91 | \$34.45 | \$88.79 | \$33.69 | \$18.03 | \$21.51 |
| Average Premium | \$903.91 | \$816.68 | \$957.73 | \$1,161.81 | \$805.99 | \$1,204.76 | \$763.71 |
| Liability Only | \$417.82 | \$369.71 | \$483.44 | \$600.28 | \$365.00 | \$701.76 | \$366.08 |
| Uninsured Driver % | 26.50% | 25.00% | 25.00% | 16.00% | 6.00% | 6.00% | 4.20% |
| Full-Coverage | 7.00% | 5.25% | 3.60% | 7.64% | 4.18% | 1.50% | 2.82% |
| Liability -Only | 15.15% | 11.61% | 7.13% | 14.79% | 9.23% | 2.57% | 5.88% |

State starts crackdown on uninsured drivers

Hundreds of thousands of car owners must buy coverage or face losing their registration.

By Marc Lifsher
Times Staff Writer

December 6, 2006

SACRAMENTO — Since Oct. 1, the Department of Motor Vehicles has notified more than 180,000 car owners in California that it is moving to suspend their auto registrations because their cars are uninsured.

Hundreds of thousands more suspension warnings are expected to go out in the months ahead as the state's latest crackdown on uninsured motorists moves into high gear.

The suspension notices follow the department's first systematic comparison of a computerized roster of registered car owners with an electronic list of insured vehicles that is updated by insurance companies every time a driver buys, renews or cancels a policy.

"Driving without insurance is against the law, and now the department has the ability and the authority to suspend registration if we don't receive proof of coverage," DMV spokesman Mike Marando said.

The effort, if successful, could be costly for drivers who break the law because they can't afford insurance or simply refuse to buy it, experts say.

But the move probably would bring down the price of insurance for many California drivers, who pay higher premiums to protect themselves in the event they are hit by uninsured drivers.

Nowhere would the effect be greater than in Los Angeles County, where an estimated 23% of drivers are uninsured, compared with 14.3% in the state at large. According to 2003 California Department of Insurance statistics, the most recent available, Los Angeles County had 1.4 million uninsured motorists.

About 15% of accidents in California involve uninsured motorists even though driving without insurance has been illegal in the state for nearly 40 years.

Suspending registrations may be a harsh punishment for low-income drivers who need their cars to get to work, but something forceful must be done, said Amy Bach, executive director of United Policyholders, a San Francisco-based consumer advocacy group.

"It's not fair when people are spending money on auto insurance and other people are driving without it," Bach said.

On Oct. 1 the DMV was authorized by the Legislature to begin a systematic review of the 22.4 million private cars, light trucks and motorcycles registered in the state. The department is using its new powers to check the insurance status of car owners as they apply for registration or renewal.

A motorists who is given a suspension warning has 30 days to buy insurance and avoid the suspension.

Ignoring the DMV notice could lead to big trouble. If a motorist is cited for driving a car with its registration suspended, the vehicle can be seized. Fines can exceed \$1,000.

What's more, uninsured drivers who are involved in accidents can lose their licenses for one year and be subjected to civil damages to compensate injured parties or to repair property.

It's bad enough not to have insurance, but "if your car is not registered, you've got a very significant additional problem," state Insurance Commissioner John Garamendi said.

California passed its first mandatory auto insurance law in 1970, but the sanction lacked teeth and was enforced only spottily. In 1997, the Legislature toughened the statute by requiring vehicle owners to present paper certificates from their insurance companies when registering or renewing registrations.

The 1997 law, though credited with significantly cutting the number of

uninsured drivers getting in accidents, had a major loophole. A car owner could buy insurance just before registering and then cancel the policy or stop paying premiums after a couple of months.

Lawmakers and Gov. Arnold Schwarzenegger upped the ante in 2004 with a law that required insurance companies to report electronically to the DMV by the beginning of this year. That computerized information became available to courts and law enforcement agencies July 1. After Oct. 1, the first notices of possible suspensions started going out.

DMV officials say that for the first time they'll be able to get an accurate count of the California car owners driving without insurance. They expect that number to plummet now that the 1997 loophole has been closed.

"The days of canceling a policy after getting your plates and registration are over," said the DMV's Marando.

DMV officials, insurance executives and some consumer advocates say they expect the move to help lower most people's overall premiums.

They note that uninsured-motorist coverage, which protects a car owner from medical bills or property damage caused by people who drive without insurance, currently accounts for close to 20% of the average insurance bill in California.

A reduction in the cost of uninsured-motorist coverage would mark further good news for car owners, whose rates have been declining steadily in recent years because of safer cars, more-conservative lawsuit awards and the aging of the baby boom generation into its statistically safest driving years.

The average driver in California, once considered a high-cost insurance state, paid \$832 a year, just below the national average, for auto insurance in 2003, the last period for which national figures were available, according to a recent report by the National Assn. of Insurance Commissioners.

Premiums have continued to fall in the last three years, with most major California carriers announcing double-digit percentage reductions.

Many low-income drivers, some of whom still can't afford insurance, could begin taking advantage of a state program that offers low-cost auto insurance

policies.

The coverage, which was expanded by the Legislature as part of the 2004 uninsured-motorist law, is now available for qualified buyers in most urban counties, including Los Angeles, Orange, Riverside and San Bernardino. The policies generally cost less than \$400 a year for bare-bones liability coverage.

With an increase in registration suspensions expected, the California Highway Patrol stands ready to back them up, spokesman Tom Marshall said.

"If people don't get this taken care of," he said, "we certainly will be writing tickets for it."

*

marc.lifsher@latimes.com

NEWS RELEASE • Insurance Research Council

Date: June 28, 2006

Contact: Risa Pitman
Phone: (610) 644-2100, ext. 7851
E-mail: pitman@ircuia.org

IRC Estimates More Than 14 Percent of Drivers Are Uninsured

MALVERN, Pa.—Across the United States, if someone is injured in an auto accident, the chances are about one in seven that the at-fault driver is uninsured. According to a recent Insurance Research Council (IRC) study, the estimated percentage of uninsured motorists increased nationally from 12.7 percent in 1999 to 14.6 percent in 2004. However, the magnitude of the uninsured motorists problem varied widely from state to state.

The recently released study, *Uninsured Motorists, 2006 Edition*, examines trends from 1999 to 2004 in the percentage of uninsured drivers by state. In 2004, the five states with the highest uninsured driver estimates were Mississippi (26 percent), Alabama (25 percent), California (25 percent), New Mexico (24 percent), and Arizona (22 percent). The five states with the lowest uninsured driver estimates were Maine (4 percent), Vermont (6 percent), Massachusetts (6 percent), New York (7 percent), and Nebraska (8 percent).

IRC estimates the uninsured driver population using a ratio of insurance claims made by individuals who were injured by uninsured drivers to claims made by individuals who were injured by insured drivers. The study contains recent statistics by state on uninsured motorists claim frequency, bodily injury claim frequency, and the ratio of uninsured motorists to bodily injury claim frequencies.

"Even though most states require drivers to maintain insurance, the problem of uninsured motorists persists," explained Elizabeth A. Sprinkel, senior vice president of the IRC. "Responsible drivers who purchase insurance end up paying for injuries caused by uninsured drivers."

The IRC study examined data collected from eleven insurers, representing approximately 58 percent of the private passenger auto insurance market in the U.S. For more detailed information on the study's methodology and findings, contact Elizabeth Sprinkel by phone at (610) 644-2212, ext. 7568; by fax at (610) 640-5388; or by e-mail at irc@ircuia.org; or visit the IRC's Web site at www.ircweb.org. Copies of the study are available for \$100 each in the U.S. (\$115 elsewhere) postpaid from the Insurance Research Council, 718 Providence Rd., Malvern, Pa. 19355-0725. Phone: (610) 644-2212, ext. 7569. Fax: (610) 640-5388.

###



Real-Time Verification Accurate, Simple, Secure

Presentation Outline

- **Current environment and methods of insurance verification**
- **IICMVA online approach**
- **VeriSol Vehicle Insurance Verification (VIV)**
 - online verification process, features, and benefits
- **Status of online projects in other states**
 - FL, WY, OK, TX hybrid
- **Jurisdiction planning**

Motorists are Financially Responsible

- **Compulsory auto liability insurance laws are in effect in almost all jurisdictions**
- **Many jurisdictions have implemented Auto Liability Insurance Reporting (ALIR) programs**
- **Yet the percent of uninsured motorists in the U.S. continues to grow**
- **Estimates are that over 14% of drivers are uninsured and in some jurisdictions over 25%**

Current Issues

- **Reliance on card issued by insurer**
 - if cancelled for non-payment, card doesn't disappear
 - easily duplicated with a computer and printer
- **Some fines are too low**
 - costs less to pay fines than buy insurance
- **Lack of enforcement**
 - due in part to unreliable data
- **Burden for insured motorists**
 - many who have insurance are accused of not having it

Insurance Verification Methods

- Sampling
 - mailings
- Cancellations
 - insurers report to jurisdictions
- Database (typical ALIR)
 - download full book of business
- Online
 - real-time verification using Web services
- Hybrid
 - combination of Database and Online

ALIR Program Issues

- Format and schedule of frequency vary
- Large range of data items are required
- Data integrity is questionable
 - High rate of errors
 - Outdated information
- Cancellation reporting is not accurate
- Programs for insurers and jurisdictions are expensive and difficult to implement and maintain

According to the Insurance Industry Committee on Motor Vehicle Administration (IICMVA), *online verification* to enforce mandatory insurance laws

- Is cost effective
- Will benefit
 - Jurisdictions
 - Insurance companies
 - Motorists

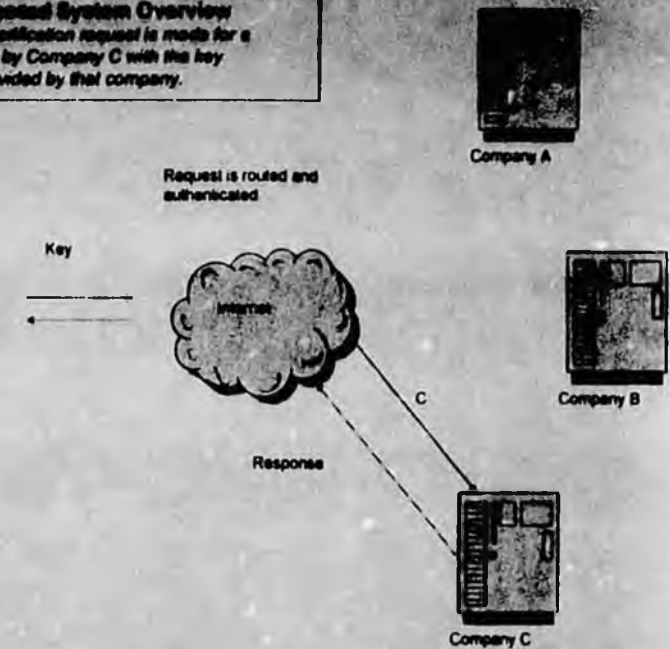
IICMVA Program Goals

- Provide an accurate, flexible, and simple method of auto liability insurance verification that will improve customer service
- Develop a standardized program that can be used by all states
- Ensure data security
- IICMVA does not define the *user interface* or *method* through which an authorized requester submits a coverage confirmation request to the Web services

NCMVA established standards for Web services in conjunction with ANSI and ACORD and the support of other industry associations

- Event driven inquiry – registration or traffic stop
 - request verification from single insurance company
 - receive reply – CONFIRMED or NOT CONFIRMED
- Technical standards
 - XML
 - SOAP
 - Synchronous communication
 - WSDL
 - WS-Security
 - SSL
 - Schema for Request and Response

NCMVA Proposed System Overview
An insurance verification request is made for a person insured by Company C with the key information provided by that company.



...but many jurisdictions desire more

VeriSol put together a team

- Successful track record of senior management
- Strong technical staff
- Experience in payment processing, insurance, ALIR, state and local government, and classified federal systems
- Proven professional marketing skills
- Capital

VeriSol has spent several years designing and developing a system with the following goals:

- Accurate – access data at its source
- Simple – easy to implement and use
- Secure – as payment processing networks
- Saves money – for jurisdictions and insurance companies
- Current and ongoing compliance with IICMVA, ANSI, and ACORD standards
- Configurable to each jurisdiction's needs
- Benefits – jurisdictions, insurance companies, and motorists



VeriSol VIV software operates on jurisdiction's computers and performs online real-time vehicle insurance verification using Web services based on IICMVA specifications, with enhancements and integration as required by each jurisdiction



Real-Time Verification

- > ACCURATE
- > SIMPLE
- > SECURE
- > SAVES MONEY

CCMTA
Associate Member



> ACCURATE

Web based, real-time (24/7) system directly accesses insurance companies' database



> SIMPLE

Easily integrated with existing systems to respond immediately to requests for verification of insurance coverage with **CONFIRMED** or **UNCONFIRMED (REASON)**



> SECURE

VeriSol VIV runs on the jurisdiction's system, can be accessed only by designated legally authorized entities, and transmitted data is encrypted



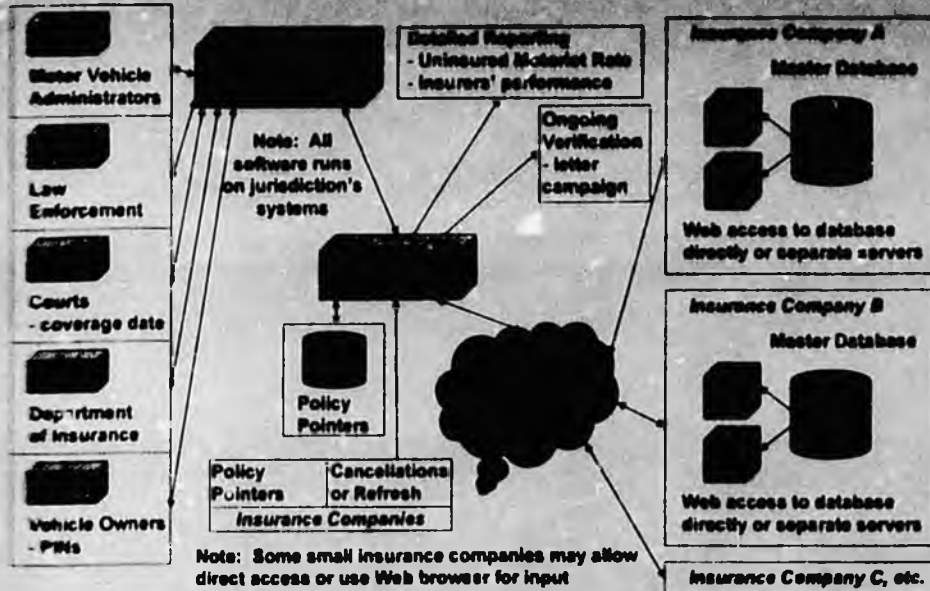
> SAVES MONEY

- Software solution requires no special equipment or cards and eliminates the need to store massive amounts of data
- Reduces direct and indirect costs of administration and enforcement
- Generates additional income from fines and premium taxes for jurisdiction

VeriSol VIV Real-Time Verification Process

- An event occurs, such as a traffic stop or accident or the registration of a vehicle
- A request for verification of insurance is made by a designated, legally authorized entity through existing law enforcement and/or department of motor vehicles systems without requiring the keying of any additional information
- Inquiries may also be made through a Web browser via a secure connection
- VeriSol VIV routes each request to the insurance company Web services, and responds within seconds whether the coverage is confirmed or unconfirmed.

Online Verification Process Data Flow



Features

VeriSol VIV software

- runs on jurisdiction's system
- interfaces with other applications through simple API (Application Program Interface)
- Does not require input of additional data
- Performs online request via Web services based on IICMVA specifications
- Obtains immediate response
- Transfers minimal data – detailed personal and policy information is optional, but not required
- Achieves highest accuracy – obtains the same results as calling the insurance company



Features

Query using industry standards

- Basic items –
 - National Association of Insurance Commissioners (NAIC) Code to identify insurer and rout the transaction
 - Requested Confirmation Date (default is current date)
 - VIN (obtained by cross referencing with tag in motor vehicle database)
 - Policy Number (if available)
 - Reference Number to tie the response to the request
- Optional items –
 - Drivers License Number
 - Named Insured
 - Address
 - Vehicle Make
 - Vehicle Model
 - Vehicle Year
 - Federal Employer Identification Number (FEIN) for commercial vehicles



Features

- Pre-emptive in addition to event driven transactions
- Ability to route requests to single, multiple, or all insurance companies
- Handling of cancellations
- Ability to create an “uninsured motorist database”
- Easily integrated with existing systems and third party vendors so little or no changes to current procedures are required



Features

- **Responses (can be customized):**
 - **CONFIRMED...**All items match – insurance is active and meets the minimum requirements for type
 - **UNCONFIRMED (REASON)...**Insurance coverage is not in force or request is not valid, with reason for response
 - **UNCONFIRMED ALL...**No record found at any insurance company
 - **CARRIER SYSTEM NOT AVAILABLE...**Insurance company system is not currently operating

Online Real-Time Insurance Verification

Potential Benefits for Jurisdictions

- savings due to more accurate information, reduced need for systems infrastructure, reduced customer service time and paperwork, and reduced court time
- easily implemented software system that seamlessly integrates with other hardware and software
- more efficient, cost effective law enforcement
- increased income from fines, reinstatement fees, and taxes on premiums
- the potential for revenue from insurance companies and commercial applications if permitted by law
- positive public relations



Features

- **Interface with current ALIR systems or eliminate need for ALIR**
- **Processes batches of online requests for**
 - sampling
 - verification of cancellations before mailing notices (grace period)
 - verification prior to mailing renewal notices
 - searching for gaps in coverage
 - standard and customizable reporting
- **Configurable to each jurisdiction's needs**

Online Real-Time Insurance Verification

Potential Benefits for Insurance Companies

- time savings due to more accurate information and reduced customer service time and paperwork
- no need for massive book of business transfers
- elimination of high costs for development, implementation, maintenance, and administration of multiple ALIR systems
- the potential for real-time accident reporting
- reduced expenses for fraudulent claims
- the opportunity to write more business
- positive public relations

Online Real-Time Insurance Verification

Potential Benefits for Motorists

- improved accuracy of verification data means fewer motorists that actually are insured will be inconvenienced
- reduced insurance fraud
- fewer uninsured drivers on the road
- the potential for lower insurance rates
- confidentiality of personal data and insurance information



- Accurate – access data at its source, the insurance companies
- Simple – easy to use, integrates with jurisdiction's systems and is typically transparent
- Secure – as payment processing networks and uses existing system security for access control
- Saves time and money – reduced errors and administrative time
- Current and ongoing compliance with IICMVA, ANSI, and ACORD standards
- Configurable to each jurisdiction's needs
- Benefits – jurisdictions, insurance companies, motorists

VeriSol Services Available

- Customization
 - All new features are added to VeriSol VIV software and each jurisdiction can turn on or off
- Implementation
- Consulting
- System Analysis and Design
- Programming
- Model Legislation
- Pilot Programs



Pilot Programs

- Based on jurisdiction's needs
- Insurance companies participate on a voluntary basis
- Jurisdiction tracks results and benefits
- Positive public relations



Pilot Programs

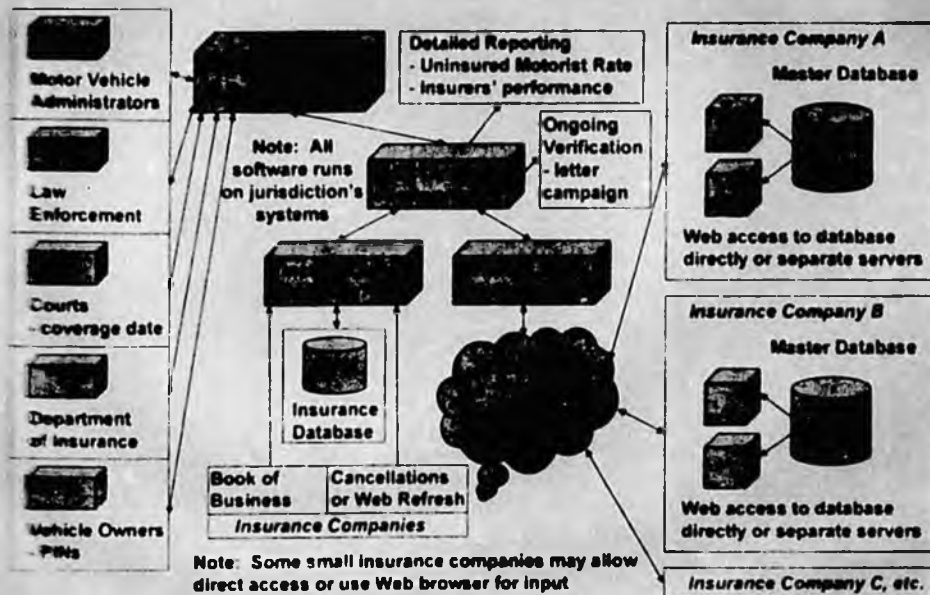
- **Florida**
 - 5 insurance companies – State Farm, USAA, GEICO, AIG, Hartford
 - Phase One – 3Q06 and 4Q06 – IICMVA model
 - Verification of a vehicle or policy by the insurer of record via Web services hosted by the insurers
 - Phase Two – 1Q07 and 2Q07 – Florida enhancements
 - Check participating insurance companies using VIN upon receipt of an “Unconfirmed” response from the insurance company of record (for a reason other than “invalid request”) or receipt of a cancellation transaction by DHSMV from the insurance company via FTP
 - Live Implementation est. 4Q07 – will be mandatory for all insurers
- **Wyoming**
 - 7 insurance companies – FL five plus Farmers and Progressive
 - Law Enforcement Pilot – 1Q07 and 2Q07
 - Live Implementation July 2008 – will be mandatory for all insurers



Other Online States

- **Oklahoma**
 - Passed online insurance law in June 2006
 - Pilot program will be implemented in 2007
 - Live Implementation in July 2008 – online system will be mandatory for all insurers
- **Texas**
 - Passed law in 2005
 - Contract awarded for hybrid system to eNSURESMSMART Team – HDI Solutions, Insure-Rite, and VeriSol
 - Database system based on Utah with enhancements
 - Implementation in July 2007 – mandatory for all insurers – choose database or online

Texas Hybrid Verification Process Data Flow



Jurisdiction Planning

- **Involvement by all Stakeholders**
 - motor vehicle administration, financial responsibility, law enforcement, insurance department, legislature, legal
- **Legislation**
 - Law enforcement, administrators, insurers
- **Establish Business Rules and Procedures**
 - Registration
 - Enforcement – stop, accident, court, cancellation
- **System Design**
 - Define interface of existing systems to verification software/system
- **Determine System Requirements**
 - RFP criteria and vendor selection
- **Implementation Plan**
 - schedule and monitor progress



Vehicle Insurance Verification

VeriSol VIV software operates on jurisdiction's computers and performs online real-time vehicle insurance verification using Web services based on IICMVA specifications, with enhancements and integration as required by each jurisdiction



**Real-Time Verification
Accurate, Simple, Secure**

www.verisol.com

- Multiple data to meet accurate information, reduced need for systems integration, reduced repetitive manual time and paperwork, and reduced court time
- Multi-processor computer system that seamlessly integrates with other hardware and software
- More efficient cost effective line enhancement
- Increased volume from Auto, reinsurance, legal, and losses on premium
- Big potential for revenue from insurance companies and commercial applications if permitted by law
- Positive public relations

Key Benefits

- Less change due to more accurate information and reduced customer service time and paperwork
- Reduced expenses for fraudulent claims
- No need for massive bank of harddisk facilities
- Automation of high costs for development, implementation, maintenance and administration for multiple ALR systems
- Big opportunity to land more business
- Positive public relations

Example

- Increased accuracy of verification data means fewer mistakes that actually are insured will be re-insured
- Reduced reinsurance fraud
- More uninsured drivers on the road
- The potential for lower insurance rates
- Continuity of personal data and insurance information

VeriSol Team

The VeriSol team is a powerful combination of technical expertise, industry knowledge, and business experience. Members of the team have extensive background in the insurance industry and experience in real-time verification with a company that has over 170,000 businesses using its software for payment processing. The payment processing company was recently sold to VeriFore. The system design for VeriSol VV is similar to payment processing in both systems. Authorized users make requests for work through secure software that routes the requests across real-time information in multiple addresses, and then responds to the users.



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CCATA • CCATM
AUGUSTINE, MICHIGAN



operates on the jurisdiction's computers and performs online verification vehicle insurance verification using standardized Web services based on the XML/HTTP specifications with enhancements and integration as required by each jurisdiction

Vehicle Insurance Verification

Since the 1820's people who operate their vehicles to earn and operate their vehicles on United States roadways have been financially responsible for repairs or damages they cause. Today, compulsory auto liability insurance laws are in effect in all but three states. In order to enforce these laws, almost half of the states have Auto Liability Insurance Reporting (ALIR) programs that require insurance companies to report information to their state department of motor vehicles either on paper or in electronic form. The form and schedule of information vary and the volume of data that the insurance companies are required to report range from just conclusions to their entire book of business. Business continuity insurance fees and the ability to extract basic, unsorted raw coverage data about 14% and are over 25% in some cases, according to a study by the Insurance Research Council.

Currently, almost all jurisdictions accept the insurance card issued by the insurance company as proof of insurance. However, if insurance has been cancelled, the card will not show. It is usually duplicated with a computer and a printer. In some jurisdictions, the files are so low that a court can subpoena the data by insurance. In many cases, the lack of enforcement is due to unreliable data and the inability to be enforced to rely on it. Inaccurate data also can result in a burden for insured motorists who are accused of not having coverage. This wastes time and money for the motorist, the law enforcement officer, and the court.

According to the Insurance Industry Committee on Motor Vehicle Administration (ICMVA), from an insurance company perspective state reporting programs have not effectively met their objective of detecting and tracking uninsured motorists. These programs are costly, difficult to implement, hard to maintain, and a burden for insured drivers. There are concerns about the accuracy, timeliness, and consistency of the data. According to the ICMVA, online verification promises to be a cost effective way to address the need to protect regulatory insurance laws, benefiting the state, insurance companies, and consumers. VeriSol VV gets the same response as answering a question by the phone and calling the insurance company to verify coverage.

VeriSol VV™

VeriSol Vehicle Insurance Verification (VeriSol VV) software runs on the jurisdiction's computers and provides designated, legally authorized users with a means to access and analyze real-time insurance coverage in real-time by accessing motor vehicle and law enforcement data. The system makes connections to the insurance companies through a Web based query system. The system makes connections to other state data sources, such as motor vehicle and insurance company's, VeriSol VV utilizes the Web services model established by the ICMVA and community insurance companies with the existing industry standards established by ACCORD, ANSI, and the ICMVA. This means that various companies do not need to transfer massive amounts of data or provide data in multiple formats. VeriSol VV also supports alternative techniques for insurance companies that have not established Web services.

The confidentiality of personal data and enabled insurance information is protected because the data exchanged can be limited to only those items needed to accurately make the verification request and confirm the insurance coverage. Each jurisdiction can decide what personal information, if any, it to be included.

VeriSol VV also can perform online processing of batches of transactions by transmitting the requests for verification of coverage to the insurance companies prior to sending notices related to termination of coverage or prior to re-insurance. VeriSol VV can be configured and customized based on each jurisdiction's needs and can provide both standard and custom reporting.

VeriSol VV can interface with existing Auto Liability Insurance Reporting (ALIR) or can eliminate the need for ALIR. The system can convert each insurance company's data to each state's current and any new ALIR requirements.

Verification Process

With VeriSol VV a request for verification of insurance can be made only by designated, legally authorized users. VeriSol VV is configured to create law enforcement and/or judicial department of motor vehicle systems and provide real-time coverage verification. The system makes connections to other state data sources, such as motor vehicle and insurance company's, VeriSol VV utilizes the Web services model established by the ICMVA and community insurance companies with the existing industry standards established by ACCORD, ANSI, and the ICMVA. This means that various companies do not need to transfer massive amounts of data or provide data in multiple formats. VeriSol VV also supports alternative techniques for insurance companies that have not established Web services.

VeriSol VV Online Verification Process Data Flow



VeriSol VV also processes batches of transactions for accumulation and retention. For example, when an insurance company issues a cancellation, VeriSol VV can check whether coverage is in effect with some other insurance company. This can be done when the accumulation is retained and/or can be made by designating a grace period. This approach reduces the cancellation status a production method to be used by the insurance company. The system makes connections to other state data sources, such as motor vehicle and insurance company's, VeriSol VV utilizes the Web services model established by the ICMVA and community insurance companies with the existing industry standards established by ACCORD, ANSI, and the ICMVA. This means that various companies do not need to transfer massive amounts of data or provide data in multiple formats. VeriSol VV also supports alternative techniques for insurance companies that have not established Web services.

VeriSol VV can check coverage for vehicles prior to the preparation and making of legal documents. If coverage is not confirmed, they can be added in the relevant notice so that the VeriSol VV user can resolve the issue prior to attempting to issue the registration.

Online Insurance Verification

Using Web services to verify auto insurance coverage

Version 1.0

March 15, 2004



**Insurance Industry Committee on
Motor Vehicle Administration**

Online Insurance Verification

Using Web services to verify auto insurance coverage

Purpose

The purpose of this paper is to propose a system to provide documentation of insured status through a partnership of the states, the public, and insurers. This system is intended to be uniform, cost effective for the states, cost effective for insurers, and beneficial for the public interest.

Foreword

About the IICMVA

IICMVA was formally organized in January 1968. Prior to this time, industry ad hoc committees were assembled as needed by each state to assist with the implementation of compulsory insurance and financial responsibility laws.

Ad hoc committees, which operated at the individual state level, were restrictive and inconsistent in function and composition. IICMVA was formed to provide consistent, industry-wide exchange between the insurance industry and all state jurisdictions.

IICMVA's basic organization is built around insurers and insurance trade associations. Property Casualty Insurers Association of America (PCI, formerly the National Association of Independent Insurers and the Alliance of American Insurers) and the American Insurance Association (AIA) comprise the two major trades. Non-affiliated insurers round out the IICMVA roster.

IICMVA is not a lobbying organization. Instead, the Committee serves as a liaison between the insurance industry and state motor vehicle departments in the following subject areas: drivers licensing, vehicle titling/registration, motor vehicle records, compulsory insurance laws, and financial responsibility programs. IICMVA also maintains a close working relationship with the American Association of Motor Vehicle Administrators (AAMVA).

Business Direction and Vision

Business Direction

Technology has evolved significantly since the late 1950s when states began enforcing their compulsory automobile liability insurance laws. Paper verifications were followed by tape-based cancellation reporting systems. Eventually electronic reporting came into use.

Today, however, we are in an age of Internet-based, shared services. Businesses will increase their use of Web services defined by *The Wall Street Journal* as "software that many computer experts believe will usher in a new era of secure but simple interconnections among computer systems at different companies."¹



Insurance Industry Committee on
Motor Vehicle Administration

IICMVA views the use of this new technology as the best way to resolve what has become a controversial public policy issue: enforcement of mandatory or compulsory insurance laws.

Enforcement of mandatory or compulsory insurance laws should be limited to event-based situations. Examples of these events could be, but are not limited to: vehicle registrations, traffic stops and accidents. If a jurisdiction desires additional pre-emptive enforcement, that enforcement should be by random sample verification of insurance by the appropriate government department.

Secured Web applications now make event-based verification of insurance coverage both possible and desirable. Accessing data to conduct business is nothing new to consumers who regularly bank, shop, or bid over the Internet. It is also nothing new to jurisdictions which disseminate information, collect citizen input, and conduct the business of state government over the Internet. Giving jurisdictions the capability of verifying insurance in a secured Web environment is an extension of this concept.

On September 17, 2003, IBM and Microsoft announced that they had come to an agreement on software standards for Web services; therefore, the possibility of integrating systems among different trading partners could soon be a reality in the realm of insurance verification.²

IICMVA believes the industry must respond.

Vision

The Committee strongly supports an event-based, online inquiry approach to insurance verification.

IICMVA's vision includes simple online applications that can support single policy inquiries. This vision also includes the exploration of true Web services that can support the interconnection of systems between authorized trading partners, namely insurance carriers and state agencies.

An online inquiry approach to insurance coverage verification would provide many benefits:

- Jurisdictions could obtain the documented online status of insurance information at any point in time within certain business constraints.
- Jurisdictions could incorporate online verification systems into their license plate renewal programs.
- There would be no need to exchange massive amounts of data that is rarely, if ever, referenced, let alone 100% accurate and/or timely.
- The confidentiality of insurance information would be protected within the confines of each insurance carrier's IT environment.
- The matching limitations and data integrity issues of current state reporting programs would be minimized or reduced.
- Customer service would be improved because primary search criteria would be based on the business rules within each company.
- Commercial insurance carriers would be in a better position to comply with state mandates.
- Carriers would realize the cost effective use of resources since an inquiry system would be built one time for all states, leaving room for simple upgrades as future needs arise.



- Privacy will be protected: Only designated, legally authorized entities will have access. The information to be provided will be very limited and state of the art technological safeguards, such as the latest methods of encryption, will be included.

IICMVA must clarify that its vision does not include any of the following approaches:

- National database reporting systems
- Data clearing houses
- Invasive data extraction programs or gleaner programs from third parties
- Radio Frequency Identification (RFID) technologies

This vision is IICMVA's attempt to work with state agencies to resolve a public policy issue: enforcement of mandatory insurance laws.

Background

Beginning in the mid-1920s, states have made an increasing number of attempts to accomplish several worthwhile, socially valuable goals. Among these is the recognition that citizens who exercise their privilege to own and operate a motor vehicle on the public roadways must be held accountable for injuries or damages such ownership and operation may cause.

In this context, the term "held accountable" means being financially responsible. Financial responsibility is the principal argument that supports compulsory insurance legislation in 47 of the 50 states today.

The primary goal of this legislation is to have no uninsured motorists or uninsured vehicles within the jurisdiction.

A subsequent objective is to identify those motorists and/or vehicles that do not carry mandatory insurance coverage when operating within a state's jurisdiction.

There are two sources of information that can be used to confirm insurance coverage:

1. The Individual Driver

Several states make use of this primary source of information and enable citizens to "self-certify" that they have insurance coverage. This approach requires drivers to sign an affidavit stating they will always carry insurance on the vehicles they register and/or operate on the public roadways.

2. The Insurance Industry

As of this writing, 23 states use insurance industry information and require the insurance industry to report information about their insurees in one of the following ways:

- **Book of Business Data Transfers**

Usually done on a monthly basis, each carrier authorized to write insurance in the state submits its entire active book of policy information. This is the "policy in force" method



whereby states are able to perform month-by-month comparisons to identify those individuals and/or vehicles that were insured at one time but are no longer insured.

In 2001 one state combined a random sampling process with a monthly reporting flow. Normally the industry approves of random sampling programs, but the reporting aspect of this approach has created customer service concerns due to data mismatches.

- **Cancellation Reporting**

Other states require carriers to report policies that have cancelled, lapsed, or non-renewed. This is the "no insurance now" method and the states that use it proactively follow-up with individual vehicle owners who have been identified as potentially uninsured motorists through this process.

- **Comprehensive Database Approach**

Many state reporting programs use the "comprehensive database" approach which requires insurance carriers to provide extensive information about their entire books of business. Comprehensive programs require each insurer to submit an "initial load" data file followed by regular daily, weekly, or monthly updates. The premise behind this model is that states can compare insurance data to their own vehicle registration data to identify uninsured motorists. This approach assumes that it is theoretically possible for a state to know about every instance of insurance within the jurisdiction at every point in time, both now and in the future.

Statement of Problem

There will always be citizens who ignore or actively seek to avoid the laws on compulsory insurance. This is the fundamental non-compliance problem.

The states' attempts to eliminate or reduce uninsured motorists via state reporting programs raise the following additional concerns:

1. Data Problems Cause Insureds to be Mistakenly Identified as Uninsured

The effectiveness of all computer systems depends on the accuracy of the data they contain. Output depends on input. Automobile liability insurance reporting (ALIR) systems are no exception to this rule.

The effectiveness of traditional ALIR systems depends on their ability to match vehicle/VIN, driver, or registered owner information from a state's database with the same data stored on an insurance carrier's database. The following data integrity issues adversely affect this process:

- **Accuracy**

Simply put, it is impossible for either a jurisdiction or an insurance company to collect and maintain VINs that are 100% accurate and complete. At any point in time, some data maintained by either party may be incorrect or outdated.

Typographical errors caused by keystroke mistakes or customer miscommunication are common during the collection of data by state jurisdictions or insurance carriers.



In many cases, a lack of ongoing communication from the customer causes the data to become obsolete and incorrect. Customers do not consistently notify all necessary parties when vehicles are bought, sold, or otherwise acquired and disposed.

State jurisdictions and insurance carriers have not been very successful at convincing their mutual customer to provide timely notice when a change of information occurs.

- **Timeliness**

The result of the varying business issues that affect insurance carriers and state agencies contribute to problems associated with the timeliness of data.

The difference between the timeframes that states allow for drivers to acquire insurance and register their vehicles often conflicts with the timeframes that insurance carriers allow for insureds to notify them of newly acquired vehicles. Considerable time can pass before a state is aware of a new registration and seeks to match an insurance record.

Newly acquired vehicles are typically covered contractually by insurers for a certain period of time, even before they are added to a policy. Thus, until a vehicle is specifically added to a policy, an insurance carrier will not have a trigger it can use to transmit insurance coverage data to the state regarding that particular vehicle.

Other insurance business issues that complicate issues of timely reporting include the various grace periods allowed under state law for renewal payments and the underwriting binder periods insurers use to underwrite policies.

The result of these issues is the same: insured drivers may appear to be uninsured.

- **Consistency**

Often customers provide accurate, but different, information to a jurisdiction and insurance carrier. A customer's name is the most common situation. For example, a driver may have registered his name with the state as "James Robert Smith," but applied for an insurance policy under the name of "Bobby Smith." The inconsistency between these values makes them difficult, if not impossible, to match when comparing data from the two databases.

Sometimes states require carriers to report only vehicles registered in those jurisdictions, but carriers typically do not collect data that reflects the vehicle registration state. Mismatches or data errors are common for these programs when insureds move into a state, take out a policy for insurance, but fail to register their vehicles in that state.

2. Reporting Systems Are Costly for Jurisdictions, Insurers, and Consumers

The current reporting systems consume significant state and insurance company resources. Ongoing maintenance and operation of these programs require staff-intensive efforts by jurisdictions and insurers. Ultimately, these costs are borne by consumers.

- **Implementation Costs for State Jurisdictions**

- The state of New York paid Anderson Consulting \$4.5 million to implement its program. The project began in fiscal year 1999-2000.³
- A 1997 audit conducted by the Utah Office of the Legislative Auditor General indicates the state spent \$1.2 million to implement and administer its system when the reporting program was initiated in 1995.⁴



- The Colorado Department of Regulatory Agencies (DORA) indicates the Colorado Motorist Insurance Identification Database (MIIDB) has cost the state approximately \$7.1 million since 1997. The state employs eight full time equivalent (FTE) employees to manage the MIIDB program: one Office Manager and seven Administrative Assistant IIs. The state also pays a vendor to manage the database.⁵
- The Missouri state reporting program is financed by an MIIDB Fund that collects 6% of the net General Revenue portion of the Insurance Premium Tax. As of June 2003, this Fund was collecting \$3.2 million a year, but the Fund was not enough to cover the \$3.7 million needed that year to maintain the system.⁶

NOTE: The implementation costs identified above do not include revenues generated through fines by the state jurisdictions after implementation.

- **Costs for Insurers**

- In 2000 it is estimated that the New York Insurance Information Enforcement System (IIES) cost four major carriers an average of \$408,000 to develop and implement. There are approximately 300 insurance carriers in New York.
- Commercial automobile insurers spend \$30 million annually to develop and maintain reporting programs.⁷
- In one state alone, it has been estimated that commercial insurers spend \$50 on database maintenance per insured vehicle.⁸ For example, a commercial fleet policy with 9,000 vehicles for a rental car company costs \$450,000 to maintain the data reporting system each year.
- Negative publicity and customer experiences adversely affect policyholder retention.
- Considerable indirect expenses include legal, training, and public relations costs.

The cost to the industry is compounded by the fact that insurers are responsible for the development, implementation, maintenance, and administration of multiple systems for various states.

- **Costs for Consumers**

- Consumers may pay higher insurance premiums to offset insurer costs.
- Consumers as citizens pay for jurisdictional expenses via fees, assessments, and taxes.
- Insured drivers are fined inappropriately when mistakenly identified as uninsured.

The cost to consumers is compounded by the fact that law abiding citizens are negatively affected. Consumers frequently spend their time correcting state reporting errors. Also, increased regulatory costs reduce competition, giving consumers less choice in the marketplace. Ironically, insured motorists bear all the costs of the very systems that are meant to track the uninsured.

3. Reporting Programs Do Not Conform to the Needs of Commercial Insurers and Their Customers

Vehicle verification systems do not acknowledge the complexities of how auto insurance is written. No single methodology is followed by all companies.



The Commercial Automobile Insurance Industry reports data to departments of motor vehicles (DMV) in 14 states. IICMVA continues to stress that commercially insured vehicles should be exempt from these reporting programs for the following reasons:

- Commercial insureds do not register all vehicles the same way and do not use personal identifiers such as name, address, and VIN. This causes matching errors. The inability to match to DMV registration databases results in undue hardships for these customers.
- Commercial businesses typically own large capital assets and willingly buy high limits of insurance to protect them. Commercial clients are less likely to allow their employees to drive uninsured.
- The complexity of tracking the multi-state operations of many commercial customers makes it impossible to accurately report this unique customer data.

Ex. ABC Insurance Company insures XYZ Corporation which has operations in all 52 jurisdictions of the United States. ABC insures 186,000 vehicles in those jurisdictions covered under a single commercial fleet policy.

XYZ rotates up to 6,000 vehicles on and off the policy since the vehicles rotate in and out of the fleet on a weekly basis. This activity is typical of a fortune 1000 company with multi-state operations, and it makes data reporting an onerous task for commercial insurers.

Absent a full exemption, the use of Web services and online inquiries serves as the best way for commercial carriers to mitigate the problems associated with reporting programs, as well as an advantageous way to comply.

4. No Correlation Exists Between Reporting Programs and the Number of Uninsured Motorists

Despite the lack of objective evidence that state reporting programs are, or can be, effective at identifying uninsured motorists, new state reporting programs continue to become law and continue to be implemented.

As stated in the 2002 AAMVA Financial Responsibility & Insurance Resource Guide:

In general, there is no correlation between compulsory insurance and the number of uninsured motor vehicles on the highway. The same absence of correlation can be said of insurance data reporting programs. Between the 1989 and 1999 IRC studies, of the 18 states with reporting programs in place for 5 years or more, 12 showed an increase in uninsured motorists and 6 experienced improvements. These results suggest there may be other factors involved, such as level of enforcement and consistency of penalties.

There are a number of reasons why compliance can never be 100%. Notwithstanding compulsory insurance laws, vehicle owners will continue to violate the mandate, just as we see with DUI and other traffic laws. ¹⁰

From a technological viewpoint, insurance data reporting, particularly via electronic means, works well in moving data between entities. What happens beyond that has achieved mixed results. Matching of data is critical, but may never reach comfortable levels due to data accuracy issues, differences in database elements and formats, and a laundry list of items that generate false negatives on the DMV database... Considerations must weigh the costs, the payback realities, and intrusion on law-abiding citizens. ¹¹



Proposal/Diagram

In order to modernize the exchange of information between carriers and jurisdictions, IICMVA believes attention must be focused on why insurance data is being exchanged so that current technology can be leveraged to meet that need.

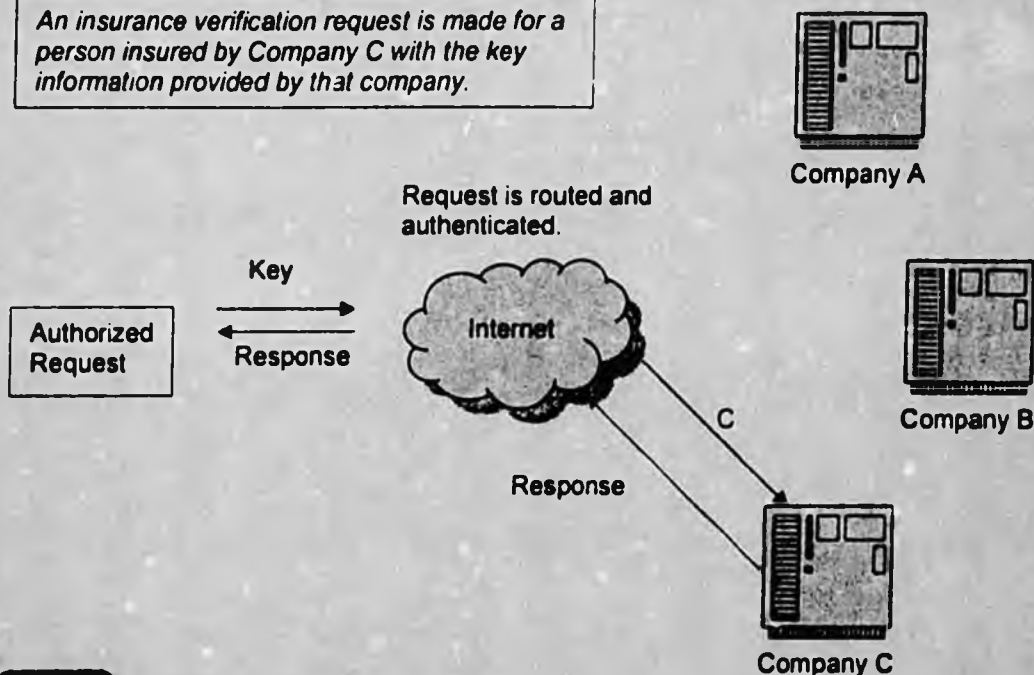
Ideally, verification of insurance should occur in "real time." Given the various business issues that occur, true "real time" status is not entirely possible. Premium payments in transit, underwriting binder periods, delayed applications, grace periods, and newly acquired but unprocessed vehicles are just a few situations that complicate this vision. An online verification system will permit improved data accuracy because such a system would reflect the documented insurance coverage.

The need to verify insurance and identify uninsured vehicles should be in response to an event-based situation: vehicle registration, traffic stop, or accident.

To this end, IICMVA proposes an automobile insurance verification system based on Web services technology. IICMVA envisions the following elements and steps as necessary:

- Each insurance company would be responsible for maintaining the data necessary to verify the insurance coverage provided to their own customers.
- Each insurance company would be responsible for maintaining a Web portal or service through which online insurance verification can take place by trading partners.
- Valid verification inquiries would be made using key information to route a request to the appropriate carrier for a response.
- The information exchanged would be limited to only those items needed to accurately route the request and confirm coverage, keeping any privacy concerns to a minimum.
- The methods used to make requests can vary, as long as they are ultimately transmitted in a standard format set by the industry. For example, the key information could be entered into an Internet site that would appropriately format a request.
- Confirmation of coverage, or lack thereof, would be sent back to the requesting entity for appropriate action.

An insurance verification request is made for a person insured by Company C with the key information provided by that company.



Next Steps

The insurance industry and the states should cooperatively examine this proposal expeditiously because of the many potential benefits to all parties. Among the next steps are:

- The technical requirements necessary to render this solution must be identified (e.g., security, authentication, business-to-business/b2b standards, routing of requests, etc...).
- State jurisdictions must be invited to help develop the business requirements that need to be addressed (e.g., data elements needed, search criteria, use cases)

Conclusion

IICMVA supports an event-based approach to enforcing mandatory insurance laws. State jurisdictions have a need to verify insurance coverage. With the advent of new technology, online verification promises to be a cost effective way to address this need, benefiting the states, insurers, and consumers.

Using Web services to verify liability coverage will afford insurance companies numerous quantitative and qualitative benefits. Companies will be able to transfer the efficiencies gained from one state's program to another. In addition, the industry would have the potential for establishing core technical competencies as a result of putting in place Web service-based programs that can be leveraged by other business units within each insurance company.

More importantly, online verification provides a very practical application that the industry can offer states to identify uninsured motorists. Taking a proactive approach to addressing an important public policy issue will also have a positive effect on consumers



Notes

1. William M. Bulkeley, "Microsoft, IBM Set Standards Pact." *The Wall Street Journal*, September 2003, Technology Journal Section, cols. 3-5.
2. Thor Olavsrud, "Microsoft, IBM Set Web Services Standard Pact." *Internetnews.com*, September 18, 2003, Enterprise Section, Jupitermedia Corporation.
3. New York Department of Motor Vehicles in consultation with New York State Insurance Department, "Insurance Information and Enforcement System (IIES)-New Directions in Enforcing Compulsory Insurance Laws." *Report to the Governor and Legislature*, February 1999, pp. 5-7.
4. Utah Office of the Legislative Auditor General, *Audit Report*, 1997.
5. Colorado Department of Regulatory Agencies Office of Policy and Research, "Colorado Motorist Insurance Identification Database Program Act. 2002 Sunset Review," *Report to the Office of Legislative Legal Services*, p. 9.
6. Frank Ruggiero, "Insurance Information Database: Keeping It Simple . . . But Making It Effective," *Presentation on the Missouri Enhanced Random Sampling Program to the Nebraska Motor Vehicle Insurance Database Task Force*, June 2003, slide 4 (oral comments).
7. Based on estimated NY IIES implementation costs incurred by four separate and distinct carriers, the results of which can be applied to industry numbers. The estimated implementation costs cited do not include the expenses incurred to implement the cryptographic bar-coded insurance ID card required under the NY IIES mandate. It could be assumed that the industry's estimated cost to implement NY IIES was approximately \$122,400,000 (300 carriers X \$408,000).
8. Summary of costs incurred by four large commercial insurers.
9. The \$50.00 cost per insured vehicle was determined by a review of the incurred daily maintenance costs of four large commercial insurers in a comprehensive reporting state.
10. AAMVA Financial Responsibility & Insurance Standing Committee, Arlington, Virginia, "AAMVA Financial Responsibility & Insurance Resource Guide," *AAMVA FRI Standing Committee Project*, 2002, page 14.
11. AAMVA Financial Responsibility & Insurance Standing Committee, Arlington, Virginia, "AAMVA Financial Responsibility & Insurance Resource Guide," *AAMVA FRI Standing Committee Project*, 2002, page 17.

Appendix A:

| Comprehensive Database/Cancellation Reporting Systems |
|---|
| Arizona (X12) |
| Arkansas (EDI; proprietary) |
| California (X12-voluntary) Used for Online Registration |
| Colorado (X12) |
| Connecticut (tape; proprietary) |
| District of Columbia (paper) |
| Florida (tape/EDI; proprietary) |
| Georgia (EDI; proprietary) |
| Kentucky (tape; proprietary) |
| Louisiana (proprietary) |
| Maine (EDI; proprietary; in development since 2001) |
| Maryland (X12) |
| Massachusetts (EDI; proprietary) |
| Nevada (tape; proprietary) |

10



Insurance Industry Committee on
Motor Vehicle Administration

| |
|--|
| New Jersey (tape, proprietary) |
| New Mexico (X12) |
| New York (X12) |
| North Carolina (EDI, proprietary) |
| Oklahoma (tape, proprietary) |
| Oregon (X12) |
| Pennsylvania (tape, proprietary) |
| South Carolina (paper->converting to EDI using X12, proprietary, or Web) |
| Virginia (X12) |
| Book of Business Data Transfers |
| <i>Kansas (proprietary-voluntary) Used for Online Registration</i> |
| <i>Michigan (proprietary-voluntary) Used for Telephone Registration</i> |
| Missouri (proprietary; enhanced random sampling with book of business reporting) |
| <i>Nebraska (proprietary-in development since 2003) Used for Online Registration</i> |
| Utah (proprietary) |
| Random Sampling Programs |
| Alabama (Website) |
| Delaware (<i>not in use</i>) |
| Illinois (tape, proprietary) |
| <i>Minnesota (in development since 2001)</i> |



SB

84

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 2/14/07

FURTHER: Judiciary
 Finance

Date of 5-Day Notice: _____
 (In accordance with Uniform Rule 23)

DATE TURNED
 IN TO OFFICE: _____

Labor and Commerce Committee considered SENATE BILL NO. 84

SB 84 BURNING CAPABILITY OF CIGARETTES

"An Act relating to the burning capability of cigarettes being sold or offered for sale, or possessed for sale; relating to compliance certifications by tobacco product manufacturers, a directory of tobacco product manufacturers, the affixing of stamps to cigarette packages, and cigarette tax stamps; and providing for an effective date."

and recommends:

- be replaced with SCS or CS FM SB 84 (L+C)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

| | |
|-------------------------------------|--------------------------|
| SENATE BILL: | |
| <input type="checkbox"/> | Same Title |
| <input checked="" type="checkbox"/> | New Title |
| <hr/> | |
| HOUSE BILL: | |
| <input type="checkbox"/> | Same Title |
| <input type="checkbox"/> | Technical Title Change |
| <input type="checkbox"/> | New Title w/ SCR # _____ |

NEW FISCAL NOTE(S):

| Category | Date | Notes | Check |
|-------------|---------|-------|-------|
| REVENUE | 2/23/07 | | ✓ |
| PUB. SAFETY | 2/19/07 | ✓ | |
| | | | |
| | | | |
| | | | |

PREVIOUS FISCAL NOTE(S):

| Category | Date | Notes | FN# |
|----------|------|-------|-----|
| | | | |
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| | | | |
| | | | |
| | | | |

APPROPRIATION - no fiscal note

| Name | Signature | Initials | Check |
|--------|--------------------|----------|-------|
| | <i>[Signature]</i> | | ✓ |
| Bundy | <i>[Signature]</i> | DAVIS | X |
| | <i>[Signature]</i> | STREIB | X |
| | <i>[Signature]</i> | | |
| | <i>[Signature]</i> | | ✓ |
| CHAIR: | <i>[Signature]</i> | ELLIS | X |

ALASKA STATE SENATE

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SPONSOR STATEMENT

SB 84

"Burning Capability of Cigarettes"

SB 84 mandates that only fire safe cigarettes can be sold in Alaska, and establishes the testing and certification requirements to assure that only fire safe cigarettes are sold in Alaska. Although no cigarette could ever be called "safe", so called "fire safe" cigarettes are reduced ignition propensity cigarettes. These are cigarettes that are designed to be less likely than a conventional cigarette to ignite soft furnishings such as a couch or mattress. The bill also provides for the marking of cigarette packaging in an approved and easily identifiable manner to indicate they are fire safe.

Cigarettes are the leading cause of home fire fatalities in Alaska and the United States. The most common material first ignited in home fires are mattresses and bedding, upholstered furniture, and floor coverings. A typical scenario for fires is when a lit cigarette is forgotten or dropped by a smoker. The cigarette fire can smolder for hours before it flares up into a full blaze.

One fourth of victims of smoking-material fire fatalities are *not* the smoker whose cigarette started the fire; over one third of these are children. The risk of dying in a residential structure fire caused by smoking rises with age: 38 percent of fatal smoking-material-fire victims are age 65 or older.

The most common technology used by cigarette manufacturers for reduced cigarette ignition propensity (RCIP) is to make the paper thicker in places to slow down a burning cigarette. If such a cigarette is left unattended, when the bum reaches one of the thicker places, or "speed bumps", the burning will self-extinguish. Fire safe cigarettes meet established fire safety performance standards.

Legislation similar to SB 84 has been enacted in New York, Massachusetts, Vermont, New Hampshire, California, and Illinois. A fire safe cigarette mandate has also been approved for all of Canada. This legislation is supported by the Alaska Fire Chiefs Association, the Alaska Firefighters Association, and Department of Public Safety, Division of Fire Prevention.

SB 84 will save lives, as well as reduce injuries and damage to property in Alaska. I urge you to give favorable consideration to this bill.

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SECTIONAL ANALYSIS

SB 84, "Burning Capabilities of Cigarettes"

Section 1 establishes a new Chapter 74 for cigarette fire safety.

Subsection 18.74.010 prohibits the sale of any cigarette that does not have fire extinguishing characteristics determined by:

- (1) testing to an approved performance standard under 18.74.030 or 040,
- (2) marking and identification under 18.74.130, and
- (3) a certification by the manufacturer to the state fire marshal that each cigarette offered for sale complies with the requirements of this chapter.

Subsection 18.74.030 establishes the test methods based on the National Institute of Standards & Technology (NIST) performance standards by which cigarettes are determined to have acceptable fire extinguishing characteristics. The state fire marshal may select a variation of the standards if he finds that the results better assure the diminished burning capabilities of the cigarettes.

Subsection 18.74.040 allows the state fire marshal to accept alternative test methods and performance standards under certain conditions and findings.

Subsection 18.74.050 requires testing by laboratories that meet the accreditation and other requirements for acceptability in determining quality assurance and repeatability of test results regarding fire extinguishing characteristics.

Subsection 18.74.060 allows testing of cigarettes for other purposes, provided that said testing is consistent with this chapter.

Subsection 18.74.070 requires manufacturers keep all cigarette test results for a period of three years.

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Subsection 18.74.080 requires a manufacturer to certify to the state fire marshal that each type of cigarette listed satisfies the performance standards of this chapter. Any subsequent change to the cigarette type that may alter its fire extinguishing performance must be re-tested. There is an annual certification fee of \$250 paid to the fire marshal for each type of cigarette. The fire marshal may adjust this fee.

Subsection 18.74.090 lists the information required in the certification about the nature of the cigarette and its test results.

Subsection 18.74.100 lists the banding requirements for cigarettes that use lowered permeability bands to achieve the performance standards of the chapter.

Subsection 18.74.110 allows the attorney general and the Department of Revenue access to the certification information in order to enforce provisions of the chapter.

Subsection 18.74.120 requires approval of the manufacturer's packaging and marking of fire extinguishing cigarettes by the fire marshal prior to certification, and requires the fire marshal to act within 10 business days. Certain state officials are permitted to inspect the packaging markings of cigarettes being sold by wholesalers, agents, and retailers in the state.

Subsection 18.74.130 specifies the cigarette package marking requirements to indicate compliance with this chapter.

Subsection 18.74.150 requires copies of a manufacturer's certification under 18.74.80 to be provided to every wholesaler, agent, and retailer who sells the cigarette.

Subsection 18.74.160 lists civil penalties for sales of cigarettes in the state that are in violation of this chapter by a manufacturer, wholesaler, agent, or retailer.

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Subsection 18.74.180 directs that certification fees and civil penalties received shall be deposited in a separate account in the general fund. The legislature may appropriate from this account to the fire prevention and public safety fund established under subsection 18.74.210.

Subsection 18.74.190 allows the fire marshal, the Department of Revenue, or a law enforcement agency to seize cigarettes that are sold or offered for sale that are in violation of this chapter. Conditions for disposal of seized cigarettes are detailed.

Subsection 18.74.200 allows the state fire marshal or the attorney general to seek additional remedies for violations of this chapter through superior court action.

Subsection 18.74.210 establishes a fire prevention and public safety fund for the purpose of paying for the expenses of the state fire marshal in implementing and enforcing this chapter. Money appropriated to the fund may be expended without further appropriation.

Subsection 18.74.220 specifies the requirements for implementation of this chapter.

Subsection 18.74.230 requires the state fire marshal to report to the legislature every three years on the effectiveness of this chapter in reducing cigarette caused fires.

Subsection 18.74.240 is the fire marshal's authority to adopt regulations.

Subsection 18.74.250 authorizes inspections by certain state officials of cigarettes being sold and examination of paper, invoices, and records of persons who possess, control, or occupies premises where cigarettes are being sold or stored.

Subsection 18.74.260 exempts cigarettes manufactured in Alaska for sale in another state from the requirements of this chapter as long as reasonable steps are taken to exclude sales in Alaska.

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Subsection 18.74.270 prohibits a municipality from enacting or enforcing an ordinance that is in conflict with the purpose and provisions of this chapter.

Subsection 18.74.280 confirms the supremacy of federal law over provisions of this chapter.

Subsection 18.74.290 provides definitions of terms used in this chapter.

Section 2, 3, 4, and 5 are conforming sections that reference this chapter to the tobacco product manufacturer certification provision and other provisions in AS 43.50 relating to tobacco taxes and sales.

Section 6 provides for the transition from currently allow cigarette sales to the mandated sale of fire safe cigarettes only in the 13 month transition period.

Section 7 provides a 13 month delayed effective date.

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SECTIONAL ANALYSIS

CSSB 84, version M, "Burning Capabilities of Cigarettes"

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Subsection 18.74.060 allows testing of cigarettes for other purposes, provided that said testing is consistent with this chapter.

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Subsection 18.74.065 allows the state fire marshal to perform testing; and requires the state fire marshal or a contractor of the fire marshal to follow this chapter if they should perform a test to determine a cigarette's compliance with this chapter.

Subsection 18.74.070 requires manufacturers to keep all cigarette test results for a period of three years.

Subsection 18.74.080 requires a manufacturer to certify to the state fire marshal that each type of cigarette listed satisfies the performance standards of this chapter. Any subsequent change to the cigarette type that may alter its fire extinguishing performance must be re-tested. There is an annual certification fee of \$250 paid to the fire marshal for each type of cigarette. The fire marshal may adjust this fee.

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