

2021 SENATE TRANSPORTATION

SB 2302

2021 SENATE STANDING COMMITTEE MINUTES

Transportation Committee Fort Totten Room, State Capitol

SB 2302
2/4/2021

A BILL for an Act to create and enact section 39-04-14.5 of the North Dakota Century Code, relating to providing proof of motor vehicle insurance when renewing vehicle registration.

Chair Clemens calls the meeting to order. Present are Chair Clemens, Vice Chair Fors, Senators Bakke, Conley, Dwyer, D. Larsen. [2:48]

Discussion Topics:

- Insurance for motorists
- Scanning and submitting documents

Senator D. Larsen [2:48] presents the bill and submits testimony #5472 in favor.

Jon Godfread [2:57] offers oral testimony in favor.

Additional Written Testimony:

Robin Westcott submits neutral testimony #5483.

Chair Clemens adjourns the public hearing. [3:00]

Committee work commences. [3:34]

Pat Ward [3:36], State Farm Insurance and ND Association of Insurers, provides clarifying oral testimony.

Chair Clemens adjourns the meeting. [3:43]

Sheldon Wolf, Committee Clerk

Chairman Clemens and members of the Transportation Committee,

My name is Doug Larsen, Senator from Mandan's District 34. This bill would simply require a vehicle owner to show proof of insurance when they renew their vehicle's registration.

Currently, when an individual renews their vehicle's registration, they literally 'check a block' as a way of indicating that they have, at a minimum liability insurance for their vehicle. They are not required to 'prove it.' This bill would require that instead of 'checking the block' the motorist would have to prove the fact.

In the Industry, Business, and Labor committee we have discussed a variety of ways to 'protect' insured motorists from the uninsured—most recently a bill was debated that would 'require' an insurance company to offer consumers a policy to specifically protect them from an uninsured motorist. I will try to avoid getting too far into that bill or its debate:

- The overall feeling was, that since there is nothing that prohibits that type of a policy from being offered to consumers, we felt it unnecessary to 'require' that an insurance carrier be required to make this type of policy available. As a member of that committee, I argued that I wasn't in favor of requiring a company to do something like this and would prefer to see the market drive the practices and products of an industry.

Generally, I do not like a Government that makes its citizens do things. However, as has been said by many—including distinguished members of this committee--operating a motor vehicle is not a 'constitutional right'—it is, in fact a privilege.

I don't plan to walk too far down this road, but as we all know, in order to operate a motor vehicle on a public roadway, you are required:

- To have certain safety features on the vehicle in working order;
- Must obey the laws that pertain to a particular roadway;
- Must have a license (or learners permit) for the type of vehicle you are operating;
- Have motor vehicle insurance.

This bill only makes it a requirement to prove, at the time of registration renewal, that you are in fact in compliance with the law. It may be argued that a motorist would only have to be insured for a day—meaning they could take out a policy Monday morning, renew their vehicle Monday afternoon, and cancel the policy Monday evening. It is our belief, that though this may happen from time to time, generally motorist will keep the insurance once they obtained a policy.

In the event of an accident caused by an uninsured motorist, and a motorist with only liability insurance would be left to seek a judgement for damages—I don't know many repair shops accept "judgements" as a form of payment.

In the event of an accident caused by an uninsured motorist, and a motorist with collision insurance or "Full Coverage," the deductible may become a responsibility of the responsible motorist who may receive a 'judgement' in lieu of the funds necessary to make the payment.

According to a study conducted by the insurance information institute, in 2015 approximately 6.8% of North Dakota motorists were uninsured. This was the most current data I could find. 6.8% for people that struggle with math equates to about 1 in 14.

It may be argued that a reason for a motorist being 'uninsured' is the lack of an ability to afford insurance, further it could be argued that if all motorist were insured the rates would be lower, and finally that this bill would assist in lower rates—which is both good for the currently insured and uninsured motorists.

It might be argued that this change could increase the 'workload' of the Department of Transportation vehicle registration department in that they will now have to verify proof of insurance -- we feel this will be relatively minimal when consideration of technology advancements are taken into account. We would expect the main complaint would be from their online options, but the bill allows the department to develop the procedure and believe that those 'using' technology to renew their registration will be well versed in uploading a scanned document or a file containing the information.

This bill will not completely solve the problem of uninsured motorists, but we believe it is a good step in the right direction. I urge a Do Pass on Senate Bill 2302.

#5483



AAIS Testimony for North Dakota Senate Transportation Committee



This written testimony is submitted, regarding Senate Bill No. 2302, from the American Association of Insurance Services (AAIS), a non-profit national, modern insurance advisory organization. We do not submit this testimony in an effort to lobby in support of or opposition to the bill, but as subject matter experts with regards to technology platforms that could support efforts to increase transparency with regard to the auto insurance marketplace in North Dakota.

As you consider Senate Bill No. 2302, before you today, you will encounter subsection (5) which would establish a mechanism to verify motor vehicle insurance for renewal of registrations electronically. Likewise, we are currently monitoring SB 2151, UMPD study, presented to the Senate Industry, Business and Labor Committee earlier this week which approached the use of blockchain technology in the study regarding uninsured motorist issues. These two provisions are not mutually exclusive in that they seek to create better conduits for the use of insurance data in supporting a healthy auto insurance market in North Dakota through the use of technology platforms.

When we observed the comments and testimony given in the committee meeting earlier this week, we felt it necessary to offer greater insight into the use of blockchain/distributed ledger technology. While blockchain or distributed ledger technology is not widely understood yet, we believe it will have the same transformative effect as the internet has had on commerce and industry.

As a national advisory organization, we act as a statistical agent on behalf of companies that submit data to state insurance departments. As such, we have a great deal of experience in understanding data issues in the property and casualty insurance market. We recognize the hardship that all parties, including government and insurers, in supporting transparent data insights while protecting proprietary information.

Security and timeliness are always issues when we are transferring large batches of data in the insurance ecosystem. I am not aware of any current insurance verification system that could produce insurance data on a more frequent basis than perhaps monthly but more probably quarterly.

A blockchain or distributed ledger technology platform essentially allow for data insights to be obtained without data leaving a secured environment and with much more frequency than the traditional method of reporting data.

Think of it as a network of data warehouses. Each company has their own data warehouse or repository, instead of all the parties uploading relevant data to a centralized point for analysis and inspection, the seeker of information can ask a question through this ledger network by code we call a smart-contract or extraction patterns. This "code" executes against all the data warehouses that have the information we need simultaneously, and an answer is delivered through the network ledger. For example, the DOT could have their warehouse with vehicle registration information and companies could have their warehouse with the policy information for a car. Instead of the insurance company reporting that information on a quarterly bases to the DOT and the work to match this "batch" data to the registration, the question asked through the network could be as simple as does this car (registration) have insurance right now? The answer can be relayed as yes or no without someone's insurance data ever leaving the insurance company's possession or the DOT's data every leaving its secure environment.

The illustration above is not theory, AAIS has developed this type of technology for insurance data reporting and we have worked closely with Commissioner Godfreed as well as other insurance regulators and companies like Travelers and Hartford to create the first Insurance Regulatory reporting through blockchain.

I personally sit on Florida's Blockchain Task Force and have presented information as well as sat through hours of testimony on the topic. It's a difficult and complex technology to explain in a short letter. I am not a technologist; I am an attorney and former insurance regulator in Florida. While I have seen enough through our own development to understand the technology better, I offer you the observation that I don't need to understand every nuance and you don't either. However, what is important is, once we recognize and accept the greater strategy of making data work for us and not us working for the data, we will embrace it.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R S Westcott", with a long horizontal flourish extending to the right.

Robin S. Westcott
Vice President, General Counsel
AAIS
Robinw@aaisonline.com
(630)457-3262

2021 SENATE STANDING COMMITTEE MINUTES

Transportation Committee Fort Totten Room, State Capitol

SB 2302
2/5/2021
AM

A BILL for an Act to create and enact section 39-04-14.5 of the North Dakota Century Code, relating to providing proof of motor vehicle insurance when renewing vehicle registration.

Chair Clemens calls the meeting to order. Present are Chair Clemens, Vice Chair Fors, Senators Bakke, Conley, Dwyer, D. Larsen. [9:21]

Discussion Topics:

- Insurance for motorists

Senator Bakke [9:24] motions DO PASS.

Senator Conley [9:24] seconds.

Senators	Vote
Senator David Clemens	Y
Senator Robert Fors	Y
Senator Cole Conley	Y
Senator Michael Dwyer	Y
Senator Doug Larsen	Y
Senator JoNell Bakke	Y

Motion passes 6-0-0. [9:24]

Senator D. Larsen will carry.

Chair Clemens adjourns the meeting. [9:25]

Sheldon Wolf, Committee Clerk

REPORT OF STANDING COMMITTEE

SB 2302: Transportation Committee (Sen. Clemens, Chairman) recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2302 was placed on the Eleventh order on the calendar.

2021 HOUSE TRANSPORTATION

SB 2302

2021 HOUSE STANDING COMMITTEE MINUTES

Transportation Committee
Room JW327E, State Capitol

SB 2302
3/12/2021

A bill relating to providing proof of motor vehicle insurance when renewing vehicle registration.

9:30 AM **Chairman Ruby** opened the hearing.

Attendance

Representatives	
Representative Dan Ruby	P
Representative Tom Kading	P
Representative Rick Becker	P
Representative Cole Christensen	P
Representative LaurieBeth Hager	P
Representative Jared C. Hagert	P
Representative Karla Rose Hanson	P
Representative Terry B. Jones	P
Representative Emily O'Brien	P
Representative Mark S. Owens	P
Representative Bob Paulson	A
Representative Gary Paur	P
Representative Robin Weisz	P
Representative Greg Westlind	P

Discussion Topics:

- Proof of insurance
- Methods
- Fiscal note

Senator Doug Larsen introduction #8934.

Jennifer Blumhagen, Motor Vehicle Division Director for ND Department of Transportation, neutral testimony # 8879.

Representative Jones moved a Do Not Pass.

Representative Westlind seconded.

Roll Call Vote

Representatives	Vote
Representative Dan Ruby	Y
Representative Tom Kading	Y
Representative Rick Becker	Y
Representative Cole Christensen	N
Representative LaurieBeth Hager	Y
Representative Jared C. Hagert	Y
Representative Karla Rose Hanson	Y
Representative Terry B. Jones	Y
Representative Emily O'Brien	A
Representative Mark S. Owens	Y
Representative Bob Paulson	A
Representative Gary Paur	Y
Representative Robin Weisz	Y
Representative Greg Westlind	Y

Motion carried. 11-1-2 Representative Hanson carrier.

Chairman Ruby closed the hearing.

9:56 Adjourned.

Jeanette Cook, Committee Clerk

REPORT OF STANDING COMMITTEE

SB 2302: Transportation Committee (Rep. D. Ruby, Chairman) recommends **DO NOT PASS** (11 YEAS, 1 NAY, 2 ABSENT AND NOT VOTING). SB 2302 was placed on the Fourteenth order on the calendar.

Chairman Ruby and members of the House Transportation Committee,

My name is Doug Larsen, Senator from Mandan's District 34. This bill would simply require a vehicle owner to show proof of insurance when they renew their vehicle's registration.

Currently, when an individual renews their vehicle's registration, they literally 'check a block' as a way of indicating that they have, at a minimum liability insurance for their vehicle. They are not required to 'prove it.' This bill would require that instead of 'checking the block' the motorist would have to prove the fact.

In the Industry, Business, and Labor committee we have discussed a variety of ways to 'protect' insured motorists from the uninsured—most recently a bill was debated that would 'require' an insurance company to offer consumers a policy to specifically protect them from an uninsured motorist. I will try to avoid getting too far into that bill or its debate:

- The overall feeling was, that since there is nothing that prohibits that type of a policy from being offered to consumers, we felt it unnecessary to 'require' that an insurance carrier be required to make this type of policy available. As a member of that committee, I argued that I wasn't in favor of requiring a company to do something like this and would prefer to see the market drive the practices and products of an industry.

Generally, I do not like a Government that makes its citizens do things. However, as has been said by many—including distinguished members of this committee--operating a motor vehicle is not a 'constitutional right'—it is, in fact a privilege.

I don't plan to walk too far down this road, but as we all know, in order to operate a motor vehicle on a public roadway, you are required:

- To have certain safety features on the vehicle in working order;
- Must obey the laws that pertain to a particular roadway;
- Must have a license (or learners permit) for the type of vehicle you are operating;
- Have motor vehicle insurance.

This bill only makes it a requirement to prove, at the time of registration renewal, that you are in fact in compliance with the law. It may be argued that a motorist would only have to be insured for a day—meaning they could take out a policy Monday morning, renew their vehicle Monday afternoon, and cancel the policy Monday evening. It is our belief, that though this may happen from time to time, generally motorist will keep the insurance once they obtained a policy.

In the event of an accident caused by an uninsured motorist, and a motorist with only liability insurance would be left to seek a judgement for damages—I don't know many repair shops accept "judgements" as a form of payment.

In the event of an accident caused by an uninsured motorist, and a motorist with collision insurance or "Full Coverage," the deductible may become a responsibility of the responsible motorist who may receive a 'judgement' in lieu of the funds necessary to make the payment.

According to a study conducted by the insurance information institute, in 2015 approximately 6.8% of North Dakota motorists were uninsured. This was the most current data I could find. 6.8% for people that struggle with math equates to about 1 in 14.

It may be argued that a reason for a motorist being 'uninsured' is the lack of an ability to afford insurance, further it could be argued that if all motorist were insured the rates would be lower, and finally that this bill would assist in lower rates—which is both good for the currently insured and uninsured motorists.

It might be argued that this change could increase the 'workload' of the Department of Transportation vehicle registration department in that they will now have to verify proof of insurance -- we feel this will be relatively minimal when consideration of technology advancements are taken into account. We would expect the main complaint would be from their online options, but the bill allows the department to develop the procedure and believe that those 'using' technology to renew their registration will be well versed in uploading a scanned document or a file containing the information.

This bill will not completely solve the problem of uninsured motorists, but we believe it is a good step in the right direction. I urge a Do Pass on Senate Bill 2302.

HOUSE TRANSPORTATION COMMITTEE
March 12, 2021 – 9:30 a.m. - Room 327E

North Dakota Department of Transportation
Jennifer Blumhagen, Motor Vehicle Division Director

SB 2302

Good morning Chairman Ruby and members of the committee. I'm Jennifer Blumhagen, Motor Vehicle Division Director for the North Dakota Department of Transportation (NDDOT). I'm here to provide information related to SB 2302. Thank you for your time today.

Senate Bill 2302 proposes to require citizens to provide proof of insurance before they can renew their motor vehicle registration. Motor vehicle registration renewals comprise over 66% of the transactions the MV team processes. The NDDOT has employed a number of methods to make it easier for our citizens to comply with the registration requirements including online renewal, self-service terminals, mail-in service, and the ND Drive mobile app, in addition to appointments for in-person service.

Subsection 5 states "The department shall provide for a mechanism to verify motor vehicle insurance for renewal of registration via the department's online registration renewal service." This language may unintentionally focus only on the online registration renewal option and is unclear on the verification requirements for those that choose to renew via mail, at a self-service terminal, or through the ND Drive mobile app.

The expected result of the verification requirement is a significant increase in NDDOT staff time to research and validate insurance policies. We anticipate an increase in service time for registration credentials. In addition, there would be a cost to develop a mechanism for citizens to provide proof of insurance for the online, self-service terminal, and mobile app renewal options.

Currently, there is no automated or online mechanism in place for the NDDOT to verify insurance. This functionality would have to be developed. Without automation it would be a labor-intensive, manual process to verify each insurance policy at the time of renewal.

The issue of uninsured motorists is a valid concern. Currently, there is no accurate, timely mechanism in place to quantify the scope of the problem. Recently, SB 2151 passed on the House Floor. This bill is to provide for a legislative management study on using blockchain technology to provide a means to identify uninsured drivers accurately

and efficiently, in an automated manner, rather than requiring citizens to submit proof to the NDDOT.

This concludes my testimony. Thank You.