



By Eric Nordman, CIPR Director

◆ INTRODUCTION

The world is changing—perhaps more rapidly than we would want. The purpose of this article is to consider some age-old issues and some eminent changes affecting insurers writing auto insurance in the U.S. Changing technology is ready to crash into the stable world of auto insurance. We now must face the challenge of what to do about it.

Before I begin, I need to state the opinions expressed in this article are solely my own. They are not the opinions of the National Association of Insurance Commission (NAIC) members individually or collectively or opinions shared by other NAIC staff. This article is being drafted as part of the charge of the NAIC Center for Policy and Research (CIPR) to serve as a thought leader and provide information for public policymakers to consider.

So, what problem am I trying to solve? The answer is many. There are a number of matters some consider to be issues with the current system for settling damages from auto insurance accidents. Further, there are technology changes we face today such as telematics, and tomorrow such as autonomous vehicles. Some even argue we are undergoing a fundamental revolution in the way people will be transported in the near future. They say we are moving into an era of mobility solutions in place of traditional car ownership. All of these forces are converging at once, providing an ideal opportunity for us to consider changes to the way autos are insured in the U.S.

◆ OVERVIEW OF THE ISSUES

The first issue is that our legal system is not ready for the self-driving car of the future. The primary basis for determining who will pay for injuries and damages to vehicles and other property is the tort system. In other words, the laws assume a person will be driving each vehicle, and they assign blame to one or more of the drivers who is considered to be responsible for the accident. Even so-called no-fault systems apply at-fault determinations as part of the basis for damage determinations. There is some hope on the licensing front as the National Highway Traffic Safety Administration (NHTSA) recently told Google its vehicle computer system could be considered a driver under federal law.

The second issue relates to compulsory insurance requirements in the states. All states, except New Hampshire, have statutory requirements for citizens to maintain a certain level of bodily injury and property damage liability insurance as a condition precedent to driving a car. In no-fault states, personal injury protection (PIP) coverage also may

be required. Despite these legal obligations, there is ample evidence of many people failing to purchase or maintain the required insurance coverage. The Insurance Research Council (IRC) periodically studies the level of uninsured motorists. The IRC's most recent study concluded there are roughly 30 million uninsured drivers in the U.S. As a result, the insured population subsidizes the uninsured through the purchase of uninsured motorist (UM) and underinsured (UIM) motorist coverage.

Another issue is the continuing complaint from consumer advocacy groups about the affordability of auto insurance and the impact mandatory insurance requirements have on people with low or moderate income. Some consumer groups maintain the relatively high cost of auto insurance forces a person to choose between complying with mandatory insurance requirements and putting food on the table. They say consumers do not intend to be lawbreakers, but they are forced to be because of economic circumstances.

Further, a recent study produced by the Federal Insurance Office (FIO) concluded more than 18.6 million people in the U.S. live in one of 845 ZIP codes where it found auto insurance to be unaffordable according to the FIO's affordability index.

The tort systems create a mismatch between the economic circumstances of a vehicle owner and the exposure to loss from driving. Vehicle accidents are random. One never knows whether the person they hit will be wealthy, part of the middle class or economically disadvantaged. As a result, everyone must purchase sufficient coverage for all possible circumstances. The person of limited means might strike the owner of a Maserati and be expected not only to repair the expensive vehicle, but also to compensate the driver, who might have significantly higher income than the at-fault driver. Similarly, the Maserati owner might strike the person of limited means with an older vehicle. The claim for damages for the vehicle will be much less—even if the vehicle is a total loss—and the economic loss to compensate for lost wages would be lower.

The tort systems create unnecessary expenses to determine blame. Since a determination of fault, and in some states a person's relative contribution to fault, is needed to figure out who owes what to whom, insurer resources must be expended to agree upon compensation. In an ideal accident, both parties have selected the same insurer. However, this usually is not the case. Each insurer will assign the claim to an adjuster and if there is a dispute, each insurer will assign or hire an attorney to represent its interests. All of this assistance comes at a cost.

(Continued on page 15)

There also is a mismatch of motivation to serve the customer. An insurer is motivated to serve its policyholders because it wishes to retain them. The insurer is slightly less motivated to serve a third-party claimant who does not have an ongoing business relationship with the insurer. This mismatch in motivation becomes even more pronounced when we introduce the autonomous vehicle into the picture. Even in the circumstance described above between the Maserati owner and the driver with limited means, the motivations of the parties are more closely aligned than when an autonomous vehicle is involved.

Since we anticipate a disruptive impact, why not take this opportunity to address other shortcomings in our auto repair systems? The remainder of this article will speculate on what might evolve if no structural change is made and suggest a proposal to change the legislative framework to address the issues discussed in the overview.

◆ INEFFICIENCIES OF THE TORT SYSTEM

As mentioned earlier, every state uses an element of blame or fault in determining who is going to pay for damages when an accident occurs. Further, not all state tort laws are the same. The one common thread of all tort systems is the concept of negligence. Negligence is a legal term describing a person's conduct. With respect to driving an automobile, negligence could be defined as actions or inactions by a person creating an unreasonable risk of harm to others. If a driver is negligent, then the driver is legally obligated to compensate others for the damage caused by his or her negligence.

It is beyond the scope of this article to describe all the variations of state law; however, there are two principle ways tort systems operate. They are the concepts of contributory negligence and comparative negligence. Contributory negligence measures whether the injured party contributed in any way to responsibility for the accident. In a few states, even the slightest contribution to the cause of the accident can bar the person from recovery. Under a comparative negligence system, blame is assigned based on each party's relative contribution to the cause of the accident. In other words, if a person is 10% at fault in an accident, the person's recovery is reduced by 10%. Roughly a dozen states have a pure comparative negligence system for determining compensation. The rest of the states have some form of modified comparative negligence where the legislature has chosen a threshold (generally 50% or 51%) where persons whose fault is above the threshold are barred from recovery. The insurance buying public is challenged to know which system applies and how it might affect them under a specific set of circumstances. Having to make this determi-

nation is one of the inefficiencies of using the tort system to figure out who owes what to whom.

The tort system is designed to apply the concepts of negligence and does not necessarily result in meeting consumer expectations. Consumers are generally more interested in having their car repaired and getting their lives back to normal than they are in the nuances of tort law. A person found to be 1% at fault in an accident and barred from any recovery in the few states with contributory negligence laws are likely to be unhappy with the result. Similarly, people in comparative negligence states might be happy or unhappy with the result depending on the specific circumstances of their accident.

Those in comparative negligence states who are asked to chip in on a settlement often are left unsatisfied. What follows is a description of the experiences of two people with the practical application of a pure comparative negligence system. These are real events used to illustrate a point. The names have been anonymized at the request of the persons interviewed.

Our first example of this occurred last year to Person A. Person A's son was involved in an accident in the school parking lot. He told his mother it was the other student's fault. The other student was cutting across the marked parking spots, while Person A's son was driving in the proper lanes. Amazingly, since the accident occurred in the school parking lot, there was actual video of the accident occurring. One might expect this to be an adjuster's perfect day. Person A filed a claim with insurer W. The adjuster for insurer W reviewed the video and noticed Person A's son was perhaps driving faster than he should have been. As a result, he made an offer to pay 60% of the damages assuming the other driver was 60% at fault. Person A thought the offer to be ridiculous. She allowed that perhaps her son was going a little too fast, but said he should not be assumed to be 40% at fault. She countered with a suggestion he might have been 20% at fault. The adjuster for insurer W countered with a 70% offer. Person A accepted the offer and was tendered a check from insurer W.

Shortly thereafter, Person A received a claim for damages from the parents of the other student for 30% of the damages. She informed her insurer X, who pays the claim. This accident occurred in Missouri, a pure comparative negligence state. It took roughly three months for all this activity to occur. This case clearly demonstrates how the tort system can complicate the claim settlement process. All of the administrative steps involved in negotiating and reaching

(Continued on page 16)

agreement create delays, customer dissatisfaction and additional costs to the system.

Another person (Person B) also was involved in an accident last year. In this case, a driver T-boned Person B. The accident occurred in the state of Missouri. Both drivers were insured; however, the at-fault driver had purchased only the minimum required coverages. Thus only \$10,000 was available for property damage liability. Person B's relatively new car was declared to be a total loss and valued at \$10,800. Based on the assumption the at-fault driver was covered and she would be receiving compensation for loss of use in addition to the collision damage, Person B rented a substitute vehicle while the claim was being processed. They had not purchased rental reimbursement coverage.

The police were called to the scene of the accident. The at-fault driver sustained physical injuries and was sent to the hospital. Person B also had two witnesses who provided contact information. The police report contained a diagram of the accident based on the witness statements. Later, the at-fault driver tried to claim Person B was at fault. Person B made a claim to her insurer Y, who filed a claim with the at-fault driver's insurer, Z. Person B's insurer Y declared her vehicle to be a total loss. Under her collision coverage, she was entitled to \$9,800 (the \$10,800 value of the loss minus her \$1,000 deductible). Upon receipt of the settlement from her insurer Y, Person B purchased a new vehicle and returned the rental vehicle. Insurer Y subrogated on Person B's behalf. Insurer Z refused to pay until the police report sorted out who was at fault.

After two months of delay, Person B contacted insurer Z to inquire about the delay. It was then that insurer Z informed Person B the at-fault driver had purchased a \$10,000 limit for property damage liability coverage. Eventually, insurer Z reimbursed insurer Y, and Person B was reimbursed \$200. The entire process took five months. The consumer was left frustrated with the process and miffed at having to pay the cost of the rental vehicle and part of her vehicle out-of-pocket. She expressed dissatisfaction with the lengthy and convoluted process of trying to settle the claim when she was not at fault in the accident. This case demonstrates the problem with reliance on others to purchase the correct amount of coverage for you.

◆ THE COMPULSORY NATURE OF AUTO INSURANCE AND ITS IMPACT ON CONSUMERS

In all states except New Hampshire, the purchase of auto insurance is compulsory. There is significant evidence the compulsory auto insurance requirements do not work. The IRC periodically attempts to measure the number of unin-

insured motorists. The most recent study by the IRC found 14.3% of drivers are uninsured. This is one in seven drivers. States ranged from a low of 4.5% to a high of 28%. This is a clear indication that compulsory insurance requirements do not work.

Despite industry claims that competition is working effectively to bring a wide choice of insurance products at various price points to consumers, some consumer advocates continue to maintain automobile insurance remains unaffordable to certain segments of society. The consumer advocates also complain about the mandatory nature of auto insurance and say the legal structure forces people into choosing whether to buy groceries for the family or comply with compulsory insurance laws. They say consumers do not intend to be lawbreakers, but they are forced to be because of economic circumstances. Consumer advocates suggest the current system is unfair and needs to be changed to address affordability and guard against these unintended consequences.

Further, a recent study produced by the FIO concluded more than 18.6 million people in the U.S. live in one of 845 ZIP codes where it found auto insurance to be unaffordable according to the FIO's affordability index. The FIO defines the affordability index to be the average annual written personal auto liability premium in the voluntary market divided by the median household incomes for ZIP codes identified as being majority-minority or majority-low- and moderate-income (LMI)—in other words, ZIP codes where the majority of inhabitants are either minorities or LMI. The FIO then applies an assumption that if the affordability index ratio is greater than 2%, then auto insurance is unaffordable. The purpose of this article is not to debate the veracity of the FIO study or to question its seemingly arbitrary selection of 2% as the magic number separating those who can afford auto insurance and those who cannot. Instead, it is to note the FIO maintains auto insurance is not affordable to everyone. If true, it can be a problem for people as ownership of a car is critical to economic prosperity. Lack of affordable transportation is seen as an economic barrier.

The tort systems create unnecessary expenses to determine blame. Some of these expenses have been highlighted in the two auto accident descriptions above. Since a determination of fault, and in some states a person's relative contribution to fault, is needed to figure out who owes what to whom, insurer resources must be expended to agree upon compensation. As noted earlier, in an ideal accident, both parties have selected the same insurer. However, this usually is not

(Continued on page 17)

the case. Each insurer will assign the claim to an adjuster and if there is a dispute, each insurer will assign or hire an attorney to represent its interests, which all comes at a cost.

◆ THE RANDOM NATURE OF AUTO ACCIDENTS

Given the choice, nobody would choose to be involved in an auto accident. It is dangerous as one might be injured or even killed. Having a damaged vehicle is a hassle. A person will spend time dealing with an insurer or insurers and may have to miss work from an injury or to take a vehicle to a repair shop. If a vehicle is out of service, one might need to find alternative modes of transportation. Overall, the experience is one people choose to avoid. However, although one would not choose to be involved in an accident, one often does not have a choice.

Moreover, the tort systems create a mismatch between the economic circumstances of a vehicle owner and the exposure to loss from driving. As a result, everyone must purchase sufficient coverage for all possible circumstances. The person of limited means might strike the owner of an expensive car and be expected not only to repair the expensive vehicle, but also to compensate the driver, who might have significantly higher income than the at-fault driver. Similarly, the expensive car owner might strike the person of limited means with an older vehicle, and the economic loss to compensate for lost wages would be lower. The example with Person B shows how reliance on another person to select the right amount of coverage for you does not always work.

◆ INSURER MOTIVATION AND HUMAN NATURE

There is a mismatch of motivation to serve the customer. An insurer is motivated to serve its policyholders because it wishes to retain them. The insurer is slightly less motivated to serve a third-party claimant who does not have an ongoing business relationship with the insurer. This mismatch in motivation becomes even more pronounced when we introduce the autonomous vehicle into the picture. Even in the circumstance described above between the Maserati owner and the driver with limited means, the motivations of the parties are more closely aligned than when an autonomous vehicle is involved. The problem with allowing others to purchase the correct amount of insurance to cover your circumstances was illustrated by the example discussed earlier with respect to Person B.

With an autonomous vehicle, using the tort system might be a disaster. First, the way insurance reparation laws are written assumes there will be humans to blame. As noted, the tort system is designed to assign blame and then apply the negligence definitions in state law to figure out who will

pay what to whom. This breaks down when there is no human to blame as in the situation with the fully autonomous vehicle. One could hope the system simply treats the autonomous vehicle as if its computers were simply another human and assign blame accordingly. It is not at all clear whether this will be the case. At the end of the day, we are left with an open question when dealing with vehicles as they evolve toward compete autonomy. Will we blame the computer, the vehicle owner or the manufacturer? These are important questions to resolve as the balance of power will be shifting depending on which outcome prevails.

The current system pits driver against driver. Each party has the same rights to sue or be sued and may exercise the same defenses. They stand as relative equals before the courts. The balance of power could shift if instead of a system reliant on the current auto insurers selling personal auto contracts to individuals and families, we move toward one where the individual must sue an auto manufacturer, an auto parts manufacturer or a software developer to have an auto repaired or cover injuries from an auto accident. If this occurs, the personal auto insurance market will be drastically changed, and we will enter a new era where auto accidents are more like product liability claims than the system in place today. This changes the balance of power. No longer will the suits involve human driver versus human driver with relatively equal standing. Instead, it will be the individual against the large corporation. The large corporation might be more interested in proving its technology is not defective than it is in assuring the individual is able to fix his or her car promptly or be compensated for his or her medical bills. This could be a big problem.

◆ THE NHTSA'S POSITIONS ON AUTONOMOUS VEHICLES

There is some hope for clarity as the NHTSA, in a letter dated Feb. 4, 2016, told Chris Umson, Google Director of Self-Driving Cars, the NHTSA "will interpret driver in the context of Google's described motor vehicle design as referring the self-driving system, and not to any of the vehicle occupants." Thus, the computer operating the vehicle, in the eyes of the NHTSA, will be considered a driver. This technical change might be helpful in some circumstances, but it does not change the need for us to rethink how auto injuries and vehicle damage will be assessed and compensated in the future.

On Dec. 13, 2016, the NHSTA published a "Preliminary Statement of Policy Concerning Automated Vehicles." In it, the NHSTA says, "While the agency does not believe that self-driving vehicles are currently ready to be driven on public roads for purposes other than testing, the agency

(Continued on page 18)

would like to emphasize that it is encouraged by innovations in automated driving and their potential to transform our roadways.”

The statement of policy goes on to say, “The NHTSA does not recommend that states authorize the operation of self-driving vehicles for purposes other than testing at this time. We believe there are a number of technological issues, as well as human performance issues, that must be addressed before self-driving vehicles can be made widely available. Self-driving vehicle technology is not yet at the stage of sophistication or demonstrated safety capability that it should be authorized for use by members of the public for general driving purposes. Should a state nevertheless decide to permit such non-testing operation of self-driving vehicles, at a minimum the state should require that a properly licensed driver (i.e., one licensed to drive self-driving vehicles) be seated in the driver’s seat and be available at all times in order to operate the vehicle in situations in which the automated technology is not able to safely control the vehicle. As innovation in this area continues and the maturity of self-driving technology increases, we will reconsider our present position on this issue.”

◆ THE STATUS OF AUTONOMOUS VEHICLES TODAY

Apparently the NHSTA is implementing a cautious approach toward fully autonomous vehicles. Cars are being manufactured today with more autonomous features than before. It appears we will have a gradual evolution toward autonomy rather than a rapid sea change. The NHSTA is encouraging testing of autonomous vehicles, yet is resisting the call to action to allow them complete access to the nation’s highways and surface streets. Today we have Level 2 (combined function automation) and Level 3 (limited self-driving automation) available to the public. Level 4 (full self-driving automation) seems to be eminent, but not yet available. Yet, all currently enacted state laws limit Level 4 activities to testing environments.

Much study is underway to test the safety and driver acceptance of autonomous features. Hopefully, we will not let our goal of perfection get in the way of a common sense implementation of autonomous vehicles. If autonomous vehicle proponents are correct, many lives can be saved and many damages and injuries can be avoided with the introduction of fully autonomous vehicles. Recent studies have claimed that 94% of auto accidents can be attributed to human error. If that is true and we can greatly reduce or eliminate the human error factor, it is in the best interest of the country to encourage employment of fully autonomous vehicles as soon as possible.

While a move toward full autonomy would be good for the public, it will cause ripples through the insurance markets. If 94% of accidents do not occur, then the premium collected from the public to support these claims will be drastically reduced. As a practical matter, the fleet of personal autos will not move to full autonomy overnight. The auto fleet will instead become gradually more autonomous. As it does, the premium volume for personal auto insurers will diminish. Some or many will not survive. This could be further exacerbated if what some see as a mobility revolution occurs and people decide to no longer own vehicles, but instead rely on entities like transportation network companies (TNCs) and others to provide on-demand, fully autonomous vehicles at the touch of a smartphone. Then most auto accident victims might be dealing with the big corporations with commercial auto policies or becoming involved in a product liability suit.

◆ PERSONAL AUTO RESPONSIBILITY FRAMEWORK

If we assume 94% of the auto accidents will disappear when all the autos in the U.S. are fully autonomous, then it is safe to assume the loss costs to cover personal auto exposures will diminish correspondingly. We will never be at a point where no human ever drives a vehicle. Yet, eventually the number of human operators will be reduced drastically. We have some choices to make. We can let things naturally evolve and allow the courts to interpret future auto accidents as they see fit. Or, we can create a new regulatory framework keeping personal auto insurers in the picture.

What I propose is a new way to deliver personal auto insurance designed to address what consumers tell us they want. Consumers want to have their vehicle repaired promptly if it is damaged. They want to receive prompt medical care if they are injured. They want to be compensated for lost wages if the accident results in them being disabled and unable to return to work. They want certainty instead of uncertainty.

The personal auto responsibility framework would start with a statement that everyone is responsible for choosing the coverages they desire. No longer would they be able to rely on somebody else to buy the right coverages and the right amount of coverages to meet their needs. In essence, this would convert all auto insurance coverage from a third-party to first-party basis.

The personal auto responsibility package of coverages would have the following characteristics:

- It would cover reasonable costs for medical providers and hospitals for a covered person involved in an auto accident.

(Continued on page 19)

UNDERSTANDING THE FUTURE OF AUTO INSURANCE IN A CHANGING WORLD (CONTINUED)

- It would cover the costs of emergency transportation to the nearest hospital offering emergency care.
- It would cover lost wages at an amount selected by the policyholder with safeguards in place to limit a person's ability to select a level of benefits that would encourage malingering.
- It would cover reasonable rehabilitation benefits.
- It would cover damages from a collision.
- It would cover damages caused by other than a collision.
- Coverage is voluntary. Nobody would be forced to buy any coverage they did not want.
- If a person chooses not to buy coverage, there would be no compensation to them for any injury or damage from an auto accident.
- The coverage applies to the owner, spouse, immediate family, permissive users and the vehicle.
- Pedestrians injured in an accident would be covered by their own policy if they own a vehicle. If not, some accommodation would need to be made to address the possibility.
- Insurers would be encouraged to compete on price and service.
- The use of telematics would be allowed to continue for human drivers.

While it is beyond the scope of this article to delve into all of the details necessary to craft each element of the new framework, there are elements of the rough proposal that would address most of the shortcomings identified earlier in the article.

The voluntary nature of the proposal would address consumer complaints about the mandatory nature of the current auto insurance system. It also would address the problem with UMs because a person would select coverages he or she desires and if the other person has not chosen to be responsible and purchase coverage, there is no penalty to the person who has. It would address complaints about affordability by eliminating the coverage mandate. If one cannot afford the product, he or she simply does not buy it. Making coverage voluntary also addresses complaints from consumer advocates that the current system forces the economically disadvantaged to become law breakers.

Overall, the system should cost less as the frictional costs of the process for determining blame should be reduced or even eliminated. No longer will a person be required to deal with an insurer with whom the person has no ongoing business relationship. This addresses the mismatch of motivation to serve the customer or claimant. Now they will be the same.

Most importantly, the personal auto responsibility framework would address the uncertainties of adding fully autonomous vehicles to the mix. The vehicle owner would be responsible for buying the appropriate coverages for his or her needs and economic circumstances. This would eliminate the question about whether the computer is considered to be the driver and the vagaries of moving auto insurance claims into the realm of product liability. In addition, it would preserve the position of the personal auto insurers as active providers of personal insurance products.

◆ CONCLUSION

As I stated at the beginning of the article, the thoughts provided are my own and not the opinions of the NAIC members individually or collectively or opinions shared by other NAIC staff. I am hopeful the article will stimulate innovative thinking and discussion about the best way to proceed. The personal auto responsibility framework will appeal to some, but will be dismissed by others. Others already have written about the impact of autonomous vehicles and presented their ideas for constructive change. Examples are Deloitte, which published a paper called "Insuring the Future of Mobility." In it, the authors suggest the advent of autonomous vehicles is likely to be just a part of a movement to a new state where people think more in terms of overall mobility than in the traditional sense of vehicle ownership. It is an interesting read. Another author suggests the creation of a liability fund. The fund would rely on contributions from all manufacturers involved in the production of autonomous vehicles. I hope this article will provide useful information for public policymakers to consider and a constructive dialog considering many different ideas will be the result.

ABOUT THE AUTHOR



Eric Nordman, CPCU, CIE, is the director of the NAIC Regulatory Services Division and the CIPR. He directs the Regulatory Services Division staff in a wide range of insurance research, financial and market regulatory activities, supporting NAIC committees, task forces and working groups. He has been with the NAIC since 1991. Prior to his appointment as director of the Regulatory

Services Division, Mr. Nordman was director of the Research Division and, before that, the NAIC senior regulatory specialist. Before joining the NAIC, he was with the Michigan Insurance Bureau for 13 years. Mr. Nordman earned a bachelor's degree in mathematics from Michigan State University. He is a member of the CPCU Society and the Insurance Regulatory Examiners Society.

**APPENDIX:
AUTO INSURANCE STAKEHOLDERS**

There are a number of people affected by how the state auto reparation systems work today. In this section, the author will explore various stakeholders, as well as discuss their roles and some of the issues they face.

Consumers

The consumer role is to purchase a vehicle, secure a driver's license, register the vehicle and purchase at least the minimum auto liability limits required by state law. The no-fault states also will require the purchase of PIP coverage. Some states require insurers to offer UM or UIM coverage. If the consumer has financed the vehicle, generally the lender will require the consumer to purchase auto physical damage coverage (comprehensive and collision). The consumer also might choose among a number of optional coverages offered by insurers.

Generally, after an accident, consumers are motivated to have their vehicles fixed as soon as possible and, if they are injured, to receive prompt medical attention to return to their normal lives as soon as possible. They want to have their world return to normal with the least hassle possible.

Motor Vehicle Administrators

It is generally the motor vehicle administrator that issues drivers' licenses to consumers. Often the consumer must take a test to demonstrate knowledge of state motor vehicle laws, may be required to submit to a driving test and often must take a vision test to secure a license to drive. The motor vehicle administrator also accepts requests to register motor vehicles and manages the transfer of title when vehicles are sold. In states where auto insurance is mandatory, the motor vehicle administrator might be charged with reviewing proof-of-insurance documents when a consumer initially registers a vehicle and when the registration is renewed. The motor vehicle administrator also might administer an online insurance verification system to monitor whether consumers have mandatory auto insurance coverages continuously in place.

Insurance Producers

Insurance producers are intermediaries charged with facilitating the sale of insurance to consumers. They must secure a license from the insurance commissioner's office to sell insurance and then must be appointed by one or more insurers to be able to sell the insurer's products. Their role is to assist the consumer by explaining the insurance coverages and assist the consumer in making a sound purchase meeting his or her legal obligations and desired optional coverages.

Insurers

Insurers are in the business of accepting risk transfers from consumers for a fee. Their role is to provide consumers with an auto insurance contract complying with the laws of the state in which the policy is issued. In many cases the insurer must file the insurance policy with the insurance commissioner's office for review and perhaps approval. The policy is a binding legal contract spelling out the rights and responsibilities of all parties to the contract. Insurers often have to file their accompanying rates and rating systems with insurance regulators. The standard for evaluation of the rates is generally that rates are not excessive, inadequate nor unfairly discriminatory.

State Legislatures

The state legislatures set broad policy for the regulation of insurance. They establish and oversee state insurance departments, regularly review and revise state insurance laws, and approve regulatory budgets. It is the role of the legislature to establish the regulatory framework for the operation of vehicles on state roads and the system for determination of how vehicle accident victims will be compensated.

(Continued on page 21)

Insurance Regulators

Insurance regulators are charged with enforcement of the insurance laws established by the state legislatures. They license insurers, insurance producers and, in some cases, insurance adjusters. They receive and review rates, rating systems, policy forms and endorsements from insurers wishing to market products to the public. They respond to consumer inquiries and complaints and generally attempt to assist in resolution of claims when minor disputes arise. The goal of the insurance regulator is to encourage the development of a competitive insurance marketplace where consumers are offered many choices among insurers and products at competitive prices.

Adjusters

An insurance adjuster also might be called a claim adjuster or claim handler. The adjuster is charged with investigating a claim for damages submitted by a policyholder or by someone who alleges the policyholder is responsible for damages from an auto accident. To accomplish this task, the adjuster will interview the claimant, the policyholder, the driver, any passengers and any witnesses to the accident. The adjuster also might be asked to speak with police, review police reports, review doctor and hospital records, and inspect damaged property. Adjusters may be employed by insurers, employed by an adjusting firm that contracts with insurers or be licensed as an independent adjuster representing claimants rather than insurers. The adjuster will be authorized by the insurer to negotiate with the claimant to settle a claim. The insurer may impose limits on the authority of the adjuster to settle a particular type of claim or a limit where other approval is needed to settle amounts above a specified limit. Claims must be settled in accordance with the laws of the state where the accident occurred and in conformity with the terms of the insurance policy.

Plaintiff Attorneys

A plaintiff's attorney is a lawyer who represents the person alleging harm from the negligent actions of another. In the case of an auto accident, the harm could be damage to a car, damage to other property or injury to the person.

Defense Attorneys

A defense attorney is a lawyer who represents the person being sued. Auto insurance policies, under liability coverage, have a provision requiring the insurer to provide a defense to its policyholder.

Vehicle Repair Shops

A vehicle repair or body shop's role is to restore the vehicle to its pre-collision condition.

<http://www.naic.org>

<http://cipr.naic.org>

To subscribe to the CIPR mailing list, please email CIPRNEWS@NAIC.org or SHALL@NAIC.ORG



YOU'RE INVITED

**CIPR Spring Event:
*The Future of
Flood Insurance***

NAIC Spring National Meeting
Denver, Colorado
Monday, April 10, 2017
3:30-5:30 p.m.

www.naic.org/cipr_events.htm

NAIC & The CENTER
National Association of for INSURANCE
Insurance Commissioners POLICY
and RESEARCH

© Copyright 2017 National Association of Insurance Commissioners, all rights reserved.

The National Association of Insurance Commissioners (NAIC) is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer review, and coordinate their regulatory oversight. NAIC staff supports these efforts and represents the collective views of state regulators domestically and internationally. NAIC members, together with the central resources of the NAIC, form the national system of state-based insurance regulation in the U.S. For more information, visit www.naic.org.

The views expressed in this publication do not necessarily represent the views of NAIC, its officers or members. All information contained in this document is obtained from sources believed by the NAIC to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind. **NO WARRANTY IS MADE, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY OPINION OR INFORMATION GIVEN OR MADE IN THIS PUBLICATION.**

This publication is provided solely to subscribers and then solely in connection with and in furtherance of the regulatory purposes and objectives of the NAIC and state insurance regulation. Data or information discussed or shown may be confidential and or proprietary. Further distribution of this publication by the recipient to anyone is strictly prohibited. Anyone desiring to become a subscriber should contact the Center for Insurance Policy and Research Department directly.