

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Regulation: 806 KAR 17:240

Contact Person: Abigail Gall

Phone: +1 (502) 564-6026

Email: abigail.gall@ky.gov

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation establishes the requirements for proof of motor vehicle insurance, the methods for reporting coverage provided for personal motor vehicles insured on a personal lines motor vehicle policy, the methods for presenting proof of motor vehicle insurance to a county clerk or peace officer, and the requirements for notifying the Department of Vehicle Regulation if a binder, contract, or commercial policy of motor vehicle insurance is cancelled or not renewed.

(b) The necessity of this administrative regulation: This administrative regulation is necessary to establish the manner for presenting proof of motor vehicle insurance to a county clerk, to establish the requirements for the proof of motor vehicle insurance that an insurer is required to give to an insured, and to establish how an insurer or agent is to notify the Department of Vehicle Regulation if a binder, other contract for temporary insurance, or a policy is terminated by cancellation or nonrenewal.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 186.021 requires the Commissioner of the Department of Insurance to promulgate an administrative regulation to establish the manner for presenting proof of motor vehicle insurance to a county clerk. KRS 304.39-117 requires the Department of Insurance to promulgate an administrative regulation that establishes the requirements for the proof of insurance that an insurer is required to give to an insured. KRS 304.39-083 and 304.39-085 require notification to the Department of Vehicle Regulation if a binder or other contract for temporary insurance or a policy is terminated by cancellation or nonrenewal.

(d) How this administrative regulation currently assists or will assist in the effective

administration of the statutes: This administrative regulation informs all insurers regulated by the Department of Insurance of the policies and procedures for providing proof of insurance in conformity with the intent of the statutes. This administrative regulation informs County Clerks of the acceptable means of proof of insurance.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: This amendment reflects the removal Form No. TC 96-30, Motor Vehicle Insurance Agent Insurance Binder Cancellation Form from the regulation as it is no longer a required filing with the KY Department of Transportation. There reference to KY Department of Transportations web site was also removed as the “Kentucky Automobile Liability Insurance Reporting Guide” is no longer housed on their web site.

(b) The necessity of the amendment to this administrative regulation: KRS 13A.3102 sets forth the expiration requirements of all Kentucky Administrative Regulations. This regulation is being amended to meet the expiration filing requirement and to make appropriate changes to ensure the regulation requires the proper reporting processes.

(c) How the amendment conforms to the content of the authorizing statutes: KRS 186.021 requires the Commissioner of the Department of Insurance to promulgate an administrative regulation to establish the manner for presenting proof of motor vehicle insurance to a county clerk. KRS 304.39-117 requires the Department of Insurance to promulgate an administrative regulation that establishes the requirements for the proof of insurance that an insurer is required to give to an insured. KRS 304.39-083 and 304.39-085 require notification to the Department of Vehicle Regulation if a binder or other contract for temporary insurance or a policy is terminated by cancellation or nonrenewal.

(d) How the amendment will assist in the effective administration of the statutes:

The amendments to this administrative regulation inform all insurers and producers regulated by the Department of Insurance of the proof of insurance which must be provided to the each vehicle owner, the

methods by which a vehicle owner shall present proof of insurance to their county clerk or a peace officer, and the methods by which the insurers and producers shall report coverage information to the Transportation Department of Vehicle Regulation.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: Every motor vehicle insurer issuing a policy which covers a vehicle registered in Kentucky must provide proof of insurance for each insured vehicle.

(4) Provide an assessment of how the above group or groups will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment: All of the above groups are currently impacted by the current administrative regulation. Specifically regarding the amendments, some insurers will be interested in providing electronic proof of insurance apps to their customers as the insurers already deliver policies and complete transactions electronically.

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: In order to comply with this administrative regulation, insurers wanting to offer electronic proof of insurance need to ensure that the proof of insurance is available for download to a customer's portable electronic device in a manner that depicts current, valid, in-force coverage. Consumers opting to use electronic proof of insurance need to ensure that they maintain proof of coverage, whether electronic or paper, in their vehicle at all times. Law enforcement and county clerks need to be aware that electronic proof of insurance meeting the requirements of this administrative regulation is an appropriate manner to demonstrate that an insured has met their obligation to maintain insurance on their motor vehicle.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): There is no additional cost to law enforcement

or county clerks to implement this administrative regulation. Because offering electronic proof of insurance is optional, there is no cost to an insurer. For insurers that voluntarily choose to offer electronic proof of insurance, the costs will vary based on their current system capabilities.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): The primary benefits of offering electronic proof of insurance are the ability of insurers to streamline business operations by using less paper and the ability of consumers to use current technology to fulfill their ability to demonstrate motor vehicle insurance.

(5) Provide an estimate of how much it will cost to implement this administrative regulation:

(a) Initially: There will be no cost to implement, no mass mailing, no new filings, and no additional staff needed. The P&C Division will alert insurers via SERFF about the reg revisions. A notice will also be prepared to inform Transportation and the county clerks.

(b) On a continuing basis: There is no additional cost to DOI to implement this regulation on an ongoing basis. Insurers are not currently required to file the printed proof of insurance, nor will they be required to file a printed image of the optional electronic proof of insurance.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: The implementation and enforcement of the amendments to this administrative regulation will continue to be funded by the existing filing fees charged by the Department of Insurance pursuant to 806 KAR 4:010.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: There will be no increase in fees or funding necessary to implement the amendments to this administrative regulation.

(8) State whether or not this administrative regulation established any fees or directly or indirectly increased any fees: The amendments to this administrative regulation do not establish any new fees or directly or indirectly increase any fees.

(9) TIERING: Is tiering applied? (Explain why or why not) Tiering is applied by the statutory distinctions between personal and commercial motor vehicle policies.

FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

Regulation: 806 KAR 39:070
Contact Person: Abigail Gall
Phone: +1 (502) 564-6026
Email: abigail.gall@ky.gov

1. What units, parts or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation? The Kentucky Department of Insurance as the implementer of the regulation and, specifically, the Department's Property and Casualty Division.

2. Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 186.021, 186A.042, 304.2-110(1), 304.39-083, 304.39-085, 304.39-087, 304.39-117, 304.39-300

3. Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year?

This administrative regulation will not generate revenue for the Department of Insurance for the first year.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? This administrative regulation will not generate revenue for the Department of Insurance for subsequent years.

(c) How much will it cost to administer this program for the first year? There should not be a cost to administer this program in the first year.

(d) How much will it cost to administer this program for subsequent years? There should not be a cost to administer this program in subsequent years.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Revenues (+/-):

Expenditures (+/-):

Other Explanation: