

HOUSE Substitute for SENATE BILL No. 260

By Committee on Insurance

3-22

AN ACT establishing the motor vehicle financial security verification and compliance system; amending K.S.A. 2009 Supp. 8-173 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

New Section 1. (a) The secretary of the department of revenue, in consultation with the commissioner of insurance, shall implement a motor vehicle financial security verification and compliance system for the purpose of verifying compliance with the financial security requirements of K.S.A. 40-3101 et seq., and amendments thereto. Such verification system shall be installed and fully operational no later than March 1, 2011, following a testing period of not less than 9 months. No enforcement action based on the system or information derived therefrom shall be taken until the successful completion of such testing period.

(b) The system established shall impose no additional monetary cost to any government agency, law enforcement agency or the insurance industry in the state of Kansas for implementation or maintenance, shall be capable of being audited by an independent auditor and shall be the system most likely to:

- (1) Reduce the number of uninsured motorists in this state;
- (2) operate reliably;
- (3) be cost-effective;
- (4) sufficiently protect the privacy of the motor vehicle owners;
- (5) sufficiently safeguard the security and integrity of information provided by insurance companies;
- (6) identify and employ a method of compliance that improves public convenience; and
- (7) provide information that is accurate and current.

(c) The secretary of revenue in consultation with the commissioner of insurance, shall select and enter into a contract with the vendor to develop, implement, operate and maintain the system.

(d) The secretary of revenue is hereby authorized to adopt rules and regulations necessary to carry out the provisions of this section.

(e) Such selected vendor shall not:

- (1) Be engaged in the business of providing or selling insurance;

- 1 (2) directly or indirectly promote, endorse, advertise or otherwise so-
2 licit on behalf of any insurance company; or
- 3 (3) permit any insurance company to directly or indirectly promote,
4 endorse, advertise or otherwise solicit in conjunction with any dissemi-
5 nation of, or the administration of, the motor vehicle financial security
6 verification and compliance system.
- 7 (f) Each insurance company providing motor vehicle liability insur-
8 ance policies in this state shall comply with this section to allow the vendor
9 of the verification system to carry out the provisions of this section, and
10 amendments thereto. The commissioner of insurance shall adopt rules
11 and regulations requiring insurance companies to comply with the pro-
12 visions of this section.
- 13 (g) Except as otherwise provided in this section, the verification sys-
14 tem that is adopted shall be the sole and exclusive system for the verifi-
15 cation and reporting of motor vehicle insurance in the state of Kansas.
- 16 (h) The verification system shall utilize data reported by insurers and
17 send requests to insurers for verification of insurance via services estab-
18 lished by the insurers with enhancements, additions, and modification as
19 required by the state agencies. The system shall include appropriate pro-
20 visions to secure its data against unauthorized access and shall maintain
21 a historical record of the system data for a period of no less than 6 months
22 from the date of all requests and responses.
- 23 (i) The system shall be used for verification of mandatory liability
24 insurance coverage as prescribed by the laws of the state of Kansas and
25 shall be accessible to authorized personnel of the vendor, department of
26 revenue, courts, law enforcement personnel, and any other entities au-
27 thorized by the state agencies as permitted by state or federal privacy
28 laws, and it shall be interfaced, wherever appropriate, with existing state
29 systems.
- 30 (j) The vendor shall ensure that the verification system shall respond
31 to each requestor within a time period established by the state agencies.
- 32 (k) The state agencies and the vendor shall consult with representa-
33 tives of the insurance industry and private service providers to determine
34 the objectives, details and deadlines related to the system.
- 35 (l) The department of revenue shall publish for comment and then
36 issue, a detailed guide of its verification system.
- 37 (m) The department of revenue and the vendor shall each maintain
38 a contact person for insurers during the establishment, implementation,
39 and operation of the system.
- 40 (n) All property and casualty insurance companies licensed to issue
41 motor vehicle insurance policies or authorized to do business in Kansas
42 shall comply with this section for verification of evidence of vehicle in-
43 surance for every vehicle insured by such company in Kansas as required

- 1 by the rules and regulations of the department of revenue, unless such
2 company has been exempted.
- 3 (o) Insurers shall maintain a historical record of the system data for
4 a minimum period of six months from the date of all requests and
5 responses.
- 6 (p) As used in this section, “commercial auto coverage” means any
7 coverage provided to an insured, regardless of number of vehicles or
8 entity covered, under a commercial coverage form and rated from a com-
9 mercial manual approved by the insurance department. This section shall
10 not apply to vehicles insured under commercial auto coverage but insur-
11 ers of such vehicles may participate on a voluntary basis.
- 12 (q) Insurers shall provide commercial automobile customers with ev-
13 idence reflecting that the vehicle is insured under a commercial auto
14 policy. Sufficient evidence would include an insurance identification card
15 clearly marked in the title with the identifier: “Commercial.”
- 16 (r) The vendor shall be entitled only to information from the insur-
17 ance company that is available at that time and determined by the sec-
18 retary of revenue to be necessary to carry out the provisions of this sec-
19 tion, and amendments thereto.
- 20 (s) The information obtained under this section is confidential and
21 the vendor may use such information only for a purpose authorized under
22 this section, and amendments thereto. Such information may not be used
23 for a commercial purpose. The provisions of this subsection shall expire
24 on July 1, 2015, unless the legislature reviews and reenacts this provision
25 pursuant to K.S.A. 45-229, and amendments thereto, prior to July 1, 2015.
- 26 (t) A person who knowingly uses the information obtained under this
27 section for any purpose not authorized under this section, upon convic-
28 tion, shall be guilty of a class A misdemeanor.
- 29 (u) The appropriate state agencies, not the vendor, shall be respon-
30 sible for the issuance of tickets, sending notices to vehicle owners, sus-
31 pension of vehicle registrations and the collection of all fines and fees.
- 32 (v) The vendor shall not charge the state for the setup, implemen-
33 tation, testing, operation and maintenance of the system but shall be
34 compensated as described in this section.
- 35 (w) Not more than six months after the insurance verification system
36 has been in operation for two years, the department of revenue shall
37 report to the legislature as to the benefits and costs of the verification
38 system to the state, insurers and the public and the effectiveness of the
39 program in reducing the number of uninsured motor vehicles. Such re-
40 port shall include information gathered from and by the insurance de-
41 partment, the insurers, law enforcement and other users of the system.
- 42 (x) Insurers shall be immune from civil and administrative liability for
43 good faith efforts to comply with the terms of this section.

1 Sec. 2. On and after March 1, 2011, K.S.A. 2009 Supp. 8-173 is
2 hereby amended to read as follows: 8-173. (a) An application for regis-
3 tration of a vehicle as provided in article 1 of chapter 8 of the Kansas
4 Statutes Annotated, and amendments thereto, shall not be accepted un-
5 less the person making such application shall exhibit:
6 (1) A receipt showing that such person has paid all personal property
7 taxes levied against such person for the preceding year, including taxes
8 upon such vehicle, except that if such application is made before June 21
9 such receipt need show payment of only one-half the preceding year's
10 tax; or
11 (2) evidence that such vehicle was assessed for taxation purposes by
12 a state agency, or was assessed as stock in trade of a merchant or manu-
13 facturer or was exempt from taxation under the laws of this state.
14 (b) An application for registration of a vehicle as provided in article
15 1 of chapter 8 of the Kansas Statutes Annotated, *and amendments thereto*,
16 shall not be accepted if the records of the county treasurer show that the
17 applicant is delinquent and owes personal property taxes levied against
18 the applicant for any preceding year.
19 (c) An application for registration or renewal of registration of a mo-
20 tor vehicle shall not be accepted until the applicant signs a certification,
21 provided by the director of motor vehicles, certifying that the applicant
22 has and will maintain, during the period of registration, the required in-
23 surance, self insurance or other financial security required pursuant to
24 K.S.A. 40-3104, and amendments thereto.
25 (d) An application for registration or renewal of registration of a ve-
26 hicle shall not be accepted if the applicant is unable to provide proof of
27 the insurance, self insurance or other financial security required by article
28 31 of chapter 40 of the Kansas Statutes Annotated, *and amendments*
29 *thereto*. Proof of insurance shall be verified by examination of the insur-
30 ance card or other documentation issued by an insurance company, a
31 certificate of self insurance issued by the commissioner, a binder of in-
32 surance, a certificate of insurance, a motor carrier identification number
33 issued by the state corporation commission, proof of insurance for vehi-
34 cles covered under a fleet policy, a commercial policy covering more than
35 one vehicle or a policy of insurance required by K.S.A. 40-3104, and
36 amendments thereto, and for vehicles used as part of a drivers education
37 program, a dealership contract and a copy of a motor vehicle liability
38 insurance policy issued to a school district or accredited nonpublic school.
39 Examination of a photocopy or facsimile of any of these documents shall
40 suffice for verification of registration or renewal. Proof of insurance may
41 also be verified on-line ~~or~~, electronically ~~and the commissioner of insur-~~
42 ~~ance may require, by duly adopted rules and regulations, any motor ve-~~
43 ~~hicle liability insurance company authorized to do business in this state~~

1 ~~to provide verification of insurance in that manner. Any motor vehicle~~
2 ~~liability insurance company which is providing verification of insurance~~
3 ~~on-line or electronically on the day preceding the effective date of this~~
4 ~~act may continue to do so in the same manner and shall be deemed to~~
5 ~~be in compliance with this section or otherwise in accordance with the~~
6 ~~provisions of section 1, and amendments thereto.~~

7 Sec. 3. On and after March 1, 2011, K.S.A. 2009 Supp. 8-173 is
8 hereby repealed.

9 Sec. 4. This act shall take effect and be in force from and after its
10 publication in the Kansas register.

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