

INSURANCE
DEPARTMENT OF BANKING AND INSURANCE
DIVISION OF INSURANCE

Insurance Identification Cards

Proposed Repeal: N.J.A.C. 11:3-6.5

Proposed Amendments: N.J.A.C. 11:3-6.1 through 6.4

Authorized By: Holly C. Bakke, Commissioner, Department of Banking and Insurance

Authority: N.J.S.A. 17:1-8.1, 17:1-15e and 39:3-29.1 and section 70 of P.L. 2003, c. 89.

Calendar Reference: See Summary below for explanation of exception to calendar requirement.

Proposal Number: PRN 2003-310

Submit comments by October 3, 2003 to:

Douglas Wheeler
Assistant Commissioner, Legislative and Regulatory Affairs
New Jersey Department of Banking and Insurance
PO Box 325
Trenton, NJ 08625-0325
Fax: (609) 292-0896
Email: Legsregs@dobi.state.nj.us

The agency proposal follows:

Summary

P.L. 2003, c. 89 approved June 9, 2003 (the "Act") provides a well-balanced approach to addressing the immediate automobile insurance availability crisis facing New Jersey consumers, insurers and regulators. The Act includes numerous anti-fraud provisions providing law enforcement and insurers with the tools necessary to combat fraud. Section 70 of the Act provides one such tool. This section allows carriers to design insurance ID cards so that they are more difficult to counterfeit. Some uninsured motorists violate the law by using counterfeit

insurance identification cards. The Department is proposing to amend its rules to reflect the changes set forth in the Act, and to fulfill the legislative intent of reducing insurance fraud.

The proposed amendments to N.J.A.C. 11:3-6.1 rephrase the scope of the rule to refer to its statutory authority and to exclude from the rule vehicles regulated by the Interstate Commerce Commission, which exclusion was previously found in N.J.A.C. 11:3-6.5, which section is proposed for repeal.

N.J.A.C. 11:3-6.2 is proposed to be amended to relax some of the formatting requirements of the identification card in order to give insurers more flexibility in producing cards and to require the use of anti-counterfeiting methodologies. The proposed amendments provide that the exact size of the card is no longer mandated and that the card and/or the printing on it can be in color. In addition, the specific authorization for the use of ACORD identification cards as an alternative to the format mandated in the rule is being eliminated. With fewer requirements for the format of the card, ACORD cards should be able to meet the requirements of the rule.

N.J.A.C. 11:3-6.3 is proposed for amendment to refer to the requirements for permanent identification cards instead of repeating them. In addition, the requirement that a form edition number appear on the card is being eliminated.

N.J.A.C. 11:3-6.4(a) is proposed for amendment to remove a reference to the requirement, which is not statutorily mandated, that deviations from the requirements for identification forms be approved by the Division of Motor Vehicles.

N.J.A.C. 11:3-6.4(g), which refers to the implementation of a previous amendment, is proposed to be deleted and replaced with a requirement that all identification cards contain one

or more anti-counterfeiting measures. These anti-counterfeiting measures shall be designed to make it difficult to duplicate the identification card by photocopying, scanning or other means.

Proposed N.J.A.C. 11:3-6.4(h) requires an insurer to file a description of its anti-counterfeiting methodology with the Department for approval prior to its use in identification cards, and supply information on how law enforcement and other authorized personnel can determine the validity of the cards.

Proposed N.J.A.C. 11:3-6.4(i) requires insurers to file information concerning the format of their insurance identification cards, as well as policy number format information with the Department. This information will also be shared with law enforcement and other authorized personnel.

Proposed N.J.A.C. 11:3-6.4(j) requires insurers to provide a phone number for law enforcement personnel to call to verify insurance coverage for an individual. The proposal formalizes a system of contact persons that is already in effect.

Proposed N.J.A.C. 11:3-6.4(k) gives the address to which the above filings are to be made. Proposed N.J.A.C. 11:3-6.4(l) provides that the filings concerning the information to be used by law enforcement to verify the validity of insurance identification cards is proprietary and not subject to public access pursuant to N.J.S.A. 47:1A-1 et seq. The filings may be shared with the Office of the Insurance Fraud Prosecutor and other law enforcement agencies.

Because the Department has provided a 60-day comment period this notice of proposal, this notice is excepted from the rulemaking calendar requirements, pursuant to N.J.A.C. 1:30-3.3(a)5.

Social Impact

The proposed amendments will have a beneficial social impact by reducing the use of counterfeit insurance identification cards. These amendments will put downward pressure on rates because drivers who do not comply with mandatory insurance laws increase the cost of auto insurance for everyone.

Economic Impact

The proposed amendments will have a positive economic impact on insureds by placing downward pressure on rates through the reduction of fraud. The proposed amendments will have an economic impact on insurers and on the Department. Insurers will have to incorporate an anti-counterfeiting measure on their insurance identification cards. However, the Department is not mandating any particular anti-counterfeiting methodology, which gives insurers more flexibility in choosing a method that is easiest for them to implement. In addition, it is anticipated that insurers will have a positive economic impact by reducing its claims exposure through the reduction of fraud. The Department will bear the cost of review and approval of the methodology. This cost will be absorbed within the Department's existing budget.

Federal Standards Statement

A Federal standards analysis is not required because the proposed amendments and repeal relate to the business of insurance and are not subject to any Federal requirements or standards.

Jobs Impact

Although the Department does not anticipate that the amendments and repeal alone will result in the generation or loss of jobs, it believes that the package of statutory and regulatory amendments of which it is a part, taken as a whole, will contribute to the attractiveness and

competitiveness of the New Jersey automobile insurance market and help preserve and expand employment in the automobile insurance industry and in insurance agencies and brokerage firms. The Department invites interested persons to submit any data or studies about the jobs impact of these proposed rules with their written comments.

Agriculture Industry Impact

The Department does not anticipate any impact from the proposed amendments and repeal upon agriculture and related industries.

Regulatory Flexibility Analysis

These proposed amendments impose compliance requirements upon private passenger automobile insurers, some of which may be small businesses as defined in the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq. Pursuant to N.J.A.C. 1:30-3.1(f)4, the Department provides the following regulatory flexibility analysis regarding those small businesses upon which the proposed new rules impose compliance requirements. A few auto insurers transacting business in New Jersey are small businesses. These auto insurers will be required to incorporate an anti-counterfeiting measure on their auto insurance identification cards and file with the Department: a description of the anti-counterfeiting measure; an image of the card; and the name of a contact person who can verify insurance coverage for law enforcement. Compliance with the anti-fraud measure requirement may require the use of professional services although many insurers use such measures in other states. The cost of compliance cannot be accurately estimated by the Department at this time since it will vary by insurer.

These rules provide no different compliance standards for insurers who are small businesses. All auto insurers are required to issue auto insurance identification cards and to

combat insurance fraud. These rules require insurers to make their identification cards difficult to counterfeit and to file with the Department the methods they have chosen to do so. Insurers are not required to use any particular anti-counterfeiting technique. In order to reduce the number of counterfeit auto insurance identification cards, no differing compliance requirements for automobile insurers based on business size is appropriate.

Smart Growth Impact

The proposed amendments and repeal would have no impact on the achievement of smart growth and the implementation of the State Development and Redevelopment Plan.

Full text of the proposal follows (additions indicated in boldface **thus**; deletions indicated in brackets [thus]):

SUBCHAPTER 6. INSURANCE IDENTIFICATION CARDS

11:3-6.1 Scope

[In order to properly implement and administer the compulsory insurance laws of New Jersey, all insurance companies are required to issue an insurance identification card to all named insureds.] **In accordance with N.J.S.A. 39:3-29.1, this subchapter concerns the issuance, design and content of auto insurance identification cards issued by insurance companies in this State. This subchapter shall not apply to policies covering commercial motor vehicles regulated by the Interstate Commerce Commission or the New Jersey Board of Public Utilities.**

11:3-6.2 Permanent identification cards [(from IV-1)]

[(a) Permanent insurance identification cards shall be issued in accordance with the specifications contained in either (b) or (c) below.]

[(b)] **(a)** A permanent insurance identification card shall conform to the following specifications:

1. [The size shall be approximately 3½ inches by 5 inches (tolerance of ¼ inch permitted)] **The minimum size shall be three inches by five inches and the maximum size shall be 5½ inches by 8½ inches.**

2. The weight shall [be minimum 24 pound ledger paper stock] **not be lighter than 20 pounds white bond.**

[3. The color shall be white stock, black print.]

[4.] **3.** The front of the card shall include the following:

i. - iv. (No change.)

v. Effective date and expiration date: month, day, [and] year **and time (for example, 12:01 A.M.).**

vi. Description of the vehicle: Year, make and vehicle identification number shall be noted on the insurance identification card. The model of the vehicle may be shown as the make. The make of the vehicle may be abbreviated, but the complete vehicle identification number **(VIN)** must be shown.

vii. – ix. (No change.)

x. The name and address of the **insurance company or the** office [of] **or** agency issuing the identification cards must be shown. [The cards must contain a

signature of an agent or other authorized representative of the named company (facsimile signatures are acceptable);]

[xi. Assignment of form number IV2A(1/96), to be shown in the upper left corner.]

5. - 6. (No change.)

[(c) Insurers may, as an alternative to (b) above, utilize the design and format copyrighted by the ACORD 50 (WM 2/95) insurance identification card.]

[(d)]**(b)** Servicing carriers of any residual market mechanism authorized by statute shall issue an insurance identification card in accordance with [(b) and (c)] **(a)** above. The card shall indicate that coverage is being issued by the servicing carrier on behalf of the residual market mechanism.

11:3-6.3 Temporary identification card [(form IV-2)]

[(a) The specifications for temporary insurance identification cards are set forth below:

1. The size shall be the same as the permanent identification card;
2. The weight and color shall be minimum 24 pound white stock;
3. The color shall be the same as the permanent identification card;
4. Number of copies: One original;]

[5.] **(a)** The **format and** content of the temporary card shall be the same as the permanent identification card except as noted below.

Recodify existing i. – iv. as 1. - 4. (No change in text.)

[v. Assignment of form number IV2T (1/96), to be shown in the upper left corner.]

11:3-6.4 General provisions

(a) The order of the information to be contained on the identification cards may be rearranged in order to accommodate fixed printout systems already established by a company. [No changes shall be made without obtaining the approval of the New Jersey Division of Motor Vehicles.]

(b) - (f) (No change.)

[(g) Insurers may continue to use existing supplies of form number IV2A (1/73) and ACORD 50 (1/83) until June 30, 1996. Thereafter, insurers shall only be permitted to issue insurance identification cards which comply with this subchapter. Insurance identification cards issued in compliance with this subchapter shall be valid for the term of the policy referenced thereon.]

(g) The identification card shall contain at least one anti-counterfeiting measure approved in accordance with (h) below that makes it difficult to duplicate the card by photocopying, scanning or other means without detection.

(h) Within 60 days of the effective date of this amendment, each insurer or group of insurers shall file for approval with the Department a description of its anti-counterfeiting measures and the information necessary for law enforcement and other authorized persons to determine that the card has not been counterfeited.

1. The filing shall be deemed approved if not affirmatively approved or disapproved within 30 days of the date of its receipt by the Department.

(i) No later than the operative date of this amendment and within 30 days of any change in the information, each insurer shall file with the Department:

1. An image of the front and back of each type of identification card used with sample policyholder information; and

2. An explanation of the policy number formats used by the insurer, for example, the number of characters, the position and meaning of alpha and numeric characters.

(j) Within 30 days of the effective date of this amendment, every insurer or group of insurers shall file with the Department an insurance verification phone number where inquiries from law-enforcement personnel about the insurance status of a driver can be made.

1. The insurance verification phone number shall be staffed, at a minimum, during normal business hours.

2. The Department shall be notified within one business day at the address in (j) below of any change in the insurance verification phone number.

(k) The filings in (h) through (k) above shall be made to:

New Jersey Department of Banking and Insurance

Insurance Identification Card Unit

P. O. Box 329

Trenton, NJ 08625-0329

autoidcards@dobi.state.nj.us

(l) The filings in (h) though (j) above contain proprietary commercial information and are not subject to public access pursuant to N.J.S.A. 47:1A-1 et seq., but may be provided to the Office of the Insurance Fraud Prosecutor and other law

enforcement agencies to assist in the identification of fraudulent insurance identification cards.