

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Consumer Protection and Safety Division

RESOLUTION TL-19105

October 11, 2012

RESOLUTION

RESOLUTION REQUIRING INSURANCE COMPANIES AND SURPLUS
LINES BROKERS TO FILE INSURANCE INFORMATION WITH THE
COMMISSION ELECTRONICALLY.

SUMMARY

This resolution requires that information relating to automobile liability, cargo, and workers' compensation insurance policies for motor carriers of passengers and household goods be filed with the Commission's License Section in electronic format.

BACKGROUND

The Commission is responsible for licensing household goods carriers and for-hire carriers of passengers, and for registering private carriers of passengers under provisions of the Public Utilities Code. Each class of carrier is required to maintain evidence of one or more types of insurance coverage on file with the Commission pursuant to statute and Commission regulations prescribed by general order (G.O.) or resolution:

CLASS OF CARRIER / INSURANCE TYPE	PUB. UTIL. CODE	REGULATION
Passenger Stage Corporation - Liability	§ 1040	G.O. 101-E
Household Goods Carrier - Liability	§ 5161 et seq.	G.O. 100-M
Household Goods Carrier - Cargo	§ 5161 et seq.	G.O. 136-C
Charter-Party Carrier - Liability	§ 5391 et seq.	G.O. 115-F
All Above Carriers - Workers' Compensation	§§ 460.7, 5135.5, and 5378.1	Resolutions TL- 18271 and 18304
Private Carrier of Passengers - Liability	§ 4010	G.O. 160-A

Insurance companies and surplus lines brokers¹ must use Commission-prescribed forms when filing certificates of insurance and related notices of cancellation and reinstatement. The forms are mailed to the Commission's License Section within the Consumer Protection and Safety Division (CPSD).

Upon receipt, the insurance documents are date-stamped, sorted, and reviewed for accuracy. License Section staff manually enter the information into the Transportation Management and Information System (TMIS), the Commission's automated licensing database. Thereafter, each document is placed in the involved motor carrier's licensing file. This process is labor intensive and prone to error and delay. On rare occasions, bogus certificates have been accepted for filing in spite of CPSD's best efforts to ensure the validity of all documents received.

The License Section receives many thousands of insurance documents each year. CPSD reports that the volume of filings received has steadily grown as the number of licensed charter-party carriers (the largest class of carriers) has increased. The number of charter-party carriers is now approximately 7,000, nearly double the number holding a license in 2004. CPSD explains that the insurance certificates it receives are "good until canceled." By statute and Commission regulation, certificates may be cancelled only upon 30 days' written notice to the Commission. CPSD explains that many carriers finance their insurance premiums. If a carrier is late with a payment, the insurer sends the Commission a notice of cancellation. The License Section, in turn, sends the carrier a Notice of Impending Suspension of its operating authority. When the carrier pays the delinquent premium, the insurer sends the License Section a notice of reinstatement of the policy. This "churning" of cancellation and reinstatement notices places a significant burden on the License Section.

CPSD believes that having insurance information filed electronically ("e-filing") would be much more efficient and accurate than the current process. It notes that a carrier's insurance and operating authority information are now available

¹ Surplus lines brokers make filings for insurance coverage which has been placed with nonadmitted insurers that are subject to Insurance Code § 1763.

on the Commission's Web site. Timeliness and accuracy are therefore more critical than ever as carriers, insurers, and the public have come to rely on the Web site to obtain up-to-date licensing information.

CPSD has worked with the Commission's Information and Management Services Division (IMSD) to develop protocols and specifications for e-filing insurance information, including security safeguards. Six insurance companies and brokers recently agreed to participate in a test of the proposed system. The feedback received from these parties was carefully considered and resulted in some system modifications. IMSD and CPSD have also conducted extensive internal testing of the system.

The proposed procedures for insurance filers are simple, according to CPSD, essentially requiring only a computer with Internet access. Therefore, conversion to the new system should not present an unreasonable burden to insurance companies and surplus lines brokers, and most are expected to welcome it. CPSD notes that insurance providers already e-file documents with other government agencies, such as the Department of Motor Vehicles and the U.S. Department of Transportation. CPSD further advises that it has reviewed the e-filing protocols with the Commission's Legal Division and is informed there are no legal impediments to receiving and processing insurance information as proposed.

CPSD recommends moving ahead with implementation of e-filing. It wants to give users ample time to make whatever internal adjustments are necessary to accomplish this. CPSD recommends that filers be allowed to continue to submit paper documents for six months after e-filing is officially instituted. At the end of that period, e-filing will be mandatory, with one exception. CPSD would allow the paper filing of a notice of cancellation for a policy that was filed prior to the implementation of e-filing. It is concerned, for example, that a policy might have been filed many years ago by an insurer that is no longer making new filings with the Commission. CPSD does not want to require the insurer to sign up for e-filing only for the purpose of canceling the old policy.

Finally, CPSD notes that only the method of filing insurance information with the Commission will change. All other insurance requirements prescribed by

law or regulation for motor carriers subject to the Commission's jurisdiction will remain the same.

DISCUSSION

Maintaining insurance information for motor carriers is a core component of the Commission's licensing responsibilities. It is critical that the information is current and accurate so that those who need it (e.g., the public, insurers, and carriers) can rely on it. Evidence of insurance coverage must be on file with the Commission for a carrier to be granted and to maintain a license or registration. Cancellation of the coverage results in automatic suspension of the carrier's operating authority or registration. Delays in the processing of insurance documents can prolong the process for being approved to commence operations, cause a carrier to be suspended unnecessarily, or delay the reinstatement of a suspended authority or registration. This is contrary to our goals of streamlining Commission processes and providing the highest quality service to our customers. We advocate e-filing whenever feasible. Our Rules of Practice and Procedure already provide for e-filing of many documents in connection with formal proceedings before the Commission.

We agree with CPSD that a system of electronic filing of insurance should be implemented. The plan proposed by CPSD is reasonable. It brings efficiency to the processing of insurance, provides a higher level of security, and is not unduly burdensome on those who file insurance information with the Commission. Once fully in place, it should provide cost savings to all parties concerned. To the extent there will be a need for fewer staff in the License Section to process insurance, we believe it would be appropriate to redirect positions to other areas of the License Section to improve customer service or to the Transportation Enforcement Section to bolster that important program.

We will authorize CPSD to institute the new system once it and IMSD are ready to proceed with implementation. CPSD should give insurance filers at least 10 days' advance notice of the implementation date.

COMMENTS ON DRAFT RESOLUTION

To comply with Pub. Util. Code § 311(g), a copy of the draft resolution was mailed to every insurance company and surplus lines broker which the License Section is aware files insurance documents with the Commission, and to the California Moving and Storage Association, the California Bus Association, and the Greater California Livery Association. CPSD also published a Daily Calendar notice on September 6, 2012, that apprised the public of the availability of this draft resolution and solicited submission of comments by September 27, 2012. No comments were received.

FINDINGS

1. The Commission is responsible for licensing household goods carriers, passenger stage corporations, and charter-party carriers, and for registering private carriers of passengers.
2. Licensed and registered carriers are required to maintain evidence of one or more types of insurance on file with the Commission.
3. The Commission's License Section receives and maintains insurance information on behalf of the Commission for the carriers it licenses and registers.
4. Currently, insurance companies and their authorized agents, and surplus lines brokers enter insurance information on Commission-prescribed forms, which they then mail to the License Section for processing.
5. The License Section receives many thousands of insurance-related documents per year.
6. The current manner in which insurance documents are received and processed is labor intensive and prone to delay and error.
7. CPSD recommends that the Commission require insurance companies and surplus lines brokers that file certificates of insurance and related notices of cancellation or reinstatement with the License Section file such information electronically.

8. A system of electronic insurance filing would be more efficient and result in fewer processing errors than the current system.
9. E-filing will only change the method by which insurance information is filed with the Commission and will not affect any other insurance requirements prescribed by law or regulation for motor carriers subject to the Commission's jurisdiction,
10. There are no legal impediments to moving to a system of e-filing of insurance.
11. The e-filing system developed by CPSD and IMSD has been extensively tested and incorporates some modifications recommended by outside parties.
12. CPSD should be authorized to implement e-filing of insurance as soon as CPSD and IMSD are prepared to initiate the process.
13. CPSD should give affected insurers and brokers at least 10 days' advance notice of the implementation date.
14. A transition period of six months is desirable, commencing with the implementation date set by CPSD.
15. During the transition period, insurance companies and their agents, and surplus lines brokers should be allowed to continue to file paper documents while they make the internal adjustments that are necessary to begin e-filing insurance information.
16. At the end of the transition period, e-filing of insurance information with the License Section should be mandatory, except to cancel a policy of insurance that was filed prior to the implementation of e-filing.
17. CPSD should be authorized to reject any paper insurance filing it receives after the transition period ends and e-filing becomes mandatory.
18. Security safeguards should be in place to ensure the validity of insurance information filed with the Commission's License Section.
19. Insurance information that is filed electronically with the License Section should be the official Commission record of insurance for motor carriers licensed or registered by the Commission.

THEREFORE, IT IS ORDERED that:

1. The Consumer Protection and Safety Division is authorized to implement a system of electronic filing of insurance information related to the Commission's licensing of charter-party carriers of passengers, passenger stage corporations, and household goods carriers, and the registration of private carriers of passengers. Implementation may begin when the Consumer Protection and Safety Division and the Information Management and Services Division are prepared to initiate the process. The Consumer Protection and Safety Division shall notify insurance filers of the implementation date at least 10 days in advance.
2. For six months after the Consumer Protection and Safety Division implements electronic filing, insurance companies and their authorized agents, and surplus lines brokers may continue to file certificates of insurance and notices of cancellation or reinstatement using paper documents.
3. At the end of the six-month transition period, electronic filing of insurance certificates and notices of cancellation or reinstatement shall be mandatory, except in the case of a notice of cancellation for a policy that was filed with the Commission prior to implementation of electronic filing, which notice of cancellation may be filed by paper.
4. After the transition period, the Consumer Protection and Safety Division is authorized to reject any insurance filing that does not conform with paragraph 3.
5. The Consumer Protection and Safety Division and Information and Management Services Division, in consultation with the Legal Division, shall ensure that adequate protocols are in place to ensure the validity and security of electronically filed insurance information.
6. Electronically filed insurance information shall be the official insurance record of a motor carrier licensed or registered with the Commission.

7. The Executive Director shall cause a copy of this resolution to be served on the California Moving and Storage Association, the California Bus Association, the Greater California Livery Association, every insurance company and surplus lines broker which the License Section is aware files insurance documents with the Commission, and to any other party that filed comments to the draft resolution.

This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted by the Commission at its regularly scheduled meeting on October 11, 2012. The following Commissioners voted favorably thereon:

/s/

PAUL CLANON
Executive Director

MICHAEL R. PEEVEY
President
TIMOTHY ALAN SIMON
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
MARK J. FERRON
Commissioners