

PHH to implement new insurance procedures to address California systems glitch

Apr-4-2007

Further to the <u>News Update of December 6, 2006</u>, the California Department of Motor Vehicles (DMV) began requiring electronic insurance reporting for all private use automobile policies so the department could monitor insurance coverage and take appropriate action. Vehicles covered by commercial or business policies are exempt from electronic reporting.

Unfortunately, the California DMV's system does not include an indicator for private vs. commercial vehicles. As such, the California DMV is improperly generating intention to suspend letters and, in turn, drivers are being cited for insurance coverage violations.

PHH is working with the California DMV to resolve this issue. As part of this effort, the California DMV has advised the California Highway Patrol not to cite a driver for insurance coverage violations when he/she can produce a commercial vehicle registration.

What you can do

To ensure your vehicles comply with California law regarding proof of insurance, be sure to:

- Submit a completed <u>Commercial Insurance Notification (REG 5085)</u> form to the California DMV within 30 days after a commercial vehicle's initial registration or transfer of ownership
- Keep in mind proof of insurance coverage paper work takes five business days at the DMV to clear
- Equip all active vehicles with a current insurance card as required for proof of insurance
- Be sure your drivers have a current insurance card available when picking up their vehicles from dealerships (if your company participates in PHH's Insurance Card program)

What PHH is doing

Currently, when a letter of intent to suspend is received, PHH will:

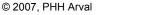
- Send the letter and insurance card to the California DMV if an Insurance Card program client
- Send the letter to the insurance contact on file for resolution if not an Insurance Card program client

Anticipated to begin April 30, PHH will streamline the process and reduce your drivers' risk of being cited for insurance coverage violations by:

- **Transmitting a weekly listing of all newly registered PHH vehicles to the California DMV** The California DMV will upload this information to eliminate most intent to suspend letters.
- Including completion of California DMV Form 5085 as part of dealer delivery This will further reduce intent to suspend letters as the form will be completed promptly.

While these measures will mitigate the risk of receiving intent to suspend letters or your drivers being cited for registration violations, they will not resolve the issue completely. PHH continues to work with the California DMV to develop and implement a long-term solution.

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