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TO THE HOUSE COMMITTEE ON TRANSPORTATION

TWENTY-FOURTH LEGISLATURE
Regular Session of 2008

Wednesday, January 23, 2008
8:30 a.m.

**TESTIMONY ON HOUSE BILL NO. 2075 – RELATING TO MOTOR VEHICLE
INSURANCE RATE FILINGS.**

TO THE HONORABLE JOSEPH SOUKI, CHAIR, AND MEMBERS OF THE
COMMITTEE:

My name is J. P. Schmidt, State Insurance Commissioner (“Commissioner”),
testifying on behalf of the Department of Commerce and Consumer Affairs
 (“Department”). The Department opposes this bill.

The purpose of this bill is to add a new section in Article 10C of the Insurance
Code, Hawaii Revised Statutes (“HRS”) chapter 431, that requires motor vehicle
insurers to offer premium reductions for drivers age 65 years or older who complete an
eight-hour motor vehicle accident prevention course approved by the Department of
Transportation. This bill also appropriates an unspecified sum from the general fund for
the Department of Transportation to develop the criteria for a motor vehicle accident
prevention course.

Under current law, insurers are prohibited under HRS § 431:10C-207 from
discriminating against drivers based upon their age. This law prevents an insurer from
charging higher rates for younger drivers based upon their age or driving experience.

The Department would agree that an accident prevention program promotes public policy of reducing traffic accidents and fatalities. However, the proposed program would be beneficial to drivers of all ages, not only drivers age 65 or older.

Therefore, it would appear unfair to restrict the program and to create a statutory exception for a limited class of drivers who take this course, when other drivers may benefit from this accident prevention program.

We thank this Committee for the opportunity to present testimony on this matter and request that this bill be held.



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Alison Powers
Executive Director

TESTIMONY OF ALISON POWERS

HOUSE COMMITTEE ON TRANSPORTATION
Representative Joseph M. Souki, Chair
Representative Scott Y. Nishimoto, Vice Chair

Wednesday, January 23, 2008
8:30 a.m.

HB 2075

Chair Souki, Vice Chair Nishimoto and members of the Transportation committee, my name is Alison Powers, Executive Director of Hawaii Insurers Council. Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately 60% of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **opposes** H.B. 2075, which provides premium reductions to those aged 65 and older who complete an accident prevention course approved by the Department of Transportation.

Accident prevention is certainly the goal of both the State and insurers. It is unclear whether this measure would truly achieve accident reduction, is inequitable with regard to the application of the discount by coverage within each motor vehicle insurance policy and is inequitable with regard to the application of the discount based on the combination of cars and drivers living in the household.

Many states do provide discounts for appropriate accident prevention programs or defensive driving courses. However, it is imperative to note that these same states further allow insurance rates to be set based on age, length of driving experience or

both. Hawaii remains the only state that prohibits insurance rates to be based directly or indirectly on these, as well as other factors, pursuant to §431:10C-207.

This is important because any claims of accident reduction from drivers completing these programs are in conjunction with age or driving experience-based insurance pricing plans. The language in H.B. 2075 conflicts with 431:10C-207.

H.B. 2075 contemplates a discount that would apply essentially until the driver's license renews. This could be as long as six years, and no study of which we are aware indicates that any driver training or accident prevention program provides benefits, i.e., safer driving, for that amount of time. It is also unclear if the accident prevention courses approved in Hawaii would result in any tangible benefits because the quality of and age at which drivers complete such programs are both important elements in subsequent accident reduction. It is also vitally important that such programs be custom-designed for older drivers based on any physical limitations they may have.

The classroom courses written into H.B. 2075 will be less effective than behind-the-wheel programs and without knowing their content it is unclear if they will work. H.B. 2075 also allows for self-instruction programs, and without some level of audit we are concerned that these programs would be completely ineffective in creating safer drivers.

Another question we have is best illustrated by example. Will the positive effects, if any, of the course last the same amount of time for both 65 year old and 80 year old drivers? Based on accident and death rates among the oldest drivers, we do not think the benefit will be the same even though the discount duration may be identical.

Motor vehicle insurance policies are comprised of several individual coverages, and often provide coverage for multiple drivers and multiple vehicles. It is unclear how the discounts would be applied under this bill for individual coverages. For example, if one assumes that there will be a reduction in accidents for drivers completing the course, it

is logical to assume that premiums for bodily injury liability, property damage liability, personal injury protection and collision coverages should be discounted.

However, H.B. 2075 mandates that towing, rental reimbursement and uninsured motorists coverages, among others, be discounted. Typically these coverages along with underinsured motorists coverages do not have discounts and surcharges applied in most states, including Hawaii. There is no correlation that we are aware of between accident prevention programs and a reduction in claims under these coverages.

In addition, the bill specifies that the policyholder receives the discount for completing the accident prevention program. The policyholder is often not the only driver in Hawaii households. As drafted, it appears that the same discount is required even if only one out of several drivers in the household has completed the program. For example, a 66-year-old policyholder is married with two driving age children living at home, and is listed as the owner of three vehicles. It is inequitable to apply the discount to all three cars, and effectively all four drivers, if only the policyholder completes the accident prevention program. There are numerous situations where this same inequity may apply.

Our 'ohana situations, with multiple generations living under the same roof, exacerbate this inequity.

If these programs are ineffective, the result of adding a discount to one segment of the population will be that the remaining driver population will pay more.

We respectfully request that H.B. 2075 be held.

Thank you for this opportunity to testify.

**HOUSE COMMITTEE ON
TRANSPORTATION**

January 23, 2008

House Bill 2093 Relating to Motor Vehicle Insurance
and
House Bill 2075 Relating to Motor Vehicle Insurance Rate Filings

Chair Souki and members of the House Committee on Transportation, I am Rick Tsujimura, representing State Farm Insurance Companies, a mutual company owned by its policyholders. State Farm is opposed to House Bill 2093 Relating to Motor Vehicle Insurance and House Bill 2075 Relating to Motor Vehicle Insurance Rate Filings.

House Bills 2093 and 2075 are almost identical to House Bill 394 heard in the last session. Each provides that a reduction in premium charges shall be provided to a principal operator of a covered vehicle who is 55 years or older who completes a motor vehicle accident prevention course. These bills are in conflict with the existing provisions of section 431-10C-207 which provides:

Discriminatory practices prohibited. No insurer shall base any standard or rating plan, in whole or in part, directly or indirectly, upon a person's race, creed, ethnic extraction, age, sex, length of driving experience, credit bureau rating, marital status, or physical handicap. [emphasis added]

Because these bills require a rate reduction for those 55 years and older, it does discriminate by its very terms against insureds on the basis of age.

In the alternative, we suggest that the prohibition against using age in rating plans be repealed, and allow companies to provide rates based on the age of the insured. It is well-known that the worst risks are our young male drivers and removing the age prohibition overall may lead to rate reductions for some individuals and increases for others. But we believe that such a system is actuarially sound versus the present proposal.

For these reasons we strongly suggest that House Bill 2093 and House Bill 2075 be held or in the alternative that the bills be amended to remove age from section 431-10C-207 and allow companies the flexibility to charge actuarially sound rates based on age.

Thank you for the opportunity to present this testimony.