



LINDA LINGLE
GOVERNOR
JAMES R. AIONA, JR.
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: (808) 586-2850
Fax Number: (808) 586-2856
www.hawaii.gov/dcca

LAWRENCE M. REIFURTH
DIRECTOR
RONALD BOYER
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON
CONSUMER PROTECTION & COMMERCE

TWENTY-FOURTH LEGISLATURE
Regular Session of 2008

Wednesday, February 20, 2008
2:00 p.m.

TESTIMONY ON HOUSE BILL NO. 2093, H.D. 1 – RELATING TO MOTOR VEHICLE INSURANCE.

TO THE HONORABLE ROBERT HERKES, CHAIR, AND MEMBERS OF THE COMMITTEE:

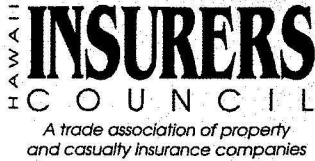
My name is J. P. Schmidt, State Insurance Commissioner (“Commissioner”), testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). The Department supports this bill.

The purpose of this version of the 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 a three-year period for drivers who complete a motor vehicle accident prevention course approved by the Department of Transportation.

In light of traffic and pedestrian fatalities, the Department agrees that an accident prevention program promotes public policy of reducing traffic accidents and fatalities.

We thank this Committee for the opportunity to present testimony on this matter and request your favorable consideration.

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Pauahi Tower, Suite 2010
1003 Bishop Street
Honolulu, Hawaii 96813
Telephone (808) 525-5877
Facsimile (808) 525-5879

Alison Powers
Executive Director

TESTIMONY OF ALISON POWERS

HOUSE COMMITTEE ON CONSUMER PROTECTION
Representative Robert N. Herkes, Chair
Representative Angus L.K. McKelvey, Vice Chair

Wednesday, February 20, 2008
2:00 p.m.

HB 2093, HD1

Chair Herkes, Vice Chair McKelvey and members of the 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** HB 2093, HD1, which mandates rate reductions to anyone who completes 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, and is inequitable with regard to the application of the discount based on the combination of cars and drivers living in the household.

Some states 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. Discounts or rate reductions would need to be the same in Hawaii for all ages, regardless of their risk.

HB 2093, HD1 contemplates a discount that would apply for three years. However, it is unclear if any program would result in three years' worth of benefits, i.e., safer driving. The quality of defensive driving programs and the 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.

In our view, the length of the discount should vary based on both of these factors for such a program to be truly effective. For example, will the positive effects of the program last three years for both a 55 year old and an 80 year old? Based on accident and death rates among the oldest drivers, we do not think the benefit will be the same even though the discount and its duration is identical.

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 55-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 HB 2093, HD1 be held.

Thank you for this opportunity to testify.

GOODSILL ANDERSON QUINN & STIFEL

A LIMITED LIABILITY LAW PARTNERSHIP LLP

ALII PLACE, SUITE 1800 • 1099 ALAKEA STREET
HONOLULU, HAWAII 96813

MAIL ADDRESS: P.O. BOX 3196
HONOLULU, HAWAII 96801

TELEPHONE (808) 547-5600 • FAX (808) 547-5880
info@goodsill.com • www.goodsill.com

INTERNET:

gslovin@goodsill.com
cpablo@goodsill.com
ahoriuchi@goodsill.com
meito@goodsill.com
jmarkle@goodsill.com
lkakazu@goodsill.com

GOVERNMENT RELATIONS TEAM:

GARY M. SLOVIN, ESQ.
CHRISTOPHER G. PABLO, ESQ.
ANNE T. HORIUCHI, ESQ.
MIHOKO E. ITO, ESQ.
JOANNA J. H. MARKLE*
LISA K. KAKAZU**

* Government Relations Specialist
** Legal Assistant

February 19, 2008

TO: Representative Robert Herkes
Chair, Committee on Consumer Protection & Commerce
Hawaii State Capitol, Room 320
Via Email: CPCtestimony@Capitol.hawaii.gov

FROM: Chris Pablo
H.B. 2093 HD1 – Relating to Motor Vehicle Insurance
Hearing: Wednesday, February 20, 2008 at 2:00 p.m.

Dear Chair Herkes and Members of the Committee on Consumer Protection & Commerce:

I am Chris Pablo, testifying on behalf of the American Insurance Association (AIA). AIA represents approximately 350 major insurance companies that provide all lines of property and casualty insurance and write more than \$123 billion annually in premiums. AIA members supply 23 percent of the property/casualty insurance sold in Hawaii. The association is headquartered in Washington, D.C., and has representatives in every state.

AIA is opposed to H.B. 2093, HD1 which requires motor vehicle insurers to reduce the rates of any individual who successfully completes a driver improvement course. While we support incentives for drivers to enroll in such courses we question whether a premium discount is an appropriate incentive when it is required of all motor vehicle insurance policies.

These are AIA's concerns:

1. **Mandated premium discounts.** In general, AIA member companies oppose mandates for premium rating discounts.
2. **HB 2903 HD1 fails to demonstrate its effectiveness in reducing the incidence of accidents by drivers who complete a motor vehicle accident prevention course.**

We appreciate the opportunity to express our concerns.

**HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE**

February 20, 2008

House Bill 2093, HD 1 Relating to Motor Vehicle Insurance

Chair Herkes and members of the House Committee on Consumer Protection and Commerce, I am Rick Tsujimura, representing State Farm Insurance Companies, a mutual company owned by its policyholders.

State Farm opposes House Bill 2093, HD 1 Relating to Motor Vehicle Insurance. This measure proposes an across the board reduction in premiums for those drivers regardless of age that complete an accident prevention course for motor vehicle drivers. Although we have searched the literature and the web, we have been unable to locate any reliable data that would suggest that a driver education course reduces accidents on an actuarial basis. All insurance rates must have an actuarial basis before it can be granted. By state law we cannot discriminate on the basis of age despite actuarial data that suggests that younger and older drivers are more likely to cause accidents than middle-age drivers.¹

Without clear actuarial data to support the rate reductions called for in this measure we request that this committee hold this measure or in the alternative to permissively allow an insurer to provide such a reduction if it can be actuarially proven, so long as such reduction does not violate the discriminatory provisions in Hawaii statutes.

Thank you for the opportunity to present this testimony.

¹ "Older, not necessarily wiser. Having said all this, there are also many mature drivers on our roads that haven't even taken a driving test and probably haven't glanced at a copy of the Highway Code for several decades. If some of the older drivers on UK roads were required to take a test under the scrutiny of a modern day examiner in today's increasingly difficult test conditions it is likely that they would fall at the first hurdle. Many drivers who are aged over 60 have poorer eyesight than young drivers, a decreased sense of awareness and muscular conditions that they are unlikely to report to the DVLA. This means that although the statistics show that young drivers are the bane of the roads, older drivers are also likely candidates for causing car accidents."



**Property Casualty Insurers
Association of America**

Shaping the Future of American Insurance

1415 L Street, Suite 670, Sacramento, CA 95814-3972

To: The Honorable Robert N. Herkes, Chair
House Committee on Consumer Protection & Commerce

From: Samuel Sorich, Vice President

RE: **HB 2093 HD1 – Relating to Motor Vehicle Insurance**
PCI Position: Oppose

Date: Wednesday, February 20, 2008
2:00 p.m.; Conference Room 325

The Property Casualty Insurers Association of America (PCI) is an association of property/casualty insurers. There are more than 100 PCI member companies doing business in Hawaii. PCI members are responsible for 62 percent of the private passenger automobile premiums written in Hawaii.

PCI is opposed to HB 2093 HD1 because the bill would require an auto insurer to provide a premium reduction even though there is no proof that that reduction is justified.

HB 2093 HD1's premium reduction would be extended to drivers who complete an accident prevention course. Research on prevention courses has concluded that there is no statistically significant relationship between the courses and an actual reduction in vehicle crashes.

Thus, HB 2093 HD1 would require auto insurers to reduce premiums without any commensurate reduction in risk. That would be unfair. Drivers who take the courses would be given a benefit that is not based on statistical evidence. Other drivers would face higher premiums which would be needed to subsidize the unjustified premium reductions given to the drivers who take the accident prevention courses.

The unfair situation that would be created by HB 2093 HD1 should be avoided. PCI requests the committee to vote No on the bill.