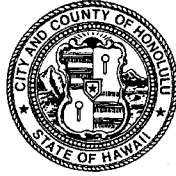


DEPARTMENT OF CUSTOMER SERVICES
CITY & COUNTY OF HONOLULU
DIVISION OF MOTOR VEHICLE, LICENSING AND PERMITS
ADMINISTRATION
P.O. BOX 30300
HONOLULU, HAWAII 96820-0300

MUFI HANNEMANN
MAYOR



JEFF J. COELHO
DIRECTOR

DENNIS A KAMIMURA
LICENSING ADMINISTRATOR

February 8, 2008

The Honorable J. Kalani English, Chair
and Committee Members
Committee on Transportation
and International Affairs
The Honorable Lorraine R. Inouye, Chair
and Committee Members
Committee on Intergovernmental and Military Affairs
The Senate
State of Hawaii
State Capitol, Room 205
Honolulu, Hawaii 96813

Dear Chair English, Chair Inouye and Committee Members:

Subject: S.B. No. 1259, Relating to Motor Vehicle Insurance

The City and County of Honolulu is opposed to S.B. No. 1259 which require the counties to use the motor vehicle registration computer files as an after-the-fact insurance verification system and require an implementation of very labor intensive unfunded mandate.

The proposed bill will place an enormous and unnecessary burden on the county motor vehicle registration offices, county police departments, and insurance companies. The alternative is the establishment of a motor vehicle insurance vehicle identification number (VIN) database that will allow the county motor vehicle offices and police departments to make inquiries on vehicles seeking initial application, renewal, or ownership transfer of the motor vehicle registration and vehicles that are stopped or parked on public roadways. The insurance companies would be required to input the VIN of vehicles that they deem insured and remove the VIN of vehicles that they deem are no longer insured to operate on public roadways. The motor vehicle registration computer system would make an automatic check into this database. If the VIN exists in the database at the time of inquiry, the normal registered owner information will be returned. If the VIN **does not** exist in the database, the registered owner information would be flagged as not having insurance and the registration transaction would be denied. If the vehicle is parked on a public roadway or stopped by a law enforcement officer and the inquiry to the motor vehicle registration computer file indicate that the VIN **does not** exist in the database, the vehicle could be cited and impounded by the police department.

Subject: S.B. No. 1259, Relating to Motor Vehicle Insurance

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In order to retrieve the vehicle from the towing company, a clearance could be issued by the Traffic Violations Bureau which would indicate that the appropriate fines and insurance verifications were presented to the court. The vehicle owner would be responsible for all towing and storage charges. If the vehicle is not claimed within a reasonable amount of time, the vehicle could be sold by the tow company to recover their cost of towing and storage.

The establishment of this VIN database could reside outside the City's computer system for security purposes and ease of use by the insurance companies, be funded entirely by the insurance industry, and available for inquiries by the City's computer system 24 hours a day, 7 days a week.

Although we do not agree with the entire content of S.B. No. 1055 S.D.1 H.D.1, 2003 SLH, this bill could be used as a vehicle to amend S.B. No. 1259 for establishment of this database.

The City and County of Honolulu recommends that the contents of S.B. No. 1259 be replaced with applicable sections of S.B. No. 1055 S.D.1 H.D.1, 2003 SLH, the effective date of the bill be July 1, 2009 to allow for sufficient time to complete the appropriate computer programming and testing, and an unspecified amount be appropriated to fund the City's programming costs.

Sincerely,



DENNIS A. KAMIMURA
Licensing Administrator

DAK:bk

GOODSILL ANDERSON QUINN & STIFEL

A LIMITED LIABILITY LAW PARTNERSHIP LLP

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

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

February 9, 2008

TO: Senator J. Kalani English
Chair, Committee on Transportation and International Affairs
Hawaii State Capitol, Room 205

Senator Lorraine R. Inouye
Chair, Committee on Intergovernmental and Military Affairs
Hawaii State Capitol, Room 201

Via Email: testimony@capitol.hawaii.gov

FROM: Christopher G. Pablo

RE: S.B. 1259 – Relating to Motor Vehicle Insurance
Hearing on Monday, February 11, 2008 at 1:30 pm

Dear Chairs English and Inouye and Members of the Committees on Transportation and International Affairs and Intergovernmental and Military Affairs:

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 SB 1259. AIA member companies have expressed a number of concerns regarding the potential impact of SB 1259 on their current policies and practices in handling payments, cancellations, and terminations. Here are some of the comments that have been received by AIA from its member companies.

- An auto insurance policy "cancellation" (CAN) may take days to show on an insurer's internal systems (outside of accounting) as cancellation is considered a "status" of a policy before it "terminates" - not a final disposition of a bill.

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- A policy goes into "cancellation" status for several reasons, but most usually non-payment. Depending on the state and laws governing insurance, a policy can be in CAN status for up to 10 days before the policy "terminates." As written, notice within 24 hours of a policy in CAN status is not reasonable as the policyholder can (through payment or other means) pull their policy out of CAN status and reinstate their policy.
- To send any (cancellation or otherwise) notice within 24 hours by certified mail is costly. These cost are always born by the consumer.
- To require an insurer to continue a policy it plans to terminate (cancel) because it cannot control the expeditious manner of the USPS in delivering mail is unreasonable.
- The lack of uniform procedures -- appears to allow each county director to adopt their own rules which requires the companies to be familiar with potentially four sets of procedures and rules.
- SB 1259 essentially alters our contracts -- our insurance contracts provide a service in return for a premium -- this law potentially gives the insured insurance they did not pay for simply because a letter was sent late or even if the county director does not "verify receipt" -- our contracts should not be contingent upon whether a government official is able to acct promptly.

Thank you for this opportunity to submit testimony on behalf of AIA.

**SENATE COMMITTEE ON
TRANSPORTATION AND INTERNATIONAL AFFAIRS**

and

**SENATE COMMITTEE ON
INTERGOVERNMENTAL AND MILITARY AFFAIRS**

February 11, 2008

Senate Bill 1259 Relating to Motor Vehicle Insurance

Chair English, Chair Inouye, and members of the Senate Committee on Transportation and International Affairs and members of the Senate Committee on Intergovernmental and Military Affairs, I am Rick Tsujimura, representing State Farm Insurance Companies, a mutual company owned by its policyholders. State Farm is opposed to Senate Bill 1259 Relating to Motor Vehicle Insurance.

State Farm opposes Senate Bill 1259, which would require insurers to notify the respective county director of finance within 24 hours of a cancellation of motor vehicle insurance and require the insurer to verify receipt of the notice of cancellation. The 24 hour notification requirement would be challenging if done electronically, but to require notification by certified mail will be logistically impossible. Moreover, the definition of cancellation is unclear. Does it mean after all "grace periods"? Does it mean that the notice must be provided in advance of a non-renewal for failure to pay premium?

The bill also provides that the insurer must have provided the notice and obtained verification otherwise the insurer remains liable under the existing although cancelled policy. If insurers are required to wait until the last day for payment before cancellation then it is altogether possible that many insureds may receive an uncompensated benefit from insurers for that gap period between the actual date of cancellation and the verification of cancellation from the counties. We believe this amounts to an unconstitutional taking since the policy is not in force, and the insurer has not received payment for the coverage for which it is being required to provide. This will increase rates and premiums for all other insureds if not fully compensated by some other entity or person; and it will result in a benefit to the very group of uninsured drivers that this bill is intended to punish.

It will also force insurers to disclose personal information about its insureds. Insurers will need an exculpation from liability so that it will not be sued for disclosing such individual information, including the possible penalties both civil and criminal that arise from this measure.

Finally, we do not believe that there is a severe uninsured population. According to data from a 2004 Insurance Research Council study Hawaii had an uninsured population of about 13%. The highest was Mississippi at 26% and the lowest Maine at 4%. Hawaii was in the middle with about 13 other states between 12% - 14%. This is a

reduction from the 20% claimed in 1989. And it should be noted that this reduction occurred without massive government programs such as envisioned in this bill.

Given the requirements in this bill there should be an appropriation for the activities of the counties in implementing this measure. However, as noted above, this does not compensate insurers for the costs imposed and for a mutual company such as State Farm, which is owned for and by its policyholders, this means increased costs which directly affect its policyholders.

Although unpopular with the trial bar we continue to suggest that Hawaii consider the "No Pay, No Play" statute enacted in California, which limits the non-economic damage recovery by uninsured drivers. This acts without requiring more government expenditures for policing or for insurer activity. In short it is a self-policing statute brought into play only when an uninsured person attempts to sue the insured driver. It does not limit the out of pocket losses but merely eliminates the recovery of damages for pain and suffering which is calculated as a multiple of economic damages. While it is our preferred alternative, we would note however that despite its enactment in California as of 2004 California ranks as the third highest uninsured driver population at 25%.

Finally we note that similar bills calling for the impoundment of uninsured vehicles have been rejected by counties because it creates liability for the county and additional unfunded mandates for storage yards and other services.

For all of these reasons we request that this measure be held.

Thank you for the opportunity to present this testimony.



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

SENATE COMMITTEE ON TRANSPORTATION AND INTERNATIONAL AFFAIRS

Senator J. Kalani English Chair
Senator Mike Gabbard., Vice Chair

SENATE COMMITTEE ON INTERGOVERNMENTAL AND MILITARY AFFAIRS

Senator Lorraine R. Inouye, Chair
Senator Shan S. Tsutsui, Vice Chair

Monday, February 11, 2008
1:30 p.m.

SB 1259

Chair English, Chair Inouye and members of the committees, 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** SB 1259. This bill requires that insurers notify the Director of Finance of a motor vehicle policy cancellation within 24 hours. It would also require consumers to submit a certificate of insurance with every new registration.

While it is questionable whether or not this proposal will significantly reduce the number of uninsured vehicles on Hawaii's roads, it is certain that this proposal will create an expensive bureaucracy for the Director of Finance and for insurers. It is **impossible for insurers to comply with the 24 hour notice of cancellation requirement**. Insurers don't even know which policies have cancelled within the past 24 hours. Most, if not all insurers, continue policies with payments postmarked by the cancellation date, even if

the payment is received after the cancellation date. Companies that use agents typically consider a payment to be received on the date it is given to any agent authorized by them and continue the policy if the agent is paid timely even though the carrier is not aware of the payment on the date the agent received it. In both of these situations, the payment must still be keyed in to the computer system once it is actually received by the insurer. Finally, the bill does not allow for any exemption to the 24 hour notification requirement for weekends or holidays.

This bill shifts additional costs of uninsured motorists to insurance companies and their law abiding customers who purchase insurance. Hawaii Insurers Council supports no pay, no play legislation that would restrict scofflaws that fail to pay for the insurance that Hawaii's laws require, from benefiting or collecting from the motor vehicle insurance paid for by others.

We respectfully request that SB 1259 be held.

Thank you for the opportunity to testify.



**Property Casualty Insurers
Association of America**

Shaping the Future of American Insurance

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

To: The Honorable J. Kalani English, Chair
Senate Committee on Transportation
and International Affairs

The Honorable Lorraine R. Inouye, Chair
Senate Committee on Intergovernmental
and Military Affairs

From: Samuel Sorich, Vice President

RE: **SB 1259 – Relating to Motor Vehicle Insurance**
PCI Position: Oppose

Date: Monday, February 11, 2008
1:30 p.m.; Conference Room 229

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 opposes SB 1259 because it would impose additional administrative costs but would fail to decrease the number of uninsured drivers. The bill's additional costs will ultimately be passed on to insurance consumers.

SB 1259 would require insurers to provide notice of insurance policy cancellation to officials in the county where a vehicle is registered via certified mail and to subsequently verify receipt of such notice. If such notice is neither provided nor verified, the policy would remain in effect. Thus, under SB 1259, legitimately cancelled coverage would be extended by the inherent administrative delays in the bill.

There is absolutely no evidence that revocation of vehicle registration after the cancellation of insurance coverage will prove any more effective than traditional database reporting programs in reducing the number of uninsured drivers. Individuals who operate a motor vehicle without legally required insurance are unlikely to stop driving simply because their vehicle

is no longer legally registered, let alone surrender their license plates and certificate of registration in response to a form letter.

Furthermore, it is unrealistic to expect law enforcement officers to increase enforcement efforts without the provision of additional funds. If the uninsured motorist problem were simply a matter of enacting a law, there would be no uninsured drivers because drivers are already required by law to obtain insurance.

PCI requests that the Committees vote No on the bill.