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TO THE SENATE COMMITTEE ON  
HUMAN SERVICES AND PUBLIC HOUSING

TWENTY-FOURTH LEGISLATURE  
Regular Session of 2008

Tuesday, January 29, 2008  
1:30 p.m.

**TESTIMONY ON SENATE BILL NO. 2286 – RELATING TO MOTOR VEHICLE  
INSURANCE.**

TO THE HONORABLE SUZANNE CHUN OAKLAND, 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 a three-year period for drivers age 55 years or  
older who complete a motor vehicle accident prevention course approved by the  
Department of Transportation.

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 the  
public policy of reducing traffic accidents and fatalities. However, the proposed program  
would be beneficial to drivers of all ages, not only drivers age 55 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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January 28, 2008

TO: Senator Suzanne Chun Oakland  
Chair, Committee on Human Services and Public  
Hawaii State Capitol, Room 226  
Via Email: [testimony@capitol.hawaii.gov](mailto:testimony@capitol.hawaii.gov)

FROM: Christopher G. Pablo, Esq.  
S.B. 2286 – Relating to Motor Vehicle Insurance  
Hearing Date: Tuesday, January 29, 2008 at 1:30 pm

LATE TESTIMONY

Dear Chair Chun Oakland and Members of the Committee on Human Services and Public Housing:

I am Chris Pablo, appearing 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.

We have concerns with SB 2286 which requires motor vehicle insurers to reduce the insurance premiums of drivers fifty-five years of age for a period of three years after the completion of an approved motor vehicle accident prevention course approved by the Department of Transportation.

Here are our AIA's concerns:

1. **Mandated premium discounts.** In general, AIA member companies oppose mandates on premium rating discounts.
2. **Discriminates in favor of a class of drivers.** Under Hawaii law, HRS 431:10C-207, insurers are prohibited from using age as a factor in determining premium rates. Yet, SB 2286 gives preferential treatment to drivers 55 years of age and older where no actuarial evidence has been offered to show that this class of insureds has a reduced risk. Members of this class become entitled to the

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discount solely after taking an approved course in motor vehicle accident prevention.

3. **SB 2286 fails to demonstrate effectiveness in reducing the incidence of accidents by drivers who complete motor vehicle accident prevention course.**

We appreciate the opportunity to express our concerns.



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**Alison Powers**  
Executive Director

## TESTIMONY OF ALISON POWERS

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SENATE COMMITTEE ON HUMAN SERVICES AND PUBLIC HOUSING  
Senator Suzanne Chun Oakland, Chair  
Senator Les Ihara, Jr., Vice Chair

Tuesday, January 29, 2008  
1:30 p.m.

### **SB 2286**

Chair Chun Oakland, Vice Chair Ihara and members of the Human Services and Public Housing 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** S.B. 2286, which provides premium reductions to those aged 55 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 S.B. 2286 conflicts with section 431:10C-207.

S.B. 2286 contemplates a discount that would apply for three years. However, it is unclear if the defensive driver programs approved in Hawaii 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 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 S.B. 2286 be held.

Thank you for this 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 Suzanne Chun Oakland, Chair  
Members of the Senate Committee on Human  
Services and Public Housing

From: Samuel Sorich, Vice President

RE: **SB 2286 – Relating to Motor Vehicle Insurance**  
**PCI Position: Oppose**

Date: Tuesday, January 29, 2008  
1:30 p.m., Conference room 016

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 SB 2286 because the bill would require an auto insurer to provide a premium reduction even though there is no proof that that reduction is justified.

SB 2286's premium reduction would be extended to drivers fifty-five years of age or older who complete an accident prevention course. Research on senior accident prevention courses has concluded that there is no statistically significant relationship between the courses and an actual reduction in vehicle crashes.

Thus, SB 2286 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 SB 2286 should be avoided. PCI urges a No vote on SB 2286.



**SENATE COMMITTEE ON  
HUMAN SERVICES AND PUBLIC HOUSING**

January 29, 2008

Senate Bill 2286 Relating to Motor Vehicle Insurance

Chair Chun Oakland and members of the Senate Committee on Human Services and Public Housing, I am Rick Tsujimura, representing State Farm Insurance Companies, a mutual company owned by its policyholders. State Farm is opposed to Senate Bill 2286 Relating to Motor Vehicle Insurance.

Senate Bill 2286 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 Senate Bill 2286 be held or, in the alternative, that the bill 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.



**To: Senate Committee on Human Services & Public Housing  
Sen. Suzanne Chun Oakland, Chair  
Sen. Les Ihara, Jr., Vice-Chair**

**Date: January 29, 2008  
Conference Room 016  
1:30 pm**

**Re: SB2286 RELATING TO MOTOR VEHICLE INSURANCE**

Chair Chun Oakland and Members of the Committee:

My name is Ed Thompson and I am the Associate State Director for Advocacy for AARP Hawaii. We are a membership organization for people 50 and older with 156,000 members in Hawaii. AARP provides access to services and information, meaningful volunteer opportunities, and the opportunity for our members to create positive change in their lives.

AARP supports SB2286 and if this bill were to pass the legislature, Hawaii would join 35 other states and the District of Columbia that already provide a discount for eligible graduates of approved driver safety programs. The AARP Drive Safety Program is approved in every state.

The AARP Driver Safety Program is the nation's first and largest classroom driver refresher course specially designed for drivers age 50 and older. The eight-hour course is typically taught in two four-hour sessions over two days. Since 1979, over 10 million people have taken the course. In 2006, driver safety volunteers conducted 120 classes throughout Hawaii and trained 1,698 graduates.

We know the program works because program graduates believe that the Driver Safety Course has positively influenced their driving behaviors (2005 AARP survey); 92 percent of program graduates reported they had changed at least one driving behavior as a result of taking the course (2005 AARP survey); and 83 percent of program graduates felt that the information learned in the course helped them prevent being involved in a traffic accident (2005 AARP survey).

On behalf of all volunteers who have given their time to help train Hawaii drivers and the 156,000 AARP members, thank you for the opportunity to testify before your committee.