

STAND. COM. REP. NO.

2170

Honolulu, Hawaii

FEB 15 2012

RE: S.B. No. 2011
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committees on Transportation and International Affairs and Commerce and Consumer Protection, to which was referred S.B. No. 2011 entitled:

"A BILL FOR AN ACT RELATING TO MOTOR VEHICLE INSURANCE,"

beg leave to report as follows:

The purpose and intent of this measure is to create a driver exclusion endorsement to enable a named insured to exclude specified persons from being covered under a motor vehicle insurance policy.

Your Committees received testimony in support of this measure from State Farm Insurance Companies. Testimony in opposition was submitted by the Department of Commerce and Consumer Affairs, Hawaii Association for Justice, and Hawaii Independent Insurance Agents. Comments were received from the Hawaii Insurers Council.

Your Committees find that Hawaii insurance laws do not provide the option of excluding drivers in the household from coverage. For example, if one driver in a household of six insured drivers is convicted of operating a vehicle under the influence of an intoxicant, the insurance for that household would be increased because of that one driver. In states that allow driver exclusion agreements, insurers have been able to minimize the impact on the remaining household drivers by allowing certain drivers in the household to be excluded from coverage under the policy. As a result of Hawaii's insurance laws, insureds are faced with two choices--retain the policy for the entire household

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with an adverse driver or cancel the policy for the entire household and seek other independent insurance. Canceling the policy is not a viable option since it would mean going uninsured and contributing to the uninsured motorist problem. This situation is particularly common in Hawaii households with its multiple-generational families.

Your Committees believe that this measure will provide rate reductions to multiple occupant households whose premiums are based on number of persons in the household without regard to the driving record of any single individual. The broad coverage is due to the language of the policy to cover all members living in the same household who must be related. The typical hypothetical situation that this measure would address is the presence of a reckless son or daughter in the household of the named insured parent. An accident involving that son or daughter would raise the premium multi-fold. By excluding that son or daughter, the premium should manifestly decrease.

Your Committees remain concerned that this measure may curtail the benefits of the broad coverage currently offered for Hawaii motor vehicle insurance policies. The underlying purpose of Hawaii's motor vehicle insurance law is to encourage participation of all of Hawaii's drivers, rather than being selective about which drivers to include or exclude. This measure may increase the number of uninsured drivers on the road or force excluded drivers into the joint underwriting plan.

Your Committees have amended this measure by:

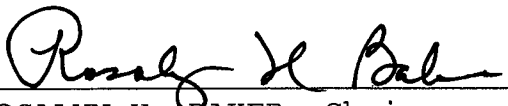
- (1) Clarifying language to conform with the technical terminology of insurance underwriting;
- (2) Providing that a named insured that has rejected in writing the offer of uninsured motorist coverage under a motor vehicle insurance policy shall not be entitled to the rights of claim and action against the assigned insurer, with reference to the mandatory bodily injury liability policy for accidental harm;
- (3) Disqualifying coverage to an excluded operator of a motor vehicle for an accident out of which the excluded operator's accidental harm arose;



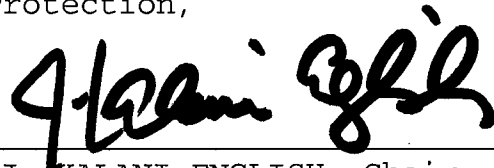
- (4) Changing the effective date to July 1, 2050, to ensure further discussion; and
- (5) Making technical, nonsubstantive amendments for the purpose of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Transportation and International Affairs and Commerce and Consumer Protection that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2011, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 2011, S.D. 1, and be referred to the Committee on Judiciary and Labor.

Respectfully submitted on
behalf of the members of the
Committees on Transportation
and International Affairs and
Commerce and Consumer
Protection,



ROSALYN H. BAKER, Chair



J. KALANI ENGLISH, Chair



The Senate
 Twenty-Sixth Legislature
 State of Hawai'i

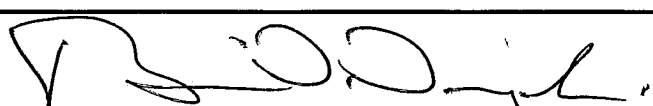
Record of Votes
Committee on Transportation and International Affairs
TIA

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 2011	TIA/CPN, JDL	2-10-12		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
ENGLISH, J. Kalani (C)	✓			
ESPERO, Will (VC)		✓		
DELA CRUZ, Donovan M.	✓			
GABBARD, Mike		✓		
KAHELE, Gilbert		✓		
KOUCHI, Ronald D.	✓			
SLOM, Sam				✓
TOTAL	3	3		1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-family: cursive; font-size: 1.2em;">Will Espero</div>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes

The Senate
 Twenty-Sixth Legislature
 State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:* SB 2011	Committee Referral: TIA/CPN, JDL	Date: 2-14-12		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
TANIGUCHI, Brian T. (VC)	✓			
GALUTERIA, Brickwood				✓
GREEN, M.D., Josh	✓			
NISHIHARA, Clarence K.	✓			
SOLOMON, Malama	✓			
SLOM, Sam	✓			
TOTAL	6	0	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

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