



NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
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: 586-2850

Fax Number: 586-2856

www.hawaii.gov/dcca

KEALI'I S. LOPEZ
DIRECTOR

TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

TWENTY-SIXTH LEGISLATURE

Regular Session of 2012

Monday, February 6, 2012

2 p.m.

TESTIMONY ON HOUSE BILL NO. 1688, H.D. 1 – RELATING TO MOTOR VEHICLE INSURANCE.

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

My name is Gordon Ito, State Insurance Commissioner (“Commissioner”), testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”).

The purpose of this bill is to amend Hawaii Revised Statutes (“HRS”) § 287-25 by increasing the minimum bodily injury (“BI”) motor vehicle insurance to \$100,000 for BI or death for one person (currently \$10,000) and to \$200,000 for BI or death of two or more persons (currently \$20,000). The H.D. 1 increases the BI requirements to \$50,000 for BI or death for one person and to \$100,000 for BI or death of two or more persons.

The Department has concerns that increasing bodily injury limits may result in higher premiums, making motor vehicle insurance unaffordable for Hawaii families who are already struggling to make ends meet. This may result in more uninsured motorists, which may also adversely impact the assigned claims program and discourage insurers from entering into the market.

We thank this Committee for the opportunity to present testimony on this matter.

**HOUSE COMMITTEE ON
CONSUMER PROTECTION & COMMERCE**

February 6, 2012

House Bill 1688, HD1 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 1688, HD 1 Relating to Motor Vehicle Insurance which increases the coverage for bodily injury ten times the current minimum.

While Hawaii has seen some modest improvement in its economy, the unilateral increase of bodily injury limits by ten times is excessive. Indeed, any increase at this current time would be counter-productive, as it would force those who are already struggling to balance a smaller income to choose between obtaining insurance and going bare. We believe this Hobson's choice should not be placed on Hawaii's citizens. Should this measure be passed you can be assured that some portion of an already stressed citizenry will decide to drive uninsured. This is a situation which no one desires.

For these reasons we oppose House Bill 1688, HD 1 and ask that it be held.

Thank you for the opportunity to present this testimony.

TESTIMONY OF ROBERT TOYOFUKU ON BEHALF OF THE HAWAII ASSOCIATION FOR JUSTICE (HAJ) IN SUPPORT OF H.B. NO. 1688, H.D. 1

February 6, 2012

To: Chairman Robert Herkes and Members of the House Committee on Consumer Protection and Commerce:

My name is Bob Toyofuku and I am presenting this testimony on behalf of the Hawaii Association for Justice (HAJ) in support of H.B. No. 1688 H.D.1, relating to motor vehicle insurance

H.B. No. 1688 H.D.1 amends § 287-25 to require at least \$50,000 in automobile insurance for bodily injury liability. Bodily injury liability coverage provides benefits to those who are injured or killed by careless drivers in traffic accidents.

The minimum insurance requirement for bodily injury liability has actually decreased over the years despite increases in the cost of living. The minimum requirement was \$35,000 per person with no maximum per accident until 1992. In 1992 it was reduced to \$25,000 with no maximum per accident. It remained at \$25,000 until it was reduced again in 1997 to \$20,000 per person with a \$40,000 maximum per accident. It is time to raise the minimum requirement to more fairly reflect the changes in the cost of living and provide realistic minimum levels of protection for the public.

The lowering of minimum coverages was driven by a hard insurance cycle when premiums had skyrocketed to unaffordable levels with consumers reporting annual premiums of up to \$2,000 for basic coverages. It is in this context that minimum requirements were reduced in order to bring the cost of insurance to affordable levels for the driving public. It was a cost issue and not a public protection issue. Today, and for

the past 15 years or so, the cost of automobile insurance has dropped to historic lows and is now very affordable.

The Insurance Division publishes premium rates for automobile insurance annually. Its current publication (Nov. 2011) lists major insurers offering full coverage, including bodily injury liability, property damage liability, PIP-No Fault, Uninsured Motorist and Underinsured Motorist benefits, for \$300 - \$400 per year. GEICO, Liberty Mutual, USAA and Travelers offer full coverage policies for \$304 - \$379 per year. Allstate, Farmers and Tradewind (Island Insurance) offer policies for \$407 - \$409 per year. Smaller companies, such as Fireman's Fund and American Automobile offer policies for as little as \$196 per year.

The cost of increasing the minimum limits to \$50,000 is modest. Recent quotes on three policies from market leaders GEICO and State Farm were an additional \$31.60 on a GEICO policy; and \$28.80 and \$51.18 on two different State Farm policies.

Hawaii has been the nation's most profitable automobile insurance market in the United States for about 15 years. Insurers have taken profits out of Hawaii that are more than double the national average. It is time to re-balance consumer benefits with insurer profits to give consumers more benefits and insurers normal (not exorbitant) profits. The National Association of Insurance Commissioners (NAIC) annually publishes profit/loss data for automobile insurance countrywide. In its most recent report issued last month (Dec 2011), the NAIC data reveals that private automobile insurance profits in Hawaii for 2010 was 19.8%. The national average profit was 6.1%. Automobile insurers reaped over triple profits in Hawaii compared with the rest of the nation. Commercial

automobile insurance profits were similarly well above the national average with 18.5% in Hawaii vs. 9.1% nationwide.

NAIC data shows that Hawaii automobile insurers have made over double the national average profit margin during the past ten (10) years. The national profit average for private automobile insurance for the past 10 years was 7.6%. Not bad in our difficult economy. In Hawaii, the net return for the past 10 years was 18.5%.

The NAIC data for commercial automobile insurance is similar with a 10 year national average profit of 9.2%; and Hawaii profit of 21.4%. The Report of the Insurance Commissioner issued for this session reports that automobile insurers made gross profits of more than \$372 million in Hawaii during 2010. It must be kept in mind that because only a small percentage of automobile insurance is sold by a local insurance company these excess profits go out of Hawaii to national and international insurance companies. That is several billion dollars over a ten year period.

There is ample room for insurers to provide additional benefits to Hawaii consumers without raising premiums or at nominal increase.

Hawaii is among only 17 states that require \$20,000 or less. Thirty-three (33) states require \$25,000 - \$50,000. An increase in Hawaii's minimum requirement is appropriate given our high cost of living, affordable insurance rates and civic obligation to provide adequate levels of benefits in exchange for the privilege of driving.

Thank you very much for allowing me to testify in Support of this measure. Please feel free to contact me should you have any questions or desire additional information.



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

Alison Powers
Executive Director

TESTIMONY OF ALISON POWERS

HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE
Representative Robert N. Herkes, Chair
Representative Ryan I. Yamane, Vice Chair

Monday, February 6, 2012
2:00 p.m.

HB 1688, HD1

Chair Herkes, Vice Chair Yamane 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 40% of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **opposes** HB 1688, HD1, because it appears that this bill will increase the minimum bodily injury liability limits in Hawaii to \$50,000 per person and \$100,000 for two or more persons. However, this is unclear because Section 287-25, which this bill would amend, is not consistent with the requirements set forth in the motor vehicle insurance section of law contained in Section 431:10C-301. The current mandatory minimum bodily injury limits in Section 431:10C-301(b)(1) are \$20,000 per person and \$40,000 per accident. The bodily injury limits in Section 287-25 however are \$10,000 per person and \$20,000 for two or more persons in any one accident.

It will increase costs for those who can least afford it and who may not have assets to protect. The increase is regressive and the option to purchase higher coverage is already available.

Additionally, other inconsistencies, including property damage limits and the permissive use standard, between Section 287-25 and Section 431:10C should be addressed. For example, minimum physical liability limits in Section 431:10C-301(b)(2) are \$10,000, while in Section 287-25 it is \$5,000.

Another discrepancy between Section 287-25 and Section 431:10C-301 is, on the one hand, Section 287-25 requires an owner's policy of liability insurance to insure the named insured and any other person using the designated motor vehicles with the "express or implied permission of the named insured." However, in the motor vehicle insurance law, Section 431:10C-301(a)(2) requires a motor vehicle insurance policy to provide insurance to the owner or any operator using the motor vehicle "with a reasonable belief that the person is entitled to operate the motor vehicle." The phrase "express or implied permission" was removed from Section 431:10C-301(a)(2) in 1998.

We respectfully request that HB 1688, HD1 be held.

Thank you for the opportunity to testify.

GOODSILL ANDERSON QUINN & STIFEL

A LIMITED LIABILITY LAW PARTNERSHIP LLP

GOVERNMENT RELATIONS TEAM:
GARY M. SLOVIN
MIHOKO E. ITO
CHRISTINE OGAWA KARAMATSU
ANNE T. HORIUCHI

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
meito@goodsill.com
ckaramatsu@goodsill.com
ahoriuchi@goodsill.com

TO: Representative Robert H. Herkes
Chair, Committee on Consumer Protection and Commerce
Hawaii State Capitol, Room 325

Via Email: CPCtestimony@capitol.hawaii.gov

FROM: Gary M. Slovin

DATE: February 5, 2012

**RE: H.B. 1688, HD1 —Relating to Motor Vehicle Insurance
Hearing: Monday, February 6, 2012 at 2:00 pm
Conference Room 325**

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

I am Gary Slovin, testifying on behalf of EAN Holdings, LLC, operating Enterprise Rent-A-Car, Alamo Rent-A-Car and National Car Rental in Hawaii (collectively referred to as "Enterprise").

Enterprise **opposes** H.B. 1688, H.D. 1 which is intended to increase the minimum bodily injury motor vehicle insurance to \$50,000 for bodily injury or death to one person and \$100,000 for bodily injury or death to two or more persons. This would make Hawaii's limits the third highest in the nation. Increasing the minimum limits would raise insurance premiums; thereby increasing the likelihood that insurance will become unaffordable for more drivers, and increasing the number of uninsured drivers on the road.

Enterprise is responsible for providing the minimum limits for a rental customer who has no insurance. If the rental customer is insured, but with insufficient limits, then Enterprise is responsible for the difference between the rental customer's policy and the minimum limits.

February 5, 2012

Page 2

Increasing the minimum limits increases Enterprise's financial responsibilities in the case of an accident. A higher risk of financial exposure raises their operating costs, and therefore their rental rates, to cover these costs accordingly. Raising the cost of a rental car would price many potential customers out of the market.

In the case of Enterprise, in addition to their airport locations, they have the largest number of neighborhood rental locations in the industry. These locations often serve the local communities they are located in. If rental rates were increased in order to cover these higher minimum limits, many residents who want to rent a car when they are doing business, visiting family and friends on another island, or need a replacement vehicle for their own car in the shop, would be unable to afford the cost of a rental.

Thank you for the opportunity to submit testimony on this measure.