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TO THE HOUSE COMMITTEE ON TRANSPORTATION

TWENTY-SIXTH LEGISLATURE  
Regular Session of 2012

Wednesday, January 25, 2012  
9:00 a.m.

**TESTIMONY ON HOUSE BILL NO. 1688 – RELATING TO MOTOR VEHICLE INSURANCE.**

TO THE HONORABLE JOSEPH M. SOUKI, 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 Department takes no position on this bill and offers the following comments.

The purpose of this bill is to amend Hawaii Revised Statutes § 287-25 by increasing the limits on motor vehicle liability policies for bodily injury to or death of one person in any accident from \$10,000 to \$100,000 and from \$20,000 to \$200,000 for bodily injury to or death of two or more persons.

The Department has concerns that increasing bodily injury limits, as proposed in this bill, may result in higher premiums and make 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.

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

January 25, 2012

To: Chairman Joseph Souki and Members of the House Committee on Transportation:

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, relating to motor vehicle insurance

H.B. No. 1688 amends § 287-25 to require at least \$100,000 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.

Hawaii is among only 17 states that require \$20,000 or less. Thirty-three (33) states require \$25,000 - \$50,000. The most common requirement is \$25,000 per person with \$50,000 - \$65,000 per accident found in 28 states. Five (5) states require \$30,000 - \$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.

GOODSILL ANDERSON QUINN & STIFEL

A LIMITED LIABILITY LAW PARTNERSHIP LLP

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**TO:** Representative Joe Souki  
Chair, Committee on Transportation  
Hawaii State Capitol, Room 433  
*Via Email: [TRNtestimony@capitol.hawaii.gov](mailto:TRNtestimony@capitol.hawaii.gov)*

**FROM:** Gary M. Slovin

**DATE:** January 24, 2012

**RE: H.B. 1688 —Relating to Motor Vehicle Insurance**  
**Hearing: Wednesday, January 25, 2012 at 9:00 am, Rom 309**

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Dear Chair Souki and Members of the Committee on Transportation:

I am Gary Slovin, testifying on behalf of USAA. USAA, a diversified financial services company, is the leading provider of competitively priced financial planning, insurance, investments, and banking products to members of the U.S. military and their families. USAA has over 82,000 members in Hawaii, the vast majority of which are military-based members.

USAA **opposes** H.B. 1688, which increases the minimum bodily injury motor vehicle insurance to \$100,000 for bodily injury or death to one person and \$200,000 for bodily injury or death to two or more persons.

Increasing minimum limits for auto insurance coverage will increase premiums. This may price many Hawaii residents out of the market, and will only increase the uninsured motorist population. It also has the potential to be especially hard on the U.S. military members with their low salaries, which is the population that USAA serves.

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

**HOUSE COMMITTEE ON  
TRANSPORTATION**

January 25 2012

House Bill 1688 Relating to Motor Vehicle Insurance

Chair Souki and members of the House Committee on Transportation, I am Rick Tsujimura, representing State Farm Insurance Companies, a mutual company owned by its policyholders. State Farm opposes House Bill 1688 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 and ask that it be held.

Thank you for the opportunity to present this testimony.



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**Alison Powers**  
Executive Director

## TESTIMONY OF ALISON POWERS

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HOUSE COMMITTEE ON LABOR TRANSPORTATION  
Representative Joseph M. Souki, Chair  
Representative Linda Ichiyama, Vice Chair

Wednesday, January 25, 2012  
9:00 a.m.

### HB 1688

Chair Souki, Vice Chair Ichiyama 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 submits comments on HB 1688. While the intent of this bill is unclear, we note that it may be appropriate to update Section 287-25, Hawaii Revised Statutes to mirror the requirements in the motor vehicle insurance law found in Section 431:10C-301.

The current mandatory minimum bodily injury liability limits in Section 431:10C-301(b)(1) are \$20,000 per person and \$40,000 per accident. This bill increases the bodily injury liability limits in Section 287-25 to \$100,000 per person (from \$10,000) and \$200,000 (from \$20,000) for two or more persons in any one accident.

Minimum physical damage liability limits in Section 431:10C-301(b)(2) are \$10,000 and this bill makes no change to this section of law which is \$5,000 in Section 287-25, Hawaii Revised Statutes.

The bill does not address another discrepancy between Section 287-25 and Section 431:10C-301. 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." On the other hand, the motor vehicle insurance law, in 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.

Thank you for the opportunity to testify.

**TESTIMONY OF BERT SAKUDA  
IN SUPPORT OF H.B. NO. 1688**

To: Chairman Joseph Souki and Members of the House Committee on Transportation:

My name is Bert Sakuda and I am submitting testimony in support of H.B. No. 1688, relating to motor vehicle insurance. I am an attorney who has represented plaintiffs in personal injury cases for over 30 years.

Hawaii's minimum insurance requirement for bodily injury liability decreased from \$35,000/unlimited to \$25,000/unlimited in 1992; and again to \$20,000/\$40,000 in 1997. It is time to increase the minimum requirement to provide adequate benefits to citizens injured or killed in traffic accidents.

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 profit for insurers to provide additional benefits to Hawaii consumers without raising premiums. The cost for additional bodily injury liability coverage is surprisingly low. Market leaders such as GEICO and State Farm offer \$100,000 coverage for as low as \$50 additional premium per year. Others, like Liberty Mutual, Island and DTRIC offer \$100,000 for around \$100 - \$125 more. Most major insurers charge \$50 -125. Premiums rates for lesser amounts are even lower. GEICO and State Farm charge as little as \$30 - \$32 dollars a year to increase coverage to \$50,000.

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.

## ichiyama1 - Curi

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, January 20, 2012 5:35 PM  
**To:** TRNtestimony  
**Cc:** coreen.williams@gmail.com  
**Subject:** Testimony for HB1688 on 1/25/2012 9:00:00 AM

Testimony for TRN 1/25/2012 9:00:00 AM HB1688

Conference room: 309  
Testifier position: Oppose  
Testifier will be present: No  
Submitted by: COREEN WILLIAMS  
Organization: Individual  
E-mail: [coreen.williams@gmail.com](mailto:coreen.williams@gmail.com)  
Submitted on: 1/20/2012

**Comments:**

I am in opposition of this bill. This, in no way, supports the faithful insurance payers. The people we should be concerned about are not the insured. We should be worried about the drivers on the road that are uninsured.

If any bill should be moving forward, it is harsher punishments for motorists that DO NOT have insurance.



Property Casualty Insurers  
Association of America

Shaping the Future of American Insurance

1415 L Street, Suite 670, Sacramento, CA 95814 Telephone 916-449-1370 Facsimile 916-449-1378 www.pciaa.net

To: The Honorable Joseph M. Souki, Chair  
House Committee on Transportation

From: Mark Sektan, Vice President

Re: **HB 1688- Relating to Motor Vehicle Insurance**  
**PCI Position: Oppose**

Date: Wednesday, January 25, 2012  
9 a.m.; Conference Room 309

Aloha Chair Souki and Committee Members,

The Property Casualty Insurers Association of America (PCI) respectfully opposes House Bill 1688, Relating to Motor Vehicle Insurance because it is unnecessary and would adversely impact a large majority of drivers. Attached for your information is a study of the estimated impact this bill would have on Hawaii's motorists.

To summarize our findings, HB 1688 proposes to raise the state's motor vehicle insurance financial responsibility (FR) limits from \$20K/\$40K/\$10K to \$100K/\$200K/\$10K. In this case, greater amounts of bodily injury (BI) liability coverage will be available to those drivers who now have less than \$100K/\$200K limits.

- HB 1688 would give Hawaii the highest FR limits in the nation.
- Over 90% of existing claims result in bodily injury claims under \$20,000. The current limits are more than adequate to meet these needs.
- HB 1688 could result in higher insurance rates for almost two-third of the insured drivers in Hawaii.
- The drivers likely to see the largest increase are low income drivers who may choose to drop coverage.
- Hawaii's uninsured motorist population has been declining; its ranking has improved from 24<sup>th</sup> highest to 31<sup>st</sup> highest over the last five years. HB 1688 could lead to an increase in the uninsured motorist population.
- Drivers should be able to choose their own FR limits. HB 1688 could very well lead to much higher prices for unnecessary coverage.

Given today's economic crisis, we caution members that it is not sound policy to require anyone to pay more for additional coverage especially when it's not necessary.

For these reasons, we urge you to vote against passing this bill.



**ANALYSIS OF HAWAII HB 1688:  
 PROPOSAL TO RAISE THE MOTOR VEHICLE  
 FINANCIAL RESPONSIBILITY LIMITS**

**Introduction – The Estimated Impact of HB 1688 on Auto Insurance Rates**

House Bill 1688 proposes to raise the state's motor vehicle insurance financial responsibility (FR) limits from \$20K/\$40K/\$10K<sup>1</sup> to \$100K/\$200K/\$10K. In this case, greater amounts of bodily injury (BI) liability coverage will be available to those drivers who now have less than \$100K/\$200K limits. The bill does not affect the property damage (PD) liability limit of \$10K, which remains the same.

Based on 2007 data compiled by the Insurance Research Council, PCI estimates that had HB 1688 already been enacted, **nearly two-thirds (64%) of the insured drivers in Hawaii would have been negatively impacted.** Raising the FR BI limits to \$100K/\$200K could have meant that some drivers with lower coverage might have seen their BI rates go up by a significant amount; the actual increase would have depended on the insurance carrier and their current limits.

To provide further insight on the effects of the bill, the table below presents PCI's approximations of one insurer's BI rate increases, had HB 1688 been adopted. The drivers who would have been affected the most are the ones with the lowest limits (\$20K/\$40K); they could have seen their BI rates go up 100 percent (i.e., double), possibly paying anywhere from \$136 to \$260 more a year depending on where they live.

If HB 1688 Had Been Enacted Estimated Annual BI Rate Increase For Policyholders With						
	\$20K/\$40K Limits		\$25K/\$50K Limits		\$50K/\$100K Limits	
	%	\$	%	\$	%	\$
Honolulu	100%	\$233	69.5%	\$190	20.5%	\$80
Maui	100%	\$226	69.5%	\$185	20.5%	\$77
Kauai	100%	\$136	69.5%	\$111	20.5%	\$46
Big Island	100%	\$260	69.5%	\$213	20.5%	\$88

It should be noted that policyholders who already had higher BI limits of \$100K/\$200K or above (about one-third of the state's drivers) would not have been hurt by this bill. Instead, those with lower amounts would have been penalized – these are typically the ones with less income and fewer assets. Passing HB 1688 also would have meant a loss in the ability to choose the BI coverage levels that best suit their needs.

<sup>1</sup> FR limits of \$20K/\$40K/\$10K mean coverage up to \$40,000 for all persons injured in an accident, subject to a limit of \$20,000 for one individual, and \$10,000 coverage for property damage.

### ***Raising FR Limits is Impractical and Unnecessary***

Supporters of HB 1688 may say that the state's minimum coverage levels are not adequate to cover the cost of injuries in today's health care market. However, the cost of most auto injury claims in Hawaii is still quite low. According to a sample of 2007 data compiled by the Insurance Research Council, PCI estimates that **roughly 9 out of 10 (86%) of this state's auto BI injury claims resulted in total economic losses of less than \$20,000** – in fact, the average amount of these claims was about \$10,000 in 2007, or \$11,100 inflated to 2010 dollars.<sup>2</sup> Since so many claims do not even reach the current minimum per-person limit of \$20,000, there is no need to require two-thirds of the state's drivers to raise their coverage limit and pay more, especially when this amount would only be superfluous. The current limits of \$20K/\$40K are appropriate for most people; those who want to have greater protection (i.e., higher limits) are certainly free to purchase them.

### ***The Estimated Impact of HB 1688 on Hawaii's U.M. Population Ranking***

Hawaii's uninsured motorist population has been declining; its ranking has improved from 24<sup>th</sup> highest to 31<sup>st</sup> highest over the last five years.<sup>3</sup> Had the FR limits been raised, this could also have caused the U.M. population to deteriorate, which is not a desirable outcome. If this had occurred, the U.M. rate for all remaining insured drivers in the state may have gone up even more due to greater exposure to losses caused by motorists without coverage.

### ***Conclusion***

Given today's economic crisis, it is not sound public policy to require anyone to pay more for additional coverage especially when it is not necessary, nor does it make sense to adversely impact the large majority of drivers. If the intent of HB 1688 is to reflect today's reality in terms of costs, then the FR limits should remain as they are. In this way, consumers can continue to have greater options in their auto insurance and at more affordable prices.

No state has \$100K/\$200K FR limits now, or even close to this amount. Hawaii would be the sole outlier with the highest BI financial responsibility limits in the nation. Almost 9 out of 10 states currently have \$25K/\$50K FR BI limits or lower, which is much more realistic and in line with today's costs. Hawaii is now among this group and should remain as such.

Had HB 1688 been enacted already, not only would it have prevented most of Hawaii's drivers from selecting the limits that they need and want, but it could very well have led to much higher prices for unnecessary coverage. Most people simply cannot afford this additional economic hardship. Keeping costs down should be the most significant consideration for Hawaii's consumers – HB 1688 should be defeated.

*The Property Casualty Insurers Association of America is a national trade association consisting of more than 1,000 insurers of all sizes and types. Its members represent 38.3 percent of the total property/casualty insurance business and 44.0 percent of the total personal auto business in the nation. In Hawaii, PCI members represent 41.0 percent of the personal auto market.*

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<sup>2</sup> Economic loss refers to the medical loss, wage loss and other expenses related to the claim. The \$11,100 amount is derived from raising \$10,000 up to a 2010 level, using U.S. CPI Medical Care inflation.

<sup>3</sup> Insurance Research Council, *Uninsured Motorists*, 2011 edition