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INSURANCE DIVISION
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

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TO THE HOUSE COMMITTEE ON TRANSPORTATION

TWENTY-SIXTH LEGISLATURE
Regular Session of 2012

Monday, January 30, 2012
9:00 a.m.

**TESTIMONY ON HOUSE BILL NO. 2336 – 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 opposes this bill and offers the following comments.

This bill proposes to require motor vehicle insurers to report liability insurance
information to the Insurance Division in electronic format. The bill does not address:

- 1) The cost of creating and maintaining a database;
- 2) The intended purpose of the new database;
- 3) The specific policy information that must be reported;
- 4) The authority of the Commissioner to require a standard reporting format;
- 5) The authority of the Commissioner to require the insurer to utilize software
that is compatible with the Insurance Division's system;
- 6) Who may access the database;
- 7) The protection of personal private information pursuant to Article 3A Chapter
431, HRS; and

8) Compliance with Chapter 92F, HRS, Uniform Information Practices Act.

Based upon all of these unresolved issues, we are opposed to this bill.

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

DEPARTMENT OF CUSTOMER SERVICES
CITY & COUNTY OF HONOLULU
DIVISION OF MOTOR VEHICLE, LICENSING AND PERMITS
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PETER B. CARLISLE
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GAIL Y. HARAGUCHI
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DENNIS A. KAMIMURA
LICENSING ADMINISTRATOR

January 27, 2012

The Honorable Joseph M. Souki, Chair
and Committee Members
Committee on Transportation
House of Representatives
State of Hawaii
State Capitol, Room 426
Honolulu, Hawaii 96813

Dear Chair Souki and Committee Members:

Subject: H.B. No. 2336, Relating to Motor Vehicle Insurance

The City and County of Honolulu agrees with the intent of H.B. No. 2336 which require the electronic reporting of liability insurance information for all vehicles registered in the State.

We recommend that the bill be amended by requiring the establishment of a data base consisting of only insured motor vehicle identification numbers (VIN). All insurers would be required to enter the VIN of all insured vehicles and delete the VIN of vehicles whose policy had been cancelled or not renewed. The entry or deletion of the VIN would be required within 3 working days. Access to this VIN data base would be allowed for law enforcement, judiciary, and motor vehicle registration purposes.

Insurers would not be held liable for damages due to erroneous or delinquent entries except for actual damages resulting from such erroneous or delinquent entries. For example, if the data base did not contain the VIN upon inquiry by the law enforcement and the vehicle was towed for being uninsured, the insurers' liability would be limited to the cost for applicable towing and storage charges paid by the insured.

Sincerely,

A handwritten signature in black ink, appearing to read "Dennis A. Kamimura".

Dennis A. Kamimura
Licensing Administrator

**HOUSE COMMITTEE ON
TRANSPORTATION**

January 30, 2012

House Bill 2336 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 2336 Relating to Motor Vehicle Insurance.

The selective identification of liability insurance information seems only intended to provide trial attorneys with an ability to sue certain individuals and not to deal with detecting uninsured motorists. If the goal is purely to detect those with liability policies then we believe the law is unfair and may be an illegal disclosure of private information. Second if the intent is to seek information on the insurance status of vehicles then the proposal does not go far enough and is therefore unusable for that purpose. It does not appear that the proposal does anything other than to disclose the availability of liability coverage and no more, which is in and of itself strange. Further it does not appear to be available to law enforcement, which has been the argument of the electronic reporting system advocates.

Finally if the intent is to have the costs for such a system charged back to insurers and insurance professionals, we oppose such a program as useless for the operation of the regulatory system and is intended to serve a purpose unrelated to the regulatory process. The program should be funded by the general fund, as it is intended to serve the public not the licensees.

For these reasons we oppose House Bill 2336 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

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

Monday, January 30, 2012
9:00 a.m.

HB 2336

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 **opposes** HB 2336. This bill mandates insurers to electronically report motor vehicle insurance policies for all in-force policies, cancellations and nonrenewals within 45 days to the insurance commissioner.

Today, technology allows insurers to perform this type of reporting for instance via web-based system, more efficiently than in years past. There is however, still an initial cost to insurers for programming and there will also be costs on the side of government. There should be a reason for reporting and incurring this additional cost. If the bill attempts to reduce the number of uninsured motorists by use of a database, then the requirement for insurers to use anti-fraud paper to issue motor vehicle insurance cards which is very expensive, should be eliminated. If an electronic database-type system is used where insurers submit daily *insured* information, the bill's requirement to report cancellations and nonrenewals is unnecessary. If an electronic system is required, insurers prefer the IICMVA OnLine Verification method which provides more real-time reporting than sending data to the state. In order to implement a viable program,

information from commercial motor vehicle insurance policies should be excluded as fleet policies may not contain specific vehicle information.

The reporting in this bill goes to the insurance commissioner without any enforcement measures other than what is in the law now. We believe that if insurers are to be mandated to participate in this type of reporting, the data should be accessible to law enforcement at the time of a traffic stop and once uninsured motorists are identified, increased enforcement needs to be implemented. We believe the present system of imposing fines is not necessarily effective in that they are not consistently applied.

The bill should present a clear process in which data is to be used. Insurers need to know that there will be adequate protection of personal information and well as what liabilities exist to the insurer if an insured is wrongly penalized because of a system glitch or mistake in reporting.

Hawaii Insurers Council believes that one of the most effective ways to decrease uninsured motorists is to keep the cost of motor vehicle insurance low. Hawaii's premiums for 2009 compared to the rest of the nation is 18 from the most expensive at \$786 which is a marked difference from it's #1 position in the 1990's. Another way to address uninsured motorists is a no pay, no play type of system like in California and other states where if an uninsured motorist gets into an accident, their recovery is only for economic loss.

For these reasons, we respectfully request that HB 2336 be held. Thank you.

Thank you for the opportunity to testify.