

SB2519

Measure Title: RELATING TO MOTOR VEHICLES.

Report Title: Electronic Reporting; Motor Vehicle Liability Insurance; Motor Vehicle Registration

Description: Requires motor vehicle insurers to report to the insurance division all existing and newly issued motor vehicle insurance policies, as well as all terminations of and changes to any reported policy, no later than 12/31/2013, and to electronically report the same beginning 1/1/2014. Requires motor vehicle insurers to inform the insurance division of the DCCA on the method of electronic transmission that each insurer will utilize to report insurance information to the insurance division no later than 6/30/2013. Beginning 1/1/2014, prohibits renewal of registration of a motor vehicle registered in this State without satisfactory evidence of financial responsibility.

Companion:

Package: None

Current Referral: CPN

Introducer(s): RYAN, Chun Oakland, Espero, Fukunaga, Gabbard, Galuteria, Ige, Nishihara, Shimabukuro, Tokuda

<u>Sort by Date</u>		Status Text
1/20/2012	S	Introduced.
1/23/2012	S	Passed First Reading.
1/23/2012	S	Referred to CPN.
1/31/2012	S	The committee(s) on CPN has scheduled a public hearing on 02-22-12 9:00AM in conference room 229.



NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
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KEALI'I S. LOPEZ
DIRECTOR

TO THE SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

TWENTY-SIXTH LEGISLATURE
Regular Session of 2012

Wednesday, February 22, 2012
9:00 a.m.

TESTIMONY ON SENATE BILL NO. 2519 – RELATING TO MOTOR VEHICLES.

TO THE HONORABLE ROSALYN H. BAKER, 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 supports the intent of this bill, but does not support the bill in its present form.

This purpose of this bill is to require motor vehicle insurers to electronically report motor vehicle insurance coverage information to the Insurance Division ("Electronic Reporting System") beginning January 1, 2014. The Insurance Division would be required to develop a method by which law enforcement officers and court personnel would be able to electronically verify that an insurance policy or bond for a motor vehicle has been issued.

The Department agrees that an electronic database may be a means of identifying uninsured drivers and enforcing the State's motor vehicle insurance laws. However, the Department has concerns with the cost of developing, maintaining, and funding the Electronic Reporting System proposed in this bill.

Since the City and County of Honolulu's Division of Motor Vehicle, Licensing, and Permits ("DMV") has a statewide motor vehicle registration database, the cost of development may be significantly less if the Electronic Reporting System is placed with DMV.

We thank this Committee for the opportunity to present testimony.

DEPARTMENT OF CUSTOMER SERVICES
CITY & COUNTY OF HONOLULU
DIVISION OF MOTOR VEHICLE, LICENSING AND PERMITS
ADMINISTRATION
P.O. BOX 30300
HONOLULU, HAWAII 96820-0300

PETER B. CARLISLE
MAYOR



GAIL Y. HARAGUCHI
DIRECTOR

DENNIS A KAMIMURA
LICENSING ADMINISTRATOR

February 2, 2012

The Honorable Rosalyn H. Baker, Chair
and Committee Members
Committee on Commerce and
Consumer Protection
The Senate
State of Hawaii
State Capitol, Room 230
Honolulu, Hawaii 96813

Dear Chair Baker and Committee Members:

Subject: S.B. No. 2519, Relating to Motor Vehicles

The City and County of Honolulu agrees with the intent of S.B. No. 2519, which establishes an electronic reporting of motor vehicle insurance.

However, we are concerned with the cost involved with implementing this proposed system dependent upon the required policy information to be reported and the timeliness of reporting by the insurance companies.

We recommend the establishment of a motor vehicle insurance vehicle identification number (VIN) database that will allow the county motor vehicle offices and police departments to make inquiries on vehicles seeking initial application, renewal, or ownership transfer of the motor vehicle registration and vehicles that are stopped or parked on public roadways. The insurance companies would be required to input the VIN of vehicles that they deem insured and remove the VIN of vehicles that they deem are no longer insured to operate on public roadways within 24 hours of such action. The motor vehicle registration computer system would make an automatic check into this database. If the VIN exists in the database at the time of inquiry, the normal registered owner information will be returned. If the VIN **does not** exist in the database, the registered owner information would be flagged as not having insurance and the registration transaction would be denied. If the vehicle is parked on a public roadway or stopped by a law enforcement officer and the inquiry to the motor vehicle registration computer file indicate that the VIN **does not** exist in the database, the bill should be amended to allow for the issuance of a citation and towing by the police department.

The Honorable Rosalyn H. Baker, Chair
and Committee Members
February 2, 2012
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All references to the current insurance identification card should be deleted since the cards will no longer be required.


In order to retrieve the vehicle from the towing company, a clearance could be issued by the Traffic Violations Bureau which would indicate that the appropriate fines and insurance verifications were presented to the court. The vehicle owner would be responsible for all towing and storage charges. If the vehicle is not claimed within a reasonable amount of time, the vehicle could be sold by the tow company to recover their cost of towing and storage. Any balance would be deposited to the county and be a county realization if no claim is filed for the balance within one year of the sale.

We recommend that a section be added that will limit the liability of an insurance company for a delayed or erroneous entry into the database to the direct cost involved with the impoundment of the vehicle.

The establishment of this VIN database could reside outside the City's computer system for security purposes and ease of use by the insurance companies, be funded entirely by the insurance industry, and available for inquiries by the City's computer system 24 hours a day, 7 days a week.

In order to ensure the proper development of this database and ensure that computer to computer communication systems are working properly, the 3rd party vendor and the City's Department of Information Technology will need time to develop this system. As such we recommend that the system be available for input and inquiries no later than December 31, 2013.

Sincerely,



Dennis A. Kamimura
Licensing Administrator

Proposed Database For Motor Vehicle Insurance

§431:10C- Database for motor vehicle insurance; establishment; use. (a) The insurance commissioner shall ensure the establishment of an on-line motor vehicle insurance computer network and database between all licensed insurers and the City and County of Honolulu Department of Information Technology. Every insurer shall electronically transmit the vehicle identification number to the database for motor vehicle insurance upon the issuance and renewal of a policy of motor vehicle insurance and delete the vehicle identification numbers for uninsured vehicles from the motor vehicle insurance database. The transmission of the information shall be made as soon as possible, and in any event, no later than twenty-four hours from the effective date of the policy issuance, cancellation or termination.

(b) The database for motor vehicle insurance shall be made available to the motor vehicle registration offices of the City and County of Honolulu, county of Hawaii, the county of Kauai, and the county of Maui for the purpose of verifying whether a motor vehicle has a current motor vehicle insurance policy prior to the registration or renewal or transfer of registration of a motor vehicle.

(c) The database for motor vehicle insurance shall be made available to the police departments of the City and County of Honolulu, county of Hawaii, the county of Kauai, and the county of Maui for enforcement purposes.

(d) The database for motor vehicle insurance shall be made available to the Traffic Violations Bureau for verification purposes.

(e) The insurance commissioner shall coordinate the selection of a qualified contractor to work with the insurers and the City and County Department of Information Technology. The required cost to develop, maintain and operate the database for motor vehicle insurance shall be borne by the insurers.

§431:10C-107 Verification of insurance: motor vehicles. (a)

~~[Every insurer shall issue to its insureds a motor vehicle insurance identification card for each motor vehicle for which the basic motor vehicle insurance coverage is written. The identification card shall contain the following:~~

- ~~(1) Name of make and factory or serial number of the motor vehicle; provided that insurers of five or more motor vehicles which are under common registered ownership and used in the regular course of business shall not~~

~~be required to indicate the name of make and the factory or serial number of each motor vehicle;~~

- ~~(2) Policy number;~~
- ~~(3) Names of the insured and the insurer; and~~
- ~~(4) Effective dates of coverage including the expiration date.~~

~~(b) The identification card shall be in the insured motor vehicle at all times and shall be exhibited to a law enforcement officer upon demand.~~

~~(c) The identification card shall be resistant to forgery by whatever means appropriate. The commissioner shall approve the construction, form, and design of the identification card to ensure that the card is forgery resistant.~~

~~(d) The commissioner shall issue a certificate of self-insurance periodically, as necessary, for use in each motor vehicle insured under section 431:10C-105.~~

- ~~(e) The identification card issued by an insurer shall not be issued for a period exceeding the period for which premiums have been paid or earned; provided that this subsection shall apply only to the first application of a person for a motor vehicle insurance policy and shall not apply to applications for commercial and fleet vehicles.]~~

And delete any other statutory provision that references the identification card.

**SENATE COMMITTEE ON
COMMERCE AND CONSUMER PROTECTION**

February 22, 2012

Senate Bill 2519 Relating to Motor Vehicles

Chair Baker and members of the Senate Committee on Commerce and Consumer Protection, I am Rick Tsujimura, representing State Farm Insurance Companies, a mutual company owned by its policyholders. State Farm opposes Senate Bill 2519 Relating to Motor Vehicles.

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 Senate Bill 2519 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

SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Senator Rosalyn H. Baker, Chair
Senator Brian T. Taniguchi, Vice Chair

Wednesday, February 22, 2012
9:00 a.m.

SB 2519

Chair Baker, Vice Chair Taniguchi, 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** SB 2519. SB 2519 creates a system of reporting in-force motor vehicle insurance policies and subsequent changes to the Insurance Division. It then ties vehicle registration to an in-force insurance policy.

As we have heard in a prior hearing on a similar issue, the Insurance Commissioner testified that information collected by his office becomes public record. We believe appropriate privacy protections need to be in place for any information transmitted by insurers. The bill then requires the Insurance Division to manage the information and establish a method to show proof of insurance in order to renew a motor vehicle's registration. In addition to privacy protections, this bill puts the entire burden of identifying uninsured motorists on the insurance purchasing public. Insurers will have costs to implement their systems and whatever costs the Insurance Division has is directly passed back to insurers in the form of an assessment. These costs eventually make their way into premiums. We believe costs to the government should be borne by

all in the community, not only the insurance buying public, who are the law abiding citizens.

If a database-type system is implemented, the requirement for insurers to use anti-fraud paper to issue motor vehicle insurance cards, which is very expensive, should be eliminated. 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. If the state believes that some type of database system is necessary, there are data capture models that work better than the system proposed in SB 2519.

The bill does not present a clear process in which data is to be used and handled. Insurers need to know that there will be adequate protection of personal information as 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 average premium for 2009 is \$786, #18 from the most expensive state in the nation. This is a marked difference from its #1 position in the 1990's. Another way to address uninsured motorists with little added expense is a no pay, no play type 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 SB 2519 be held

Thank you for the 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 Rosalyn H. Baker, Chair
Senate Committee on Commerce and Consumer Protection

From: Mark Sektnan, Vice President

Re: **SB 2519 – Relating to Motor Vehicles**
PCI Position: Oppose

Date: Wednesday, February 22, 2012
9:00 a.m., Conference Room 229

Aloha Chair Baker and Members of the Committee:

The Property Casualty Insurers Association of America (PCI) respectfully opposes SB 2519, which would require motor vehicle insurers to report to the insurance division all existing and newly issued motor vehicle insurance policies, as well as all terminations of and changes to any reported policy. The bill would also require motor vehicle insurers to inform the insurance division on the method of electronic transmission that each insurer will utilize to report insurance information to the insurance division.

SB 2519 is based on the false assumption that electronic reporting systems reduce the uninsured motorist (UM) rate in states that have such systems. Unfortunately, the data does not support this assumption. In fact, several states with reporting programs have UM rates significantly higher than the national average.

According to the Insurance Resource Council's (IRC) most recent numbers (published in 2011 using 2009 data), Mississippi leads the country in UM at 28% despite having a database program. Florida and New Mexico also have UM rates well above the national average despite having their own database-based systems. **Remarkably, most states identified by the IRC as having an above-average UM rate have database programs.** Despite having a negligible impact on the UM rate, however, states and insurers continue to spend time and resources on maintaining and updating the coverage data. In an ironic twist, these costs are being passed on to policyholders in the form of higher premiums.

One of the primary inefficiencies associated with database programs like the one contemplated by SB 2519 is that they are proprietary in nature. This means each state's system is different from every other state. Rather than report coverage in one format to all states, insurers must develop state-specific reporting mechanisms, fueling inefficiency and needlessly complicating the reporting process. In addition, the very high incidence of discrepancy between vehicle registration data and insurance coverage data (i.e., consumer registers vehicle as "Robert Tanaka" but purchases insurance coverage as "Bob Tanaka"), results in states and insurers spending an inordinate amount of time reconciling such discrepancies, time that is diverted from identifying and fining uninsured motorists. Finally, most policyholders protect themselves from UM by purchasing UM/UIM (uninsured/underinsured motorist coverage). Policyholders should not have

to pay twice for UM by paying for the implementation of a database program that will not reduce the UM rate.

There are several alternative approaches to addressing the UM problem that are simpler and less costly than database programs including the adoption of mandatory fees for driving without insurance that may not be reduced by judges (who often times do reduce fees based on hard luck stories). Another approach is to allocate additional funds to local police departments for the monitoring of courthouse parking lots to ensure motorists who either have their driver's license revoked or suspended, or who are unable to provide evidence of insurance to the judge, do not then get right back into their car and drive away.

Finally, one database program we do support is one that tracks only those motorists previously ticketed or convicted of driving without insurance. Indiana took this approach and established a Previously Uninsured Motorists Registry three years ago.

If a state feels it must adopt a broad-based statewide program, then the state should adopt a web services-based program (as opposed to a traditional database program). Web services involve the real time confirmation of insurance coverage through an Internet-based program that connects a state agency directly with an insurer. Because of that direct connection between state agencies and insurers, there is no need for the state to collect and store coverage information in a database.

With web services, the time and resource-intensive reconciliation of vehicle registration and insurance coverage information is eliminated because it is the insurer, and not the state, that is responsible for verifying coverage information. Web services also provide for real time confirmation of coverage. Databases are limited by the fact that the information contained therein is only as current as of the last upload of data. Due to the time it takes to transfer and process data, it is not uncommon for databases to contain at least 60-day-old coverage data.

Web services are based on an open source protocol developed by an industry trade group, the Insurance Industry Committee on Motor Vehicle Administration (ICMVA). Open source means that once an insurer implements web services in one state it can simply copy the system over to another state, minimizing insurers' implementation costs. **Wyoming** was the first state to adopt true web services in 2008, followed by **Oklahoma** (which allows carriers to choose to verify coverage either via web services or through a monthly book of business report) and **Nevada** shortly thereafter. **South Carolina** and **Washington, D.C.** currently allow insurers to use web services as an optional secondary verification method under existing database reporting programs. **Alabama, Montana** and **West Virginia** are all currently implementing web services and all three states are expected to be online by January 1, 2013.

For these reasons, PCI respectfully asks the committee to hold this bill in committee.