



NEIL ABERCROMBIE
GOVERNOR

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TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
TWENTY-SEVENTH LEGISLATURE
Regular Session of 2013

Wednesday, January 30, 2013
2 p.m.

TESTIMONY ON HOUSE BILL NO. 136 – RELATING TO INSURANCE.

TO THE HONORABLE ANGUS McELVEY, 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 this bill.

The purpose of this bill is to adopt the recommendations of the Insurance
Verification Working Group (“Working Group”), which was convened by the
Commissioner pursuant to Senate Concurrent Resolution No. 97, S.D. 1 (2012) (SCR
97).

SCR 97 asked the Working Group to do the following: (1) explore the creation of
a web services-based database program to track uninsured motorists; (2) establish a
mechanism for funding the uninsured motorist database program and recommend
penalties or sanctions for motorists found to be in violation of the State’s mandatory
motor vehicle insurance requirements; and (3) explore other alternatives to reduce the
number of uninsured motorists in the State, including alternative financing options.

In formulating its recommendations, the Working Group held eight public
meetings, gathered information about insurance verification systems established in

other states, and reviewed civil and criminal statutory provisions pertaining to uninsured motorists.

In its report, the Working Group recommended establishing: a motor vehicle insurance verification program to identify uninsured motor vehicles using web-based technology; a working to group to assist in the development of the program; and a motor vehicle insurance verification special fund to fund the program.

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

kawakami2 - Rise

From: mailinglist@capitol.hawaii.gov
Sent: Monday, January 28, 2013 4:42 PM
To: CPCtestimony
Cc: lois.h.kaneshiro@hawaii.gov
Subject: *Submitted testimony for HB136 on Jan 30, 2013 14:00PM*

HB136

Submitted on: 1/28/2013

Testimony for CPC on Jan 30, 2013 14:00PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Lois Kaneshiro	B&F	Oppose	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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POLICE DEPARTMENT
CITY AND COUNTY OF HONOLULU

801 SOUTH BERETANIA STREET · HONOLULU, HAWAII 96813
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KIRK W. CALDWELL
MAYOR

LOUIS M. KEALOHA
CHIEF

DAVE M. KAJIHIRO
MARIE A. McCAULEY
DEPUTY CHIEFS

OUR REFERENCE KK-LC

January 30, 2013

The Honorable Angus L. K. McKelvey, Chair
and Members
Committee on Consumer Protection
and Commerce
House of Representatives
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair McKelvey and Members:

Subject: House Bill No. 136, Relating to Insurance

I am Kurt Kendro, Major of the Traffic Division of the Honolulu Police Department (HPD), City and County of Honolulu.

The HPD supports the passage of House Bill No. 136, Relating to Insurance. Passage of this bill would establish a working group and funding to develop an insurance verification program.

The HPD was part of the insurance verification working group that was established by the 2012 Legislature by Senate Concurrent Resolution 97. The HPD supports the idea of an insurance database as it would provide an instant verification of insurance on vehicles stopped by law enforcement officers. This would also assist law enforcement officers to determine fraudulent insurance cards and other crimes related to uninsured motorists on the roadways of Hawaii.

Thank you for the opportunity to testify.

Sincerely,

A handwritten signature in black ink, appearing to read "Kurt Kendro", is written over the word "Sincerely".

KURT KENDRO, Major
Traffic Division

APPROVED:

A handwritten signature in black ink, appearing to read "Louis M. Kealoa", is written over the word "APPROVED".

LOUIS M. KEALOHA
Chief of Police

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

KIRK CALDWELL
MAYOR



SHERI T. KAJIWARA
DIRECTOR DESIGNATE

DENNIS A. KAMIMURA
LICENSING ADMINISTRATOR

January 28, 2013

The Honorable Angus L.K. McKelvey, Chair
and Members
Committee on Consumer Protection and
Commerce
State House of Representatives
Hawaii State Capitol
514 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair McKelvey and Committee Members:

Subject: H.B. No. 136, Relating to Insurance

The City and County of Honolulu supports H.B. No. 136 which would require the establishment and funding for a motor vehicle insurance verification program.

We recommend that the insurance verification program be codified, similar to the codification of the motor vehicle insurance verification special fund, and the working group be tasked to recommend necessary statutory language regarding the specifics of the program.

The City and County of Honolulu recommends your favorable action on H.B. No. 136, as amended.

Sincerely,

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

Dennis A. Kamimura
Licensing Administrator



Property Casualty Insurers
Association of America

Advocacy. Leadership. Results.

To: The Honorable Angus McKelvey, Chair
House Committee on Consumer Protection & Commerce

From: Mark Sektnan, Vice President

Re: **HB 136 – Relating to Insurance**
PCI Position: Support - With Request for Amendment

Date: Wednesday, January 30, 2013
2:00 p.m., Conference Room 325

Aloha Chair McKelvey and Members of the Committee:

The Property Casualty Insurers Association of America (PCI) supports HB 136 and requests the adoption of reasonable amendments designed to increase the effectiveness of the proposed system. With these amendments, HB 136 represents the most efficient and effective way for addressing Hawaii's uninsured motorist (UM) problem.

HB 136 incorporates the recommendations of the Hawaii Insurance Verification Working Group, a group that met several times last year and of which PCI was a member. The working group surveyed the different types of programs designed to identify those who do not have insurance and ultimately recommended adoption of a web services-based program.

Web services, as compared to traditional UM database programs, involves 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 as is done with traditional UM database programs.

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. And whereas 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 process and upload data it is not uncommon for databases to contain data that is at least 60 days out-of date), web services provides for access to insurers' own information and thus provides for real time verification.

Web services are based on an open source protocol developed by an industry trade group, the Insurance Industry Committee on Motor Vehicle Administration (IICMVA). 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. Other states currently utilizing web services include **Alabama, Montana** and **West Virginia**.

We do, however, recommend making two amendments to the bill. The first amendment exempts motor vehicles insured by commercial lines policies from the program. The working group received testimony that the UM rate among commercial enterprises is very low (approximately 2 percent) and that, in any event, commercial auto policies, because they typically do not involve the collection of vehicle specific data, are not able to be verified for a specific vehicle.

The second amendment we recommend is language that would grant smaller carriers, those with less than 500 policies, an alternative method of participating in the program. Such a provision is commonly found in laws establishing web-services based systems in other states and is intended to mitigate the burden of the program on smaller carriers who have less financial resources than the larger carriers.

For all of the foregoing reasons, PCI requests the committee to adopt the recommended amendments. Thank you for your consideration of this request.

**HOUSE COMMITTEE ON
CONSUMER PROTECTION & COMMERCE**

January 30, 2013

House Bill 136 Relating to Insurance

Chair McKelvey and members of the House Committee on Consumer Protection and Commerce, I am Rick Tsujimura, representing State Farm Mutual Automobile Insurance Company (State Farm). While State Farm opposes House Bill 136 Relating to Insurance, as drafted, we would remove our opposition if the amendatory language proposed below, was adopted by this Committee.

Where states are committed to proceeding with mandatory automobile liability insurance verification programs, State Farm supports the IICMVA model specifications for a web-based technology, which are attached to this testimony. These specifications would preclude the use of a vendor's proprietary web program. Vendors' proprietary programs add operational costs for insurers when they are required to develop unique reports and data formats as specified by the vendor.

We would therefore recommend that Section 1(b)(1)(A) on page 1, lines 14-16, be amended to read:

(A) Adherence to established industry standards for real-time automotive liability insurance verifications as prescribed by the Insurance Industry Committee on Motor Vehicle Administration (IICMVA).

It should be noted that vendors can design programs that work with the IICMVA standards that we are recommending. Many states have adopted these standards (e.g. WV, AL, NV, CA, MT, OK, and WY) and most states considering verification programs are moving toward adoption of these IICMVA standards, recognizing the advantage and cost savings achieved when a single standard can be used by regulatory agencies and insurers providing data to those agencies, either directly or through a vendor.

State Farm stands ready to work with the proponents of this measure. Thank you for the opportunity to present this testimony.

1 **Vehicle Insurance Verification Act**

2 **Summary**

3 An Act relating to motor vehicle insurance; providing for the establishment of an online
4 verification system; providing for codification; and providing an effective date.

5 **Model Legislation**

6 **SECTION 1.**

7 A. The Department of _____ (hereinafter "Department") shall establish an accessible
8 common carrier based system for on-line verification of the evidence of insurance, as specified; requiring motor
9 vehicle insurers to provide policy information for the on-line verification system, as specified; providing an
10 appropriation; and providing for an effective date. Implementation of an on-line financial responsibility
11 verification system, including any exceptions as provided for in this Act or in the user guide developed to
12 support the program, supersedes any existing verification system and shall be the sole system used for the
13 purpose of verifying evidence of mandatory liability insurance as prescribed by the laws of the state.

14 B. The department shall adopt by rule and regulation online verification of evidence of insurance as
15 required by this section, subject to the following:

16 1. The verification system shall send requests to insurers for verification of evidence of insurance via
17 Web services established by the insurers, through the Internet, World Wide Web or a similar proprietary or
18 common carrier electronic system, in compliance with the specifications and standards of the Insurance
19 Industry Committee on Motor Vehicle Administration (IICMVA), with enhancements, additions, and modification
20 as required by the department but which do not conflict, nullify, or add requirements that are inconsistent with
21 the specifications and standards of the IICMVA. The system shall include appropriate provisions to secure its
22 data against unauthorized access and the Department shall maintain a historical record of the system data for a
23 period of six to twelve months from the date of all requests and responses.

24 The system shall be used for verification of the evidence of mandatory liability insurance coverage as
25 prescribed by the laws of the state and shall be accessible to authorized personnel of the department, the
26 courts, law enforcement personnel, and any other entities authorized by the state as permitted by state or
27 federal privacy laws, and it shall be interfaced, wherever appropriate, with existing state systems. The system

1 will include information which will enable the Department to make inquiries to insurers of evidence of insurance
2 that is consistent with insurance industry and IICMVA recommendations, specifications and standards by using
3 multiple data elements for greater matching accuracy, specifically: Insurer NAIC (National Association of
4 Insurance Commissioners) company code, Vehicle Identification Number, policy number, or as described in the
5 specifications and standards of the IICMVA.

6 At the discretion of the department, rules and regulations may be established to offer insurers who
7 write fewer policies an alternative method for reporting insurance policy data instead of establishing Web
8 services.

9 2. The department shall be responsible for having its verification system respond to each of its
10 requestors within a time period as established by the department. The department system shall be available to
11 accommodate the time period established. An insurer's system shall respond within the time period prescribed
12 by the IICMVA's specifications and standards.

13 3. When the department has reason to believe a motor vehicle has been or is currently being operated
14 without insurance, the owner's vehicle registration may be suspended or revoked. The registration may not be
15 reinstated or a new registration may not be issued unless evidence of insurance has been provided to the
16 department and any applicable reinstatement fees as prescribed by the department have been paid... These
17 fees are in addition to any other applicable fines, penalties, and fees.

18 4. The goal of the system shall be to assist in the identification of uninsured motorists in the most
19 effective way possible. Nothing in this legislation prohibits the department from contracting with a private
20 service provider or providers who have successfully implemented similar systems in other states to assist in
21 establishing and maintaining this verification system.

22 5. The department shall consult with representatives of the insurance industry and private service
23 providers that results in determining the objectives, details, and deadlines related to the system.

24 6. The department will publish for comment and then issue, a detailed guide of its on-line verification
25 system.

26 7. The department and its private service provider, if any, each will maintain a contact person for
27 insurers during the establishment, implementation, and operation of the system.

1 8. If the department has reason to believe a vehicle owner does not have valid vehicle insurance as
2 required under [], it may also request an insurer to verify the existence of an automobile liability policy in a
3 form approved by the department not later than _____ (___) days from the date the request is made. In
4 addition, insurers shall cooperate with the department in establishing and maintaining the verification system
5 provided by this section, and shall provide access to motor vehicle insurance policy status information as
6 provided in the rules and regulations established by the department.

7 9. Every property and casualty insurance company that is licensed to issue motor vehicle insurance
8 policies or is authorized to do business in [insert state] shall comply with this section for verification of evidence
9 of vehicle insurance for every vehicle insured by that company in [*insert state*] as required by the rules and
10 regulations of the Department.

11 10. Insurers shall maintain a historical record of the system data for a maximum period of six months
12 from the date of all requests and responses.

13 11. For the purposes of this section, commercial auto coverage is defined as any coverage provided to
14 an insured, regardless of number of vehicles or entity covered, under a commercial coverage form and rated
15 from a commercial manual approved by the Department of Insurance. This section shall not apply to vehicles
16 insured under commercial auto coverage; however, insurers of such vehicles may participate on a voluntary
17 basis.

18 12. Insurers shall be immune from civil and administrative liability for good faith efforts to comply with
19 the terms of this act.

20 13. Insurers shall provide commercial automobile customers with evidence reflecting that the vehicle is
21 insured under a commercial auto policy. Sufficient evidence would be an Insurance Identification card clearly
22 marked in the title with the identifier: "Commercial Auto Insurance Identification Card".

23 14. Nothing in this section prohibits an insurer from using the services of a third party vendor for
24 facilitating the insurance verification program required by this law.

25 15. The Department will have the authority to impose a fee of \$_____ on each vehicle (new and
26 renewal) registration. All fees collected shall be deposited in a separate account and shall be used solely for the
27 purpose of the implementation, maintenance and enhancement of the on-line insurance verification system.

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SECTION 2. REPORT ON EFFECTIVENESS

Not more than two years after the establishment of the online insurance verification system, the motor vehicle department, after consultation with insurers, shall report to the legislature as to the costs of the program incurred by the department, insurers and the public and the effectiveness of the program in reducing the number of uninsured motor vehicles.

SECTION 3. EFFECTIVE DATE

This act shall become effective on _____, 20__. The verification system shall be installed and fully operational by _____, 20__, following an appropriate testing/pilot period of not less than nine (9) months. Until the successful completion of the testing/pilot period, no enforcement action shall be taken based on the system.



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Telephone (808) 525-5877
Facsimile (808) 525-5879

Alison Powers
Executive Director

TESTIMONY OF ALISON POWERS

HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE
Representative Angus McKelvey, Chair
Representative Derek Kawakami, Vice Chair

Wednesday, January 30, 2013
2:00 p.m.

HB 157 and HB 136

Chair McKelvey, Vice Chair Kawakami, and members of the Committee, my name is Alison Powers, Executive Director of the 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 is testifying on both HB 157 and HB 136 because they are similar concepts. We oppose HB 157 and support HB 136. Hawaii Insurers Council's representative participated in the insurance verification working group that was established by the 2012 Legislature. We believe that HB 136 contains many consensus issues that the working group spent a fair amount of time vetting. In it, the working group will continue and establish the outline for a vendor to provide a web-based system to track insured vehicles, increase fines for violators, and other provisions that we believe will provide a cost effective and efficient means to identify uninsured motorists.

Thank you for this opportunity to testify.

kawakami2 - Rise

From: mailinglist@capitol.hawaii.gov
Sent: Monday, January 28, 2013 7:39 PM
To: CPCtestimony
Cc: alanakay4ctycouncil@gmail.com
Subject: Submitted testimony for HB136 on Jan 30, 2013 14:00PM

HB136

Submitted on: 1/28/2013

Testimony for CPC on Jan 30, 2013 14:00PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
alana kay	Individual	Oppose	No

Comments: I oppose this bill because it adds a layer of funding and a layer of government to an already overburdened system. We are creating too many government data bases, which is not good for the citizens.

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kawakami2 - Rise

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, January 27, 2013 12:18 PM
To: CPCtestimony
Cc: chinooker@gmail.com
Subject: *Submitted testimony for HB136 on Jan 30, 2013 14:00PM*

HB136

Submitted on: 1/27/2013

Testimony for CPC on Jan 30, 2013 14:00PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Daniel Alvarez	Individual	Oppose	No

Comments:

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Dear Esteemed Members of the Consumer Protection and Commerce Committee;

I thoroughly oppose HB 136. Vehicle registration fees have nearly doubled in the last year. Further increases in the registration fees will certainly be extremely oppressive to those barely getting by now. Higher fees will result in growing numbers of people that do not register their vehicles as they will be forced to choose groceries and other necessities of life rather than register their vehicle. In turn, more unregistered vehicles will result in a large increase in the workload for each county's already stretched police departments and court systems.

I also oppose this bill for the great amount of increased bureaucracy and loss of personal privacy and freedoms that necessarily must occur with its implementation. The law already requires that I obtain liability insurance to register my motor vehicle. Requiring that information being made freely available to the state of Hawai'i or the county police department can only be regarded as a tyrannical usurpation of the private citizen's right to security in their persons, houses, papers, and effects and amounts to an unreasonable search without a warrant or probable cause. In the United States, people are presumed innocent until proven guilty. This act would presume each of us citizens guilty until we are proven innocent.

Thank you for your time and consideration in this matter.