



NEIL ABERCROMBIE  
GOVERNOR

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LT. GOVERNOR

STATE OF HAWAII  
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DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

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DEPUTY DIRECTOR

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. 157 – RELATING TO MOTOR VEHICLE 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 the intent of this bill, but prefers the proposed insurance verification system proposed in House Bill No. 136, which is also on today’s agenda.

The purpose of this bill is to require each county to establish and maintain a motor vehicle insurance data system through general fund appropriations and to establish procedures for the transmission of insurance information by insurers. Each county will match its motor vehicle insurance data system with its motor vehicle registration data base. The county will issue an insured motorist sticker to motor vehicle owners.

Establishing four different data systems may result in different procedures which may be problematic for motor vehicle insurers.

The Insurance Verification Working Group (“Working Group”) studied the establishment of a statewide insurance verification program using web-based technology, pursuant to Senate Concurrent Resolution No. 97, S.D. 1 (2012) (SCR 97). House Bill No. 136 contains the Working Group’s recommendations.

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

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. 157, Relating to Motor Vehicle Insurance

The City and County of Honolulu is opposed to H.B. No. 157 which would require establishment of individual county insurance databases.

We recommend H.B. No. 157 be held and H.B. No. 136 be considered as the vehicle for establishment of Hawaii's motor vehicle insurance verification program.

Sincerely,

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

Dennis A. Kamimura  
Licensing Administrator

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. 157, Relating to Motor Vehicle Insurance

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

The HPD opposes the passage of House Bill No. 157, Relating to Motor Vehicle Insurance. Passage of this bill would require the counties to establish a no-fault insurance database.

The HPD supports the idea of an insurance database and urges that the recommendations found in House Bill No. 136 regarding the insurance verification working group be considered.

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



**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 157 – Relating to Motor Vehicle Insurance**  
**PCI Position: Oppose**

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) is opposed to HB 157, legislation requiring counties to establish and maintain a data system for purposes of receiving insurance coverage information from insurers for vehicles registered in a particular county. While we understand the desire to ensure motorists are obeying the law and obtaining required insurance coverage, the history of similar efforts suggests such a requirement will lead to greater costs with no improvement in the state's uninsured motorist (UM) rate.

Undergirding HB 157 is the belief that electronic reporting systems reduce UM rates. Unfortunately, the data does not bear this out. Despite spending hundreds of millions of taxpayer dollars over the years, there is no significant difference between the UM rates of states that currently have reporting programs (approximately 33 states) and those that do not.

In fact, several states with reporting programs have UM rates significantly higher than the national average. According to the Insurance Resource Council's most recent numbers (published in 2011 using 2009 data), Mississippi leads the country in UM at 28 percent 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 coverage data. In an ironic twist, these costs are being passed on to policyholders in the form of higher premium.

One of the primary inefficiencies associated with database programs like the one contemplated by HB 157 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 Smith")

but purchases insurance coverage as “Bob Smith”), 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 much more simple 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 produce evidence of insurance to a 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 established such a database, the 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. 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 is 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 are **Alabama, Montana** and **West Virginia**.

In fact, because of the efficiencies identified herein, a working group formed by the legislature last year recommended the adoption of a web services-based program. Legislation implementing the working group’s recommendation, HB 136, has already been introduced.

For all of the foregoing reasons, PCI asks the committee to hold this bill in committee.

**Please VOTE NO on HB 157, No-Fault Insurance Electronic Reporting – an unworkable administrative reporting bill that won't solve the traffic congestion problem**

Summary of bill:

HB 157 would require *each county* to establish and maintain its own procedure for electronic filing, storage, and law enforcement access to a no-fault insurance electronic data system to identify which motorists have no-fault coverage. The bill also requires every motor vehicle insurer to provide *each county* with the information listed under section 46 and to notify each county when there is a cancellation of a motor vehicle insurance policy. The information shall be transmitted on a monthly basis according to a schedule set by the counties, and the insurer shall take all necessary precautions to protect the privacy interests of persons whose information is transmitted to each county. Additionally, the bill requires each county to create and mail bumper stickers to insured motorists, send out notice letters to noncomplying motorists, and require law enforcement officers to remove license plates of motorists who do not post the sticker on the rear bumper of the motor vehicle.

Reasons to VOTE NO of HB 157:

- **The proposed legislation is unlikely to have any impact upon the reduction of traffic congestion on the roadways of the state** – There is no documented evidence to support the contention that any state that has implemented an electronic insurance verification system has seen a reduction in motor vehicle traffic congestion. Most of the stated purpose of Section 1 of the bill pertains to the public policy goal of reducing traffic congestion. Since traffic congestion reduction is the primary goal of HB 157, the bill should really focus upon the *actual causes* of traffic congestion, and not create a new administrative burden and cost for state agencies and insurers. Insurers already report uninsured motorists to the state, and police officers already ticket motorists, who do not comply with the compulsory insurance coverage requirements, and there is still traffic congestion.
- **HB 157 would do nothing more than create an unworkable, impractical, and ineffective bureaucracy that will increase administrative costs for insurers and county agencies** – The proposed legislation requires each and every county to create, implement, and maintain their own electronic reporting system, at a time when local governments are dealing with financial constraints upon their budgets. The proposed electronic reporting system is a *questionable use of limited country resources*, especially when there is no data or evidence to support the claim that such an endeavor will be effective at reducing traffic or the number of uninsured drivers on the road. The only guaranty is that the counties in the state will have to undertake a monumental administrative project and redirect law enforcement activities away from protecting citizens from serious crimes and make their law enforcement officers become license plate repo-officers.
- **The proposed legislation could adversely impact auto insurance rates for consumers, which could lead to more uninsured motorists on the roadway** – HB 157 would require auto insurance companies to establish internal tracking and reporting procedures to comply with the no-fault insurance electronic reporting system requirements of five different counties. It is an unavoidable business reality that increased overhead costs drive-up the price of consumer goods and services. Consequently, insurance consumers will end up being the ones who will have to pay for an electronic insurance verification project that is unlikely to have any impact upon traffic congestion or the number of uninsured motorists in the state. HB 157 begs the public policy question: *shouldn't the traffic congestion problem in the state be a financial burden for all citizens of the state, not just insurance consumers?*

**Please VOTE NO on HB 157, because it is an expensive fix and the wrong fix for the traffic congestion problem in the state!**



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**Alison Powers**  
Executive Director

## **TESTIMONY OF ALISON POWERS**

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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.





- Government Employees Insurance Company
- GEICO General Insurance Company
- GEICO Indemnity Company
- GEICO Casualty Company

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TIMOTHY M. DAYTON, CPCU, GENERAL MANAGER

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■ Cell: (808) 341-9252

## House Committee on Consumer Protection & Commerce

Conference Room 325 State Capitol

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

### HB 157 – Relating to the Motor Vehicle Insurance

Chair McKelvey, Vice-Chair Kawakami and Members of the Committee:

My name is Tim Dayton and I am General Manager for GEICO. GEICO is Hawaii's largest insurer of motor vehicles. **GEICO does not support HB 157.**

GEICO supports cost effective efforts to both reduce the number of uninsured vehicles and address the inequities between those who obey the law and those who drive without insurance. Based on our experience in other states that have enacted similar systems to identify scofflaws, GEICO believes that the proposed system costs will outweigh the benefits and ultimately will not result in the desired level of compliance, especially if the penalty for driving without insurance is not increased substantially. New York is the one exception in GEICO's experience. Their system is costly but has worked well because the system is well designed and the penalties for going without insurance are significant.

GEICO recommends that the Committee consider simpler and less costly options with or without adoption of the data base system:

a) Adopt a no pay no play system where uninsured motorists have limits on their ability to recover damages in tort for the negligence of insured drivers.

b) Increase the fines and limit judicial discretion. If the conviction for being uninsured is the second time or if the vehicle is found to have been uninsured for more than 60 days, the penalty should be a mandatory forfeiture and sale of the vehicle.

c) Establish a point of referral in each County where insurers and private victims of uninsured motorists can report a vehicle for being uninsured. The owner would then have an opportunity to provide proof of insurance and if not, a citation would be issued.

If the costly data base system is adopted, GEICO urges the Committee to at least consider significant changes to the penalties for violations.

. Thank you for the opportunity to submit this testimony.

A handwritten signature in black ink, reading "Timothy M. Dayton", written over a horizontal line.

Timothy M. Dayton, CPCU

**HOUSE COMMITTEE ON  
CONSUMER PROTECTION & COMMERCE**

January 30, 2013

House Bill 157 Relating to Motor Vehicle 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). State Farm opposes House Bill 157 Relating to Motor Vehicle Insurance.

State Farm opposes House Bill 157 for the following reasons:

This bill states as its purpose:

- (1) Significantly reduce traffic on Hawaii's congested roadways;
  - (2) Remove irresponsible drivers from our roads and thereby increase safety for motorists and pedestrians while reducing medical and first-responder costs;
  - (3) Reduce insurance premiums to Hawaii drivers via the mechanism of the market and encouraging motorists to obtain motor vehicle insurance;
  - (4) Redress the injustice that the current no-fault insurance system inflicts upon responsible Hawaii drivers who buy insurance and end up paying for injuries or damages caused by uninsured drivers; and
  - (5) Create a system that is more economical and efficient than current administrative efforts while being less burdensome on law enforcement officers.
- State Farm contends that none of these purposes will be achieved by this measure.

The bill at its essence proposes a database system funded by the general fund. In other words the taxpayers of the State of Hawaii will be funding this program. Thus law abiding citizens will be paying for this new system, not just the scofflaws. Justice is served if the scofflaws pay for the cost they are imposing on the system.

The bill also imposes upon the counties the obligation to maintain the data system. It also requires the issuance of a sticker for the insured motorist to display on the rear bumper authenticating that the vehicle is insured. Failure to display the sticker results in a ticketable event. The efficacy of a sticker is premised upon the stickers not being stolen or fraudulently manufactured. Moreover the ticketable event doesn't mean that the vehicle is rendered undriveable. Although the law enforcement officials can ticket the car, they must wait thirty days before removing the license plate, which is the sole response to the car being uninsured. Thus the uninsured driver is still able to drive for thirty days, and the law enforcement officials must then locate the car to remove the license plate.

The fact that uninsured motorists will continue to drive their vehicles even after a citation means that insured drivers must continue to carry uninsured motorist coverage, and will thus not see any premium decreases.

The cost of this system as we noted last session will only add a cost, not a remedy, to the uninsured motorist problem. The most significant solution would be to impound cars found to be without insurance. The other would be to impose fines equal to the cost of insurance for the time in which the driver was uninsured, removing the economic incentive to drive uninsured. Finally, a “no play, no pay” system of penalties for driving uninsured would exact the same penalty with far less expense to the taxpayer.

Before the legislature enacts any program it should establish clear yardsticks to measure the effectiveness of this program.

Specifically, State Farm has issues with the assignment of jurisdiction to the several counties and not establishing a unified and clear program. Allowing the counties to establish their own programs will inevitably lead to the possibility of differentiation, which would make the compliance by each insurer more costly. More importantly our database does not identify the county in which the vehicle is located.

State Farm is willing to work with the proponents on improving the effectiveness of this measure. Thank you for the opportunity to provide this testimony.

## kawakami2 - Rise

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, January 28, 2013 7:35 PM  
**To:** CPCtestimony  
**Cc:** alanakay4ctycouncil@gmail.com  
**Subject:** Submitted testimony for HB157 on Jan 30, 2013 14:00PM

### **HB157**

Submitted on: 1/28/2013

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
alana kay	Individual	Oppose	No

Comments: I oppose this bill because it will add an additional government function to our already overburdened system as well as another layer of funding. Furthermore, I view databases such as this to be an infringement on liberties. Too many government data bases create a climate of 'big brother' style control. Greater care must be used with regard to databases.

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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## kawakami2 - Rise

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, January 28, 2013 2:29 AM  
**To:** CPCtestimony  
**Cc:** w9w@hotmail.com  
**Subject:** Submitted testimony for HB157 on Jan 30, 2013 14:00PM

### **HB157**

Submitted on: 1/28/2013

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kurt Hanson	Individual	Oppose	No

Comments: Thank you for receiving my comments. I am opposed to yet another government database to keep tabs on citizens. How many databases do you need? Where is respect for privacy? Are we descending into an Orwellian State that needs to know everything about us? Please respect us as citizens and human beings. Thank you.

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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TESTIMONY IN SUPPORT OF HB 157

Committee on Consumer Protection and Commerce  
Hearing 2:00 PM January 30, 2013

To: Rep. Angus L.K. McKelvey, Chair  
Rep. Derek S.K. Kawakami, Vice-Chair  
Members of the Committee on Consumer Protection and Commerce,

I am writing in support of HB 157. Having been victim of the "injustice" resulting from being sideswiped by a motorist for whom no insurance information was available, I believe the establishment of a vehicle insurance database is long overdue.

Since we are a no-fault vehicle insurance state, it makes sense to give the necessary authorities the tools to ascertain who does and doesn't have current insurance, and to give the police access to information which will help them enforce a law already on the books.

As it stands now, a person such as myself, who has always secured car insurance, has no protection against someone like the person who sideswiped me, left the scene of the accident and was nonresponsive to subsequent police inquiries. My insurance company was willing to negotiate with the culprit's insurance company, but we couldn't find out what that person's company was. Although I was able to provide the license plate number and make and model of the car that struck me, the police informed me their hands were tied because they had no way of finding out if the owner of the car had insurance. Seems to me only common sense to have the police be able to follow through in situations like this.

If there are, as stated in the bill, over 122,000 uninsured cars are on the roads today, there's something wrong with the system. I believe this bill and HB 136, which provides the mechanism to carry out the proposed procedures, will help get these illegal cars off the road and prevent scofflaws from causing victims like myself monetary and emotional distress.

Submitted by:  
Marion L. Coste  
98-688 Keikialii Street,  
Aiea, HI 96701

January 29, 2013, 11:30 AM

Dear Esteemed Members of the Consumer Protection and Commerce Committee;

I thoroughly oppose HB 157. Though paragraph 3 of the proposed amendment to HRS Chapter 46 proclaims "(3) Protect the privacy interests of persons whose information is included in the data system;" I find that legislating a private company that I do private business with based on the requirement of a state law to provide my information to the county in which I reside oversteps my already tenuous status of freedom and right to privacy.

I also believe that the police of each county have much more important problems to tend to rather than collecting the 122,301 license plates of registered but uninsured motorists. Liability insurance is already required to register a vehicle. This bill compromises the individual's privacy and, as such, must be denied outright.

Thank you for your time and consideration.