

SB 1266

Measure Title: RELATING TO MOTOR VEHICLE INSURANCE.
Report Title: Motor Vehicle Insurance
Description: Increases the minimum liability coverage from \$20,000 to \$50,000 per person and the aggregate limit from \$40,000 to \$100,000 per accident for motor vehicle insurance policies.
Companion: [HB690](#)
Package: None
Current Referral: CPN
Introducer(s): SHIMABUKURO, CHUN OAKLAND, Baker, English, Espero, Ihara

<u>Sort by</u> <u>Date</u>		Status Text
1/24/2013	S	Introduced.
1/24/2013	S	Passed First Reading.
1/28/2013	S	Referred to CPN.
1/31/2013	S	The committee(s) on CPN has scheduled a public hearing on 02-13-13 8:30AM in conference room 229.



NEIL ABERCROMBIE
GOVERNOR

SHAN S. TSUTSUI
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
www.hawaii.gov/dcca

KEALI'I S. LOPEZ
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

TO THE SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

TWENTY-SEVENTH LEGISLATURE
Regular Session of 2013

Wednesday, February 13, 2013
8:30 a.m.

WRITTEN TESTIMONY ONLY

TESTIMONY ON SENATE BILL NO. 1266 – RELATING TO MOTOR VEHICLE INSURANCE.

TO THE HONORABLE ROSALYN 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 takes no position on this bill and offers the following comments.

This purpose of this bill is to amend Hawaii Revised Statutes ("HRS") § 431:10C-301(b)(1) by increasing the mandated minimum motor vehicle liability insurance coverage from \$20,000 per person and \$40,000 per accident to \$50,000 per person and \$100,000 per accident, respectively.

Increasing the minimum liability insurance coverage will result in a higher premium to consumers who purchase only the minimum coverage and may make motor vehicle insurance unaffordable for some consumers. This may result in a higher number of uninsured motorists, which may also impact the assigned claims program.

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 S.B. NO. 1266**

Date: Wednesday, February 13, 2013

Time: 8:30 am

To: Chairperson Rosalyn Baker and Members of the Senate Committee on Commerce
and Consumer Protection:

My name is Bob Toyofuku and I am presenting this testimony on behalf of the
Hawaii Association for Justice (HAJ) in support of S.B. No. 1266 relating to Motor
Vehicle Insurance.

This measure increases the minimum automobile insurance coverage for bodily
injury liability from \$20,000 to \$50,000 per person. The maximum limit for an accident
is correspondingly increased from \$40,000 to \$100,000. 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.
During that same time the Consumer Price Index for Hawaii increased more than 50%. 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 coverage was driven by premiums that 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, 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 (Dec. 2012) lists major insurers offering full coverage, including bodily injury liability, property damage liability, PIP-No Fault, Uninsured Motorist and Underinsured Motorist benefits, starting under \$300 per year. GEICO, one of the largest market share leaders, sells full coverage policies (including bodily injury liability, property damage, PIP medical, uninsured motorist and underinsured motorist) with annual premiums of \$204 for Kauai, \$267 for Maui, \$270 and \$281 for the Big Island. Allstate, Liberty Mutual and USAA similarly provide full coverage policies in Hawaii starting under \$300 annually. Farmers and State Farm policies start at \$314 and \$356. Major mainland insurers with smaller market shares, such as Fireman's Fund, offer full coverage policies for as little as \$137 per year. The December 2012 rates published by the Insurance Division are attached.

Hawaii has been the nation's most profitable automobile insurance market in the United States for over 15 years. In the mid-1990s insurers claimed that high premiums were caused by excessive claim payments, however, an August 1996 Star Bulletin article revealed that auto insurers were actually making record profits instead. Insurance Commissioner Grauly confirmed: "We have the highest profits of any state in the last decade." Indeed, net profits in 1996 were a staggering 27.5%, up from an already

impressive 22% in 1995. Hawaii has lead the nation with the highest profits (by a wide margin) ever since.

Insurers make profits in Hawaii that are currently more than 6 times higher than the national average. The National Association of Insurance Commissioners (NAIC) annually publishes profit/loss data for automobile insurance countrywide. In its most recent report issued in Dec 2012, NAIC data reveals that private automobile insurance underwriting profits in Hawaii for 2011 was 17.7% with a 17% return on net worth. The national average underwriting profit was -3.9% with a 2.6% return on net worth. Automobile insurers reaped profits in Hawaii that were more than 6 times the rest of the nation. The NAIC data is attached.

Hawaii has consistently been the most profitable state for automobile insurers for over 15 years with profits as high as nine (9) times the national average. NAIC data shows net returns for Hawaii auto insurance of 17.0%, 19.8%, 21.5%, 20.1% and 19.9% for the past five years for an annual average of 19.7%. Not bad at all during a very difficult economy. The five year national average is 5.4% or just 27% of Hawaii's profits. Hawaii insurers averaged almost quadruple profits compared to the rest of the nation. It is time to re-balance consumer benefits with insurer profits to give consumers more benefits and insurers normal (not exorbitant) profits. There is ample room for insurers to provide additional benefits to Hawaii consumers without raising premiums or at nominal increase.

Hawaii is among only 15 states that require \$20,000 or less. Twenty nine states require \$25,000. Four states require \$30,000 and two states require \$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.

Testimony from industry representatives last year claimed that a statutory increase would lead to large premium increases of as much as \$200 for consumers. As a result, we have collected data from major Hawaii insurers to examine the actual cost of liability insurance in Hawaii. The actual cost of the increase proposed in this measure is minimal.

Actual quotes were obtained from GEICO, one of Hawaii's largest auto insurers, whose rates are on the lower end. The increase in premiums for \$50,000/\$100,000 was \$9.90 semi-annually (\$19.80 per year). The increase to \$25,000/\$50,000 was \$2.60 semi-annually. The increase to \$100,000/\$300,000 was \$17.20 semi-annually. The quotes are attached.

State Farm, another market leader in Hawaii, has rates that fall in the mid-range. Actual existing policies are attached to show the cost of the increase for State Farm policies. A State Farm policy currently in effect to June 2013 contains minimum \$20,000/\$40,000 bodily injury plus \$10,000 property damage liability coverages for \$89.36 semi-annually. The same person has another car insured by State Farm with \$250,000/\$500,000 bodily injury and \$100,000 property damage coverage with a premium of \$106.34. The additional \$230,000 per person/\$460,000 per accident bodily injury, plus additional \$90,000 property damage cost only \$16.98. The two policy premium pages from State Farm's website are attached.

On another actual policy, State Farm quoted an increase of \$13.16 semi-annually for the increase from \$20,000/\$40,000 to \$50,000/\$100,000. An increase to

\$100,000/\$300,000 cost just \$22.81 semi-annually more than the minimum limits. The optional coverage premium page for this policy is attached.

DTRIC has a smaller but growing market share with increased television and print advertising in recent years. The additional cost of \$50,000/\$100,000 at DTRIC is \$6 semi-annually. \$100,000/300,000 costs just \$11 more than \$20,000/\$40,000. These are current rates received on an actual policy renewal this month. The DTRIC premium sheet is attached.

Some insurers quote premiums as percentage increases rather than in dollars. The popular AARP Hartford policy quotes the increase to \$50,000/\$100,000 at 15% more than the current minimum \$20,000/\$40,000. Although benefits are increased two and half times premiums are increased by only 15%. Attached in an AARP Hartford premium sheet from an actual policy in effect from December 2012 to December 2013.

In the past, industry representatives have indicated that around half of all policies already carry higher limits. This means that about half of auto policies will see no effect from an increase since they already carry increased limits.

Those carrying minimum limits may be assessed rates different from those quoted above. Someone with DUI or speeding tickets and multiple accidents will pay more. Someone with a high performance sports car may pay more. Someone with both auto and homeowners insurance with the same company may pay less due to discounts. Someone with an accident free record may pay less. So, yes any given policy may be charged more or less. But the consistency of the low rates for \$50,000/\$100,000 by major auto insurers demonstrates that the actuarial cost of additional coverage for responsible drivers is small for a substantial increase in benefits.

Driving is a privilege that carries a potential for causing serious injuries. Hawaii was once a leader in providing adequate levels of minimum protection for its citizens. Exorbitant premiums in the 1990s forced multiple reductions in benefits. With insurance now relatively cheap and readily available for the past 15 years, it is time to revisit raising minimum levels to more adequately reflect the dangers associated with cars.

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.



STATE OF HAWAII SAMPLE ANNUAL MOTOR VEHICLE INSURANCE PREMIUMS MAJOR INSURERS BY COUNTY - PREMIUMS FROM LOWEST TO HIGHEST FOR CLEAN RISK

These sample premiums are for licensed insurance companies that transact more than 95% of the private passenger auto insurance market in Hawaii.

COVERAGES:

- \$20,000/40,000 Bodily Injury Liability
- \$10,000 Property Damage Liability
- \$10,000 Personal Injury Protection
- \$20,000/40,000 Uninsured Motorist Stacked
- \$20,000/40,000 Underinsured Motorist Stacked

ANNUAL PREMIUMS: Rates in effect **December 1, 2012**

VEHICLE: 2011 Honda Accord, LX, 4-door sedan

CLEAN RISK: Driver with clear driving record (no accidents and no traffic convictions)

Usage: Pleasure

ONE SPEEDING CONVICTION: Driver with one speeding conviction (no accidents)

Usage: Pleasure

OAHU MAJOR INSURERS			MAUI MAJOR INSURERS		
Insurance Company	clean risk	one speeding conviction	Insurance Company	clean risk	one speeding conviction
Government Employees Ins. Co. (GEICO)	270	270	Government Employees Ins. Co. (GEICO)	267	267
United Services Automobile Association (USAA)**	379	397	United Services Automobile Association (USAA)**	338	354
GEICO Indemnity Co.	390	422	GEICO Indemnity Co.	362	391
Liberty Mutual Fire Ins. Co.**	398	630	Allstate Ins. Co.	383	520
DTRIC Ins. Co., Ltd. **	406	406	Farmers Ins. Hawaii, Inc.**	385	512
Tradewind Ins. Co., Ltd.	407	442	DTRIC Ins. Co., Ltd. **	394	394
Farmers Ins. Hawaii, Inc.**	408	547	Liberty Mutual Fire Ins. Co.**	404	639
Allstate Ins. Co.	412	560	North River Ins. Co.	441	526
Interinsurance Exchange of the Automobile Club	428	552	Liberty Mutual Fire Ins. Co.	448	710
Liberty Mutual Fire Ins. Co.	443	700	USAA Casualty Ins. Co.**	468	489
Hartford Underwriters Ins. Co.**	479	563	State Farm Mutual Automobile Ins. Co.	470	564
State Farm Mutual Automobile Ins. Co.	491	590	First Security Ins. of Hawaii, Inc.	478	526
USAA Casualty Ins. Co.**	521	545	Hartford Underwriters Ins. Co.**	490	577
State Farm Fire & Casualty Co.	586	718	State Farm Fire & Casualty Co.	560	687
First Fire & Casualty Ins. of Hawaii, Inc.	664	730	First Fire & Casualty Ins. of Hawaii, Inc.	581	639
Progressive Casualty Ins. Co.	665	881	Progressive Casualty Ins. Co.	616	817
USAA General Indemnity Co. **	676	740	Progressive Direct Ins. Co.	550	734
Progressive Direct Ins. Co.	595	792	First Ins. Co. of Hawaii, Ltd.	683	751
DTRIC Ins. Co., Ltd.	784	784	First Indemnity Ins. of Hawaii, Inc.	730	803
GEICO Casualty Co.	791	837	Farmers Ins. Hawaii, Inc.	758	1,059
Farmers Ins. Hawaii, Inc.	814	1,141	DTRIC Ins. Co., Ltd.	794	794
First Indemnity Ins. of Hawaii, Inc.	857	943	GEICO Casualty Co.	798	844

KAUAI MAJOR INSURERS			HAWAII MAJOR INSURERS		
Insurance Company	clean risk	one speeding conviction	Insurance Company	clean risk	one speeding conviction
Government Employees Ins. Co. (GEICO)	204	204	Government Employees Ins. Co. (GEICO)	281	281
United Services Automobile Association (USAA)**	271	283	Island Premier Ins. Co.	332	332
GEICO Indemnity Co.	285	306	GEICO Indemnity Co.	370	400
Allstate Ins. Co.	287	382	United Services Automobile Association (USAA)**	375	393
Liberty Mutual Fire Ins. Co.**	294	450	Liberty Mutual Fire Ins. Co.**	381	601
Tradewind Ins. Co., Ltd.	309	336	Tradewind Ins. Co., Ltd.	387	421
Farmers Ins. Hawaii, Inc.**	314	408	Allstate Ins. Co.	413	563
Hartford Underwriters Ins. Co.**	323	377	Farmers Ins. Hawaii, Inc.**	419	561
Liberty Mutual Fire Ins. Co.	326	500	Liberty Mutual Fire Ins. Co.	423	668
State Farm Mutual Automobile Ins. Co.	356	425	Interinsurance Exchange of the Automobile Club	424	544
DTRIC Ins. Co., Ltd. **	359	359	DTRIC Ins. Co., Ltd. **	435	435
North River Ins. Co.	370	438	State Farm Mutual Automobile Ins. Co.	455	546
USAA Casualty Ins. Co.**	380	397	Hartford Underwriters Ins. Co.**	489	575
Dongbu Ins. Co., Ltd. (US Branch)	397	433	North River Ins. Co.	507	607
State Farm Fire & Casualty Co.	424	521	USAA Casualty Ins. Co.**	521	544
Progressive Casualty Ins. Co.	497	649	State Farm Fire & Casualty Co.	542	665
First Fire & Casualty Ins. of Hawaii, Inc.	529	582	Progressive Casualty Ins. Co.	668	884
Allstate Indemnity Co.	550	585	First Fire & Casualty Ins. of Hawaii, Inc.	707	778
Progressive Direct Ins. Co.	475	630	Progressive Direct Ins. Co.	618	811
Farmers Ins. Hawaii, Inc.	590	812	DTRIC Ins. Co., Ltd.	763	763
First Ins. Co. of Hawaii, Ltd.	622	684	GEICO Casualty Co.	778	822
GEICO Casualty Co.	624	657	First Ins. Co. of Hawaii, Ltd.	832	915
DTRIC Ins. Co., Ltd.	648	648	Farmers Ins. Hawaii, Inc.	838	1,177
First Indemnity Ins. of Hawaii, Inc.	662	728	First Indemnity Ins. of Hawaii, Inc.	902	992

Notes: Your actual premium may vary from the sample premiums shown in this list. Premiums may vary among insurance companies and among risk classification within each company.

**Mass merchandising or restricted group rates

2011 Profitability Report Private Passenger Auto Total

State	Percent of Direct Premiums Earned								Percent of Net Worth						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(8A)	(8B)	(8C)	(9)	(10)	(11)	(12)
	Direct Premiums Earned (000s)	Losses Incurred	Loss Adjust Expense	General Expense	Selling Expense	Taxes License Fees	Divs To Plychldr	Under- Writing Profit	Invest Gain On Ins Trans	Tax On Ins Trans	Profit On Ins Trans	Earned Prem To Net Worth	Inv On Net Worth	Gain On Net Worth	Tax On Inv Gain On Net Worth
Alabama	2,278,143	68.1	11.0	5.5	16.5	3.2	0.3	(4.2)	0.7	(1.3)	(2.2)	116.9	4.6	1.2	0.8
Alaska	419,165	55.6	9.0	5.5	14.8	2.9	0.5	12.1	1.9	4.7	9.2	104.1	4.5	1.2	13.0
Arizona	3,282,058	62.8	10.3	5.5	16.5	2.6	0.3	2.2	1.3	1.1	2.4	109.2	4.6	1.2	6.0
Arkansas	1,450,812	65.8	10.2	5.5	17.2	2.9	0.2	(1.5)	0.7	(0.3)	(0.4)	117.1	4.6	1.2	2.9
California	18,836,054	61.4	10.8	5.5	17.5	2.5	1.1	1.6	1.1	0.8	1.9	109.2	4.6	1.2	5.5
Colorado	2,757,339	66.5	11.2	5.5	16.6	1.4	0.4	(1.4)	1.7	(0.0)	0.4	104.4	4.5	1.2	3.8
Connecticut	2,361,444	64.3	11.1	5.5	16.6	2.1	0.6	0.2	2.7	0.8	2.1	92.9	4.5	1.2	5.4
Delaware	648,505	66.2	11.8	5.5	15.5	2.3	0.2	(1.2)	2.6	0.2	1.1	95.8	4.5	1.2	4.5
District of Columbia	265,379	58.2	9.9	5.5	13.0	2.3	0.5	11.0	1.3	4.2	8.1	110.1	4.5	1.1	12.2
Florida	12,802,402	68.7	13.4	5.5	16.1	1.3	0.3	(5.0)	2.1	(1.2)	(1.7)	101.9	4.5	1.2	1.7
Georgia	5,286,238	64.7	10.5	5.5	17.2	4.1	0.3	(2.0)	0.9	(0.5)	(0.7)	114.3	4.6	1.2	2.7
Hawaii	627,378	50.7	8.9	5.5	13.2	3.8	0.5	17.7	1.4	6.6	12.6	108.1	4.5	1.2	17.0
Idaho	661,496	54.1	9.1	5.5	17.6	1.7	0.2	12.1	1.2	4.6	8.8	109.2	4.6	1.2	13.0
Illinois	5,785,880	60.6	10.6	5.5	18.6	1.2	0.1	3.8	1.8	1.8	3.8	103.4	4.6	1.2	7.4
Indiana	2,784,042	58.6	10.2	5.5	18.2	1.3	0.1	6.5	1.5	2.7	5.4	106.2	4.6	1.2	9.1
Iowa	1,342,762	63.5	10.1	5.4	18.9	1.2	0.1	1.1	0.8	0.6	1.3	114.3	4.6	1.2	4.8
Kansas	1,429,682	67.5	10.3	5.4	17.8	1.7	0.2	(2.6)	0.6	(0.8)	(1.3)	117.6	4.6	1.2	1.9
Kentucky	2,265,854	67.8	11.2	5.5	17.4	2.3	0.1	(4.1)	1.5	(1.0)	(1.5)	107.6	4.6	1.2	1.8
Louisiana	3,275,724	64.1	11.8	5.5	17.4	3.1	0.2	(1.7)	1.1	(0.3)	(0.3)	111.9	4.6	1.2	3.1
Maine	591,390	56.2	8.4	5.5	18.6	2.2	0.3	9.1	1.6	3.6	7.1	103.3	4.6	1.2	10.8
Maryland	3,711,226	66.5	10.7	5.5	15.4	2.1	0.4	(0.3)	1.5	0.3	0.9	107.2	4.5	1.2	4.4
Massachusetts	3,832,055	64.0	10.3	5.5	19.4	2.6	0.1	(1.6)	1.6	(0.2)	0.1	98.9	4.6	1.2	3.6
Michigan*	6,058,363	143.9	25.3	5.5	16.6	2.1	0.1	(93.2)	18.9	(27.8)	(46.5)	37.2	4.5	1.2	(13.9)
Minnesota	2,694,805	60.3	10.9	5.5	17.9	2.1	0.1	3.5	1.4	1.6	3.4	107.1	4.6	1.2	7.0
Mississippi	1,373,637	63.3	10.4	5.5	17.1	2.7	0.2	1.2	0.9	0.7	1.5	114.7	4.6	1.2	5.1
Missouri	2,879,410	66.5	10.7	5.5	17.3	1.6	0.1	(1.4)	1.0	(0.2)	(0.1)	112.7	4.6	1.2	3.2
Montana	535,580	58.9	9.8	5.5	17.9	2.9	0.3	5.1	1.4	2.1	4.4	106.3	4.6	1.2	8.1
Nebraska	899,722	71.7	11.0	5.5	18.3	1.4	0.2	(7.7)	1.2	(2.4)	(4.1)	109.5	4.6	1.2	(1.1)

2011 Profitability Report Private Passenger Auto Total

	Percent of Direct Premiums Earned										Percent of Net Worth				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(8A)	(8B)	(8C)	(9)	(10)	(11)	(12)
State	Direct Premiums Earned (000s)	Losses Incurred	Loss Adjust Expense	General Expense	Selling Expense	Taxes License Fees	Divs To Plyhldr	Under- Writing Profit	Invest Gain On Ins Trans	Tax On Ins Trans	Profit On Ins Trans	Earned Prem To Net Worth	Inv Gain On Net Worth	Tax On Inv Gain On Net Worth	Return On Net Worth
Nevada	1,619,108	62.3	11.6	5.5	16.9	3.6	0.3	0.1	1.9	0.5	1.5	102.7	4.6	1.2	4.9
New Hampshire	655,185	60.2	9.1	5.5	16.8	2.1	0.7	5.9	1.6	2.5	5.1	101.4	4.6	1.2	8.5
New Jersey*	6,298,021	65.0	13.9	5.5	14.0	2.1	1.2	(1.3)	5.2	0.9	3.0	75.9	4.5	1.2	5.7
New Mexico	1,066,047	64.8	10.7	5.5	16.4	3.2	0.4	(0.6)	1.6	0.2	0.7	106.7	4.6	1.2	4.2
New York	10,297,995	66.5	13.9	5.5	16.0	2.6	0.2	(4.4)	3.1	(0.7)	(0.5)	90.7	4.5	1.2	2.9
North Carolina	4,389,649	68.1	10.2	5.5	17.6	2.4	0.2	(3.6)	1.1	(1.0)	(1.6)	112.1	4.6	1.2	1.6
North Dakota	347,202	58.2	9.0	5.4	18.5	1.9	0.1	7.1	0.7	2.7	5.1	114.9	4.6	1.2	9.3
Ohio	5,033,950	62.4	10.0	5.5	18.8	1.7	0.1	1.8	1.1	0.9	2.0	110.1	4.6	1.2	5.6
Oklahoma	1,995,125	64.6	10.5	5.5	17.7	2.1	0.2	(0.4)	0.9	0.1	0.5	113.8	4.6	1.2	3.9
Oregon	1,996,698	63.3	10.8	5.5	17.0	0.7	0.2	2.7	1.6	1.4	3.0	106.3	4.5	1.2	6.6
Pennsylvania	7,030,538	63.1	10.9	5.5	18.0	2.2	0.2	0.4	2.9	0.9	2.4	91.8	4.6	1.2	5.6
Rhode Island	672,229	70.2	11.7	5.5	16.0	2.3	1.5	(6.9)	2.6	(1.8)	(2.6)	95.1	4.5	1.2	1.0
South Carolina	2,558,983	70.0	10.9	5.5	17.3	2.9	0.3	(6.7)	1.1	(2.1)	(3.5)	111.6	4.6	1.2	(0.5)
South Dakota	381,317	71.9	11.3	5.4	18.6	2.7	0.2	(9.8)	1.1	(3.1)	(5.5)	110.2	4.6	1.2	(2.7)
Tennessee	2,848,121	82.0	13.5	5.5	16.8	2.2	0.2	(19.9)	1.1	(6.7)	(12.1)	112.0	4.6	1.2	(10.2)
Texas	13,481,405	63.4	10.4	5.5	17.9	1.9	0.3	0.8	0.5	0.4	0.9	120.1	4.6	1.2	4.4
Utah	1,292,168	59.2	9.7	5.5	18.1	2.3	0.2	5.4	1.4	2.2	4.6	107.4	4.6	1.2	8.3
Vermont	304,922	61.2	9.4	5.4	17.7	2.4	0.3	3.8	1.5	1.7	3.6	103.8	4.6	1.2	7.1
Virginia	4,164,607	64.2	10.6	5.5	15.5	2.7	0.7	1.1	1.3	0.7	1.6	109.6	4.5	1.2	5.2
Washington	3,737,695	60.8	11.0	5.5	16.7	2.1	0.4	3.9	2.3	1.9	4.2	98.6	4.6	1.2	7.6
West Virginia	1,106,472	56.9	9.8	5.5	17.7	4.1	0.1	6.3	1.4	2.6	5.2	106.1	4.6	1.2	8.9
Wisconsin	2,437,117	64.4	9.9	5.5	18.0	0.9	0.1	1.6	1.9	1.0	2.4	101.8	4.6	1.2	5.9
Wyoming	317,483	76.5	11.9	5.4	17.1	1.6	0.2	(12.4)	1.2	(4.0)	(7.2)	109.5	4.6	1.2	(4.5)
Guam	37,626	48.7	11.4	5.4	22.8	1.9	0.6	9.6	0.8	3.6	6.9	104.6	4.7	1.2	10.7
Puerto Rico	315,702	62.5	9.2	5.3	24.5	(0.1)	0.1	(1.3)	0.2	(0.4)	(0.7)	109.1	4.7	1.2	2.8
U.S. Virgin Islands	15,950	58.1	11.1	5.5	16.8	4.2	0.6	4.0	1.7	1.8	3.9	97.9	4.6	1.2	7.2
N Mariana Islands	1,168	33.2	10.7	5.5	19.0	1.3	0.2	30.4	1.1	10.9	20.6	106.1	4.6	1.2	25.3
Countrywide - Direct	165,539,030	67.3	11.7	5.5	17.1	2.2	0.4	(3.9)	2.3	(0.8)	(0.8)	98.0	4.6	1.2	2.6

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REQUIRED AND OPTIONAL ADDITIONAL COVERAGE

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Required Coverages

Personal Injury Protection (PIP)	Premium	PIP Deductibles	Premium
Benefits Limits (per person)		\$ 100	\$ 44.21
\$ 10,000	\$ 49.13	\$ 300	\$ 41.77
		\$ 500	\$ 36.84
		\$ 1,000	\$ 34.38
		Bodily Injury Liability Limits	Premium
		(per person/per accident/limits)	
		\$ 20,000/40,000/10,000 (basic)	\$ 80.69
		\$ 25,000/50,000/25,000	\$ 87.72
		\$ 35,000/100,000/25,000	\$ 92.10
		\$ 50,000/100,000/25,000	\$ 93.85
		\$ 100,000/300,000/50,000	\$ 103.50

Optional Coverages

Uninsured Motor Vehicle Coverage			Underinsured Motor Vehicle Coverage		
(per person/per accident)	Non-Stacking	Stacking	(per person/per accident)	Non-Stacking	Stacking
Non-Stacking and Stacking	Premium	Premium	Non-Stacking and Stacking	Premium	Premium
\$ 20,000/40,000 (basic)	\$ 9.60	\$ 11.20	\$ 20,000/40,000 (basic)	\$ 8.00	\$ 12.80
\$ 25,000/50,000	\$ 10.08	\$ 11.87	\$ 25,000/50,000	\$ 9.36	\$ 14.98
\$ 35,000/100,000	\$ 11.52	\$ 13.44	\$ 35,000/100,000	\$ 13.04	\$ 21.50
\$ 50,000/100,000	\$ 11.81	\$ 13.89	\$ 50,000/100,000	\$ 14.88	\$ 25.30
\$ 100,000/300,000	\$ 13.63	\$ 16.02	\$ 100,000/300,000	\$ 28.08	\$ 46.50
Wage Loss Coverage			Death Benefits Coverage		
(Maximum Benefit per Month)	Premium			Premium	
\$ 500/3,000	\$ 10.00		\$ 25,000	\$ 4.00	
\$ 1,000/6,000	\$ 20.00		\$ 50,000	\$ 8.00	
\$ 1,500/9,000	\$ 30.00		\$ 75,000	\$ 12.00	
\$ 2,000/12,000	\$ 40.00		\$ 100,000	\$ 16.00	
			Funeral Benefits Coverage		
			\$ 2,000	\$ 0.80	
			Alternative Care Coverage Limits		
			Max. \$75/visit for up to 30 visits.	\$ 29.39	



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REQUIRED & OPTIONAL ADDITIONAL COVERAGES

Today's Date: 01/15/13

POLICY NUMBER	POLICY PERIOD		CFN #	TERM
	FROM	TO		
NAMED INSURED AND ADDRESS			AGENT	

Hawaii Statutes require disclosure of the availability of required and optional coverages and deductibles. Refer to your policy declaration page(s) for your current coverages and both sides of this document for available coverages. If you want to change your coverage(s) or need further explanation please contact your DTRIC agent listed above.

REQUIRED COVERAGES

BODILY INJURY (BI)	LIMITS	PREMIUM	PROPERTY DAMAGE (PD)	LIMITS	PREMIUM
		\$20,000/\$40,000		\$42	
	\$25,000/\$50,000	\$46		\$15,000	\$67
	\$35,000/\$70,000	\$47		\$20,000	\$68
	\$50,000/\$100,000	\$48		\$30,000	\$69
	\$100,000/\$300,000	\$53		\$50,000	\$72

PERSONAL INJURY PROTECTION (PIP)	LIMITS	Deductible					
		No Deductible	\$100	\$300	\$500	\$1,000	\$2,000
	\$10,000	\$46	\$42	\$37	\$33	\$29	\$24

OR	LIMITS	Co-Payment		
		10%	20%	30%
	\$10,000	\$42	\$37	\$32

OPTIONAL COVERAGES

UNINSURED MOTORISTS (UM)	LIMITS	STACKED Premium	NON-STACKED Premium
		\$20,000/\$40,000	\$14
	\$25,000/\$50,000	\$16	\$16
	\$35,000/\$70,000	\$18	\$18
	\$50,000/\$100,000	\$29	\$29
	\$100,000/\$300,000	\$35	\$35

UNDERINSURED MOTORISTS (UIM)	LIMITS	STACKED Premium	NON-STACKED Premium
		\$20,000/\$40,000	\$2
	\$25,000/\$50,000	\$3	\$3
	\$35,000/\$70,000	\$4	\$4
	\$50,000/\$100,000	\$11	\$11
	\$100,000/\$300,000	\$16	\$16



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Coverage	Limits	Premium
<u>Bodily Injury Liability(BI)</u>	\$50,000/\$100,000	\$43.30
<u>Property Damage Liability(PD)</u>	\$10,000	\$50.70
<u>Personal Injury Protection Coverage</u>		\$25.10
<u>Personal Injury Protection(PIP)</u>	\$10,000/\$1,000 deductible	
<u>Additional Personal Injury Protection Coverage</u>		N/A
<u>Additional Personal Injury Protection(APIP)</u>	<input type="checkbox"/> I decline	
<u>Uninsured Motorist Coverage</u>		
Cannot be higher than your Bodily Injury (BI) limit		
<u>Stacked</u>	\$20,000/\$40,000	\$11.40
<u>Underinsured Motorist Coverage</u>		
Cannot be higher than your Bodily Injury (BI) limit		
<u>Stacked</u>	\$20,000/\$40,000	\$15.90
<u>Funeral Expense and Death Benefit</u>	<input type="checkbox"/> I decline	N/A
<u>Wage Loss Benefits</u>	<input type="checkbox"/> I decline	N/A
<u>Comprehensive(COMP)</u>		
2001 HONDA ACCORD EX <u>Collision(COLL)</u>	<input type="checkbox"/> I decline	N/A
2001 HONDA ACCORD EX <u>Emergency Road Service(ERS)</u>	<input type="checkbox"/> I decline	N/A
Requires Comprehensive or Collision		
2001 HONDA ACCORD EX <u>Rental Reimbursement(RR)</u>	<input type="checkbox"/> I decline	N/A
Requires Comprehensive		
2001 HONDA ACCORD EX	<input type="checkbox"/> I decline	N/A

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Coverage	Limits	Premium
<u>Bodily Injury Liability (BI)</u>	\$20,000/\$40,000	\$33.40
<u>Property Damage Liability (PD)</u>	\$10,000	\$50.70
<u>Personal Injury Protection Coverage</u>		\$25.10
<u>Personal Injury Protection (PIP)</u>	\$10,000/\$1,000 deductible	
<u>Additional Personal Injury Protection Coverage</u>		N/A
<u>Additional Personal Injury Protection (APIP)</u>	decline	
<u>Uninsured Motorist Coverage</u>		
Cannot be higher than your Bodily Injury (BI) limit		
<u>Stacked</u>	\$20,000/\$40,000	\$11.40
<u>Underinsured Motorist Coverage</u>		
Cannot be higher than your Bodily Injury (BI) limit		
<u>Stacked</u>	\$20,000/\$40,000	\$15.90
<u>Funeral Expense and Death Benefit</u>	decline	N/A
<u>Wage Loss Benefits</u>	decline	N/A
<u>Comprehensive (COMP)</u>		
2001 HONDA ACCORD EX	decline	N/A
<u>Collision (COLL)</u>		
2001 HONDA ACCORD EX	decline	N/A
<u>Emergency Road Service (ERS)</u>		
Requires Comprehensive or Collision		
2001 HONDA ACCORD EX	decline	N/A
<u>Rental Reimbursement (RR)</u>		
Requires Comprehensive		
2001 HONDA ACCORD EX	decline	N/A

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Property Casualty Insurers
Association of America

Advocacy. Leadership. Results.

To: The Honorable Senator Rosalyn H. Baker, Chair
Senate Committee on Commerce and Consumer Protection

From: Mark Sektnan, Vice President

Re: **SB 1266 – Relating to Motor Vehicle Insurance**
PCI Position: Oppose

Date: Wednesday, February 13, 2013
8:30 a.m., Conference Room 229

Aloha Chair Baker and Members of the Committee:

The Property Casualty Insurers Association of America (PCI) respectfully opposes SB 1266 which would increase the auto insurance minimum liability limits because it is unnecessary and would adversely impact a large percentage 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, SB 1266 proposes to raise the state's motor vehicle insurance financial responsibility (FR) limits from \$20K/\$40K/\$10K to \$50K/\$100K/\$10K. While greater amounts of BI liability coverage would be available, implementing higher FR limits also means consumers have to pay more.

- SB 1266 would give Hawaii the highest FR limits in the nation.
- Over 70% of existing claims result in bodily injury claims under \$14,500. The current minimum of \$20,000 is more than adequate to handle the majority of claims.
- SB 1266 could result in higher insurance rates for almost 30% 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 24th highest to 31st highest over the last five years. SB 1266 could lead to an increase in the uninsured motorist population.
- Drivers should be able to choose their own FR limits. SB 1266 could very well lead to much higher prices for unnecessary coverage.

Given today's economic crisis, 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 the committee to hold the bill in committee.

Attachment



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**ANALYSIS OF HAWAII HB 690 AND SB 1266:
PROPOSAL TO RAISE THE MOTOR VEHICLE
FINANCIAL RESPONSIBILITY BODILY INJURY LIMITS**

Introduction – The Estimated Impact of HB 690 and SB 1266 on Auto Insurance Rates

Hawaii’s House Bill 690 and Senate Bill 1266 both propose to raise the state’s motor vehicle insurance financial responsibility (FR) bodily injury (BI) limits from \$20K/\$40K¹ to \$50K/\$100K. Neither bill affects the property damage (PD) liability limit of \$10K, which remains the same.

Based on the latest available data,² about one-fifth (20%) of insured drivers in Hawaii carry minimum limits. Another 10% of drivers have \$25K/\$50K limits. Hence, **at least 30% of the state’s insured drivers would be negatively affected by these bills.** While greater amounts of BI liability coverage would be available, implementing higher FR limits also means having to pay more. The amount of increase depends on the insurance carrier and their current limits.

To provide further insight on the effects of raising FR limits, the table below presents PCI’s estimated BI rate impact based on a leading insurer’s rates. If the FR limits had been raised to \$50K/\$100K, 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 66 percent, possibly paying anywhere from \$90 (in Kauai) to \$171 (in the Big Island) more a year depending on where they live.

If FR Limits Had Been Raised to \$50K/\$100K				
Estimated Annual BI Rate Increase For Policyholders With...				
	\$20K/\$40K Limits		\$25K/\$50K Limits	
	%	\$	%	\$
Honolulu	66%	\$154	41%	\$112
Maui	66%	\$150	41%	\$108
Kauai	66%	\$90	41%	\$65
Big Island	66%	\$171	41%	\$124

It should be noted that policyholders who already have higher BI limits of \$50K/\$100K or above **(about 70% of the state’s drivers) would not have been hurt by these bills. Only those with lower amounts would have been penalized** – these are typically the ones with less income and fewer assets. Raising the FR limits to \$50K/\$100K also would have meant a **loss in the ability to choose the BI coverage levels that best suit their needs.**

Raising FR Limits is Impractical and Unnecessary

Supporters of the bills 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 7 out of 10 (72%) of this state’s auto BI injury claims**

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

² Insurance Research Council (2007) closed claims data

resulted in total payments of \$12,500 or less.³ In 2013 dollars, this amount is about \$14,200, which is significantly lower than the current per-person FR limit of \$20,000. Therefore, raising the per-person FR limit to \$50,000 would only mean forcing a large portion of drivers to pay more for superfluous coverage.

The Estimated Impact of Raising F.R. Limits on Hawaii's U.M. Population Ranking

Hawaii's uninsured motorist population has been declining; its ranking has improved from 24th highest to 31st highest over the last five years.⁴ 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.

Rather than requiring those who can least afford higher limits to buy more coverage, it would have been more appropriate to allow these individuals to purchase the level of insurance they can afford rather than force them to go without coverage at all.

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 690 and SB 1266 is to reflect today's reality in terms of costs, then the FR limits should remain as they are. With \$50K/\$100K limits, Hawaii would have the highest BI financial responsibility limits in the nation, along with two other states (Alaska and Maine; Wisconsin repealed its FR limits of \$50K/\$100K in Feb. 2011). The current limits of \$20K/\$40K are appropriate for most people in Hawaii; those who want to have greater protection are certainly free to purchase higher limits.

In conclusion, had FR legislation already been passed, 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 – PCI respectfully requests that these bills be defeated. In this way, consumers can continue to have greater options in their auto insurance and at more affordable prices.

The Property Casualty Insurers Association of America (PCI) is a national trade association consisting of more than 1,000 insurers of all sizes and types. Its members represent 39.6 percent of the total general insurance business and 45.8 percent of the total personal auto business in the nation. In Hawaii, PCI members represent 44.1 percent of the personal auto market.

³ Ibid.

⁴ Insurance Research Council, *Uninsured Motorists*, 2011 edition

TESTIMONY OF ALISON POWERS

SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Rosalyn H. Baker, Chair
Senator Brickwood Galuteria, Vice Chair

Wednesday, February 13, 2013
8:30 a.m.

SB 1266

Chair Baker, Vice Chair Galuteria, 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 presents comments on this bill. This bill increases the minimum bodily injury liability limits in Section 431:10C-301(b)(1) of \$20,000 per person and \$40,000 per accident to \$50,000 per person and \$100,000 per accident. Increasing the minimum bodily injury liability limits would also increase the minimum liability limits for uninsured motorist and underinsured motorist coverages. The \$50,000 per person and \$100,000 per accident coverage option is currently available to those who wish to purchase it under all three coverages. If mandated for all vehicle owners, this change would increase the cost of a minimum limits motor vehicle insurance policy.

Thank you for the opportunity to testify.

**SENATE COMMITTEE ON
COMMERCE AND CONSUMER PROTECTION**

February 13, 2013

Senate Bill 1266 Relating to Motor Vehicle Insurance

Chair Baker and members of the Senate Committee on Commerce and Consumer Protection, I am Rick Tsujimura, representing State Farm Mutual Automobile Insurance Company (State Farm). State Farm opposes Senate Bill 1266 Relating to Motor Vehicle Insurance which increases the coverage for bodily injury.

While Hawaii has seen some modest improvement in its economy, the unilateral increase of bodily injury limits we believe 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 Senate Bill 1266 and ask that it be held.

Thank you for the opportunity to present this testimony.

**Testimony of
Gary M. Slovin / Mihoko E. Ito
on behalf of
EAN Holdings, LLC**

DATE: February 13, 2013

TO: Senator Rosalyn H. Baker
Chair, Committee on Commerce and Consumer Protection
Submitted Via CPNTestimony@Capitol.hawaii.gov

RE: **S.B. 1266 – Relating to Motor Vehicle Insurance**
Hearing Date: Wednesday, February 13, 2013 at 8:30am
Conference Room: 229

Dear Chair Baker and Members of the Committee Commerce and Consumer Protection:

We submit this testimony on behalf of EAN Holdings, LLC, operating Enterprise Rent-A-Car, Alamo Rent-A-Car and National Car Rental in Hawaii (collectively referred to as “Enterprise”).

Enterprise is in **opposes** S.B. 1266, which increases the minimum liability coverage from \$20,000 to \$50,000 per person and the aggregate limit from \$40,000 to \$100,000 per accident for motor vehicle insurance policies.

This measure would make Hawaii’s minimum liability coverage limits among the highest in the nation. Increasing the minimum limits will raise insurance premiums; thereby increasing the likelihood that insurance will become unaffordable for more drivers, and increasing the number of uninsured drivers on the road.

Enterprise is responsible for providing the minimum limits for a rental customer who has no insurance. If the rental customer is insured, but with insufficient limits, then Enterprise is responsible for the difference between the rental customer’s policy and the minimum limits.

Increasing the minimum limits increases Enterprise’s financial responsibilities in the case of an accident. A higher risk of financial exposure raises their operating costs, and

Gary M. Slovin
Mihoko E. Ito
Christine Ogawa Karamatsu
Tiffany N. Yajima
Nicole A. Valasco

1099 Alakea Street, Suite 1400
Honolulu, HI 96813
(808) 539-0840

therefore their rental rates, to cover these costs accordingly. Raising the cost of a rental car would price many potential customers out of the market.

In the case of Enterprise, in addition to their airport locations, they have the largest number of neighborhood rental locations in the industry. These locations often serve the local communities they are located in. If rental rates were increased in order to cover these higher minimum limits, many residents who want to rent a car when they are doing business, who visit family and friends on another island, or who need a replacement vehicle for their own car in the shop, would be unable to afford the cost of a rental.

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

**Testimony of
Gary M. Slovin / Mihoko E. Ito
on behalf of
USAA**

DATE: February 13, 2013

TO: Senator Rosalyn H. Baker
Chair, Committee on Commerce and Consumer Protection
Submitted Via CPNTestimony@Capitol.hawaii.gov

RE: **S.B. 1266 – Relating to Motor Vehicle Insurance**
Hearing Date: Wednesday, February 13, 2013 at 8:30am
Conference Room: 229

Dear Chair Baker and Members of the Committee Commerce and Consumer Protection:

We submit this testimony on behalf of USAA, a diversified financial services company, who 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** S.B. 1266, which increases the minimum bodily injury motor vehicle insurance to \$50,000 for bodily injury or death to one person and \$100,000 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.

Gary M. Slovin
Mihoko E. Ito
Christine Ogawa Karamatsu
Tiffany N. Yajima
Nicole A. Velasco

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

TIMOTHY M. DAYTON, CPCU, GENERAL MANAGER

711 Kapiolani Blvd., Suite 300 ■ Honolulu, HI 96813-5238

Direct: (808) 593-1875

■ FAX (808) 593-1876

■ Email: tdayton@geico.com

■ Cell: (808) 341-9252

Senate Committee on Commerce & Consumer Protection

Conference Room 229, State Capitol

Wednesday, February 13, 2013, 8:30 a.m.

Senate Bill Number 1266; RELATING TO MOTOR VEHICLE INSURANCE

Chair Baker, Vice Chair Galuteria, and Members of the Committee:

My name is Timothy Dayton general manager for GEICO, Hawaii's largest auto insurer.

GEICO opposes Senate Bill Number 1266 which would increase the minimum financial responsibility limits to \$50,000 per person and the aggregate limit to \$100,000. Hawaii consumers want and need affordable automobile insurance. This proposal would increase the costs to comply with the law to have personal automobile coverage. GEICO believes that the primary reason that the number of uninsured motorists in Hawaii is not higher is because the costs to comply with the current law are relatively affordable. Having higher limits would increase the cost to comply, and would leave more people completely uninsured than exist today.

Any measure raising the financial responsibility limits should not be enacted without corresponding reforms that would offset the increase in premiums. Such reforms would include: elimination of the profiteering of a small number of doctors and out-of-state drug re-packagers who are placing stress upon the cost of Personal Injury Protection coverage (PIP), an equitable limitation on the currently unlimited charges for emergency services under PIP coverage, inclusion of massage therapy in the chiropractic limitations for PIP and reform of the current law regarding stacking of coverage or else elimination of the mandatory nature of the Uninsured

and Underinsured Motorists coverages, making both coverages available but completely optional similar to collision coverage.

GEICO recommends that the bill and any possible reforms be studied in the interim, and would be willing to serve on an interim study committee if requested.

This measure is bad for Hawaiians who carry insurance, and would make it more difficult for Hawaiian insurance consumers who can barely afford insurance coverage to continue coverage.

GEICO respectfully urges the Committee to hold Senate Bill 1266 and to study the issues in an interim committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy M. Dayton", with a long horizontal flourish extending to the right.

Timothy M. Dayton, CPCU

**TESTIMONY OF BERT SAKUDA
IN SUPPORT OF S.B. NO. 1266**

Date: Wednesday, Feb 13, 2013

Time: 8:30 am

To: Chairperson Rosalyn Baker and Members of the Senate Committee on Commerce and Consumer Protection:

My name is Bert Sakuda and I am submitting testimony in support of S.B. No. 1266, relating to motor vehicle insurance. I am an attorney who has automobile insurance and accident cases for over 30 years.

This measure increases the minimum automobile liability limit for bodily injuries from \$20,000/\$40,000 (per person/per accident) to \$50,000/\$100,000. It is similar to HB 1688 which was passed by the House Transportation and Consumer Protection committees last session.

Testimony from industry representatives last year claimed that a statutory increase would lead to large premium increases of as much as \$100 - \$200 for consumers. As a result, we have collected data from major Hawaii insurers to examine the actual cost of liability insurance in Hawaii. The actual cost of the increase proposed in this measure is minimal.

Actual quotes were obtained from GEICO, one of Hawaii's largest auto insurers, whose rates are on the lower end. The increase in premiums for \$50,000/\$100,000 was \$9.90 semi-annually (\$19.80 per year). The increase to \$25,000/\$50,000 was \$2.60 semi-annually. The increase to \$100,000/\$300,000 was \$17.20 semi-annually.

State Farm, another market leader in Hawaii, has rates that fall in the mid-range. Actual existing policies are attached to show the cost of the increase for State Farm policies. A State Farm policy currently in effect to June 2013 contains minimum \$20,000/\$40,000 bodily injury plus \$10,000 property damage liability coverages for \$89.36 semi-annually. The same person has another car insured by State Farm with \$250,000/\$500,000 bodily injury and \$100,000 property damage coverage with a premium of \$106.34. The additional \$550,000 of coverage cost only \$16.98 (\$230,000 per person/\$460,000 per accident bodily injury, plus additional \$90,000 property damage).

On another actual policy, State Farm quoted an increase of \$13.16 semi-annually for the increase from \$20,000/\$40,000 to \$50,000/\$100,000. An increase to \$100,000/\$300,000 cost just \$22.81 semi-annually more than the minimum limits.

DTRIC has a smaller but growing market share with increased television and print advertising in recent years. The additional cost of \$50,000/\$100,000 at DTRIC is \$6 semi-annually. \$100,000/300,000 costs just \$11 more than \$20,000/\$40,000. These are current rates received on an actual policy renewal this month.

Some insurers quote premiums as percentage increases rather than in dollars. The popular AARP Hartford policy quotes the increase to \$50,000/\$100,000 at 15% more than the current minimum \$20,000/\$40,000. Although benefits are increased two and half times premiums are increased by only 15%.

In the past, industry representatives have indicated that around half of all policies already carry higher limits. This means that about half of auto policies will see no effect from an increase since they already carry increased limits.

Those carrying minimum limits may be assessed rates different from those quoted above. Someone with DUI or speeding tickets and multiple accidents will pay more. Someone with a high performance sports car may pay more. Someone with both auto and homeowners insurance with the same company may pay less due to discounts. Someone with an accident free record may pay less. So, yes any given policy may be charged more or less. But the consistency of the low rates for \$50,000/\$100,000 by major auto insurers demonstrates that the actuarial cost of additional coverage for responsible drivers is small for a substantial increase in benefits.

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.

SB1266 Testimony

Submitted By	Organization	Testifier Position	Present at Hearing
Troy Abraham	Individual	Support	No