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OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

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TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

TWENTY-SEVENTH LEGISLATURE
Regular Session of 2013

Monday, March 18, 2013
2 p.m.

**TESTIMONY ON SENATE BILL NO. 495, S.D. 2, H.D. 1 – RELATING TO
INSURANCE.**

TO THE HONORABLE ANGUS McKELVEY, 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, with requested amendments.

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).

The H.D. 1: (1) added a new purpose for the Working Group; (2) reinstated the
proposed motor vehicle insurance verification program special fund, which takes effect
on January 1, 2014, and requires the Department to implement the program on January
1, 2015; (3) deleted the increase to the motor vehicle registration fee; (3) reduced the
fine for the first offense for driving without motor vehicle insurance from \$500 to \$125;
(4) removed the court’s discretion to suspend the fine in Hawaii Revised Statutes §
431:10C-117(a)(2)(B), where the defendant shows proof of current motor vehicle

insurance; and (5) allocated to the special fund the first \$25 of fines imposed. The H.D. 1 contains a defective effective date of July 1, 2050.

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 group to assist in the development of the program; and a motor vehicle insurance verification special fund to fund the program.

In section 1 on page 1, line 16, the Department respectfully requests amending the language in (b)(1)(A) to permit "guidance" rather than "adherence" to industry standards set forth by the Insurance Industry Committee on Motor Vehicle Administration.

With respect to funding of the motor vehicle insurance verification program in section 2, the motor vehicle registration fee increase was deleted and the first \$25 of fines from HRS § 431:10C-117 are allocated to the program's special fund. The Department estimates that development and operation of the program by a third-party vendor may cost \$1,000,000 per year.

The Department respectfully requests increasing the minimum fine in HRS § 431:10C-117(a)(2)(A) on page 16, line 5, from \$100 to \$125 and deleting the change to the \$500 fine for conviction of the first offense on page 16, line 11, to read as follows:

(2) Notwithstanding any provision of the Hawaii Penal Code:

- (A) Each violation shall be deemed a separate offense and shall be subject to a fine of not less than [~~\$100~~] \$125 nor more than \$5,000 which shall not be suspended [~~except as provided in subparagraph (B)~~]; and
- (B) If the person is convicted of not having had a motor vehicle insurance policy in effect at the time the citation was issued, the fine shall be \$500 for the first offense and a minimum of \$1,500 for each subsequent offense that occurs within a five-year period from any prior offense;

We thank the Committee for the opportunity to submit testimony on this matter and ask for your favorable consideration.

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
ON
SENATE BILL NO. 495, S.D. 2, H.D. 1

March 18, 2013

RELATING TO INSURANCE

Senate Bill No. 495, S.D. 2, H.D. 1, adopts the recommendations of the Insurance Verification Working Group and establishes within the State treasury the Motor Vehicle Insurance Verification Special Fund to develop and operate the motor vehicle insurance verification program to be administered by the Department of Commerce and Consumer Affairs (DCCA).

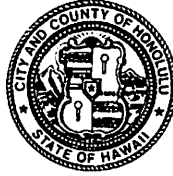
While the Department of Budget and Finance appreciates the intent of the bill to establish the motor vehicle insurance verification program, we defer to DCCA regarding the technical issues and merits of the bill.

However, as a matter of general policy, the department does not support the creation of any special fund which does not meet the requirements of Section 37-52.3, HRS. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. In regards to Senate Bill No. 495, S.D. 2, H.D. 1, it is difficult to determine whether the proposed source of revenues will be self-sustaining.

We encourage the Legislature to scrutinize the fiscal and operational plan for this program to ensure that it does conform to the requirements of Section 37-52.3, HRS.

DEPARTMENT OF CUSTOMER SERVICES
CITY & COUNTY OF HONOLULU
DIVISION OF MOTOR VEHICLE, LICENSING AND PERMITS
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KIRK CALDWELL
MAYOR



SHERI T. KAJIWARA
DIRECTOR DESIGNATE

DENNIS A. KAMIMURA
LICENSING ADMINISTRATOR

March 15, 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: S.B. No. 495 SD2 HD1, Relating to Insurance

The City and County of Honolulu is in favor of S.B. No. 495 SD2 HD1 relating to the establishment and funding for a motor vehicle insurance verification program.

We recommend that Section 1(b)(1)(A) be amended by not mandating adherence to the Insurance Industry Committee on Motor Vehicle Administration's (IICMVA) standards but using the IICMVA model as a guide.

The City and County of Honolulu urges your favorable action on S.B. No. 495 SD2 HD1, 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 L.K. McKelvey, Chair
House Committee on Consumer Protection & Commerce

From: Mark Sektnan, Vice President

Re: **SB 495 SD2 HD1 – Relating to Insurance**
PCI Position: Support

Date: Monday, March 18, 2013
2:30 p.m., Conference Room 325

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

The Property Casualty Insurers Association of America (PCI) supports SB 495 SD2 HD1 which represents the most efficient and effective way for addressing Hawaii's uninsured motorist (UM) problem.

SB 495 SD2 HD1 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**.

For all of the foregoing reasons, PCI requests the committee pass this bill. Thank you for your consideration of this request.

TESTIMONY OF ALISON POWERS

HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Representative Angus L.K. McKelvey, Chair
Representative Derek S.K. Kawakami, Vice Chair

March 13, 2013
2:30 p.m.

SB 495, SD2, HD1

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 supports this bill. HIC's representative Mike Onofrietti was a member of the Insurance Verification Working Group established by the 2012 Legislature that met over the interim on this issue. We support SB 495, SD2, HD1 because we believe that this bill contains many consensus issues that the working group spent much time vetting.

Some of these provisions include adherence to established industry standards for real-time automotive liability insurance verifications as prescribed by the Insurance Industry Committee on Motor Vehicle Administration (IICMVA); exploring ways to exclude commercial vehicles from the program; creation of appropriate benchmarking criteria and reporting requirements to determine program efficacy; and a sunset date five years from its implementation. In addition, this amendment further refines the bill by funding it solely through citations rather than increased registration fees, increases the minimum fine by \$25, and makes the fine or community service mandatory.

Thank you for the opportunity to testify.