PCI

Property Casualty Insurers
Association of America

Advocacy. Leadership. Results.

To: The Honorable David Y. Ige, Chair
              The Honorable Michelle Kidani, Vice Chair
              Senate Committee on Ways and Means

From: Mark Sektnan, Vice President

Re: **SB 495 SD1 – Relating to Insurance**
              PCI Position: Support

Date: Friday, February 22, 2013
              9:00 a.m., Conference Room 211

Aloha Chair Ige, Vice Chair Kidani and Members of the Committee:

The Property Casualty Insurers Association of America (PCI) supports SB 495 SD1.

SB 495 SD1 incorporates the recommendations of the Hawaii Insurance Verification Working Group, of which PCI was a member, met several times last during the interim period to survey 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the time it takes to process and upload data it is not uncommon for databases to contain data that is at least 60 days out-of date), web services provides for access to insurers' own information and thus provides for real time verification.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 support the SD 1 amendments to have the working group consider exemptions for motor vehicles insured by commercial lines polices from the program and for granting smaller carriers, those with less than 500 policies, an alternative method of participating in 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. For the smaller carriers, 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 that the committee pass this bill. Thank you for your consideration of this request.