
A BILL FOR AN ACT

RELATING TO INSURANCE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 PART I

2 SECTION 1. (a) There is established a working group to
3 assist in the development of a program to identify uninsured
4 motor vehicles in the State using web-based technology. The
5 working group shall be attached to the department of commerce
6 and consumer affairs for administrative purposes.

7 (b) The purpose of the working group, as described in
8 subsection (c), shall be to provide recommendations regarding:

9 (1) The development of a request for proposals from
10 qualified vendors to perform all services necessary to
11 develop and operate the motor vehicle insurance
12 verification program; provided that the program shall
13 include the following:

14 (A) Adherence to established industry standards for
15 real-time automotive liability insurance
16 verifications, as prescribed by the Insurance
17 Industry Committee on Motor Vehicle
18 Administration;



- 1 (B) Sending of notification letters to uninsured
- 2 motorists, specifically targeting repeat
- 3 offenders, with additional checks;
- 4 (C) Providing for suspension of motor vehicle
- 5 registration upon failure to respond to
- 6 notification letters; and
- 7 (D) Implementation of the program by January 1, 2015;
- 8 (2) The selection of a qualified vendor;
- 9 (3) Ways to exclude commercial vehicles from the motor
- 10 vehicle insurance verification program;
- 11 (4) Providing for an alternative means for small insurers
- 12 to fulfill reporting requirements; and
- 13 (5) Appropriate benchmarking criteria and reporting
- 14 requirements to determine program efficacy and measure
- 15 the proportion of uninsured motor vehicles to insured
- 16 motor vehicles.
- 17 (c) The working group shall comprise the following members
- 18 or the members' designee:
- 19 (1) The insurance commissioner;
- 20 (2) The deputy chief court administrator of the district
- 21 court of the first circuit;



- 1 (3) The court administrator of the traffic violations
- 2 bureau of the district court of the first circuit;
- 3 (4) The administrator of the motor vehicle and licensing
- 4 division of the city and county of Honolulu;
- 5 (5) A representative of the Honolulu police department,
- 6 traffic division;
- 7 (6) A representative of the Hawaii Insurers Council;
- 8 (7) A representative of the Property Casualty Insurers
- 9 Association of America;
- 10 (8) A representative of the department of information
- 11 technology of the city and county of Honolulu;
- 12 (9) A representative of the commerce and economic
- 13 development division of the department of the attorney
- 14 general; and
- 15 (10) Other members, as deemed appropriate by the chair of
- 16 the working group.

17 The insurance commissioner shall serve as chair of the working
18 group.

19 (d) The working group shall cease to exist on January 1,
20 2015.



1 PART II

2 SECTION 2. The Hawaii Revised Statutes is amended by
3 adding a new section to be appropriately designated and to read
4 as follows:

5 "§ -A Motor vehicle insurance verification program. (a)
6 The department of commerce and consumer affairs shall develop
7 and operate a program to identify uninsured motor vehicles in
8 the State.

9 (b) The allocated portion of motor vehicle registration
10 fees provided for by section 249-31 shall be deposited by the
11 director of finance, as defined in section 249-1, to the credit
12 of the compliance resolution fund established pursuant to
13 section 26-9(o). The allocated portion of fines provided for by
14 section 431:10C-117 shall be deposited into the general fund."

15 SECTION 3. Section 249-31, Hawaii Revised Statutes, is
16 amended to read as follows:

17 "§249-31 State registration fee. (a) All vehicles and
18 motor vehicles in the State as defined in section 249-1,
19 including antique motor vehicles, except as otherwise provided
20 in sections 249-4 and 249-6, shall be subject to a [\$45]
21 \$ _____ annual vehicle registration fee. The fee shall be
22 paid each year together with all other taxes and fees levied by



1 this chapter on a staggered basis as established by each county
2 as authorized by section 286-51, and the state registration for
3 that county shall likewise be staggered so that the state
4 registration fee is due and payable at the same time and shall
5 be collected together with the county fee. The state
6 registration fee shall be deemed delinquent if not paid with the
7 county registration fee. The respective counties shall collect
8 this fee together with the vehicle registration tax collected
9 for the county and shall transfer the moneys collected under
10 this section to the State.

11 (b) From each annual motor vehicle registration fee, the
12 director shall deposit \$40 into the state highway fund [~~and~~], \$5
13 into the emergency medical services special fund[~~-~~], and
14 \$ into the compliance resolution fund."

15 SECTION 4. Section 431:10C-117, Hawaii Revised Statutes,
16 is amended by amending subsection (a) to read as follows:

17 "(a) (1) Any person subject to this article in the
18 capacity of the operator, owner, or registrant of a
19 motor vehicle operated in this State, or registered in
20 this State, who violates any applicable provision of
21 this article, shall be subject to citation for the
22 violation by any county police department in a form



1 and manner approved by the traffic violations bureau
2 of the district court of the first circuit;

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

5 (A) Each violation shall be deemed a separate offense
6 and shall be subject to a fine of not less than
7 \$100 nor more than \$5,000 which shall not be
8 suspended except as provided in subparagraph (B);
9 and

10 (B) If the person is convicted of not having had a
11 motor vehicle insurance policy in effect at the
12 time the citation was issued, the fine shall be
13 \$500 for the first offense and a minimum of
14 \$1,500 for each subsequent offense that occurs
15 within a five-year period from any prior offense;
16 provided that the judge:

17 (i) Shall have the discretion to suspend all or
18 any portion of the fine if the defendant
19 provides proof of having a current motor
20 vehicle insurance policy; provided further
21 that upon the defendant's request, the judge
22 may grant community service in lieu of the



1 fine, of not less than seventy-five hours
2 and not more than one hundred hours for the
3 first offense, and not less than two hundred
4 hours nor more than two hundred seventy-five
5 hours for the second offense; and

6 (ii) May grant community service in lieu of the
7 fine for subsequent offenses at the judge's
8 discretion;

9 (3) In addition to the fine in paragraph (2), the court
10 shall either:

11 (A) Suspend the driver's license of the driver or of
12 the registered owner for:

13 (i) Three months for the first conviction; and

14 (ii) One year for any subsequent offense within a
15 five-year period from a previous offense;

16 provided that the driver or the registered owner
17 shall not be required to obtain proof of
18 financial responsibility pursuant to section
19 287-20; or

20 (B) Require the driver or the registered owner to
21 keep a nonrefundable motor vehicle insurance
22 policy in force for six months;



1 (4) Any person cited under this section shall have an
2 opportunity to present a good faith defense, including
3 but not limited to lack of knowledge or proof of
4 insurance. The general penalty provision of this
5 section shall not apply to:

6 (A) Any operator of a motor vehicle owned by another
7 person if the operator's own insurance covers
8 such driving;

9 (B) Any operator of a motor vehicle owned by that
10 person's employer during the normal scope of that
11 person's employment; or

12 (C) Any operator of a borrowed motor vehicle if the
13 operator holds a reasonable belief that the
14 subject vehicle is insured;

15 (5) In the case of multiple convictions for driving
16 without a valid motor vehicle insurance policy within
17 a five-year period from any prior offense, the court,
18 in addition to any other penalty, shall impose the
19 following penalties:

20 (A) Imprisonment of not more than thirty days;

21 (B) Suspension or revocation of the motor vehicle
22 registration plates of the vehicle involved;



1 (C) Impoundment, or impoundment and sale, of the
2 motor vehicle for the costs of storage and other
3 charges incident to seizure of the vehicle, or
4 any other cost involved pursuant to section
5 431:10C-301; or

6 (D) Any combination of those penalties; ~~and~~

7 (6) Any violation as provided in subsection (a)(2)(B)
8 shall not be deemed to be a traffic infraction as
9 defined by chapter 291D[-]; and

10 (7) \$ _____ of any fine imposed under this subsection
11 shall be deposited into the general fund."

12 PART III

13 SECTION 5. Section 286-26, Hawaii Revised Statutes, is
14 amended to read as follows:

15 "**§286-26 Certificates of inspection.** (a) The following
16 vehicles shall be certified as provided in subsection (e) once
17 every year:

18 (1) Trucks, truck-tractors, semitrailers, and pole
19 trailers having a gross vehicle weight rating of more
20 than 10,000 pounds;

21 (2) Buses;



1 (3) Rental or U-drive motor vehicles two years of age or
2 older; and

3 (4) Taxicabs.

4 Ambulances shall be certified as provided in subsection (e) once
5 every six months.

6 (b) All other vehicles, including motorcycles, trailers,
7 semitrailers, and pole trailers having a gross vehicle weight
8 rating of 10,000 pounds or less, and antique motor vehicles as
9 defined in section 249-1, except those in subsections (c) and
10 (d), shall be certified as provided in subsection (e) every
11 twelve months; provided that any vehicle to which this
12 subsection applies shall not require inspection within two years
13 of the date on which the vehicle was first sold.

14 (c) Any vehicle that has been involved in an accident
15 shall be certified as provided in subsection (e) before it is
16 operated again if:

17 (1) It is determined by a police officer or an insurer
18 that the vehicle's equipment has been damaged so as to
19 render the vehicle unsafe; or

20 (2) It is rebuilt or restored.

21 (d) Every vehicle shall be certified prior to the issuance
22 of a temporary or permanent registration by the director of



1 finance and prior to the transfer of any registration; provided
2 that this requirement shall not apply to a subsequent transfer
3 of registration in a vehicle that carries a current certificate
4 of inspection.

5 (e) Upon application for a certificate of inspection to be
6 issued for a vehicle, an inspection as prescribed by the
7 director under subsection (g) shall be conducted on the vehicle,
8 and if the vehicle is found to be in a safe operating condition,
9 a certificate of inspection shall be issued upon payment of a
10 fee to be determined by the director. [~~The certificate shall~~
11 ~~state the effective date, the termination date, the name of the~~
12 ~~issuing insurance carrier, and the policy number of the motor~~
13 ~~vehicle insurance identification card for the inspected motor~~
14 ~~vehicle as specified by section 431:10C-107 or state the~~
15 ~~information contained in the proof of insurance card as~~
16 ~~specified by section 431:10G-106.] A sticker, authorized by the
17 director, shall be affixed to the vehicle at the time a
18 certificate of inspection is issued. An inspection sticker
19 which has been lost, stolen, or destroyed shall be replaced
20 without reinspection by the inspection station that issued the
21 original inspection sticker upon presentation of the vehicle's
22 current certificate of inspection; provided that the current~~



1 certificate of inspection and inspection sticker shall not have
2 expired at the time the replacement is requested. The director
3 shall adopt rules to determine the fee for replacement of lost,
4 stolen, or destroyed inspection stickers.

5 (f) The operator of an official inspection station shall
6 pay, from the fee in subsection (e), an amount to be determined
7 by rules adopted pursuant to chapter 91 to the director of
8 transportation. This amount shall be expended only for
9 administration and enforcement of the periodic motor vehicle
10 inspection program. The funds collected pursuant to this
11 subsection shall be deposited into the highway special fund.

12 (g) The director of transportation shall adopt necessary
13 rules for the administration of inspections and the issuance of
14 certificates of inspection.

15 (h) This section shall not apply to:

16 (1) Any motor vehicle which is covered by part XI,
17 governing safety of motor carrier vehicle operation
18 and equipment; provided that the rules adopted
19 pursuant to part IA impose standards of inspection at
20 least as strict as those imposed under subsection (g)
21 and that certification is required at least as often
22 as provided in subsections (a), (b), (c), and (d); and



1 (2) Aircraft servicing vehicles that are being used
2 exclusively on lands set aside to the department of
3 transportation for airport purposes.

4 ~~[(i) As part of the inspection required by this section,~~
5 ~~the owner of the vehicle to be inspected shall produce and~~
6 ~~display the motor vehicle insurance identification card for the~~
7 ~~inspected motor vehicle required by section 431:10C-107 or the~~
8 ~~proof of insurance card required by section 431:10G-106. If no~~
9 ~~card is displayed, then the sticker authorized by the director~~
10 ~~shall not be affixed to the vehicle and the certificate of~~
11 ~~inspection shall not be issued.]"~~

12 SECTION 6. Section 286-108, Hawaii Revised Statutes, is
13 amended by amending subsection (d) to read as follows:

14 "(d) As part of the examination required by this section,
15 ~~[the applicant for a driver's license shall produce and display~~
16 ~~a valid motor vehicle or liability insurance identification card~~
17 ~~for the motor vehicle required by sections 431:10C-107 and~~
18 ~~431:10G-106, when the applicant demonstrates the ability to~~
19 ~~operate a motor vehicle to the satisfaction of the examiner of~~
20 ~~drivers. If no valid motor vehicle or liability insurance~~
21 ~~identification card is displayed, the examiner of drivers shall~~
22 ~~not issue a driver's license to the applicant.] the examiner of~~



1 drivers shall confirm that the vehicle to be used by the
2 applicant to demonstrate the ability to operate a motor vehicle
3 is insured via the motor vehicle insurance verification program
4 established under section -A. If the motor vehicle
5 insurance verification program indicates that the vehicle is not
6 insured, the examiner of drivers shall not permit the applicant
7 to use the uninsured vehicle to demonstrate the ability to
8 operate a motor vehicle."

9 SECTION 7. Section 431:10C-107, Hawaii Revised Statutes,
10 is amended to read as follows:

11 **"§431:10C-107 Verification of insurance: motor vehicles.**

12 (a) Every insurer shall issue to its insureds a motor vehicle
13 insurance identification card for each motor vehicle for which
14 the basic motor vehicle insurance coverage is written. The
15 identification card shall contain the following:

- 16 (1) Name of make and factory or serial number of the motor
17 vehicle; provided that insurers of five or more motor
18 vehicles which are under common registered ownership
19 and used in the regular course of business shall not
20 be required to indicate the name of make and the
21 factory or serial number of each motor vehicle;

- 22 (2) Policy number;



1 (3) Names of the insured and the insurer; and

2 (4) Effective dates of coverage including the expiration
3 date.

4 (b) The identification card shall be in the insured motor
5 vehicle at all times and shall be exhibited to a law enforcement
6 officer upon demand.

7 ~~[(c) The identification card shall be resistant to forgery~~
8 ~~by whatever means appropriate. The commissioner shall approve~~
9 ~~the construction, form, and design of the identification card to~~
10 ~~ensure that the card is forgery resistant.~~

11 ~~+(d)]~~ (c) The commissioner shall issue a certificate of
12 self-insurance periodically, as necessary, for use in each motor
13 vehicle insured under section 431:10C-105.

14 ~~[(e)]~~ (d) The identification card issued by an insurer
15 shall not be issued for a period exceeding the period for which
16 premiums have been paid or earned; provided that this subsection
17 shall apply only to the first application of a person for a
18 motor vehicle insurance policy and shall not apply to
19 applications for commercial vehicles and fleet vehicles."

20 SECTION 8. Section 805-13, Hawaii Revised Statutes, is
21 amended by amending subsection (d) to read as follows:



1 "(d) Upon subsequent hearing ordered by the court or upon
2 the driver's or registered owner's motion, the court may, in its
3 discretion, terminate any judgment previously entered under
4 subsection (c) upon finding that the registered owner and the
5 driver, as applicable, have complied with chapter 287 with
6 respect to any prior accident as evidenced by a form properly
7 validated by a police department and:

8 (1) Complied with all requirements under chapter 431:10C
9 as evidenced by a motor vehicle insurance
10 identification card and the insurance policy issued by
11 a licensed insurer; or

12 (2) Complied with all requirements under chapter 431:10C
13 as evidenced by a certificate of self-insurance issued
14 by the insurance commissioner pursuant to section
15 [~~431:10C-107(d)~~] 431:10C-107(c)."

16 PART IV

17 SECTION 9. In codifying the new section added by section 2
18 of this Act, the revisor of statutes shall substitute an
19 appropriate section number for the letter used in designating
20 the new section in this Act.

21 SECTION 10. Statutory material to be repealed is bracketed
22 and stricken. New statutory material is underscored.

1 SECTION 11. This Act shall take effect on July 1, 2050;

2 provided that:

3 (1) Part III shall take effect on January 1, 2015; and

4 (2) This Act shall be repealed on June 30, 2020, and

5 sections 249-31, 286-26, 286-108(d), 431:10C-107,

6 431:10C-117(a), and 805-13(d), Hawaii Revised

7 Statutes, shall be reenacted in the form in which they

8 read on the day before the effective date of this Act.



Report Title:

Insurance Verification Working Group; Motor Vehicle Insurance;
Uninsured Motorists; Department of Commerce and Consumer Affairs

Description:

Implements the recommendations of the motor vehicle insurance verification working group. Establishes a working group attached to DCCA to assist in development of requests for proposals and vendor selection for a motor vehicle insurance verification program. Increases annual motor vehicle registration fee. Removes duplicative and unnecessary requirements for insurance identification cards and safety inspection requirements. Requires the allocated portion of motor vehicle registration fees to be deposited to the credit of the compliance resolution fund and the allocated portion of fines to be deposited into the general fund. Effective 07/01/2050. Sunsets 06/30/2020. (SD2)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.





The Judiciary, State of Hawaii

House Committee on Transportation
Representative Ryan I. Yamane, Chair
Representative Linda Ichiyama, Vice Chair

Wednesday, March 13, 2013, 10:30 a.m.
State Capitol, Conference Room 309

by
Calvin C. Ching
Deputy Chief Court Administrator
First Circuit

WRITTEN TESTIMONY ONLY

Bill No. and Title: Senate Bill No. 495, S.D.2, Relating to Insurance.

Purpose: Implements the recommendations of the motor vehicle insurance verification working group. Establishes a working group attached to DCCA to assist in development of requests for proposals and vendor selection for a motor vehicle insurance verification program. Increases annual motor vehicle registration fee. Removes duplicative and unnecessary requirements for insurance identification cards and safety inspection requirements. Requires the allocated portion of motor vehicle registration fees to be deposited to the credit of the compliance resolution fund and the allocated portion of fines to be deposited into the general fund. Effective 07/01/2050. Sunsets 06/30/2020.

Judiciary's Position:

The Judiciary supports the passage of Senate Bill No. 495, S.D. 2, Relating to Insurance. Passage of this bill would establish a working group and funding to develop an insurance verification program.

The Judiciary was not part of original insurance verification group that was established by the 2012 Legislature by Senate Concurrent Resolution 97. However, the Judiciary participated in the eight public meetings, initially as a guest and was subsequently voted in as a member by the working group.



Senate Bill No.495, S.D. 2, Relating to Insurance
House Committee on Transportation
Wednesday, March 13, 2013
Page 2

The Judiciary supports the intent of this measure and will be pleased to participate and further assist in the mission and objectives of the working group.

Thank you for the opportunity to testify on this bill.

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

March 8, 2013

The Honorable Ryan I. Yamane, Chair
and Members
Committee on Transportation
State House of Representatives
Hawaii State Capitol
514 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Yamane and Committee Members:

Subject: S.B. No. 495 SD2, Relating to Insurance

The City and County of Honolulu has concerns relating to several amendments proposed in S.B. No. 495 SD2 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.

In order to ensure that this program is self-sufficient, we are opposed to depositing the funds collected into the general fund and a fund not solely dedicated for the purpose of sustaining the program.

Finally, we are opposed to the reinstatement of a judge's discretionary authority to suspend a fine if the defendant later obtains insurance. Rather than the fund being funded by vehicle owners who abide by the insurance laws, we feel that the vehicle owners who violate the law should be paying for the majority of the operational cost for the program. A person who does not have insurance on a vehicle, operates the vehicle on public roads and is cited, should be required to provide verification of subsequently obtaining insurance and fined for not having insurance at the time of such a violation. The funds collected should be transferred to the dedicated funding for the operation of the program.

Sincerely,

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

Dennis A. Kamimura
Licensing Administrator



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 HOUSE COMMITTEE ON TRANSPORTATION

TWENTY-SEVENTH LEGISLATURE
Regular Session of 2013

Wednesday, March 13, 2013
10:30 a.m.

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

TO THE HONORABLE RYAN YAMANE, 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 S.D. 2: (1) substituted the “director of finance, as defined in section 249-1” for the director of commerce and consumer affairs in section 2; (2) directed that the allocation of fines from HRS § 431:10C-117 be deposited into the general fund; and (3) changed the effective date to July 1, 2050 from July 1, 2013 in section 11.

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, 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.

In section 2, the Department respectfully requests restoring the creation of the special fund that is dedicated to paying the expenses of this program, with a designated portion of the registration fees and fines deposited into the special fund as the means to finance this program. 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 restoring the amendments (section 8 of the original bill) to HRS § 431:10C-117(a)(2)(B), which provides the judge with discretionary authority to impose community service in lieu of the fine. The mandatory assessment of a monetary penalty for driving an uninsured motor vehicle is a key provision of this program. Only a real and severe penalty will deter the uninsured motorist. If the violator can avoid the penalty by purchasing insurance after-the-fact, there is no deterrence and allows uninsured drivers (who purchase insurance for the court date and thereafter cancel coverage) to continue to game the system.

In section 11, the Department respectfully requests restoring the effective date to July 1, 2013.

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

POLICE DEPARTMENT
CITY AND COUNTY OF HONOLULU

801 SOUTH BERETANIA STREET · HONOLULU, HAWAII 96813
TELEPHONE: (808) 529-3111 · INTERNET: www.honolulu.org

KIRK W. CALDWELL
MAYOR



LOUIS M. KEALOHA
CHIEF

DAVE M. KAJIHIRO
MARIE A. McCAULEY
DEPUTY CHIEFS

OUR REFERENCE **KK-GR**

March 13, 2013

The Honorable Ryan I. Yamane
and Members
Committee on Transportation
House of Representatives
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Yamane and Members:

Subject: Senate Bill No. 495, S.D. 2, Relating to Insurance

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

The HPD supports the passage of Senate Bill No. 495, S.D. 2, Relating to Insurance. This bill would take the recommendations of the working group that was created after the 2012 Legislative Session to study the feasibility of creating a motor vehicle insurance verification program with the goal of reducing the number of uninsured motorists on Hawaii's roadways. The HPD was a member of the working group that came up with the recommendations.

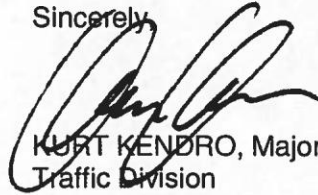
Creating a motor vehicle insurance verification program would provide law enforcement officers and other government agencies in Hawaii with instant confirmation on whether a vehicle was properly insured as required by law. Currently, there is no way to affirmatively verify when a motorist has the required insurance coverage other than by an insurance card. Law enforcement officers cannot verify if the insurance coverage has lapsed or been cancelled or in some cases, whether the insurance card is counterfeit.

The HPD strongly urges you to support Senate Bill No. 495, S.D. 2, Relating to Insurance.

The Honorable Ryan I. Yamane, Chair
and Members
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March 13, 2013

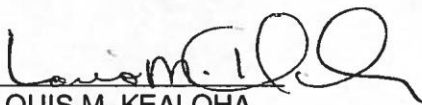
Thank you for the opportunity to testify.

Sincerely,



KURT KENDRO, Major
Traffic Division

APPROVED:



LOUIS M. KEALOHA
Chief of Police

TESTIMONY OF ALISON POWERS

HOUSE COMMITTEE ON TRANSPORTATION
Representative Ryan I. Yamane, Chair
Representative Linda Ichiyama, Vice Chair

March 13, 2013

10:30 a.m.

SB 495, SD2

Chair Yamane, Vice Chair Ichiyama, 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. We **oppose** Section 8 of the bill and ask for an amendment to the scope of the Working Group.

Hawaii Insurers Council's (HIC) representative Mike Onofrietti sat on the Insurance Verification Working Group and HIC supported the original bill submitted, SB 495. A large part of the reason HIC supported the legislation, even knowing it will have some cost increase for insurers, is that there were reasonable enforcement provisions. One of those appeared in the original bill that disallowed a judge's discretion in suspending a fine if insurance is produced **after the fact**.

We **oppose** Section 8 of SB 495 Senate Draft 2 as it pertains to leaving intact the current law that allows judges the discretion to suspend all or any portion of the fine if the defendant provides proof of having a current motor vehicle insurance policy. This is now in Section 431:10C-117(a)(2)(B)(i).

The original bill took away judges' discretion in suspending a fine if proof of current insurance was shown. This is a provision HIC believes is integral in making any law to

enforce uninsured motorists work. If a judge has the ability to suspend all or part of a fine for someone caught without insurance and shows they have insurance **later**, but not on the day they were caught, the law continues to give great incentive to not purchase insurance until caught and hope the judge will show mercy.

A key to decreasing the proportion of uninsured vehicles are penalties that are greater than the cost of purchasing insurance, and the perception among offenders that if they get caught they will be subject to those penalties. If this is not the case, a well-designed and efficient insured vehicle reporting process will not likely reduce uninsured vehicles on our roads. We believe that without adequate consistent enforcement, a law change is not warranted.

We also ask that the Working Group be expanded to study the impact on the uninsured motorist population if minimum bodily injury liabilities limits are increased.

Thank you for the opportunity to present comments.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MOTOR VEHICLE REGISTRATION, Increase registration fee for motor vehicle insurance verification program

BILL NUMBER: SB 495, SD-2

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Amends HRS section 249-31 to increase the annual state motor vehicle registration fee from \$45 to \$___ and provide that \$___ shall be deposited into the compliance resolution fund.

Amends HRS section 431:10C-117 (a) to provide that any fine imposed by this subsection shall be deposited into the general fund.

Adds a new chapter the HRS to require the department of commerce and consumer affairs to develop and operate a program to identify uninsured motor vehicles in the state. Specifies that the allocated portion of the state motor vehicle registration fee shall be deposited by the director of finance to the credit of the compliance resolution fund.

Establishes a working group to assist in the development of a program to identify uninsured motor vehicles in the state using web-based technology. The working group shall cease to exist on 1/1/2015.

EFFECTIVE DATE: July 1, 2050

STAFF COMMENTS: As drafted, this measure proposes to increase the state motor vehicle weight tax from \$45 to \$___ and provide the amount due to the increase be deposited into the compliance resolution fund. The measure also provides that a portion of the fines imposed for driving without motor vehicle insurance shall be deposited into the general fund.

While it appears that the measure would provide that a portion of the increased motor vehicle weight tax would be used to fund a program to identify uninsured motor vehicles in the state, the added monies would be deposited into the compliance resolution fund. There is also no indication or directive that the funds deposited into the compliance resolution fund are to be used for any specific agenda - the measure just states that the monies are to be deposited into the compliance resolution fund.

If the intent of the measure is to establish a funding source to generate funds for a program to identify uninsured motor vehicles, a direct appropriation would be preferable to the earmarking methodology proposed in this measure. As proposed, this will provide funds to the program automatically without any legislative oversight or scrutiny, resulting in a special fund that could either be underfunded or produce more revenues than needed to run the program, thereby making it a fund to be raided when the legislature is on the hunt for more money to spend.

More importantly, motor vehicle taxes are dedicated for the construction and maintenance of the state highway system. Deviating from the relationship between users and beneficiaries seriously jeopardizes the accountability for this fee. In addition, the adoption of this measure may open the door for other “add-ons” to provide revenue for other “important” programs. A nominal fee amount enacted can easily be increased in subsequent years to a more substantial fee. In 2004, Act 158 increased the state motor vehicle registration fee from \$5 to \$25 and deposited \$20 in the highway fund and \$5 into the emergency medical services special fund.

While the measure notes that the proposal implements the recommendations of the Insurance Verification Working Group, the question should be raised as to why funds are needed to implement the findings when there are departments complete with staff like DCCA and transportation, as well as the various county transportation departments, that are already funded by the taxpayer/highway user that exist to enforce and implement the laws regarding the insurance of motor vehicles which use the public highways. So the question why is the highway user being tapped for more money to fund something that should already be undertaken by existing staff and departments? Is this measure nothing more than another way to raise more money to sustain an already oversized government bureaucracy? Taxpayers should view this as just another tax increase heaped on an already overburdened public.

Digested 3/11/13



Property Casualty Insurers
Association of America

Advocacy. Leadership. Results.

To: The Honorable Ryan Yamane, Chair
House Committee on Transportation

From: Mark Sektnan, Vice President

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

Date: Wednesday, March 13, 2013
10:30 a.m., Conference Room 309

Aloha Chair Yamane and Members of the Committee:

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

SB 495 SD2 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.

ichiyama1 - Tate

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 11, 2013 12:30 PM
To: TRNtestimony
Cc: hi0050@yahoo.com
Subject: Submitted testimony for SB495 on Mar 13, 2013 10:30AM

SB495

Submitted on: 3/11/2013

Testimony for TRN on Mar 13, 2013 10:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Charles Hirata	Individual	Support	No

Comments: Insurance is difficult to verify and people who pay their premiums end up paying for those who don't purchase insurance or those who purchase and then cancel their insurance. It would also be a good idea to approve electronic proof of insurance such as online digital insurance cards.

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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