

SB 495

RELATING TO INSURANCE.

Implements the recommendations of the insurance verification working group. Establishes working group to assist in development of request for proposals and vendor selection for motor vehicle insurance verification program.

Establishes special fund to develop and operate motor vehicle insurance verification program.

Increases annual motor vehicle registration fee.

Removes duplicative and unnecessary requirements for insurance identification cards and safety inspection requirements. Removes judges' discretionary authority to suspend a fine for failure to have insurance if a defendant later obtains insurance. Requires that a portion of fines be deposited into special fund. Sunset

06/30/2020.



NEIL ABERCROMBIE
GOVERNOR

SHAN S. TSUTSUI
LT. GOVERNOR

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TO THE SENATE COMMITTEES ON COMMERCE & CONSUMER PROTECTION
AND TRANSPORTATION & INTERNATIONAL AFFAIRS

TWENTY-SEVENTH LEGISLATURE
Regular Session of 2013

Wednesday, February 6, 2013
1:15 p.m.

TESTIMONY ON SENATE BILL NO. 495 – RELATING TO INSURANCE.

TO THE HONORABLE ROSALYN BAKER AND J. KALANI ENGLISH, CHAIRS, AND
MEMBERS OF THE JOINT 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.**

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).

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.

The House companion, House Bill No. 136, was heard by the Committee on Consumer Protection & Commerce last week and decision-making was held on Monday. The stakeholders are working on suggested language.

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 SENATE COMMITTEES ON COMMERCE AND CONSUMER
PROTECTION AND TRANSPORTATION AND INTERNATIONAL AFFAIRS
ON
SENATE BILL NO. 495

February 6, 2013

RELATING TO INSURANCE

Senate Bill No. 495 establishes a working group assigned to an unspecified department for administrative purposes to assist in the development of request for proposals and vendor selection for the Motor Vehicle Insurance Verification Program; amends the insurance identification cards and safety inspection requirements; increases the annual motor vehicle registration fees and motor vehicle insurance violations; and establishes the Motor Vehicle Insurance Verification Special Fund to identify uninsured motor vehicles in Hawaii using web-based technology. The bill further authorizes the deposit of an unspecified portion of the fees collected from the motor vehicle registration and fines from motor vehicle insurance violations.

While the Department of Budget and Finance appreciates the intent of the bill to identify uninsured motor vehicles, we defer to the Insurance Commissioners of the Department of Commerce and Consumer Affairs and the City and County of Honolulu 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 of the Hawaii Revised Statutes. 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, it is difficult to determine whether the proposed source of revenues will be self-sustaining.

I 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, Hawaii Revised Statutes.

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

February 5, 2013

The Honorable Rosalyn H. Baker, Chair
and Members
Committee on Commerce and
Consumer Protection
The Honorable J. Kalani English, Chair
and Members
Committee on Transportation and
International Affairs
State Senate
Hawaii State Capitol
514 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Baker, Chair English and Committee Members:

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

The City and County of Honolulu supports S.B. No. 495 which would require the establishment and funding for a motor vehicle insurance verification program.

We recommend that the insurance verification program be codified, similar to the codification of the motor vehicle insurance verification special fund, and the working group be tasked to recommend necessary statutory language regarding the specifics of the program.

The City and County of Honolulu recommends your favorable action on S.B. No. 495, as amended.

Sincerely,

Dennis A. Kamimura
Licensing Administrator



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1001 Bishop Street
Honolulu, Hawaii 96813
Telephone (808) 525-5877

Alison Powers
Executive Director

TESTIMONY OF ALISON POWERS

SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Senator Rosalyn H. Baker, Chair
Senator Brickwood Galuteria, Vice Chair

SENATE COMMITTEE ON TRANSPORTATION AND INTERNATIONAL AFFAIRS
Senator J. Kalani English, Chair
Senator Donovan M. Dela Cruz, Vice Chair

Wednesday, February 6, 2013
1:15 p.m.

SB 495

Chair Baker, Chair English, Vice Chair Galuteria, Vice Chair Dela Cruz and members of the committees, 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'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. **HIC supports SB 495** because we believe that this bill contains many consensus issues that the working group spent a fair amount of time vetting. In it, the working group will continue and will establish the outline for a vendor to provide a web-based system to track insured vehicles, increase fines for violators, and other provisions that we believe will provide a cost effective and efficient means to identify uninsured motorists.

In the House hearing on this bill, HB 136, amendments were proposed by State Farm and PCI and we support the Insurance Commissioner's recommendations on these two amendments which are: (1) to include reference in the legislation to the IICMVA web-based system; and (2) to have the new working group established by the bill, consider ways to exclude commercial vehicles from the database and provide an alternative means to report for small insurers.

Thank you for the opportunity to testify.

SENATE COMMITTEE ON
COMMERCE AND CONSUMER PROTECTION

and

SENATE COMMITTEE ON TRANSPORTATION AND
INTERNATIONAL AFFAIRS

February 6, 2013

Senate Bill 495 Relating to Insurance

Chair Baker, Chair English, members of the Senate Committee on Commerce and Consumer Protection, and members of the Senate Committee on Transportation and International Affairs, I am Rick Tsujimura, representing State Farm Mutual Automobile Insurance Company (State Farm). While State Farm opposes Senate Bill 495 Relating to Insurance, as drafted, we would remove our opposition if the amendatory language proposed below, was adopted by this Committee.

Where states are committed to proceeding with mandatory automobile liability insurance verification programs, State Farm supports the IICMVA model specifications for a web-based technology, which are attached to this testimony. These specifications would preclude the use of a vendor's proprietary web program. Vendors' proprietary programs add operational costs for insurers when they are required to develop unique reports and data formats as specified by the vendor.

We would therefore recommend that Section 1(b)(1)(A) on page 1, lines 14-16, be amended to read:

(A) Adherence to established industry standards for real-time automotive liability insurance verifications as prescribed by the Insurance Industry Committee on Motor Vehicle Administration (IICMVA).

It should be noted that vendors can design programs that work with the IICMVA standards that we are recommending. Many states have adopted these standards (e.g. WV, AL, NV, CA, MT, OK, and WY) and most states considering verification programs are moving toward adoption of these IICMVA standards, recognizing the advantage and cost savings achieved when a single standard can be used by regulatory agencies and insurers providing data to those agencies, either directly or through a vendor.

State Farm stands ready to work with the proponents of this measure. Thank you for the opportunity to present this testimony.

1 **Vehicle Insurance Verification Act**

2 **Summary**

3 An Act relating to motor vehicle insurance; providing for the establishment of an online
4 verification system; providing for codification; and providing an effective date.

5 **Model Legislation**

6 **SECTION 1.**

7 A. The Department of _____ (hereinafter "Department") shall establish an accessible
8 common carrier based system for on-line verification of the evidence of insurance, as specified; requiring motor
9 vehicle insurers to provide policy information for the on-line verification system, as specified; providing an
10 appropriation; and providing for an effective date. Implementation of an on-line financial responsibility
11 verification system, including any exceptions as provided for in this Act or in the user guide developed to
12 support the program, supersedes any existing verification system and shall be the sole system used for the
13 purpose of verifying evidence of mandatory liability insurance as prescribed by the laws of the state.

14 B. The department shall adopt by rule and regulation online verification of evidence of insurance as
15 required by this section, subject to the following:

16 1. The verification system shall send requests to insurers for verification of evidence of insurance via
17 Web services established by the insurers, through the Internet, World Wide Web or a similar proprietary or
18 common carrier electronic system, in compliance with the specifications and standards of the Insurance
19 Industry Committee on Motor Vehicle Administration (IICMVA), with enhancements, additions, and modification
20 as required by the department but which do not conflict, nullify, or add requirements that are inconsistent with
21 the specifications and standards of the IICMVA. The system shall include appropriate provisions to secure its
22 data against unauthorized access and the Department shall maintain a historical record of the system data for a
23 period of six to twelve months from the date of all requests and responses.

24 The system shall be used for verification of the evidence of mandatory liability insurance coverage as
25 prescribed by the laws of the state and shall be accessible to authorized personnel of the department, the
26 courts, law enforcement personnel, and any other entities authorized by the state as permitted by state or
27 federal privacy laws, and it shall be interfaced, wherever appropriate, with existing state systems. The system

1 will include information which will enable the Department to make inquiries to insurers of evidence of insurance
2 that is consistent with insurance industry and IICMVA recommendations, specifications and standards by using
3 multiple data elements for greater matching accuracy, specifically: Insurer NAIC (National Association of
4 Insurance Commissioners) company code, Vehicle Identification Number, policy number, or as described in the
5 specifications and standards of the IICMVA.

6 At the discretion of the department, rules and regulations may be established to offer insurers who
7 write fewer policies an alternative method for reporting insurance policy data instead of establishing Web
8 services.

9 2. The department shall be responsible for having it's verification system respond to each of it's
10 requestors within a time period as established by the department. The department system shall be available to
11 accommodate the time period established. An insurer's system shall respond within the time period prescribed
12 by the IICMVA's specifications and standards.

13 3. When the department has reason to believe a motor vehicle has been or is currently being operated
14 without insurance, the owner's vehicle registration may be suspended or revoked. The registration may not be
15 reinstated or a new registration may not be issued unless evidence of insurance has been provided to the
16 department and any applicable reinstatement fees as prescribed by the department have been paid... These
17 fees are in addition to any other applicable fines, penalties, and fees.

18 4. The goal of the system shall be to assist in the identification of uninsured motorists in the most
19 effective way possible. Nothing in this legislation prohibits the department from contracting with a private
20 service provider or providers who have successfully implemented similar systems in other states to assist in
21 establishing and maintaining this verification system.

22 5. The department shall consult with representatives of the insurance industry and private service
23 providers that results in determining the objectives, details, and deadlines related to the system.

24 6. The department will publish for comment and then issue, a detailed guide of its on-line verification
25 system.

26 7. The department and its private service provider, if any, each will maintain a contact person for
27 insurers during the establishment, implementation, and operation of the system.

1 8. If the department has reason to believe a vehicle owner does not have valid vehicle insurance as
2 required under [], it may also request an insurer to verify the existence of an automobile liability policy in a
3 form approved by the department not later than _____ (__) days from the date the request is made. In
4 addition, insurers shall cooperate with the department in establishing and maintaining the verification system
5 provided by this section, and shall provide access to motor vehicle insurance policy status information as
6 provided in the rules and regulations established by the department.

7 9. Every property and casualty insurance company that is licensed to issue motor vehicle insurance
8 policies or is authorized to do business in [insert state] shall comply with this section for verification of evidence
9 of vehicle insurance for every vehicle insured by that company in [*insert state*] as required by the rules and
10 regulations of the Department.

11 10. Insurers shall maintain a historical record of the system data for a maximum period of six months
12 from the date of all requests and responses.

13 11. For the purposes of this section, commercial auto coverage is defined as any coverage provided to
14 an insured, regardless of number of vehicles or entity covered, under a commercial coverage form and rated
15 from a commercial manual approved by the Department of Insurance. This section shall not apply to vehicles
16 insured under commercial auto coverage; however, insurers of such vehicles may participate on a voluntary
17 basis.

18 12. Insurers shall be immune from civil and administrative liability for good faith efforts to comply with
19 the terms of this act.

20 13. Insurers shall provide commercial automobile customers with evidence reflecting that the vehicle is
21 insured under a commercial auto policy. Sufficient evidence would be an Insurance Identification card clearly
22 marked in the title with the identifier: "Commercial Auto Insurance Identification Card".

23 14. Nothing in this section prohibits an insurer from using the services of a third party vendor for
24 facilitating the insurance verification program required by this law.

25 15. The Department will have the authority to impose a fee of \$_____ on each vehicle (new and
26 renewal) registration. All fees collected shall be deposited in a separate account and shall be used solely for the
27 purpose of the implementation, maintenance and enhancement of the on-line insurance verification system.

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SECTION 2. REPORT ON EFFECTIVENESS

Not more than two years after the establishment of the online insurance verification system, the motor vehicle department, after consultation with insurers, shall report to the legislature as to the costs of the program incurred by the department, insurers and the public and the effectiveness of the program in reducing the number of uninsured motor vehicles.

SECTION 3. EFFECTIVE DATE This act shall become effective on _____, 20__.

The verification system shall be installed and fully operational by _____, 20__, following an appropriate testing/pilot period of not less than nine (9) months. Until the successful completion of the testing/pilot period, no enforcement action shall be taken based on the system.