

3601 Vincennes Road, Indianapolis, Indiana 46268
Phone: 317.875.5250 | Fax: 317.879.8408

www.namic.org

122 C Street N.W., Suite 540, Washington, D.C. 20001
Phone: 202.628.1558 | Fax: 202.628.1601

Hawaii State Legislature
Senate Committee on Commerce, Consumer Protection, and Health
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

February 25, 2016

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RE: SB 2685, SD-1, Electronic Proof of Insurance - NAMIC's written testimony in support, if amended

Dear Senator Baker, Chair; Senator Kidani, Vice Chair; and honorable members of the Committee on Commerce, Consumer Protection, and Health:

Thank you for providing the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to your committee for the February 26, 2016, public hearing. Unfortunately, I will not be able to attend the public hearing, because of a previously scheduled professional obligation.

NAMIC is the largest property/casualty insurance trade association in the country, with more than 1,400 member companies representing 40 percent of the total market. NAMIC supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers.

NAMIC member companies serve more than 170 million policyholders and write nearly \$225 billion in annual premiums. Our members account for 54 percent of homeowners, 43 percent of automobile, and 32 percent of the business insurance markets. NAMIC has 69 members who write property/casualty and workers' compensation insurance in the State of Hawaii, which represents 30% of the insurance marketplace.

NAMIC supports the concept of SB 2685-SD-1, because it would allow insurance consumers the opportunity to benefit from modern communications technology and display proof of state mandated auto insurance coverage via a mobile device. NAMIC believes that the proposed legislation is an insurance consumer-friendly bill that addresses the modern realities of the electronic communications age, where consumers maintain a host of important personal records on their mobile devices.

The proposed legislation, as originally drafted, is consistent with e-commerce legislation that is sweeping across the country. In fact, the vast majority of states in the country have adopted legislation like SB 2685 that allows insurance consumers to provide proof of insurance to a law

enforcement officer via their mobile device, and NAMIC expects that the remaining few states yet to adopt such legislation will do so very soon.

NAMIC is concerned with the “authentication” requirement added to SB 2685, SD-1. The proposed legislation states:

c) The identification card may be issued in either paper or authenticated electronic format; provided that the authenticated identification card shall be resistant to forgery by whatever means appropriate. Acceptable electronic formats shall include the display of authenticated electronic images on a mobile electronic device, as defined in section 291C-137. The commissioner shall approve the construction, form, and design of the identification card to ensure that the card is forgery resistant. [Emphasis added]

Although NAMIC appreciates the Commissioner of Insurance’s desire to make it more difficult for individuals to fraudulently provide proof of insurance to law enforcement officers, the proposed authentication requirement is unnecessary, impractical, and inconsistent with the national trend on electronic proof of insurance (EPOI) legislation. No other state in the nation requires EPOI to be “authenticated”, and there is no data supporting the Commissioner’s concern that EPOI is particularly susceptible to forgery. NAMIC is also concerned that the proposed “authenticated” electronic format requirement is impractical and likely to create unnecessary IT administrative costs and burdens that could lead insurers, especially smaller insurers who are more adversely impacted by new IT administrative costs, to decide that the expense required to complying with the “authentication” requirement is economically prohibitive. In effect, the proposed “authentication” requirement may ultimately deny insurance consumers the opportunity to benefit from EPOI.

NAMIC and its members appreciate the importance of engaging in reasonable activities to prevent individuals from operating a motor vehicle without state mandated automobile insurance coverage, but this proposal is not the solution. Criminals, who engage in forgery of insurance cards or EPOI, are going to exist no matter what society does to try and make it more difficult for them to engage in criminal fraud, so imposing an unnecessary IT administrative cost and burden on insurers that could adversely impact availability of EPOI for insurance consumers is not the answer. From a public policy standpoint, stricter criminal sanctions and more vigilant criminal prosecution of forgers and uninsured motorists would be a more effective approach to dealing with this societal problem.

In addition to NAMIC’s concerns about the conceptual idea and practical implications of imposing an “authentication” requirement on EPOI, NAMIC is also concerned that the proposed legislation does not define what is meant by “authenticated electronic format”. NAMIC is also concerned that the DOI lacks the technical experience and expertise with this complicated and ever-evolving IT subject matter necessary for the department to appropriately determine what is a fraud resistant “authenticated electronic format.” NAMIC believes that the DOI should be required to share with the Committee on Commerce, Consumer Protection, and Health what the DOI means by “authentication”, what expertise it has with IT fraud prevention electronic formats, and what the DOI specifically plans to require from insurers in regard to proof that their EPOI is being provided to consumers in an acceptable “authenticated electronic format.”

For the aforementioned reasons, NAMIC respectfully requests that this committee remove the “authentication” requirement and restore the proposed legislation to its previous form as

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reflected in SB 2685, because the unnecessary proposed "authentication" requirement could end up "ringing the death-knell" for EPOI for insurance consumers.

Thank you for your time and consideration. Please feel free to contact me at 303.907.0587 or at crataj@namic.org, if you would like to discuss NAMIC's written testimony.

Respectfully,



Christian John Rataj, Esq.
NAMIC Senior Director – State Affairs, Western Region

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To: The Honorable Rosalyn H. Baker, Chair
The Honorable Michelle N. Kidani, Vice Chair
Senate Committee on Commerce, Consumer Protection, and Health

From: Mark Sektman, Vice President

Re: SB 2685 SD1 Relating to Motor Vehicle Insurance
PCI Position: Support the Intent; Request Amendment

Date: Friday, February 26, 2016
10:30 a.m., Room 229

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

The Property Casualty Insurers Association of America (PCI) supports the intent of SB 2685 SD1, which allows proof of motor vehicle insurance to be displayed in authenticated electronic format on a mobile electronic device.

In the Senate Transportation and Energy Committee, amendments were added to “clarify that the motor vehicle identification card of proof of insurance card must be authenticated in order to deter fraud.” Insurers are strongly engaged in efforts to fight fraud and work hard to ensure that all forms of insurance verification are protected from fraud. PCI, however, has a problem with the language requiring the e-card “must be authenticated in order to deter fraud” because we do not know what it means to authenticate an e-card and we are concerned this term may inadvertently restrict consumer access to electronic verification of motor vehicle insurance.

PCI would prefer to have the language removed and would like to meet with the Commissioner and interested stakeholders to further discuss how best to achieve our shared goals of fraud prevention. This would allow drivers in Hawaii to benefit from the ability to verify their insurance electronically while ensuring proper safeguards are in place.

In Hawaii, PCI member companies write approximately 42.7 percent of all property casualty insurance written in Hawaii. PCI member companies write 44 percent of all personal automobile insurance, 65.2 percent of all commercial automobile insurance and 75 percent of the workers' compensation insurance in Hawaii.

Today, people are using their smartphones to do more and more things electronically. They shop, bank and pay bills from their phone. They even use them to board airplanes. Yet in Hawaii, motorists are still required to carry a physical insurance identification card with them. If a law enforcement officer asks for the card and a motorist can't find it, or simply forgets to switch out

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an expired card with a new one, that motorist will be ticketed and will have to go to court even though that person has insurance.

Odds are, people always have their smartphones with them. Therefore, if SB 2685 SD1 is enacted, motorists will never again be without proof of insurance.

Under this bill, if amended, all stakeholders benefit. Insured motorists are spared the hassle of having to go to court just to prove they have insurance, courts have less ticket cases to hear, and insurance companies benefit because they don't have to print and mail insurance cards to those motorists who prefer to display proof on their smartphones.

This legislation is permissive, meaning it does not require anyone to use a particular format. If a motorist prefers carrying a paper identification card, they can still get one. Nor does this bill require insurers to offer electronic cards.

Furthermore, under SB 2685 SD1, state officials viewing someone's smartphone are prohibited from viewing any other information on the phone. This means a motorist does not give up his or her privacy simply by showing someone they have insurance.

More than 40 states allow motorists to display evidence of insurance electronically. For the above reasons, PCI asks the committee to pass SB 2685 SD1 with our requested amendment to delete the SD1 language - "must be authenticated in order to deter fraud". Thank you for the opportunity to submit written testimony.

