

SB 2685

RELATING TO MOTOR
VEHICLE INSURANCE



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TO THE SENATE COMMITTEE ON TRANSPORTATION AND ENERGY

TWENTY-EIGHTH LEGISLATURE
Regular Session of 2016

Tuesday, February 16, 2016
2:55 p.m.

TESTIMONY ON SENATE BILL NO. 2685 – RELATING TO MOTOR VEHICLE INSURANCE.

TO THE HONORABLE LORRAINE R. INOUE, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). The Department supports the intent of allowing the use of motor vehicle insurance identification (“MVI”) cards in electronic formats and submits the following comments.

In 1998, the Legislature amended § 431:10C-107, Hawaii Revised Statutes, to require that MVI cards that are issued in Hawai`i be forgery resistant. This was done to combat the growing cottage industry of homemade MVI cards and reduce the number of uninsured motorists on the road. In implementing this statute’s requirements, insurers and producer agencies submit proposed card stocks to the Insurance Commissioner for approval. Once approved, samples of the respective card stocks are sent to county enforcement and motor vehicle registration agencies so that they may be used as reference points. While we have no figures of the effectiveness of the use of these forgery resistant cards, a check with the Insurance Division investigators shows that no

complaints regarding fake cards have been received by the Division for many years. This is a far cry from the period before the passage of this requirement where complaints were received weekly about fake MVI insurance cards being used at safety check stations, motor vehicle registration counters, and at traffic accidents.

Some of the benefits of the use of electronic MVI cards are their ease of use, immediate issuance, and portability. That being said, a problem that currently exists with MVI cards will exist with electronic MVI cards. Electronic MVI cards may not reflect cancellations during the middle of policies' periods. Once issued, in either case, the driver may cancel the policy and keep the card to produce when required.

Also, with electronic MVI cards, there is no reference check available for government agencies to determine whether the proffered electronic cards are legitimate.

A possible solution in resolving these issues would be the establishment of an MVI electronic database which would show updated information of existing MVI coverages.

We thank this Committee for the opportunity to present testimony on this matter.



Advocacy. Leadership. Results.

To: The Honorable Lorraine Inouye, Chair
The Honorable Mike Gabbard, Vice Chair
Senate Committee on Transportation and Energy

From: Mark Sektnan, Vice President

Re: SB 2685 Relating to Motor Vehicle Insurance
PCI Position: SUPPORT

Date: Tuesday, February 16, 2016
2:55 p.m., Room 229

Aloha Chair Inouye, Vice Chair Gabbard and Members of the Committee:

The Property Casualty Insurers Association of America (PCI) is pleased to support SB 2685 which would allow motorists to produce evidence of liability insurance in an electronic form.

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 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 is enacted, motorists will never again be without proof of insurance.

Under this bill, 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 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. PCI strongly urges you to consider allowing Hawaii motorists the same privilege.

For these reasons, PCI asks the committee to pass SB 2685.

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

February 12, 2016

Filed via electronic testimony submission system

RE: SB 2685, Electronic Proof of Insurance - NAMIC's Written Testimony in Support of proposed legislation

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 16, 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, serving regional and local mutual insurance companies on main streets across America as well as many of the country's largest national insurers.

The 1,300 NAMIC member companies serve more than 135 million auto, home and business policyholders and write more than \$208 billion in annual premiums, accounting for 48 percent of the automobile/homeowners market and 33 percent of the business insurance market. NAMIC has 69 members who write property/casualty and workers' compensation insurance in the State of Hawaii, which represents 30% of the insurance marketplace.

Through our advocacy programs we promote public policy solutions that benefit NAMIC companies and the consumers we serve. Our educational programs enable us to become better leaders in our companies and the insurance industry for the benefit of our policyholders.

NAMIC fully support SB 2685, 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.

SB 2685 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 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 commends the legislative sponsors for drafting legislation that protects insurer and consumer choice, by allowing insurers and policyholders the option of continuing to use paper insurance cards as proof of insurance, if they desire not to issue or use electronic proof of insurance. NAMIC also appreciates the language in the bill that addresses the privacy protection needs of motorists and the damage liability protection needs of law enforcement officer, who will have to handle the mobile device.

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

**SENATE COMMITTEE
ON
TRANSPORTATION AND ENERGY**

February 16, 2016

Senate Bill 2685 Relating to Motor Vehicle Insurance

Chair Inouye, Vice Chair Gabbard, and members of the Senate Committee on Transportation and Energy, I am Rick Tsujimura, representing State Farm Mutual Automobile Insurance Company (State Farm).

State Farm offers the following comments about Senate Bill 2685 Relating to Motor Vehicle Insurance. State Farm supports this measure, and agrees with the comments submitted by Christian Rataj on behalf of the National Association of Mutual Insurance Companies (NAMIC).

Since 2012, state legislators and regulators have rapidly updated laws to recognize the increasing prevalence of technology by allowing insurers to provide policyholders with electronic proof of insurance cards. In 2011, no states allowed for electronic proof of insurance. By the end of 2012, there were seven states, and as of the first quarter of 2015, 39 states allowed for electronic proof of insurance.

More and more of our customers use their mobile devices to keep track of and maintain important information, and State Farm believes that electronic proof of insurance cards provide a real service to our policyholders, who like the convenience of using them. We believe that this law will also save law enforcement and court personnel time and money because they will no longer need to process tickets written to drivers who had coverage but lost their ID card or neglected to keep it in the car.

Thank you for the opportunity to present this testimony.

**Testimony of
Gary M. Slovin / Mihoko E. Ito
on behalf of
USAA**

DATE: February 15, 2016

TO: Senator Lorraine Inouye
Chair, Committee on Transportation and Energy
Submitted Via TREtestimony@capitol.hawaii.gov

RE: **S.B. 2685 – Relating to Motor Vehicle Insurance**
Hearing Date: Tuesday, February 16, 2016, at 2:55 p.m.
Conference Room: 229

Dear Chair Inouye and members of the Committee on Transportation and Energy:

We submit this testimony on behalf of USAA, a diversified financial services company. USAA is the leading provider of competitively priced financial planning, insurance, investments, and banking products to members of the U.S. military and their families. USAA has over 82,000 members in Hawaii, the vast majority of which are military-based members.

USAA **supports** S.B.2685, which allows proof of motor vehicle insurance to be displayed in electronic format on a mobile device. The bill would also allow for the continued use of paper cards, but offer the option of electronic cards to be used as proof of insurance in situations where paper cards are currently used.

USAA is very technology oriented as a company, and almost 60 percent of its insurance transactions are currently conducted by its members via the internet. USAA has also been a leader in using technology to make its military members' lives easier. Because USAA's membership base is generally very mobile, it is important to USAA to be able use the benefits of technology to continually improve its customer service.

We support this measure because it will allow those who opt to use it to pull up insurance information on mobile devices, and use an electronic card as proof of insurance in lieu of a paper card. A majority of states across the country have already changed their laws

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to allow for the use of electronic insurance cards, and this bill would allow Hawaii to do the same.

For the above reasons, we respectfully ask that the Committee pass this bill. Thank you very much for the opportunity to testify in support of his measure.

TESTIMONY OF MICHAEL ONOFRIETTI

SENATE COMMITTEE ON TRANSPORTATION AND ENERGY

Senator Lorraine R. Inouye, Chair
Senator Mike Gabbard, Vice Chair

Tuesday, February 16, 2016
2:55 p.m.

SB 2685

Chair Inouye, Vice Chair Gabbard, and members of the Committee on Transportation and Energy, my name is Michael Onofrietti, Chairman of the Board 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 thirty-six percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **supports** this bill in its current form. This bill would allow an e-card to show proof of insurance. We believe this is something that will assist policyholders in ease of use and law enforcement as well.

This bill is a consumer friendly proposal that will provide another easier option to produce proof of insurance. Today, technology allows people to use smartphones to do many things that were not possible prior including shopping, banking, holding store cards that provide discounts, and more. Finally, the bill provides for both options at the consumer's choice, either electronic or paper.

Thank you for the opportunity to testify.