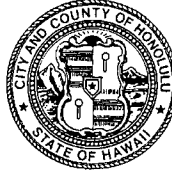


DEPARTMENT OF CUSTOMER SERVICES  
**CITY AND COUNTY OF HONOLULU**

MISSION MEMORIAL BUILDING  
550 SOUTH KING STREET, HONOLULU, HAWAII 96813  
TELEPHONE: (808) 768-3392 FAX: (808) 768-1591  
<http://www.honolulu.gov>

**LATE**

RICK BLANGIARDI  
MAYOR



NOLA MIYASAKI  
DIRECTOR DESIGNATE

February 4, 2021

The Honorable Chris Lee, Chair  
The Honorable Lorraine R. Inouye, Vice Chair  
And Members of the Committee on Transportation  
The State Senate  
State Capitol, Conference Room 224  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chair Lee and Members of the Committee on Transportation

SUBJECT: S.B. No. 373 – Relating to Motor Vehicles

The City and County of Honolulu, Department of Customer Services (CSD)  
**supports the intent** of this measure.

The bill requires motor vehicle insurers to notify the county director of finance of cancellations and nonrenewals of insurance policies on registered vehicles. At the present time, this information is not recorded on vehicle records. The proof of insurance for registration purposes is a current vehicle inspection which proof of insurance is a prerequisite.

The bill requires the county directors of finance to record the motor vehicle insurance policy number, insurer and policy period for the vehicle in addition to what is currently being captured.

This additional requirement will increase the processing time for vehicle registration transactions and the flagging of cancellations or nonrenewals from insurers will increase the workload and reduce the number of registration transactions processed daily.

Thank you for the opportunity to provide testimony on S.B. No. 373.

Sincerely,

A handwritten signature in black ink that reads "Nola Miyasaki". The signature is written in a cursive, flowing style.

Nola Miyasaki  
Director Designate

## TESTIMONY OF MICHAEL ONOFRIETTI

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COMMITTEE ON TRANSPORTATION  
Senator Chris Lee, Chair  
Senator Lorraine R. Inouye, Vice Chair

Thursday, February 4, 2021  
3:00 p.m.

### **SB 373**

Chair Lee, Vice Chair Inouye, and members of the Committee on Transportation, my name is Michael Onofrietti, ACAS, MAAA, CPCU, Senior Vice President, Actuarial Services, Product Development & Management for Island Insurance and Chairman of the Auto Policy Committee for Hawaii Insurers Council. The 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 forty percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **opposes SB 373** which requires insurers to mail notices of prospective cancellation or nonrenewal to the county director of finance that issued the registration certificate and license plates for the vehicle not fewer than thirty days prior to the effective date of the cancellation. The bill also mandates proof of insurance for every new registration.

Hawaii's uninsured motorist rate has been lower over the last 15-20 years than the United States average which, given our very high cost of living, is a very good result. In its most recent study, the Insurance Research Council estimated Hawaii's uninsured motorist rate at 10.6% compared to the national average of 13.0% (2017, Insurance Research Council using 2015 data). HIC believes that our high rate of insureds is attributed to controlled costs. As motor vehicle premiums increase, so does our uninsured motorist population.

This bill would require a notification be mailed to the County Directors of Finance for which the registration and plates were issued not fewer than thirty days prior to the effective

date of cancellation. In the case of cancellation because of non-payment of premium, the notice is required not fewer than twenty days prior to the effective date of cancellation. Many times, a cancellation letter from the insurer prompts payment. If one assumes that the Counties will enforce the state's compulsory insurance law, it will create confusion. The Counties will need to sort through a lot of paper when a cancellation is submitted to the County, the person pays, and a rescission is sent. The reconciliation process will be manual, tedious and likely to generate false positives that will anger vehicle owners.

If the person is on a monthly premium payment plan, this has the potential to be a paperwork nightmare for the County as many notices could be sent for the same policyholder within a short amount of time, making the County's determination if and when the person had in-force insurance coverage very difficult.

Ultimately, we believe this bill will add costs and aggravation to those who lawfully purchase motor vehicle insurance, and increase the workload to the Counties. Of greater importance, we believe the bill will likely result in very little if any change to our uninsured motorist population. We ask that this bill be held.

Thank you for the opportunity to testify.



**SanHi**

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 2, 2021

TO: Senator Chris Lee  
Chair, Committee on Transportation  
*Submitted Via Capitol Website*

FROM: Rick Tsujimura

RE: **S.B. 373 - Relating to Motor Vehicles**  
**Hearing Date: Thursday, February 4, 2021 at 3:00 p.m.**  
**Conference Room: 224**

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Dear Chair Lee, Vice Chair Inouye, and Members of the Committee on Transportation:

I am Rick Tsujimura representing State Farm Mutual Automobile Insurance Company (State Farm). State Farm is in opposition to Senate Bill 373, Relating to Motor Vehicles.

Senate Bill 373 has three main requirements:

- SECTION 4 imposes a penalty of \$500-2,000 per day for not having insurance. This is extremely punitive, and will not accomplish the goal of having drivers insured. In actuality, it will potentially impose penalties on those least able to pay them.
- SECTION 5 amends the Insurance Card statute to require that insurers include the motor vehicle registration period and the name of the county director of finance on the insurance card. Unfortunately, insurers don't normally have this information, and are not equipped to obtain, store, and insert it on the Insurance Card. There is really no way for insurers to comply with this requirement.
- Finally, SECTION 6 requires insurers to mail copies of "prospective" cancelation/nonrenewal notices to the county director of finance. The purpose appears to be to provide ongoing notification to county departments of motor vehicles [DMV] regarding the insurance status of each vehicle insured by the insurer. This concept has been submitted periodically over the last thirty years during which I have represented State Farm, and while the concept seems simple, the devil is in the details.

Typically an insured is sent a notice of renewal which includes a request for payment. Some insureds forget to pay the bill. A subsequent letter notifies the insured that, if the bill is not paid within a period of time, the policy and coverage will terminate on a specified date. If the insured makes a payment during that time period, although past

the due date, coverage still applies. However, if no payment is made during the “grace period”, the policy lapses.

If the insurer sends a notice of intent to terminate on day 1 and the insured pays on day 2, is the policy still in effect? Clearly, yes. If during that same period the insurer must notify the appropriate DMV and the insured is stopped for failing to have insurance, who will be liable for that incident? The insurer is obligated under this new law to notify the DMV when the insured has failed to pay, but because the policy was never terminated, the insured is not “illegally” driving uninsured during the gap period.

Furthermore, if the DMV knows or has reason to know of the lack of coverage what obligation does the DMV and the county have because of this knowledge? Is there liability on the county for failing to stop a non-insured vehicle for which they now have notice? If the driver of the uninsured vehicle is involved in an accident does the county have an obligation because it knew the car was uninsured, and should have prevented its operation?

These questions should be examined in detail before this measure is advanced.

For these reasons we believe the measure should be held.

Thank you for the opportunity to present this testimony.

Hawaii State Legislature  
Senate Committee on Transportation

February 3, 2021

*Filed via electronic testimony submission system*

**RE: SB 373, Insurance; Motor Vehicles; Registration – NAMIC’s Testimony in Opposition**

Thank you for providing the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to your committee for the February 4, 2021 public hearing. Unfortunately, I will not be able to attend the public hearing, because of a previously scheduled professional obligation. NAMIC’s written comments need not be read into the record, so long as they are referenced as a formal submission and are provided to the committee for consideration.

The National Association of Mutual Insurance Companies is the largest property/casualty insurance trade group with a diverse membership of more than 1,400 local, regional, and national member companies, including seven of the top 10 property/casualty insurers in the United States. NAMIC members lead the personal lines sector representing 66 percent of the homeowner’s insurance market and 53 percent of the auto market. NAMIC has 84 members who write property/casualty in the State of Hawaii, which represents 28% of the insurance marketplace.

NAMIC appreciates and shares the bill sponsor’s laudable desire to decrease the number of uninsured motorists on the roads in the state, who expose consumers and other motorists to potential financial harm. However, we are concerned with several provisions in the bill. NAMIC respectfully submits the following comments:

- 1) **SECTION 4** – This proposed provision in the legislation would impose a penalty of \$500-2,000/day for not having state mandated auto insurance. Although, NAMIC agrees that uninsured motorists should be fined in order to deter non-compliance with this important public safety law, we are concerned that the size of the proposed fines might lead to law enforcement apprehension to cite drivers for violating the law and/or be determined by courts to be excessive and unnecessarily punitive.
- 2) **SECTION 5** – This proposed provision in the legislation would amends the insurance card statute to require insurers to include the following information on the insurance card: the motor vehicle registration period and the name of the County Director of Finance. NAMIC is concerned about the practicality of this proposed requirement. We don’t see how this will actually improve

compliance with the financial responsibility law in the state and reduce the number of uninsured drivers on the roads. The only thing the proposed requirement would do is create a new administration cost and burden for insurers which could adversely impact the cost of the insurance product for consumers. NAMIC is also concerned that this requirement could delay the issuance of insurance cards, which consumers need in their possession while operating a motor vehicle. Many insurers create these cards at a central location, often times in a significantly different time zone, so it may be difficult for insurers to timely adjust these cards when a new County Director of Finance takes office? NAMIC is confused by how this particular information is relevant or beneficial to the state's efforts to improve driver compliance with the state auto insurance law.

Additionally, insurers are unlikely to have data concerning the registration dates of the vehicle, so how could insurers comply with this requirement? Once again, NAMIC does not understand why this information needs to be on the insurance car, or why insurers should be burdened with having to research this state motor vehicle registration compliance issue, which is really a personal issue between the state and the licensed owner of the vehicle. We respectfully request that these requirements be removed from bill, because they create new costs and burdens without creating any corresponding benefits for insurers or their policyholders.

- 3) SECTION 6 of the proposed legislation would require insurers to mail copies of "prospective" cancelation/nonrenewal notices to the County Director of Finance. NAMIC is concerned about this unnecessary insurance rate cost-driver. The cost of this new administrative burden would be extremely prohibitive. Once again, NAMIC is concerned that this requirement is "regulatory over-kill" and is unlikely to have any appreciable impact upon the reduction of the number of uninsured motorists on the roads. In order for compliance with the state mandated insurance requirement to increase, there needs to be more law enforcement activity in citing drivers for not having proof of insurance and more judicial sanctioning of drivers who violate the law. These proposed administrative requirements will only create insurance rate cost-drivers that adversely impact the price of insurance for drivers, who do in fact comply with the financial responsibility law. NAMIC respectfully requests that this proposed requirement be stricken from the bill.

For the aforementioned reasons, NAMIC respectfully requests that the bill be either voted down or amended to remove the new proposed administrative burdensome and expensive for insurers and their policyholders.

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

Respectfully,



Christian John Rataj, Esq.  
NAMIC Senior Regional Vice President  
State Government Affairs, Western Region



To: The Honorable Chris Lee, Chair  
The Honorable Lorraine R. Inouye, Vice Chair  
Senate Committee on Transportation

From: Mark Sektnan, Vice President

Re: SB 373: Relating to Motor Vehicles  
**APCIA POSITION: OPPOSE**

Date: Thursday, February 4, 2021  
3:00 p.m.; Conference Room 224

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

The American Property Casualty Insurance Association of America (APCIA) is **opposed** to SB 373, which requires motor vehicle insurers to provide notice of cancellations and nonrenewals of motor vehicle insurance policies on registered vehicles. Representing nearly 60 percent of the U.S. property casualty insurance market, the American Property Casualty Insurance Association (APCIA) promotes and protects the viability of private competition for the benefit of consumers and insurers. APCIA represents the broadest cross-section of home, auto, and business insurers of any national trade association. APCIA members represent all sizes, structures, and regions, which protect families, communities, and businesses in the U.S. and across the globe.

While we understand the desire to ensure motorists are obeying the law and obtaining required insurance coverage, the history of similar efforts suggests such a requirement will lead to greater costs with no improvement in the state's uninsured motorist (UM) rate.

The base of SB 373 is the belief that notifying the county director of finance will reduce uninsured motorist (UM) rates. Unfortunately, the data does not bear this out. Despite spending hundreds of millions of taxpayer dollars over the years, there is no significant difference between the UM rates of states that currently have reporting programs (approximately 33 states) and those that do not.

In fact, several states with reporting programs have UM rates significantly higher than the national average. According to the Insurance Resource Council's most recent numbers (published in 2017 using 2015 data), Florida leads the country in UM at 26.7 percent despite having a database program. Michigan and New Mexico also have UM rates well above the national average despite having their own database-based systems. Remarkably, **many of the states identified by the IRC as having an above-average**



**UM rate have database programs.** Despite having a negligible impact on the UM rate, however, states and insurers continue to spend time and resources on maintaining and updating coverage data. In an ironic twist, these costs are being passed on to policyholders in the form of higher premium.

There are several alternative approaches to addressing the UM problem that are much more simple and less costly than database programs, including the adoption of mandatory fees for driving without insurance that may not be reduced by judges (who often do reduce fees based on hard luck stories). Another approach is to allocate additional funds to local police departments for the monitoring of courthouse parking lots to ensure motorists who either have their driver's license revoked or suspended, or who are unable to produce evidence of insurance to a judge, do not then get right back into their car and drive away.

For these reasons, APCIA asks the committee to hold this bill in committee.