JOSH GREEN, M.D.
GOVERNOR
KE KIAʻĀINA

TESTIMONY BY:

EDWIN H. SNIFFEN
DIRECTOR
KA LUNA HOʻOKELE

Deputy Directors
Nā Hope Luna Hoʻokele
DREANALEE K. KALILI
TAMMY L. LEE
ROBIN K. SHISHIDO

STATE OF HAWAIʻI | KA MOKUʻĀINA ʻO HAWAIʻI
DEPARTMENT OF TRANSPORTATION | KA ʻOIHANA ALAKAU
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

February 1, 2024
10:00 A.M.
State Capitol, RM 312

H.B. 1539
RELATING TO TRANSPORTATION

House Committee on Transportation

The Hawaii Department of Transportation (HDOT) **supports H.B. 1539**, which changes the penalties for violations of certain traffic laws and required motor vehicle insurance minimums.

The HDOT supports this bill as it seeks to reduce traffic fatalities and injuries by enhancing penalties for those who do not have motor vehicle insurance, as well as those who continue to violate traffic laws.

Thank you for the opportunity to provide testimony.

JOSH GREEN, M.D.
GOVERNOR | KE KIAʻĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIAʻĀINA

STATE OF HAWAII | KA MOKUʻĀINA ʻO HAWAIʻI
OFFICE OF THE DIRECTOR
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NADINE Y. ANDO
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DEAN I HAZAMA
DEPUTY DIRECTOR | KA HOPE LUNA HOʻOKELE

Testimony of the Department of Commerce and Consumer Affairs

Before the
House Committee on Transportation
Thursday, February 1, 2024
10:00 A.M.
State Capitol, Conference Room 312 and via Videoconference

On the following measure:
H.B. 1539, RELATING TO TRANSPORTATION

Chair Todd and Members of the Committee:

My name is Gordon I. Ito, and I am the Insurance Commissioner of the Department of Commerce and Consumer Affairs' (Department) Insurance Division. The Department offers comments on this bill.

The purpose of this bill is to change the penalties for violations of certain traffic laws and required motor vehicle insurance minimums.

The Department notes that, with respect to Section 6, increasing the minimum on liability coverage will put upwards pressure on the premiums consumers pay for mandatory motor vehicle insurance. However, the Department also acknowledges that this increase will provide an enhanced level of protection for consumers who purchase the minimums.

We estimate this bill will result in an initial increase of 11% to 70% in premiums for liability for bodily injury, with an additional increase of 8% to 18% in 2027, and an increase of 10% to 20% of premiums for liability for property damage.

With respect to the January 1, 2027 increases proposed at page 14, line 13 to page 15, line 9, we respectfully suggest that this language be removed and this issue be revisited after the impact of the initial increases can be considered.

Finally, we respectfully suggest that the effective date of Section 6 should be delayed until January 1, 2025, to provide time for insurers to implement the increases.

Thank you for the opportunity to testify.

HAWAII INSURERS COUNCIL
A trade association of property and casualty insurance companies

1003 Bishop Street
Honolulu, Hawaii 96813
Telephone (808) 525-5877

Alison H. Ueoka
President

TESTIMONY OF MICHAEL ONOFRIETTI

COMMITTEE ON TRANSPORTATION
Representative Chris Todd, Chair
Representative Darius Kila, Vice Chair

Thursday, February 1, 2024
10:00 a.m.

HB 1539

Chair Todd, Vice Chair Kila, 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 submits comments on HB 1539 Section 6 of the bill which increases the minimum liability limits for bodily injury and property damage coverages in Section 431:10C-301. The proposed bodily injury limits would be $50,000 per person and $100,000 per accident until December 31, 2026; and beginning January 1, 2027, it will be $75,000 per person and $200,000 per accident. The property damage limit would be $20,000 until December 31, 2026; and beginning January 1, 2027, it will be $40,000. This will cause a direct increase in costs of these coverages to everyone who purchases a minimum limits policy and therefore, it is regressive. Other coverages which are related will also increase, namely uninsured motorists and underinsured motorists coverages. We note that higher limits for all of these coverage are already available to those consumers who wish to purchase them.

I reviewed the Personal Auto market share leader's publicly available rate filings and wish to share the following for reference.* Increasing the Bodily Injury Liability limit from the current $20,000 per person/$40,000 per accident to $50,000 per person/$100,000 per accident reflects a 69% premium increase for that coverage. There is no current limit on file in Hawaii for $75,000 per person/$200,000 per accident. The closest is $75,000 per person/$150,000 per accident and the increase for this limit is 102% compared to the current $20,000 per person/$40,000 per accident limit. The increase to $75,000 per person/$200,000 per accident will be higher.

The increase for Uninsured Motorists coverage is the same as shown for Bodily Injury Liability. The increase for Underinsured Motorists coverage is 150% and 270%, respectively. Increasing the Property Damage Liability limit from $10,000 per accident to $20,000 per accident is 2%, and increasing this limit from $10,000 to $40,000 is 6%.

The resulting dollar increases are difficult to determine because of the many factors involved in establishing personal auto rates. Minimum limits of coverage are often purchased by consumers without significant financial means, limited assets to protect, and/or younger consumers purchasing insurance on their own for the first time.

If the Legislature decides to increase minimum statutory limits, we ask that language be inserted requiring the insurance commissioner to mandate a filing by motor vehicle insurers reflecting the increase so that insurers are allowed to charge the appropriate premium prior to the law change taking effect.

We ask that the following language be inserted, "The insurance commissioner shall issue a memo to solicit rate filings from motor vehicle insurers to reflect amendments to Sec. 431:10C-301(b)(1)(A) and (B) no later than July 1, 2024. Rate filings shall be due no later than December 1, 2024 and the relevant rate changes shall be effective for new and renewal policies on or after July 1, 2025. The insurance commissioner shall furthermore issue a memo to solicit rate filings from motor vehicle insurers to reflect amendments to Sec. 431:10C-301(b)(2)(A) and (B) no later than January 1, 2026. Rate filings shall be due no

*GEICO rate filing effective 7/7/2022 for new business. GEICO has the highest market share in Hawaii personal auto writing 28.9% of total premiums in 2022 (last year available) later than July 1, 2026, and the relevant rate changes shall be effective for new and renewal policies on or after January 1, 2027." The effective date of the bill should also be appropriately amended to reflect this language.

Thank you for the opportunity to testify.

TURO

Testimony of
Davin Aoyagi - Senior Government Relations Manager
Turo Inc.
COMMENTS ON HB1539 1/30/24

Aloha e Chair Lee, Vice Chair Inouye, and other Committee Members,

On behalf of Turo and our vibrant community of peer-to-peer car sharing hosts and guests in Hawaii, we respectfully offer the following comments on HB1538.

Over the past several years, the Legislature has debated what the insurance minimums for peer-to-peer car sharing should be. As recently as last year, the Hawaii State Legislature passed SB1502, SD2, HD2, CD1, signed into law as Act 210, which lowered the minimums for peer-to-peer car sharing. Should this bill pass as currently drafted, it will create an unintended consequence by setting the insurance minimums for peer-to-peer car sharing to $200,000 before 2027 and $800,000 post 2027, far above what the current limits are for peer-to-peer.

It continues to be our position that there is no policy justification for requiring peer-to-peer car sharing to carry insurance higher than state minimums. Also, as we have previously argued, there is no justification for different treatment regarding insurance requirements set for peer-to-peer car sharing in comparison to the traditional rental car industry. Currently, rental car companies are only required to carry state minimums. Should HB1539 become law, insurance requirements for peer-to-peer car sharing will soar while those for rental will remain tethered to state minimum limits.

Currently, the Legislature is also considering legislation (HB1991) to match insurance requirements for peer-to-peer car sharing and traditional rental, which we support. We request that the goals of this legislation and the ongoing policy discussions around the appropriate way to regulate these comparable industries be taken into consideration when considering changes to the state's minimum insurance limits.

We extend a warm mahalo to the committee for its consideration of our testimony.

American Property Casualty Insurance Association
INSURING AMERICA apci.org

To: The Honorable Chris Todd, Chair
The Honorable Darius K. Kila, Vice Chair
House Committee on Transportation

From: Mark Sektnan, Vice President

Re: **HB 1539 – Relating to Transportation**
APCIA Position: Oppose

Date: Thursday, February 1, 2024
10:00 a.m., Conference Room 312 & Videoconference

Aloha Chair Todd, Vice Chair Kila and Members of the Committee:

The American Property Casualty Insurance Association of America (APCIA) is opposed to **HB 1539** which increase penalties for violations of specific traffic laws increase the minimum financial liability limits for motor vehicle policies. 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.

APCIA generally favors efforts by states to improve driver safety but must oppose the portions of HB 1539 which increase the minimum financial liability limits. HB 1539 is premised on helping lower income drivers in Hawaii obtain more insurance coverage. However, this coverage is already available to any driver that wishes to purchase it. Rather, HB 1539 will force Hawaii drivers to purchase higher coverage, whether they want to or not. This bill increases the minimum financial responsibility (FR) limits in Hawaii immediately from $20,000 for a single injury, $40,000 for multiple injuries, and $10,000 for property damage to $50,000/ $100,000/ $20,000, respectively immediately upon passage. These limits would increase again on January 1, 207 to $75,000/$200,000/$40,000.

Consumers are already facing insurance premium increases due to the unparalleled inflation insurers are facing. This bill would only increase inflation, and insurance premiums at a time when the citizens of Hawaii are already confronting inflation rates not seen in the last forty years and record high gas prices at the pump, it is absolutely the wrong time to require drivers to spend more on auto insurance. Keeping costs down for consumers should be the most significant consideration for policymakers.

This bill will clearly increase rates for low-income and young drivers who will be forced to buy more coverage, but it will also most likely increase the number of uninsured drivers in Hawaii. Recently, Hawaii has seen a decrease in the number of uninsured drivers. According to the Insurance Research Institute, Uninsured Motorists 2017-2022 study, the number of uninsured drivers peaked in 2021.

Hawaii

	2017	2018	2019	2020	2021	2022
UM Frequency	0.047	0.051	0.050	0.036	0.051	0.047
BI Frequency	0.642	0.611	0.609	0.356	0.429	0.432
UM Rate	7.4%	8.3%	8.2%	10.0%	11.9%	10.9%

This bill could increase the number of uninsured drivers and reverse this trend. Higher numbers of uninsured drivers could also increase rates for drivers who are already carrying higher liability limits and commercial drivers who could pay more for uninsured motorist coverage.

HB 1539 sets an automatic increase to coverage minimums in 2027. This approach is unique, and, as far as we know, untested in any other state. An automatic increase has a few drawbacks. First, like any increase in minimums/coverage, it forces increases in costs on consumers who may not otherwise choose them. Second, the amount increased may not match increases in consumer prices, as is likely the intended purpose. As we are currently seeing, consumer-related inflationary rates can fluctuate significantly, undermining the intended effect of this proposal.

HB 1539 would also become effective upon signature of the Governor which would have the effect of making all existing minimum limit policies illegal since they would not meet the new state mandated limits. The bill should be amended to delay implementation to allow companies to develop new rate structures to reflect the higher limits and file the new rates with the Hawaii Department of Insurance. The effective date should also be for "policies incepting on or after" the effective date. If this language is not included, existing minimum limit policies which are mid-term will be out of compliance when the law changes. This will result in consumer confusion and challenges for the insurers.

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

TESTIMONY OF EVAN OUE ON BEHALF OF THE HAWAII ASSOCIATION FOR JUSTICE (HAJ) REGARDING HB 1539

Date: February 1, 2024
Time: 10:00 AM

Aloha Chair Todd, Vice Chair Kila, and Members of the House Committee on Transportation,

My name is Evan Oue, and I am presenting this testimony on behalf of the Hawaii Association for Justice (HAJ) in STRONG SUPPORT of **HB 1539 RELATING TO TRANSPORTATION**.

Hawaii automobile liability insurance minimums have not increased in 25 years. Accounting for inflation, Hawaii consumers have less than half of the protection they had when the law was last amended, and Hawaii ranks at the bottom nationally in automobile insurance protection. Hawaii's low insurance requirements also deny the State recovery of substantial Medicaid funds it spends on medical care for consumers injured in car crashes.

While Hawaii consumers and the State suffer, Hawaii has been the most profitable state for automobile insurers for over 25 years. The proposed increase will impose no unfair burden on them.

The proposed increase will also not harm consumers' pockets. ***For less than the cost of a cup of coffee per week***, Hawaii consumers, and the State, will have protection levels restored to minimally adequate levels, and Hawaii will pull itself from the bottom of the national standings in this important area of consumer protection.

This measure proposes tiered increases to the minimum automobile insurance coverage for bodily injury liability, the corresponding limit for an accident, and property damage. The measure proposes an increase upon approval and a second step-up in 2027.

Additionally, in response to the recent traffic fatalities occurring near two state schools, the measure seeks to increase civil and criminal penalties for multiple violations of Hawaii's traffic code in an effort to deter repeated traffic violations and to promote greater safety for Hawaii residents on our roads.

I. <u>Increase of the Insurance Minimums are Long Overdue:</u>

Specifically, we support the measure as it increases the bodily injury insurance minimum from $20,000 to $50,000 per person and then subsequently to not less than $75,000 per person in 2027. Additionally, the corresponding maximum limit per accident should increase from $40,000 to $100,000, and then subsequently to not less than $200,000. Further, we support increases the minimum insurance for property damage, including motor vehicles from $10,000 to $20,000, and then subsequently to $40,000. This increase in coverage merely tracks inflation over time of living and medical expenses associated with motor vehicle accidents.

Motor vehicle insurance minimum required policy limits have not been raised in 25 years, since the enactment of Act 27, session laws of 1998. This has resulted in more than a 50% reduction in consumer protection. In fact, the minimum insurance requirement for bodily injury liability has decreased over the years despite the steady increases in the cost of living and medical care.

In 1985, the minimum requirement was $35,000 per person, which in today's dollars would be equal $98, 463. In 1992, it was reduced to $25,000 with no maximum per accident. It remained at $25,000 until it was reduced again in 1998 to $20,000 per person, with a corresponding $40,000 maximum per accident. During that same time the Consumer Price Index for Hawaii increased more than 50%.

Now is the time to raise the minimum coverage requirement to properly reflect the changes in the cost of living and provide realistic minimum levels of protection for the public. Medical inflation has dramatically increased over the past 25 years, while insurance premiums have remained the same. **Ultimately**, **accident victims and health care providers pay the price for Hawaii's unreasonably low minimum policy limits.** Failing to increase the insurance minimums operates as a tax on tort victims whose medical expenses substantially outweigh the current insurance minimums.

II. <u>Any Potential Increase in Insurance Premiums will be Minimal, if At All</u>:

As explained below in Part IV, given the record profits insurers have made on Hawaii policies for decades, it is unclear if an increase in minimum coverage would need to result in an increase in premiums. If there is an increase in premiums, according to insurance company calculations, any increase would be minimal, especially in comparison with the substantial increase in protection it would provide to drivers, pedestrians, and the State. **Based on the current rates filed with the Department of Commerce and Consumer Affairs (DCCA), an increase to $50,000 in coverage will likely equate to approximately $10-15 per month in premium cost increases, or $2.50 - $3.75 per week -- less than the cost of a cup of coffee.** For example, GEICO's current base rate of $262 filed with the DCCA include an increase minimum factor multiplier of 1.69 to project the rates for consumers that elect to purchase $50,000 per person and $100,000 aggregate coverage. Thus, when multiplying GEICO's base rate for the minimum coverage at $262 by an increase factor of 1.69 results in a total cost increase of $180 per year, or $15 per month, or $2.50 per week.

Since 2007, nine other states increased their insurance premiums. Of those nine states, five states that increased their minimum insurance requirements saw slight decreases in their insurance premiums the year following the change. For example, in 2013, Ohio increased its insurance from $12,500 to $25,000 for personal liability and saw a slight increase in premiums the year of the coverage increase, but a subsequent premium rate decrease in the year following.

Additionally, the remaining states saw minimal increases in premiums the year of the increases and the subsequent year. For example, in 2011, Ohio increased its personal liability requirements from $20,000 to $30,000 and saw an increase of approximately $7 for the year of the increase and the subsequent year.

In certain instances, those carrying minimum limits may be assessed rates different. Someone with DUI or speeding tickets and multiple accidents will pay more. Someone with a high-performance sports car may pay more. Someone with both auto and homeowner's insurance with the same company may pay less due to discounts. Someone with an accident-free record may pay less. So, any given policy may cost more, or less, depending upon driver-specific underwriting principles. Overall, however, slight premium rate increases, or in some cases potential decreases in rates in other jurisdictions demonstrate that the actual cost of additional coverage for responsible drivers is small, and the increase in benefits is substantial.

The estimated $2.50 to $3.75 per week in costs is minimal in comparison to the benefits of having an additional $30,000 per person and $60,000 per accident in coverage. Protection of the public should be given great consideration as we continue to experience dramatic increases medical costs.

III. HB 1539 Will Allow the State to Recover Additional Costs for Medicaid Beneficiaries

A survey conducted by HAJ found that approximately 30% of auto bodily injury liability third party settlements are for $20,000 minimum limits. One-third of these $20,000 minimal limits settlements were paid to Medicaid beneficiaries, or approximately one in every 10 third-party auto liability settlements. As such, one in every three minimum policy limits settlements shortchanges the State. The State's loss is often substantial because the current minimal insurance requirements of $20,000 are greatly insufficient to offset the medical cost associated with motor vehicle accidents.

For instance, in the commonly occurring case in which the minimums are insufficient, the State will only recover one-third of the $20,000, which is $6,666. If limits are raised to $50,000, the State would receive up to an additional $10,000 or $16,665 per case, when coverage is insufficient to fully reimburse the State.

IV. Hawaii is the Most Profitable State in the Nation for Auto Insurers:

Hawaii has been the nation's most profitable automobile insurance market in the United States for over 25 years. In the mid-1990s insurers claimed that high premiums were caused by excessive claim payments, however, an August 1996 Star Bulletin article revealed that auto insurers were actually making record profits instead. Net profits in 1996 were a staggering 27.5%, up from an already impressive 22% in 1995. This makes Hawaii ***twice as profitable*** for insurers compared to the other states, as explained in the following paragraph**.**

The National Association of Insurance Commissioners (NAIC) annually publishes profit/loss data for automobile insurance countrywide. In its report issued in 2021, NAIC data reveals that private automobile insurance underwriting profits in Hawaii for 2021 was a 17.1% return on net worth. In comparison, the national average for underwriting profit was 5.7% return on net worth. Automobile insurers in Hawaii doubled the national average of underwriting profit and the national average of return.

Hawaii has consistently been the most profitable state for automobile insurers for over 25 years. NAIC data shows net returns on worth for Hawaii auto insurance between 2018-2020 as 16.4%, 11.7%, and 20.4% for an average of 16.6%. In comparison, during the same time period, the nationwide net returns were 7.6%, 6.9% and 10.2% for an average of 8.2%. Thus, over the course of that recent three-year span, Hawaii has nearly doubled the national averages. It is time to re-balance consumer benefits with insurer profits to give consumers more benefits and insurers healthy, but not exorbitant, profits. There is ample room for insurers to provide additional benefits to Hawaii consumers either without raising premiums or with, at most, a nominal increase.

V. <u>Hawaii's Insurance Minimums are Significantly Lower than other States</u>:

Hawaii is among only six states that require $20,000 or less in coverage, placing Hawaii at the bottom nationally in this area of consumer protection. A substantial number of states require $25,000 or more with some states requiring $30,000 and $50,000. An increase in Hawaii's minimum requirement is appropriate given our high cost of living, affordable insurance rates and civic obligation to provide adequate levels of benefits in exchange for the privilege of driving. Our state has experienced the harsh impacts of inflation after the pandemic and costs of goods, property and medical services has gone up substantial in the past couple of years. Specifically, medical bills for accidents of moderate severity routinely exceed $20,000 and often exceed $50,000 for an emergency that involves a trauma designation. The current $20,000 insurance policy limits all too often pays for just a fraction of the damages caused and leaves the victim and sometimes their health care providers responsible for the remaining costs.

Recently other jurisdictions have increased their minimum insurance coverage requirements. For example, California has passed legislation commencing in 2025 to increase the amount of liability insurance coverage an owner or operator of a motor vehicle is required to maintain to $30,000 for bodily injury or death of one person, $60,000 for bodily injury or death of all persons, and $15,000 for damage to the property of others as a result of any one accident. The measure further increases the required insurance minimums in 2035 to $50,000 for bodily injury, $100,000 for bodily injury or death of all persons, and $25,000 for property damage in order to accommodate rising costs of goods and medical expenses.

Additionally, Virginia passed a bill increasing the coverage from $25,000 to $50,000 for bodily injury or death of one person in any one accident, $50,000 to $100,000 because of bodily injury or death of two or more persons in any one accident, and $20,000 to $40,000 for property damage.

Lastly, Arizona also passed a measure which increased the coverage from $15,000 to $25,000 for bodily injury or death of one person in any one accident, $30,000 to $50,000 because of bodily injury or death of two or more persons in any one accident, and $10,000 to $15,000 for property damage.

The costs of living and of medical care are significantly higher in Hawaii, requiring a higher level of minimum coverage to meet the same needs.

VI. <u>Increased Civil and Criminal Penalties are Needed to Protect Hawaii Residents:</u>

In conjunction with increasing the motor vehicle insurance minimums, the measure seeks to protect Hawaii drivers and pedestrians by increasing civil and criminal penalties for repeat traffic offenders. In 2022, Hawaii saw a record high of 117 traffic fatalities and 570 serious injuries. In 2023, accidents resulting in two deaths near state schools have demonstrated the need for greater safeguards for

Hawaii residents. In response to the recent tragic pedestrian accidents near State schools, this measure seeks to create greater deterrent for multiple offenses of: 1) driving without a license; 2) driving without insurance; 3) excessive speeding; and 4) reckless driving.

The increased civil and criminal penalties in this measure are narrowly tailored towards multiple violations by an individual who habitually disregards Hawaii traffic safety laws and make our roads unsafe for pedestrians and other drivers. For example, the tragic accident involving a McKinley High School student last year may have been preventable if greater civil and criminal penalties were in place to deter a driver who consistently ignored Hawaii traffic safety laws having amassed 164 citations and had no license at the time of the accident. This measure aims to prevent a similar tragedy from occurring moving forward.

IV. <u>HB 1539 Offers Greater Consumer Protection and Public Safety for Hawaii Residents:</u>

Ultimately, driving is a privilege that carries a potential for causing serious injuries. This measure combines greater consumer protection with greater public safety for Hawaii drivers and pedestrians. Hawaii was once a leader in consumer protection requiring adequate levels of minimum insurance for its citizens. Exorbitant premiums in the 1990s forced multiple reductions in benefits. With insurance now relatively cheap and readily available for the past 25 years, it is time to revisit raising minimum levels to more adequately reflect the dangers associated with motor vehicles. Furthermore, given the recent accidents involving repeat traffic offenders, the measure prioritizes the need for greater public safety by deterring drivers that consistently violation Hawaii's traffic safety laws.

Thank you very much for allowing me to testify on of this measure. HAJ looks forward to working with the legislature on this issue for our state. Please feel free to contact me should you have any questions or desire additional information.

SanHi
GOVERNMENT STRATEGIES
A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 1, 2024

TO: Representative Chris Todd
Chair, Committee on Transportation

FROM: Matt Tsujimura

RE: **H.B. 1539 – Relating to Transportation**
Hearing Date: Thursday, February 1, 2024 at 10:00AM
Conference Room: 312

Dear Chair Todd, Vice Chair Kila and Members of the Committee on Transportation:

I am Matt Tsujimura, representing State Farm Mutual Automobile Insurance Company (State Farm). State Farm offers this testimony **in opposition** to H.B. 1539, Relating to Transportation.

H.B. 1539 calls for a tiered increase of the minimum required liability coverage limits for motor vehicle insurance policies to $50k/$100k/$20k through December 31, 2026, with a further increase to $100k/$200k/$40k on January 1, 2027. The proposed increase would place Hawaii significantly out of step with the majority of other states. While State Farm understands the intent of increasing coverage limits is to ensure protection, higher coverage limits can be counterproductive to this goal, and may lead to an affordability problem for consumers, which in turn can often lead to more uninsured drivers. Moreover, uninsured and underinsured motorist coverage limits must be equal to the bodily injury coverage limits, and an additional increase in these limits may result in an increase in premiums.

Increasing coverage limits will have a lasting negative impact on insurance costs. Higher limits lead to a higher floor for recovery; which leads to increased litigation and claims costs; which ultimately results in increased insurance costs.

If this H.B. 1539 passes, State Farm needs additional time to submit rate filings; create new selection and rejection forms for uninsured and underinsured coverage; prepare and send notice to all policyholders advising of the increased limits and premium changes; and update all systems, forms, and applications.

These changes, which would be necessary should this bill pass, will take time to create, implement, and onboard for all new and current customers. For these reasons, if the committee feels this bill must be passed, State Farm requests the following amendments:

- The bill be updated to reflect an *effective date of the bill be pushed out to at least January 2026*; and

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- Add language in section 6 to clarify insurers do not need to obtain new or updated documents described in HRS 431:10C-301(4) and (5) of the proposal:

    (6) A written document signed by a named insured prior to January 1, 2027, that previously rejected uninsured or underinsured motorist coverage shall satisfy the requirements of HRS 431:10C-301(4) and (5).

Thank you for the opportunity to present this testimony.