

SB-2541

Submitted on: 2/11/2022 6:54:41 PM

Testimony for CPN on 2/16/2022 9:30:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Mike Moran	Testifying for Kiheu Community Association (KCA)	Support	No

Comments:

Aloha Chair & committee

We ask for your support of this bill to help insure all Hawaii car owners have true value of their vehicles by their insurance company if necessary Mahalo

Mike Moran for KCA



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 15, 2022

TO: Senator Rosalyn H. Baker
Chair, Committee on Commerce and Consumer Protection
Submitted Via Capitol Website

FROM: Rick Tsujimura

RE: **S.B. 2541 - Relating to Motor Vehicle Valuation**
Hearing Date: Wednesday, February 16, 2022 at 9:30 a.m.
Conference Room: 229

Dear Chair Baker, Vice Chair Chang, and Members of the Committee on Commerce and Consumer Protection:

I am Rick Tsujimura, representing State Farm Mutual Automobile Insurance Company (State Farm). State Farm offers these comments in opposition to S.B. 2541 which would update the criteria used by insurance companies to assign a value to a motor vehicle when examining or processing a claim. The bill attempts to tackle two perceived issues: (1) insurers purported failure to consider an electric vehicle's battery in its valuation; and (2) the costs associated with shipping and traveling to a neighboring island to inspect and test drive a vehicle.

State Farm believes this bill is premature and respectfully submits this testimony in opposition to S.B. 2541. As explained below, while there is a growing trend toward electronic vehicles, electric vehicles are not yet mainstream and the data regarding things like battery strength when compared with miles traveled is controlled by the vehicle manufacturers, not insurers. Moreover, the attempt to shift the costs of inspection and traveling to a neighboring island to purchase a vehicle to an insurer would lead to increased claim costs.

Data Relating to Electronic Vehicles are Controlled by the Original Equipment Manufacturer (OEM)

State Farm questions the premises that the battery life of an electronic vehicle plays a larger role in the market value than mileage. Mileage speaks directly to the wear and tear the overall parts of the car have undergone, from axles and suspension to the chassis, livery, and electronics. Most electronic vehicles with batteries use a patented system that is particular to that brand and, unfortunately, the OEMs have been reluctant to share the information with insurers. Insurers do not yet have sufficient experience about battery life expectancy and depreciation data to consider this information in calculating the market value of a total loss. Insurers do not know what a battery at 70% strength is worth, nor do we have the data that would tell us how long it might take a car to get to 70% battery life strength. The lack of data makes it impractical to require an

insurer to give the vehicle's primary battery life equal or greater weight than mileage when determining the value of a total loss.

Insurance Companies Should Not Be Required to Cover the Costs of Purchasing a Vehicle Available on a Neighboring Island

The request to consider whether replacement vehicle is available on the island, and if not, consider inspecting and shipping of a vehicle from a neighboring island should not be placed on the insurer. Insurers provide risk protection for property purchased by the policyholder; the policyholder selects the vehicle understanding things such as availability, cost of repair, availability of repair shops, etc. Insurers would be in the unenviable position to try to forecast availability and shipping costs into premium given the supply chain issues which are in flux, at best.

Conclusion

S.B. 2541 would materially change the definition of total loss in Hawaii by requiring insurers to consider the electronic vehicle's battery and the costs associated with purchasing a vehicle from a neighboring island. These material change would result in increased claims costs and, as a result, an increase in premiums. All of this is further complicated by the limited amount of information about electronic vehicles available to insurers. For these reasons, **State Farm opposes S.B. 2541.**



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Hawaii State Legislature
Senate Committee on Commerce and Consumer Protection

February 15, 2022

Filed via electronic testimony submission system

RE: SB 2541, Relating to Motor Vehicle Valuation - NAMIC's Testimony

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, 2022, 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.

NAMIC membership includes more than 1,500 member companies. The association supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers. NAMIC member companies write \$323 billion in annual premiums. Our members account for 67 percent of homeowners, 55 percent of automobile, and 32 percent of the business insurance markets. Through our advocacy programs we promote public policy solutions that benefit NAMIC member companies and the policyholders they serve and foster greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies.

NAMIC's insurance company members have a well-documented history of providing policyholders with a fair, efficient, and timely resolution of their auto insurance claims. Whether the claim results in an auto repair or replacement vehicle, insurers are committed to providing their policyholders with claims settlements and insurance products that address consumer needs. We are concerned that the proposed legislation does not address the availability and affordability of auto insurance problem that is likely to result from the proposed claims settlement requirements. Auto insurance consumers want and need an insurance marketplace that provides them with a wealth of different insurance product options and price-points. In theory, insurers could provide consumers with every imaginable coverage and claims service, but these increased claims settlement costs and coverages have to be factored into the overall price of the insurance product for the policyholder. Consumers want and need insurers to be thoughtful and comprehensive in their balancing of insurance product pricing costs with insurance coverage claims settlement costs.

NAMIC is concerned that a number of the proposed amendments to the Total Loss Motor Vehicle Claims Replacement law will adversely impact availability and affordability of auto insurance coverage for consumers, especially as it relates to electronic vehicles (EVs). Specifically, we are concerned with the following proposed changes to the current law:

- 1) **The proposed legislation places too much emphasis upon a single repair part (EV battery) and a single valuation metric (battery life)** - Although EV batteries distinguish these vehicles from standard motor vehicles for environmental and marketing purposes, the vast majority of these vehicles are similar in structure, operation, and repair procedures to standard combustible engine motor vehicles. Both types of vehicles have similar steering, breaking, mechanical functioning, interior and exterior designs, consumer comfort and convenience features, and infrastructure commonalities that have to be addressed when repairing or evaluating the replacement cost of these vehicle. In fact, standard vehicles and EV vehicles are far more alike than different when all variables are considered. As we all know from personal experience, motor vehicles are expensive to repair or replace because of a multitude of factors: the complexity of the myriad of constituent components installed in the vehicle, the aesthetic features of the exterior and interior of the vehicle, and the safety requirements of the composite materials used to build the vehicle.

NAMIC is concerned that the proposed legislation would place too much valuation importance upon the EV battery; thereby, limiting insurers ability to balance claims settlement costs with insurance product pricing for consumers. Specifically, EV batteries are typically expensive OEM replacement parts, which are priced by the manufacturer of the EV without any meaningful market competition from non-OEM parts manufacturers. Thus, EV manufacturers can basically charge whatever they want for the part because they are, in essence, “the only game in town” when it comes to repairing the vehicle. This is a serious insurance rate cost-driver that adversely impacts the price of insurance for consumers.

Additionally, because EV manufactures are allowed to protect their proprietary information on their batteries there is limited data on battery life expectancy, which insurers need to determine valuation and depreciation of the EV battery. For example, there is no data on what a 70% EV battery life battery is worth compared to an 80% battery life battery or how that difference in battery life relates to the functionality and value of all the non-battery related parts that compose a motor vehicle. Consequently, if insurers have to over-emphasize the EV battery life in their claim settlements, they will have to over-emphasize this pricing uncertainty in their insurance product pricing to the detriment of EV insurance policyholders.

- 2) **The proposed legislation would improperly limit the importance placed on miles driven in the valuation of a replacement motor vehicle** - Although battery life is an important consideration for valuing the replacement cost of the EV battery, it is entirely irrelevant to valuing auto repair parts and services that are rated based upon miles driven, like tires, suspension, power train, brakes, etc., or the standard operational life of components like windows, seats, air conditioning, etc.

NAMIC is concerned that the proposed legislation seeks to treat EV vehicles as a significantly different product from standard motor vehicles, when the primary difference is merely one of electric-based engine motion versus combustible-fuel based engine motion. Consequently, there is no reason to fundamentally alter the time-tested and long-established auto replacement cost law.

In closing, NAMIC believes that auto repair shops and the insurance industry doesn't have the data on battery life necessary to change the current law and still provide auto insurance consumers with insurance product pricing that thoroughly and comprehensively matches rates to auto repair costs or replacement vehicle costs. We believe that this legislative proposal is premature, and that mileage is still the best indicator for valuation of the totality of a motor vehicle.

For the aforementioned reasons, NAMIC respectfully requests that you **VOTE NO on SB 2541**.

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 Regional Vice President
State Government Affairs, Western Region

TESTIMONY OF MICHAEL ONOFRIETTI

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Senator Rosalyn H. Baker, Chair
Senator Stanley Chang, Vice Chair

Wednesday, February 16, 2022
9:30 a.m.

SB 2541

Chair Baker, Vice Chair Chang, and members of the Committee on Commerce and Consumer Protection, 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 recommends that SB 2541 be held.

The likely impacts of SB 2541 are a combination of higher auto insurance premiums for Hawaii vehicle owners, fewer replacement vehicles provided as a claim settlement option and, on occasion, reduced payments when auto accidents involve electric vehicles (EVs).

The intent of SB 2541 is to have insurers pay more to settle total loss claims or to pay more when EVs are damaged in covered insurance claims. If insurers pay more to settle claims those added costs are passed onto vehicle owners via higher insurance premiums. If one type of vehicle, in this case EVs, are the root cause of increased claims payments insurers may choose to not insure them or to insure them for much higher premiums.

Mandating that travel and shipping expenses be included in claim settlements for replacement vehicles will add significantly to claim settlements. Before this occurs, insurers will likely limit when they will utilize 431:10C-310 to situations when the replacement vehicle

is on-island. Paying for out of state travel will add thousands of dollars to each claim settlement considering airfare, cost of transportation, accommodations if the trip requires an overnight stay and other incidental expenses.

Insurers can currently access reputable online sellers, and physical inspections are unnecessary. If the only available “replacement vehicles” are off-island, insurers will instead settle claims for the actual cash value of the damaged vehicle should SB 2541 be enacted. This will adversely impact Hawaii consumers.

SB 2541 also attempts to change claim settlement for EVs by modifying the definition of market value. We believe the language in Section 3 of the bill modifying subsection 431:10C-311(a)(4) is flawed. As noted above, adding travel and shipping expenses to the settlement amounts will increase costs and result in higher premiums.

Battery life expectancy, if able to be measured, would be difficult to use as a vehicle valuation metric because insurers would need to compare the damaged vehicle battery’s remaining useful life with comparable vehicles on the market. Typical sales listings do not state the useful life and capacity but do include mileage, which consumers recognize and use as a factor in their purchase decisions.

In general, there is very limited data on EV battery life, so the actual cash value of a battery is not straightforward. Insurer 1 may assume an EV traction battery pack is worthless after X years while insurer 2 may assume a different expected life. However, “market value” in theory will already capture this. “Market value” is defined in many ways but is effectively the amount others are willing to pay for similar property.

In general, repairing or replacing electric vehicles damaged in covered losses has been a challenge for insurers, especially for Teslas. Getting replacement parts is often more difficult because the supply chain is controlled by one entity and there are no alternative sources. Repairs are often only able to be performed by manufacturer-certified body shops which charge more than two times the typical body shop rate, which also adds to the cost of

claim settlement. Over time we believe that these issues will resolve as more EVs are on United States roads, but it is unclear when that will occur.

Enacting SB 2541 may raise premiums for Hawaii vehicle owners and may act as a deterrent to insurers to provide coverage to EVs. This is a poor result for everyone.

Thank you for the opportunity to testify.



- Government Employees Insurance Company
- GEICO General Insurance Company
- GEICO Indemnity Company
- GEICO Casualty Company

TIMOTHY M. DAYTON, CPCU, GENERAL MANAGER ALASKA & HAWAII
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LATE

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Rosalyn H. Baker, Chair
Senator Stanley Chang, Vice Chair
Wednesday February 16, 2022

SB2541 - RELATING TO Motor Vehicle Valuations

Chair Baker, Vice Chair Chang and Members of the Senate Commerce and Consumer Protection Committee:

My name is Timothy M. Dayton, General Manager of GEICO. GEICO insures motor vehicles for 182,000 households throughout the islands. GEICO opposes this proposal. We have the following specific concerns with the Bill:

1. While SB 2541 is well intended, we believe if enacted it will lead to more concerns and confusion and is in our opinion unnecessary.
2. At the bottom of page 6 of SB 2541 (4) (a) seeks to address a settlement of all total losses. A cash value settlement is almost always the mechanism used to settle a total loss and it is unclear what pre-inspection travel or shipping would be appropriate in a cash settlement evaluation. Furthermore, the actual cash value replacement settlements on the outer islands already tend to be higher than Oahu, like the costs of most things, so another reason that pre-inspection travel and shipping seem inappropriate. The fact that vehicles cost more on the outer islands is already

considered in arriving at total cost cash value settlement. If this Bill passes out of Committee, we respectfully ask that the pre-inspection and vehicle shipping be limited to the replacement settlement option.

3. Mileage and age have historically been the acceptable measure of a vehicle's value. There is no industry standard for measuring, recording and comparing battery traction life cycle in the case of electric vehicles. If there was a recent battery replacement for an electric vehicle, that would be considered a refurbishment of that vehicle and add to the valuation. Many electric vehicle makers tie their warranties for the battery to mileage. Therefore, any valuation methodology outside of accepted market norms seems to be an arbitrary modification of value and not a reflection of market value.

The measure is well intended but does not seem practical. For these reasons, we respectfully request that **SB2541 be held.**

Thank you for the opportunity to submit this testimony.

Sincerely,



Timothy M. Dayton, CPCU



LATE

To: Senator Rosalyn H. Baker, Chair
Senator Stanley Chang, Vice Chair
Senate Committee on Commerce and Consumer Protection

From: Mark Sektnan, Vice President

Re: **SB 2541 - Relating to Motor Vehicle Valuation
In Opposition**

Date: Wednesday, February 16, 2022
9:30 a.m., Via Videoconference

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

The American Property Casualty Insurers Association of America (APCIA) is **opposed to SB 2541**, which would require an insurer to take into consideration costs of shipping the vehicle and the insured's travel for pre-purchase inspection of the replacement vehicle, if not on the same island, and, if the insured vehicle is an electric vehicle, the remaining battery life and capacity of the vehicle's primary battery, known as the traction battery pack, which shall have equal or greater weight than mileage on the vehicle.

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 has a concern with correlating the battery life to mileage and requiring that battery life be weighted more than mileage. These are two distinctly different categories of adjustments. Battery life is a mechanical condition adjustment, which is separate from mileage. Some vehicle owners who have high mileage maintain the mechanical components of their vehicles and some do not. Battery life doesn't necessarily correlate to mileage, and they should not be dependent on each other. For example, a loss vehicle may have low mileage, but the battery may not have been maintained properly. This bill would prevent insurers from adequately compensating the vehicle owner for the low mileage because a fair adjustment for the battery life adjustment would be less than a fair mileage adjustment.

Most manufacturer's warranty the batteries for 100k miles, and Consumer Reports and other sources say they can last as long as 200k miles, and about the only thing that can shorten the life is overuse of "fast charging" stations and being used in high temperature

areas. The insurer would have no way to determine what kind of chargers had been used. In addition, the mechanical parts of the car, like the electric motors and all the other parts of the car that aren't any different, will age and degrade just like any other car while mileage would still be the primary driver of the value of the car.

The requirements in the bill about shipping costs and paying for travel to preview a comparable vehicle are problematic. The best comparable vehicles are recent sales so there is nothing for the consumer to pre-inspect if cash settlement option is used, which is almost always the case. In these cases, the owner takes their settlement and buys a replacement car that is often nicer than what they had, perhaps a brand-new car. Insurers, and therefore policyholders, should not have to pay someone's shipping costs (\$1500-\$2200) to ship a car from Oahu to the Big Island on mere speculation.

APCIA believes this bill will drive up the costs of insurance for all drivers in Hawaii and for these reasons, APCIA asks the committee to **hold** this bill in committee.

SB-2541

Submitted on: 2/11/2022 5:49:12 PM

Testimony for CPN on 2/16/2022 9:30:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Gwendelwyn Cruise	Individual	Support	No

Comments:

I support this SB2541. If the insurance companies won't be fair, we need our legislators to step in and require fairness. Thank you.

SB-2541

Submitted on: 2/14/2022 5:50:05 PM

Testimony for CPN on 2/16/2022 9:30:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Scott Young MD	Individual	Support	No

Comments:

Aloha,

This is a common sense bill that should go forward and I support it.

Mahalo,

Genesis S. Young MD

SB-2541

Submitted on: 2/15/2022 9:29:09 AM

Testimony for CPN on 2/16/2022 9:30:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Shay Chan Hodges	Individual	Support	Yes

Comments:

Aloha:

My name is Shay Chan Hodges and I am a resident of Haiku, Maui. I am testifying in support of SB 2541 because I have recent first-hand experience that demonstrates the need for this provision.

In July of last year, my husband and I were hit by a deer on the airport road leaving Costco in Kahului, Maui. It was early evening and we were driving our 2015 Nissan Leaf.

Thankfully we weren't hurt and the car sustained minor damage to the headlights. However, the mechanic and insurance company ultimately deemed the vehicle a "total loss." In navigating the five-month process to replace our electric vehicle, which we had purchased in part, due to our concerns about global warming, we learned of current auto insurance practices that undermine the state's and country's electric vehicle transition goals, and which are unfair to neighbor island residents, because insurance companies include as value comparisons, cars that are available throughout the state.

In determining the amount of the offer to replace our vehicle, the insurance company looked at existing vehicles for sale on all islands in Hawaii, without considering the obvious difficulties for a Maui resident to buy a vehicle on another island. This problem is even more of an issue now, when we have a period of economic and supply chain disruption that has increased used car prices by 40%.

Thus, I very much support the provision in SB 2541 that “the insurer shall include in its offer the costs of shipping the replacement vehicle and the insured's travel for pre-purchase inspection of the replacement vehicle.”

The second provision requires that if the total loss vehicle is an electric vehicle, the remaining life and capacity of the vehicle's primary battery, known as the traction battery pack, which shall have equal or greater weight than mileage on the vehicle.

Anyone who owns or has seriously considered owning an electric vehicle knows how important the value and capacity of the battery is. As Hawaii implements policies to hasten the transition from gas to electric vehicles, the fact that battery capacity is not considered in vehicle valuation by insurance companies causes significant undervaluations of electric vehicles for Hawaii residents.

If insurers do not properly value used electric vehicles, there is less incentive to purchase them, thereby reducing our state's goals. The company that is contracted by our insurer — CCC — has a market share of more than 80% in car collision and repair market. Their current policy has significant negative impacts on our nation's goals to combat the climate crisis.

Mahalo for your time.

LATE

SB-2541

Submitted on: 2/15/2022 10:25:16 AM

Testimony for CPN on 2/16/2022 9:30:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Nanea Lo	Individual	Support	No

Comments:

Hello,

My name is Nanea Lo. I come from Papakōlea, O‘ahu. I'm a Kanaka Maoli born and raised in the Hawaiian Kingdom. I'm writing in full support of SB2541.

As the first generation of Electric Vehicles gets older, insurance companies have been undervaluing EVs because their calculations are based on mileage rather than battery age. This bill also promotes equity for neighbor island residents who own any type of vehicle, because the insurance companies don't currently take travel & shipping costs into account when calculating comparable prices for similar vehicles nearby.

Support SB2541.

me ke aloha ‘āina,

Nanea L