

TESTIMONY OF MICHAEL ONOFRIETTI

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

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

SB 745

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 submits comments on **SB 745** which increases the minimum liability limits for bodily injury and property damage in the Motor Vehicle Safety Responsibility Act. The bill increases the bodily injury limit to \$30,000 per person and unlimited per accident and the property damage limit to \$50,000. This will cause a direct increase in costs of these coverages to everyone who purchases a minimum limits policy. It is regressive in that it affects those who can least afford it. Other coverages which are related will also increase, namely uninsured motorist and underinsured motorist. Insurers today offer higher limits for those who wish to purchase them.

Finally, if the intent of this bill is to increase mandatory minimum liability limits, the motor vehicle statute should also be amended in Section 431:10C-301.

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. 745 - Relating to Motor Vehicle Insurance**
Hearing Date: Thursday, February 4, 2021 at 3:00 p.m.
Conference Room: 224

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 745 which raises the minimum insurance coverage requirement for bodily injury liability coverage to \$30,000 for bodily injury or death of any one person in any one accident and removes limits for two or more persons in any one accident. It also increases the minimum insurance coverage requirement for property damage to \$50,000 per accident.

Pursuant to the Insurance Code, HRS § 431:10C-301, the current state minimum auto insurance requirements in Hawaii are:

\$20,000 for bodily injury insurance per person or \$40,000 per accident

\$10,000 for property damage liability insurance

In addition, HRS § 431:10C-103.5 requires minimum personal injury protection (PIP) limits of \$10,000 per injury. These minimum coverages are actually greater than the limits stated in the Vehicle Code, HRS § 287-25, which are the subject of this bill. Raising these minimums will result in higher premiums for all of our policyholders, particularly those with minimum premiums that can least afford it. During these times any increase to our policyholders, no matter the amount, would be a greater burden, and will increase the number of uninsured drivers. On behalf of State Farm policyholders we oppose these increases.

More importantly, the coverages in state law were inserted during a time when auto insurance was extremely expensive and there was an issue of uninsured motorists. The logic was to reduce the coverages so all drivers could obtain auto insurance. It was intended to provide a safety net for all drivers.

It should be noted that these are minimums and those who need to protect themselves can purchase more coverage. But, for those who are living paycheck to paycheck, and who need to drive to their job, the minimum limits should be kept low enough to ensure

they can afford coverage. Those with more or larger assets can buy larger coverages. Hawaii's personal injury protection insurance allows for these higher coverages, as do bodily injury and property damage coverages.

There is another feature of this bill that is very troubling: it removes entirely the per accident cap. Normally the policy exposure is written in terms of a per person limit (say \$20,000) and a per accident cap (\$40,000). This is needed so that the rate can be calculated based on a finite amount of potential exposure. Because this bill removes the per accident cap, the potential exposure is unlimited for any given accident. This means the rate will need to be even higher to account for that exposure. This will put the "minimum coverage" policy well out of reach for those that need it so they can drive legally. In addition, the removal of the per accident limit would apply to all policies, even those with higher limits, so that everyone's rates would have to be increased to account for the much higher exposure.

State Farm participates in the Hawaii Joint Underwriting Plan providing free insurance coverage to many folks on public assistance. We see persons who need to drive to their jobs to feed their families or pay the rent. Forcing people to choose to pay for higher limits, or put food on the table or to pay the rent, is a Hobson's choice no one should be forced to make.

For these reasons we strongly urge this committee to hold this measure.

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 745, Motor Vehicle Liability Insurance; Minimum Coverage Requirements; Bodily Injury; Property Damage – 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 respectfully submits the following comments **in opposition** to the proposed legislation:

- 1) SB 745 would increase the minimum bodily liability limit from \$10,000 to \$30,000, and the PD minimum from \$5,000 to \$50,000. NAMIC is concerned that the proposed increase in insurance liability limits will likely have an adverse impact upon the cost of insurance for consumers during a time in the state when consumers are struggling from the impact of COVID-19 business shutdowns and a significant slowing of the state’s economy as a result of decreased travel to the state. NAMIC is also concerned that the proposed legislation, which would increase property damage coverage 10-fold in coverage limits is likely to lead to higher insurance rates, which could trigger an uptick in the number of uninsured drivers in the state.
- 2) NAMIC is also concerned that the proposed legislation would eliminate the “per accident” limit for bodily injury, which means that the amount of coverage for any one accident is potentially unlimited. This proposed change is most troubling for a number of reasons:

a) removing this clearly necessary rating variable (amount of coverage limits) would make it nearly impossible for insurers to accurately price the cost of the liability insurance for consumers; b) the removal of the “per accident” coverage limits provision will lead to extensive litigation, and insurance defense expenses are insurance rate cost-drivers; and c) the provision is unclear as to whether this change in the law applies to all auto policies, or only auto policies with minimal liability coverage limits. This legal uncertainty would be detrimental to insurance policyholders, who need to know their insurance coverage requirements and their liability exposure for insurance procurement decision-making.

For the aforementioned reasons, NAMIC respectfully requests that YOU VOTE NO on SB 745.

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



- 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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COMMITTEE ON TRANSPORTATION

Senator Chris Lee, Chair

Senator Lorraine R. Inouye, Vice-Chair

Thursday February 4, 2020

SB745 - RELATING TO Motor Vehicle Insurance

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

My name is Timothy M. Dayton, General Manager of GEICO. GEICO provides motor vehicle insurance for 178,000 Hawaii households which is more than one out of every three Hawaii households that has auto insurance. GEICO opposes SB745.

If I understand the Bill, it seeks to do the following:

- Change the minimum limit for Bodily Injury from \$20,000 per person and \$40,000 for all injured parties to \$30,000 per person and eliminate the per accident limitation. This is a major increase and the elimination of the per accident limit would be unique to Hawaii.
- Change the amount of Property Damage Liability from \$10,000 to \$50,000 per accident.
- Make these changes effective upon approval.

The proposed changes are major. GEICO has the following concerns and objections

1. The language contradicts HRS 431:10C- 301 creating ambiguity.
2. It introduces a new per person limit of \$30,000 which will require insurers to program.

3. It eliminates the per accident limit which brings Hawaii back to where we were before the major reforms enacted in 1992 as an important part of addressing the public anger over the high cost and low availability of motor vehicle insurance in Hawaii.
4. Increases immediately and significantly the cost for minimum financial responsibility limits at a time of unprecedented financial hardship. This will also increase the number of uninsured vehicles on Hawaii's roads.
5. Will require every insurer to refile and obtain approval for new rates and forms (policy contract language). This will make it impossible for insurers to be in compliance with a major change enacted upon approval.
6. Will confuse consumers who will see their coverage, limits and rates change and will flood insurers and agents with questions at a time when we (GEICO) are experiencing customer service calls at an unprecedented level already.

Given the economic hardships so many of our island residents are experiencing, this is the wrong proposal at the worst possible time.

GEICO respectfully requests that SB745 be held.

Thank you for the opportunity to submit this testimony.

Sincerely,



Timothy M. Dayton, CPCU



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

From: Mark Sektnan, Vice President

Re: SB 745: Relating to Motor Vehicle Insurance
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 745, which would increase the limits for the minimum liability policy that can be sold in Hawaii. 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.

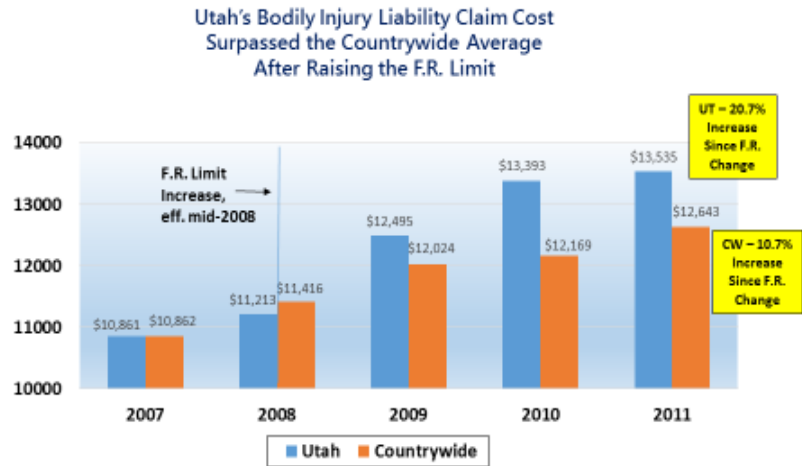
SB 745 would triple the minimum insurance coverage requirement for bodily injury liability coverage from \$10,000 to \$30,000 for bodily injury or death of any person in any one accident and removes limits for two or more persons in any one accident. The bill would also increase the minimum insurance coverage requirement for property damage to by a multiple of ten from \$10,000 to \$50,000. There are several reasons to oppose this legislation.

- It is unnecessary to mandate higher minimums because people can simply purchase higher limits in the marketplace or underinsured and uninsured motorist coverage.
- It is not needed because typical claims are well within existing financial minimums, increasing limits will necessarily mean greater exposures which may, of course, find its way back to consumers.
- Increases in financial minimums are regressive and are likely to have a more negative impact on those who carry, and perhaps are only capable of affording the financial minimums – they will see the liability limits go up whether they can afford the change or not. In other words, the most economically vulnerable who are trying to meet the legal requirements for insurance in the state will be the most adversely impacted.

Case Study: Impact of Raising the Financial Responsibility (F.R.) Limit in Utah in 2008

To understand the potential cost impact of raising the F.R. limits we can look at what happened last time Utah increased its minimum limits in 2008. Effective July 1, 2008, Utah increased its F.R. limit – from \$50,000 to \$65,000 – for all persons injured in an auto accident. As expected, this change resulted in higher Bodily Injury (BI) liability losses. The average cost of the BI claim rose 11.4 percent during the first 12 months after the new F.R. limit went into effect, from \$11,213 in mid-2008 to \$12,495 in mid-2009.

This increase is much higher than previous changes that were only in the single digits. **Before raising the F.R. limit, Utah's BI claim cost was lower than average; after raising the limit, its claim cost rose two times faster (UT – 20.7 percent vs. Countrywide (CW) – 10.7 percent from 2008 to 2011) and is now much higher than average (\$13,535 UT vs. \$12,643 CW).**¹



Note: The 2007 data point reflects 1st 2 quarters and 2008-2011 data points reflect the four quarters ending at the 2nd quarter of each year.
Source: Fast Track Monitoring System

Raising the mandatory financial minimums when many are struggling from COVID-19 related job losses could force consumers to make the choice to not carry any insurance, thus increasing the number of uninsured drivers on Hawaii's roads and highways.

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

¹ The auto trends are based on data compiled by the Fast Track Monitoring System, a publicly available report prepared jointly by Independent Statistical Service, Insurance Services Office and National Independent Statistical Service.