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Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Consumer Protection and Commerce
Wednesday, February 28, 2024
2:00 P.M.
State Capitol, Conference Room 329 and via Videoconference**

**On the following measure:
H.B. 1539, H.D. 1, RELATING TO TRANSPORTATION**

Chair Nakashima and Members of the Committee:

My name is Gordon 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 increase fines for violations of certain traffic laws and required motor vehicle insurance minimums; establish minimum and maximum sentences for persons convicted of violations of certain traffic laws; and amend the minimum liability coverage thresholds to unspecified amounts.

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.

With respect to the January 1, 2027, increases proposed in Section 6, p. 14, line 10 to p. 15, line 5, we respectfully suggest this language be removed and this issue be revisited after the impact of the initial increases can be considered. Additionally, should our proposed amendment be accepted, we respectfully ask to remove the amended language on p. 15, line 10 for purposes of conformity.

Thank you for the opportunity to testify.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-SECOND LEGISLATURE, 2024**

ON THE FOLLOWING MEASURE:

H.B. NO. 1539, H.D. 1, RELATING TO TRANSPORTATION.

BEFORE THE:

HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

DATE: Wednesday, February 28, 2024 **TIME:** 2:00 p.m.

LOCATION: State Capitol, Room 329 and Videoconference

TESTIFIER(S): Anne E. Lopez, Attorney General, or
David L. Williams or Elyse C. Oyama, Deputy Attorneys General

Chair Nakashima and Members of the Committee:

The Department of the Attorney General provides the following comments with suggested amendments.

This bill: (1) amends sections 286-136, 291-2, and 291C-105, Hawaii Revised Statutes (HRS), to increase penalties for repeated traffic violations; (2) amends section 431:10C-117, HRS, to increase the penalty for driving without motor vehicle liability insurance; and (3) amends section 431:10C-301, HRS, to increase motor vehicle insurance minimum coverage requirements to protect residents from repeat offenders.

The Department is concerned about the proposed amendments to section 291C-105(c)(3)(D), HRS, on page 8, lines 3-6, in section 4, which increase the mandatory minimum and maximum imprisonment terms for certain repeat excessive speed offenders from ten days to thirty days and from thirty days to ninety days, respectively. Currently, section 291C-105(c), HRS, classifies excessive speeding as a petty misdemeanor offense, which, pursuant to section 706-663, HRS, is punishable by a fine and/or up to thirty days imprisonment. Thus, the maximum imprisonment term of ninety days for the offense of excessive speed as proposed in this bill exceeds the statutory guidelines set forth in section 706-663, HRS. The Department recommends either keeping the maximum term of imprisonment at thirty days or amending section 291C-105, HRS, to classify a third offense within a five-year period as a misdemeanor to conform with the statutory guidelines set forth in section 706-663, HRS.

Thank you for the opportunity to submit our comments.

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February 26, 2024

Committee on Consumer Protection & Commerce
Rep. Mark M. Nakashima, Chair
Rep. Jackson D. Sayama, Vice Chair
415 South Beretania Street, Conference Room 329
State Capital
Honolulu, HI 96813

Re: Testimony in Opposition of H.B. 1539, H.D. 1
Hearing: February 28, 2024, 2:00 PM

Dear Chair Nakashima, Vice Chair Sayama and Committee Members:

This letter is in opposition of H.B. 1539 which, *inter alia*, increases penalties for repeated violations of driving without a license, reckless driving, excessive speeding, driving without valid motor vehicle insurance and increases motor vehicle insurance minimums.

Under H.B. 2531, penalties for the following offenses are disproportionately increased as follows:

Driving without a valid driver's license. A third conviction of driving without a license is amended by increasing the minimum/maximum fine from \$500.00 - \$1,000.00 to a minimum/maximum fine of \$1,000.00 to \$5,000.00 and imprisonment of not less than thirty days. H.B. 1539, pg. 3, lines 17-19.

Reckless driving. A second conviction of reckless driving creates new penalties increasing the offense from a petty misdemeanor to a full misdemeanor. The bill also creates a new minimum fine of \$1,000.00 to a maximum fine of \$5,000.00 and imprisonment of not less than thirty days and a maximum of one year. H.B. 1539, pg. 4, lines 10-15.

Excessive speeding. A second conviction of excessive speeding is amended by increasing the minimum/maximum fine from \$750.00 - \$1,000.00 to a minimum/maximum fine of \$1,000.00 to \$2,500.00 and increases the surcharge from \$100.00 to \$500.00. H.B. 1539, pg. 6-7, lines 14-15, 3. A third conviction of excessive speeding raises the fine from \$1,000.00 to \$2,500.00, raises

the minimum/maximum imprisonment from ten to thirty days to thirty to ninety days and raises the surcharge from \$100.00 to \$1,000.00. H.B. 1539, pg. 7-8, lines 15-17, 3-4, 9.

Driving without valid no-fault insurance. A conviction of driving without valid no-fault insurance is amended by increasing the minimum/maximum fine from \$100.00 to \$500.00 to \$7,000.00. H.B. 1539, pg. 9, lines 7-8. It also raises the mandatory fine for a first offense from \$500.00 to \$1,000.00 and a subsequent offense from \$1,500.00 to \$2,500.00. H.B. 1539, pg. 9, lines 13-14. Finally, it increases the minimum/maximum conversion of community service from no less than 200 hours for a first offense and a maximum of 275 hours for a subsequent offense to a minimum of 500 hours for a first offense and maximum of 750 hours for a subsequent offense. H.B. 1539, pg. 10, lines 4-7.

This bill disproportionately increases penalties for driving offenses which are non-violent victimless crimes. The bill will unreasonably and inordinately impact and punish the poorest members of our community. Hawaii is one of, if not, the most expensive state to live in. Increasing the fines, incarceration time and amount of fees and community service will not curb the conduct but will perpetuate and exacerbate poverty. Most individuals who do not have a valid driver's license want to get their license but are unable to do so because of unpaid fines for traffic infractions that are now in collections with compounding interest. The proposed fines and fees are so exorbitant that it will undoubtedly lead to more driver's license stoppers when they go unpaid. Most citizens in Hawaii do not have the financial means to pay \$7,000.00 or even \$1,000.00 which will eventually trigger a driver's license stopper. When faced with paying rent and providing food to their families, the extreme fines, fees and sanctions will go unpaid and result in more license stoppers.

Similarly problematic is the significant increase of community service hours. The minimum seven hundred and fifty hours of community service for driving without valid no-fault insurance will cause many to lose their jobs if they chose to do the hours instead of working and paying their bills. Seven hundred and fifty hours of community service equates to over eighteen weeks of full time work. Individuals who do not have valid no-fault insurance do not have it because they cannot afford it. Increasing the fees, fines, jail time and community service hours will only perpetuate and sustain the cycle of poverty and homelessness in Hawaii. It will incarcerate non-violent and impoverished individuals, perpetuating destituteness, incarcerating parents and triggering the loss of employment. All of the foregoing sustains the cycle of poverty.

H.B. 1539 also ties the hands of the court by taking away the sentencing discretion of the trial court. It mandates minimum fines and periods of incarceration. The trial court, not the legislature, is in the perfect position, with the relevant facts of the case to craft just and appropriate sentences to address the crime and circumstances of the offender.

The excessive fines, fees, imprisonment and punishment is not the solution to improve safety on the roads or to deter unsafe driving. There are numerous ways that the government can address these problems without financially devastating a majority of our community. Road improvements include speed feedback signs, road posts, high visibility pavement marking, speed cushions, speed humps and rumble strips, to name a few. Similarly, increasing the mandatory insurance rate, without a stating the amount or taking into consideration the average cost of living in Hawaii and the median income, unjustifiably impacts the poorest segment of our community. H.B. 1539 must be rejected *in toto*.

Thank you for taking these comments into consideration.

Sincerely,
/s/ Taryn Tomasa
Deputy Public Defender

**DEPARTMENT OF THE PROSECUTING ATTORNEY
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CITY AND COUNTY OF HONOLULU**

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**THE HONORABLE MARK NAKASHIMA, CHAIR
HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE
Thirty-Second State Legislature
Regular Session of 2024
State of Hawai'i**

February 28, 2024

RE: H.B. 1539 HD 1; RELATING TO TRANSPORTATION.

Chair Nakashima, Vice Chair Sayama, and members of the House Committee on Consumer Protection and Commerce, the Department of the Prosecuting Attorney of the City and County of Honolulu (“Department”) **supports** H.B. 1539 HD 1.

H.B. 1539 HD 1 increases statutory penalties for repeat offenders who drive without a license or on a suspended license, and for reckless driving violations, and amends the minimum liability coverage thresholds to unspecified amounts.

The increase in traffic fatalities and injuries in Hawaii is alarming, and this bill provides significant deterrence to traffic crimes and appropriate penalties for motorists who repeatedly break the laws designed to protect the safety of pedestrians and other drivers.

The Department reserves comment on the insurance liability coverage provisions.

Thank you for the opportunity to testify.

**TESTIMONY OF EVAN OUE ON BEHALF OF THE HAWAII ASSOCIATION FOR JUSTICE
(HAJ) REGARDING HB1539 HD1**

Date: February 28, 2024
Time: 2:00 PM

Aloha Chair Nakashima, Vice Chair Sayama, and Members of the Committee,

My name is Evan Oue, and I am presenting this testimony on behalf of the Hawaii Association for Justice (HAJ) in **STRONG SUPPORT of HB1539 HD1 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.

The proposed increase aims to bring the minimum level of insurance protection to *less than* the level provided when they were last set by the Legislature in 1998, accounting for inflation. Currently, Hawaii is at the bottom of the national standings in this important area of consumer protection.

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. If insurance premiums need to be adjusted at all, returning protections to less than the equivalent 1998 levels will impact premiums less than the price of a cup of coffee per month.

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. Increase of the Insurance Minimums are Long Overdue:

We greatly appreciate the previous committee hearing this measure to discuss this important issue for Hawaii residents. The measure was amended to blank out the specific amounts for the motor vehicle coverage and implement an effective date of January 1, 2025. While we appreciate the amendments made by the previous committee, we respectfully ask that the motor vehicle minimums of \$50,000 from the previous version be reincluded in the measure to properly provide adequate levels of protection which reflect the impact of inflation over the last 25 years.

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. **Accounting for inflation, the \$20,000 minimum coverage established 1998, would now equate to \$42,982 in today's dollars.**

Now is 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. Any Potential Increase in Insurance Premiums will be Minimal, if At All:

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 \$24.08 - \$67.08 per year in premium cost increases, or \$2.00 - \$5.50 per month -- less than the cost of a cup of coffee (See Exhibit 1A).** HAJ has examined the current rate filings of the top 3 auto insurance carriers in the state, GEICO, State Farm, Allstate, Progressive, which account for the majority of the market in Hawaii. When applying the Increased Limit Factor (ILF) to the base rates of the companies for bodily injury (BI) and property damage (PD) (See Exhibits 1B and 1C), the combined projected premium increases for each company will equate to approximately \$25 to \$70 per year. .

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 decreases 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 \$2.00 - \$5.50 per month 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. SB 2342 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 15.7% return on net worth (See Exhibit 5). In comparison, the national average for underwriting profit was 4.2% return on net worth (See Exhibit 5). Automobile insurers in Hawaii *tripled 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. **Hawaii's Insurance Minimums are Significantly Lower than other States:**

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. Increased Motor Vehicle Minimums are NOT Directly Correlated to Higher Levels of Uninsured Motorist:

HAI has found that there is no connection between higher compulsory minimum amounts and higher uninsured rates, and that increases in those minimum amounts are unlikely to have a large impact on the uninsured rate.¹ In fact, in 2015, the latest year for which data are available, the jurisdiction with the highest uninsured motorist rate imposed the smallest required amounts of insurance and the jurisdiction with the lowest uninsured motorist rate imposed the highest required amounts of insurance.

For example, "Florida imposes the least stringent limits among all of jurisdictions, 10/20/10, and yet in 2015 had the highest percentage of uninsured drivers, a staggering 26.7 percent." Conversely, "Maine requires 50/100/25 and had the lowest rate of uninsured drivers at 4.5 percent. This same year nationwide, the percentage of motorists without automobile insurance was 13."²

Furthermore, Milliman prepared a report for the Insurance Research Council in 2020 which examined the uninsured motorist issue and found that higher minimums were actually associated with lower uninsured motorist rates across the country. In examining states across the country, Milliman determined that between 2009-2015, states with higher mandatory insurance minimums averaged lower levels of uninsured motorist (See Exhibit 4).

VII. Increased Civil and Criminal Penalties are Needed to Protect Hawaii Residents:

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,

¹ Robinette, C.J. and Wachtel, D. (2020) *Raising compulsory automobile insurance minimum amounts: A case study from the United States*, SSRN. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3558165 (Accessed: 09 February 2024).

² Id.

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. SB 2342 Offers Greater Consumer Protection and Public Safety for Hawaii Residents:

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.

Exhibit 1A

Impact of Increasing Minimum Liability Limits From \$20k/40k/10k to \$50k/100k/20k and \$75k/200k/40k in Hawaii

Insurer	\$20k/40k/10k Premium	\$50/100k/20k Premium	\$75/200/40k Premium	Projected Premium Increase Per Year for \$50k/100k/20k	Projected Premium Increase Per Year for \$75k/200k/40k
GEICO	\$213.80 ³	\$254.60 ⁴	\$281.20 ⁵	\$40.80	\$26.60
Progressive	\$343.55 ⁶	\$411.31 ⁷	\$460.84 ⁸	\$67.76	\$49.53
State Farm	\$308.28 ⁹	\$332.36 ¹⁰	\$346.45 ¹¹	\$24.08	\$14.09

³ 54.50 BI + 159.30 PD.

⁴ 92.10 BI + 162.50 PD.

⁵ 112.30 BI + 168.90 PD.

⁶ 111.86 BI + 231.69 PD.

⁷ 161.08 BI + 250.23 PD.

⁸ 201.35 BI + 259.49 PD.

⁹ 106.34 BI + 201.94 PD.

¹⁰ 119.10 BI + 212.04 PD.

¹¹ 122.29 BI + 224.16 PD.

Exhibit 1B

Impact of Increasing Minimum BI Limits From \$20k/40k to \$50k/100k and then to \$75k/200k in Hawaii

Insurer	\$20k/40k Premium	\$50k/100k Increased Limit Factor (ILF)	\$50k/100k Premium¹²	\$75k/200k ILF	\$75k/200k Premium¹³	Projected Premium Increase Per Year for \$50k/100k¹⁴	Projected Premium Increase Per Year for \$75k/200k¹⁵
GEICO	\$54.50 ¹⁶	1.69 ¹⁷	\$92.10	2.06 ¹⁸	\$112.30	\$37.60	\$20.20
Progressive	\$111.86 ¹⁹	1.44 ²⁰	\$161.08	1.80 ²¹	\$201.35	\$49.22	\$40.27
State Farm	\$106.34 ²²	1.12 ²³	\$119.10	1.15 ²⁴	\$122.29	\$12.76	\$3.18

¹² Col. 3 x Col. 2.

¹³ Col. 5 x Col. 2.

¹⁴ Col. 4 - Col. 2.

¹⁵ Col. 6 – Col. 4.

¹⁶ Terr. 2, BI 91 x .599 (Preferred Level E), GECC-133614002, GECC-132287612.

¹⁷ GECC-133242437.

¹⁸ Id. Assumed based on GEICO's disclosed ILF's of 2.02 for 75/150, 2.18 for 100/300.

¹⁹ Filing shows 117.75 as base rate with ILF of .95 for 20/40 limits. Rate for 20/40 limits is therefore 111.86 (117.75 x .95). PRGS-133460316.

²⁰ Id. Filing shows 50/100 with ILF of 1.37 and 20/40 with a factor of 0.95. Rebasing 20/40 as 1.00 makes the ILF for 50/100 1.44 (1.37/.95).

²¹ Halfway between rebased 1.44 for 50/100 and rebased 2.16 for 100/300. PRGS-133460316.

²² Result of assumed 1/3 to 2/3 split of combined 161.13 BIPD premium, multiplied by 2, after rebasing 20/40 ILF from .99 to 1.00. STFM-133097589.

²³ Id.

²⁴ Id.

Exhibit 1C

Impact of Increasing Minimum PD Limits From \$10k To \$20k and then to \$40k in Hawaii

Insurer	\$10k Premium	\$20k Increased Limit Factor (ILF)	\$20k Premium²⁵	\$40k ILF	\$40k Premium²⁶	Projected Premium Increase Per Year for \$20k²⁷	Projected Premium Increase Per Year for \$40k²⁸
GEICO	\$159.30 ²⁹	1.02 ³⁰	\$162.50	1.06 ³¹	\$168.90	\$3.20	\$6.40
Progressive	\$231.69 ³²	1.08 ³³	\$250.23	1.12 ³⁴	\$259.49	\$18.54	\$9.26
State Farm	\$201.94 ³⁵	1.05 ³⁶	\$212.04	1.11 ³⁷	\$224.16	\$10.10	\$12.02

²⁵ Col. 3 x Col. 2.

²⁶ Col. 5 x Col. 2.

²⁷ Col. 4 - Col. 2.

²⁸ Col. 6 – Col. 4.

²⁹ Terr. 2, PD 266 x .599 (Preferred Level E), GECC-133614002, GECC-132287612.

³⁰ GECC-133242437.

³¹ Id. Assumed based on GEICO's disclosed ILF's of 1.04 for 30, 1.08 for 50.

³² Filing shows 243.88 as base rate with ILF of .95 for 10 limits. Rate for 10 limits is therefore 231.69 (243.88 x .95). PRGS-133460316.

³³ Id. Filing shows 20 with ILF of 1.03 and 10 with a factor of 0.95. Rebasing 10 as 1.00 makes the ILF for 20 1.08 (1.03/.95).

³⁴ Halfway between rebased 1.11 for 30 and rebased 1.13 for 50. PRGS-133460316.

³⁵ Result of assumed 1/3 to 2/3 split of combined 161.13 BIPD premium, multiplied by 2, after rebasing 10 from .94 to 1.00. STFM-133097589.

³⁶ Id.

³⁷ Id.

Exhibit 2

Average expenditure on auto insurance after minimum insurance levels are raised

STATE	Annualized % change after minimums raised	Countrywide annualized change for the period after minimums raised	Difference between state and countrywide
Alabama	3.87%	2.63%	1.20%
Connecticut	2.35%	2.63%	-0.28%
Delaware	0.73%	1.24%	-0.51%
District of Columbia	2.54%	3.21%	-0.67%
Illinois	2.44%	3.14%	-0.70%
Indiana	-0.32%	-0.57%	0.25%
Kansas	-0.87%	-0.57%	-0.30%
Louisiana	2.92%	2.84%	0.52%
Maryland	2.57%	3.11%	-0.54%
Nevada	2.92%	1.24%	1.68%
Ohio	2.46%	3.21%	-0.75%
South Carolina	2.96%	2.11%	0.85%
Texas	3.32%	3.11%	0.21%
Utah	2.46%	2.63%	-0.17%
Countrywide		Average:	0.06%

- 14 states (including the District of Columbia) have raised minimum auto insurance levels in the last 15 years.
- 8 of the 14 states have seen auto insurance expenditures increase less than the country as a whole after the minimums were raised.
- *On average, states that raised their minimum levels of insurance experienced auto insurance expenditures that were **only 0.06% higher than the country as a whole.***

Source: Auto Insurance Database Report, Various Editions, National Association of Insurance Commissioners (NAIC). The “average expenditure” is defined as (liability written premium + collisions written premium + comprehensive written premium) divided by liability written exposures.

Exhibit 3

A comparative analysis on states that have increased their auto limits since 2007

State	Year change effective	Limit after change	Limit before change	Premium** year before change (NAIC)	Premium year of change (NAIC)	Premium year after change (NAIC)	UM** before change (III)	UM after change (III)	Comments
Alabama	2009	25/50/25	20/40/10	\$794.76 (2008)	\$783.59 (2009)	783.19 (2010)	26% (2007)	19.6% (2012)	Decrease in average annual premium cost; decrease in UM
Illinois	2015	25/50/20	20/40/15	\$775.24 (2014)	\$803.64 (2015)	\$836.67 (2016)	13.3% (2012)	13.7% (2015)	Increase in average annual premium cost (\$33.03); increase in UM (.4%)
Louisiana	2010	15/30/25	10/20/10	\$1271.24 (2009)	\$1294.89 (2010)	\$1281.55 (2011)	12.9% (2009)	13.9% (2012)	Decrease in average annual premium cost; increase in UM (1%).
Maryland	2011	30/60/15	20/40/15	\$1041.79 (2010)	\$1048 (2011)	\$1056.71 (2012)	14.9% (2009)	12.2% (2012)	Increase in average annual premium cost (\$12.71); decrease in UM
Ohio	2013	25/50/25	12.5/25/7.5	\$713.25 (2012)	\$738.97 (2013)	\$682.70 (2014)	13.5% (2012)	12.4% (2015)	Decrease in average annual premium cost; decrease in UM.
Oregon	2009	25/50/20	25/50/10	\$809.95 (2008)	\$807.57 (2009)	\$807.20 (2010)	11% (2007)	9.0% (2012)	Decrease in average annual premium cost; decrease in UM.
South Carolina	2007	25/50/25	15/30/10	\$875.48 (2006)	\$878.52 (2007)	\$863.00 (2008)	10% (2004)	7.7% (2012)	Decrease in average annual premium cost; decrease in UM.
Texas	2011	30/60/25	25/50/25	\$1013.59 (2010)	\$1004.75 (2011)	\$1020.06 (2012)	14.9% (2009)	13.3% (2012)	Increase in average annual premium cost (\$15.31); decrease in UM
Utah	2009	25/65/15	25/50/15	\$807.07 (2008)	\$817.32 (2009)	\$817.84 (2010)	8.0% (2007)	5.8% (2012)	Increase in average annual premium cost (\$.52); decrease in UM

Insurance Information Institute (III) Source: <https://www.iii.org/>

NAIC Source: <https://content.naic.org/>

* Premium refers to average expenditure on auto insurance involving liability, collision, and comprehensive coverage.

** UM refers to the percentage of uninsured motorists on the road in the state

Exhibit 4 - Milliman Report

Milliman prepared a report for the Insurance Research Council in 2020. On Pages 14-15, the report discussed the correlation between minimum coverage amounts and the amount of uninsured motorist. The state minimum insurance coverage amounts for bodily injury and property damage were analyzed as a measure of the financial responsibility requirements for automobile insurance. Table 12 presents the number of states and the average UM rates for each group.

TABLE 12: MINIMUM LIMITS – NUMBER OF STATES AND UM RATES 2009-2015

Minimum Limits	2009	2010	2011	2012	2013	2014	2015	2009-2015
Number of States								
Low	9	9	9	9	9	8	8	8-9
Medium	36	35	33	34	34	35	35	33-36
High	5	6	8	7	7	7	7	5-8
UM Rates								
Low	13.4	12.2	12.4	13.0	13.8	13.8	13.9	13.2
Medium	13.8	12.3	12.4	12.5	11.9	12.0	12.1	12.4
High	10.5	9.3	9.8	9.9	9.9	10.0	10.4	9.9

Note: the summary statistics for UM rates are the unweighted state averages.

38

38 The various minimum insurance requirements were arranged into three groups- low, medium, and high minimum requirements.

- Low = 15/30/10, 10/20/10, 15/30/25, 12.5/25/7.
- Medium= 25/50/25, 25/50/15, 20/40/10, 25/50/10, 25/50/20, 20/40/15, 20/40/5, 25/40/10.
- High= 50/100/25, 50/100/15, 30/60/15, 30/60/10, 30/60/25, 25/65/15.

Exhibit 5- Hawaii Insurance Profits

According to NAIC, in 2021, Hawaii auto insurers had a return on net worth of **15.7%--the highest of any state**
The countrywide average is 4.2%.

06/27/2022

08:03 Monday, June 27, 2022

2021 Profitability Report Private Passenger Auto Total

State	Percent of Direct Premiums Earned								Percent of Net Worth						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(8A)	(8B)	(8C)	(9)	(10)	(11)	(12)
	Direct Premiums Earned (000s)	Losses Incurred	Loss Adjust Expense	General Expense	Selling Expense	Taxes License Fees	Divs To Plcyhldr	Under- Writing Profit	Invest Gain On Ins Trans	Tax On Ins Trans	Profit On Ins Trans	Earned Prem To Net Worth	Tax On Inv Gain On Net Worth	Inv Gain On Net Worth	Return On Net Worth
Alabama	3,856,383	64.7	9.2	5.2	15.1	3.2	0.4	2.1	2.3	0.9	3.6	101.9	3.4	0.6	6.5
Alaska	514,423	61.6	8.7	5.2	14.1	2.9	0.9	6.7	2.6	1.9	7.4	98.5	3.4	0.6	10.1
Arizona	5,868,088	66.2	8.9	5.2	15.1	2.1	0.4	2.1	2.5	0.9	3.7	98.1	3.4	0.6	6.4
Arkansas	2,209,980	65.1	8.2	5.2	16.5	3.0	0.2	1.6	2.0	0.7	2.9	106.5	3.4	0.6	5.9
California	31,469,697	65.5	9.8	5.2	15.5	2.4	2.9	(1.3)	2.6	0.2	1.1	95.7	3.4	0.6	3.9
Colorado	5,539,710	59.0	8.5	5.2	15.4	1.4	0.6	9.8	2.9	2.6	10.1	93.2	3.4	0.6	12.2
Connecticut	3,163,883	70.0	10.8	5.2	15.2	1.9	0.5	(3.7)	3.7	(0.1)	0.1	82.7	3.4	0.6	2.9
Delaware	953,745	68.7	10.1	5.2	14.3	2.5	0.4	(1.2)	3.0	0.3	1.5	91.4	3.4	0.6	4.2
District of Columbia	386,548	73.0	10.0	5.2	11.8	2.5	0.5	(3.0)	2.6	(0.2)	(0.2)	98.0	3.3	0.6	2.6
Florida	21,959,767	74.6	13.2	5.2	14.2	1.1	0.4	(8.7)	3.1	(1.3)	(4.4)	91.0	3.4	0.6	(1.2)
Georgia	10,402,665	71.1	10.4	5.2	15.5	3.7	0.5	(6.3)	2.6	(0.9)	(2.8)	96.4	3.4	0.6	0.1
Hawaii	795,523	56.6	8.0	5.2	12.4	3.2	0.7	13.9	2.5	3.3	13.0	99.6	3.4	0.6	15.7
Idaho	1,225,388	59.7	7.9	5.2	16.5	1.7	0.3	8.7	2.4	2.2	8.8	98.7	3.4	0.6	11.5
Illinois	7,788,133	66.9	9.5	5.2	17.5	1.2	0.1	(0.5)	2.7	0.4	1.8	95.9	3.4	0.6	4.5
Indiana	4,119,916	65.9	9.2	5.2	16.8	1.2	0.1	1.6	2.5	0.8	3.3	98.2	3.4	0.6	6.1
Iowa	1,946,399	63.4	8.3	5.2	17.8	1.2	0.1	4.0	2.1	1.2	4.9	103.0	3.4	0.6	7.9
Kansas	2,035,141	63.5	8.3	5.2	16.8	1.3	0.3	4.6	2.1	1.3	5.3	104.4	3.4	0.6	8.4
Kentucky	3,205,831	67.9	9.3	5.2	16.5	2.1	0.2	(1.3)	2.6	0.2	1.1	96.9	3.4	0.6	3.9
Louisiana	4,800,199	75.9	11.1	5.2	15.2	3.2	0.3	(10.9)	2.8	(1.8)	(6.3)	95.5	3.4	0.6	(3.2)
Maine	819,952	61.4	7.7	5.2	16.5	2.4	0.4	6.4	2.6	1.8	7.2	95.5	3.4	0.6	9.7
Maryland	5,334,486	65.8	8.7	5.2	14.2	2.1	0.5	3.4	2.5	1.2	4.8	98.6	3.4	0.6	7.5
Massachusetts	5,596,596	59.4	8.1	5.2	17.9	2.7	0.1	6.6	2.7	1.9	7.5	90.7	3.4	0.6	9.6
Michigan*	9,103,871	70.5	8.5	5.2	16.2	2.5	0.2	(3.1)	18.1	2.5	12.5	29.2	3.4	0.6	6.4
Minnesota	3,949,200	62.2	8.6	5.2	16.7	2.1	0.2	5.1	2.4	1.5	6.0	99.7	3.4	0.6	8.8
Mississippi	2,137,047	67.9	8.9	5.2	16.1	2.9	0.3	(1.2)	2.2	0.1	0.9	102.5	3.4	0.6	3.7
Missouri	4,364,825	66.4	9.0	5.2	16.3	1.9	0.2	1.1	2.5	0.7	2.9	97.9	3.4	0.6	5.7
Montana	857,024	59.3	7.9	5.2	16.7	3.0	0.4	7.6	2.1	2.0	7.7	102.4	3.4	0.6	10.7
Nebraska	1,382,532	61.8	8.0	5.2	17.6	1.2	0.3	5.9	2.2	1.6	6.5	102.1	3.4	0.6	9.5

Exhibit 5- Hawaii Insurance Profits

06/27/2022

08:03 Monday, June 27, 2022

2021 Profitability Report Private Passenger Auto Total

State	Percent of Direct Premiums Earned								Percent of Net Worth						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(8A)	(8B)	(8C)	(9)	(10)	(11)	(12)
	Direct Premiums Earned (000s)	Losses Incurred	Loss Adjust Expense	General Expense	Selling Expense	Taxes License Fees	Divs To Plcyhdr	Under- Writing Profit	Invest Gain On Ins Trans	Tax On Ins Trans	Profit On Ins Trans	Earned Prem To Net Worth	Inv Gain On Net Worth	Tax On Inv Gain On Net Worth	Return On Net Worth
Nevada	2,930,149	68.1	11.1	5.2	14.8	3.5	0.3	(3.0)	3.0	(0.1)	0.1	91.4	3.4	0.6	2.9
New Hampshire	926,022	57.0	7.2	5.2	15.5	2.2	0.6	12.3	2.5	3.0	11.7	96.5	3.4	0.6	14.1
New Jersey*	8,042,189	71.5	11.4	5.2	12.6	1.7	1.5	(3.9)	4.8	0.0	0.9	72.9	3.3	0.6	3.4
New Mexico	1,564,676	61.7	8.6	5.2	14.7	3.3	0.5	6.0	2.6	1.7	6.9	97.7	3.4	0.6	9.5
New York	14,690,833	74.6	12.6	5.2	14.4	2.6	0.2	(9.6)	3.8	(1.4)	(4.5)	82.1	3.4	0.6	(0.9)
North Carolina	6,994,796	66.6	8.2	5.2	15.8	2.3	0.4	1.5	2.1	0.7	3.0	104.0	3.4	0.6	5.9
North Dakota	515,778	68.6	9.1	5.2	17.9	2.0	0.2	(3.0)	1.8	(0.3)	(0.9)	108.5	3.4	0.6	1.9
Ohio	6,917,408	64.0	8.4	5.2	17.0	1.7	0.2	3.5	2.3	1.1	4.7	100.7	3.4	0.6	7.5
Oklahoma	2,879,827	67.5	8.9	5.2	16.8	2.1	0.4	(0.9)	2.2	0.2	1.1	103.7	3.4	0.6	3.9
Oregon	3,125,562	65.4	9.1	5.2	15.4	0.7	0.3	3.8	2.7	1.3	5.3	95.3	3.4	0.6	7.8
Pennsylvania	9,200,112	67.8	9.4	5.2	16.4	2.2	0.2	(1.3)	3.1	0.3	1.6	89.3	3.4	0.6	4.2
Rhode Island	1,039,032	61.8	8.6	5.2	13.3	2.5	1.4	7.2	3.1	2.0	8.2	90.4	3.4	0.6	10.2
South Carolina	4,834,818	68.1	9.1	5.2	15.4	2.9	0.5	(1.1)	2.6	0.2	1.3	97.7	3.4	0.6	4.0
South Dakota	628,809	64.4	8.3	5.2	17.7	2.8	0.3	1.4	2.1	0.7	2.8	103.9	3.4	0.6	5.8
Tennessee	4,700,554	67.6	9.3	5.2	15.3	2.2	0.3	0.1	2.2	0.4	1.9	102.8	3.4	0.6	4.7
Texas	23,308,815	73.5	10.4	5.2	15.7	1.7	0.4	(6.9)	2.3	(1.0)	(3.5)	101.0	3.4	0.6	(0.7)
Utah	2,401,755	65.2	9.2	5.2	17.7	2.3	0.3	0.1	2.7	0.5	2.3	93.5	3.4	0.6	5.0
Vermont	395,562	55.2	6.8	5.2	16.0	3.1	0.4	13.3	2.3	3.2	12.4	100.2	3.4	0.6	15.2
Virginia	5,977,948	63.9	8.5	5.2	14.2	2.6	0.9	4.7	2.4	1.4	5.7	99.9	3.4	0.6	8.5
Washington	5,789,094	64.4	9.5	5.2	15.1	2.2	0.5	3.1	3.0	1.2	5.0	90.6	3.4	0.6	7.3
West Virginia	1,278,189	60.4	8.1	5.2	16.5	4.3	0.2	5.2	2.3	1.5	6.0	100.0	3.4	0.6	8.9
Wisconsin	3,358,007	64.5	8.7	5.2	16.8	1.3	0.1	3.4	2.7	1.2	4.9	94.9	3.4	0.6	7.4
Wyoming	451,339	59.0	6.9	5.2	16.3	1.7	0.3	10.6	2.1	2.6	10.2	103.1	3.4	0.6	13.3
Guam	48,666	37.9	7.7	5.2	25.8	1.8	1.7	19.9	1.9	4.5	17.3	98.2	3.6	0.6	20.0
Puerto Rico	590,387	48.6	5.9	5.1	22.8	1.2	0.0	16.4	1.8	3.7	14.4	101.1	3.5	0.6	17.4
U.S. Virgin Islands	45,776	40.5	7.7	5.2	24.9	4.4	0.8	16.5	2.2	3.8	14.8	103.9	3.5	0.6	18.3
N Mariana Islands	3,531	79.1	13.1	5.2	28.7	4.4	0.0	(30.5)	3.4	(5.8)	(21.3)	78.8	3.6	0.6	(13.8)
Countrywide - Direct	258,426,585	68.0	9.9	5.2	15.5	2.1	0.7	(1.5)	3.3	0.3	1.6	87.6	3.4	0.6	4.2

TESTIMONY OF ALISON UEOKA

COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Representative Mark M. Nakashima, Chair
Representative Jackson D. Sayama, Vice Chair

Wednesday, February 28, 2024
2:00 p.m.

HB 1539, HD1

Chair Nakashima, Vice Chair Sayama, and members of the Committee on Consumer Protection & Commerce, my name is Alison Ueoka, President of 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, HD1, Section 6 of the bill. Section 6 increases to blank amounts, minimum liability limits for bodily injury and property damage coverages in Section 431:10C-301. Any increase in minimum limits will cause a direct increase in costs of these coverages to all who purchase a minimum limits policy, and therefore, is regressive. Other coverages which are related will also increase, namely uninsured motorists and underinsured motorists coverages as we expect an increase in both uninsured and underinsured motorists due to premium increases in auto insurance.

Depending on the increase in limit, cost increases can range from 70% to 270% on a particular coverage. The 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 or with limited assets to protect, and/or by younger consumers purchasing insurance on their own for the first time.

Recently, the Wall Street Journal and Bankrate reported that auto insurance is becoming a hardship for consumers. On February 5, 2024, Bankrate reported that auto insurance expenditures nationally increased 26% from 2023. Any increase will further exacerbate the pressure on those who can least afford it. Hawaii is already seeing a rise in uninsured motorists as our uninsured motorist population as estimated by the Insurance Research Council is 11% in 2022, up from 9% a few years ago.

This bill also contains a second increase in limits for policies issued on or after January 1, 2027. There is no justification for an automatic increase because minimum limits do not preclude a consumer from purchasing more coverage if desired. Placing an automatic increase in the law merely puts auto insurance farther out of reach for those who are struggling financially. We therefore ask that this language be stricken on Page 14, lines 10 – Page 15, line 5.

If the Legislature decides to increase minimum statutory limits, we ask that the effective date of the bill be January 1, 2025 and 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, 2025. Rate filings shall be due no later than December 1, 2025 and the relevant rate changes shall be effective for new and renewal policies on or after May 1, 2026.”

Thank you for the opportunity to testify.



To: The Honorable Mark M. Nakashima, Chair
The Honorable Jackson D. Sayama, Vice Chair
House Committee on Consumer Protection and Commerce

From: Mark Sektnan, Vice President

Re: **HB 1539 HD1 – Relating to Transportation**
APCIA Position: Oppose

Date: Wednesday, February 28, 2024
2:00 p.m., Conference Room 329 & Videoconference

Aloha Chair Nakashima, Vice Chair Sayama and Members of the Committee:

The American Property Casualty Insurance Association of America (APCIA) is opposed to **HB 1539 HD1** which would increase penalties for violations of specific traffic laws and 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 HD1 which increase the minimum financial liability limits. HB 1539 HD1 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 HD1 will force Hawaii drivers to purchase higher coverage, whether they want to or not. The bill does not specify the increase in the minimum financial responsibility (FR) limits in Hawaii, but they would be higher than the current limits. These limits would increase again on January 1, 2027.

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 HD1 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.

As it was introduced, this bill would have 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. Bills such as these 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 Insurance Division. 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
Davin Aoyagi - Senior Government Relations Manager
Turo Inc.

COMMENTS ON HB1539, HD1

Aloha e Chair Nakashima, Vice Chair Sayama, 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 HB1539, HD1.

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 may create an unintended consequence by setting the insurance minimums for peer-to-peer car sharing 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, HD1 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, HD1) 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.



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 27, 2024

TO: Representative Mark M. Nakashima
Chair, Committee on Consumer Protection & Commerce

FROM: Matt Tsujimura

RE: **H.B. 1539 H.D. 1 – Relating to Transportation**
Hearing Date: Wednesday, February 28, 2024 at 2:00 PM
Conference Room: 329

Dear Chair Nakashima, Vice Chair Sayama, and Members of the Committee on Consumer Protection & Commerce:

I am Matt Tsujimura, representing State Farm Mutual Automobile Insurance Company (State Farm). State Farm offers this testimony **in opposition** to H.B. 1539 H.D. 1, Relating to Transportation.

As originally drafted, H.B. 1539 H.D. 1 called 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 most 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. Moreover, the current proposal would result in consumers receiving a rate increase in July 2025 and a second rate increase just 18 months later in January 2027.

If H.B. 1539 H.D. 1 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 bill be updated to eliminate the tiered increase and reflect an effective date of the bill be pushed out to at least January 2026; and
- Add language to clarify insurers do not need to obtain new/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, 2026. that previously rejected uninsured or underinsured motorists coverage shall satisfy the requirements of HRS 431:10C-301(4) and (5).

Thank you for the opportunity to present this testimony.



**STATEMENT OF THE AMERICAN CAR RENTAL ASSOCIATION
BEFORE THE
HAWAII HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE**

LATE

OPPOSITION TO H.B. 1539

February 28, 2024

Chairman Nakashima and Members of the House Consumer Protection and Commerce Committee -- The American Car Rental Association (ACRA) respectfully offers this testimony in **opposition** to H.B. 1539. H.B. 1539 would impose a discriminatory minimum financial responsibility requirement on U-drive companies in Hawaii alone. We ask that the committee reject this measure.

ACRA is the national representative for over 98% of our nation's car rental industry. ACRA's membership is comprised of over 300 car rental companies, including all of the brands you would recognize such as Alamo, Avis, Budget, Dollar, Enterprise, Fox, Hertz, National, Sixt and Thrifty. ACRA members also include many system licensees and franchisees, mid-size, regional and independent car rental companies as well as smaller operators. ACRA members have over 2.1 million registered vehicles in service in the United States, with fleets ranging in size from one million cars to ten cars and employ over 160,000 workers at rental locations in every county and state across the nation.

H.B. 1539 would, for reasons that have not been articulated – increase the state minimum financial responsibility requirements for U-drive vehicles in Hawaii to four times what is required for a personal vehicle – or for any other commercial vehicle operating in the state. Such provisions are discriminatory against U-drive companies, are not supported by any data that damages related to accidents involving U-drive vehicles are most costly than those involving personal vehicles, and are a fairly blatant effort to

legislatively create “deep pockets” for personal injury litigation at the behest of certain portions of the legal profession in Hawaii.

For the reasons above, ACRA respectfully **opposes** H.B. 1539 and asks the committee to reject this measure.

If ACRA’s statement has given rise to questions, please contact Gregory M. Scott, ACRA’s Government Relations Advisor, at 202-297-5123 or gscott@merevir.com. Thank you for the opportunity to submit this testimony.

February 26, 2024

Representative Mark Nakashima, Chair
Representative Jackson Sayama, Vice Chair
Members of the Senate Committee on Consumer Protection
& Commerce

RE: **HB 1539 HD1– RELATING TO TRANSPORTATION**

Aloha Chair Nakashima, Vice Chair Sayama, and Members of the Committee,

Mahalo for the opportunity to submit testimony in **STRONG SUPPORT** of **HB 1539 HD1**. My name is Leilani Anderson, and my dad, Harry Soffner, was a resident in Maui who unfortunately passed away from a motor vehicle collision in Kīhei.

On June 6, 2021, my dad was enjoying his first day off in two weeks, doing what he loved—riding his motorcycle. He was just minutes from home when a driver in a truck pulled out of a driveway on North Kīhei Road and slammed into him. That driver had no valid driver's license, was operating a vehicle that did not belong to him, and that truck only had the minimum coverage.

The reality is that you never know how low Hawaii's motor vehicle insurance minimums actually are until an accident happens to you or a loved one. **My father's medical bills totaled approximately \$750,000** for his injuries and transportation to Queens in Honolulu. He fought to survive for nearly two weeks in the ICU. Practically every bone in his body was broken, but there was a chance he could have survived. If he had, my dad would have been permanently disabled, likely a quadriplegic, and in need of lifetime care. His medical insurance, while excellent at the time of his crash, would most likely have dropped him. He would then have had to rely on Medicaid/Medicare which probably would not have covered his needs and put additional financial burden on our family.

We were fortunate that my dad's medical insurance covered a majority of his medical bills, but that is not the case for many families. Many people rely on insurance money to help pay bills and survive as a family, hoping they don't go into medical debt. As soon as my dad died, creditors pounced, and whatever money we were able to collect from insurance went to them first. After they were paid off, I could not even cover funeral costs, so I had to cremate him because it was less expensive.

I grew up in Hawaii. I know the cost of living is crippling, but the price of auto insurance is not. Giving up a cup of coffee or two a month to pay the extra \$5 to \$10 dollars for coverage would be worth it, especially if it eases the mental stress for so many victims and their families. When you put a dollar amount on somebody's life and their well-being, you realize how little \$20,000 actually is for motor vehicle accidents. This measure about families trying to survive and make sure their loved one is cared for with dignity in life and death.

Thank you for the opportunity to testify in support of this measure.

February 26, 2024

Representative Mark Nakashima, Chair
Representative Jackson Sayama, Vice Chair
Members of the Senate Committee on Consumer Protection
& Commerce

RE: **HB 1539 HD1– RELATING TO TRANSPORTATION**

Aloha Chair Nakashima, Vice Chair Sayama, and Members of the Committee,

Mahalo for the opportunity to submit testimony in **STRONG SUPPORT** of **HB 1539 HD1**. My name is Ledward Kalani, and my dad, Larry Kalani, was struck and killed while crossing the street in a marked crosswalk near his home in Ewa Beach.

On the morning of February 8, 2018, my dad was walking to catch the bus to work when he was struck and killed by a motor vehicle while crossing on Fort Weaver Road. He had just celebrated his 58th birthday the day before. When my brother was leaving for work that morning, he noticed the accident scene and police cars, and then he saw all our dad's belongings in the street. That is how we found out what happened. That morning changed our family forever.

At the time of the accident, the driver who hit my father carried the minimum required insurance coverage of \$20,000. But it isn't until you or your family is involved in an accident that you really realized just how little Hawaii's motor vehicle insurance minimums are. In our situation, my youngest brother, who is incapable of living on his own, was living with my father at the time of the accident. Our mom passed in 2014. After my father passed, my other brother and I took on the responsibility of caring for our youngest brother, as our parents had wished. We also incurred additional expenses for my father's funeral.

No amount of money can replace the person that you've lost, but additional insurance money would help reduce the financial burden that weighs on the families left behind. While we were fortunate to be financially stable enough to help care for my brother and cover the costs of my father's funeral, an additional amount immediately after the accident would have helped ease our stress as we coped with the sudden loss of Dad. A lot of people think this is about greed and wanting money. It isn't. It is about making sure families have the financial support they need to help them cover medical and basic expenses as they navigate through a difficult time. They are just trying to survive financially and mentally. And it isn't just about the victims. The families of those responsible bear a financial burden, as well. Increasing auto insurance minimums would also help protect them by providing increased coverage.

I know the cost of living in Hawaii can be burdensome for many families, however, paying the extra \$5 a month for an additional \$30,000 in coverage would be worth it, especially if it eases

the mental stress for so many victims and their families. Motor vehicle insurance in Hawaii is relatively cheap compared to what I currently pay as a resident in Nevada. When I lived in Hawaii up to last year, I carried \$100k/\$300k in coverage, especially after what happened to my dad. I was paying roughly \$480 every six months. Here in Vegas, with a clean driving record, I pay about \$1,100 every six months, and I was forced to lower my coverage closer to the state minimum. Overall, Hawaii's motor vehicle insurance is relatively cheap, and any additional premium increases will be well worth the additional coverage.

When you put a dollar amount on somebody's life and their family's well-being, you realize how little \$20,000 is for motor vehicle accidents. HB 1539 HD1 is about helping to protect all Hawaii families, including those who rely on a single or fixed income, those coping with loss, and those trying to navigate a new normal with life-altering injuries. This measure is about families trying to care for loved ones in life and death while just doing their best to survive.

Thank you for the opportunity to testify in support of this measure.