

**WRITTEN 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, S.D. 1, RELATING TO TRANSPORTATION.

BEFORE THE:

SENATE COMMITTEES ON JUDICIARY AND ON COMMERCE AND CONSUMER PROTECTION

DATE: Tuesday, April 2, 2024

TIME: 9:30 a.m.

LOCATION: State Capitol, Room 016 & Videoconference

TESTIFIER(S): **WRITTEN TESTIMONY ONLY.**

(For more information, contact David L. Williams, Deputy Attorney General, at 586-1170, or Mark S. Tom or Tricia M. Nakamatsu, Deputy Attorneys General, at 586-1160)

Chairs Rhoads and Keohokalole and Members of the Committees:

The Department of the Attorney General provides the following comments on this bill:

The purpose of this bill is to: (1) add new violations to section 291, Hawaii Revised Statutes (HRS), relating to unauthorized use of vehicle immobilization devices and motor vehicle mufflers and amend sections 291-23 and 291-24.5, HRS, to make corresponding amendments (section 2--page 4, line 8, through page 5, line 17, section 5--page 7, lines 1-15, and section 6--page 7, line 16, through page 8, line 18); (2) amend sections 286-136, 291-2, and 291C-105, HRS, to increase penalties for repeated traffic violations (section 3--page 5, line 18, through page 6, line 5, section 4--page 6, lines 6-20, and section 7--page 8, line 19, through page 12, line 16) ; (3) amend section 431:10C-117, HRS, to increase the penalty for driving without motor vehicle liability insurance (section 8--page 12, line 17, through page 17, line 14) , and (4) amend section 431:10C-301, HRS, to increase motor vehicle insurance minimum coverage requirements (section 9--page 17, line 15, through page 21, line 4).

The Department is concerned about the addition of sections 2, 5, and 6 because our courts may ultimately conclude that these sections fall outside the scope of the

purpose of the original bill, in violation of article III, section 15, of the Hawai'i Constitution.

The object of this bill, in its original draft, was to address the increase in traffic fatalities in recent years, by a twofold approach. First, by increasing the penalties for repeat offenders of traffic offenses like driving without a valid driver's license, reckless driving, and excessive speeding (sections 3, 4, and 6 of the current draft of the bill). Second, by increasing required motor vehicle insurance minimums, to help offset the rising costs of damages and injury resulting from motor vehicle accidents caused by repeat traffic offenders (sections 8 and 9 of the current draft of the bill). Thus, the recent addition of sections 2, 5, and 6, dealing with vehicle immobilization devices and mufflers, appears to be outside of the scope of the original bill.

In *League of Women Voters of Honolulu v. State*, 150 Hawai'i 182, 205, 499 P.3d 382, 405 (2021), the Hawai'i Supreme Court held that article III, section 15, of the Hawai'i Constitution places an implicit "germaneness" limitation on the types of amendments that may be added to bills during the legislative process. *League of Women Voters* holds that when a non-germane amendment is added to a bill, the new material added via the non-germane amendment does not get the benefit of any readings that occurred before the amendment was added. *See Id.*

Based on this analysis, there is a significant risk that a court could find that sections 2, 5, and 6 of the current draft of the bill are not germane and must "begin anew" with three readings in both the House and Senate, pursuant to *League of Women Voters. Id.* To remain in compliance with *League of Women Voters, Id.*, the Department respectfully advises that sections 2, 5, and 6 be removed from this bill, or in the alternative, that the current version of the bill—including sections 2, 5, and 6—be given three new readings in each house.

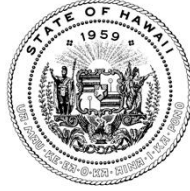
Notably, S.B. 2350, S.D. 2, H.D. 1, Relating to Noise Pollution, appears to contain similar wording as sections 2, 5, and 6, that relates to motor vehicle mufflers (but not vehicle immobilization devices) and is currently moving through the Legislature.

We also note that the new proposed offense related to the use of vehicle immobilization devices, in section 2, on page 4, lines 11-15, appears to be vague and

ambiguous, as it lacks a definition of what constitutes an immobilization device. This may also be duplicative of an existing offense under section 291C-115, HRS (Wheel Boots Prohibited). If so, the proposed section 291- , that sets out the offense of "[u]nauthorized use of vehicle immobilization devices" on page 4, lines 11-15, might not be necessary and would only cause confusion with the existing wheel boots prohibition.

On a technical note, the proposed section has subsection (a) but contains no subsequent subsections.

Thank you for the opportunity to testify.



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Testimony of the Department of Commerce and Consumer Affairs

Before the Senate Committees on Judiciary and Commerce and Consumer Protection

Tuesday, April 2, 2024

9:30 a.m.

State Capitol, Conference Room 016 and via Videoconference

On the following measure:

H.B. 1539, H.D. 1, S.D. 1, RELATING TO TRANSPORTATION

Chair Rhoads, Chair Keohokalole, and Members of the Committees:

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; amend the minimum liability coverage thresholds to unspecified amounts; establish a separate prohibition on driving motor vehicles having noisy mufflers on public highways in high-density areas; establish separate fines for violations of motor scooter and motor vehicle muffler regulations; define "high-density areas"; and establish fines for placing any device upon a vehicle designed to immobilize the vehicle without consent of the owner of the vehicle.

The Department notes that, with respect to Section 9, should the unspecified amount result in an increase in the minimum on liability coverage, upwards pressure will be placed on the premiums consumers pay for mandatory motor vehicle insurance. However, the Department also acknowledges that a potential increase would provide an enhanced level of protection for consumers who purchase the minimums.

With respect to the January 1, 2027 unspecified amount proposed in Section 9, p. 18, line 15 to p. 19, line 11, we respectfully suggest this language be removed and this issue be revisited after the impact of any potential initial increases can be considered. Additionally, should our proposed amendment be accepted, we respectfully ask to remove the amended language on p. 19, line 16 for purposes of conformity.

Thank you for the opportunity to testify.



To: The Honorable Karl Rhoads, Chair
The Honorable Mike Gabbard, Vice Chair
Senate Committee on Judiciary

The Honorable Jarrett Keohokalole, Chair
The Honorable Carol Fukunaga, Vice Chair
Senate Committee on Commerce and Consumer Protection

From: Mark Sektnan, Vice President

Re: **HB 1539 HD1 SD1 – Relating to Transportation**
APCIA Position: Oppose

Date: Tuesday, April 2, 2024
9:30 a.m., Conference Room 016 & Videoconference

Aloha Chairs Rhoads and Keohokalole, Vice Chairs Gabbard and Fukunaga and members of the Committees:

The American Property Casualty Insurance Association of America (APCIA) is opposed to the portion of **HB 1539 HD1 SD1** which would 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 SD1 which increase the minimum financial liability limits. HB 1539 HD1 SD1 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 SD1 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 SD1 sets an automatic increase to coverage minimums in 2027. This approach is unique, and, as far as we know, untested in any other state. An automatic increase has a few drawbacks. First, like any increase in minimums/coverage, it forces increases in costs on consumers who may not otherwise choose them. Second, the amount increased may not match increases in consumer prices, as is likely the intended purpose. As we are currently seeing, consumer-related inflationary rates can fluctuate significantly, undermining the intended effect of this proposal.

HB 1539 HD1 SD1 would also become effective upon signature of the Governor which would have the effect of making all existing minimum limit policies illegal since they would not meet the new state mandated limits. The bill should be amended to delay implementation to allow companies to develop new rate structures to reflect the higher limits and file the new rates with the Hawaii Department of Insurance. The effective date should also be for “policies incepting on or after” the effective date. If this language is not included, existing minimum limit policies which are mid-term will be out of compliance when the law changes. This will result in consumer confusion and challenges for the insurers.

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



Steve Shur
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Senator Karl Rhoads, Chair
Senator Mike Gabbard, Vice Chair
COMMITTEE ON JUDICIARY

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair
COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

DATE: Tuesday, April 2, 2024
TIME: 9:30 am
PLACE: Conference Room 016 & Videoconference

**Testimony of The Hertz Corporation in Opposition to
HB1539, HD1, SD1 Relating to Transportation**

Chair Rhoads and Members of the Committee on Judiciary:
Chair Keohokalole and Members of the Committee on Commerce & Consumer Protection:

Hertz, which also operates Dollar and Thrifty vehicle rental brands throughout North America, respectfully opposes HB1539, HD1, SD1. This legislation would negatively impact the insurance landscape for rental car providers in Hawaii by increasing the amount required for minimum insurance.

The bill would require a car rental operator to increase the amount of liability insurance that it carries and would increase costs for both rental car businesses and local renters, visitors, and rideshare drivers who rent vehicles in Hawaii.

The proposal to increase the minimum financial responsibility is not warranted or necessary as there is no record of consumer harm or deficiencies in the insurance regulatory landscape that would justify imposing an increase on car rental operators. Any such increase would be punitive and without justification, and we urge you to reject this measure.

For the reasons above, Hertz respectfully opposes HB1539, HD1, SD1 and asks the committee to reject this measure.

The Hertz Corporation
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**TESTIMONY OF EVAN OUE ON BEHALF OF THE HAWAII ASSOCIATION FOR JUSTICE
(HAJ) REGARDING HB1539 HD1 SD1**

Date: April 2, 2024

Time: 9:30 AM

Aloha Chair Rhoads, Chair Keohokalole, and Members of the Committees,

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 SD1 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 \$38,233 in today's dollars (See Exhibit 3). Moreover, when accounting for medical inflation, the \$20,000 minimum coverage established 1998, would now equate to \$46,771 in today's dollars (See Exhibit 3).**

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 6). In comparison, the national average for underwriting profit was 4.2% return on net worth (See Exhibit 6). 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 5).

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.

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, 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%

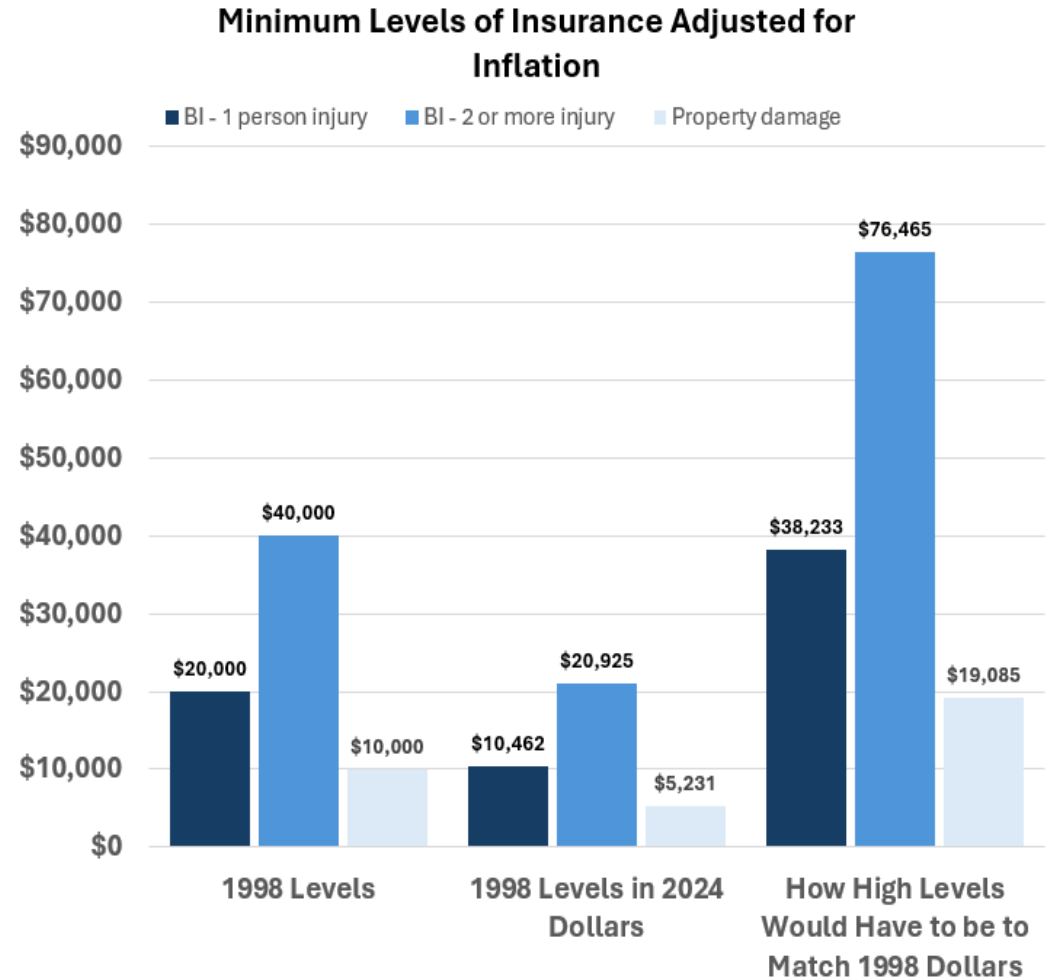
- 14 states (including the District of Columbia) have raised minimum auto insurance levels in the last 15 years.
- 8 of the 14 states have seen auto insurance expenditures increase less than the country as a whole after the minimums were raised.
- *On average, states that raised their minimum levels 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 – Minimum Level Adjusted for Inflation

Auto insurance minimums - Hawaii

- Hawaii’s minimum levels of insurance date back to 1998 and have not been updated.
- Those levels are significantly inadequate today.
- Minimum levels would have to be significantly increased to come close to their original value.



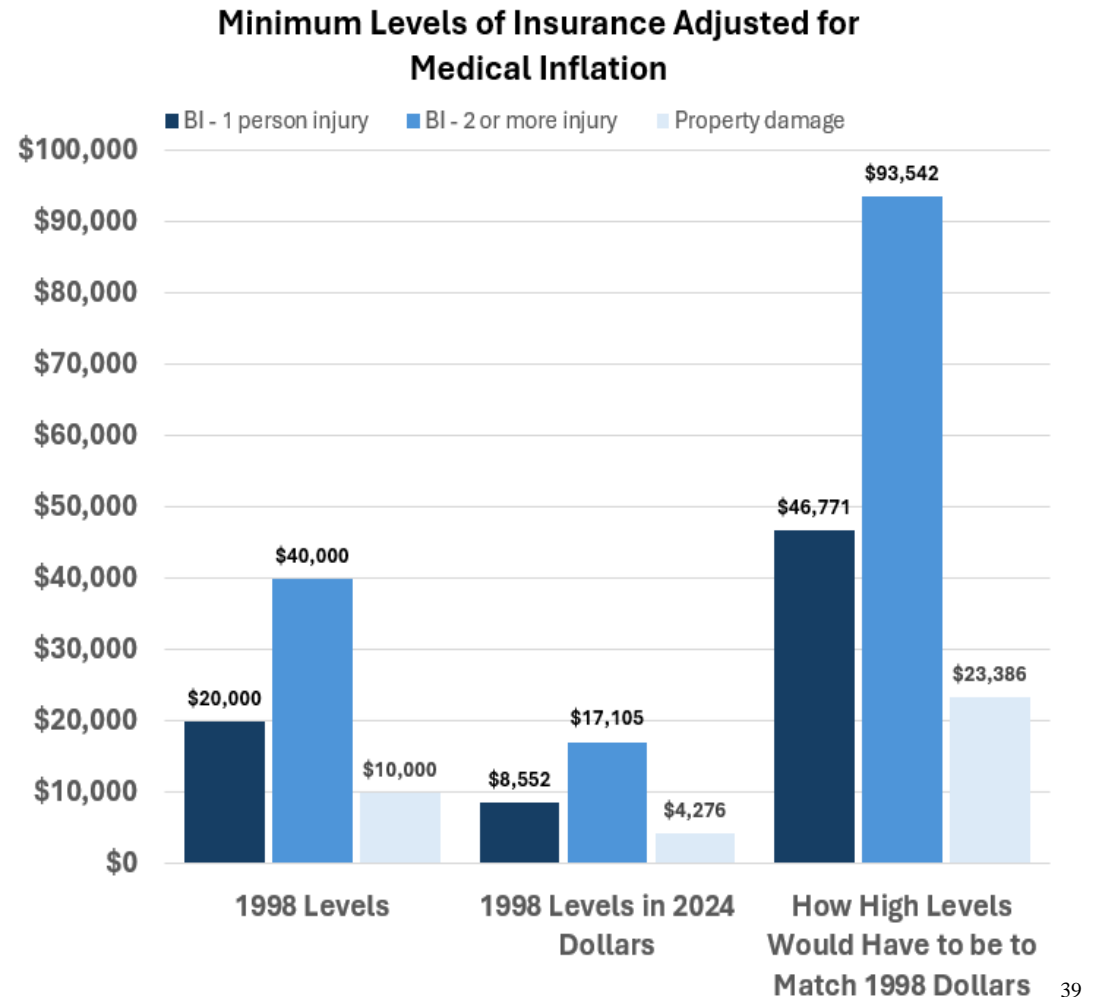
38

³⁸ Consumer Price Index for All Urban Consumers (CPI-U), Bureau of Labor Statistics, <https://data.bls.gov/PDQWeb/cu>. Calculations can be verified using the [BLS's inflation calculator](#).

Exhibit 3 – Minimum Level Adjusted for Medical Inflation

Auto insurance minimums - Hawaii

- Hawaii’s minimum levels of insurance date back to 1998 and have not been updated.
- When compared to the effects of *medical inflation*, those levels are severely inadequate today.
- Minimum levels would have to be significantly increased to come close to their original value.



³⁹ Consumer Price Index for All Urban Consumers (CPI-U), Bureau of Labor Statistics, <https://data.bls.gov/PDQWeb/cu>. Calculations can be verified using the [BLS's inflation calculator](#).

Exhibit 4

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 5 - 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.

40

40 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 6- 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 Trans	Tax On Ins Trans	Profit On Ins Trans	Earned Prem To Net Worth	Inv Gain On Net Worth	Inv Gain On Net Worth	Tax On 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 6- 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 MICHAEL ONOFRIETTI

COMMITTEE ON JUDICIARY
Senator Karl Rhoads, Chair
Senator Mike Gabbard, Vice Chair

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair

Tuesday, April 2, 2024
9:30 a.m.

HB 1539, HD1, SD1

Chair Rhoads, Vice Chair Gabbard, and members of the Committee on Judiciary, and Chair Keohokalole, Vice Chair Fukunaga, and members of the Committee on Commerce and Consumer Protection, my name is Michael Onofrietti, ACAS, MAAA, CPCU, Senior Vice President, Chief Actuary & Chief Risk Officer for Island Insurance and Chairman of the Auto Policy Committee for Hawaii Insurers Council. The Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately forty percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council submits comments on HB 1539, HD1, SD1, Section 9 of the bill. The majority of our testimony is consistent with our prior testimony on minimum motor vehicle liability coverage limits during this session. We include that testimony below and add three other elements for the Committee to consider:

Minimum Bodily Injury (BI) Liability Limits in Other States

Hawaii's current minimum BI liability limits of \$20,000 per person/\$40,000 per accident are close to the most prevalent limits in the United States. A review of BI limits found that 43

states plus the District of Columbia have minimum BI limits of \$25,000 per person/\$50,000 per accident or lower:

- 34 states have minimum BI limits of \$25,000 per person/\$50,000 per accident
- 4 states including Hawaii have minimum BI limits of \$20,000 per person/\$40,000 per accident
- 5 states including California have lower minimum limits or non-mandatory BI coverage (California, Pennsylvania, New Jersey, Florida and Louisiana)
- 5 states have minimum BI limits of \$30,000 per person/\$60,000 per accident
- 1 state has minimum BI limits of \$25,000 per person/\$65,000 per accident
- 2 states have minimum BI limits of \$50,000 per person/\$100,000 per accident (Maine and Alaska)
- No state has minimum BI limits above \$50,000 per person/\$100,000 per accident

Please note that Hawaii law also requires \$10,000 of Personal Injury Protection coverage to provide medical and other payments for those injured in accidents. Most states do not require Personal Injury Protection coverage.

Milliman Study Referenced in Hawaii Association for Justice (HAJ)

HAJ's testimony cites Table 12 from a Milliman study entitled "Factors Associated with Differences in the Incidence of Uninsured Motorists" and concludes that higher limits in and of themselves result in a lower proportion of uninsured drivers. This was **not** the conclusion of this study which contained 17 tables in total. The Executive Summary states in part:

"We found that economic factors (particularly differences in income, education, and unemployment rates) explained a large share of the differences in state UM rates. The findings concerning income suggest that automobile insurance may be a good consumers forgo when choices must be made among competing economic necessities (particularly among low-income families)."

Further, Table 17 of the study builds a statistical regression model to understand the differences in the rates of uninsured motorists by state. The authors reviewed many

economic, education, policy, legal and other variables one of which was the current limit of bodily injury liability coverage as shown in HAJ's testimony.

"In the preliminary regression analyses, the latter two policy variables - minimum limits and the presence of a no pay, no play statute - provided negligible improvements to the explanation of differences in UM rates and were not statistically significant; they were consequently dropped from the final models."

Based on the study's conclusion, minimum bodily injury limits in a state were not statistically significant in determining the incidence of uninsured drivers. Drawing the conclusion from the study that minimum limits were meaningful is not statistically valid and inaccurate.

Hawaii's Certified Public Assistance Insurance (CPAI) Program

Hawaii is the only state that offers no-cost liability (bodily injury liability and property damage liability) to certain categories of welfare recipients. Increasing minimum coverage limits will apply to these insureds as well. The cost for claims under this program are spread among insured drivers that pay for their insurance via assessments to insurers. It is likely that this assessment will increase in the event of higher minimum.

Prior Testimony

Section 9 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 18, lines 15 – Page 19, line 11.

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.

N I W A O
 &
R O B E R T S

Certified Public Accountants, A Professional Corporation

Committee on Judiciary

Committee on Commerce and Consumer Protection

Tuesday, April 2, 2024; 9:30 a.m.

Conference Room 016

State Capitol

Re: Strong Support for HB 1539, HD1, SD1

Chair Rhoads and Vice Chair Gabbard and members of the Judiciary Committee and

Chair Keohokalole, Vice Chair Fukunaga and members of the Committee on Commerce and Consumer Protection:

My name is Marilyn M. Niwao, and I am a Hawaii licensed CPA and Attorney, and a principal of a well-established Maui CPA firm, Niwao & Roberts, CPAs, a P.C. for over 39 years. Although I am currently a State Director for the Hawaii Association of Public Accountants and co-chair of its legislative committee, I am testifying here solely in my capacity as a principal of Niwao & Roberts, CPAs, a P.C. and for myself, as a Hawaii automobile accident victim.

Please support HB 1539, HD1, SD1 and increase the insurance limit requirements which are totally inadequate for Hawaii's needs. Do not make an accident victim further victimized by inadequate insurance limits. The focus of insurance should be on the needs of the accident victim(s), and not on the increase in costs of auto insurance for the privilege of operating a motor vehicle.

Please note that the auto insurance amounts of a driver responsible for hitting a pedestrian could also be used to compensate a pedestrian for injuries sustained, or the pedestrian's family.

In addition, any adjustment to the amount of insurance required to cover medical costs should be determined by the increase in medical and medical insurance costs over the last 25 years. This is a much higher percentage than the regular rate of inflation for all other goods and services. Unfortunately also - there are many costs and damages arising from an auto accident that are not reimburseable by those with medical insurance.

Life is about learning, and unfortunately, I learned the hard way regarding auto insurance coverage. In June 2018, I was in a car being driven by my husband on Maui after work. Suddenly, we were hit from behind by another car driven at high speed (approximately 85 miles per hour) by a young man who crossed into our lane of traffic. The young man had just completed his first year of college at the University of Hawaii and apparently had fallen asleep at the wheel. Needless to say, the driver was not one who could be sued personally because he had little or no money. I was lucky in that I was not killed.

As a result of the accident, I sustained substantial injuries and had to be treated at Stanford Medical Center and by specialist doctors in Honolulu. The medical specialists needed to treat me were not available on Maui. To this day, I still require off-island medical treatment for injuries sustained from the accident due to the shortage of medical specialists on Maui.

The car accident was totally unexpected and was beyond our control. In the course of navigating the insurance maze, I discovered the Personal Injury Protection (PIP) Coverage required in Hawaii is grossly inadequate. Each driver pays for their own PIP coverage, and but not all insurance companies offer a driver the option to increase this coverage.

1. Personal Injury Protection Coverage (PIP) – paid by the driver to cover costs arising from the accident.

Although I had the maximum offered by State Farm insurance company (which was the minimum required by the Hawaii statute), I found the \$10,000 personal injury protection benefits to be totally inadequate. PIP covers the gross costs (without subtracting medical insurance) arising from the accident, such as ambulance, medical, hospital, surgical, chiropractic, CT and MRI scans, physical therapy, and other costs. For example, after the \$10,000 was easily exhausted, my physical therapist informed me that he would not treat me anymore because of the time required to fill out HMSA paperwork.

Suggestion – Amend Section 431:10C-103, HRS and increase PIP coverage to \$20,000 per person, with optional additional amounts to be provided up to \$75,000 per person.

2. I suggest bodily injury insurance premiums should be increased from \$20,000 to \$75,000 per person effective January 1, 2025, then subsequently to \$125,000 per person in 2027. I also support the minimum insurance of property damage, including from motor vehicles from \$10,000 to \$25,000, and then subsequently to \$50,000.

In my case, even though the other driver had \$100,000 in insurance for my medical costs and I had my own amount of underinsured coverage, it was totally inadequate to compensate me for my medical bills and losses. Although I tried to reach a

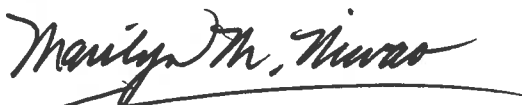
settlement with my insurance company on my own, the insurance company offered a fraction of the insurance limits, and I found out that I needed a personal injury attorney to represent me, and that the auto insurance company had to be sued in order to take the claim seriously. With the assistance of my personal injury attorney, I was able to receive the maximum insurance coverage for my injuries less a percentage for attorney fees, court costs, and an amount to reimburse HMSA for medical costs advanced. (In other words, the accident victim actually receives far less than the gross amount of the insurance coverage for injuries that is set by statute.)

With too little insurance available or recoverable to an automobile accident victim, personal injury attorneys appear not interested in taking a case. For me, I was forced to draw on some of my retirement funds to cover my medical costs, medical travel from a neighbor island, and loss of earnings for the time I spent receiving medical treatment and handling paperwork for the insurance companies.

With the above information, please support HB1539, H1, SD1 and increase the insurance limits at a minimum to the figures I suggested.

Thank you for this opportunity to testify. Please do not hesitate to ask any questions by contacting me at niwao@mauicpa.com or at (808) 242-4600, ext. 224.

Respectfully submitted,



Marilyn M. Niwao, M.S.P.H., J.D., CPA, CGMA
President



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: April 2, 2024

TO: Senator Karl Rhoads
Chair, Committee on Judiciary

Senator Jarrett Keohokalole
Chair, Committee on Commerce and Consumer Protection

FROM: Matt Tsujimura

RE: **H.B. 1539 H.D. 1 S.D. 1 – Relating to Transportation**
Hearing Date: Tuesday, April 2, 2024 at 9:30AM
Conference Room: 016

Dear Chair Rhoads, Chair Keohokalole and Members of the Joint Committee:

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 S.D. 1, Relating to Transportation, specifically section 9.

H.B. 1539 H.D. 1 S.D. 1 calls for a tiered increase of the minimum required liability coverage limits for motor vehicle insurance policies initially upon the effective date, with an automatic increase on January 1, 2027. The original proposed increases to \$50k/100k/\$20k then to \$75k/\$200k/\$40K would place Hawaii significantly out of step with the majority of other states.

While State Farm understands the intent of increasing coverage limits is to ensure protection, higher coverage limits can be counterproductive to this goal, and may lead to an affordability problem for consumers, which in turn can often lead to more uninsured drivers. Moreover, uninsured and underinsured motorist coverage limits must be equal to the bodily injury coverage limits, and an additional increase in these limits may result in an increase in premiums.

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

If the committee passes H.B. 1539 H.D. 1 S.D. 1, State Farm requests that the effective date be pushed out to at least January 1, 2026. State Farm needs additional time to submit rate filings; create new selection and rejection forms for uninsured and underinsured coverage; prepare and send notice to all policyholders advising of the increased limits and premium changes; and update all systems, forms, and applications.

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

- The bill be updated to reflect an effective date of the bill be pushed out to at least January 1, 2026; and
- Add language in section 9 to clarify insurers do not need to obtain new or updated documents described in HRS 431:10C-301(d) and (e) of the proposal:

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

Thank you for the opportunity to present this testimony.



Testimony of
Davin Aoyagi - Senior Government Relations Manager
Turo Inc.

COMMENTS ON HB1539, HD1, SD1

Aloha e Chairs Rhoads and Keohokalole, Vice Chairs Gabbard and Fukunaga, 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, SD1.

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, SD1 become law, insurance requirements for peer-to-peer car sharing will soar while those for rental will remain tethered to state minimum limits. We request that the goals of this legislation and the ongoing policy discussions around the appropriate way to regulate these 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.

HB-1539-SD-1

Submitted on: 3/22/2024 4:07:59 PM

Testimony for JDC on 4/2/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
B.A. McClintock	Individual	Support	Written Testimony Only

Comments:

Please support this important bill. Mahalo.

Senate Committee on Judiciary
Senator Karl Rhoads, Chair
Senator Mike Gabbard, Vice Chair

Senate Committee on Commerce and Consumer Protection
Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair

FROM: Keola McComber

RE: Testimony offering COMMENTS, Relating to Transportation

Aloha Chairs Rhoads and Keohokalole, Vice Chairs Gabbard and Fukunaga, and Other
Committee Members,

My name is Keola McComber. As a local resident and peer-to-peer car sharing user, I'd like to offer comments for HB1539, HD1, SD1, a bill that aims to raise the insurance policy requirements for ALL insurance policies including personal, rental, and peer-to-peer. Since peer-to-peer car sharing is currently set at 4x state minimums, without amendments this bill will automatically set us at 4x whatever the new state minimums are, resulting in an increase in our insurance costs in HI and a continued lack of parity with rental.

As a local Turo host, I am asking for parity because Turo allows me to continue generating meaningful income for my family by sharing my car. As you know, we have the pleasure of living in our beautiful island home but also face a cost of living that is pricing out too many local families. Hawai'i hosts like me share their cars to make ends meet, and to not just live in Hawai'i but thrive, ensuring that our wages are enough to keep our 'ohana in Hawai'i for generations to come.

Local guests book cars from nearby hosts to get to doctor's appointments, run to the grocery store, or enjoy their staycations. By passing this bill, you're supporting Hawai'i residents, your constituents, and showing that fair economic opportunity is here to stay in Hawai'i.

Turo has provided my family and me with an invaluable additional source of income. As proud native Hawaiians, preserving our connection to our land and heritage is of utmost importance. However, the rising cost of living in Hawai'i threatens to displace us from our ancestral home.

With Turo, we have found a solution that not only helps us financially but also allows us to remain rooted in Hawai'i. By sharing our vehicles through the platform, we can generate income that offsets the high living expenses of the islands. This opportunity has been a game-changer for us, enabling us to afford housing, education, and other necessities without sacrificing our ties to our culture and community.

Again, as a local Turo host, I am in support of HB1539, HD1, SD1, with AMENDMENTS. I encourage the committee to consider my testimony in their decision-making process, as I ask for parity and fairness. Mahalo for the consideration of my testimony.

Senate Committee on Judiciary
Senator Karl Rhoads, Chair
Senator Mike Gabbard, Vice Chair

Senate Committee on Commerce and Consumer Protection
Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair

FROM: Kina Palaualelo

RE: Testimony offering COMMENTS, Relating to Transportation

Aloha Chairs Rhoads and Keohokalole, Vice Chairs Gabbard and Fukunaga, and Other
Committee Members,

My name is Kina Palaualelo. As a local resident and peer-to-peer car sharing user, I'd like to offer comments for HB1539, HD1, SD1, a bill that aims to raise the insurance policy requirements for ALL insurance policies including personal, rental, and peer-to-peer. Since peer-to-peer car sharing is currently set at 4x state minimums, without amendments this bill will automatically set us at 4x whatever the new state minimums are, resulting in an increase in our insurance costs in HI and a continued lack of parity with rental.

As a local Turo host, I am asking for parity because Turo allows me to continue generating meaningful income for my family by sharing my car. As you know, we have the pleasure of living in our beautiful island home but also face a cost of living that is pricing out too many local families. Hawai'i hosts like me share their cars to make ends meet, and to not just live in Hawai'i but thrive, ensuring that our wages are enough to keep our 'ohana in Hawai'i for generations to come.

Local guests book cars from nearby hosts to get to doctor's appointments, run to the grocery store, or enjoy their staycations. By passing this bill, you're supporting Hawai'i residents, your constituents, and showing that fair economic opportunity is here to stay in Hawai'i.

Turo has been a transformative platform for my family and me, offering a valuable additional source of income that has made a significant difference in our lives. As a native Hawaiian, the concept of 'ohana'—the familial bond and sense of interconnectedness—is deeply ingrained in our cultural identity. However, with the rising cost of living in Hawai'i, many families like ours have faced the unsettling prospect of being priced out of our homeland.

Fortunately, Turo has emerged as a beacon of hope, providing us with a means to navigate these financial challenges. By sharing our vehicles through the platform, we have been able to generate a steady stream of income that complements our existing resources. This additional revenue stream not only eases the burden of living expenses but also empowers us to maintain our presence and roots in Hawai'i, preserving our connection to the land and our cultural heritage.

Again, as a local Turo host, I am in support of HB1539, HD1, SD1, with AMENDMENTS. I encourage the committee to consider my testimony in their decision-making process, as I ask for parity and fairness. Mahalo for the consideration of my testimony.

Senate Committee on Judiciary
Senator Karl Rhoads, Chair
Senator Mike Gabbard, Vice Chair

Senate Committee on Commerce and Consumer Protection
Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair

FROM: Barry Asberry

RE: Testimony on HB1539, HD1, SD1 offering COMMENTS, Relating to Transportation

Aloha Chairs Rhoads and Keohokalole, Vice Chairs Gabbard and Fukunaga, and Other
Committee Members,

My name is Barry Asberry. As a local resident and peer-to-peer car sharing user, I'd like to offer comments for HB1539, HD1, SD1, a bill that aims to raise the insurance policy requirements for ALL automobile insurance policies including personal, rental, and peer-to-peer. Since peer-to-peer car sharing is currently set at 4x state minimums, without amendments this bill will automatically set us at 4x whatever the new state minimums are, resulting in an increase in our insurance costs in HI and a continued lack of parity with rental.

As a local Turo host, I am asking for parity because Turo allows me to continue generating meaningful income for my family by sharing my car. As you know, we have the pleasure of living in our beautiful island home but also face a cost of living that is pricing out too many local families. Hawai'i hosts like me share their cars to make ends meet, and to not just live in Hawai'i but thrive, ensuring that our wages are enough to keep our 'ohana in Hawai'i for generations to come.

Local guests book cars from nearby hosts to get to doctor's appointments, run to the grocery store, or enjoy their staycations. By passing this bill, you're supporting Hawai'i residents, your constituents, and showing that fair economic opportunity is here to stay in Hawai'i.

Turo has provided us with a platform to help people with their transportation needs while in Hawai'i. We started our Turo journey back in July of 2021 with 2 cars. We take great pride in providing the best customer service and affordable prices to all our customers.

Turo has provided us with an opportunity to go into business for ourselves but not by ourselves because we always have the support of turo whenever we need anything they are just a call away. Turo has given us the opportunity to be stay at home parents and spend more time with our son. It's a lot of work but the benefits of running your own business is very rewarding.

Again, as a local Turo host, I again offer comments on HB1539, HD1, SD1. I encourage the committee to consider my testimony in their decision-making process, as I ask for parity and fairness. Mahalo for the consideration of my testimony.

I am in support of HB 1539 that increases the penalties for traffic violations (ie fines, jail time, community service, suspension of license) because there have been too many cases of drivers with multiple traffic citations/violations driving on the roads. We know that the driver that killed the McKinley student had 100+ citations yet he was still driving. He should have been in jail, had his wages garnished to pay the fines, outfitted with an ankle monitor, and mandated to do frequent check-ins with a parole officer.

One death is too many. It is especially tragic when a young student is killed on her way to school. We need to get tough on crime. There are too many fatalities due to reckless driving. The red light cameras prove that measures needed to be taken to mitigate the dangers of people blatantly running red lights. If the red light cameras are effective then those should stay. And if there are chronic traffic offenders then heightened penalties need to be put into place.

Of course the public defender's office is going to oppose this. Their goal is to get their clients off from serving any significant jail time or incurring any meaningful financial penalties. The rest of us are concerned with saving lives.

As for the noise problem of aftermarket exhausts installed in cars, mopeds, motorcycles, etc., I also support eliminating the noise pollution. There are too many things in our environment like construction noise, big trucks rattling along, sirens, etc. that add to the overall noise and we don't need a useless aftermarket exhaust/muffler to add to the noise pollution. It has been shown that environmental noise contributes to stress and negatively affects sleep quality. Those exhaust systems serves no purpose in making a vehicle safer or more efficient. Its sole purpose is to increase the vehicle's noise output. For what? To compensate for other things lacking in these drivers' lives? Residents who need to get a restful sleep shouldn't have the onus of figuring out how to mute the external

noise emanating from these vehicles. The dB level of these aftermarket exhaust systems contributes to hearing problems.

This is a common sense bill that is needed to deal with drivers who lack common sense.

April 2, 2024

Senator Karl Rhoads, Chair
Senator Mike Gabbard, Vice Chair
Committee on Judiciary

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair
Committee on Commerce and Consumer
Protection

RE: **HB 1539 HD1 SD1– RELATING TO TRANSPORTATION**

Aloha Chair Rhoads, Chair Keohokalole, and Members of the Committees,

Mahalo for the opportunity to submit testimony in **STRONG SUPPORT** of **HB 1539 HD1 SD1**. 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 SD1 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.

Summary of Testimony of Jay Angoff Regarding HB 1539 HD1 SD1

April 2, 2024

I. With the exception of New Hampshire, which does not require drivers to buy auto insurance at all, Hawaii requires drivers to buy less auto coverage than any other state.

Hawaii requires drivers to buy Bodily Injury (BI) liability coverage that will pay up to \$20,000 per injured individual in an accident, and up to \$40,000 total for all people injured in an accident. Hawaii also requires drivers to buy Property Damage (PD) liability coverage that will pay up to \$10,000 for damages to someone else's car or other property. Those amounts—typically expressed as 20/40/10—are the current minimum liability insurance limits in Hawaii.

Only five states—Florida, Iowa, Louisiana, Massachusetts, and Pennsylvania—have minimum liability limits equal to or lower than Hawaii's current 20/40 limits or have not already enacted legislation to increase those limits¹. Even in those five states, however, the law requires drivers to purchase additional coverage that Hawaii does not require—e.g., no-fault coverage, property damage coverage exceeding Hawaii's minimum \$10,000 requirement, or uninsured motorist coverage. Thus, excluding New Hampshire, Hawaii requires less auto insurance coverage than any other state.

II. The amount, if any, by which the minimum auto insurance premium would increase if minimum limits were increased to 50/100/20 and then to 75/200/40 can be determined by looking at the filings the auto insurers submit to the Department of Insurance when they change their rates.

When insurers calculate their rates, they typically calculate a base rate for the minimum amount of coverage the state requires, and then calculate higher rates for higher amounts,

¹ Two states that had had lower minimum limits than Hawaii—New Jersey and California, both of which had minimum limits of 15/30/5--increased their minimum limits within the last two years. California increased its minimum limits in two steps: to 30/60/15 to take effect in 2025, and to 50/100/25 to take effect in 2035. New Jersey also increased its minimum limits in two steps: to 25/50/25 effective January 1, 2023, and to 35/70/25 effective January 1, 2026.

commonly referred to as limits, by multiplying that base rate by a factor corresponding to each higher limit. That factor is called the increased limits factor, or ILF. So, for example, if minimum BI limits are 20/40, the factor for those limits is typically 1.00, and an ILF, say, of 1.60 for limits of 50/100 means that 50/100 coverage would cost 60% more than 20/40 limits. Similarly, if 10 is the minimum PD limit, the factor for 10 is typically 1.00, and an ILF of 1.60 for \$20,000 in PD coverage means that such coverage would cost 60% more than \$10,000 in PD coverage costs.

III. We calculated the difference between the premium three of the leading auto insurers in Hawaii—GEICO, State Farm, and Progressive—charge for the current minimum limits of 20/40/10 and what they charge for 50/100/20 and 75/200/40 limits by multiplying their average premium for the current 20/40/10 minimum limits by their ILF’s for 50/100/20 and 75/200/40 limits.

We found the following:

Impact of Increasing Minimum Liability Limits From 20/40/10 to 50/100/20 and 75/200/40

Insurer	20/40/10 Premium	50/100/20 Premium	75/200/40 Premium	50/100/20 - 20/40/10	75/200/40 - 50/100-20
GEICO	\$213.80 ²	\$254.60 ³	\$281.20 ⁴	\$40.80	\$26.60
Progressive	\$343.55 ⁵	\$411.31 ⁶	\$460.84 ⁷	\$67.76	\$49.53
State Farm	\$308.28 ⁸	\$332.36 ⁹	\$346.45 ¹⁰	\$24.08	\$14.09

Notably, these rates are not final premiums; the actual premium any driver pays will vary based on, among other things, his driving record, his annual mileage, his years of driving

² 54.50 BI + 159.30 PD.

³ 92.10 BI + 162.50 PD.

⁴ 112.30 BI + 168.90 PD.

⁵ 111.86 BI + 231.69 PD.

⁶ 161.08 BI + 250.23 PD.

⁷ 201.35 BI + 259.49 PD.

⁸ 106.34 BI + 201.94 PD.

⁹ 119.10 BI + 212.04 PD.

¹⁰ 122.29 BI + 224.16 PD.

experience, the type of car he drives, and where he garages his car. Regardless of each driver's individual rating characteristics, however, the ILF corresponding to the limits he buys remains constant. The base rate multiplied by the ILF's for limits of 50/100/20 and 75/200/40 thus fairly represents the amount by which premiums would increase if the current minimum limits of 20/40/10 were increased to those levels.

IV. The differences between the cost of the current 20/40/10 minimum limits and the cost of 50/100/20 and 75/200/40 limits is substantially lower than one might reasonably expect.

Even the largest increase from 20/40/10 to 50/100/20—Progressive's \$67.76, as shown in Table 3—is less than \$6 a month. GEICO's \$40.80 amounts to a little more than \$3 a month, and State Farm's \$24.08 is \$2 a month.

The additional cost of buying 75/200/40 limits instead of 50/100/20 limits is similarly low: the additional \$49.53 Progressive charges is just over \$4 a month, GEICO's \$26.60 is just over \$2 a month, and State Farm's \$14.09 is just over a dollar a month.

The reason these increases are so small is that 2/3 or more of the total liability premium is for PD coverage, and the ILF's that all three carriers use for PD coverage are very low. For example, for 20 in PD coverage Progressive uses an ILF of 1.08, State Farm uses 1.05, and GEICO uses 1.02; and for 40 in PD coverage all three carriers use ILF's of no more than 1.12. So the amount by which a substantial majority of the premium is increased is very modest.

V. The consistent excessive profitability of auto insurance in Hawaii during the last decade means that auto insurers could absorb the additional cost of providing minimum coverage of 50/100/25 rather than 20/40/10 without raising premiums while still earning a reasonable profit.

For example, according to the NAIC, for the most recent ten-year period for which data are available—2012-2021--the return on private passenger auto insurance countrywide was

4.9%.¹¹ Auto insurers in Hawaii, however, had a return on net worth over that ten-year period of 14.0%¹²--almost three times as high as the national average—which made it the most profitable state in the nation.

Rate of return on net worth data for 2022 are not yet available. However, loss ratio data for 2022 are available. The loss ratio is the ratio between losses incurred and premium earned. All else equal, therefore, the lower the loss ratio the more profitable the business. According to the NAIC's Market Share Report for 2022, which it released in September 2023, the countrywide auto insurance loss ratio was 80.15%¹³--the industry as a whole was paying out 80 cents on the premium dollar in claims, leaving 20 cents on the premium dollar for expenses and profit. Hawaii auto insurers, however, had a loss ratio of 66.99¹⁴—they were thus paying out 13 cents on the premium dollar less than were insurers countrywide. Hawaii's loss ratio was lower than every other state's except Wyoming's.

Thus, year-in and year-out, in good years and bad, auto insurance in Hawaii has with *de minimis* exceptions always been more profitable than auto insurance in any other state—and almost 300% as profitable than the countrywide average over the last ten years. Hawaii auto insurers should therefore be able to continue to earn a reasonable profit at their 20/40/10 rates if minimum limits are raised to 50/100/20.

¹¹ NAIC, Report on Profitability by Line by State in 2021, January 2023, at 144.

¹² *Id.* at 192.

¹³ NAIC, 2022 Market Share Reports for Property/Casualty Groups and Companies by State and Countrywide, Sept. 2023, at 408.

¹⁴ *Id.* at 411.

April 2, 2024

Senator Karl Rhoads, Chair
Senator Mike Gabbard, Vice Chair
Committee on Judiciary

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair
Committee on Commerce and Consumer
Protection

RE: **HB 1539 HD1 SD1– RELATING TO TRANSPORTATION**

Aloha Chair Rhoads, Chair Keohokalole, and Members of the Committees,

Mahalo for the opportunity to submit testimony in **STRONG SUPPORT** of **HB 1539 HD1 SD1**. My name is Renee Kaho‘oilihala, I am a resident of Honolulu who was a victim of a hit and run motor vehicle accident while walking as a pedestrian on Oahu.

On August 8, 2020, while on my way to work, I was crossing the street in a marked crosswalk when I was struck by a hit and run driver resulting in a fractured pelvis and bruised ribs. At the time of the accident, I didn’t know that I was struck until I woke up in an ambulance on my way to the hospital where I stayed for three days. The suspect who struck me had minimum coverage which was insufficient to cover **my medical expenses which totaled \$57,115.84** even without surgery for my fractured pelvis. The reality is that you never know how low \$20,000 in motor vehicle insurance is until an accident happens to you.

The truth is that the accident substantially changed my quality of life and lifestyle due to the injuries that I sustained. As a result of the low minimums, I felt forced to return to work to ensure my medical bills were paid and to prevent any burden from falling onto my family. At the time of my accident, I had two jobs, one at Lincoln Elementary, and the second required me to stand all night. I utilized all my sick leave and vacation to get temporary disability, however, I was ultimately forced to quit my second job because my body could not handle the demand of standing the entire time due to my injuries. To this day I still experience pain on a daily basis.

HB 1539 HD1 SD1 would relieve the burden on the victims who were injured through no fault of their own. Increasing the motor vehicle insurance minimums would reduce the stress on victims who are balancing recovering from their injuries with the need to return to work to ensure their bills are paid. The additional required coverage would allow future victims to heal properly without feeling forced back to work. The benefits of increased coverage greatly outweigh the cost associated with increasing the minimums, especially if it eases the mental stress for so many victims and their families.

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

April 2, 2024

Senator Karl Rhoads, Chair
Senator Mike Gabbard, Vice Chair
Committee on Judiciary

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair
Committee on Commerce and Consumer
Protection

RE: **HB 1539 HD1 SD1– RELATING TO TRANSPORTATION**

Aloha Chair Rhoads, Chair Keohokalole, and Members of the Committees,

Mahalo for the opportunity to submit testimony in **STRONG SUPPORT** of **HB 1539 HD1 SD1**. My name is Mera Louis, I am a victim of a motor vehicle collision while walking as a pedestrian on Oahu.

On March 15, 2023, after celebrating my birthday, I was struck by a vehicle while walking in downtown Honolulu. From the accident I suffered a broken right tibia, right clavicle and index finger. I was hospitalized for a total of six days, with three days at Queens and another three days at Kaiser. I did physical therapy at Kaiser for another two months prior to being able to slowly walk again. *The total cost of my injuries, including my surgery totaled over \$100,000.*

As a mother of three children, balancing recovery with making ends meet has been difficult since the accident. Prior to the accident I had two labor jobs as a ramp agent of Alaska Airlines and as a warehouse employee at D. Otani. These jobs required heavy lifting and manual labor which prevented me from working for approximately six months. During this time, I had to apply for financial assistance through welfare for me and my children to survive while I was unable to work. Ultimately, as a result of the crash, I became a cashier because I'm no longer able handle the physical nature of my previous jobs. To this day, I'm still unable to straighten my right index finger and still experience leg pain, especially after standing for long periods at work.

I support the increase in the motor vehicle minimums as additional coverage would allow victims such as myself to heal properly and care for our families finically even though we are unable to work as a result from our injuries. The \$20,000 in minimums insurance is truly insignificant in comparison to the medical costs and cost of supporting your family while you're unable to work as a result of your injuries. The additional \$30,000 in coverage would significant future accidents victims

HB 1539 HD1 SD1 would relieve the burden on the victims who were injured through no fault of their own. Increasing the motor vehicle insurance minimums would reduce the stress on victims who are recovering from their injuries. I would gladly pay the additional premium costs

because the additional coverage protects Hawaii residents and specifically pedestrians that are injured in motor vehicle accidents. The benefits of increased coverage greatly outweigh the cost associated with increasing the minimums.

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

Senate Committee on Judiciary
Senator Karl Rhoads, Chair
Senator Mike Gabbard, Vice Chair

Senate Committee on Commerce and Consumer Protection
Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair

FROM: Nohea Keoho

RE: Testimony on HB1539, HD1, SD1 offering COMMENTS, Relating to Transportation

Aloha Chairs Rhoads and Keohokalole, Vice Chairs Gabbard and Fukunaga, and Other
Committee Members,

My name is Nohea Keoho. As a local resident and peer-to-peer car sharing user, I'd like to offer comments for HB1539, HD1, SD1, a bill that aims to raise the insurance policy requirements for ALL insurance policies including personal, rental, and peer-to-peer. Since peer-to-peer car sharing is currently set at 4x state minimums, without amendments this bill will automatically set us at 4x whatever the new state minimums are, resulting in an increase in our insurance costs in HI and a continued lack of parity with rental.

Peer-to-peer car sharing is beneficial for Local guests, should you need to reserve a vehicle you can do so from nearby hosts in order to get to doctors appointments, run to the grocery store, or even enjoy staycations.

However, as local host on Turo, which is one of the largest peer-to-peer car sharing platforms, I am able to generate meaningful income to combat the high cost of living in the state of Hawaii. As you know, we have the pleasure of living in our beautiful island home but also face a cost of living that is pricing out too many local families.

For those that are fortunate, the average household income in the state is approximately \$95,000 (per U.S. Census), all while recent news reports (Hawaii News Now) state the cost of living comfortably in Hawaii has surged to approximately \$112,000. In order for ourselves, and future generations to be able to thrive within this state, Hawai'i peer-to-peer car sharing hosts like myself share our cars to make up this difference.

By passing this bill, you're supporting Hawai'i residents, your constituents, and showing that fair economic opportunity is here to stay in Hawai'i.

As a kanaka 'ōiwi, Turo has empowered us to thrive in a place that we hold dear, ensuring that we are not priced out of our own home. It's not just about the money; it's about preserving our way of life and ensuring that future generations can continue to call Hawai'i home. Turo has become more than just a platform for us; it's a lifeline, allowing us to sustain ourselves while honoring our heritage.

Again, as a local Turo host, I am in support of HB1539, HD1, SD1, with AMENDMENTS. I encourage the committee to consider my testimony in their decision-making process, as I ask for parity and fairness. Mahalo for the consideration of my testimony.

April 2, 2024

Senator Karl Rhoads, Chair
Senator Mike Gabbard, Vice Chair
Committee on Judiciary

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair
Committee on Commerce and Consumer
Protection

RE: **HB 1539 HD1 SD1– RELATING TO TRANSPORTATION**

Aloha Chair Rhoads, Chair Keohokalole, and Members of the Committees,

Mahalo for the opportunity to submit testimony in **STRONG SUPPORT** of **HB 1539 HD1 SD1**. My name is Fred Spires, and my wife, Lyne Buckley, was struck and severely injured while turning right onto Hamakua from Kailua Rd.

In February 2023, my wife was injured in a severe car crash with a driver who ignored posted traffic signs, slammed into her vehicle, and sent her into the path of oncoming traffic, where she was hit again, head-on. Her SUV looked like it had been pried open with a can opener. The whole front and driver side of her vehicle were obliterated. Miraculously, my wife did not need to go to the hospital. That doesn't mean she wasn't injured, though. She was hit so hard that the bruises didn't show up until the next day. She had neck and back strains. The impact of the crash, coupled with the force from the airbags, caused significant bruising on the entire left side of her body.

At the time of the accident, we had insurance, but it was only \$20,000 which we thought would be enough to cover us. The other driver had nothing. 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. The hidden costs associated with an accident go far beyond the minimum required amount. To this day we still have medical bills, years of car payments for a replacement car, and thousands of dollars in interest ahead of us. This accident changed the way my wife does things. She has flashbacks and ongoing pain. She went to physical therapy for months and still goes to a chiropractor. We pay nearly \$200 every month out of our own pocket and probably will for some time. Her quality of life will never be the same. The \$20,000 minimum insurance did little to nothing to help our family when we needed it most.

When I realized how minimal Hawaii's motor vehicle insurance coverage was, I called my insurance agent and asked for more. **For about \$15 a month for two vehicles, we more than doubled our coverage for both of our vehicles.** There are a lot of people out there like me who

believe that the \$20,000 is enough to cover the damages associated with motor vehicle accidents. However, the reality is that the **\$20,000 minimum does not work** and will not work. The public needs to know what minimum amount they actually need in order to properly protect them and others in the event of an accident. The higher minimums \$50,000 as contemplated previously in HB 1539 would provide drivers with the minimum coverage they actually need.

We are fortunate that my wife survived, and while she will likely be dealing with the aftereffects of the crash for the rest of her life, she is here. She can walk, work, and enjoy life. But that is not the case for many other families whose loved ones are incapacitated. While there is no amount of money that could make up for that, increasing the minimum auto insurance requirement is a crucial step in the right direction. It is a necessary step, and lawmakers need to act now.

I understand that times are tough, but if spending the extra five to 15 dollars a month adds tens of thousands of dollars in extra protection, isn't that worth the investment? It is amazing how little \$20,000 is and how far \$15 goes when you put it into perspective for getting thousands of dollars in protection.

HB 1539 HD1 SD1 is about helping to protect all Hawaii families, including those trying to navigate a new normal with life-altering injuries. Thank you for the opportunity to testify in support of this measure.