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Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Commerce and Consumer Protection
Thursday, February 23, 2023
10:00 a.m.
State Capitol, Conference Room 229 and Via Videoconference**

**On the following measure:
S.B. 341, S.D. 1, RELATING TO MOTOR VEHICLE INSURANCE**

Written Testimony Only

Chair Keohokalole and Members of the Committee:

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

The purpose of this bill is to increase the minimum amounts of liability insurance coverage required for motor vehicle insurance policies.

The Department's current estimates for impacts to minimum motor vehicle coverage premiums are as follows: increasing the minimum liability coverage for bodily injury (BI) per individual and per accident from \$20,000/\$40,000 to \$25,000/\$50,000 will result in a premium increase of between \$20-\$40 per year; increasing the minimum liability for property damage (PD) per accident from \$10,000 to \$20,000 will result in similar increase; the combined premium increase may be between \$40-\$80 per year.

Further, increasing the BI and PD minimums will also likely increase the number of uninsured vehicles, putting upwards pressure on the premiums consumers pay for uninsured (UM) and underinsured (UIM) coverage.

The Department already anticipates an increase in motor vehicle insurance rates in 2023 due to inflation and increased losses.

Thank you for the opportunity to testify.



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

From: Mark Sektnan, Vice President

Re: **SB 341 SD1 – Relating to Motor Vehicle Insurance**
APCIA Position: Concerns

Date: Thursday, February 23, 2023
10:00 a.m., Conference Room 229 & Videoconference

Aloha Chair Keohokalole, Vice Chair Fukunaga and Members of the Committee:

The American Property Casualty Insurance Association of America (APCIA) has concerns with **SB 341 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 of America (APCIA) promotes and protects the viability of private competition for the benefit of consumers and insurers. APCIA represents the broadest cross-section of home, auto, and business insurers of any national trade association. APCIA members represent all sizes, structures, and regions, which protect families, communities, and businesses in the U.S. and across the globe.

SB 341 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, SB 341 SD1 will force Hawaii drivers to purchase higher coverage, whether they want to or not.

At a time when the citizens of Hawaii are grappling with an economy still recovering from the COVID-19 pandemic, while 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. 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.

SB 341 SD1 has a defective date of July 1, 2050. 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 has concerns with SB 341 SD1.

TESTIMONY OF EVAN OUE ON BEHALF OF THE HAWAII ASSOCIATION FOR JUSTICE (HAJ) IN SUPPORT OF S.B. NO. 341 SD1

Date: February 23, 2023

Time: 10:00 AM

Aloha Chair Keohokalole and fellow Members of the Senate Committee on Commerce and Consumer Protection:

My name is Evan Oue and I am presenting this testimony on behalf of the Hawaii Association for Justice (HAJ) in ***STRONG SUPPORT OF S.B. NO. 341 SD1***, relating to Motor Vehicle Insurance.

This measure proposes long-overdue increases to the minimum automobile insurance coverages that drivers in Hawaii must carry. We appreciate the vote of the previous committee to continue S.B. No. 341 for further discussion to determine how best to achieve the goal.

Our position remains that the minimum coverages should be increased as follows: (a) **bodily injury insurance per person** that is hurt should be initially increased from \$20,000 to \$50,000, and then subsequently to not less than \$100,000 per person; (b) correspondingly, **bodily injury insurance per accident** should be initially increased from \$40,000 to \$100,000, and then subsequently to not less than \$200,000 per accident; and (c) **property damage insurance per accident** should be increased from \$10,000 to \$20,000, and then subsequently to \$40,000. These modest increases are necessary to catch up with much greater rises in costs of living and obtaining medical care. Otherwise, billion-dollar auto insurance companies and irresponsible drivers will continue to reap the benefits at the expense of injured persons statewide.

Motor vehicle insurance limits have been stagnant for 25 years. The current limits were enacted back in 1998, via Act 27. Before then, the limits were actually higher.

- In **1985**, the minimum coverage for bodily injury per person was **\$35,000** (in today's dollars = \$98,463).
- In **1992**, the per person limit was reduced to **\$25,000** with no maximum per accident, meaning that if, for example, four people were hurt in a collision, up to \$100,000 of bodily injury coverage would be available for the entire accident.
- The per person limit dropped again in **1998** to **\$20,000**, plus bodily injury coverage was capped at **\$40,000** per accident.

In the past two decades, the Consumer Price Index for Hawaii has increased more than 50%. So, while all the costs associated with being injured have risen, the minimum required compensation has stayed the same.

Hawaii continues to be among the nation's most profitable markets for auto insurers.

The National Association of Insurance Commissioners (NAIC) publishes annual profit/loss data for insurers. In its report issued in 2021, the NAIC disclosed that private automobile insurance underwriting profits in Hawaii for 2020 was 19.6% with a 20.4% return on net worth. The national average for underwriting profit, by contrast, was 7.6% with a 10.5% return on net worth. In other words, auto insurers more than double their money in our State. This is not surprising considering the minimum limits here have been fixed for 25 years, but the cost of that coverage – the amounts auto insurers charge in premiums – goes up and up.

Those injured on Hawaii's roads are left with the costs of accidents in which they were not at fault. Irresponsible drivers typically carry only the minimum required coverages and seldom does an at-fault driver have to pay more than their insurance limits to settle a case, because they lack the financial assets to do so. The result is a distracted driver could run a stop sign, kill a young father of four, and the widow would be limited to recovering the \$20,000 of insurance.

Further, since most traffic collisions do not result in criminal charges, there is effectively no accountability for the man's death and his family is barely paid enough to cover funeral expenses.

The healthcare system is adversely impacted as well. It is easy to incur medical bills well over \$20,000 after a significant traffic collision, particularly if the injured person is admitted to the hospital. Where the at-fault driver carried the minimum liability coverage, there is a chance the health care providers will not be paid. Or, health insurance will pay the bills and then turn around and try to get reimbursed from the injured person's minimal \$20,000 settlement, usually receiving pennies on the dollar at best. If the health insurer is Medicaid or Medicare, it is the taxpayers who foot the rest of the bill.

Increasing the \$20,000 per person bodily injury limits means more money is available for medical care reimbursement. It also means a greater share of the financial burdens of a car crash are shifted onto the responsible party, and off of the injury person, their doctors and nurses, and payors including the State of Hawaii.

There is a national trend toward increasing auto limits. Hawaii is one of only six states that require \$20,000 or less in liability coverage. The others mandate \$25,000 or more, up to \$50,000 per person. In the last few years, several States on the lower end of this range have enacted legislation bring their auto insurance in line with the rest of the country:

- California is increasing its per person limits from \$15,000 to \$30,000, and eventually to \$50,000. Similar increases are made to the per accident and property damage limits.
- Virginia's limits are going from \$25,000 to \$50,000 per person, \$50,000 to \$100,000 per accident, and \$20,000 to \$40,000 for property damage.

- Arizona has decided to raise limits from \$15,000 to \$25,000 per person, \$30,000 to \$50,000 per accident, and \$10,000 to \$15,000 for property damage.

It is only right to put Hawaii at the top end of the range given our high cost of living and the value we place on quality of life.

Irresponsible drivers should have to pay more for their auto insurance. It is difficult to predict whether and to what extent premiums would be impacted by raising the minimum amounts for bodily injury and property damage coverage. Certainly, auto insurers do not have to raise rates. They can choose instead to take some of their exorbitant profits and use the money to offset any added underwriting risk.

Of the nine States that have done so since 2007, five actually saw slight **decreases** in average premiums in the year following the change. In Ohio, which went from \$20,000 to \$30,000 for bodily injury per person, there was a small bump in premiums - approximately \$7. Premiums are determined by a number of factors beyond coverage amounts, including driving record, type of vehicle insured, and whether multiple insurance policies are bundled with the same carrier. The tiered approach we are proposing provides time for the auto insurance market to adjust and set new rates gradually.

But the real question is who should pay for the ever-expanding gap between the cost of being innocently injured in a car crash and the minimum insurance required by Hawaii law to compensate that harm. Right now, it is the injured person who is bearing the brunt of the financial disparity. We respectfully submit that correcting this inequity, by forcing irresponsible drivers to buy more coverage, is long-overdue.

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



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Alison H. Ueoka
President

TESTIMONY OF ALISON UEOKA

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

Thursday, February 23, 2023
10:00 a.m.

SB 341, SD1

Chair Keohokalole, Vice Chair Fukunaga, and members of the Committee on Commerce and Consumer Protection, my name is Alison Ueoka, President for Hawaii Insurers Council. The Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately forty percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council submits comments on SB 341, SD1 which increases the minimum liability limits for bodily injury and property damage coverages in Section 431:10C-301. Any increase will cause a direct increase in costs of these coverages to everyone who purchases a minimum limits policy and therefore, it is regressive. Other coverages which are related may also increase, namely uninsured motorists and underinsured motorists coverages. We note that higher limits are already available today to those who wish to purchase them. Auto insurance premiums are steadily rising today because of higher physical damage costs, labor costs, and supply chain issues. Statutory minimum increases will exacerbate rising premiums and could cause an increase in uninsured motorists.

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

We ask that the following language be inserted, "The insurance commissioner shall issue a memo to solicit rate filings from motor vehicle insurers to reflect the law change no later than July 1, 2023. Rate filings shall be due no later than December 1, 2023 and the relevant rate changes shall be effective for new and renewal policies on or after July 1, 2024." The effective date of the bill should also be appropriately amended to reflect this language.

Thank you for the opportunity to testify.



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 22, 2023

TO: Senator Jarrett Keohokalole
Chair, Committee on Commerce and Consumer Protection
Submitted Via Capitol Website

FROM: Matt Tsujimura

RE: **S.B. 341 SD1 – Relating to Motor Vehicle Insurance**
Hearing Date: Thursday, February 23, 2023 at 10:00AM
Conference Room: 229

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

I am Matt Tsujimura, representing State Farm Mutual Automobile Insurance Company (State Farm). State Farm offers this testimony **in opposition** to S.B. 341 SD1, Relating to Motor Vehicle Insurance.

S.B. 341 SD1 would increase the minimum required liability coverage limits for motor vehicle insurance policies. 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 newer and higher floor for recovery; which leads to increased litigation and claims costs; which ultimately results in increased insurance costs.

If this bill passes, State Farm needs additional time to develop and update rates based on the limit increase; 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, we ask that *the effective date of the bill be pushed out to at least January 2025.*

Thank you for the opportunity to present this testimony.

SB-341-SD-1

Submitted on: 2/19/2023 7:54:32 PM

Testimony for CPN on 2/23/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Gerard Silva	Individual	Oppose	Written Testimony Only

Comments:

We already pay more then other States . If you are going to push the Insurance price up them you should pay it not the People of Hawaii we will not Pay any More!!!!

SB-341-SD-1

Submitted on: 2/20/2023 9:18:48 AM

Testimony for CPN on 2/23/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Theresa Holderread	Individual	Comments	Written Testimony Only

Comments:

Increasing policy minimums is going to result in more people not getting insurance on their vehicles. While it's a law to have car insurance, in reality, if you can't afford it you don't purchase it. So if people don't purchase insurance, those that already carry the insurance, now have an even greater disproportionate responsibility and cost to pay for those that don't. While we may not get a bill directly from the insurance company, we see insurance premiums rise because someone has to pay. Nothing is free. As others have stated, if we want higher insurance amounts, we already have the option to purchase them. Really the reason the majority of people that purchase higher amounts do it is because of the uninsured,

February 21, 2023

Aloha Chair Keohokalole and Members of the Senate Committee on Commerce and Consumer Protection,

I am Pua Lanning from Kaua`i and I write in support of S.B. No. 341 SD1. On February 28, 2017 my mother, Lynette Lanning was killed in a car crash when a reckless driver crossed the center line and slammed into my mom's vehicle. My mom had seven children, 14 grandchildren and 17 great-grandchildren when she passed away. She was the heart of our family and valued by our entire community. My mother was also the full-time caretaker for my disabled adult brother, Moku.

When she passed we were devastated and left to figure out how to pick up the pieces and move on, caring for Moku. We found out that the driver that killed my mom only had \$20,000 of insurance because that was all that was required by law. Even though money could never bring my mother back, \$20,000 of insurance was like a slap in the face to our entire family. We lost our mom and all she was worth was \$20,000, according to the law of our home State.

When a family experiences a tragedy like we did, having the financial means to help pick up the pieces and care for those that are left is critical and it should come from the insurance for the person that caused the heartache. Increasing the mandatory insurance coverage could make sure that other families get the help they need when they lose a loved one or are injured in a crash.

Our family could have used that money to help take care of my brother. Other families may have children to care for. The reality is that \$20,000 is a drop in the bucket in today's economy and such low insurance coverage is insulting to those of us that have to suffer the consequences of a loss like this.

Thank you for allowing me to share my mom's story. The 5th anniversary of my mom's death is next week Tuesday, February 28. I hope that an increase to our State's mandatory insurance coverage will be part of her legacy so that our family's sacrifice can go on to benefit other Hawaii families faced with this type of tragedy.

Mahalo,

Pua Lanning

February 21, 2023

In Support S.B. No. 342 SD1

Dear Chair Keohokalole and Senate Committee on Commerce and Consumer Protection,

My name is Spencer Razick and I support S.B. No. 341 SD1. I am a resident of Makiki and used to ride my bike as my primary means of transportation, including to and from work. On January 7, 2021, I was headed home from Waikiki, town bound on Ala Wai Boulevard. Out of nowhere, a driver changed lanes into me, throwing me off my bike. I completely lost consciousness when my head hit the asphalt road. I was told that I was laying in the middle of the street in my own blood.

I woke up in the hospital the next day as the doctors were pulling a tube out of my throat and discovered that I cracked my skull and had a massive brain bleed. As I tried to heal, I was so scared I wouldn't be able to recovery and get back to where I used to be. I was having a lot of trouble with memory and it was terrifying. I wasn't able to work and I was terrified about how I would pay my bills.

The worst part was finding out that the driver that hit me had insurance that the State of Hawaii considered "full coverage" which was only \$20,000. I was shocked to learn that this was the only amount of insurance that drivers were required to carry here in Hawaii. My medical bills for my emergency room visit alone were over \$70,000.

My brain injury also made it very difficult for me to get back to work immediately and I couldn't continue living on my own in my own apartment like I had been. I had to move in with my dad to recover. I ended up losing my apartment because I couldn't work and couldn't afford it. I also still had try my hardest to get back to work as quickly as possible because there was no way for me to pay my bills otherwise. If the mandatory insurance amounts were increased by law, people would have more protection and be able to recover when they are hurt by drivers on our roads. An increase to insurance amounts could give people time to heal their injuries without forcing them to choose between making a full recovery and making rent, like I had to.

I'm still left with symptoms from my brain injury and have to fight every day just to function normally. I hope that my story can help you understand what a major impact increasing insurance minimums could have on someone like me and I hope this will help others that are hurt on our roads in the future.

Mahalo,

Spencer R azick

Dear Chair Keohokalole and the entire Senate Committee on Commerce and Consumer Protection,

My name is Sterling Valentine from Maili, Oahu. I am 35 years old. I am married to my wife Angie Valentine, and together we have one son. On January 25, 2018 my world changed when a driver wasn't paying attention and turned out onto Farrington Highway as I was driving home from work as a security guard at Aulani.

She hit me so hard that I flew off my motorcycle and fractured my right leg. The fracture was too bad and my doctors had to amputate my leg from just below my knee down. They did this to save the rest of my leg and help with the excruciating pain so I could hopefully walk and function with the use of a prosthetic leg in the future. The road to recovery has been rough and it will be a lifelong struggle that me and my family have to deal with.

After getting out of the hospital and losing my leg, I just wanted to focus on getting better and trying to get myself back to work when I was fully healed. I was told that the driver that hit me only had the minimum amounts of insurance coverage, \$20,000. Even though she was at fault and I did nothing wrong, there was no other insurance money to get from the person that was in the wrong. This was devastating and we couldn't believe that we as drivers in Hawaii are only required to have such low insurance limits. Nobody explains what these coverages mean and now we know that what the law requires was not even close to full compensation for losing my leg and being out of work for so long.

I had to take out loans just to get by and a heavy financial burden was placed on my family, even though I didn't do anything wrong. Almost all of the minimal insurance the defendant had was used just to pay back these loans.

I had to re-learn how to walk and navigate life in my own house. I have had to change the way I interact with my son and I constantly work harder every day to be able to be the dad he deserves even though I lost my leg. At work, I had to get accommodations and re-learn how to do my job so I could continue to support my family. I also had to go back as quickly as I could so we could keep our house and pay our bills since there was hardly any insurance coverage from the person that hit me.

I am asking that you please take this bill seriously and see how important it is for people like me that are hurt by drivers with the minimum amount of insurance instead of helping the insurance companies hold on to more of our money. More insurance coverage could have helped me pay for prosthetic replacements that I will need for the rest of my life. It could have helped me do simple things like add a ramp to my house or

create a bedroom on the first floor for easier access. Now I have to work to try to afford these changes myself because the driver only had the minimum insurance the law requires. Higher insurance coverage could have helped me plan for my future because I worry that I may have to stop working earlier than I had planned because of my injuries.

Every bit counts when you're seriously hurt and while I thank god every day for being alive, I wouldn't wish what I went through on anyone. I do hope that sharing my experience can help change the amount that Hawaii requires for car insurance because so many people need this.

Thank you for your time,

Sterling Valentine

February 21, 2023

YOUNES RENAK
Pahoa, HI 96788

LATE

February 22, 2023

Aloha Chair Keohokalole and members of the Commerce and Consumer Protection Committee:

My name is Younes Renak and I am writing in **STRONG SUPPORT** of SB341, which will increase the minimum liability coverage for car insurance. I am a resident of Pahoa on Hawaii Island and on July 6, 2022, my life was changed forever when I was hit by a truck with minimal insurance while I was cycling on the side of the road. The crash broke my left leg, several ribs, and broke my shoulder blade in half. Due to my injuries, I lost out on an employment opportunity and am no longer able to ride my bicycle, which was my passion. Although I've had surgery to repair some of the damage, my healing journey is not over and more surgery is on the horizon.

I was shocked to discover that Hawaii only requires cars to have a minimum of \$20,000 to cover liability from crashes. In my situation, this amount of insurance is not enough to cover my past medical bills, let alone future treatment and the money I lost from work. As a Quest recipient, I will have to pay the state back for some of my medical care, but since my treatment has no end in sight, taxpayers will end up paying for the medical care I receive while the other driver and her insurance company "won" their gamble by only being responsible for \$20,000. My situation feels like a total injustice.

To add insult to my injuries, I found out that this minimum insurance amount has been in place since 1998 – it's more than 20 years outdated! I also learned that in the 1980's the minimum insurance requirement was \$35,000 – that's almost \$100,000 in today's money. What has this reduction in minimum insurance gotten us? Insurance rates have not gone down even though the only "cost" for the insurance companies was reduced in 1998 and has stayed the same while the rest of the world experiences inflation and increasing costs. Why is it that injured people like me – for whom \$100,000 is life changing – have to suffer while insurance companies get to rake in more and more money due to having "costs" that are stuck 20 to 30 years in the past?

My family and friends were **SHOCKED** to learn about the minimum insurance requirement in Hawaii. Many thought they were "fully covered" without understanding what that meant and discovered they only had minimum policies, too. Even more upsetting – it turns out the cost to increase the coverage on their policies to something more reasonable is less than a takeout meal.

This bill will not heal my broken bones or undo the damage that was done to my life, but for the sake of other people I hope the legislature increases the minimum insurance requirements to something more modern – insurance companies have spent decades getting rich off the trauma and broken bodies of too many Hawaii residents.

Thank you for considering my testimony,

Younes Renak