

SB1188

Measure Title: RELATING TO REQUIRED MOTOR VEHICLE POLICY COVERAGE.
Report Title: Motor Vehicle Insurance
Description: Amends amounts for liability coverage.
Companion:
Package: None
Current Referral: CPN



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TO THE SENATE COMMITTEE ON
COMMERCE AND CONSUMER PROTECTION

TWENTY-SIXTH LEGISLATURE
Regular Session of 2011

Thursday, February 24, 2011
9 a.m.

**TESTIMONY ON SENATE BILL NO. 1188 – RELATING TO REQUIRED MOTOR
VEHICLE POLICY COVERAGE.**

TO THE HONORABLE ROSALYN BAKER, CHAIR, AND MEMBERS OF THE
COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner ("Commissioner"),
testifying on behalf of the Department of Commerce and Consumer Affairs
("Department"). The Department takes no position on this bill and offers the following
comments.

This purpose of this bill is to amend Hawaii Revised Statutes ("HRS") § 431:10C-
301(b)(1) by increasing the mandated minimum motor vehicle liability insurance
coverage from \$20,000 per person and \$40,000 per accident to \$50,000 per person and
\$100,000 per accident.

Increasing the minimum liability insurance coverage will result in a higher
premium to consumers who purchase only the minimum coverage and may make motor
vehicle insurance unaffordable for some consumers. This may result in a higher
number of uninsured motorists, which may also impact the assigned claims program.

We thank this Committee for the opportunity to present testimony on this matter.

**TESTIMONY OF ROBERT TOYOFUKU ON BEHALF OF THE HAWAII
ASSOCIATION FOR JUSTICE (HAJ) IN SUPPORT OF S.B. NO. 1188**

February 24, 2011

To: Chair Rosalyn Baker and Members of the Senate Committee on Commerce and Consumer Protection:

My name is Bob Toyofuku and I am presenting this testimony on behalf of the Hawaii Association for Justice (HAJ) in support of S.B. No. 1188, relating to required motor vehicle insurance coverage.

The measure increases the current minimum liability limits for motor vehicle insurance of \$20,000 per person with an aggregate maximum of \$40,000 per accident (\$20,000/\$40,000) to \$50,000 per person / \$100,000 per accident. This change is necessary to keep up with inflation and provide a reasonable level of financial responsibility for injuries and damages caused in motor vehicle accidents.

The minimum limit in Hawaii was \$35,000 per person with no maximum per accident until 1992 when it was reduced to \$25,000. In 1997, it was further reduced to \$20,000/\$40,000. Hawaii has one of the lowest minimum limits in the country. There are only 9 states with lower limits. Seven states have the same limit as Hawaii, while 34 states have higher limits up to \$50,000/100,000. The majority of states (29) have minimum limits of \$25,000/\$50,000.

Insurance benefits in Hawaii should reflect the high cost of living and extremely high profitability of motor vehicle insurance here as compared to the rest of the nation. Hawaii auto insurers make the highest profits in the nation by far. The December 2010 profitability report (for the year 2009) of the NAIC ranks Hawaii as the most profitable

market for private passenger auto insurance with a return on net worth of 21.5% compared to a national average of 4.8%. To put the Hawaii profitability in perspective, it is noted that the second highest state returned just 15.8%. The same was true of the prior year (2008) when Hawaii was first with a return on net worth of 20.1% vs. a national average of 4.5%. Hawaii has been the most profitable private auto insurance market over the long term with a 10 year average return on net worth of 18.2% vs. a national average of 8.8%.

Hawaii was also the most profitable in commercial auto insurance with a return on net worth of 23.6% vs. the national average of just 6.4%. Hawaii was also most profitable in 2008 and 2007. The same is true over the long term with a 10 year average return on net worth of 22.0% vs. a national average of 8.5% for commercial auto insurance.

Net profits, stated as percentages, however do not give a complete picture of auto insurance in Hawaii. Private passenger and commercial auto insurers in 2009 took in \$421,529,744 more in premiums than was paid out in benefits for a gross profit of nearly a half billion dollars. Total premiums collected in Hawaii are slightly more than three-quarter billion annually (\$754,791,000 in 2009). Because the top 9 auto insurers are not locally owned (Island Insurance is the 10th largest) almost all auto insurance profits do not remain in Hawaii. This results in a tremendous exodus of capital from Hawaii. Increasing benefits paid to Hawaii consumers helps keep capital in Hawaii.

While insurers are surely to claim that premiums will skyrocket if benefits are increased, the long term profitability picture suggests that there is considerable cushion

for adjusting benefits for consumers within the current pricing structure. Recent profitability in Hawaii is quadruple the national average.

Even without considering profitability, prices for higher limits quoted on websites of major insurers indicate that the cost of higher limits is affordable. An increase from \$20,000/\$40,000 to \$25,000/\$50,000 can be obtained for an increase of around \$20 annually. Going from \$25,000/\$50,000 to \$35,000/\$100,000 adds another \$20 annually. And from \$35,000/\$100,000 to \$50,000/\$100,000 adds just \$6 more annually. Prices vary by insurer and some may be more or less. These increases are modest when considered in the context of the injuries and damages that can be inflicted in motor vehicle accidents and is reasonable to provide adequate protection to those who one might injure or kill. Driving is dangerous and the cost to responsibly cover that danger must be commensurate with the extent of potential damages.

Thank you for this opportunity to testify.



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Executive Director

TESTIMONY OF ALISON POWERS

SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Senator Rosalyn H. Baker, Chair
Senator Brian T. Taniguchi, Vice Chair

Thursday, February 24, 2011
9:00 a.m.

SB 1188

Chair Baker, Vice Chair Taniguchi, and members of the Committee, my name is Alison Powers, Executive Director of Hawaii Insurers Council. 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 40% of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **opposes** SB 1188. Increased mandatory minimum bodily injury (BI) coverage from its present \$20,000 per person and \$40,000 per occurrence to \$50,000 per person and \$100,000 per occurrence will increase costs to consumers who now purchase mandatory minimum BI coverage. This is a regressive increase because it affects only those who purchase minimum limits and makes motor vehicle insurance less affordable.

The cost for the increase in this coverage is about 30% more. For example, one carrier quoted a 2009 Honda Accord LX sedan. BI premium for 20/40 is \$110, 50/100 is \$143 for a six-month policy.

We respectfully request that SB 1188 be held.

Thank you for the opportunity to testify.

**SENATE COMMITTEE ON
COMMERCE AND CONSUMER PROTECTION**

February 24, 2011

Senate Bill 1188 Relating to Required Motor Vehicle Policy Coverage

Chair Baker and members of the Senate Committee on Commerce and Consumer Protection, I am Rick Tsujimura, representing State Farm Insurance Companies, a mutual company owned by its policyholders.

State Farm OPPOSES Senate Bill 1188 Relating to Required Motor Vehicle Policy Coverage. The current requirements for liability coverage were a balance between affordability and coverage. While there is always the argument that coverages should be higher to cover the injured party, the higher such liability coverage the greater the cost for insurance to the owners of motor vehicles. Increasing these coverages and therefore the cost of insurance during these economic times seems to be counter-productive to our economic recovery and may also have the effect of increasing our uninsured motorist population.

For these reasons we strongly urge your committee to hold this measure. Thank you for the opportunity to present this testimony.

Testimony for CPN 2/24/2011 8:30:00 AM SB1188

Conference room: 229

Testifier position: oppose

Testifier will be present: No

Submitted by: Joycelyn Iyo

Organization: Individual

Address:

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Submitted on: 2/9/2011

Comments:

Unnecessary. Auto ins is already very expensive. Increasing liability amounts will increase costs to Hawaii citizens. Overkill...health insurance should cover costs. People have health insurance and increase liability insurance for injury sustained in auto accident. Overkill. Regular health insurance should be adequate to cover health care costs. Increased auto liability insurance for injuries sustained in auto accidents is overkill.