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DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

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Testimony of the Department of Commerce and Consumer Affairs

Before the
House Committee on Consumer Protection and Commerce
Wednesday, February 28, 2024
2:00 p.m.

State Capitol, Conference Room 329 and via Videoconference

On the following measure:
H.B. 1991, H.D. 1 RELATING TO MOTOR VECHICE INSURANCE

Chair Nakashima and Members of the Committee:

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

The purpose of this bill is to establish primary and optional coverage as well as disclosure requirements for U-drive motor vehicle insurance policies.

Section 1 creates a new Hawaii Revised Statutes (HRS) § 431:10C-301(c) to increase the minimum insurance for U-drive rental motor vehicles to "four times the amounts set forth in section 431:10C-301(b)[.]" (p. 5, lines 14-15).

Section 2 amends HRS § 431:10C-303.5(a)(1) to remove conditions for when the rental company's insurance is secondary and removes the ability for a rental company to pursue costs from a renter when the renter or its insurer is uncooperative.

Although increasing the minimum insurance coverages for rental cars will cover additional risk, increasing minimum insurance coverage and repealing the provisions in

Testimony of DCCA
H.B.1991, H.D.1
Page 2 of 2

HRS § 431:10C-303.5(a)(1) and (b), this bill may likely contribute to an increase in insurance premiums paid by car rental businesses.

Thank you for the opportunity to testify on this bill.



Testimony of
Davin Aoyagi - Senior Government Relations Manager
Turo Inc.
SUPPORT HB1991, HD1

Aloha e Chair Nakashima, Vice Chair Sayama, and other Committee Members,

On behalf of Turo and our vibrant community of peer-to-peer car sharing hosts and guests in Hawaii, we respectfully offer the following written testimony in support of HB1991, HD1, which seeks to amend the insurance policy requirements for traditional rental car companies and bring them into parity with peer-to-peer car sharing.

Pursuant to Act 210 of the 2023 Hawaii State Legislative session, peer-to-peer car sharing now carries four times the state minimums for insurance. By contrast, traditional rental car companies are still only required to carry insurance that is aligned with the state minimums. We continue to assert that the risk profile between traditional rental car companies and peer-to-peer car sharing is identical.

Moreover, requiring disparate amounts of coverage for peer-to-peer transactions as opposed to traditional rental creates an unnecessary divide in insurance coverage provided to consumers that has no policy basis. Under the current law, if an accident occurs with a vehicle covered under the peer-to-peer car sharing statute, impacted parties have access to 4x state minimums. However, if the same individuals were involved in an accident with a traditional rental car, they would not have the same coverage. The laws currently create a situation where if you are going to be in an accident with a vehicle on our roads, you would hope that it would be a peer-to-peer car sharing vehicle versus a traditional rental car. That is not a fair environment for two industries with comparable risk profiles, nor is it appropriate for consumers.

Turo advocates for parity in the insurance minimums between us and traditional rental car companies. We therefore support HB1991, HD1, and extend a warm mahalo to the committee for its consideration of our testimony.

**TESTIMONY OF EVAN OUE ON BEHALF OF THE HAWAII ASSOCIATION FOR JUSTICE
(HAJ) REGARDING HB 1991 HD1**

Date: February 28, 2024

Time: 2:00 PM

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

My name is Evan Oue, and I am presenting this testimony on behalf of the Hawaii Association for Justice (HAJ) in SUPPORT of **HB 1991 HD1 RELATING TO MOTOR VEHICLE INSURANCE**. The measure seeks to increase the required motor vehicle policy coverage for each u-drive rental motor vehicle in Hawaii.

Specifically, HB 1991 HD1 requires that each U-drive rental business shall ensure that during each rental period, the motor vehicle is insured for an amount no less than four times the minimum required motor vehicle insurance set forth in Section 431-10301(b). HAJ appreciates the Legislature considering an increase in the minimum required insurance for U-drive rentals to provide greater amounts of consumer protection for Hawaii residents and visitors.

The higher levels of insurance provided in this measure will ensure that accident victims in cases which involved a U-Drive rental car are able to recover for their injuries. The current costs associated with motor vehicle accidents has risen dramatically, with 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 responsible for the remaining costs.

In order to protect both the users of a U-Drive rental vehicle, and the innocent victims of negligent drivers, businesses should be required to provide limits sufficient to cover the risks of injuries and damages associated with conducting business in Hawaii. This bill will enhance the consumer protection required to ensure Hawaii drivers are not left to bear the cost of accidents caused by U-Drive users.

Thank you for the opportunity to testify on 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.



Robert Muhs, Esq.

Vice President, Government Affairs & Counsel

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Representative Mark Nakashima, Chair
Representative Jackson Sayama, Vice Chair
Committee on Consumer Protection & Commerce

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

RE: HB 1991 HD1 – Relating to Motor Vehicle Insurance – In Opposition

Aloha Chair Nakashima, Vice Chair Sayama and members of the committee:

My name is Robert Muhs, Vice President, Government Affairs & Counsel for Avis Budget Car Rental, LLC (ABCR). I write on behalf of ABCR to respectfully oppose HB 1991 HD1, which establishes primary and optional coverage requirements for U-drive motor vehicle insurance policies; and establishes disclosure requirements.

ABCR should not be placed in the position of having to provide primary insurance coverage as the bill suggests. While ABCR maintains the state financially required insurance, we should continue to remain in a position to provide such coverage only when there is no other valid and collectible insurance available. Historically, this has been the standard for the rental car industry and any change in this process is unwarranted.

Most renters have personal automobile insurance. The renters' carrier has done a risk assessment when setting a premium. These policies generally provide coverage when the insured is in a temporary substitute replacement vehicle which include rental cars. Accordingly, a renter has already paid a premium for the very protection needed and the renter should therefore derive the full benefit of their agreement with their insurer. Stated differently, the renter has paid an insurer directly for the very protection needed and as such, that insurance policy should be the primary source of protection for the renter. In those cases where a renter has no valid and collectible insurance, we will provide coverage up to the state minimum financial responsibility requirements.

Moreover, U-drive companies often offer optional additional liability insurance for an additional fee. When purchased, this liability coverage then provides coverage from dollar one.

The standard for rental cars has been in place for decades without any issues about claims handling. ABCR pays claims appropriately and there is no indication that the system does not work and thus, there is no need for change and to restructure the entire insurance model of the rental car industry. We ask that you hold this measure.

Thank you.



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 27, 2024

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

FROM: Matt Tsujimura

RE: **H.B. 1991 H.D. 1, Relating to Motor Vehicle Insurance**
Hearing Date: Wednesday, February 28, 2024 at 2:00 PM
Conference Room 329

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

We submit this testimony on behalf of Enterprise Mobility, which includes Enterprise Rent-A-Car, Alamo Rent-A-Car, National Car Rental, and Enterprise Commute (Van Pool).

Enterprise offers this testimony **in strong opposition** to H.B. 1991 H.D.1, which clarifies U-drive motor vehicle insurance policy requirements, and ask the committee to defer this measure.

H.B. 1991 H.D. 1 proposes to restructure the entire insurance coverage model of the rental car industry. Two of the ways it does so is by increasing the minimum insurance coverage limits and requiring that a rental car company's insurance be primary to the renter's own auto-insurance policy where possible.

Furthermore, most renters have purchased their own personal auto-insurance policy. These policies generally provide coverage when the insured is operating a motor vehicle, including rental cars. Renters voluntarily purchase, and continue to pay premiums for the very protection needed. The insurance company evaluates and assesses the risk when setting the premium for the policy. As a result, these policies are catered to a specific individual, and is meant to cover that individual while operating a motor vehicle.

Renters have purchased the product best suited to protect them, and as such, that insurance policy should continue to be the primary source of protection for the renter.

In the event that a renter does not have personal auto-insurance, we continue to provide the insurance required under Hawaii Revised Statutes.

Rental car companies are subject to strict upkeep and maintenance regulations and standards. These standards ensure vehicles rented from the company are safe and

fully functional prior to being made available to rent. Enterprise, like other rental car companies, owns the vehicles in its fleet, and as such is fully invested into the upkeep and maintenance of each and every one of its vehicles.

For the above reasons, we respectfully **oppose** H.B.1991 H.D. 1 and ask the committee to defer this measure. Thank you for the opportunity to submit this testimony.



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

LATE

OPPOSITION TO H.B. 1991

February 28, 2024

Chairman Nakashima and Members of the House Consumer Protection and Commerce Committee -- The American Car Rental Association (ACRA) respectfully offers this testimony in **opposition** to H.B. 1991. H.B. 1991 would change U-drive motor vehicle insurance policy requirements and we ask that the committee reject this measure.

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

H.B. 1991 proposes to restructure the rental car insurance coverage to place the rental company as the provider of primacy insurance coverage and increase the minimums required to insure renters.

First of all, the bill would reverse current Hawaii law which holds the renter of a U-drive motor vehicle primarily liable for any damage or injury caused by his or her negligence while driving the vehicle and make the U-drive company “primary”. Current Hawaii law comports with the law in 47 other states that the driver of a rental car is primarily liable and the car rental company secondarily liable. This bill would turn Hawaii’s existing law completely around and put the state in a very small minority of states that hold the U-drive company primarily liable.

The overwhelming majority of states recognize that responsibility for claims that arise out of the operation of a rented vehicle should lie with the renter. These states appropriately hold a renter – the person who signed a contract to return the rental vehicle without damage and generally the person who caused the damage or injury -- responsible as the primary party for the accidents that arise out of his or her use of a rented vehicle. The only jurisdictions that mandate a rental company be primarily liable for third party damages arising from the renter’s use of our members’ vehicles without a right of recovery are New York, Massachusetts, and South Carolina.

In fact, the recent trend has been against making U-drive companies primarily liable. In the last several years, Arizona, the District of Columbia, Maryland, South Dakota, and West Virginia have all changed their state laws to hold the renter primarily liable. To ACRA’s knowledge, no state in the past decade has taken the step Hawaii is contemplating through this legislation – this bill would have Hawaii “swimming against the tide” on this subject.

The majority of renters retain their own personal motor insurance policy. These policies generally provide coverage

when the insured is operating a motor vehicle, including rental cars. Renters also have the opportunity to voluntarily purchase the needed insurance coverage needed for their journey from the U-drive company. If the renter has caused the accident and has had the opportunity to secure insurance to cover his or her negligence, it is not appropriate to force a car rental company to step into his or her shoes as the entity primarily liable for the renter's negligence.

H.B. 1991 would, for reasons that have not been articulated – increase the state minimum financial responsibility requirements for U-drive vehicles in Hawaii to four times what is required for a personal vehicle – or for any other commercial vehicle operating in the state. Such provisions are discriminatory against U-drive companies, are not supported by any data that damages related to accidents involving U-drive vehicles are most costly than those involving personal vehicles, and are a fairly blatant effort to legislatively create “deep pockets” for personal injury litigation at the behest of certain portions of the legal profession in Hawaii.

For the reasons above, ACRA respectfully **opposes** H.B.1991 and asks the committee to reject this measure.

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