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Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Transportation and Culture and the Arts
Tuesday, February 13, 2024
3:05 p.m.
State Capitol, Conference Room 224 and via Videoconference**

**On the following measure:
S.B. 2855, RELATING TO MOTOR VECHICE INSURANCE**

Chair Lee 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 clarify U-drive motor vehicle insurance policy requirements.

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

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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.



Robert Muhs, Esq.

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Senator Chris Lee, Chair
Senator Lorraine Inouye, Vice Chair
Committee on Transportation and Culture and the Arts

Tuesday, February 13, 2024, 3:05 p.m.
Conference room 224 & Videoconference

RE: SB 2855 – Relating to Motor Vehicle Insurance – In Opposition

Aloha Chair Lee, Vice Chair Inouye and members of the committee:

My name is Robert Muhs, Vice President, Government Affairs & Counsel for Avis Budget Group (ABG). I write on behalf of ABG to respectfully oppose SB 2855, which clarifies U-drive motor vehicle insurance policy requirements.

ABG should not be placed in the position of having to provide primary insurance coverage as the bill suggests. While ABG 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 increase in rates 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.

The standard for rental cars has been in place for decades without any issues about claims handling. ABG 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 12, 2024

TO: Senator Chris Lee
Chair, Committee on Transportation and Culture and the Arts

FROM: Matt Tsujimura

RE: **S.B. 2855, Relating to Motor Vehicle Insurance**
Hearing Date: Tuesday, February 13, 2024 at 3:05 p.m.
Conference Room 224

Dear Chair Lee, Vice Chair Inouye, and Members of the Committee on Transportation and Culture and the Arts:

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 S.B. 2855, which clarifies U-drive motor vehicle insurance policy requirements, and ask the committee to defer this measure.

S.B. 2855 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 are 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. This system of insurance coverage ensures there are no coverage gaps.

Furthermore, 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** S.B. 2855 and ask the committee to defer this measure. Thank you for the opportunity to submit this testimony.

**TESTIMONY OF EVAN OUE ON BEHALF OF THE HAWAII ASSOCIATION FOR JUSTICE
(HAJ) REGARDING HB 2855**

Date: February 13, 2024

Time: 3:05 PM

Aloha Chair Lee, Vice Chair Inouye, and Members of the Senate Committee on Transportation,

My name is Evan Oue, and I am presenting this testimony on behalf of the Hawaii Association for Justice (HAJ) in **SUPPORT of HB 2855 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 2855 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 is 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-Dive rental vehicle, and the innocent victims of negligent drivers, it is important for Hawaii to require the four times the minimum of insurance coverage for a commercial business operating in our state. Businesses should be required to provide limits sufficient to cover the risks of injuries and damages associated with conducting business in Hawaii. U-Drive rental companies are no different and should be required to have the necessary levels of

consumer protection required to ensure Hawaii residents are not left with the cost of accidents caused by U-Drive users.

Ultimately, driving is a privilege that carries a potential for causing serious injuries. The increases in this measure properly reflect the costs of accidents and the risks associated with operating a commercial business in Hawaii. Our state has always strived to be a leader in consumer protection and this measure would further ensure the protection our residents and tourist that are injured in on our roads.

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.



Testimony of
Davin Aoyagi - Senior Government Relations Manager
Turo Inc.
SUPPORT SB2855

Aloha e Chair Lee, Vice Chair Inouye, 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 SB2855, 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 SB2855, and extend a warm mahalo to the committee for its consideration of our testimony.