

**INSURANCE VERIFICATION WORKING GROUP
MINUTES OF OCTOBER 9, 2012 MEETING
KING KALAKAUA BUILDING, QUEEN LILIUOKALANI ROOM**

Present: Calvin Ching, Judiciary-Deputy Chief Court Administrator; Lance Ching, Legislative Reference Bureau (LRB); Devin Choy, LRB; George Cooper, State Farm Insurance Cos.; Gordon Ito, Insurance Commissioner; Dennis Kamimura, City & County of Honolulu, Motor Vehicle Licensing Division Administrator; Christine Karamatsu, Ashford & Wriston; Major Kurt Kendro, Honolulu Police Department-Traffic Division; Michael Onofrietti, Hawaii Insurers Council (HIC); Alison Powers, HIC; Jeannine Souki, Watanabe Ing Komeiji; Debbie Stelmach, City & County of Honolulu, Department of Information Technology; Linda Tom, Judiciary-Traffic Violations Bureau.

Conference Call Participant: Alex Hageli, Property and Casualty Insurers Association of America.

1. Call to order; public notice; quorum

Insurance Commissioner Gordon Ito called the meeting to order at 10:01 a.m., at which time quorum was established. Public notice for this meeting was timely filed with the Lieutenant Governor's office on October 1, 2012.

2. Approval of minutes of 9/27/2012 meeting

The minutes of the September 27, 2012 meeting were previously circulated to members for their review. Mr. Cooper identified himself as the one who opposed the motion to recommend building an insurance verification database noted on page 2, paragraph 4 of the minutes. Mr. Cooper moved, seconded by Ms. Stelmach, to approve the minutes as corrected. The motion passed unanimously.

3. Appointment of Additional Members

Commissioner Ito said it was suggested previously that the Judiciary become a formal member of this working group. Mr. Kamimura moved to approve the Judiciary as a voting member of this group seconded by Ms. Stelmach. The motion passed unanimously.

4. Discussion of Draft Report to the Legislature

Forgery Resistant Card. There was a discussion that ensued on whether a forgery resistant motor vehicle insurance ID card would be necessary if the database is in place. Some members commented that it was getting more difficult to detect forged ID cards, that there are costs to have the forgery measures in place, and asked whether it was necessary to require ID cards at all. Major Kendro said if there was an accident without police presence, the card is necessary to exchange information. Mr. Hageli

suggested that ID cards continue to be required but to remove the forgery resistance measures. He also suggested specifying that consumers may request electronic ID cards as other states have broad laws to incorporate both electronic and paper ID cards. Mr. Onofrietti said the laws would need to be amended. Major Kendro also commented that this issue may be beyond the scope of SCR 97.

Mr. Hageli moved, seconded by Mr. Onofrietti, for the Working Group to recommend the removal of the antifraud requirement but to still require an MVI ID card. The motion passed unanimously.

In regards to the use of electronic cards, it should be noted in the report that the working group had discussed this issue.

Vendor Accountability. Mr. Onofrietti said the vendor that builds the database will need to be accountable and asked to whom it should be accountable. A discussion followed regarding possible agencies. Commissioner Ito commented that the Insurance Division should not be the agency to oversee the vendor since it would detract from the core function of the Division: company solvency and rate regulation. The Department of Transportation (DOT) was mentioned, and it was suggested that, if it was the DOT, the program should be overseen at the division level and that a representative should be brought in as a member. Major Kendro noted that a county agency should not oversee a statewide program. Members had also brought up the possibility of having advisory committees or boards. This discussion may continue at a later date.

Revised Language in Discussion Topics. (For the sake of clarity, the items are identified as #1a, #1b, #1c, and #1d here). In the previous meeting, Mr. Kamimura had suggested that the language in item #3 of the discussion topics be stricken and revised. Mr. Cooper drafted possible replacement language for discussion, which was previously forwarded to members.

(#1a) Recommendation to establish a program to identify uninsured motor vehicles utilizing web-based technology which provides for real-time verification:

This recommendation recognizes and supports the value added for the utilization of a qualified vendor to establish, support and maintain the necessary software, hardware, and customer service attributes of a real-time insurance verification program.

Mr. Onofrietti suggested a shortened version to convey the same meaning. The sentence, "We recommend the utilization of a qualified third party vendor to perform all necessary services" was proposed. The term "service" would not need to be further defined at this time. Everyone agreed on the new language.

(#1b) The selected vendor will work directly with the appropriate stakeholders to identify and establish the program specifications.

Ms. Stelmach asked whether the working group will need to come up with the specifications for a Request for Proposal (RFP). Mr. Kamimura concurred that the

request would need to be specific. It was confirmed that the working group will continue to meet until June 2013—beyond the drafting of the report. Commissioner Ito stated that the scope of the working group may not include the creation of an RFP, but it may assist with the process until June 2013. The details may be discussed at a later date, including whether to establish a Board.

Commissioner Ito asked whether the language of #1b should be deleted. The consensus was to delete #1b from the discussion topic.

(#1c) It is recommended that a working group of stakeholders which includes the participants identified in SCR 97 and others deemed appropriate, be established for the purpose of identifying best practices and defining the program's business and technical processes and specifications.

The working group approved of the #1c language.

(#1d) The program should adhere to establish industry standards for real-time auto liability insurance verification.

Mr. Onofrietti said “establish” should be “established”. A discussion arose as to “program”. Mr. Cooper commented that only a handful of vendors are accustomed to adapting to specific needs. Mr. Onofrietti said that Hawaii is too small of a state to build a brand new system. Mr. Cooper said a new system will increase costs.

On the language, Major Kendro suggested to combine #1d into #1c. There was a consensus to accept the consolidated sentences.

Continuation of Discussion Topics.

(#4) Uninsured motorist pool

Major Kendro stated that establishing an uninsured motorist pool from the motor vehicle registration system does not address the people who are living in their vehicles or whose vehicles are not registered. The issue of the possible revocation of the uninsured motorist's registration was brought up, to which Ms. Stelmach stated the present law only allows revocation involving DUIs. Major Kendro commented that there is yet no legislative proposal to change this law for this coming session.

Mr. Onofrietti asked how it could be determined whether there has been a reduction in the number of uninsured motorists. Commissioner Ito said the same methodology should be applied when calculating the rate of uninsured motorists before and after the implementation of the database.

There was discussion on the methodology of identifying the uninsured motorists, such as getting pings when HPD searches the database at traffic stops, or from periodic checks on the database. Mr. Hageli suggested to refrain from “full checks” and to focus

on the problematic drivers—the follow-up letters could be the best model to track those. He further stated that 70% of the drivers have insurance; the uninsured are the ones who are most likely to continue to drive without insurance. Mr. Cooper also mentioned that those uninsured who are identified, and then proceed to purchase insurance, are likely to drop their insurance policy soon after. There would be a need to periodically check on them. Ms. Stelmach commented that the system could possibly identify those as “repeat offenders” and have checks outside of the registration renewal process.

Mr. Hageli suggested a funnel search where the searches eventually get narrowed in the process. For instance, for the first year, a search could be done on everyone. Then the following year, another search could be done to narrow down the problematic drivers. Ms. Stelmach said there may be other triggers to additionally identify repeat offenders such as conviction data. Major Kendro and Mr. Cooper commented that a follow-up, such as the letter campaign, is necessary.

It was suggested to do a letter campaign and to utilize a narrowing, scale-down approach to search for uninsured motorists. There was no opposition.

(#5) *Financing: timing/start date*

Ms. Stelmach said Mr. Kamimura had suggested that a small fee be added to the registration as long as the fees are placed in a special fund that is specifically for the administration of the program. Mr. Cooper asked whether the uninsured should fund some of the cost of the program. Mr. Onofrietti suggested a portion of a mandatory fine on the uninsured should go to the fund.

Mr. Onofrietti asked whether the funding would begin before the January 1, 2015, potential start date, or whether costs would be appropriated. It was determined that the Legislature should decide on this issue.

Ms. Stelmach stated that the City and County-Dept of Information Technology would require 3 months advanced notice for fee changes.

(#6) *Alternatives*

The topics were previous discussed and/or there were no comments.

Commissioner Ito asked whether there are any other items for discussion. Mr. Onofrietti asked how to deal with the commercial and fleet vehicles. Mr. Cooper believes that only 3% of commercial or fleet vehicles could be problematic. It was suggested that commercial vehicles could be addressed in the RFP. Ms. Stelmach said that commercial vehicles could be identified as low-risk. Mr. Onofrietti said that an issue is clearly identifying whether the vehicle is a commercial or private passenger one. Commissioner Ito suggested that this discussion be deferred.

5. Discussion topics for future meetings

For the next agenda, the primary topic is the discussion of the report. The Insurance Division will come up with the initial draft and circulate to the members.

6. Next meeting

The next Working Group meeting is scheduled for Thursday, October 25, 2012, at 10 a.m., in the King Kalakaua Room, 1st Floor, King Kalakaua Building, 335 Merchant Street.

7. Adjournment

The meeting was adjourned at 11:18 a.m.