

# SB 124

**Measure Title:** RELATING TO INSURANCE.

**Report Title:** Motor Vehicle Insurance; Cancellation

**Description:** Allows an insurer to cancel or refuse to renew a motor vehicle policy where the policy is transferred to a subsidiary or affiliate of the insurer, and the premium rate is reduced by the transfer.

**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

Tuesday, February 15, 2011  
9 a.m.

**TESTIMONY ON SENATE BILL NO. 124 - RELATING TO INSURANCE**

TO THE HONORABLE ROSALYN BAKER AND MEMBERS OF THE COMMITTEE:

My name is Gordon I. Ito, State Insurance Commissioner ("Commissioner"), testifying on behalf of the Department of Commerce and Consumer Affairs ("Department").

The Department opposes this measure.

The purpose of this bill is to amend Hawaii Revised Statutes ("HRS") § 431:10C-111(a) and (d) which would allow motor vehicle insurers to: (1) cancel or refuse to renew a motor vehicle insurance policy when the policy is transferred to the insurer's affiliate or subsidiary and results in a lower premium rate available under the original policy; and (2) refuse to renew motor vehicle insurance policies, if the insurer ceases to write any new insurance policies in the state.

The Department is unsure of the intent of this bill. Additionally, as drafted, the bill is unclear as to: (1) what constitutes a "transfer" and who is doing the "transfer"; (2) who is construed to be an "affiliate or subsidiary of the insurer"; and (3) what is meant by the term "lower premium rate".

Currently, if an insurer decides to move a policy to another insurer in the group (i.e., move an insured's policy from ABC Casualty to ABC Indemnity), the Department views this as a policy non-renewal, not a "transfer."

Motor vehicle insurers must provide written notice to an insured of its prospective nonrenewal or cancellation, pursuant to HRS § 431:10C-112(a). Additionally, motor vehicle insurers are limited in the total number of notices of intention not to renew that may be issued, per HRS § 431:10C-111.5. The limitation on non-renewals, for the most part, is two percent of the total in-force policies at the end of the previous year. The purpose of the provision is to prevent the mass cancellation of policies by an insurer.

Adding the proposed exemption to HRS § 431:10C-111(a) and using the term "transfer" may make it ambiguous as to whether the above provisions apply. Under the proposed exemption, insurers could potentially be allowed to circumvent the two percent limitation by first transferring policies to an affiliate or subsidiary with a lower premium and then canceling policies.

In addition, consumers may be confused about an insurer's identity when an insurer "transfers" the policy to its affiliate or subsidiary. Consumers may be led to believe that they are still with the same company.

Using the term "lower premium rate" makes it unclear as to whether this refers to the filed rate or the premium charged to the insured.

Because of the above ambiguities, the Department is unable to support this bill.

We thank this Committee for the opportunity to present testimony on this matter and respectfully request that this bill be held in this Committee.

**SENATE COMMITTEE ON  
COMMERCE AND CONSUMER PROTECTION**

February 15, 2011

Senate Bill 124 Relating to Insurance

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 supports Senate Bill 124 Relating to Insurance, which allows an insurer to cancel or refuse to renew a motor vehicle policy when that motor vehicle policy is transferred to a subsidiary or affiliate of the insurer, if the transfer results in a reduced premium rate. State Farm believes that the provision of a reduced premium for a policyholder is a positive consumer protection concept and urges the committee to approve this measure.

Thank you for the opportunity to present this testimony.

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## A BILL FOR AN ACT

RELATING TO INSURANCE RECORDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 431:9A-123, Hawaii Revised Statutes, is  
2 amended by adding a new subsection (d) to read as follows:

3 "(d) This section shall not apply to motor vehicle or  
4 homeowners insurance if the records required of such insurance  
5 transaction are maintained electronically and is accessible by  
6 the producer and available within one business day."

7 SECTION 2. New statutory material is underscored.

8 SECTION 3. This Act shall take effect upon its approval.

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