
A BILL FOR AN ACT

RELATING TO MOTOR VEHICLE INSURANCE.

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

1 SECTION 1. The legislature has firmly established that the
2 privilege of driving a motor vehicle must be conditioned upon
3 the ability to adequately compensate those who are injured as
4 the result of a motor vehicle accident. This requires that all
5 drivers participate in Hawaii's motor vehicle insurance system.
6 However, an estimated eleven per cent of all Hawaii motorists
7 currently drive without motor vehicle insurance.

8 The legislature also finds that some drivers circumvent the
9 registration and safety inspection process, which requires proof
10 of insurance, by purchasing motor vehicle insurance for the
11 registration and inspection periods, then canceling their
12 insurance after receiving their proof of registration and safety
13 inspection. This Act is intended to close this loophole by
14 providing that a driver who cancels a motor vehicle insurance
15 policy absent a valid reason, such as sale of a vehicle or the
16 purchase of a different insurance policy, is not entitled to a
17 refund of the pro rata unearned portion of the insurance policy.



1 The legislature believes that this Act will result in
2 increased levels of participation in Hawaii's motor vehicle
3 insurance system, thereby more equitably distributing insurance
4 costs among all drivers and more effectively compensating
5 victims of motor vehicle accidents.

6 The purpose of this Act is to reduce the number of
7 uninsured motorists in the State by providing that motor vehicle
8 insurance policy premiums are nonrefundable upon cancellation,
9 except under certain conditions.

10 SECTION 2. Chapter 431, Hawaii Revised Statutes, is
11 amended by adding a new section to article 10C to be
12 appropriately designated and to read as follows:

13 "§431:10C- Cancellation of policies by insured; refund.

14 (a) An insurer shall not be required to refund the pro rata
15 unearned portion, if any, of any prepaid premiums on a policy
16 canceled by an insured except upon:

17 (1) Total loss of the motor vehicle;

18 (2) Change in the policy, including a change in insurer;

19 (3) Transfer of the title or interest in the motor
20 vehicle; or

21 (4) Transfer of the motor vehicle out-of-state and proper
22 registration of the motor vehicle in the new location.



1 Premiums shall be considered "earned" as provided in section
2 431:10C-109.

3 (b) The burden of proof shall rest with the insured to
4 prove that one of the exceptions enumerated in subsection (a)
5 applies."

6 SECTION 3. New statutory material is underscored.

7 SECTION 4. This Act shall take effect on January 1, 2013.

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INTRODUCED BY: Linda Ichijama

JAN 25 2012



H.B. NO. 2790

Report Title:

Motor Vehicle Insurance; Cancellation; Refund; Insured

Description:

Makes prepaid motor vehicle insurance policies nonrefundable except in the cases of total loss, change in policy, sale of vehicle, or transportation of vehicle out-of-state. Imposes burden on insured to prove one of the exceptions.

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