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TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

TWENTY-EIGHTH LEGISLATURE  
Regular Session of 2016

Monday, February 22, 2016  
2:30 p.m.

**TESTIMONY ON HOUSE BILL NO. 260, H.D. 1 – RELATING TO INSURANCE.**

TO THE HONORABLE ANGUS L.K. MCKELVEY, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). The Department has concerns regarding the merits and needs of this bill.

The National Association of Insurance Commissioners (“NAIC”), the accrediting body for the Insurance Division, has requested that states refrain from creating limited lines licenses that duplicate the areas of coverage of existing licenses, such as life, accident and health or sickness, property, marine and transportation, vehicle, general casualty, surety, and ocean marine. There are six recognized limited lines exceptions to this: car rental, credit, crop, travel, surety, and pet. Self-storage limited lines is not one of the NAIC recognized limited lines licenses.

The creation of a self-storage limited lines license will not increase the availability of self-storage insurance. Self-storage insurance may currently be purchased from property and casualty insurers through existing producers. If created, self storage limited lines producers would be selling the same insurance from the same insurers.

We thank this Committee for the opportunity to testify on this matter and request that this bill be held.

**TESTIMONY ON H.B. NO. 260 HD1  
RELATING TO INSURANCE**

HOUSE OF REPRESENTATIVES  
COMMITTEE ON CONSUMER PROTECTION & COMMERCE  
Representative Angus L.K. McKelvey, Chair  
Representative Justin H. Woodson, Vice Chair

Monday, February 22, 2016, 2:30 p.m.  
Conference Room 325  
State Capitol  
415 South Beretania Street

To Representative Angus L.K. McKelvey, Chair; Representative Justin H. Woodson, Vice Chair; and members of the House Committee on Consumer Protection and Commerce:

My name is Gerald C. Yoshida, an attorney in the Honolulu law firm of Char Hamilton Yoshida & Shimomoto. Our firm represents the Self Storage Association (SSA), the official trade organization of the U.S. and international self-storage industry representing the industry's 46,500 facilities, including a majority of the storage facilities in the islands. SSA advocates before the U.S. Congress, federal departments and agencies, and state and local legislatures and agencies.

**The SSA strongly supports House Bill No. 260, House Draft 1 (HB260 HD1).**

This Bill will allow the Hawaii Insurance Commissioner to issue a limited lines license, which would allow the self-storage licensee to offer optional insurance that covers tenant-renters for loss of or damage to their property stored in the tenant-renter's space.

Generally more than half of self-storage tenants are in transition, and still more live in small rental dwellings. The self-storage industry is built on month-to-month leases with the average stay in a self-storage facility being between 6 and 9 months depending on the region. Currently tenant-renters who occupy a unit at a self-storage facility have limited options to insure their stored property against loss—either purchase a homeowner's or renter's insurance policy, or purchase tenant-renters insurance from a general insurance agent.

Not all tenant-renters of self-storage space, however, have homeowner's or renter's insurance, or have ready access to a general agent that sells insurance that covers property stored in a self-storage facility.

Further, the nature and relatively low cost of this type of insurance does not make it attractive for general insurance agents to pursue on a one-off basis. A typical 1-, 2- or 4-month, \$2,000 policy that costs around \$8 per month provides very limited commission revenue.

By allowing the Commissioner to issue limited lines licenses to self-storage operators, consumers will have access to tenant-renter property insurance that is better suited to match the month-to-month dynamics of the self-storage industry tenant-renter insurance market. Consumers will be able to

purchase the optional insurance from licensees at the point of rental, which is much more convenient than searching for and purchasing from an off-site general insurance agent.

A typical tenant-renter insurance program covers \$2,000 or less, for a temporary period and offers automatic enrollment, meaning there is no underwriting, thus providing a measure of convenience to the consumer. Additionally, the insurance program is designed specifically for self-storage coverage and is unlike the insurance for warehousing, which involves a bailment relationship where the lessor would maintain the duties of care, custody, and control. In the self-storage industry, the tenant-renter, and not the lessor, maintains the duties of care, custody, and control.

The Insurance Commissioner would still have authority to dictate the basic training required of licensees, and the discretion to approve the materials used in solicitation, which typically explain the nature and extent of the coverage.

As a final note, there are currently 20 states that have implemented similar legislation, with a little less than half of them having been established in the last two years. Although the self-storage industry is relatively still in its infancy, about 40 years old, the industry is booming. The primary revenue center of these businesses, 85 percent of which are small businesses, is and always will be the rental of property, not the sale of insurance. However, the SSA believes that there should be a convenient and effective means for the consumer to have access to this optional insurance coverage for their stored goods, especially since a majority of them do not currently have any coverage.

Again, the Self Storage Association **strongly supports HB260 HD1**. Thank you for this opportunity to submit testimony.

Respectfully submitted:  
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