

Honolulu, Hawaii

MAR 03 2017

RE: S.B. No. 372
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,
to which was referred S.B. No. 372 entitled:

"A BILL FOR AN ACT RELATING TO MOTOR VEHICLE INSURANCE,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Clarify that the Insurance Commissioner shall ensure that each motor vehicle insurer has made satisfactory arrangements for claims services and adjustment and for policies sold or issued to consumers in the State; and
- (2) Remove the requirement for a physical sales and claims service office in the State.

Your Committee received testimony in support of this measure from State Farm Mutual Automobile Insurance Company. Your Committee received testimony in opposition to this measure from the Department of Commerce and Consumer Affairs.

Your Committee finds that the State's motor vehicle insurance code currently requires insurers to maintain a physical sales and claims office in Hawaii. However, many products and services traditionally accessed at a physical office can now be obtained digitally through mobile smart phone or internet technology. For example, many insurance applications can now be submitted



electronically, claims forms and damage photos can be submitted digitally, and claims adjusters are now able to communicate with claimants and body shops via computer or the telephone. Accordingly, this measure is intended to modernize sales and claims handling for motor vehicle insurance by removing the requirement for motor vehicle insurers to maintain a physical sales and claims service office in the State, while still reserving the power of the Insurance Commissioner to ensure that adequate arrangements have been made for claims service and adjustment.

However, your Committee has heard the concerns that Hawaii's isolated geography necessitates a field presence in the State. According to testimony received by your Committee, requiring insurers to maintain a physical presence in the State assures policyholders of convenient access and prompt claims adjustment that are not dependent on whether a mainland or other remote call center will answer a policyholder's calls. Your Committee understands these concerns and concludes that amendments to this measure are therefore necessary.

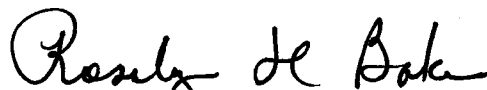
Your Committee has amended this measure by:

- (1) Clarifying that motor vehicle insurers are required to maintain at least one physical sales and claims service office in each county;
- (2) Requiring the Insurance Commissioner to submit an annual report to the Legislature prior to each regular session from the Regular Session of 2018 to the Regular Session of 2022, regarding any consumer complaints received as a result of changing the requirements for motor vehicle insurers to maintain a field presence in Hawaii;
- (3) Inserting an effective date of July 1, 2050, to encourage further discussion, and inserting a five-year sunset date of June 30, 2022;
- (4) Updating the purpose section; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.



As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 372, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 372, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Commerce, Consumer
Protection, and Health,

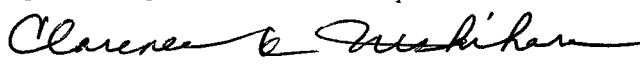


ROSALYN H. BAKER, Chair



The Senate
 Twenty-Ninth Legislature
 State of Hawai'i

Record of Votes
Committee on Commerce, Consumer Protection, and Health
CPH

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 372	CPH	2/27/17		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	/			
NISHIHARA, Clarence K. (VC)	/			
CHANG, Stanley	/			
ESPERO, Will	/			
IHARA, Jr., Les	/			
KIDANI, Michelle N.				/
RUDERMAN, Russell E.				/
TOTAL	5			2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution:	Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy

*Only one measure per Record of Votes