



DAVID Y. IGE
GOVERNOR
SHAN S. TSUTSUI
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
www.hawaii.gov/dcca

CATHERINE P. AWAKUNI COLÓN
DIRECTOR
JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON
CONSUMER PROTECTION & COMMERCE

TWENTY-NINTH LEGISLATURE
Regular Session of 2017

Monday, March 30, 2017
2:00 p.m.

TESTIMONY ON SENATE BILL NO. 372 S.D.1 – RELATING TO MOTOR VEHICLE INSURANCE.

TO THE HONORABLE ROY M. TAKUMI, 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 provides the following comments.

This bill would require a Hawaii motor vehicle insurer to maintain at least one physical sales and claims service office in each county, an expansion of the present requirement in the Insurance Code that a Hawaii insurer maintain a brick-and-mortar presence in the State to provide complete sales and claims servicing to the public. It would also require the Insurance Commissioner to submit an annual report to the Legislature regarding any consumer complaints received following the change in requirements governing the field presence of motor vehicle insurers.

Chapter 431, Hawaii Revised Statutes, requires auto insurers to maintain a field presence in Hawaii due to the State’s isolated geography. Our remoteness, coupled with the inevitability of natural disasters, requires insurers to maintain a physical presence that will assure policyholders of convenient access and prompt claims

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adjustment that does not depend on whether a mainland or other remote call center will answer the phone. An auto insurer's brick-and-mortar presence and accessibility of its claims administrators protect consumers by ensuring, in a tangible way, that these insurance companies are committed to responding to consumers' needs, including the timely resolution of disputed claims.

We thank the Committee for the opportunity to present testimony on this matter.

TESTIMONY OF MICHAEL ONOFRIETTI

HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Representative Roy M. Takumi, Chair
Representative Chris Todd, Vice Chair Pro Tem

Thursday, March 30, 2017
2:00 p.m.

SB 372, SD1

Chair Takumi, Vice Chair Pro Tem Todd, and members of the Committee on Consumer Protection & Commerce, my name is Michael Onofrietti, Senior Vice President, Actuarial Services, Product Development & Management for Island Insurance and Chairman of the Auto Policy Committee for Hawaii Insurers Council. Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately forty percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **opposes** this bill and believes that the existing law is appropriate for Hawaii auto insurance customers. This bill requires that each insurer maintain at least one physical sales and claims service office in each county. None of the Hawaii Insurers Council members maintain a physical sales and claims service office in each county in the state, it is cost prohibitive and inefficient. We found out that in addition to the four main counties that we are all familiar with, there is an additional county in Molokai called Kalawao County which encompasses Kalaupapa. If insurers are required to add four more claims and sales offices and staff them, these costs will be worked into the price of motor vehicle insurance at a time where premiums are already going up.

We ask that this bill be held. Thank you for the opportunity to testify.

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, March 29, 2017 8:18 PM
To: CPCtestimony
Cc: mpavlicek@hawaiiublicpolicy.com
Subject: Submitted testimony for SB372 on Mar 30, 2017 14:00PM

SB372

Submitted on: 3/29/2017

Testimony for CPC on Mar 30, 2017 14:00PM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Melissa Pavlicek	Liberty Mutual	Oppose	Yes

Comments: Aloha, my name is Melissa Pavlicek. I am testifying today on behalf of Liberty Mutual. We are writing to express concerns about the requirements set forth in the current version of SB 372. We understand that alternative language may be proposed by the committee and/or testifiers and wish to contribute positively to the dialogue and participate with any concerned parties moving forward. Mahalo for the opportunity to testify.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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**HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE**

March 30, 2017

Senate Bill 372, SD1 Relating to Motor Vehicle Insurance

Chair Takumi, Vice-Chair Ichiyama, and Committee Members:

I am Rick Tsujimura, representing State Farm Mutual Automobile Insurance Company (State Farm). State Farm opposes the current version of Senate Bill 372, SD1. The original measure was intended to delete the current requirement in section 431:10C-119(a)(2) which requires a “complete claims and sales office.” The SD1 amended the measure to require a physical claims and sales office in each county. We oppose the SD1 version.

The original bill was intended to reflect the current practices of insurers to conduct claims and sales through the use of smart phone technology (taking a photograph of the damage to a car and transmitting same to a claims representative for handling); or using the internet to purchase insurance rather than going into an office and signing a physical document.

Section 431:10C-119(a)(2) is only one of two sections related to insurance that require a physical sales and claims office; the other is section 431:12-115, which relates to the “mass merchandising” of insurance products. This is defined as the selling of insurance to employees of a particular employer. Section 431:12-115 requires a mass merchandiser to “maintain at all times an office in the State to conduct the administration of its business and handle claims,” but, it provides that this requirement can be met by the “establishment and maintenance of an office by a licensed producer of an insurer.” We believe that this language, if inserted into section 431:10C-119(a)(2), would address the concerns raised by the senate draft as well as our own.

We have prepared and attached a proposed HD1 for the committee’s review and hopefully adoption. We strongly support the revised HD1.

Thank you for the opportunity to present this testimony.

A BILL FOR AN ACT

RELATING TO MOTOR VEHICLE INSURANCE.

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

1 Section 1. Section 431:10C-119, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

3 "(a) Prior to licensing an insurer to transact a motor
4 vehicle insurance business in this State, the commissioner:

5 (1) Shall effect a thorough examination of the insurer's
6 business experience, financial soundness, and general
7 reputation as an insurer in this and other states. In
8 the discretion of the commissioner, this examination
9 may include an examination of any or all of the
10 business records of the insurer, and an audit of all
11 or any part of the insurer's motor vehicle insurance
12 business, each to be performed by the commissioner's
13 staff or by independent consultants. No license shall
14 be issued until the commissioner is satisfied as to
15 the business experience, financial solvency, and the
16 economic soundness of the insurer;

17 (2) Except for a member-owned reciprocal insurer and its
18 wholly owned insurer subsidiaries, as specified in

1 subsection (c), shall require of each insurer, and
2 determine that satisfactory arrangements have been
3 made for, the provision of a complete sales and claims
4 service office in the State, provided that, the
5 establishment and maintenance of offices by licensed
6 producers of the insurer shall satisfy this
7 requirement; and

8 (3) Notwithstanding any other requirements of this section
9 or of the insurance code, may require a bond in a
10 reasonable amount and with deposits or sureties
11 determined in the commissioner's discretion of any
12 applicant for a license hereunder. The commissioner
13 may, at any time, make and enforce such a requirement
14 of any licensed insurer or self-insurer."

15 SECTION 2. Statutory material to be repealed is bracketed
16 and stricken. New statutory material is underscored.

17 SECTION 3. This Act shall take effect on approval.