



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
INTRASTATE COMMERCE

TWENTY-NINTH LEGISLATURE
Regular Session of 2017

Wednesday, February 15, 2017
9:00 a.m.

TESTIMONY ON HOUSE BILL NO. 894 – RELATING TO INSURANCE.

TO THE HONORABLE TAKASHI OHNO, 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 opposes this bill and provides the following comments.

This bill creates an exemption for individuals selling insurance for property stored at a self-service storage facility, or property that is in transit during the term of the self-storage facility rental agreement, from obtaining a license as an insurance producer provided certain conditions are met.

Chapter 431, Hawaii Revised Statutes (“HRS”), requires any individual selling, soliciting, or negotiating insurance to obtain appropriate licensure to engage in such activity. Section 431:9A-103, HRS, states that “[a] person shall not sell, solicit, or negotiate insurance in this State for any line, class, or classes of insurance unless the person is licensed for the proper line of authority or class in accordance with this article.”

Section 431:9A-104, HRS, provides exceptions to the licensing requirement only for those engaged in peripherally related insurance activities that do not involve selling, soliciting, or negotiating insurance. This bill will specifically allow Individuals at self-storage facilities to solicit insurance to renters without a license.

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Further, the National Association of Insurance Commissioners (“NAIC”) Producer Licensing Model Act does not allow for any exemption from licensure for individuals selling, soliciting, or the negotiating contacts of insurance, nor is there any exemption provision for individuals selling only property insurance at self-storage facilities.

We thank this Committee for the opportunity to testify on this matter.



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**TESTIMONY ON H.B. NO. 894
RELATING TO INSURANCE**

HOUSE OF REPRESENTATIVES
COMMITTEE ON INTRASTATE COMMERCE
Representative Takashi Ohno, Chair
Representative Isaac W. Choy, Vice Chair

Wednesday, February 15, 2017, 9:00 a.m.
Conference Room 429
State Capitol
415 South Beretania Street

To Representative Takashi Ohno, Chair; Representative Isaac W. Choy, Vice Chair; and members of the House Committee on Intrastate Commerce:

My name is Timothy Dietz, President and Chief Executive Officer of the Self Storage Association (SSA), the official trade organization of the U.S. and international self-service storage industry representing the industry's 49,000 facilities, including a majority of the storage facilities in the islands.

The SSA strongly supports House Bill No. 894 (HB894).

The purpose of this Bill is to provide clarity with respect to the exemption from the insurance producer licensing requirements for self-service storage facility operators and their employees who assist in the procurement of insurance that covers tenant-renters for loss of, or damage to, their property stored at a self-service storage facility, provided that specific requirements are met.

Generally, more than half of self-service storage tenant-renters are in transition, or live in small rental dwellings. The self-service storage industry is built on month-to-month leases with the average stay in a self-service storage facility being between 6 and 9 months depending on the region. Currently, tenant-renters who store their property at a self-service storage facility have limited options in terms of accessing insurance for their stored property. In this regard, not all tenant-renters of self-service storage have homeowner's or renter's insurance that might cover loss of stored property, nor is there ready access to a general agent that might sell such insurance, since in the latter case, the nature, relatively low cost, and corresponding low commission revenue of this type of insurance does not make it attractive for general insurance agents to pursue on a one-off basis.

By allowing self-service storage operators to facilitate a tenant-renter's procurement of insurance covering loss of, or damage to, their stored property, tenant-renters will have access to tenant-renter property insurance that is better suited to match the month-to-month dynamics of the self-service storage industry, since the consumer will be able to procure such insurance at the point rental of the self-service storage unit.

Because this bill requires certain disclosures and procedures that self-service storage operators must adhere to when facilitating the tenant-renter's procurement of the tenant-renter's property insurance, tenant-renters will be better informed when deciding to obtain this insurance.

There are currently 23 states that have implemented legislation that either allows for a limited lines producer license for self-service storage facility operators or an exemption from licensing. Although the self-service 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 self-service storage units, not the sale of insurance. However, the SSA believes that there should be a convenient and effective means for consumers to have access to insurance coverage for their stored goods.

The SSA respectfully suggests that aspects of the bill be amended so as to clarify the intent of the bill and the parameters pursuant to which exemption from licensure will be allowed.

Again, the Self Storage Association **strongly supports HB894**. Thank you for this opportunity to submit testimony.

Respectfully submitted:
Timothy Dietz, President and CEO
Self-Storage Association

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