

SB372

Measure Title: RELATING TO MOTOR VEHICLE INSURANCE.

Report Title: Motor Vehicle Insurance; Claims Service; Sales

Description: Requires motor vehicle insurers to make satisfactory arrangements with the insurance commissioner to handle claims and service policies within the State and removes the requirement for a physical sales and claims service office.

Companion:

Package: None

Current Referral: CPH

Introducer(s): BAKER, S. Chang, Espero, Ihara, Nishihara



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TO THE SENATE COMMITTEE ON COMMERCE,
CONSUMER PROTECTION, AND HEALTH

TWENTY-NINTH LEGISLATURE
Regular Session of 2017

Monday, February 27, 2017
9:30 a.m.

**TESTIMONY ON SENATE BILL NO. 372 – RELATING TO MOTOR VEHICLE
INSURANCE.**

TO THE HONORABLE ROSALYN H. BAKER, 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 strongly opposes the bill and provides the following comments.

This bill eliminates from the Insurance Code the requirement that a Hawaii insurer maintain a brick-and-mortar presence in the State to provide complete sales and claims servicing to the public.

Chapter 431, Hawaii Revised Statutes, requires insurers to maintain a field presence in Hawaii due to the State’s isolated geography. Hawaii’s 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 adjustment that is not dependent on whether a mainland or other remote call center will answer the phone. The brick-and-mortar presence of insurers and their claims administrators protect consumers by ensuring, in a tangible way, that these

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insurance companies are committed to responding to consumers' needs, including the timely resolution of disputed claims.

Currently, as every Hawaii licensee maintains an office in the state to provide consumers with easy, convenient access, the existing requirement of a physical presence is neither unreasonable nor unduly onerous.

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

**SENATE COMMITTEE ON
COMMERCE, CONSUMER PROTECTION, AND HEALTH**

February 27, 2017

Senate Bill 372 Relating to Motor Vehicle Insurance

Chair Baker, Vice-Chair Nishihara, and Committee Members:

I am Rick Tsujimura, representing State Farm Mutual Automobile Insurance Company (State Farm). State Farm offers the following comments in support of Senate Bill 372 Relating to Motor Vehicle Insurance:

The purpose of this bill is to modernize the language in HRS section 431:10C-119. The current provision was drafted when virtually all commercial activity was conducted from “brick and mortar” structures and customers had to trek to those locations to purchase everything needed in everyday life, including insurance. Today, however, many products and services traditionally accessed at a physical office can be obtained digitally through mobile smart phone or internet technology. The Legislature recognized this last year when it passed a bill allowing electronic versions of insurance cards to meet the proof of insurance requirement.

Current law requires the insurance commissioner to require insurers to maintain a physical sales and claims office in Hawaii in order to sell auto insurance. Curiously, this only applies to auto insurance, and it does not apply to a “member-owned reciprocal insurer and its wholly owned insurer subsidiaries.” This bill recognizes the reality that both sales and claim handling can be done without requiring an insured to go to an office, making both easier, faster, and more efficient. Insurance applications are now submitted online with smartphones or computers, and there is no need for the insured to go to an office to submit a claim. Claims forms and damage photos are submitted digitally, and claims adjusters communicate with claimants and body shops through computers and telephonically.

This bill continues the trend for the Insurance Code to reflect the current state of business, and provide consumers with the convenience they desire. It also reserves for the commissioner the ability to ensure that adequate arrangements have been made for claims service and adjustment; if an insurer is not meeting its obligations, the commissioner can take appropriate action. This gives the commissioner maximum flexibility to modernize sales and claims handling, and allows insurers to keep up with their customers’ expectations for convenient and fast service in an electronic age.

Thank you for the opportunity to present this testimony.