

Honolulu, Hawaii

APR 03 2019

RE: H.B. No. 154
H.D. 1
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,
to which was referred H.B. No. 154, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO SERVICE CONTRACTS,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Specify that the regulation of motor vehicle service contracts does not apply to agreements issued by automobile clubs; and
- (2) Clarify that the allowable scope of motor vehicle service contracts regulated by the Insurance Commissioner includes contracts for certain motor vehicle repair and replacement services.

Your Committee received testimony in support of this measure from the Motor Vehicle Protection Products Association. Your Committee received testimony in opposition to this measure from the Department of Commerce and Consumer Affairs. Your Committee received comments on this measure from AAA Hawai'i.

Your Committee finds that service contracts offer consumers benefits not covered under traditional automobile insurance policies or that usually cost less than common automobile



insurance policy deductibles. This measure specifies that the regulation of motor vehicle service contracts does not apply to agreements issued by automobile clubs and clarifies the scope of products that may be offered as service contracts, which will promote uniformity.

Your Committee notes the concerns raised in testimony from the Department of Commerce and Consumer Affairs, that this measure exempts agreements issued by automobile clubs from existing law governing service contracts, effectively leaving these agreements without any regulatory oversight. Therefore, amendments to this measure are necessary to address these concerns.

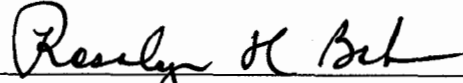
Your Committee has amended this measure by:

- (1) Removing language that would have exempted agreements issued by automobile clubs from applicable law concerning service contracts;
- (2) Deleting the definition of "automobile club";
- (3) Inserting an effective date of July 1, 2019; provided that the substantive provisions of this measure shall be effective July 1, 2020; and
- (4) 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 H.B. No. 154, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 154, H.D. 1, 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



