

STAND. COM. REP. NO. 1662

Honolulu, Hawaii

MAR 22 , 2019

RE: S.B. No. 823
S.D. 1
H.D. 2

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred S.B. No. 823, S.D. 1, H.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this measure is to enable consumers to make better decisions when purchasing motor vehicle insurance by requiring:

- (1) Insurers to clearly give consumers notice of the choice of whether to use an aftermarket part (or a like kind and quality part of an equal or better quality than the original), if available, or an original equipment manufacturer (OEM) part for body repair work, and that notice must be given at the time the insurer offers new or renewal motor vehicle policy coverage; and
- (2) The Legislative Reference Bureau to study the safety hazards of aftermarket parts, licensure of motor vehicle body repair shops, and the fiscal impacts this measure will have on consumers.

Island Fender, Automotive Body and Painting Association of Hawaii, CRI-BULL, Ulu Development LLC, Prism Group LLC, Tony Group

SB823 HD2 HSCR CPC HMS 2019-3435



Collision Center, Auto Body Hawaii, Oka's Auto Body, and several concerned individuals submitted testimony in support of this measure.

The National Association of Mutual Insurance Companies, American Property Casualty Insurance Association, Hawaii Insurers Council, and LKQ Corporation submitted testimony in opposition.

The Insurance Division of the Department of Commerce and Consumer Affairs, Legislative Reference Bureau, State Farm Mutual Automobile Insurance Company, Government Employees Insurance Company, and a concerned individual submitted comments.

Your Committee has amended this measure by deleting the Legislative Reference Bureau study.

Section 431:10C-313.6, Hawaii Revised Statutes, was enacted in 1997 as part of an effort to reduce motor vehicle insurance premium costs in the State. Next to New Jersey, Hawaii had the most expensive premiums in the country in 1997. Today, Hawaii ranks in the middle at 26. Your Committee finds that the motor vehicle insurance reforms enacted in 1997, including section 431:10C-313.6, have been successful in making motor vehicle insurance more affordable for Hawaii consumers.

Consumers can make informed decisions when sufficient information is provided to them. This is especially true when insurance claimants are faced with repairing their vehicles after an accident and are forced to deal with the insurance claim process, decide what kind of parts should be used to repair their vehicles and, if co-pays are involved, consider the cost of those parts.

Motor vehicles today are awash with technologically advanced safety features, and it is critical that those features continue to function after repairs to vehicles are made. It is understandable that consumers would want to make the best choices to ensure the safety of their vehicles. Section 431:10C-313.6 states that if the claimant chooses OEM parts, the claimant must pay the additional cost of the OEM part that is in excess of the aftermarket part, unless OEM parts are required by the vehicle's manufacturer's warranty.



Your Committee finds that insurers are not able to uniformly communicate the repair options available to claimants because no standard notice exists at this time. If a standard notice, explaining available repair options using OEM and aftermarket parts, is provided by all insurers, claimants would be able to better understand repair options available to them. It is the intention of your Committee that a standard notice should be provided by insurers upon issuance and renewal of motor vehicle policy coverage, and the notice should paraphrase the requirements of Section 431:10C-313.6 as follows:

"You have a choice of authorizing a repair provider to utilize a like kind and quality part of an equal or better quality than the original equipment manufacturer part if such part is available or an original equipment manufacturer part for motor vehicle body repair work.

If you choose the use of an original equipment manufacturer part, you shall pay the additional cost of the original equipment manufacturer part that is in excess of the equivalent like kind and quality part, unless original equipment parts are required by the vehicle manufacturer's warranty."

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 823, S.D. 1, H.D. 1, as amended herein, and recommends that it be referred to your Committee on Finance in the form attached hereto as S.B. No. 823, S.D. 1, H.D. 2.

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



ROY M. TAKUMI, Chair



State of Hawaii
House of Representatives
The THIRTIETH Legislature

HJR 1662

Record of Votes of the Committee on Consumer Protection & Commerce

Bill/Resolution No.: SB 823, SD1, HD1	Committee Referral: IAC, CPC, FIN	Date: 3/21/19		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
CPC Members	Ayes	Ayes (WR)	Nays	Excused
1. TAKUMI, Roy M. (C)	✓			
2. ICHIYAMA, Linda (VC)	✓			
3. AQUINO, Henry J.C.	✓			
4. BELATTI, Della Au				✓
5. CABANILLA ARAKAWA, Rida				✓
6. CACHOLA, Romy M.	✓			
7. HAR, Sharon E.	✓			
8. KONG, Sam Satoru	✓			
9. MIZUNO, John M.				✓
10. ONISHI, Richard H.K.	✓			
11. MATSUMOTO, Lauren	✓			
TOTAL (11)	9	0	0	3
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: 10pt;">committee acronym(s)</div>				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				