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Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Finance
Wednesday, February 20, 2019
2:00 p.m.
State Capitol, Conference Room 430**

**On the following measure:
H.B. 154, H.D. 1, RELATING TO SERVICE CONTRACTS**

Chair Luke and Members of the Committee:

My name is Colin Hayashida, and I am the Insurance Commissioner of the Department of Commerce and Consumer Affairs' (Department) Insurance Division. The Department opposes H.D. 1 of this bill and prefers the original version of H.B. 154.

The original purpose of H.B. 154 was to define "road hazard" and amend the definition of "service contract" in Hawaii Revised Statutes (HRS) chapter 481X (Service Contracts). H.D. 1, however, expressly authorizes additional motor vehicle service products to be offered through service contracts.

H.D. 1 takes the unusual step of specifically exempting agreements made by automobile clubs from the application of HRS chapter 481X. Should this proposal become law, there will be no oversight of any service contracts issued by any automobile club. Therefore, the Department requests that this bill be amended by deleting the changes in H.D. 1, as the Department supports the original language in H.B. 154.

Thank you for the opportunity to testify on this bill.

February 18, 2019

Via Hand Delivery

The Honorable Sylvia Luke, Chair
The Honorable Ty J.K. Cullen, Vice Chair
House Committee on Finance

Re: Support of House Bill 154

On behalf of its members, the Motor Vehicle Protection Products Association (MVPPA) would like to express its **support of House Bill 154** when it comes to you for consideration.

By way of background, MVPPA is a national trade association with member companies that include providers, retailers, administrators, and insurers of vehicle service contracts and theft protection products. MVPPA's primary goal is to establish a uniform, balanced regulatory landscape that minimizes confusion or dispute about the regulatory status of these products. MVPPA's member companies offer over 80% of the protection products available in the marketplace today and include Ally Insurance, AmTrust Financial Services, Assurant Solutions, Toyota Motor Insurance Services, and CNA National Warranty Company.

House Bill 154 amends the definition of service contract to expressly authorize a number of products to be offered as service contracts. Typically, these products provide consumers with benefits either not covered under a traditional automobile insurance policy or that may be under their traditional automobile insurance policy's deductible. For example, often times the cost of replacing a vehicle's key-fob in the event it is lost or stolen, although costly, is less than a consumer's insurance deductible and so the consumer may be left paying the cost out of pocket. Instead, a consumer could elect to purchase a service contract with key-fob replacement coverage to avoid the possibility of paying this cost out of pocket. Moreover, it is our understanding that these coverages are offered in Hawaii today as service contracts that are filed with and reviewed by the Department of Commerce and Consumer Affairs' Insurance Division, and that this legislation merely crystalizes in statue the current regulatory treatment of these products.

The MVPPA thanks you in advance for your time and consideration in this matter and reiterates its **support of House Bill 154** as currently drafted. Please do not hesitate to contact me directly with any questions, concerns, or requests for additional information at jim@meenanlawfirm.com or (850) 425-4000.

Sincerely,



James P. Burleson
Assistant Executive Director

"Tire, wheel, windshield, dent, appearance care and other valuable coverage."