

Honolulu, Hawaii

February 15, 2019

RE: H.B. No. 62
H.D. 1

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 H.B. No. 62 entitled:

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

begs leave to report as follows:

The purpose of this measure, as received by your Committee, is to amend section 431:10C-313.6, Hawaii Revised Statutes ("HRS"), to provide that if the insured or claimant chooses to use an original equipment manufacturer part for motor vehicle body repair work, the insured or claimant must pay the additional cost of the part that is in excess of the aftermarket or equivalent like kind and quality part, unless the original parts are required or recommended by the vehicle manufacturer.

Auto Body Hawaii, Automotive Body and Painting Association of Hawaii, Island Fender, Tony Group Collision Center, and several individuals testified in support of this measure. The Department of Commerce and Consumer Affairs, National Association of Mutual Insurance Companies, Hawaii Insurers Council, Prism Group LLC, State Farm Mutual Automobile Insurance Company, LKQ Corporation, Mascot Auto Parts, Liberty Mutual Insurance, GEICO, Automotive Recyclers Association, Pacific Salvage Company, and American Property Casualty Insurance Association of America testified in opposition. A concerned individual submitted comments.



Section 431:10C-313.6, HRS, 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 have been successful in making motor vehicle insurance more affordable for Hawaii consumers.

While your Committee understands the concerns of the proponents of this measure, as received, the proposed changes could result in higher repair costs and higher insurance costs for Hawaii consumers.

It is important for consumers to understand their options to enable them to choose appropriate motor vehicle policy coverage meeting their needs. Several insurance companies in the State already allow insureds to choose original equipment manufacturer parts for repair work at the time of new or renewal coverage. Your Committee finds that requiring insurers to give consumers clear notice of their options for repair work would better protect consumers in Hawaii.

Upon careful consideration, your Committee has amended this bill by:

- (1) Deleting its substance;
- (2) Inserting provisions requiring insurers to clearly give consumers notice of the choice of whether to use an aftermarket part, if available, or an original equipment manufacturer part for motor vehicle body repair work. Notice must be given at the time the insurer offers new or renewal motor vehicle policy coverage; and
- (3) Inserting an effective date of July 1, 2050, to facilitate further discussion.

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 H.B. No. 62, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 62, H.D. 1, and be referred to your Committee on Finance.



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



ROY M. TAKUMI, Chair



