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Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Transportation
Friday, January 31, 2020
10:00 a.m.
State Capitol, Conference Room 423**

**On the following measure:
H.B. 1808, RELATING TO MOTOR VEHICLES**

Chair Aquino 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 appreciates the intent of and offers comments on this bill.

The purpose of this bill is to authorize county directors of finance to issue certificates of ownership and salvage certificates to expedite the disposal of salvaged motor vehicles under specified circumstances.

The Department appreciates the bill's intent to expedite the transition of ownership of salvaged vehicles between policyholders and insurers by allowing insurers to seek ownership within 30 days after the payment of a claim (page 3, lines 13 to 20). However, there are circumstances when such expediency negatively impacts policyholders.

Hawaii Revised Statutes (HRS) section 431:13-103(a)(11)(f) mandates that motor vehicle insurers remit payments on undisputed portions of clean claims within 30

days after liability is accepted. The total loss cost of vehicles may be in dispute in cases where policyholders believe their vehicles are worth more than insurers' valuations.

Under these circumstances, this bill would allow the insurer to pay an amount that is undisputed and, while still negotiating with the policyholder over the disputed portion, file for ownership of the vehicle after 30 days without settling the dispute, to the detriment and consternation of the policyholder.

In addition, the Department respectfully requests deleting the following language on page 8, lines 4 to 6 of the bill: "Notwithstanding any provision of law to the contrary, the provisions of this subsection shall govern the disposition and title to a motor vehicle described herein." This provision appears unnecessary, as HRS sections 431:10C-309 through -311 already provide an established scheme for the processing and payment of total loss motor vehicle claims.

Thank you for the opportunity to testify on this bill.

TESTIMONY OF ALISON UEOKA

COMMITTEE ON TRANSPORTATION
Representative Henry J. C. Aquino, Chair
Representative Troy N. Hashimoto, Vice Chair

Friday, January 31, 2020
10:00 a.m.

HB 1808

Chair Aquino, Vice Chair Hashimoto, and members of the Committee on Transportation, my name is Alison Ueoka, President of the Hawaii Insurers Council. The Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately forty percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council submits the following comments on the bill. This bill provides a process to complete salvaged vehicle title transfers when owners abandon a motor vehicle without completing the title transfer.

Hawaii Insurers Council supports the intent of the bill. However, we respectfully ask that the following language be deleted: Section 286-48(c)(4), delete the sentence beginning on Page 5 of the bill, lines 4-8 that reads as follows,

“The insurance company shall indemnify and hold harmless the director of finance from all liability, civil and criminal, resulting from the issuance of the certificate of ownership or salvage certificate to the insurance company pursuant to this subsection.”

With this amendment, we support the bill. Thank you for the opportunity to testify.

TESTIMONY OF ROBERT TOYOFUKU ON BEHALF OF THE INSURANCE AUTO AUCTIONS, INC. (IAA) IN SUPPORT OF H.B. 1808

January 31, 2020

My name is Bob Toyofuku and I am presenting this testimony on behalf of the Insurance Auto Auctions, Inc. (IAA) in support of H.B. 1808, Relating to Motor Vehicles.

Insurance Auto Auctions is a salvage auction company that handles the sale of damaged and theft-recovered vehicles for the insurance industry. They have one location in the state of Hawaii (Kapolei, Honolulu).

Automobile insurers process thousands of total loss claims in Hawaii each year. For the vast majority of these claims, after the total loss settlement is paid to the vehicle owner and any lienholder, the certificate of title for the vehicle is available to the insurer and the further titling of the vehicle can be handled in accordance with Hawaii statutes. However, there are occasions when, even though the insurer has paid the total loss settlement, the certificate of title for the vehicle is not made available to the insurer. The result of the above situation is that vehicles sit in salvage auction facilities, often with no straight-forward or efficient way to dispose of them.

This bill sets forth a process whereby, in this case, the insurer may obtain a salvage certificate for the vehicle without surrendering the certificate of title. The insurer will send an application for a salvage certificate to the DMV along with proof of payment of the claim and a copy of the notices sent to the owner and any lienholder requesting the certificate of title.

The above process will help insurers expedite the receipt of an ownership document in their name and implement the salvage laws in a timely manner.

Sometimes vehicles that have been brought to the salvage auction facility at the direction of an insurance company after a claim has been filed by the owner get abandoned on their property by the owner. This happens, for example, when the insurance company denies coverage. Examples of denied coverage situation include when the damage exceeds policy limits or collision damage may not be covered under the policy. Or, during the claim process, the vehicle owner changes his mind and wants to keep ownership of the total loss vehicle. The insurer pays the value of the vehicle to the owner but then the owner abandons the vehicle at the salvage pool.

The bill sets forth a process for a salvage auction to dispose of an abandoned vehicle on its property if the owner or lienholder does not remove the vehicle from the salvage auction's facility after due notice has been sent.

Upon reviewing this draft I would like to suggest some minor amendments: (1) remove the words "the prescribed affidavit" on page 2, line 17, and substitute the words "certificate of registration, license plates" in its place; (2) remove the word "or" on page 4, line 12 and substitute the word "and" in its place; (3) remove the word "motor" on page 8, line 15, and on page 9, line 2.

Also, after a discussion with the Hawaii Insurer's Council (HIC) we recommend deleting the provision on page 5, lines 4-8 starting with the word "The" and ending with the word "subsection." A possible substitute language would be the following but we are still in discussion with HIC to arrive at an acceptable substitute provision: "The insurance company shall indemnify and hold harmless the department for any claims resulting from the issuance of a

salvage certificate of title, stolen vehicle certificate of title or nonrepairable vehicle certificate of title pursuant to this subsection.”

Thank you for scheduling this bill and allowing me to submit this testimony.