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**Testimony of the Department of Commerce and Consumer Affairs**

**Before the  
House Committee on Transportation  
Wednesday, March 11, 2020  
10:45 a.m.  
State Capitol, Conference Room 423**

**On the following measure:  
S.B. 2434, S.D. 1, 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 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, line 19). 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 insurers 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. The Department recommends that the 30-day transition of ownership scheme contemplated by this bill occur only after a settlement of the claim is reached between the policyholder and the insurer.

In addition, the Department respectfully requests deleting the following language on page 8, lines 6 to 8 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 conflicts with HRS sections 431:10C-309 through 311 which 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**

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

Wednesday, March 11, 2020  
10:45 a.m.

### **SB 2434, SD1**

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 supports this bill which provides a process to complete salvaged vehicle title transfers when owners abandon a motor vehicle without completing the title transfer.

Thank you for the opportunity to testify.

**TESTIMONY OF ROBERT TOYOFUKU ON BEHALF OF INSURANCE AUTO  
AUCTIONS, INC. (IAA) IN SUPPORT OF S.B. 2434, SD 1**

March 11, 2020

To: Chairman Henry Aquino and Members of the House Committee on Transportation:

My name is Bob Toyofuku and I am presenting this testimony on behalf of the Insurance Auto Auctions, Inc. (IAA) in support of S.B. 2434, SD 1 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.

Also, after a discussion with the Hawaii Insurer's Council (HIC) the suggested provision on page 5 was included in the SD 1. All other suggested technical amendments were also included in the SD 1.

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

**SB-2434-SD-1**

Submitted on: 3/11/2020 9:30:15 AM

Testimony for TRN on 3/11/2020 10:45:00 AM

**LATE**

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Rayne	Individual	Oppose	No

Comments: