

**ACT 216**

H.B. NO. 1876

A Bill for an Act Relating to Motor Vehicle Insurance.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The legislature finds that existing language in the State's motor vehicle insurance code requires insurers to maintain a "brick and mortar" sales and claims service office. When originally written, the code did not envision the Internet, cellular smart phones, or computerization. Today, many of the functions once done in a physical office are being met through mobile smart phone or internet technology. Insureds can now go on their mobile device

and purchase motor vehicle insurance or file a claim. Consequently, in 2016, the legislature passed legislation allowing electronic insurance cards, in addition to paper insurance cards, to be used as proof of insurance for motor vehicles, motorcycles, and motor scooters. The legislature finds that this modernization trend can be extended to sales and claims handling for motor vehicle insurers while still ensuring appropriate protections for consumers. Moreover, easing the sales and claims office requirements under the motor vehicle insurance code will bring the motor vehicle insurance code in line with the statutory requirements for other types of insurers, such as other property and casualty line insurers, in the State. Accordingly, the purpose of this Act is to allow licensed producers of motor vehicle insurers to satisfy the requirement that insurers provide a complete sales and claims office in the State.

SECTION 2. Section 431:10C-119, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

“(a) Prior to licensing an insurer to transact a motor vehicle insurance business in this State, the commissioner:

- (1) Shall effect a thorough examination of the insurer’s business experience, financial soundness, and general reputation as an insurer in this and other states. In the discretion of the commissioner, this examination may include an examination of any or all of the business records of the insurer, and an audit of all or any part of the insurer’s motor vehicle insurance business, each to be performed by the commissioner’s staff or by independent consultants. No license shall be issued until the commissioner is satisfied as to the business experience, financial solvency, and the economic soundness of the insurer;
- (2) Except for a member-owned reciprocal insurer and its wholly owned insurer subsidiaries, as specified in subsection (c), shall require of each insurer, and determine that satisfactory arrangements have been made for, the provision of a complete sales and claims service office in the State; provided that the establishment and maintenance of an office by licensed producers of an insurer in every county the insurer does business shall meet the requirements of this paragraph; and
- (3) Notwithstanding any other requirements of this section or of the insurance code, may require a bond in a reasonable amount and with deposits or sureties determined in the commissioner’s discretion of any applicant for a license hereunder. The commissioner may, at any time, make and enforce such a requirement of any licensed insurer or self-insurer.”

SECTION 3. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2018.

(Became law on July 10, 2018, without the governor’s signature, pursuant to Art. III, §16, State Constitution.)