

ACT 19

H.B. NO. 764

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 accomplished 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. Act 216, Session Laws of Hawaii 2018, allows licensed producers of motor vehicle insurers to satisfy the requirement that insurers provide a complete sales and claims office in the State by instead allowing an insurer's licensed producer to establish and maintain a sales and claims office in every county in which the insurer does business.

The legislature also finds that the county of Kalawao is the smallest county in the United States, both by population and land area. Considering its size, requirement of a "brick and mortar" motor vehicle insurance office for each insurer who does business in the county of Kalawao is unnecessary.

Accordingly, the purpose of this Act is to remove the requirement that an insurer must maintain a "brick and mortar" sales and claims service office in the county of Kalawao.

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; provided further that the preceding shall not be required for the county of Kalawao; and

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- (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 upon its approval.

(Approved April 23, 2019.)