
A BILL FOR AN ACT

RELATING TO MOTOR VEHICLE INSURANCE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Most states require drivers to possess
2 liability insurance before they can legally drive a car. When
3 the liability insurance policyholder is at fault in an auto
4 accident, liability insurance pays for the other party's car
5 repair, medical, and other costs.

6 However, the legislature finds that there is a large number
7 of people who purchase an insurance policy as needed to qualify
8 for a loan for their vehicle, then cancel it as soon as they
9 obtain the loan. This creates a significant problem: uninsured
10 and underinsured drivers impose tens of millions of dollars each
11 year in costs on the victims of accidents or their insurers.

12 With the percentage of uninsured motorists as high as
13 thirty per cent in some states, it is costly to track down these
14 individuals. And unless there is a good chance of getting
15 caught and having to pay hefty penalties, drivers will continue
16 to circumvent the law.

17 Therefore, the purpose of this Act is to strengthen
18 enforcement of the requirement that all motorists are insured by



1 requiring motor vehicle insurers to notify lien holders on motor
2 vehicles, of cancellations of insurance policies, so the lien
3 holders may cancel loans as necessary. The legislature believes
4 such a measure will deter vehicle owners from driving without
5 insurance.

6 SECTION 2. Chapter 431, Hawaii Revised Statutes, is
7 amended by adding a new section to article 10C, to be
8 appropriately designated and to read as follows:

9 "§431:10C- Lienholder of new motor vehicle. (a)

10 Before an insurer issues a policy of motor vehicle insurance for
11 a new motor vehicle, the insurer shall:

12 (1) Obtain from the person insuring the vehicle, the name
13 of any financial institution that holds a lien on the
14 vehicle and the name of the dealer from which the
15 vehicle was purchased; and

16 (2) Verify such information with the dealer.

17 Insurers shall request information under paragraph (1) only for
18 new motor vehicles that will be insured by the insurer.

19 (b) Upon cancellation of the motor vehicle insurance
20 policy within ninety days of the date of issuance, the insurer
21 shall, within thirty days of the date of cancellation, inform
22 the lienholder of the cancellation."



1 SECTION 3. Chapter 437, Hawaii Revised Statutes, is
 2 amended by adding a new section to be appropriately designated
 3 and to read as follows:

4 "§437- Disclosure of motor vehicle lienholder. A motor
 5 vehicle dealer shall disclose to a motor vehicle insurer, upon
 6 request, the name of the financial institution that holds a lien
 7 on a motor vehicle purchased from the dealer."

8 SECTION 4. New statutory material is underscored.

9 SECTION 5. This Act shall take effect upon its approval.

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INTRODUCED BY:

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Report Title:

Motor Vehicle Insurance

Description:

Strengthens enforcement of the requirement that all motorists are insured by requiring motor vehicle insurers to notify lien holders on motor vehicles, of cancellations of insurance policies that occur within ninety days of the date of issuance.

