

NEIL ABERCROMBIE GOVERNOR

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### STATE OF HAWAII OFFICE OF THE DIRECTOR

#### **DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

335 MERCHANT STREET, ROOM 310 P.O. Box 541 HONOLULU, HAWAII 96809 Phone Number: 586-2850 Fax Number: 586-2856 www.hawaii.gov/dcca KEALI'I S. LOPEZ DIRECTOR

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#### TO THE HOUSE COMMITTEE ON TRANSPORTATION

# TWENTY-SIXTH LEGISLATURE Regular Session of 2011

Wednesday, March 16, 2011 9 a.m.

#### TESTIMONY ON SENATE BILL NO. 124, S.D. 1 - RELATING TO INSURANCE

TO THE HONORABLE JOSEPH SOUKI, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Gordon I. Ito, State Insurance Commissioner ("Commissioner"), testifying on behalf of the Department of Commerce and Consumer Affairs ("Department").

The Department supports this version of the bill.

The purpose of this version of the bill is to add a new section to the Motor Vehicle Insurance Law, Article 10C of the Insurance Code, Hawaii Revised Statutes ("HRS") chapter 431, which allows motor vehicle insurers to replace an insured's policy upon expiration of the existing policy with a new policy through its affiliate or subsidiary, when the replacement policy provides the same or better coverage at a lower premium than the existing policy.

The Department believes that this measure will serve the public interest by providing lower motor vehicle insurance premiums to consumers for the same or improved policy coverage and by lowering the burden on insurers of complying with statutory provisions limiting policy cancellations and nonrenewals.

We thank this Committee for the opportunity to present testimony on this matter.

# HOUSE COMMITTEE ON TRANSPORTATION

March 16, 2011

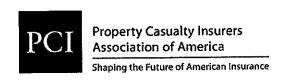
#### Senate Bill 124, SD 1 Relating to Insurance

Chair Souki and members of the House Committee on Transportation, I am Rick Tsujimura, representing State Farm Insurance Companies, a mutual company owned by its policyholders.

State Farm supports Senate Bill 124, SD 1 Relating to Insurance, which allows an insurer to cancel or refuse to renew a motor vehicle policy when that motor vehicle policy is transferred to a subsidiary or affiliate of the insurer, if the transfer results in a reduced premium rate. State Farm believes that the provision of a reduced premium for a policyholder is a positive consumer protection concept and urges the committee to approve this measure.

Senate Draft 1 of this bill represents a consensus of the industry and the Insurance Commissioner. We respectfully request passage of Senate Bill 124, SD 1 as drafted.

Thank you for the opportunity to present this testimony.



## LATE TESTIMONY

To:

The Honorable Joseph Souki, Chair

House Transportation Committee

From:

Mark Sektnan, Vice President

Re:

SB 124 SD1: Relating to Insurance

**PCI Position: Support** 

Date:

Wednesday, March 16, 2011,

9:00 a.m.; Conference Room 309

Aloha Chair Souki and Members of the Committee:

The Property Casualty Insurers Association of American (PCI) PCI supports SB 124 SD1. This bill would exempt an insurer from prohibitions on cancellation or nonrenewal of a motor vehicle insurance policy; provided that the insurer offers a replacement policy that offers the same or better coverage, terms, or conditions at a lower price through an affiliate or subsidiary.

SB 124 SD1 is a narrowly crafted bill that applies only in cases where the policyholder's policy is replaced by a policy that is better for the consumer in either of the terms, cost or both. The consumer is not losing their coverage or their policy but getting a better policy. Requiring insurers who wish to move a policyholder to a better policy to cancel or non-renew the policy only leads to consumer confusion. Consumers equate these actions with a loss of coverage which is why Hawaii law places numerous requirements on the insurer when they cancel or non-renew a policy. This bill will only benefit consumers.

For these reasons, PCI asks the committee to support this bill in committee.