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TO THE HOUSE COMMITTEES ON CONSUMER  
PROTECTION & COMMERCE AND JUDICIARY

TWENTY-FOURTH LEGISLATURE  
Regular Session of 2008

Thursday, February 7, 2008  
2 p.m.

**TESTIMONY ON HOUSE BILL NO. 3096 – RELATING TO INSURANCE.**

TO THE HONORABLE ROBERT HERKES AND TOMMY WATERS, CHAIRS, AND  
MEMBERS OF THE COMMITTEES:

My name is J. P. Schmidt, State Insurance Commissioner (“Commissioner”),  
testifying on behalf of the Department of Commerce and Consumer Affairs  
(“Department”). The Department strongly supports this Administration bill.

The purpose of this bill is to help ensure that the Insurance Division meets the  
requirements for accreditation by the National Association of Insurance Commissioners  
(“NAIC”). Specifically, this bill clarifies the reporting requirements for insurers and  
makes the standards for actuarial opinions consistent among all insurers, including  
captives, fraternal benefit societies, health maintenance organizations, and mutual  
benefit societies.

The Insurance Division is periodically reviewed by the NAIC for compliance with  
national standards to renew its NAIC accreditation. Accreditation certifies to other  
jurisdictions that Hawaii’s financial surveillance, examination, and reporting on  
insurance licensees are reliable. Without NAIC accreditation, other states will be unable  
to rely upon the analysis and examinations of Hawaii-domiciled insurers conducted by  
the Insurance Division.

**DCCA Testimony of J.P. Schmidt**  
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NAIC accreditation requires the Insurance Division to adopt certain statutes and rules. This bill adopts current NAIC models to clarify that all insurers must disclose material transactions, to adopt uniform standards for actuarial opinions, and to update provisions protecting confidential and proprietary information of insurers. These provisions are required for NAIC accreditation.

This bill also deletes the requirement that insurers file with the NAIC the hard copy of annual and quarterly reports, where the insurer files these reports electronically with the NAIC. This provision will reduce the cost of compliance for insurers.

The intent of this bill is to promote uniformity of insurance laws and consistency within the Insurance Code among various insurance entities.

We thank this Committee for the opportunity to present testimony on this matter and ask for your favorable consideration.

# HMSA



Blue Cross  
Blue Shield  
of Hawaii

An Independent Licensee of the Blue Cross and Blue Shield Association

February 7, 2008

The Honorable Robert N. Herkes, Chair  
The Honorable Tommy Waters, Chair

House Committees on Consumer Protection and Commerce and Judiciary

**Re: HB 3096 – Relating to Insurance**

Dear Chair Herkes, Chair Waters and Members of the Committees:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 3096 which would adopt National Association of Insurance Commissioners (NAIC) Model provisions relating to the insurers' disclosure of material financial transactions and actuarial reports. HMSA has concerns with this measure. We are uncertain as to the type of regulatory expansion this measure provides and the rationale for such an expansion.

There are two documents listed in this measure which health plans would be required to submit to the Division for review; an Actuarial Opinion Summary and a Regulatory Asset Adequacy Issues Summary. We are unsure as to what information would need to be included in this documentation and how it might differ from what is already being submitted to the Division. We are also not sure how these requirements differ from what is already in statute and why they are necessary.

We believe that the current language of this bill may be too vague and could create confusion unless changed to clarify what types of information the Division is seeking to collect.

Thank you for the opportunity to testify on HB 3096.  
Sincerely,

Jennifer Diesman  
Director, Government Relations