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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. 3098 – RELATING TO ACTIVITIES REGULATED
BY THE INSURANCE COMMISSIONER.**

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: (1) amend the continuing education (“CE”) requirements for insurance producers; (2) allow the automatic inactivation of surplus lines brokers, reinsurance intermediaries, service contract providers, and vehicle protection product warrantors who fail to timely pay licensing renewal fees; (3) permit reinstatement of the license, certificate, or registration where the unpaid renewal fees and penalty are paid within 30 days of inactivation; and (4) provide greater flexibility for service contract providers and vehicle protection product warrantors in selecting an insurer to meet financial responsibility requirements.

The Producer Licensing Working Group of the National Association of Insurance Commissioners (“NAIC”) recommended a uniform CE requirement of 24 credit hours, including three hours of ethics training. Current law imposes a CE requirement from 20

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to 30 credit hours, depending upon the lines of insurance a producer is authorized to sell. Adopting the NAIC's recommendation is intended to promote uniformity and reciprocity with other states, streamline CE requirements within the Insurance Code, and to reduce the burden and cost of compliance.

Where the licensee fails to timely pay renewal fees, current law provides for the automatic inactivation of Articles 9 and 9A licensees (insurance producer, adjuster, and independent bill reviewer) and for license reinstatement upon payment of the renewal fees plus a penalty of 50% of unpaid fees. This bill seeks to update these laws and to extend this process to other licensees regulated by the Commissioner; namely, surplus lines brokers, reinsurance intermediaries, managing general agents, service contract providers, and vehicle protection product warrantors.

To ensure that they are able to meet their obligations, current law requires service contract providers and vehicle protection product warrantors to comply with financial security requirements by obtaining a liability insurance policy either from an admitted insurer or through surplus lines (i.e., an insurer not formally admitted to sell insurance in Hawaii). By definition, a surplus lines policy must be obtained through a surplus lines broker. This bill seeks to provide greater latitude in obtaining coverage from any insurer approved by the Commissioner (including risk retention groups).

This measure is intended to promote national uniformity in licensing laws and consistency within the Insurance Code and to reduce the burden and cost of regulatory compliance.

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

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HIIA

Hawaii Independent Insurance Agents Association

February 6, 2008

To: Representative Robert Herkes, Chair
Committee on Consumer Protection and Commerce

From: Hawaii Independent Insurance Agents Association

Re: HB3098 , Relating to Activities Regulated by the Insurance
Commissioner
Hearing : Thursday, February 7, 2008 2:00 pm Conference Room 325

The Hawaii Independent Insurance Agents would like to submit **opposing** comments for HB 3098 and suggest **a reasonable alternative**. We are a non profit trade association of independent insurance producers dedicated to assisting the insurance buying public with their insurance needs.

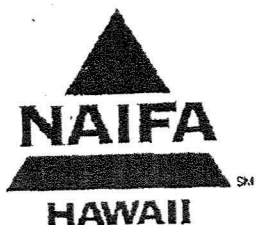
While we conceptually agree with the proposal from the State Insurance Division in HB3098, the suggested alternative that we are proposing will continue to achieve the uniformity and reciprocity as recommended by the National Association of Insurance Commissioners.

Our recommended alternative to the addition of Ethics to Continuing Education is as follows (reference to 431: 9A-124):

For the Single Line of Authority, we recommend keeping the current 20 credit hours including 18 hours of the line of authority and 3 hours relating to laws, insurance rules, and or ethics. Ethics will not be separate requirement but will be one of the three options.

For the Dual Line of Authority, we recommend keeping the current 30 credit hours including 12 credit hours relating Life & Health topic and 2 hours of laws, insurance rules, and or ethics and 18 credit hours relating to Property & Casualty topic and 2 hours of laws, insurance rules and or ethics. Ethics will not be a separate requirement but will be one of the three options.

Thank you for the opportunity to testify.



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Committee on Consumer Protection & Commerce
Representative Robert Herkes, Chair
Representative Angus McKelvey

RE: House Bill 3098 – Relating to Activities Regulated by the Insurance Commissioner

Hearing Date: February 7, 2008 Time: 2:00 pm

Chairman Herkes and members of the Committee, my name is Cynthia Hayakawa, Executive Director of NAIFA (“National Association of Insurance and Financial Advisors”) Hawaii, an organization made up of life insurance agents and financial advisors across Hawaii.

We support HB 3098.

Our remarks relate to page 6, lines 16 through page 8, lines 1 to 7, that will amend the number of continuing education credit hours required to maintain producer licenses.

This measure will increase the number of continuing education credit hours from 20 to 24 hours for those with only one line of authority – 18 hours relating to the line of authority for the license; 3 hours of insurance law and rules; and a new part adding 3 hours of ethics training.

For those with licenses in both life/accident/health and property and casualty, the credit hours will decrease from 30 to 24 of which 10 hours will relate to life/accident/health, of which 2 hours will relate to insurance law and rules; and 11 hours shall relate to property and casualty of which 2 hours shall relate to laws and rules; and a new part adding 3 hours of ethics training.

This provision adopts the Uniformity Subgroup of the Producer Licensing Work Group of the NAIC to attain uniformity and reciprocity with other states across the country. Uniformity in agent licensing requirements will help to eliminate multiple inconsistent state licensing rules. Greater uniformity will also lead to increased licensing reciprocity among state.

We ask for your support in moving this measure forward. Mahalo for allowing us to share our views.

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