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TO THE SENATE COMMITTEE ON COMMERCE,  
CONSUMER PROTECTION, AND AFFORDABLE HOUSING

TWENTY-FOURTH LEGISLATURE  
Regular Session of 2008

Thursday, February 14, 2008  
9:00 a.m.

**TESTIMONY ON SENATE BILL NO. 3020 – RELATING TO ACTIVITIES  
REGULATED BY THE INSURANCE COMMISSIONER.**

TO THE HONORABLE RUSSELL KOKUBUN, CHAIR, AND MEMBERS OF THE  
COMMITTEE:

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

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 equivalent to 50% of those 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 Committee for the opportunity to present testimony on this matter and ask for your favorable consideration.

Email Transmittal

Senate Committee on Commerce, Consumer Protection & Affordable Housing  
Senator Russell Kokubun, Chair  
Senator David Ige, Vice Chair

**RE: Senate Bill 3020 – Relating to Activities Regulated by the Insurance Commissioner**

**Hearing Date: February 14, 2008                      Time: 9:00 am**

Chair Kokubun 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 the intent of SB 3020** and ask for amendments to the measure.

Our remarks relate to page 6, lines 16 through page 8, line 7, which 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 that 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 required credit hours will **decrease** from 30 to 24, whereby 10 hours will relate to life/accident/health, of which 2 hours will relate to insurance law and rules; and 11 hours will 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.

We ask for the following amendments:

- For those producers with a single line of authority – 21 hours relating to the line of authority plus 3 hours of ethics – delete 3 hours of insurance law and rules completely because that is not part of the NAIC standard;
- For those producers with both life/accident/health and property and casualty lines of authority – 10 hours relating to life/accident/health and 11 hours relating to property and casualty plus 3 hours of ethics – again, delete the 3 hours of insurance law and rules completely because that is not part of the NAIC standard.

This provision is recommended by 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 of our amendments and moving this measure forward.

Mahalo for allowing us to share our views.



TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS  
IN SUPPORT OF S.B. 3020 RELATING TO ACTIVITIES REGULATED  
BY THE INSURANCE COMMISSIONER

February 14, 2008

Via E Mail: [testimony@capitol.hawaii.gov](mailto:testimony@capitol.hawaii.gov)

Senator Russell S. Kokubun, Chair

Committee on Commerce, Consumer Protection and Affordable Housing  
State Senate

Hawaii State Capital, Conference Room 229

415 S. Beretania Street

Honolulu, HI 96813

Dear Chair Kokubun and Committee Members:

Thank you for the opportunity to testify in support of SB 3020, relating to activities regulated by the Insurance Commissioner.

Our firm represents the American Council of Life Insurers ("ACLI"), a national trade association whose three hundred fifty-three (353) member companies account for 93% of the life insurance premiums and 94% of the annuity considerations in the United States among legal reserve life insurance companies. ACLI member company assets account for 93% of legal reserve company total assets. Two hundred sixty-one (261) ACLI member companies currently do business in the State of Hawaii.

ACLI supports uniform national legislation relating to producer licensing. SB 3020 creates uniformity between other states' laws and Hawaii law with regard to licensing requirements.

Accordingly, ACLI supports SB 3020.

Again, thank you for the opportunity to testify in support of SB Bill 3020.

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# HIIA

## **Hawaii Independent Insurance Agents Association**

February 13, 2008

To: Senator Russell S. Kokubun, Chair  
Committee on Commerce, Consumer Protection and Affordable Housing

From: Hawaii Independent Insurance Agents Association

Re: SB3020, Relating to Activities Regulated by the Insurance  
Commissioner  
Hearing: Thursday, February 14, 2008 9:00 am Conference Room 229

The Hawaii Independent Insurance Agents would like to submit **opposing** comments for SB3020 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 SB3020, 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 agree with the 24 credit hours including 21 hours of the line of authority and 3 hours relating to laws, insurance rules, and or ethics. Ethics will not be a separate requirement but will be one of the three options.

For the Dual Line of Authority, we agree with the 24 credit hours including 10 credit hours relating Life & Health topic and 11 credit hours relating to Property & Casualty topic and 3 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.