



LINDA LINGLE
GOVERNOR
JAMES R. AIONA, JR.
LT. GOVERNOR

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: (808) 586-2850
Fax Number: (808) 586-2856
www.hawaii.gov/dcca

LAWRENCE M. REIFURTH
DIRECTOR
RONALD BOYER
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION
& COMMERCE

TWENTY-FIFTH LEGISLATURE
Regular Session of 2010

Wednesday, March 10, 2010
2:00 p.m.

TESTIMONY ON SENATE BILL NO. 2701, S.D. 1 – RELATING TO CONSUMER PROTECTION.

TO THE HONORABLE ROBERT HERKES, 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”). Thank you for hearing this bill. The Department strongly supports this Administration bill.

The purpose of this bill is to modernize the laws in Hawaii Revised Statutes (“HRS”) chapter 488 regulating prepaid legal services plans. This bill adds definitions, deletes the exemption for insurers regulated under chapters 431 and 432, clarifies filing requirements, requires the plan administrator to act as a trustee for funds collected by the plan and to maintain a trust account, and allows the Commissioner to suspend, revoke, or fine any plan that fails to comply with law.

Prepaid legal services plans are currently regulated by HRS chapter 488, with certain exceptions. One of the exceptions currently creates an exemption for plans where either the group or the plan administrator is an insurer regulated under chapter 431 or 432. This will clarify that all plans should register with the Department.

Prepaid legal services plans appear to have a low rate of compliance with Hawaii law. This bill clarifies the current practice where prepaid legal services plans file plan documents and annual exhibits with the Insurance Division.

The Department has recently received complaints from consumers and launched an investigation into prepaid legal services plans. The amendments are necessary to allow the Department to increase its ability to regulate these plans and to enforce these laws for the benefit of Hawaii's consumers.

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