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**A BILL FOR AN ACT**

RELATING TO CONSUMER PROTECTION.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Chapter 488, Hawaii Revised Statutes, is  
2 amended by adding two new sections to be appropriately  
3 designated and to read as follows:

4           "§488- Access to records. (a) Every plan and its  
5 owners, operators, officers, employees, and representatives  
6 shall be subject to investigation or examination by the  
7 commissioner, shall produce and make freely accessible to the  
8 commissioner the accounts, records, documents, and files in the  
9 person's possession or control relating to the subject of the  
10 investigation or examination, and shall otherwise facilitate the  
11 investigation or examination.

12           (b) If the commissioner finds the accounts or records to  
13 be inadequate, improperly kept, or improperly posted, the  
14 commissioner may employ experts to rewrite, post, or balance the  
15 accounts at the expense of the plan being examined, if the plan  
16 has failed to correct the accounting records after the  
17 commissioner has given the plan written notice and a reasonable  
18 opportunity to do so.

1        (c) A plan administrator shall provide a written response  
2 within seven days to any written inquiry made by the  
3 commissioner. The response shall be more than an  
4 acknowledgement that the commissioner's communication was  
5 received, and shall adequately address the concerns stated in  
6 the communication.

7        §488- Records and reports. (a) The commissioner shall  
8 preserve in permanent form records and reports of the  
9 commissioner's proceedings, hearings, investigations, and  
10 examinations, and shall file the records in the commissioner's  
11 office.

12        (b) The records of the commissioner and filings in the  
13 commissioner's office shall be open to public inspection, except  
14 as otherwise provided in this chapter.

15        (c) The following records and reports on file with the  
16 commissioner shall be confidential by law and privileged, shall  
17 not be made public, shall not be subject to subpoena or  
18 discovery, and shall not be admissible as evidence in any  
19 private civil action; provided that:

20        (1) This section shall not be construed to limit the  
21 commissioner's authority to use the documents,  
22 materials, or other information in furtherance of any

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1 regulatory or legal action brought as part of the  
2 commissioner's official duties;

3 (2) Neither the commissioner nor any person who received  
4 documents, materials, or other information while  
5 acting under the authority of the commissioner shall  
6 be permitted or required to testify in any private  
7 civil action concerning any confidential documents,  
8 materials, or information subject to this subsection;  
9 and

10 (3) Any documents or information received from the  
11 National Association of Insurance Commissioners, the  
12 federal government, insurance regulatory agencies of  
13 foreign countries, or insurance departments of other  
14 states, territories, and commonwealths that are  
15 confidential in other jurisdictions. The commissioner  
16 may share information, including otherwise  
17 confidential information, with the National  
18 Association of Insurance Commissioners, the federal  
19 government, insurance regulatory agencies of foreign  
20 countries, or insurance departments of other states,  
21 territories, and commonwealths so long as the statutes  
22 or regulations of the other jurisdictions permit them

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1           to maintain the same level of confidentiality as  
2           required under Hawaii law.

3           (d) The commissioner shall not disclose any information  
4           that is exempt from disclosure by federal or Hawaii statutes."

5           SECTION 2. Chapter 488, Hawaii Revised Statutes, is  
6 amended by amending the title to read as follows:

7   " [†] CHAPTER 488 [†]

8   [PREPAID] LEGAL [SERVICES] SERVICE PLANS"

9           SECTION 3. Section 488-1, Hawaii Revised Statutes, is  
10 amended by:

11           1. Adding a new definition of "legal service plan" to  
12 read as follows:

13           "Legal service plan" or "plan" means any arrangement by  
14 which a person as defined in section 431:1-212, or entity, not  
15 otherwise authorized to engage in the practice of law, offers to  
16 provide or arranges the provision of legal services in exchange  
17 for any valuable consideration that is paid to the plan."

18           2. Repealing the definitions of "department", "group  
19 legal service plan", and "prepaid legal service plan":

20           ~~["Department" means the department of commerce and~~  
21 ~~consumer affairs.~~

1       ~~"Group legal service plan" is a plan by which legal~~  
2       ~~services are rendered to individual members of a group~~  
3       ~~identifiable in terms of some common interest."~~

4       ~~"Prepaid legal service plan" or "plan" means a group legal~~  
5       ~~service plan in which the cost of the services are prepaid by~~  
6       ~~the group member or by some other person or organization in the~~  
7       ~~member's behalf."}]~~

8       SECTION 4. Section 488-2, Hawaii Revised Statutes, is  
9       amended by amending subsection (a) to read as follows:

10       "(a) This chapter shall apply to all plans in the State  
11       other than:

12       (1) Plans in which any party to the plan is the federal  
13       government or any agency thereof; or

14       (2) Any employer-employee plan that is subject to the  
15       federal Employee Retirement Income Security Act of  
16       1974, Public Law 93-406.

17       Plans that are owned and operated by an insurer subject to  
18       chapter 431 shall be exempt from the requirements of this  
19       chapter, provided that the insurer complies with the provisions  
20       of chapter 431 and files a statement certifying compliance with  
21       chapter 431."

1 SECTION 5. Section 488-3, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "~~§488-3 [Filing and other requirements. (a) Sixty days~~  
4 ~~prior to implementation of any plan and the accumulation or~~  
5 ~~payment of money thereunder, all plan documents shall be~~  
6 ~~submitted in writing for approval by the commissioner.]~~

7 Application for authority; authority issued or denied. (a)  
8 Before conducting business in this State, a plan shall submit  
9 for approval with the commissioner an application for a  
10 certificate of authority, shall file documentation with the  
11 commissioner, and shall pay to the commissioner a fee as  
12 provided under section 431:7-101.

13 (b) The documentation required by subsection (a) shall  
14 contain in writing the following:

15 (1) A brief statement of the plan's financial structure,  
16 including a statement of the amount of prepayment,  
17 other charges or dues to be paid by plan members, and  
18 the manner in which the amounts are to be paid;

19 (2) A statement of the amount of benefits, legal services,  
20 or reimbursement for legal services to be furnished  
21 each member of a plan, and the period during which  
22 [it] they will be furnished; and, if there are

- 1 exceptions, reductions, exclusions, limitations, or  
2 restrictions of benefits, legal services, or  
3 reimbursements, a detailed statement of the  
4 exceptions, reductions, exclusions, limitations, or  
5 restrictions;
- 6 (3) A statement of the terms and conditions upon which the  
7 plan may be canceled or otherwise terminated by the  
8 group, the plan administrator, the persons furnishing  
9 legal services, or the member; provided that for any  
10 cancellation or termination, other than by a member,  
11 there shall be provision made for the disposition of  
12 funds accumulated under the plan;
- 13 (4) A statement describing the applicability or  
14 nonapplicability of the benefits of the plan to the  
15 family dependents of the member;
- 16 (5) A statement of the period of grace which will be  
17 allowed the member or the member's group for making  
18 any payment due under the plan;
- 19 (6) A statement describing a procedure for settling  
20 disputes between or among the group, the plan  
21 administrator, the persons furnishing legal services,  
22 and the member; [~~and~~]

1 (7) A statement that the plan includes the endorsements  
2 thereon and attached papers, if any, and contains the  
3 entire contract or contracts to be used among all  
4 parties to a plan[-], including the executed written  
5 agreement between the plan and any person providing  
6 legal services to the plan; and

7 (8) A listing of the owners, operators, officers, and plan  
8 administrator of the plan, including the current  
9 business address, home address, mailing address,  
10 business phone number, business fax number, business  
11 electronic mail address, business website address, and  
12 home phone number.

13 Any amendments or changes to the documents filed under  
14 paragraphs (1) to [~~(7)~~] (8) shall be filed with the commissioner  
15 for approval at least sixty days before they take effect. All  
16 documents filed under this section shall be public documents.

17 (c) If the commissioner finds that a plan has met the  
18 requirements for and is fully entitled thereto under this  
19 section, the commissioner shall issue to it a proper certificate  
20 of authority.



1        (d) If the commissioner does not so find, the commissioner  
2        shall deny the plan certificate of authority within a reasonable  
3        length of time following filing of the application by the plan."

4        SECTION 6. Section 488-4, Hawaii Revised Statutes, is  
5        amended to read as follows:

6        "**§488-4 Accumulated funds, protection, violation.** [~~(a)~~  
7        ~~Any plan which accumulates funds from payments of premiums prior~~  
8        ~~to paying these funds to persons providing legal services shall~~  
9        ~~meet the requirements of this section.~~

10        ~~(b)]~~ (a) The plan administrator shall have the  
11        responsibilities of a trustee for all funds received,  
12        accumulated, or collected under this chapter.

13        [~~(e)]~~ (b) The plan administrator, upon receipt of  
14        [~~premium]~~ funds intended for payment to a person providing legal  
15        services pursuant to this chapter, shall maintain the funds at  
16        all times in a federally insured account with a bank, savings  
17        and loan association, or financial services loan company located  
18        in Hawaii, separate from the plan's own funds or funds held by  
19        the plan administrator in any other capacity, in an amount at  
20        least equal to the funds collected and unpaid to the persons  
21        providing legal services, unless otherwise approved by the  
22        commissioner. Only additional funds as may be reasonably

1 necessary to pay bank, savings and loan association, or  
2 financial services loan company charges may be commingled with  
3 the [~~premium~~] funds. If the bank, savings and loan association,  
4 or financial services loan company account is an interest  
5 earning account, the plan may not retain the interest earned on  
6 such funds for the plan or plan administrator's own use or  
7 benefit without the prior written consent of the person entitled  
8 to the funds. A plan trustee account shall be designated on the  
9 records of the bank, savings and loan association, or financial  
10 services loan company as a "trustee account established pursuant  
11 to section 488-4, Hawaii Revised Statutes", or words of similar  
12 import.

13       ~~[(d)]~~ (c) The plan administrator shall obtain a \$100,000  
14 bond [~~in an amount and form approved by the commissioner~~] which  
15 shall be executed by the plan administrator and a surety company  
16 authorized to do business in the state as a surety. [~~The bond~~  
17 ~~shall be to the benefit of the members of the plan and shall be~~  
18 ~~filed with the commissioner.~~] The bond shall run to the state  
19 for the benefit of any claimants against the plan to secure the  
20 faithful performance of the obligations of the plan. The  
21 aggregate liability of the surety shall not exceed the principal  
22 sum of the bond. The plan administrator shall provide the

1 commissioner with proof of the bond at the time of the initial  
2 request for approval and at any time thereafter as requested by  
3 the commissioner. The plan shall not release the bond without  
4 the commissioner's approval. In lieu of the bond required by  
5 this section, the commissioner may accept letters of credit,  
6 certificates of deposits, or other [~~evidences~~] evidence of  
7 security in form and amounts deemed appropriate by the  
8 commissioner.

9 [~~(e)~~] (d) Any person, including a plan administrator,  
10 owner, operator, officer, employee, or representative who, not  
11 being lawfully entitled to [~~such funds,~~] do so, diverts or  
12 appropriates funds or any portion thereof [~~to the plan or plan~~  
13 ~~administrator's~~] for the person's own use, shall be subject to  
14 penalties as provided by law."

15 SECTION 7. Section 488-7, Hawaii Revised Statutes, is  
16 amended to read as follows:

17 "**§488-7 Failure to comply; penalty.** (a) Any plan that  
18 neglects or refuses to comply with this chapter shall be  
19 notified in writing by the commissioner of the neglect or  
20 refusal, and of the need to take corrective action within seven  
21 days. If the neglect or refusal continues for seven days after  
22 notification, the plan[~~, group,~~] or plan administrator may be

1 fined not more than \$1,000 [~~Every day's neglect or refusal~~  
2 ~~after the expiration of seven days shall be a separate offense.]~~  
3 per day for each day of noncompliance.

4 (b) [The] In addition to penalties provided in subsection  
5 (a), the commissioner may deny, suspend, revoke, or refuse to  
6 approve the certificate of authority of any plan or any plan  
7 amendments [and may levy civil penalties as allowed by chapters  
8 431, 432, 480, 481A, 481B, 481C, and any applicable law for any  
9 violation of this chapter].

10 (c) If the commissioner takes any action pursuant to  
11 subsection (b), the commissioner shall notify the applicant or  
12 licensee in writing of the reason for that action. The  
13 applicant or licensee may make written demand upon the  
14 commissioner, within ten days of the date of receipt of the  
15 notice, for a hearing before the commissioner to determine the  
16 reasonableness of the commissioner's action. The hearing shall  
17 be held within thirty days of receipt of the written demand,  
18 unless postponed by mutual consent, and shall be held pursuant  
19 to chapter 91.

20 (d) If the commissioner has cause to believe that any plan  
21 is violating or is about to violate any provision of this  
22 chapter or any order of the commissioner, the commissioner may

1 issue a cease and desist order to enforce compliance with this  
2 chapter or any order of the commissioner, or bring an action in  
3 any court of competent jurisdiction to enjoin the plan from  
4 continuing the violation or doing any act in furtherance  
5 thereof. The commissioner shall have the discretion to include  
6 in a cease and desist order, or to request in an action brought  
7 in any court, restitution on behalf of persons aggrieved by a  
8 violation of this chapter and an assessment of a monetary  
9 penalty against any plan, plan administrator, or owner,  
10 operator, or officer of the plan that violates this chapter or  
11 who has violated an order of the commissioner."

12 SECTION 8. Act 59, Session Laws of Hawaii 2010, is amended  
13 by amending sections 4 and 5 to read as follows:

14 "SECTION 4. Section 431:7-101, Hawaii Revised Statutes, is  
15 amended by amending subsections (a) and (b) to read as follows:

16 (a) The commissioner shall collect in advance the  
17 following fees:

18 (1) Certificate of authority: Issuance.....\$900

19 (2) Organization of domestic insurers and affiliated  
20 corporations:

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1	(A)	Application and all other papers required for	
2		issuance of solicitation permit,	
3		filing.....	\$1,500
4	(B)	Issuance of solicitation permit.....	\$150
5	(3)	Producer's license:	
6	(A)	Issuance, regular license.....	\$50
7	(B)	Issuance, temporary license.....	\$50
8	(4)	Nonresident producer's license:	
9		Issuance.....	\$75
10	(5)	Independent adjuster's license: Issuance....	\$75
11	(6)	Public adjuster's license: Issuance.....	\$75
12	(7)	<del>[Workers' compensation claim]</del> <u>Claims</u> adjuster's	
13		limited license: Issuance.....	\$75
14	(8)	Independent bill reviewer's license:	
15		Issuance.....	\$80
16	(9)	Limited producer's license: Issuance.....	\$60
17	(10)	Managing general agent's license: Issuance..	\$75
18	(11)	Reinsurance intermediary's license:	
19		Issuance.....	\$75
20	(12)	Surplus lines broker's license: Issuance....	\$150
21	(13)	Service contract provider's registration:	
22		Issuance.....	\$75

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- 1       (14) Approved course provider certificate:
- 2            Issuance.....\$100
- 3       (15) Approved continuing education course certificate:
- 4            Issuance.....\$30
- 5       (16) Vehicle protection product warrantor's registration:
- 6            Issuance.....\$75
- 7       (17) Criminal history record check; fingerprinting: For
- 8            each criminal history record check and fingerprinting
- 9            check, a fee to be established by the commissioner.
- 10       (18) Limited line motor vehicle rental company producer's
- 11           license: Issuance.....\$1,000
- 12       ~~(19) Life settlement contract provider's license:~~
- 13           ~~Issuance.....\$75~~
- 14       ~~(20) Life settlement contract broker's license:~~
- 15           ~~Issuance.....\$75]~~
- 16       (19) Legal service plan certificate of authority:
- 17           Issuance.....\$500
- 18       ~~(21)]~~ (20) Examination for license: For each examination, a
- 19            fee to be established by the commissioner.
- 20       (b) The fees for services of the department of commerce
- 21       and consumer affairs subsequent to the issuance of a certificate
- 22       of authority, license, or other certificate are as follows:

- 1 (1) \$600 per year for all services (including extension of  
2 the certificate of authority) for an authorized  
3 insurer;
- 4 (2) \$50 per year for all services (including extension of  
5 the license) for a regularly licensed producer;
- 6 (3) \$75 per year for all services (including extension of  
7 the license) for a regularly licensed nonresident  
8 producer;
- 9 (4) \$45 per year for all services (including extension of  
10 the license) for a regularly licensed independent  
11 adjuster;
- 12 (5) \$45 per year for all services (including extension of  
13 the license) for a regularly licensed public adjuster;
- 14 (6) \$45 per year for all services (including extension of  
15 the license) for a [~~workers' compensation~~] claims  
16 adjuster's limited license;
- 17 (7) \$60 per year for all services (including extension of  
18 the license) for a regularly licensed independent bill  
19 reviewer;
- 20 (8) \$45 per year for all services (including extension of  
21 the license) for a producer's limited license;



- 1           (9) \$75 per year for all services (including extension of  
2           the license) for a regularly licensed managing general  
3           agent;
- 4           (10) \$75 per year for all services (including extension of  
5           the license) for a regularly licensed reinsurance  
6           intermediary;
- 7           (11) \$45 per year for all services (including extension of  
8           the license) for a licensed surplus lines broker;
- 9           (12) \$75 per year for all services (including renewal of  
10          registration) for a service contract provider;
- 11          (13) \$65 per year for all services (including extension of  
12          the certificate) for an approved course provider;
- 13          (14) \$20 per year for all services (including extension of  
14          the certificate) for an approved continuing education  
15          course;
- 16          (15) \$75 per year for all services (including renewal of  
17          registration) for a vehicle protection product  
18          warrantor;
- 19          (16) \$20 for a criminal history record check;  
20          fingerprinting: For each criminal history record  
21          check and fingerprinting check, a fee to be  
22          established by the commissioner.

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- 1           (17) \$600 per year for all services (including extension of
- 2                   the license) for a regularly licensed limited line
- 3                   motor vehicle rental company producer; and
- 4           ~~[(18) \$75 per year for all services (including extension of~~
- 5                   ~~the license) for a regularly licensed life settlement~~
- 6                   ~~contract provider; and~~
- 7           ~~(19) \$75 per year for all services (including extension of~~
- 8                   ~~the license) for a regularly licensed life settlement~~
- 9                   ~~contract broker.]~~
- 10          (18) \$500 per year for all services (including extension of
- 11                   the certificate) for an authorized legal service plan.

12           The services referred to in paragraphs (1) to ~~[(19)]~~ (18)

13 shall not include services in connection with examinations,

14 investigations, hearings, appeals, and deposits with a

15 depository other than the department of commerce and consumer

16 affairs.

17           SECTION 5. Section 431:7-101, Hawaii Revised Statutes, is

18 amended to read as follows:

19           1. By amending subsections (a) and (b) to read:

20           (a) The commissioner shall collect in advance the

21 following fees:

- 22           (1) Certificate of authority: Issuance.....\$1,800

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- 1           (2) Organization of domestic insurers and affiliated
- 2           corporations:
- 3           (A) Application and all other papers required for
- 4           issuance of solicitation permit,
- 5           filing.....\$3,000
- 6           (B) Issuance of solicitation permit.....\$300
- 7           (3) Producer's license:
- 8           (A) Issuance, regular license.....\$100
- 9           (B) Issuance, temporary license.....\$100
- 10          (4) Nonresident producer's license:
- 11          Issuance.....\$150
- 12          (5) Independent adjuster's license: Issuance.....\$150
- 13          (6) Public adjuster's license: Issuance.....\$150
- 14          (7) [~~Workers' compensation claim~~] Claim adjuster's limited
- 15          license: Issuance.....\$150
- 16          (8) Independent bill reviewer's license:
- 17          Issuance.....\$160
- 18          (9) Limited producer's license: Issuance.....\$120
- 19          (10) Managing general agent's license: Issuance.....\$150
- 20          (11) Reinsurance intermediary's license:
- 21          Issuance.....\$150
- 22          (12) Surplus lines broker's license: Issuance.....\$300

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- 1       (13) Service contract provider's registration:
- 2            Issuance.....\$150
- 3       (14) Approved course provider certificate:
- 4            Issuance.....\$200
- 5       (15) Approved continuing education course certificate:
- 6            Issuance.....\$60
- 7       (16) Vehicle protection product warrantor's registration:
- 8            Issuance.....\$150
- 9       (17) Criminal history record check; fingerprinting: For
- 10           each criminal history record check and fingerprinting
- 11           check, a fee to be established by the commissioner.
- 12       (18) Limited line motor vehicle rental company producer's
- 13           license: Issuance.....\$2,000
- 14       ~~[(19) Life settlement contract provider's license:~~
- 15           ~~Issuance.....\$150~~
- 16       ~~-(20) Life settlement contract broker's license:~~
- 17           ~~Issuance.....\$150]~~
- 18       (19) Legal service plan certificate of authority:
- 19           Issuance.....\$1,000
- 20       ~~-(21)]~~ (20) Examination for license: For each examination,
- 21           a fee to be established by the commissioner.

1 (b) The fees for services of the department of commerce  
2 and consumer affairs subsequent to the issuance of a certificate  
3 of authority, license, or other certificate are as follows:

4 (1) \$1,200 per year for all services (including extension  
5 of the certificate of authority) for an authorized  
6 insurer;

7 (2) \$100 per year for all services (including extension of  
8 the license) for a regularly licensed producer;

9 (3) \$150 per year for all services (including extension of  
10 the license) for a regularly licensed nonresident  
11 producer;

12 (4) \$90 per year for all services (including extension of  
13 the license) for a regularly licensed independent  
14 adjuster;

15 (5) \$90 per year for all services (including extension of  
16 the license) for a regularly licensed public adjuster;

17 (6) \$90 per year for all services (including extension of  
18 the license) for a [~~workers' compensation~~] claims  
19 adjuster's limited license;

20 (7) \$120 per year for all services (including extension of  
21 the license) for a regularly licensed independent bill  
22 reviewer;

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- 1           (8) \$90 per year for all services (including extension of  
2           the license) for a producer's limited license;
- 3           (9) \$150 per year for all services (including extension of  
4           the license) for a regularly licensed managing general  
5           agent;
- 6           (10) \$150 per year for all services (including extension of  
7           the license) for a regularly licensed reinsurance  
8           intermediary;
- 9           (11) \$90 per year for all services (including extension of  
10           the license) for a licensed surplus lines broker;
- 11          (12) \$150 per year for all services (including renewal of  
12           registration) for a service contract provider;
- 13          (13) \$130 per year for all services (including extension of  
14           the certificate) for an approved course provider;
- 15          (14) \$40 per year for all services (including extension of  
16           the certificate) for an approved continuing education  
17           course;
- 18          (15) \$150 per year for all services (including renewal of  
19           registration) for a vehicle protection product  
20           warrantor;
- 21          (16) \$40 for a criminal history record check; and

1           (17) \$1,200 per year for all services (including extension  
2                   of the license) for a regularly licensed limited line  
3                   motor vehicle rental company producer; and

4           ~~[(18) \$150 per year for all services (including extension~~  
5                   ~~of the license) for a regularly licensed life~~  
6                   ~~settlement contract provider; and~~

7           ~~(19) \$150 per year for all services (including extension of~~  
8                   ~~the license) for a regularly licensed life settlement~~  
9                   ~~contract broker.]~~

10          (18) \$1,000 per year for all services (including extension  
11                   of the certificate) for an authorized legal service  
12                   plan.

13          The services referred to in paragraphs (1) to [~~(19)~~] (18)  
14 shall not include services in connection with examinations,  
15 investigations, hearings, appeals, and deposits with a  
16 depository other than the department of commerce and consumer  
17 affairs.

18          2. By amending subsection (e) to read as follows:

19          (e) All fees and penalties shall be deposited to the  
20 credit of the compliance resolution fund; provided that  
21 beginning July 1, 2010, the statutory fees collected pursuant to  
22 subsections (a) and (b), not including administratively set fees

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1 and assessments as may be authorized under this section, shall  
2 be deposited as follows:

3 (1) Fifty per cent shall be deposited into the compliance  
4 resolution fund; and

5 (2) Fifty per cent shall constitute an insurance license  
6 and service tax, which shall be deposited into the  
7 general fund."

8 SECTION 9. Statutory material to be repealed is bracketed  
9 and stricken. New statutory material is underscored.

10 SECTION 10. This Act shall take effect upon its approval.

11  
12 INTRODUCED BY: Calvin K. Boy

13  
BY REQUEST  
JAN 24 2011



**Report Title:**

Legal Service Plans

**Description:**

Updates regulation of legal service plans.

JUSTIFICATION SHEET

DEPARTMENT: Commerce and Consumer Affairs

TITLE: A BILL FOR AN ACT RELATING TO CONSUMER PROTECTION.

PURPOSE: To modernize the laws regulating legal service plans by amending statutory definitions and allowing the insurance commissioner (commissioner) to take enforcement action against plans that fail to comply with the law.

MEANS: Add two new sections to chapter 488, Hawaii Revised Statutes (HRS); amend title of chapter; amend sections 488-1, 488-2(a), 488-3, 488-4, and 488-7, HRS and sections 4 and 5 of Act 59, Session Laws of Hawaii 2010.

JUSTIFICATION: Prepaid legal service plans have a low rate of compliance with Hawaii law.

The commissioner continues to receive complaints from consumers about prepaid legal service plans. Prepaid legal service plans are currently regulated by chapter 488. The law was amended in 2010 by Act 47, Session Laws of Hawaii 2010. Further clarification of that chapter will enhance the commissioner's ability to regulate these plans and to enforce these laws.

Currently, there is no fee charged for the licensing or renewal of prepaid legal service plans. Since there is no renewal process, a plan operator does not inform the commissioner when it has ceased operations. Adding a fee will encourage operators of legal service plans to notify the commissioner of their continued existence and provide certainty as to which plans are legitimately operating in the State.

Impact on the public: This bill will increase consumer protection for the public and for members of prepaid legal service plans.

Impact on the department and other agencies: These amendments reduce confusion and inefficiency in implementing Hawaii laws pertaining to legal service plans. The proposed licensing and renewal fees is likely minimal, as there are currently few plans operating in the State.

GENERAL FUND: None.

OTHER FUNDS: Compliance resolution fund.

PPBS PROGRAM  
DESIGNATION: CCA-106.

OTHER AFFECTED  
AGENCIES: None.

EFFECTIVE DATE: On approval.