



NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
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: 586-2850

Fax Number: 586-2856

www.hawaii.gov/dcca

KEALI'I S. LOPEZ
INTERIM DIRECTOR

EVERETT KANESHIGE
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEES ON
CONSUMER PROTECTION AND COMMERCE
AND JUDICIARY

TWENTY-SIXTH LEGISLATURE
Regular Session of 2011

Monday, February 7, 2011
2:00 p.m.

TESTIMONY ON HOUSE BILL NO. 1051 – RELATING TO INSURANCE.

TO THE HONORABLE ROBERT HERKES AND GILBERT KEITH-AGARAN, CHAIRS,
AND MEMBERS OF THE JOINT COMMITTEE:

My name is Gordon Ito, 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 adopt model regulations of the National Association
of Insurance Commissioners (“NAIC”) in compliance with the senior investor protections
in section 989A of the federal Dodd-Frank Wall Street Reform and Consumer Protection
Act.

The federal Dodd-Frank Wall Street Reform and Consumer Protection Act was
passed to promote financial stability and transparency of the financial system and to
protect consumers from abusive financial services practices.

The Commissioner continues to receive complaints from consumers, particularly seniors, about sales and marketing practices used by insurance producers with respect to annuity products.

Adopting these NAIC model laws will: (1) enhance protection to consumers, including seniors; and (2) enable the Insurance Division to apply for federal grants that propose activities to protect seniors from misleading or fraudulent marketing in the sale of financial products.

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

TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS
COMMENTING ON HOUSE BILL 1051, RELATING TO INSURANCE

January 31, 2011

Via e mail: cpctestimony@capitol.hawaii.gov

Hon. Representative Robert N. Herkes, Chair
Committee on Consumer Protection and Commerce
Hon. Representative Gilbert S. C. Keith-Agaran, Chair
Committee on Judiciary
State House of Representatives
Hawaii State Capitol, Conference Room 325
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Herkes, Chair Keith-Agaran and Committee Members:

Thank you for the opportunity to comment on House Bill 1051, relating to Insurance.

Our firm represents the American Council of Life Insurers ("ACLI"), a national trade association, who represents more than three hundred (300) legal reserve life insurer and fraternal benefit society member companies operating in the United States. These member companies account for 90% of the assets and premiums of the United States Life and annuity industry. ACLI member company assets account for 91% of legal reserve company total assets. Two hundred thirty-nine (239) ACLI member companies currently do business in the State of Hawaii, and they represent 93% of the life insurance premiums and 95% of the annuity considerations in this State.

ACLI is in accord with the intent and purposes of HB 1051 which is to provide consumer protection, particularly to seniors, from abusive financial services practices by adopting the National Association of Insurance Commissioners ("NAIC") Suitability in Annuity Transactions Model Regulation ("Model Regulation") and to comply with the federal Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

The Model Regulation establishes national uniform standards and rules regulating the sales of annuities to consumers.

Generally, ACLI supports insurance provisions that conform to federal law and national standards.

However, the definition of an "annuity" which is set forth in paragraph 1 of the proposed addition to Chapter 431: 10D-622, HRS, which is set forth in section 4 of the bill (page 6, at lines 7 through 12) deviates from the definition of an "annuity" as set forth in the Model Regulation.

Section 5 of the Model Regulation defines an "annuity" as follows: "Annuity means an annuity that is an insurance product under State law that is individually solicited, whether the product is classified as an individual or group annuity".

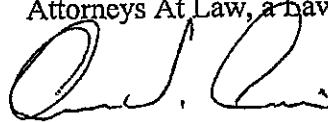
It is important that the Model Regulation be adopted with no changes. This will ensure uniform and national regulation of the annuity contract across the country.

Accordingly, ACLI requests that the definition of an "annuity" as set forth in Section 4 of the Bill be amended to conform to the definition of an "annuity" as set forth in the NAIC Model Regulation.

ACLI is continuing its review of HB 1051 with its member companies. Accordingly ACLI may submit additional testimony on other provisions of this bill in the future.

Again, thank you for the opportunity to comment on HB 1051.

CHAR, HAMILTON
CAMPBELL & YOSHIDA
Attorneys At Law, a Law Corporation



Oren T. Chikamoto
737 Bishop Street, Suite 2100
Honolulu, Hawaii 96813
Telephone: (808) 524-3800
Facsimile: (808) 523-1714

House Committee on Consumer Protection & Commerce
Representative Robert Herkes, Chair
Representative Ryan Yamane, Vice Chair

Hearing Date: February 7, 2011 – 2:00 pm – Room 325

RE: House Bill 1051 – Relating to Insurance

Chair Herkes, Vice Chair Yamane, and members of the Committee, the National Association of Insurance and Financial Advisors (NAIFA) Hawaii is made up of life and health insurance agents throughout Hawaii, who primarily sell life insurance, annuities, long term care and disability income policies.

HB 1051 has been crafted from NAIC's *Suitability in Annuity Transactions Model Regulation* that was adopted in March 2010. Over the last several years, NAIFA has worked with consumers, the NAIC and industry representatives to develop these stronger standards which will provide more protections for the consumer buying annuities.

Annuities have been and will continue to be an important planning tool for retirement, and producers, insurers and regulators must be vigilant that these products are appropriate for consumers. It is also imperative that producers who market these important products have a thorough understanding of their features and how they can meet the needs of clients. Consumers should be protected from inappropriate and unsuitable marketing practices.

The major enhancements to the model regulation include insurer responsibility for compliance, review of all annuity transactions, and training requirements for producers/agents.

This bill will require insurance producers/agents to fulfill a one-time training course of 4 continuing education credit hours by 1-31-2012, for those who are already licensed. New producers/agents after 1-31-2012, will be required to fulfill the 4 credit hours prior to selling annuity products.

We support the measure. We would like to note that the definition for "annuity" on page 6 of the bill, is not the same definition as in the model regulation.

Mahalo for allowing us to share our views.

Cynthia Takenaka, Executive Director
Ph: 394-3451