

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
DIRECTOR

TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

TWENTY-SIXTH LEGISLATURE
Regular Session of 2012

Monday, February 13, 2012
2:15 p.m.

**TESTIMONY ON HOUSE BILL NO. 2504, H.D. 1 – RELATING TO ENTITIES
REGULATED BY THE INSURANCE COMMISSIONER.**

TO THE HONORABLE ROBERT N. HERKES, CHAIR, AND MEMBERS OF THE
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 with requested amendments.

This bill addresses three independent issues relating to entities regulated by the
Insurance Division, mutual benefit societies, health maintenance organizations, and
service contract providers.

The purpose of this bill is to remove or revise certain provisions in Chapters 432
and 432D, HRS that relate to the licensing and regulation of mutual benefit societies
and health maintenance organizations. The proposed deletions attempt to bring more
clarity to the licensing and regulation process.

Sections 1 through 12 of the bill for mutual benefits societies and section 13 and
14 for health maintenance organizations proposes to update the financial regulation and
fees to be consistent with the laws governing traditional insurance companies.

The Department respectfully requests that your Committees reconsider the
change that would mandate the adoption of rules for Chapter 432, HRS. See, p. 3 ll. 5-

H.B. No. 2504, H.D. 1
DCCA Testimony of Gordon Ito
Page 2

6. The Insurance Code is a comprehensive set of laws that also adopt by reference standards that are adopted by the NAIC. For example, the NAIC's Accounting Practices and Procedures Manual is adopted at § 431:3-301; the NAIC's Risk Based Capital instructions is adopted at § 431:3-402. Furthermore, the Hawaii Administrative Rules that support the Insurance Code are applied to Chapter 432 by reference.

The Insurance Division requests the discretion to adopt rules when the situation warrants. Rules adopted for no substantive purpose unnecessarily adds to the licensee's regulatory burden.

The third subject matter of this bill is service contracts. The Department respectfully requests the deletion of sections 15 and 16 of this bill.

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 2504, HD1, RELATING TO ENTITIES REGULATED BY
THE INSURANCE COMMISSIONER

February 13, 2012

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:

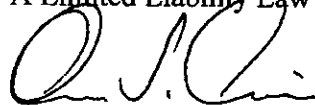
Thank you for the opportunity to comment on HB 2504, HD1, Relating to Entities Regulated by the Insurance Commissioner.

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-five (235) ACLI member companies currently do business in the State of Hawaii; and they represent 93% of the life insurance premiums and 92% of the annuity considerations in this State.

Section 10 of HB 2404, HD1, proposes to increase a fraternal benefit society's fee for the filing of its annual financial reports (at page 11, lines 17-22, and at page 12, at lines 1 and 2) and for its license to do business in this State (page 13, at lines 16 and 17) from \$7.50 to \$300. This represents a fee increase of 4,000%. While ACLI fraternal benefit members do not object to the payment of reasonable fees to the Department to cover its cost for services rendered, there has been no showing by the Department that its cost for such services warrant the 4,000 % increase proposed in the bill.

Again, thank you for the opportunity to comment on HB 2504, HD1.

LAW OFFICES OF
OREN T. CHIKAMOTO
A Limited Liability Law Company

A handwritten signature in black ink, appearing to read "Oren T. Chikamoto". The signature is fluid and cursive, with the first name "Oren" being the most prominent part.

Oren T. Chikamoto
737 Bishop Street, Suite 2100
Honolulu, Hawaii 96813
Telephone: (808) 531-1500
Facsimile: (808) 531-1600

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

February 13,, 2012

The Honorable Robert N. Herkes, Chair
The Honorable Ryan I. Yamane, Vice Chair

House Committee on Consumer Protection and Commerce

Re: HB 2504, HD1 – Relating to Entities Regulated by the Insurance Commissioner

Dear Chair Herkes, Vice Chair Yamane and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to comment on HB 2504, HD1 which amends various sections of the State Insurance Code relating to benefit societies.

With the exception of one provision, we do not have any comments with this measure. Of concern is the provision allowing the Insurance Commissioner to revoke the certificate of authority without notification to a plan that it had not filed for renewal by the specified deadline. Allowing the revocation of a plan's certificate of authority without prior notice because that plan had inadvertently missed the renewal deadline potentially may jeopardize the health coverage of those covered by the plan. We appreciate the need for timeliness in renewing a plan's certificate of authority, but having the Commissioner provide prior notification before exercising the severe revocation action seems to be a reasonable alternative. Attached for your consideration is a proposed draft language amending Section 1 of HB 2504, HD1.

Thank you for allowing us to comment on this measure, and your consideration of our concern is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read 'JD' followed by a long horizontal stroke.

Jennifer Diesman
Vice President
Government Relations

Attachment

PROPOSED AMENDMENT TO
SECTION 1 OF
HB NO. 2504, HD1

SECTION 1. Chapter 432, Hawaii Revised Statutes, is amended by adding to part I of article 1 a new section to be appropriately designated and to read as follows:

"§432: Fees. (a) The commissioner shall collect in advance the following fees:

(1) Issuance of certificate of authority: \$900;

(2) Organization of domestic mutual benefit societies:

(A) Filing of application and documents required for issuance of certificate of registration: \$1,500; and

(B) Issuance of certificate of registration: \$150; and

(3) For renewal of the certificate of authority: \$600 per year.

(b) If the fee for the renewal of the certificate of authority is not paid before or on the renewal date, a penalty shall be imposed in the amount of fifty per cent of the fee. The commissioner shall provide notice in writing of the delinquency of renewal and the imposition of the penalty authorized herein. If the fee and the penalty are not paid within thirty days immediately following the ~~renewal date,~~ notice of delinquency, the commissioner may revoke the certificate of authority and shall not reinstate the certificate of authority until the fee and penalty have been paid.

(c) All fees and penalties collected pursuant to this section and penalties collected pursuant to sections 432:1-105, 432:1-405, and 432:1-408 shall be deposited to the credit of the compliance resolution fund."