

LATE TESTIMONY



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TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

TWENTY-SIXTH LEGISLATURE
Regular Session of 2012

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

AMENDED 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 update the financial regulation and fees for consistency with the laws governing traditional insurance companies.

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The Department respectfully requests that this Committee reconsider the change that would mandate the adoption of rules for Chapter 432, HRS. *See*, p. 3 ll. 5-6. 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 Department 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 Department respectfully requests an amendment on page 6, line 5 to replace the word "insurance" with the word "authority" to refer to a "certificate of authority" rather than a "certificate of insurance" such that page 6, lines 4 to 5 reads:

"such societies and all societies hereafter issued a certificate
of authority, may thereafter be renewed annually, but in all"

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.