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TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

TWENTY-SIXTH LEGISLATURE
Regular Session of 2012

Monday, March 19, 2012
2 p.m.

**TESTIMONY ON SENATE BILL NO. 2766, S.D. 2, 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 and respectfully requests the adoption of fee and penalty amounts as
proposed in the original bill.

This bill addresses two independent issues relating to entities regulated by the
Insurance Division: mutual benefit societies and health maintenance organizations.

The purpose of this bill is to remove or revise certain provisions in HRS chapters
432 and 432D 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 11 of the bill for mutual benefit societies and sections 12, 13,
and 14 for health maintenance organizations propose to update the financial regulation
and fees to be consistent with the laws governing traditional insurance companies.

The fees and penalties are comparable to those paid by similar insurance companies, per HRS § 431:7-101. The amounts of the proposed fees reflect the work expended by the Insurance Division to regulate these entities. The fee proposed in Section 10 of \$300 for the filing of fraternal benefit societies' ("FBS") annual financial statements does not have an equivalent type of fee for other insurers. However, the proposed annual licensing fee for a FBS is \$300 which is substantially lower than other types of insurers. Taking the report fee and the license fee together the FBS proposed fees are comparable to fee charge to other types of insurers.

The affected sections of the bill are:

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:

"§432:1- 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. . .

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SECTION 10. Section 432:2-602, Hawaii Revised Statutes, is amended to read as follows:

"§432:2-602 Reports. [Reports shall be filed in accordance with the provisions of this section.] (a) Every society transacting business in this State shall annually, on or before March 1, unless for cause shown such time has been extended by the commissioner, file with the commissioner a true statement of its financial condition,

transactions and affairs for the preceding calendar year and pay a fee of [~~\$7.50~~] \$300 for filing same. The statement shall be in general form and context as approved by the National Association of Insurance Commissioners for fraternal benefit societies and as supplemented by additional information required by the commissioner.

SECTION 11. Section 432:2-603, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) Societies [~~which~~] that are now authorized to transact business in this State may continue [~~such~~] to transact business until May 1 next succeeding July 1, 1988. The authority of [~~such~~] societies and all societies hereafter licensed, may thereafter be renewed annually, but in all cases to terminate on the succeeding May 1. However, a license so issued shall continue in full force and effect until the new license is issued or specifically refused. For each [~~such~~] license or renewal[~~s~~] subject to this section, the society shall pay the commissioner [~~\$7.50~~] \$300. A duly certified copy or duplicate of [~~such~~] the license shall be prima facie evidence that the licensee is a fraternal benefit society within the meaning of this article."

SECTION 13. Section 432D-17, Hawaii Revised Statutes, is amended to read as follows:

"**\$432D-17 Fees.** (a) The commissioner shall collect in advance the following fees:

- (1) For filing an application for a certificate of authority or amendment thereto, [~~\$600~~] \$900; and
- (2) For [~~all services subsequent to the issuance of a~~] renewal of the certificate of authority [~~(including extension of the certificate of authority), \$400~~], \$600 per year.

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 SB 2766 SD 2, HD1, RELATING TO ENTITIES REGULATED BY THE
INSURANCE COMMISSIONER

March 19, 2012

Via e mail: cpctestimony@capitol.hawaii.gov

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

Dear Chair Herkes, and Committee Members:

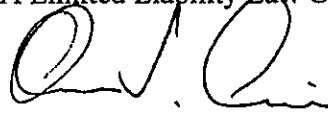
Thank you for the opportunity to comment on SB 2766, SD 2, HD 1, relating to Entities Regulated by the Insurance Commissioner.

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.

Sections 10 and 11 of SB 2766, SD2, HD 1, proposes to increase a fraternal benefit society's fee for the filing of its annual financial reports (at page 11, lines 16-22) and for its license to do business in this State (at page 13, at lines 14 - 16) from \$7.50 to an unspecified amount. ACLI's fraternal benefit members do not object to the payment of reasonable fees to the Department to cover its legitimate costs for services rendered. However, there has been no showing by the Department as to why the requested fee increases are warranted. Unless it does ACLI submits that the amount of these fees should not be changed -- they should remain the same.

Again, thank you for the opportunity to comment on SB 2766, SD2, HD 1.

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

A handwritten signature in black ink, appearing to read 'Oren T. Chikamoto', written over the printed name below.

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