



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](http://www.hawaii.gov/dcca)

KEALI'I S. LOPEZ  
DIRECTOR

TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-SIXTH LEGISLATURE  
Regular Session of 2012

Friday, March 30, 2012 -- Agenda #2  
3 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 MARCUS R. OSHIRO, 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. . .

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[~~;~~] 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.