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TO THE HOUSE COMMITTEE ON HEALTH

TWENTY-SIXTH LEGISLATURE  
Regular Session of 2012

Tuesday, March 13, 2012  
9:00 a. m.

**TESTIMONY ON SENATE BILL NO. 2766, S.D. 2 – RELATING TO ENTITIES  
REGULATED BY THE INSURANCE COMMISSIONER.**

TO THE HONORABLE RYAN I. YAMANE, 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 as amended.

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 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 11 of the bill for mutual benefits societies and sections 12, 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.

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 SENATE BILL 2766, SD2, RELATING TO ENTITIES REGULATED  
BY THE INSURANCE COMMISSIONER**

March 13, 2012

Via e mail: [hlttestimony@capitol.hawaii.gov](mailto:hlttestimony@capitol.hawaii.gov)

Hon. Representative Ryan I. Yamane, Chair  
Committee on Health  
State House of Representatives  
Hawaii State Capitol, Conference Room 329  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chair Yamane and Committee Members:

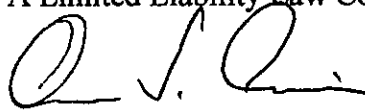
Thank you for the opportunity to comment on SB 2766, SD 2, Relating to Entities Regulated by the Insurance Commissioner.

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, 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 \$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 their 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 SB 2766, SD 2.

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

A handwritten signature in black ink, appearing to read "O. T. Chikamoto", written in a cursive style.

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