

SB 2766

Measure Title: RELATING TO ENTITIES REGULATED BY THE INSURANCE COMMISSIONER.

Report Title: Entities Regulated by the Insurance Commissioner

Description: Removes confusing and obsolete provisions to streamline licensing process; updates financial regulatory requirements to be more consistent with requirements placed on traditional insurance companies; and modernizes the fee amounts paid by these entities.

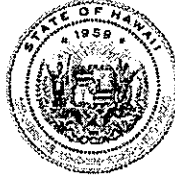
Companion: HB2504

Package: Gov

Current Referral: CPN, WAM

Introducer(s): TSUTSUI (BR)

<u>Sort by Date</u>		<u>Status Text</u>
1/25/2012	S	Introduced.
1/25/2012	S	Passed First Reading.
1/25/2012	S	Referred to CPN, WAM.
1/27/2012	S	The committee(s) on CPN has scheduled a public hearing on 02-02-12 9:00AM in conference room 229.



NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

**STATE OF HAWAII
INSURANCE DIVISION
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

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KEALPI S. LOPEZ
DIRECTOR

GORDON I ITO
INSURANCE COMMISSIONER

TO THE SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

TWENTY-SIXTH LEGISLATURE
Regular Session of 2012

Thursday, February 2, 2012
9:00 a. m.

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

TO THE HONORABLE ROSALYN H. BAKER, 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.

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DCCA Testimony of Gordon Ito
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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 second subject matter of this bill is service contracts. The Department respectfully requests that it may be allowed to withdraw 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.

HMSA



Blue Cross
Blue Shield
of Hawaii

An Independent Licensee of the Blue Cross and Blue Shield Association

February 2, 2012

The Honorable Rosalyn H. Baker, Chair
The Honorable Brian T. Taniguchi, Vice Chair

Senate Committee on Commerce and Consumer Protection

Re: SB 2766 – Relating to Entities Regulated by the Insurance Commissioner

Dear Chair Baker, Vice Chair Taniguchi and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to comment on SB 2766 which amends various sections of the State Insurance Code relating to benefit societies.

We generally support this Bill, but we do have a concern with 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 proposed draft language amending Section 1 of HB 2504.

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

Sincerely,

Jennifer Diesman
Vice President
Government Relations

PROPOSED AMENDMENT TO
SECTION 1 OF

SB NO. 2766

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."