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TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-SIXTH LEGISLATURE
Regular Session of 2012

Monday, April 2, 2012 – Agenda #1
2 p.m.

TESTIMONY ON SENATE BILL NO. 2768, S.D. 1 – RELATING TO INSURANCE.

TO THE HONORABLE MARCUS 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.

This bill addresses four different areas: A) surplus lines broker licenses; B)
reinsurance intermediaries; C) annuity training; and D) enforcement authority.

A. Surplus Lines Broker License

The purpose of sections 1 and 3 through 9, is to amend Part III of Article 8 of the
Insurance Code, Hawaii Revised Statutes (“HRS”), chapter 431 (“Insurance Code”), to
allow for a stand alone surplus lines broker license. Currently, an applicant for a surplus
lines broker license must obtain a producer license in accordance with Article 9A of the
Insurance Code as a prerequisite to applying for a surplus lines broker license.

The National Association of Insurance Commissioners (“NAIC”) has requested
that all states issue stand-alone surplus lines broker licenses.

Proposed amendments to Part III of Article 8 are modeled after the producer license requirements in Article 9A of the Insurance Code, including a new subsection for issuance of non-resident licenses without taking the Hawaii examination or meeting continuing education requirements to maintain licensure provided certain requirements are met. Requirements for producers applying for a surplus lines broker license remain unchanged.

The remaining changes are mainly technical in nature to conform requirements and standards for a surplus lines broker in Part III of Article 8 with the requirements and standards for a producer in Article 9A. Technical changes delete reference to qualifications for a surplus lines broker license in Article 9A, addressed in proposed amendments to Article 8, as well as clarify a licensed producer need not retake the producer license examination provided renewal requirements are timely met.

B. Reinsurance Intermediaries

Sections 10 through 12 clarify and streamline the licensing requirements for reinsurance intermediaries in Article 9B of the Insurance Code.

Reinsurance intermediaries operating in the State must be licensed. Licensees will no longer be required to file proof of the bond, the errors and omissions policy, and the contract with the reinsurer. Rather, the reinsurance intermediary will be required to produce these documents at the Commissioner's request.

Reinsurance intermediaries licensed in states with substantially similar laws have reciprocity and may obtain a non-resident reinsurance intermediary license.

C. Annuity Training

Sections 13 and 14 provide greater clarity and consistency in the training of insurance producers selling annuity products in Hawaii. By strengthening insurance producer training requirements under this bill, the Department hopes to ensure that producers do not target the elderly for inappropriate annuity sales. The Department believes that this bill would enable the Department to more efficiently regulate insurance producers, while protecting Hawaii's senior citizens.

D. Enforcement Authority

Section 2 of the bill amends HRS § 431:2-203 to enhance the Commissioner's enforcement authority by adding restitution. Although the Insurance Code currently allows the Commissioner to impose monetary fines in addition to revocation, suspension, or denial of a license or certificate of authority, the Commissioner does not have the statutory authority to require restitution from violators.

We thank this Committee for the opportunity to present testimony on this matter and ask for your favorable consideration.



HAWAII

House Committee on Consumer Protection & Commerce
Hearing on April 2, 2012 – 2:00 pm – Agenda #1

RE: **Senate Bill 2768, SD1 – Relating to Insurance**

Chair Oshiro, Vice Chair Lee, and members of the Committee, the National Association of Insurance and Financial Advisors (NAIFA) Hawaii is made up of life and health insurance agents throughout Hawaii, who primarily market life insurance, annuities, long term care and disability income products.

We are addressing Sections 13 & 14 on pages 38 to 42, relating to HRS 431:10D-622 and 626 (Insurance Producer Training).

The amendments provided by the Insurance Commissioner updates Act 108, SLH 2011, that adopted the NAIC's Suitability in Annuity Transactions Model Regulation to comply with the federal Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

The required training for producers (insurance agents) include consumer safeguards and disclosures, tax information, the uses of annuities, and appropriate sales practices but would not include any product marketing information of an insurer or sales techniques.

Producers authorized to sell annuity products are required to complete a one time 4-hour annuity training course by January 31, 2012, to sell annuities, or if a new licensee, after 1-31-2012, complete the training before being allowed to sell annuity products.

Additionally, producers must also be in compliance with their respective insurers' standards for product training. Insurers are responsible to ensure that producers complete the mandatory training prior to allowing producers to sell the annuity.

We support this section of the measure.

Mahalo for the opportunity to testify.

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Executive Director