



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

KEALI'I S. LOPEZ
DIRECTOR

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. 2769, S.D. 2, H.D. 1 – RELATING TO
INSURANCE.**

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, with suggested technical amendments.

The purpose of this bill is to make it easier for Hawaii consumers to purchase homeowners and motor vehicle insurance by posting premium information on the Department's website.

On January 3, 2012, the Department released homeowners premium information, which was voluntarily provided by 14 insurers and is similar to what is required by this bill. This information enables consumers to compare insurance rates for homeowners, condominium owners, and renters. The Department believes that requiring all homeowners insurers to provide similar information would help drive down premiums and keep the marketplace competitive.

Hawaii Revised Statutes ("HRS") § 431:10C-210 currently requires the Commissioner to publish a list of motor vehicle insurers and premium information. This bill provides for motor vehicle insurance premium information to be available electronically or on the Department's website and requires motor vehicle insurers to provide premium information within 30 days of the Commissioner's request.

This bill also enhances the present law, which allows the Commissioner to require that insurers submit new rate filings when the current rates may be excessive, inadequate, or unfairly discriminatory. The amendment to HRS § 431:14-103.3 allows the Commissioner to disapprove the new rate and set a proposed rate and the actuarial, statutory, factual, and legal basis for the proposed rate.

The Department respectfully requests the following technical amendments be made for purposes of clarity and consistency:

1. In section 1 of the bill, amend the title of the new section in Article 14 on page 1, lines 4-5, to refer to "**premium information**" instead of "**premium rates**" for consistency with the title of HRS § 431:10C-210 on page 2, line 9.
2. In section 1 of the bill, amend paragraph (1) in the definition of "homeowners insurance" in the new section in Article 14, on page 1, lines 15-16, to read:
"(1) Indemnity from destruction or damage of the insured's property by various designated perils; and"
3. In section 5 of the bill, proposed HRS § 431:14-106(e) refers to the written "demand" to the commissioner for a hearing on page 10, line 18 and on page 11, lines 1, 3, and 6. For consistency with the rest of this section and HRS § 431:14-118, the reference should be to a written "request" for hearing. If the Committee is inclined to make this technical change, the references in proposed subsection (e) should be changed from "demand" to "request".

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



Pauahi Tower, Suite 2010
1003 Bishop Street
Honolulu, Hawaii 96813
Telephone (808) 525-5877

Alison Powers
Executive Director

TESTIMONY OF MICHAEL TANOUE

HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE
Representative Robert N. Herkes, Chair
Representative Ryan I. Yamane, Vice Chair

Monday, March 19, 2012
2:00 p.m.

SB 2769, SD2, HD1

Chair Herkes, Vice Chair Yamane, and members of the Committee, my name is Michael Tanoue, counsel for Hawaii Insurers Council. Hawaii Insurers Council (HIC) is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately 40% of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **opposes** SB 2769, SD2, HD1. We believe the bill is flawed in that new language on Page 4, lines 11-14, which outlines what happens to the existing rate when an insurer files a written request for a hearing, is inconsistent with the language on Page 5, lines 7-9 of the bill, which outlines the hearing process.

In addition, this bill does not repeal Section 431:10C-209.5 which is existing rate adjustment language in the motor vehicle insurance law. HIC believes that, if a law is passed that applies to all lines in the property and casualty insurance industry regarding rates, the law must be uniform and consistent for each of those lines. Section 431:10C-209.5 provides for a different process and poses possible conflicts with the bill on the table.

If the Legislature deems this bill necessary, HIC recommends the following amendments:

- 1) Amend Section 431:14-103.3 (e)(2) to read as follows,

"If the insurer files a written request for a hearing, the existing effective rate shall remain in effect until sixty days after the final order is rendered by the director and the appeals process has been exhausted."

- 2) Amend Section 431:14-103.3 (f)(4) to read as follows,

"The rate found to be in compliance with this article shall be effective sixty days after the order is rendered by the director and the appeals process has been exhausted."

- 3) Repeal Section 431:10C-209.5,

~~"[**§431:10C-209.5** **Intervention by commissioner to adjust rates.** (a) The commissioner, annually, may reduce rates and may adjust rates prospectively for any class or type of mandatory coverage or optional additional motor vehicle insurance coverage for any insurer or group of insurers, if rates are excessive, inadequate, or unfairly discriminatory.~~

~~(b) An affected party that objects to a rate adjustment pursuant to subsection (a) shall be entitled to a public hearing under chapter 91, at which all affected and interested parties shall have an opportunity to examine, comment, and present testimony on the impact and application of the proposed or revised rates.]"~~

4) Make no changes to Section 431:14-103.3 (a) so that it reads as follows:

“Except as otherwise provided by law, the commissioner may mandate insurers to submit new filings for any type of insurance under section 431:14-102 when the commissioner has actuarially sound information that current rates may be excessive, inadequate, or unfairly discriminatory.”

Thank you for the opportunity to testify.

Testimony of
American Insurance Association
1015 K Street, Suite 200
Sacramento, California 95814 - 3803

TO: Representative Robert N. Herkes
Chair, Committee on Consumer Protection & Commerce
Via Email: CPCtestimony@Capitol.hawaii.gov

DATE: March 18, 2012

RE: **S.B. No. 2769, S.D. 2, H.D. 1 – Relating to Insurance**
Hearing Date: Monday, March 19, 2012 at 2:00 p.m.
Conference Room 325

The American Insurance Association (AIA) respectfully opposes S.B. 2769, S.D. 2, H.D. 1, Relating to Insurance.

AIA is the leading property-casualty insurance trade organization, representing approximately 300 insurers that write more than \$100 billion in premiums each year. AIA member companies offer all types of property-casualty insurance, including personal and commercial auto insurance, commercial property and liability coverage for small businesses, workers' compensation, homeowners' insurance, medical malpractice coverage, and product liability insurance.

AIA **opposes** the provisions in S.B. 2769, S.D. 2, H.D. 1 that require publication of homeowner insurance premiums and that permit the Insurance Commissioner to intervene to adjust insurance rates after disapproval of a rate filing.

Section 1 of S.B. 2769, S.D. 2, H.D. 1, requires the Insurance Commissioner to annually publish notice of the availability of a list of homeowners insurers, with representative annual premiums. We believe this provision will result in the dissemination of inaccurate and inadequate data. Factors such as property location, age, type of construction and materials, history, and experience, among other things, are essential to accurate pricing for coverage. In the absence of this information, it is impossible for the Commissioner to put forth sufficient information, and this will lead to consumer confusion.

For the foregoing reasons, AIA must respectfully oppose S.B. 2769, S.D. 2, H.D. 1.

Steven Suchil
Assistant Vice President/Counsel
State Affairs
Western Region



Liberty Mutual Insurance

Testimony to the House Committee on Commerce & Consumer Protection
March 19, 2012
2:00 P.M. Hearing

SB2769, SD2, HD1: RELATING TO INSURANCE

Liberty Mutual respectfully opposes SB2769, SD2, HD1 because we have significant concerns regarding potential changes to the rate making process, changes that could be counter to the interests of consumers.

The bill allows the Commissioner to intervene to adjust insurance rates and provides for written notice of disapproval and hearing requirements – however, the Commissioner already has broad authority to approve rates. Our real concern is that this bill will too broadly increase the authority of a hearings officer, who is likely less experienced in rate-making than the current Commissioner.

SB2769, SD2, HD 1 includes provisions addressing some concerns raised by insurance industry members, but we feel compelled to express our continued opposition.

Section 3, the rate adjustment mandate, is our greatest concern. While we understand the desire to provide for an additional arbitrator in the ratemaking process we believe this approach would significantly undermine, and possibly abrogate, the authority of the Insurance Commissioner to approve rate applications. The current provision would shift this responsibility to a hearing officer who may not be qualified nor experienced. We remain concerned that, in practice, a complex rate application, with justifiable support from skilled actuaries in both the Division and the insurer, would undermine the rate making process and unfairly leave the approval decision, or interim rate setting, to an unqualified hearing officer with limited knowledge of the rate making process.

While it is true that an appeals process utilizing hearings officers already exists, this bill increases the importance and the authority of such officers.

In short, we view the current system allowing the Commissioner to disapprove rate applications deemed to be excessive, inadequate, or unfairly discriminatory consistent with all state regulatory systems and appropriate and beneficial to Hawaii consumers.

Ultimately, we believe that the authority of the Commissioner of Insurance, granted under HRS 431:14-104 provides a responsible level of authority for the setting of rates, the solvency of insurance carriers and general regulatory oversight of the insurance industry. The provisions of this bill could undermine that authority.

The bill also requires the Commissioner to publish a list of homeowners insurers and homeowners insurance annual premiums as well as a list of motor vehicle insurers and motor vehicle insurance annual premiums on the insurance division's official website.



Liberty Mutual Insurance

While we believe the publication of homeowners' insurance premium rates (Sec 1) might prompt consumers to contact insurers for quotes and more specific details about what homeowners coverage would cost, it is only a snap shot and provides an estimated cost--not the actual cost--of coverage. It has the potential to be misleading and create confusion.

We understand the desire to assure that Hawaii consumers continue to have affordable insurance coverage for their homes available to them. As you know, Liberty Mutual Insurance has a long history of providing products and services to Hawaii residents and businesses. Liberty Mutual respectfully opposes SB2769, SD2, HD1. Thank you for the opportunity to testify.