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KEALI'I S. LOPEZ  
DIRECTOR

TO THE HOUSE COMMITTEE ON HOUSING

TWENTY-SIXTH LEGISLATURE  
Regular Session of 2012

Wednesday, March 14, 2012  
10:00 a.m.

**TESTIMONY ON SENATE BILL NO. 2769, S.D. 2 – RELATING TO INSURANCE.**

TO THE HONORABLE RIDA T.R. CABANILLA, 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.

The purpose of this bill is to make it easier for Hawaii consumers to purchase  
homeowners and motor vehicle insurance by making premium information available to  
the public by publishing premium information annually through electronic means.

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 enabled 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.

At the same time, this bill amends Hawaii Revised Statutes ("HRS") § 431:10C-  
210, to require motor vehicle insurers to provide motor vehicle insurance premium

information within 30 days of the Commissioner's request and to require the electronic publication of motor vehicle insurance premium information.

This bill also enhances the present law, which gives the Commissioner the authority to mandate insurers to submit new rates 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 forth a proposed rate. An insurer may request a hearing on the disapproval of the new rate and the proposed rate.

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

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

**TO:** Representative Rid T.R. Cabanilla  
Chair, Committee on Housing  
Via Email: HSGtestimony@Capitol.hawaii.gov

**DATE:** March 13, 2012

**RE:** **S.B. No. 2769, SD2 – Relating to Insurance**  
**Hearing Date: Wednesday, March 14, 2012 at 10:00 a.m.**  
**Conference Room 325**

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The American Insurance Association (AIA) respectfully opposes S.B. 2769, S.D. 2, 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, that require publication of homeowner insurance premiums and that permit the Insurance Commissioner to specify interim insurance rates after disapproval of a rate filing.

Section 1 of S.B. 2769, S.D. 2, 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, SD2.

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State Affairs  
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**Alison Powers**  
Executive Director

## TESTIMONY OF MICHAEL TANOUE

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HOUSE COMMITTEE ON HOUSING  
Representative Rida T.R. Cabanilla, Chair  
Representative Ken Ito, Vice Chair

Wednesday, March 14, 2012  
10:00 a.m.

### **SB 2769, SD2**

Chair Cabanilla, Vice Chair Ito, 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. HIC believes that, if a law is passed that applies to all lines in the property and casualty insurance industry regarding rates, the law be uniform and consistent for each of those lines. SB 2769, SD2 does not repeal a section of the motor vehicle insurance law, Section 431:10C-209.5, which contains language that provides for a different process and poses possible conflicts with the bill on the table.

If the Legislature deems this bill necessary, HIC believes that the language in HB 2507, HD1 reflects our position.

Thank you for the opportunity to testify.

**HOUSE COMMITTEE ON  
HOUSING**

March 14, 2012

Senate Bill 2769, SD 2 Relating to Insurance

Chair Cabanilla and members of the House Committee on Housing, I am Rick Tsujimura, representing State Farm Insurance Companies, a mutual company owned by its policyholders. State Farm offers the following amendments to Senate Bill 2769, SD 2 Relating to Insurance.

Our conversations with the Insurance Division suggest that the provisions dealing with an appeal of a denial of rate approval should be amended to reflect that the existing rate stands until all appeals have been concluded.

Second, we believe that the contested case rules under Chapter 91 should be applicable to this appeals process.

We have attached the proposed amendments to this testimony.

Thank you for the opportunity to present this testimony.

1 factual, and legal bases for both the disapproval of the rate  
2 filed by the insurer and the commissioner's proposed rate.  
3 Within thirty days of the commissioner's written notice of  
4 disapproval, the insurer may file a written request to the  
5 commissioner for a hearing pursuant to subsection (f); provided  
6 that:

7 (1) If the insurer fails to file a written request for  
8 hearing, the commissioner's proposed rate shall become  
9 effective sixty days after the expiration of the  
10 deadline to file a written request for a hearing; and

11 (2) If the insurer files a written request for a hearing,  
12 the existing effective rate shall remain in effect  
13 until all appeals of the final order [~~is rendered~~] are  
14 exhausted.

15 (f) The hearing allowed under subsection (e) shall be  
16 conducted under the following procedure:

17 (1) The hearing shall commence within twenty days of  
18 receipt of the written demand for a hearing, and  
19 written notice of the hearing shall be provided to the  
20 parties not less than ten days prior to the hearing;

- 1        (2) The commissioner shall present the commissioner's  
2            proposed rate and the insurer shall present its rate  
3            filing, in addition to other relevant evidence;
- 4        (3) Within fifteen days after the conclusion of the  
5            hearing, the hearings officer shall issue a proposed  
6            decision; ~~and~~
- 7        (4) The rate found to be in compliance with this article  
8            shall be effective sixty days after the order is  
9            rendered by the director[-]; and
- 10       (5) The provisions of Sections 91-9 to 91-15 shall apply  
11           to the hearings under this section."

12       SECTION 4. Section 431:14-104, Hawaii Revised Statutes, is  
13 amended as follows:

14       1. By amending subsections (f) and (g) to read:

15       "(f) Specific inland marine rates on risks specially  
16 rated, made by a rating organization[~~r~~] or advisory  
17 organization, shall be filed with the commissioner.

18       (g) An insurer may satisfy its obligation to make the  
19 filings by becoming a member of, or a subscriber to, a licensed  
20 rating organization [~~which~~] or advisory organization that makes  
21 the filings except for those lines of insurance for which the  
22 commissioner determines individual insurer rate filings shall be



Liberty Mutual Insurance

Testimony to the House Committee on Housing  
Wednesday, March 14, 2012  
10:00 A.M. Hearing - Conference Room 325

**SB2769, SD2: RELATING TO INSURANCE**

Liberty Mutual respectfully opposes SB2769, SD2, 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, 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.

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.

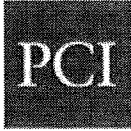
The bill also requires the Commissioner to publish a list of homeowners insurers and homeowners insurance annual premiums as well as a list of motor vehicle insurers and motor vehicle insurance annual premiums on the insurance division's official website. While we believe the publication of homeowners' 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 snapshot and provides an estimated cost--not the actual cost--of coverage. It has the potential to be misleading and create confusion.





**Liberty Mutual Insurance**

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. Thank you for the opportunity to testify.



Property Casualty Insurers  
Association of America

Shaping the Future of American Insurance  
1415 L Street, Suite 670, Sacramento, CA 95814-3972

To: The Honorable Rida T.R. Cabanilla, Chair  
House Committee on Housing

From: Mark Sektnan, Vice President

Re: **SB 2769 SD2 – Relating to Insurance  
PCI Position -- Oppose**

Date: Wednesday, March 14, 2012  
10:00 a.m., Conference Room 325

Aloha Chair Cabanilla and Members of the Committee:

The Property Casualty Insurers Association of American (PCI) is opposed to SB 2769 SD2 which allows the Insurance Commissioner to adjust rates upon disapproval of insurance rate filings for property and casualty insurance. PCI is a trade association consisting of more than 1,000 insurers of all sizes and types. Its members represent 38.3 percent of the total general business insurance and 31.6 percent of the total homeowners business in the nation. In Hawaii, PCI members represent 15.2 percent of the homeowners market.

SB 2769 SD2 would establish an additional rate review process that is unnecessary since the Commissioner currently has the authority to disapprove a rate before it takes effect. This bill would interject hearing officers into the rate review process. These hearing officers may have limited knowledge of the rate making process and actuarial science or other areas of insurance underwriting or ratemaking. While the bill sets clear standards for the Commissioner in ensuring that rates are adequate, there are no standards or requirements that the hearing officer ensure that rates are adequate.

In Hawaii, rates must currently be approved by the Commissioner before they take effect prior to an insurer being able to use the rate and in 2011 residential property insurers responded to a call from the Commissioner to update their filed Homeowners rates. In addition, Hawaii homeowners enjoy a competitive market with reasonable prices. In a national comparison, rates in Hawaii are the 20<sup>th</sup> highest in the nation.

Since the authority of the Commissioner, granted by the Legislature, currently allows greater scrutiny and oversight than most other states, we view the provisions of SB 2769 SD2 as unnecessary and possibly confusing.

For these reasons, PCI asks the committee to hold this bill in committee.