

NEIL ABERCROMBIE
GOVERNOR

SHAN S. TSUTSUI
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

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

TWENTY-SEVENTH LEGISLATURE
Regular Session of 2014

Wednesday, February 12, 2014
2:10 p.m.

TESTIMONY ON HOUSE BILL NO. 2215 – RELATING TO TRAVEL INSURANCE.

TO THE HONORABLE ANGUS L.K. McKELVEY, AND MEMBERS OF THE
COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). The Insurance Division opposes this bill in its current form. There is already a provision in the Insurance Code for the granting of limited lines licenses to sell travel insurance. There are currently 611 active limited lines licensees with the authority to sell travel insurance.

Blanket licensure of a business entity, like this bill proposes, is similar to what is currently done for motor vehicle rental companies and portable electronics vendors. The fees for this type of blanket license can be as high as \$12,500.00. Changing the current licensing laws from one that grants individuals the ability sell travel insurance (license fees for individuals selling travel insurance are \$390.00) to one that grants blanket business entity licenses, may impede the ability of the current agent force of individual producers to compete and participate in this market.

Limited lines licenses traditionally allow a licensee to offer a single line of coverage or a narrow group of related coverages. Travel insurance, as defined in this bill, entails many lines of authority that overlap with the lines of authority that fully

licensed and more vigorously regulated agents sell. Keeping or updating the current law for regulating and licensing sellers of travel insurance may be a better option for protecting consumers and fostering competition than what is allowed for in this bill.

We thank the Committee for the opportunity to present testimony on this matter.



American Society of Travel Agents
1101 King Street, Suite 200
Alexandria, VA 22314

Tel 703.739.2782
Fax 703.684.8319
800.ASK.ASTA

askasta@asta.org
www.ASTA.org

February 12, 2014

Honorable Angus McKelvey, Chair
House Committee on Consumer Protection & Commerce
Conference room 325; 2:10 PM

RE: HB 2215 – Relating to Travel Insurance – In Support

Chair McKelvey, Vice Chair Kawakami, and members of the committee:

On behalf of members of the American Society of Travel Agents (ASTA) that operate in the State of Hawaii, we urge your support of HB 2215. This bill is consistent with new model adopted by the National Conference of Insurance Legislators (NCOIL) as well as the new standard adopted by the National Association of Insurance Commissioners (NAIC). It provides a workable solution to the current licensing problems and inconsistencies our industry faces.

Many of our members want to pass along general information to their clients from travel insurers to protect their clients against unforeseen circumstances that could cause them to lose their travel investment or otherwise incur cost related to a mishap while travelling. However, some of our members do not offer travel insurance, as they are discouraged by the complexity, cost and time burdens and regulatory hurdles that are often put in their path for what is, fundamentally, a referral service and conduit for tendering a brochure or linking to online information that is provided by the insurer.

As introduction, ASTA was established in 1931 and is today the leading retail professional travel trade organization in the world, with over 8,000 members serving the traveling public in 170 countries throughout the world. ASTA members include all segments of the travel industry with the core voting membership made up of retail travel agents. ASTA's members include the companies whose products they sell, such as tours, cruises, hotels and car rentals. One of ASTA's primary functions is to advocate for a level playing field and fair competition throughout the travel industry for the benefit of industry professionals as well as consumers. Travel agents, including traditional and online agents, are responsible for the sale of over 60% of all U.S. airline tickets and 64% of all cruises and tours. They are predominantly very small businesses, with over 98% meeting the Small Business Administration's small business size standard. In fact, in Hawaii, of the 187 travel agencies employing 1,743 full time workers, over 90% operate with less than 20 employees.

Returning to the issue of travel insurance, it is a misnomer to refer to the "sale" of travel insurance at the retail level. Travel agents do not "sell" travel insurance, nor do they hold themselves out as risk assessors with respect to travel and travel insurance.

The typical travel insurance transaction consists of the agent informing the client during the reservation and booking process that travel insurance is available for purchase to protect against the risks that everyone knows but may not be thinking about at the time. Thus, the agent calls attention to the possibility that the client may become ill or experience some other event after the booking and before or during travel that will interfere with completion of the travel experience for which the client is paying. The agent then typically tenders a brochure, or links to online information, that is provided by the actual insurer. The client then decides whether it wants to pay the fee for the insurance coverages offered and, if so, the client pays the money to the insurance vendor directly. In some cases, the travel agency might accept the payment and forward it to the insurance company. In either

case, the insurance company is the provider of the insurance policy and is the source of any binding explanations of the coverages, amounts, etc.

Further, travel agents do not hold themselves out as insurance experts, risk assessors or anything similar. The travel agent does his or her part of the job by calling the availability of the insurance to the attention of the client and providing a means by which the client can get more information and acquire the service if desired.

The benefits are many. The travel consumer has a convenient source of basic information about the availability of travel insurance. The travel insurance industry has a national, ubiquitous distribution system for its products. And the travel agency protects itself from claims related to defeated travel plans by offering third-party protection against disruptions in travel plans.

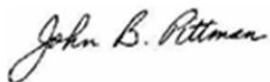
These benefits are diminished, however, for all parties, including the consumer, when travel agents are deterred from offering the insurance opportunity due to the heavy cost of regulation, licensing, testing especially when doing business in multiple jurisdictions. ASTA has calculated the cost of out-of-state insurance licensing is over \$5,000 every two years for an average size travel agency with just eight employees. Further, compared to the travel agency of twenty years ago that only distributed travel products to consumers within the agency's local area, today it is common for this same travel agency to have clients in multiple, if not most states. This is especially true in Hawaii, as many travel agencies sell inbound travel to consumers in all 50 states. The imposition of state regulations for such purposes, that essentially treat travel agents as if they were insurance agents, is self-defeating because it deters travel agents from offering insurance to the traveling public. It does not take much to deter an agent from making this insurance available because the economics simply are not that great from the travel agent's perspective. According to an ASTA survey of its members, travel insurance amounts to, on average, only 1.9% of total revenue. In contrast, air travel represents 33.1% and cruise comprises 20.1%. Yet the economics of the current licensing scheme for a small travel agency with clients throughout the US is self-defeating because it deters travel agents from making insurance available to the traveling public.

It is, therefore, important to all parties to the travel transaction that the rules governing the distribution of travel insurance be uniform, simple and broad in scope. We can ascertain no meaningful benefit to the public or the insurance and travel industries for the current licensing regime with respect to this relatively simple, highly beneficial and low-cost activity.

We would appreciate your support of Travel Producer Licensing Reform in Hawaii. ASTA is prepared to confer directly with you in any mutually feasible manner to assist in reaching this goal.

Thank you for considering our views.

Respectfully submitted,



John B. Pittman
Vice President
Industry & Consumer Affairs, Research

John P. Fielding
202 429 6296
jfielding@steptoe.com



1330 Connecticut Avenue, NW
Washington, DC 20036-1795
202 429 3000 main
www.steptoe.com

February 12, 2014

Honorable Angus McKelvey, Chair
Honorable Derek Kawakami, Vice Chair
House Committee on Consumer Protection & Commerce

RE: HB 2215 – Relating to Travel Insurance – IN SUPPORT
Hawaii State Capitol, Rm. 325; 2:10 PM

Aloha Chair McKelvey, Vice Chair Kawakami and Members of the Committee:

On behalf of the US Travel Insurance Association (USTiA), I write to express the USTiA's strong support for HB 2215. The legislation would update Hawaii's producer licensing requirements for travel insurance and does so in a way that provides legislators and regulators with the information you need for good governance, updating the licensing process to reflect the way the marketplace operates today, and, most importantly, protecting consumers.

Similar reforms are in place in 20 states, and currently under consideration in 21 additional states (one state, Iowa, does not require producer licenses for travel insurance). This bill is based on a model act adopted by the National Conference of Insurance Legislators (NCOIL) in November 2012, and uniform licensing standards adopted by the National Association of Insurance Commissioners (NAIC) in late 2010.

The USTiA is a national association of insurance carriers, third-party administrators, insurance agencies and related businesses involved in the development, administration and marketing of travel insurance and travel assistance products. USTiA works to assist our members to ensure that travelers have affordable access to travel protection and travel assistance; to educate consumers about travel insurance and related issues; to foster ethical and professional standards of industry conduct; and to inform and assist members with matters pertaining to the industry.

Travel insurance producer licensing is in grave need of modernization. The licensing difficulties and regulatory inconsistencies among the states are driven by a number of underlying factors, reflecting both the realities of the market and the regulatory approaches of the states:

- Non-insurance travel retailers (travel agents) that distribute travel products are not in the business of insurance, nor are they considered so by consumers. In fact, the non-insurance travel retailer's insurance activity is very limited and is clearly not considered "licensable" under guidance adopted by the NAIC. Moreover, travel insurance products are rarely, if ever, offered by insurance agents who sell major lines of insurance such as property, casualty, or health coverage.
- The licensed insurance provider (insurer, MGA, administrator) is normally clearly identified in the pre-packaged ancillary insurance materials that are distributed to consumers by the non-insurance travel retailer. These materials are identical or nearly identical to the materials the consumer would get directly from the licensed insurance provider. Moreover, the insurance product is a discretionary buy; it is offered as an add-on to a retail product or service.
- Consumers and regulators generally treat the licensed insurance provider as the first responder for questions or complaints, including complaints against retail travel agents, which are few. In fact, in 2010 a leading and representative licensed travel insurance provider had 250 complaints out of 6,000,000 policies sold (0.004%).
- Travel retailers may do business in one state or many; in fact, travel agents cannot reasonably predict the state or states (outside their resident states) in which they might do business – because they could get a call from anywhere for travel services. There are approximately 16,000 travel agent retail locations in the U.S.—nearly 9,000 of which are single location operations. Travel agents average revenue is \$200,000, of which only 1.9% (\$3,800) represents travel insurance.
- Non-resident licenses are very difficult to obtain for travel insurance producers. Unlike major lines of authority like life, health, or property & casualty, there is very little reciprocity among states because there are 41 different licensing qualification codes to get licensed for travel insurance across the states. Many states do not accept any or the same electronic application. As a result, it commonly takes 6 months to get licensed to sell travel insurance across the U.S. This makes full compliance nearly impossible in an industry that can suffer high turnover.

Fixing the Problems

HB 2215 provides a workable solution to resolve the problems and regulatory inconsistencies for travel insurance providers and travel retailers. The legislation would improve consumer protection by requiring clearer accountability and notice to the consumer and regulator

with respect to who is responsible for the sale. It also would help bridge the gap between widely accepted regulatory practices in the states and the actual state rules.

The key elements of the legislation include:

- Permitting licensed insurance providers (MGAs, insurers, administrators) to be the licensees for products distributed through non-insurance retailers, if and only if certain consumer protections are met.
- Updating the definition of travel insurance, including distinguishing it from coverages provided for longer term military or ex-pat assignments.
- More clearly define licensable and non-licensable activities for those offering limited lines products.

We urge the committee to pass this important legislation. Thank you very much for your consideration of the views of UStiA.

Sincerely,

John P. Fielding

kawakami3-Benigno

From: Rachel - twhawaii <rachel@twhawaii.com>
Sent: Tuesday, February 11, 2014 10:13 AM
To: CPCtestimony
Subject: Please support HB2215 (Travel Insurance)

To Whom It May Concern:

On behalf of more than 1,700 people who work in the travel agency industry in the State of Hawai'i, I urge you to support House Bill 2215 (travel insurance).

HB 2215 provides a workable solution to current licensing problems and inconsistencies our industry faces, and reflects the national standards adopted by the National Association of Insurance Commissioners (NAIC) and the National Conference of Insurance Legislators (NCOIL).

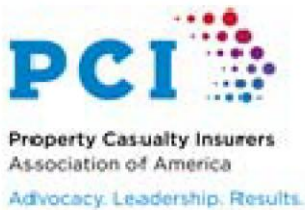
I am a small but thriving business in Hawai'i that is working hard during this tough economic time to make ends meet and unnecessary regulations like the current travel agency insurance licensing scheme make it difficult for me.

First and foremost, I am not an insurance agent as I'm treated under the current system – I sell travel. I only offer travel insurance as an added service for the benefit of my customers. My activities are normally limited to passing along general information about travel insurance. I do this usually through a brochure or website that is pre-packaged and distributed by a licensed limited lines travel insurance producer, such as a managing general agent. There is little financial incentive selling travel insurance, with it only representing on average less than two percent of a travel agency's total revenue. But, as a travel agent, I find that many of my customers do value travel insurance as a means of protecting their trips, and accordingly, feel it is important to make it available to them.

The new licensing standard embodied in HB 2215 is a win-win. It reduces an unnecessary burden on my business, and at the same time it offers greater protection to Hawai'i residents. I strongly urge your support for this standard, which will allow businesses like mine to continue to succeed in Hawai'i by focusing on what we do best – sell travel. Please support HB 2215.

Rachel R Shimamoto
Travel Ways, Inc.
1250 S King St
Honolulu, HI 96814

ph: (808) 597-1425
fax: (808) 597-1432



LATE

To: The Honorable Angus L.K. McKelvey, Chair
House Committee on Consumer Protection and Commerce

From: Mark Sektnan, Vice President

Re: **HB 2215 – Relating to Travel Insurance**
PCI Position – Support

Date: Wednesday, February 12, 2014
2:10 p.m., Conference Room 325

Aloha Chair McKelvey, Vice Chair Kawakami and Members of the Committee:

The Property Casualty Insurers Association of America (PCI) is pleased to support HB 2215, which establishes a limited lines travel insurance producer license for producers selling, soliciting, or negotiating travel insurance through a licensed insurer, and authorizes travel retailers to offer the insurance if registered by a limited lines travel insurance producer.

PCI is a national trade association that represents over 1,000 property and casualty insurance companies. In Hawaii, PCI member companies write approximately 34.6 percent of all property casualty insurance written in Hawaii. PCI member companies write 42.2 percent of all personal automobile insurance, 43.5 percent of all commercial automobile insurance and 58.9 percent of the workers' compensation insurance in Hawaii.

HB 2215 is based on a model act adopted by the National Conference of Insurance Legislators (NCOIL) in November 2012, and uniform licensing standards adopted by the National Association of Insurance Commissioners (NAIC) in late 2010. The new NCOIL/NAIC standards give both regulators and the industry a clearer and workable licensing framework for the travel limited lines, while at the same time improving consumer protections and disclosures. Similar laws are in place in 20 states, and currently under consideration in 21 additional states.

There are a number of factors that contribute to the licensing difficulties and regulatory inconsistencies among the states. Travel agents are not in the business of insurance, nor are they considered so by consumers. The travel retailer's insurance activity is very limited. Travel insurance products are rarely offered by insurance agents who sell major lines of insurance such as property or casualty. Today, travel retailers may do business in one state or many. Non-resident licenses are very difficult to obtain for travel insurance

producers. Unlike major lines of authority like property and casualty, there is very little reciprocity among states because there are 41 different licensing qualification codes to get licensed for travel insurance across the states.

HB 2215 resolves the problems and regulatory inconsistencies for travel insurance providers and travel retailers. It addresses the practical challenges of multi-state licensing for limited lines travel insurance producers and their non-insurance distributors working across the country.

For these reasons, PCI urges the committee to pass this bill.

kawakami3-Benigno

From: Wendy <wendy@hnltravel.com>
Sent: Tuesday, February 11, 2014 4:44 PM
To: CPCtestimony
Subject: Please Support HB 2215 (Travel Insurance)



Importance: High

On behalf of more than 1,700 people who work in the travel agency industry in the State of Hawai'i, I urge you to support House Bill 2215 (travel insurance).

HB 2215 provides a workable solution to current licensing problems and inconsistencies our industry faces, and reflects the national standards adopted by the National Association of Insurance Commissioners (NAIC) and the National Conference of Insurance Legislators (NCOIL).

I am a small but thriving business in Hawai'i that is working hard during this tough economic time to make ends meet and unnecessary regulations like the current travel agency insurance licensing scheme make it difficult for me.

First and foremost, I am not an insurance agent as I'm treated under the current system – I sell travel. I only offer travel insurance as an added service for the benefit of my customers. My activities are normally limited to passing along general information about travel insurance. I do this usually through a brochure or website that is pre-packaged and distributed by a licensed limited lines travel insurance producer, such as a managing general agent. There is little financial incentive selling travel insurance, with it only representing on average less than two percent of a travel agency's total revenue. But, as a travel agent, I find that many of my customers do value travel insurance as a means of protecting their trips, and accordingly, feel it is important to make it available to them.

The new licensing standard embodied in HB 2215 is a win-win. It reduces an unnecessary burden on my business, and at the same time it offers greater protection to Hawai'i residents. I strongly urge your support for this standard, which will allow businesses like mine to continue to succeed in Hawai'i by focusing on what we do best – sell travel. Please support HB 2215.

Wendy Goodenow, CTC

President/Owner
HNL Travel Associates 1245 Young St. #203 Honolulu HI 96814
Direct PH: 808 440-9651 Office PH: 808 591-2011 ext 111 FAX: 808 591-8513
ARC/IATA: 12794935
Proud to be a Virtuoso Agency in Hawaii
Member of the American Society of Travel Agents
Member of the Better Business Bureau
Member of Honolulu Executives Association
Celebrated our 26th Anniversary July 1, 2013

Website: www.hnltravel.com

LATE

From: Charmaine Chan <cchan@panda-group.com>
Sent: Tuesday, February 11, 2014 8:23 PM
To: CPCtestimony
Subject: Please Support HB 2215 (Travel Insurance)

On behalf of more than 1,700 people who work in the travel agency industry in the State of Hawai'i, I urge you to support House Bill 2215 (travel insurance).

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Regards,

Charmaine Chan

Director, Business Support

Panda Group

Ph: (808) 738-3312

E-mail: cchan@panda-group.com