



LATE

February 3, 2017

The Honorable Rosalyn H. Baker, Chair
Senate Committee on Commerce, Consumer Protection and Health

The Honorable Gilbert S.C. Keith-Agaran, Chair
Senate Committee on Judiciary and Labor

Re: SB 953 – Relating to Insurance

*Delayed
implementation
on*

Dear Chair Baker, Chair Keith-Agaran and Members of the Committees:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 953, which amends various section of the Insurance Code. HMSA supports the intent of this Bill, but we do have **comments and suggest clarifying amendments to the Bill.** .

Section 431:3-212 (page 2, lines 6-7)

This section provides for an insurer's name on the application for a certificate of authority to include the word "corporation," "incorporated," or "limited." While this section does not ordinarily apply to mutual benefit societies (MBS), the bill could be read to make section 431:4-104(d)(1) applicable to MBS entities. This could be confusing and potentially could be read to require an MBS to change its corporate form.

We do not believe this change was the drafting intent, and the Committee may wish to consider the following clarifying language to the Bill:

"Its name, in compliance with sections 431:3-202(b) and 431:4-104(d)(1) to the extent the insurer is otherwise subject to those sections, home office location, type of insurer...."

Section 431:9A-102 (page 9, lines 3-4); Section 431:9A-114 (page 9, lines 11-15, and 18-19; page 10, lines 2-3, 11, 13, 16, and 17); Section 431:9A-115 (page 11, lines 4-9, 14-15; page 12, lines 3-4, 6-7, 10-13, 16-17, 20-21)

These three sections seek to conform the statutes to the NAIC's Producer Licensing Model Act. Under the current law, an individual insurance broker can be appointed either by the insurer itself, or by a brokerage agency with whom the insurer contracts. The Bill would change the law such that only the insurer would have the authority to appoint brokers.

This could significantly impact how HMSA does business with regard to our Akamai Advantage (AA) line of business. HMSA contracts with up to 15 brokerage agencies that in turn appoint individual brokers for our products. The Bill would require HMSA to contract directly with the individual brokers, rather than with the brokerage agency, potentially resulting in a considerable amount of additional administrative burden each year.

Thank you for allowing us to share our concerns on SB 502.

Sincerely,

Mark K. Oto



An Independent Licensee of the Blue Cross and Blue Shield Association

Director, Government Relations

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To: The Honorable Rosalyn H. Baker, Chair
The Honorable Clarence K. Nishihara, Vice Chair
Senate Committee on Commerce, Consumer Protection and Health

The Honorable Gilbert S. C. Keith-Agaran, Chair
The Honorable Karl Rhoads, Vice Chair
Senate Committee on Judiciary and Labor

From: Mark Sektnan, Vice President
Property Casualty Insurers Association of America

Re: SB 953 – Relating to Insurance
PCI Position: **Comments; Request Amendments**

Date: Friday, February 3, 2017
9:30 a.m., Room 016

Aloha Chairs Bakers and Keith-Agaran, Vice Chairs Nishihara and Rhoads and Members of the Committees:

The Property Casualty Insurers Association of America (PCI) is requesting amendments to two provisions of SB 953 which would change the law relating to insurance producers and how insurance claims are handled. In Hawaii, PCI member companies write approximately 42.3 percent of all property casualty insurance written in Hawaii. PCI member companies write 44.7 percent of all personal automobile insurance, 65.3 percent of all commercial automobile insurance and 76.5 percent of the workers' compensation insurance in Hawaii.

PCI would like to request that the effective date of Sections 6, 7 and 8 (regarding insurance producers) be postponed one year to January 1, 2019. Currently, the bill makes Sections 6 and 7 effective on January 1, 2018, and Section 8 effective upon approval. Insurers writing insurance in Hawaii and insurance agency principals will need to draft new agreements, which should not be problematic. The challenge will be obtaining signatures from thousands of insurance producers in a timely manner, some of whom may be nonresidents. A delay in the effective date of these three sections will provide adequate time for individual producers to discuss the new agreements with each of the insurers they represent prior to signing so that they will receive uninterrupted commission payments.

PCI also has a comment and a requested amendment to Section 9.

PCI believes that this section combines first-party and third-party concepts, which could lead to confusion. HRS § 431:10C-309 through HRS § 431:10C-312 all deal with first-party insureds rather than “third-party claimants.” While we do not believe that this will be a practical problem, it would be clearer to include the desired language in a separate section.

PCI recommends the following amendment to clear up any possible confusion and ensure that an insurer is not obligated to pay in excess of the Property Damage Liability limit of coverage, and we do not believe this is the intent of this provision. Language should be added to explicitly provide that the insurer’s obligations to a “third-party claimant” are subject to the Property Damage Liability limit of the applicable auto policy.

For example, a new subsection (e) could be added to section 431:10C-312 to read:

“(e) An insurer’s obligation to reimburse a third-party claimant for the applicable general excise tax and certificate of ownership fee as set forth in this section shall be subject to the property damage liability limit of the policy.”

Thank you for your consideration of these two amendments.