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TO THE HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE

TWENTY-NINTH LEGISLATURE
Regular Session of 2018

Thursday, February 1, 2018
2:00 p.m.

TESTIMONY ON HOUSE BILL NO. 1624, RELATING TO INSURANCE.

TO THE HONORABLE ROY M. TAKUMI, CHAIR, AND MEMBERS OF THE
COMMITTEE:

The Department of Commerce and Consumer Affairs (“Department”) appreciates the opportunity to testify on H.B. 1624, Relating to Insurance. My name is Gordon Ito, and I am the Insurance Commissioner for the Department’s Insurance Division (“Division”). The Department provides the following comments.

The purpose of this bill is to delay implementation of sections 7, 8, and 9 of Act 152, Session Laws of Hawaii 2017. While the Department is not opposed to extending the effective date to eliminate producer-to-producer appointments, we respectfully request that the effective implementation date be no later than January 1, 2020.

Thank you for the opportunity to testify on this measure.

TESTIMONY OF MARIE WEITE

COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Representative Roy Takumi, Chair
Representative Linda Ichiyama, Vice Chair

Thursday, February 1, 2018
2:00 p.m.

HB 1624

Chair Takumi, Vice Chair Ichiyama, and members of the Committee on Consumer Protection & Commerce, my name is Marie Weite, Assistant Vice President of Claims of First Insurance Company of Hawaii and the Law & Regulations Chair of Hawaii Insurers Council. The Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately forty percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **supports** this bill. The repeal of the producer to producer appointment process is a major change in the way insurance agents are and have been contracted.

Today, most insurance agents are appointed by an agency principal and therefore, the contract is technically between two agents. The agency then is appointed by an insurance company. This dates back to when Hawaii had in its law general agents, subagents, and solicitors. Now, all agents are called producers. Although we understand that Hawaii is the only state in the nation where this is done, the repeal means that every producer contract that exists must be re-executed between the producer and the insurance company. From an insurance company's perspective, this can be thousands of contracts that need to be explained and executed by a date certain. For most active producers, this may not present an issue, but for those

producers who are not active, insurers will have to pursue them to execute a new contract. Insurers are concerned that if all contracts are not redone by the effective date of the repeal, they would be subject to fines up to \$10,000 per occurrence which is in the insurance code for non-compliance.

We would also like more time to sit down with the Insurance Commissioner and walk through this new process with him. We do not know what data insurers will need to transmit and the protocols in order to execute the transmission. We are unsure if the data for Hawaii producers will be transmitted to and stored in a Hawaii database or an NAIC database.

If the repeal date is extended to that in the bill of July 1, 2021, it allows two more Legislative Sessions from the current effective date of January 1, 2019 in the event either the Insurance Division is not ready to receive the data or the insurance companies are having difficulty in executing new contracts. If both parties can comply before the effective date, they may do so.

Thank you for the opportunity to testify.



HAWAII

House Committee on Consumer Protection & Commerce

Hearing Date: February 1, 2018

Time: 2:00 pm

RE: HB 1624 – Relating to Insurance

Chair Takumi, Vice Chair Ichiyama, and Members of the Committee, the National Association of Insurance and Financial Advisors (NAIFA) Hawaii represents life insurance producers/agents across Hawaii who primarily market life insurance, annuities, long term care insurance and disability income insurance products.

We **support** HB 1624 that will postpone the effective date from July 1, 2017 to July 1, 2021 for Sections 7, 8, and 9 provisions in Act 152, SLH 2017. Act 152 conforms to the National Association of Insurance Commissioners (NAIC) model act for insurance producer licensing requirements.

Act 152 will only allow for “insurer to producer” appointments and eliminate the “producer to producer” appointments. Hawaii was the anomaly in the country allowing for the “producer to producer” appointments.

HB 1624 will provide ample time for both industry and Hawaii’s Insurance Division to initiate the new producer appointments by the insurers. This delay of the effective date will also provide the opportunity for Insurance Division to move to a new computer system.

Mahalo for allowing us to share our views and your favorable consideration.

Cynthia Takenaka, Executive Director
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