

HCR 87

HR 71

HOUSE CONCURRENT RESOLUTION

REQUESTING THE INSURANCE COMMISSIONER CONVENE AN INSURANCE
MODERNIZATION WORKING GROUP TO UPDATE AND MODERNIZE THE
STATE'S PROPERTY AND CASUALTY INSURANCE AND LIFE INSURANCE
LAWS.

1 WHEREAS, the State's Insurance Code, codified in Chapter
2 431, Hawaii Revised Statutes, was originally drafted in 1987 and
3 has not been substantively updated to account for technological
4 innovations, such as the Internet and smart phones; and

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6 WHEREAS, technology and consumer expectations are rapidly
7 transforming the regulated insurance industry; and

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9 WHEREAS, substantial investments in innovative insurance
10 products, services, and technologies hold great promise for
11 improving the mitigation of risks, improving efficiencies,
12 reducing costs of insurance transactions, expediting claims
13 payments, and improving overall customer understanding of, and
14 satisfaction with, this essential form of financial protection;
15 and

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17 WHEREAS, some innovations will disrupt current insurance
18 business models and introduce new and more efficient ways of
19 doing business; and

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21 WHEREAS, by actively engaging with and encouraging the
22 piloting and testing of new and innovative ways of delivering
23 insurance to businesses and consumers, the State will be able to
24 expand insurance markets, particularly by making insurance
25 transactions more accessible for first-time insurance buyers;
26 and

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28 WHEREAS, strict application of uniformly applicable
29 requirements can lead to unintended results when new and



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1 innovative technologies, products, and services are first tested
2 in a closely-regulated marketplace, such as insurance; now,
3 therefore,
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5 BE IT RESOLVED by the House of Representatives of the
6 Twenty-ninth Legislature of the State of Hawaii, Regular Session
7 of 2018, the Senate concurring, that the Insurance Commissioner
8 is requested to convene an insurance modernization working group
9 to explore and propose legislation to update and modernize
10 Hawaii's property and casualty insurance and life insurance
11 laws; and
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13 BE IT FURTHER RESOLVED that the Insurance Commissioner is
14 requested to invite the following to serve as members of the
15 insurance modernization working group:
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- 17 (1) One representative from each of the five largest
18 property and casualty insurers operating in the State;
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- 20 (2) One representative from each of the three largest life
21 insurers operating in the State;
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- 23 (3) One representative from the Hawaii Independent
24 Insurance Agents Association;
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- 26 (4) One representative from the National Association of
27 Insurance and Financial Advisors; and
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- 29 (5) One representative from the Hawaii Association for
30 Justice; and
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32 BE IT FURTHER RESOLVED that the insurance modernization
33 working group is requested to submit a written report of its
34 findings, recommendations, and proposed legislation to the
35 Legislature no later than twenty days prior to the convening of
36 the Regular Session of 2019; and
37



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1 BE IT FURTHER RESOLVED that certified copies of this
2 Concurrent Resolution be transmitted to the Insurance
3 Commissioner, who in turn is requested to provide copies of this
4 Concurrent Resolution to representatives invited to join the
5 insurance modernization working group.

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OFFERED BY: Linda Schizas
Bealer

MAR 08 2018



DAVID Y. IGE
GOVERNOR

DOUGLAS S. CHIN
LIEUTENANT GOVERNOR

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TO THE HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE

TWENTY-NINTH LEGISLATURE
Regular Session of 2018

Thursday, March 22, 2018
2:00 p.m.

**TESTIMONY ON HOUSE CONCURRENT RESOLUTION NO. 87 AND HOUSE
RESOLUTION NO. 71, REQUESTING THE INSURANCE COMMISSIONER
CONVENE AN INSURANCE MODERNIZATION WORKING GROUP TO UPDATE
AND MODERNIZE THE STATE'S PROPERTY AND CASUALTY INSURANCE AND
LIFE INSURANCE LAWS.**

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 in support of H.C.R. 87 and H.R. 71, Requesting the Insurance Commissioner Convene an Insurance Modernization Working Group to Update and Modernize the State’s Property and Casualty Insurance and Life Insurance Laws. My name is Gordon Ito, and I am the Insurance Commissioner (“Commissioner”) for the Department’s Insurance Division.

The Department notes that the aspirational and exploratory goals of both resolutions are very similar to what is being proposed in S.B. 2938, S.D. 1, which this Committee heard and the Department strongly supported. These resolutions propose that a working group be formed to explore and propose legislation to update and modernize Hawaii’s property and casualty insurance and life insurance laws in the face of rapid technological changes in the insurance industry. The Department supports these resolutions but is aware that the process of convening a task force, reporting to

the Legislature, preparing proposed insurance statutory changes resulting from the task force's recommendations, introducing insurance regulation legislation, and implementing the resulting legislation, in addition to allowing a reasonable grace period for the industry, may take at least three or four years. The most recent recodification of Hawai'i's insurance regulatory laws took a similar time period.

Meanwhile, during this proposed three- to four-year time period, meaningful opportunities to deliver new and innovative technologies, products and services will be lost or, at the very least, delayed to Hawai'i's citizens.

The Department also respectfully recommends the scope be expanded to the entire title 24 of the Hawaii Revised Statutes.

The Department believes that the resolutions' proposals and S.B. 2938, S.D. 1, can work well together. The bill allows the Commissioner to review beneficial and innovative consumer products for immediate application while, at the same time, work on the task force with the industry to update and streamline statutory laws. This affords the opportunity to have a seamless transition in the evolution of insurance regulation in Hawai'i.

Thank you for the opportunity to testify in support of these resolutions.

**HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE**

March 22, 2018

HCR 87 Requesting the Insurance Commissioner Convene an Insurance
Modernization Working Group to Update and Modernize the State's Property and
Casualty Insurance and Life Insurance Laws

Chair Takumi, Vice Chair Ichiyama, and Members of the Committee on Consumer Protection and Commerce:

I am Rick Tsujimura, representing State Farm Mutual Automobile Insurance Company (State Farm). State Farm supports House Concurrent Resolution 87.

The purpose of this resolution is to convene an insurance modernization working group to update and modernize the State's property and casualty insurance and life insurance laws. The insurance code, originally adopted in 1988, has not been substantively updated to account for technological innovations such as the Internet and smart phones. Today, however, substantial investments in innovative insurance products, services, and technologies have already improved the insurance industry by mitigating risks, improving efficiencies, reducing costs of insurance transactions, expediting claim payments, and improving overall customer understanding and satisfaction.

Much of the code applicable to auto insurance was revised twenty years ago. I am uncertain how long ago the life insurance and homeowners code was last reviewed. Technology has advanced over those years making certain concepts problematic, such as "electronic documents". When first envisioned "electronic documents" were electronic (digitized) copies of an original written document. This was a time of photocopies and faxes, today online applications are not in a "document" format but digital inputs, yet the code has not advanced to consider these advances. Document storage in the past required actual documents to be saved in an agent's office; but this too has changed where documents are stored online and can be made available to agents and, in some cases, to consumers themselves, without the necessity of physically travelling to an agent's or a company's office. Although seemingly minor, these changes should be reviewed to clarify current practices.

The resolution continues the trend for the Insurance Code to reflect the current state of business and provide customers with the convenience they desire. We believe a meeting of all interested parties is prudent and worthy of consideration.

Thank you for the opportunity to present this testimony.



House Committee on Consumer Protection & Commerce Hearing
Date: March 22, 2018 Time: 2:00 pm

RE: HCR 87 / HR 71: Requesting the Insurance Commissioner Convene an Insurance Modernization Working Group to Update and Modernize the State’s Property and Casualty Insurance and Life Insurance Laws.

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 offer our comments on these resolutions.

The insurance industry is heavily regulated. These resolutions propose a working group to “explore and propose legislation to update and modernize Hawaii’s property and casualty insurance and life insurance laws”. Our organization along with 3 representatives from the three largest life insurers operating in Hawaii are named to serve as members of this working group. Representatives from the five largest property and casualty insurers operating in Hawaii, a representative from the Hawaii Independent Insurance Agents Association and a representative from the Hawaii Association for Justice are also invited to serve.

NAIFA Hawaii is an agents/producers association and our members sell the insurance products and provide services to the clients, all under the auspices of the insurers. It’s unclear what our role as an organization would serve on this working group since we don’t have a say in these “innovative” insurance products and services nor in the technologies available now and in the future to improve efficiencies, reducing the costs of insurance transactions, and expediting claim payments.

We probably will see more “disrupters” in the current insurance models but that is under the insurer’s purview as they control the insurance products, sales information, and employment agreements. We are in the front line of educating and selling the products to the consumers and much of that process is also regulated. We appreciate being named to serve on this working group.

Thank you for allowing us to share our viewpoint.

Cynthia Takenaka, Executive Director
Ph: 808-394-3451

HCR-87

Submitted on: 3/21/2018 1:26:49 PM

Testimony for CPC on 3/22/2018 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Oahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i	Support	No

Comments:

Hawaii State Legislature
House Committee on Commerce Protection and Consumer
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

March 22, 2018

Filed via electronic testimony submission system

HCR 87/HR 71, Insurance Modernization Working Group – NAMIC’s written testimony in support

Thank you for providing the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to your committee for the March 22, 2018, public hearing. Unfortunately, I will not be able to attend the public hearing, because of a previously scheduled professional obligation. NAMIC’s written comments need not be read into the record, so long as they are referenced as a formal submission and are provided to the committee for consideration.

The National Association of Mutual Insurance Companies (NAMIC) is the largest property/casualty insurance trade association in the country, with more than 1,400 member companies. NAMIC supports regional and local mutual insurance companies on main streets across America and many of the country’s largest national insurers. NAMIC members represent 40 percent of the total property/casualty insurance market, serve more than 170 million policyholders, and write nearly \$225 billion in annual premiums. NAMIC has 84 members who write property/casualty/workers’ compensation in the State of Hawaii, which represents 28% of the insurance marketplace.

NAMIC is pleased to support these proposed resolutions, because insurance consumers benefit from product innovation and systemic modernization. The proposed resolutions would facilitate a thoughtful analysis of potential ways to assist the insurance marketplace in its efforts to utilize technology to address consumer needs. A formal study on technological changes in the IT world and product innovation are invaluable to insurers’ ability to improve risk mitigation programs and their assessment of consumer risk exposure. Additionally, new technological developments may help streamline regulatory procedures, reduce the costs of insurance transactions, expedite the adjusting of insurance claims, and improve customer understanding of products and consumer satisfaction with the insurance experience.

For the aforementioned reasons, NAMIC respectfully requests a **YES VOTE on HCR 87 and HR 71.**

Thank you for your time and consideration. Please feel free to contact me at 303.907.0587 or at crataj@namic.org, if you would like to discuss NAMIC’s written testimony.

Respectfully,



Christian John Rataj, Esq.
NAMIC Senior Regional Vice President
State Government Affairs, Western Region

LATE

**TESTIMONY OF NAHELANI WEBSTER ON BEHALF OF THE HAWAII
ASSOCIATION FOR JUSTICE (HAJ) REGARDING HCR 87 / HR 71**

March 22, 2018
2:00 p.m.
Room 329

To: Chair Roy M. Takumi and Members of the House Committee on Consumer Protection and Commerce:

My name is Nahelani Webster and I am presenting this testimony on behalf of the HAJ regarding HCR 87 / HR 71. HAJ offers the following comments.

The resolutions are broadly titled to call for modernization of the Hawaii Insurance Code with respect to property & casualty (P&C) and life insurance laws. These resolutions appear to highlight “technological innovations” such as the internet and smartphones. Whether the proponents seek a broad top to bottom review of the Insurance Code or a more focused examination of aspects affected by “technological innovations,” is not clear.

With respect to a comprehensive review and overhaul of the code, we offer two comments. First, the code has not been a static document. Many changes – some major and some minor – have been made to the code since the time it was first enacted in 1987. This committee reviews dozens of changes each legislative session and has amended the code annually. Hence, it is not accurate to view or portray the code as out-of-date simply because it was initially promulgated in 1987. It is, and has been, evolving to address the needs of a changing world. Second, a truly comprehensive review of the insurance code is a massive undertaking. HAJ participated in the working group which drafted the 1987 code and recognizes that a comprehensive review may not be the best use of division resources given the division’s priorities.

Representatives from P&C insurers, health insurers, HAJ, Commissioner Gordon Ito and his staff met last week to discuss legislation related to updating insurance code provisions implicated in advancing technology. It was a good discussion of the challenges facing insurance regulators when deciding how fast or slow to proceed in encouraging, adopting and implementing regulatory changes related to technology. A few states have taken an aggressive position that regulators need to be on the cutting edge of technology or be left behind, while many states and the federal government have approached the issue more conservatively taking a “look before you leap” approach. Neither is right or wrong. Both approaches have sound reasons that merit consideration. Some deference should be given to the commissioner to determine the scope and timing for his division given his judgment and available resources.

As to the application of advancing technology to highly regulated financial industries (which includes insurance) there is a concern that being at the cutting edge is not necessarily best due to the difficulties in adequately regulating emerging technology to protect consumers. Regulators have neither the expertise nor resources to effectively regulate emerging technological platforms. Current examples include misuse of consumer data by the largest technology giants, surreptitious manipulation of America’s government by foreign governments using highly sophisticated technology, data breaches of on-line financial services involving the largest banks in the country, and estimates that perhaps half of cyber financial transactions involving cryptocurrency are related to criminal activity. It is one thing to be at the cutting edge for ordering pizza on your iPhone; but may be quite another when the safety and stability of an important financial industry is involved. “Look before you leap” might be the more prudent approach until

regulators can gain a better understanding of current (and future) hacking threats and prevention, as well as controlling unauthorized use of information as has apparently been happening on a widespread basis with cyber technology.

HAJ appreciates the opportunity to be a part of this important discussion and inclusion in the proposed working group should these resolutions be adopted and implemented.

Thank you for the opportunity to testify and for listening to our concerns and comments. Please feel free to contact me should there be any questions.