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TO THE HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE

TWENTY-NINTH LEGISLATURE
Regular Session of 2017

March 14, 2018
2:00 p.m.

TESTIMONY ON SENATE BILL NO. 208, S.D. 2, RELATING TO UNCLAIMED LIFE INSURANCE BENEFITS.

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 S.B. 208, S.D. 2, Relating to Unclaimed Life Insurance Benefits. My name is Gordon Ito, and I am the Insurance Commissioner (“Commissioner”) for the Department’s Insurance Division (“Division”). The Department supports this bill and provides the following comments.

This bill amends Hawaii Revised Statutes chapter 431 by adding a new part to article 10D called the “Unclaimed Life Insurance Benefits Act” to require recognition of the unclaimed property statutes of Hawai`i, and the disclosure and accountability relating to payment for life insurance death benefits regulated by the Commissioner. S.D. 2 amends this measure by inserting an effective date of January 1, 2019.

In 2013, Consumer Reports found an estimated \$1 billion in life insurance benefits were unclaimed. Each year, the Division, alone, receives approximately 40 requests for assistance in finding a possible life insurance policy.

To address this problem, on November 29, 2016, the Division launched on its website a national life insurance policy locator service to help consumers find lost life insurance policies and annuities. This service, developed by the National Association of Insurance Commissioners (“NAIC”) and based in part on policy locator programs developed independently by a number of states, empowers a consumer with search capabilities in locating a deceased’s lost life insurance policy or annuity.

The initial year’s use of this service by the public is impressive. Nationally, during the period from November 4, 2016 to November 4, 2017, 40,201 inquiries were made and 8,210 beneficiaries were matched with lost or misplaced life insurance policies or annuities for a total of \$92.5 million being returned. For Hawai`i during this same time period, 241 inquiries were made, resulting in 54 beneficiaries receiving \$66,418. By December 2017, recovery amounts totaled approximately \$92,500.

This bill requires good faith efforts by insurers to locate any beneficiaries and would benefit Hawai`i's consumers. Insurers' efforts, in conjunction with the current national database service developed by NAIC, would simplify and streamline the process for Hawai`i consumers and insurers in matching beneficiaries and life insurance policies and annuities.

Thank you for the opportunity to testify on this measure.

TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS IN SUPPORT OF
S. B. 208, SD 2, RELATING TO UNCLAIMED LIFE INSURANCE BENEFITS

March 14, 2018

Via e mail: cphtestimony@capitol.hawaii.gov

Honorable Representative Roy M. Takumi, Chair
Committee on Consumer Protection and Commerce
State House of Representatives
Hawaii State Capitol, Conference Room 329
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Takumi and Committee Members:

Thank you for the opportunity to testify in support of SB 208, SD 2, relating to Unclaimed Life Insurance Benefits.

Our firm represents the American Council of Life Insurers (“ACLI”), a Washington, D.C. – based trade association with approximately 290 member companies operating in the United States and abroad. ACLI advocates in state, federal, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers’ products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing 94 percent of industry assets, 93 percent of life insurance premiums, and 97 percent of annuity considerations in the United States. Two hundred twenty-two (222) ACLI member companies currently do business in the State of Hawaii; and they represent 96% of the life insurance premiums and 99% of the annuity considerations in this State.

SB 208, SD 2, adopts the National Conference of Insurance Legislators (“NCOIL”) Model Unclaimed Life Insurance Act (the “Model Act”) by adding a new Part to be included in Article 10D of Hawaii’s Insurance Code.

As of January, 2018, twenty-six (26) states have enacted laws based upon the Model Act, clearly establishing its requirements as a national standard of consumer protections and enabling expeditious, practical compliance by all life insurance companies for all consumers in all states.

The NCOIL Model Act provides a foundation for insurers to use the Social Security Death Master File to obtain notice of death of an insured in the absence of a claim and search for beneficiaries within 90 days.

The NCOIL Model will apply to both future and existing policies, no matter how long policies have been in force. ACLI respects the NCOIL wisdom that retroactive application of legislation to terminated policies should be avoided because it raises constitutional concerns and is unnecessary given government success in resolving concerns about fairness by means of company audits and examinations.

Further, SB 208, as amended, includes provisions that will enable small insurance companies to comply with the Model Act's requirements thereby increasing the number of insurers who will be able to search for beneficiaries.

Accordingly, ACLI is in strong support of SB 208, SD 2, and urges this Committee to pass this bill unamended.

Last session this Committee amended SB 208 to include provisions that will enable small insurance companies to comply with the Model Act's requirements thereby increasing the number of insurers who will be able to search for beneficiaries.

ACLI is in strong support of SB 208, SD 1, and urges this Committee to pass this bill unamended.

Again, thank you for the opportunity to testify in support of SB 208, SD 2.

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SB-208-SD-2

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Testimony for CPC on 3/14/2018 2:00:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|--|---------------------------|---------------------------|
| Melodie Aduja | OCC Legislative Priorities Committee, Democratic Party of Hawai'i | Support | No |

Comments: