



An Independent Licensee of the Blue Cross and Blue Shield Association

April 4, 2018

The Honorable Sylvia Luke, Chair
The Honorable Ty J.K. Cullen, Vice Chair
House Committee on Finance

Re: SB 2643, SD1, HD1 – Relating to Insurance

Dear Chair Luke, Vice Chair Cullen, and Committee Members:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 2643, SD1, HD1, which requires an insurer to provide privacy notices on a biennial basis rather than an annual basis. HMSA supports the intent of this measure.

The current law requires insurers to send annual updates about our privacy policy to members under certain circumstances. The HD1 version of the bill would provide some administrative relief for issuers by making the required notice less frequent.

Thank you for allowing us to testify on SB 2643, SD1, HD1.

Sincerely,

Pono Chong
Vice-President, Government Relations

Hawaii State Legislature
House Committee on Finance

April 3, 2018

Filed via electronic testimony submission system

RE: SB 2643, SD1, HD1, Insurance; Financial Information; Privacy – NAMIC’s Testimony in Opposition

Dear Representative Sylvia Luke, Chair; Representative Ty J.K. Cullen, Vice-Chair; and honorable committee members:

Thank you for providing the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to your committee for the April 4, 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 originally supported SB 2643, as introduced to the legislature, because the bill was intended to implement the federal Fixing America’s Surface Transportation Act (FAST Act) amendments to the Gramm Leach Bliley Act (GLBA). The *introduced legislation*, which is consistent with the national trend, was designed to promote administrative efficiency and eliminate unnecessary annual consumer privacy notice requirement contained in the GLBA.

The national trend has been to streamline and reduce *redundant* consumer notices that needlessly waste resources and provide no benefit to the consumer. The National Association of Insurance Commissioners (NAIC) adopted a model bulletin (“Gramm Leach Bliley Act (GLBA) Annual Privacy Notices NAIC Model Bulletin) and are finalizing amendments to Model Regulation #672, “Privacy of Consumer Financial and Health Information Regulation, to facilitate adoption of FAST

Act changes in the insurance marketplace. SB 2643, *as introduced*, was substantively consistent with the NAIC bulletin and legislation being passed throughout the country.

Unfortunately, the amended versions of the bill SB 2643, SD1 (annual notice requirement every 5 years) and SB 2643, SD1, HD1 (annual notice every 2 years) are entirely inconsistent with the very purpose of the FAST Act, i.e. to streamline and economize the consumer privacy notice requirement for the benefit of insurance consumers.

NAMIC believes that consumer privacy notices should convey meaningful information in an efficient manner. Whether the notice is sent out every year, every two years or every five years is not the controlling consideration. If there has not been a change in the insurer's consumer privacy notice policy during that time frame, the notice is of no real value to the consumer because it is merely a redundant statement of the previously disclosed insurer's consumer privacy policy. NAMIC is concerned that the proposed every 2 years notice requirement is more likely to confuse consumers than inform them.

NAMIC's members strive to make sure that their policyholders are *appropriately* informed of their privacy rights, and as part of their pro-consumer protection commitment insurers support thoughtful legislation that promotes *meaningful* disclosures. However, periodic disclosure requirements for the mere sake of having a disclosure requirement is unnecessarily burdensome for insurers and consumers. Moreover, by requiring insurers to change their current administrative practices and IT systems to implement a new every 2 years consumer notice requirement is likely to create new business operating expense for insurers that are unnecessary insurance rate cost-drivers that could adversely impact affordability of insurance for consumers.

For the aforementioned reasons, NAMIC respectfully requests either: a **NO VOTE on SB 2643, SD1, HD1 or an amendment that fully restores the bill to its *introduced language* so that insurers and consumers may truly benefit from the FAST Act.**

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

TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS
IN OPPOSITION TO SB 2643, HD 1, RELATING TO INSURANCE

April 4, 2018

Honorable Representative Sylvia Luke, Chair
Committee on Finance
State House of Representatives
Hawaii State Capitol, Conference Room 308
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Luke and Committee Members:

Thank you for the opportunity to testify in opposition to SB 2643, HD 1, Relating to Insurance.

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 policyholders 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 95 percent of industry assets, 93 percent of life insurance premiums, and 98 percent of annuity considerations in the United States. Two hundred twenty-one (221) ACLI member companies currently do business in the State of Hawaii; and they represent 96% of the life insurance premiums and 100% of the annuity considerations in this State.

In accordance with the privacy provisions of the federal Gramm Leach Bliley Act (GLBA) Hawaii law currently requires an insurer to send privacy notices annually.

However, in December of 2015, President Obama signed the Fixing America’s Surface Transportation Act (FAST Act) which included amendments to the privacy provisions of the GLBA. As of this writing, 29 States have adopted the FAST Act amendments in their insurance privacy notice laws.

Those amendments eliminated the costly and time consuming requirement of redundant annual privacy notices provided that the institution: (i) only discloses consumers’ nonpublic personal information in accordance with the GLBA and implementing regulations; and (ii) has not changed its privacy policies and practices as described in the institution’s most recent privacy notice sent to consumers.

Further, under the FAST Act amendments an insurer is allowed to send annual privacy notices to just the group policyholder rather than to all individuals covered by the group policy provided that an individual’s nonpublic personal financial information is not improperly disclosed or used; and the insurer’s policies and practices relating to disclosure of the individual’s nonpublic personal information remain unchanged.

As originally introduced, SB 2643 would require an insurer to provide an annual privacy notices to a customer only if the individual's nonpublic personal financial information is improperly disclosed or used and the insurer's policies and practices relating to disclosure of the individual's nonpublic personal information has changed.

As currently worded SB 2643, HD 1, is inconsistent with the FAST Act amendments.

In its current form SB 2643, HD 1, generally requires that following an insurer's providing a customer an initial privacy notice required under current law, the insurer is required to provide the customer with a privacy notice every 2 years (biennially) and when the insurer changes its privacy policies and practices.

ACLI believes that life insurers, like other financial institutions, should not be required to provide annual or biennial GLBA privacy notices if they meet the FAST Act requirements.

Accordingly, ACLI requests that SB 2643, HD 1, be restored to include the provisions of Sections 2 thru 5 of SB 2643 bill as originally introduced.

Again, thank you for the opportunity to testify in opposition to SB 2643, HD 1, Relating to Insurance.

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