

Testimony of
American Insurance Association
on
S.B. 2643, S.D.1
Relating to Insurance
Committee on Consumer Protection & Commerce
Wednesday, March 14, 2018, 2:00 p.m.
Room 329

The American Insurance Association (AIA) opposes S.B. No. 2643, S.D.1.

As originally introduced, S.B. No. 2643 provided an insurer an exception to the requirement of providing all of its customers with annual privacy notices provided the insurer only discloses the consumer's nonpublic information in accordance with the federal Gramm Leach Bliley Act and the insurer's privacy policies and practices have not changed.

As amended, however, S.B. No. 2643, S.D. 1, now requires an insurer to:

- Send a privacy notice every five years, if the insurer has not changes its policies and practices regarding the dissemination of customers' nonpublic personal financial information and the relationship between the insurer and customer is renewed annually or less than annually;
- Provide an additional privacy notice upon renewal of a relationship that lasts longer than a year; or
- Send a notice to a customer after the change in its privacy policies and practices.

The national trend has been to streamline the law to implement new technologies and to reduce redundancies that do not provide any additional benefit to the customer. The Model act of the National Association of Insurance Commissioners has been amended to conform to the federal law and 23 other states have adopted the changes.

However, rather than conforming to the federal law and simplifying the privacy notification requirements, the bill now includes more requirements and considerations in giving notice.

We recommend that S.B. No. 2643 be held to give the industry and the insurance commissioner time to develop a solution that streamlines the process, embraces new emerging technologies, while protecting the interests of consumers.

For these reasons, we urge that S.B. No. 2643, S.D.1, be held.

Mahalo for the opportunity to offer these comments.

TESTIMONY OF ALISON UEOKA

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

Wednesday, March 14, 2018
2:00 p.m.

SB 2643, SD1

Chair Takumi, Vice Chair Ichiyama, and members of the Committee on Consumer Protection & Commerce, my name is Alison Ueoka, President of the 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 **opposes** this bill.

The amendment in SB 2643, SD1 complicates current law by providing several tiers of compliance and appears to now require a privacy notice *more* than annually if the policy renews every six months and meets certain conditions. These provisions place a burden and cost on insurers and consumers without any apparent benefit. It is unclear as to how many consumers read privacy notices and whether if read, are properly understood. Doubling the number of times an insurer must send the notices will not likely increase its understanding or the number of persons who read them.

We ask that you hold this bill. Thank you for the opportunity to testify.

LATE

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

March 14, 2018

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 opposition to SB 2643, SD 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 current worded SB 2643, SD 1, is inconsistent with the FAST Act amendments.

In its current form SB 2643, SD 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 5 years if the customer's relationship with the insurer is renewed annually or less than annually and if the insurer has not changed its privacy policy. Where, however, the customer's relationship with the insurer lasts longer than a year and is renewed the insurer is required to provide the customer with a privacy policy only if the insurer's privacy policy has changed.

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

Accordingly, ACLI requests that Section 2 of SB 2643, SD 1, at pages 2 – 4, be amended to reflect its provisions as originally introduced. Doing so will eliminate the costly and time consuming requirement of sending redundant privacy notices.

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

LAW OFFICES OF
OREN T. CHIKAMOTO
A Limited Liability Law Company

Oren T. Chikamoto
1001 Bishop Street, Suite 1750
Honolulu, Hawaii 96813
Telephone: (808) 531-1500
E mail: otc@chikamotolaw.com

LATE

March 14, 2018

The Honorable Roy M. Takumi, Chair
The Honorable Linda Ichiyama, Vice Chair
House Committee on Consumer Protection and Commerce

Re: SB 2643, SD1 – Relating to Insurance

Dear Chair Takumi, Vice Chair Ichiyama, and Committee Members:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 2643, SD1, which permits an insurer to send a privacy notice every five years, if the relationship between the insurer and a customer is renewed annually or less than annually and the insurer has not changed its policies and practices regarding disseminating customers' nonpublic personal financial information to nonaffiliated third parties; requires an insurer to provide an additional privacy notice upon renewal of a relationship between an insurer and a customer that lasts longer than a year; requires an insurer that changes its policies and practices to send an additional notice to customers after the change to the policies and practices. HMSA appreciates the intent of this bill but, respectfully expresses serious concerns on this existing version.

The current law requires insurers to send annual updates about our privacy policy to members under certain circumstances. The SD1 version of the bill would provide further stipulations for when updates to the insurer privacy notices are to be sent to customers; this has the unintended consequence of complicating the interpretation of the statute and potentially creating additional administrative requirements for the issuer.

Thank you for allowing us to express our concerns on SB 2643, SD1.

Sincerely,



Jennifer Diesman
Senior Vice-President, Government Relations