

SB2643

Measure Title: RELATING TO INSURANCE.

Report Title: Insurance; Financial Information; Privacy

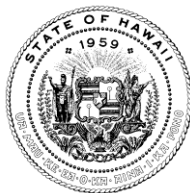
Description: Provides an insurer with an exception to the requirement of providing all of its customers with annual privacy notices where the insurer provides nonpublic personal financial information to nonaffiliated third parties under certain conditions and the insurer's policies and practices regarding disclosure of such information are unchanged.

Companion: [HB2206](#)

Package: None

Current Referral: CPH

Introducer(s): BAKER



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**TO THE SENATE COMMITTEE ON
COMMERCE, CONSUMER PROTECTION, AND HEALTH**

TWENTY-NINTH LEGISLATURE
Regular Session of 2018

Thursday, February 15, 2018
9:00 a.m.

TESTIMONY ON SENATE BILL NO. 2643, RELATING TO INSURANCE.

**TO THE HONORABLE ROSALYN H. BAKER, CHAIR, AND MEMBERS OF THE
COMMITTEE:**

The Department of Commerce and Consumer Affairs (“Department”) appreciates the opportunity to testify on S.B. 2643, Relating to Insurance. My name is Gordon Ito, and I am the Insurance Commissioner for the Department’s Insurance Division. The Department opposes this bill, which is a companion to H.B 2206.

The purpose of this bill is to create an exemption to insurers’ annual reporting requirements to their customers.

Current law requires an insurer to annually send notices regarding its privacy policies and practices to its customers. This bill removes this annual requirement if, since its last sent notice to customers, an insurer has provided nonpublic personal information to a nonaffiliated third party and the insurer has not changed its policies and practices regarding its ability to disclose the nonpublic information. If this change becomes law, after an initial notice, an insurer may never have to send to customers notices regarding its policies and practices disseminating customers’ nonpublic personal information to nonaffiliated third parties while continuously engaging in the release of this nonpublic personal information.

Thank you for the opportunity to testify on this measure.



An Independent Licensee of the Blue Cross and Blue Shield Association

February 15, 2018

The Honorable Rosalyn H. Baker, Chair
The Honorable Jill N. Tokuda, Vice Chair
Senate Committee on Commerce, Consumer Protection, and Health

Re: SB 2643 – Relating to Insurance

Dear Chair Baker, Vice Chair Tokuda, and Committee Members:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 2643, which provides an insurer with an exception to the requirement of providing all of its customers with annual privacy notices where the insurer provides nonpublic personal financial information to nonaffiliated third parties under certain conditions and the insurer's policies and practices regarding disclosure of such information are unchanged.

The current law requires insurers to send annual updates about our privacy policy to members under certain circumstances. SB 2643 would extend the exceptions under the current law to the Initial Notice and Opt Out requirements to the Annual Notice requirement. We see this as a way to streamline the current law and help plans contain associated administrative costs; we therefore have no objections to this measure.

Thank you for allowing us to testify in support of SB 2643.

Sincerely,

Pono Chong
Vice-President, Government Relations

Hawaii State Legislature
Senate Committee on Commerce, Consumer Protection, and Health

February 15, 2018

Filed via electronic testimony submission system

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

Dear Senator Baker, Chair; Senator Tokuda, 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 February 15, 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 please to support SB 2643, which will implement the federal Fixing America’s Surface Transportation Act (FAST Act) amendments to the Gramm Leach Bliley Act (GLBA). These pro-administrative efficiency amendments eliminate the unnecessary annual 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 is substantively consistent with the NAIC bulletin and legislation being passed throughout the country.

NAMIC supports the FAST Act and the proposed legislation for the following reasons:

- Consumer notices should be meaningful and efficient, not redundant, confusing and needlessly burdensome. The proposed legislation will streamline, economize and simplify annual privacy notice obligations to the benefit of consumers.
- SB 2643 is green-friendly, regulator-friendly, and consumer-friendly. Reducing the number of redundant consumer notices benefits the environment, saves regulators time and effort reviewing and approving superfluous consumer notices, and saves consumers from receiving another annual notice for them to have to read and possibly inquire about to their insurer.

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 like SB 2643 that promotes *appropriate disclosures* and prevents consumers from being burdened with unnecessary annual notices.

For the aforementioned reasons, NAMIC respectfully requests a **YES VOTE on this common-sense legislation to protect consumers from being inundated with redundant annual notices that provide no additional information-exchange value to the consumer.**

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



To: The Honorable Rosalyn H. Baker, Chair
The Honorable Jill N. Tokuda, Vice Chair
Senate Committee on Commerce, Consumer Protection and Health

From: Mark Sektnan, Vice President

Re: **SB 2643 – Relating to Insurance**
PCI Position: SUPPORT

Date: Thursday, February 15, 2018
9:00 a.m., Conference Room 229

Aloha Chair Baker, Vice Chair Tokuda and Members of the Committee:

The Property Casualty Insurers Association of America (PCI) strongly supports SB 2643 which proposes to change the annual privacy notice language in the Insurance Code. In Hawaii, PCI member companies write approximately 42.3 percent of all property casualty insurance written in Hawaii. PCI member companies write 44.7 percent of all personal automobile insurance, 65.3 percent of all commercial automobile insurance and 76.5 percent of the workers' compensation insurance in Hawaii.

Section 431:3A-101, Hawaii Revised Statutes, requires insurers to send annual privacy notices to all individuals covered by a group policy *regardless of whether or not there has been a change in the privacy policy*. As a result, insurers are spending an extraordinarily great amount of time sending notices to individuals covered by a group policy.

SB 2643 would reduce the number of notices by requiring insurers to provide the yearly privacy notices to the group policyholder rather than all individuals covered by the group policy. This conforms to federal law and to the model act of the National Association of Insurance Commissioners, which was adopted by Hawaii and 23 other states. This section, however, was added to the model act after Hawaii adopted the language of the model act.

For these reasons, PCI asks the committee to pass SB 2643.

TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS
IN SUPPORT OF SB 2643, RELATING TO INSURANCE

February 15, 2018

Honorable Senator Rosalyn H. Baker, Chair
Committee on Commerce, Consumer Protection and Health
State Senate
Hawaii State Capitol, Conference Room 229
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Baker and Committee Members:

Thank you for the opportunity to testify in support of SB 2643, 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 annual privacy notices to all individuals covered by a group policy.

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. 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.

As of this writing, 29 States have adopted the FAST Act amendments in their insurance privacy notice laws.

Consistent with the FAST Act amendments, SB 2643 would allow an insurer 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 in accordance with the provision of Sections 3A -401, 3A -402 or 3A -403 of

the Insurance Code; and the insurer's policies and practices relating to disclosure of the individual's nonpublic personal information remain unchanged.

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. Currently, twenty-nine states have already adopted the FAST Act amendments in their insurance privacy notice laws.

As SB 2643 will eliminate the costly and time consuming requirement of sending redundant annual privacy notices ACLI supports SB 2643 and its passage by this committee.

Again, thank you for the opportunity to testify in support of SB 2643, Relating to Insurance.

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Testimony of
American Insurance Association
on
S.B. 2643
Relating to Insurance
Committee on Consumer Protection and Health
Thursday, February 15, 2018, 9:00 a.m.
Room 229

The American Insurance Association (AIA) strongly supports S.B. No. 2643, which proposes to change the annual privacy notice language in the Insurance Code.

Section 431:3A-101, Hawaii Revised Statutes, requires insurers to send annual privacy notices to all individuals covered by a group policy. As a result, insurers are spending an extraordinarily great amount of time sending notices to individuals covered by a group policy. As an example, one large member company sent 16% of all of its notices to individuals in Hawaii.

S.B. No. 2643 would reduce the number of notices by requiring insurers, ***if there is no change in the privacy policies and practices***, to provide the yearly privacy notices to the group policyholder rather than all individuals covered by the group policy. This conforms to federal law and to the model act of the National Association of Insurance Commissioners, which was adopted by Hawaii and 23 other states. This section, however, was added to the model act subsequent to Hawaii adopting the language of the model act.

For these reasons, we strongly support S.B. No. 2643, and urge its passage.

Mahalo for the opportunity to offer these comments.

SB-2643

Submitted on: 2/13/2018 7:47:13 PM

Testimony for CPH on 2/15/2018 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Deborah Ramirez	Individual	Oppose	No

Comments:

All Individuals covered by group policies (customers) should receive annual privacy notices directly. Without the transparency of current policies, practices, and disclosures from the Insurer to the customer, the customer could be blindsided by potential mistakes by the Insurer. Forced-placed insurance was a clandestine operation that defrauded millions of customers worldwide. Consumer protection over corporate convenience--always!

Thank you.