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**TO THE HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE**

**TWENTY-NINTH LEGISLATURE
Regular Session of 2018**

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

TESTIMONY ON SENATE BILL NO. 2774, S.D.1, RELATING TO INSURANCE.

TO THE HONORABLE ROY M. TAKUMI, CHAIR, AND MEMBERS OF THE
COMMITTEE:

The Department of Commerce and Consumer Affairs (“DCCA” or “Department”) appreciates the opportunity to testify in strong support of S.B. 2774, S.D.1, Relating to Insurance. My name is Gordon Ito, and I am the Insurance Commissioner (“Commissioner”) for the Department’s Insurance Division (“Division”).

The Department believes the various provisions proposed in this bill will update and improve Hawaii Revised Statutes titles 24 and 26 in a number of areas. In addition, the Department respectfully requests amendments to sections 5, 11, 12, and 25 and the deletion of sections 28 to 31, as the Division is considering industry comments regarding sections 28 to 31 for future legislation.

SECTION 1 of this bill adopts the National Association of Insurance Commissioners’ (“NAIC”) Corporate Governance Annual Disclosure Model Act to maintain the State’s accreditation with the NAIC by adding a new article to chapter 431. This bill provides more information on an annual basis to regulators regarding insurers’ corporate governance practices. Currently, regulators obtain a significant amount of

information on insurers' corporate governance practices during full-scope examinations, which typically occur once every three to five years. However, information on governance practices, including changes that can substantially impact current and prospective solvency, is not widely available to regulators in the period between onsite examination. Through the adoption of standards in this area, regulators can ensure that sufficient information on governance practices is available to assess insurer solvency on an annual basis.

SECTIONS 2, 6, 8, 9, and 21 of this bill allow the DCCA and the Commissioner to determine whether an applicant's request to add or change a trade name or an assumed name satisfies chapter 431 ("Insurance Code") and corporation law requirements. This will ensure that both the DCCA and the Commissioner will receive notice of a proposed name change and that both have express authority to permanently retire or bar the use of a trade name or an assumed name associated with a revoked license.

SECTIONS 3 and 10 of this bill move the newly enacted section 431:10-104(5) from article 10 to article 10A, which is the more appropriate section for the short-term health insurance pre-existing disclosure requirement. In addition, SECTIONS 3, 5, 11, 12, 25, and 32 of this bill clearly provide for reimbursement to providers who deliver coverage managed by chapter 431, article 10A and chapter 432, article 1 and delete reimbursement mandates added to the Insurance Code in conjunction with medical service provider practice acts. These amendments do not remove any existing mandates. These amendments will clarify that coverage for services mandated by chapter 431, article 10A should include reimbursement to providers and will discourage the practice of creating reimbursement mandates in the Insurance Code to accompany expansions in provider practice acts.

SECTIONS 4, 14, and 15 of this bill adopt 2014 revisions to the NAIC's Insurance Holding Company System Regulatory Act to maintain the State's accreditation with the NAIC. This bill provides clear legal authority to a designated state to act as the group-wide supervisor for an internationally active insurance group.

SECTION 7 of this bill eliminates optional language in the NAIC's Standard Valuation Model Law to streamline how changes to the valuation manual become effective.

SECTIONS 13, 26, and 27 of this bill correct a technical drafting error by replacing "designed" with "assigned" in the definition of "perceived gender identity" and accordingly conform State law to federal guidance on gender identity.

SECTIONS 16, 17, 18, and 19 of this bill remove obsolete language and clarify existing language to avoid ambiguity for insurers submitting rate filings.

SECTION 20 of this bill amends section 431:14G-105 by removing obsolete language and clarifying existing language to avoid ambiguity for managed care plans submitting rate filings.

SECTION 22 of this bill amends section 431:19-115 to give the Commissioner additional regulatory authority to supervise or liquidate a captive, rather than simply suspending or revoking its insurance license.

SECTIONS 23 and 24 of this bill temporarily allow the Division to create stopgap measures to implement the NAIC's Network Adequacy Model Act and to promulgate administrative rules with the benefit of any future NAIC guidance and input from other jurisdictions.

SECTIONS 28 and 30 of this bill change to timely notice the current requirement that a warrantor and service contract provider must submit an annual change of status filing whether or not its status has changed, an unduly burdensome requirement on the warrantor, service contract provider, Licensing Branch staff, and Division storage space. These amendments mirror section 431:9A-107, which requires producers to file timely notification only if their status has changed. However, the Department respectfully requests that these sections be deleted as they will be considered for future legislation

SECTIONS 29 and 31 of this bill require warrantors and service contract providers to retain, and produce upon request of the Commissioner, a copy of each proposed warranty and service contract and tracks the recordkeeping obligation governing insurance licensees. This change will reduce the burden on warrantors, service contract providers, and Division staff without limiting the Commissioner's

regulatory authority to obtain necessary documentation as needed. However, the Department respectfully requests that these sections be deleted as they will be considered for future legislation.

The Department also respectfully requests the following amendments to sections 5, 11, 12, and 25:

- Section 5: Amend page 27, lines 10-12 to: “(b) Notwithstanding any law to the contrary, whenever an individual and group contract, policy, plan, or agreement that provides . . .” This amendment from the original measure would maintain consistency with the Insurance Code and avoid confusion.
- Section 11: On page 40, line 8 and page 41, lines 2 and 21, reinsert from the original measure “, contract, plan, or agreement” after “policy” to avoid any unintended consequences of solely referencing “policy” or “policies.”
- Section 12: Amend page 46, lines 10-13 to: “(a) Notwithstanding any provision of law to the contrary, each employer group accident and health or sickness policy, contract, plan, or agreement issued” In addition, on page 46, lines 19-20, reinsert from the original measure “, all policies, contracts, plans, or agreements” after “subsection (c)”. This language from the original measure would avoid any unintended consequences of solely referencing “policies.”
- Section 25: Amend page 64, lines 6-8 to: “(a) Notwithstanding any provision of law to the contrary, each employer group health policy, contract, plan, or agreement issued” Amend page 64, line 12 to: “of the subscriber who is covered by the policy subject” Amend page 64, lines 14-15 to: “(b) Except as provided in subsection (c), all policies, contracts, plans, or agreements under” These amendments would avoid any unintended consequences of solely referencing “plan contract” or “plan contracts.”

The Department strongly supports this administration bill because it would further enhance consumer protection. Thank you for the opportunity to testify, and we ask for your favorable consideration.

**PRESENTATION OF THE
BOARD OF NURSING**

TO THE HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE

TWENTY-NINTH LEGISLATURE
Regular Session of 2018

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

TESTIMONY ON SENATE BILL NO. 2774, S.D. 1, RELATING TO INSURANCE.

TO THE HONORABLE ROY M. TAKUMI, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Lee Ann Teshima, and I am the Executive Officer of the State Board of Nursing ("Board"). Thank you for the opportunity to testify on this administration bill. The Board supports this measure and provides comments only with respect to sections 3, 5, 11, and 32, which pertain to reimbursement of advanced practice registered nurses. The Board takes no position on the remaining sections of the bill.

The Board appreciates the Insurance Commissioner's concerns for creating reimbursement mandates in Hawaii Revised Statutes ("HRS") chapter 431, article 10A and chapter 432, article 1 to accompany expansions in provider practice acts. Accordingly, the Board supports the proposed amendments in sections 3, 5, 11, and 32 that pertain to the reimbursement of health care providers who are licensed by the State and working within their scope of practice.

Act 169, Session Laws of Hawaii 2009 amended HRS chapter 431, article 10A, chapter 432, article 1, and chapter 432, article 2 by adding new sections that recognize advanced practice registered nurses as primary care providers who require reimbursement for practicing within the scope of their licenses.

Given the new definition of "health care provider" on page 17, lines 10-15 and the language on page 27, lines 10-17 stating "a health care provider who performs such a service shall be eligible for reimbursement for the performed services," advanced practice registered nurses will continue to be reimbursed for services provided within their scope of practice.

Thank you for the opportunity to testify in support of S.B. 2774, S.D. 1.

**PRESENTATION OF THE
BOARD OF PHARMACY**

TO THE HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE

TWENTY-NINTH LEGISLATURE
Regular Session of 2018

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

TESTIMONY ON SENATE BILL NO. 2774, S.D. 1, RELATING TO INSURANCE.

TO THE HONORABLE ROY M. TAKUMI, CHAIR, AND MEMBERS OF THE
COMMITTEE:

My name is Lee Ann Teshima, and I am the Executive Officer of the State Board of Pharmacy ("Board"). Thank you for the opportunity to testify on this administration bill. The Board supports this measure and provides comments only with respect to sections 3, 5, 12, and 25, which pertain to reimbursement of pharmacists. The Board takes no position on the remaining sections of the bill.

The Board appreciates the Insurance Commissioner's concerns for creating reimbursement mandates in Hawaii Revised Statutes ("HRS") chapter 431, article 10A and chapter 432, article 1 to accompany expansions in provider practice acts. Accordingly, the Board supports the proposed amendments in sections 3, 5, 12, and 25 that pertain to the reimbursement of health care providers who are licensed by the State and working within their scope of practice.

Given the new definition of "health care provider" on page 17, lines 10-15 and language on page 27, lines 10-17 stating "a health care provider who performs such a service shall be eligible for reimbursement for the performed services," pharmacists will continue to be reimbursed for services provided within their scope of practice.

Thank you for the opportunity to testify on S.B. 2774, S.D. 1.

OFFICE OF INFORMATION PRACTICES

STATE OF HAWAII
NO. 1 CAPITOL DISTRICT BUILDING
250 SOUTH HOTEL STREET, SUITE 107
HONOLULU, HAWAII 96813
TELEPHONE: 808-586-1400 FAX: 808-586-1412
EMAIL: oip@hawaii.gov

To: House Committee on Consumer Protection & Commerce

From: Cheryl Kakazu Park, Director

Date: March 14, 2018, 2:00 p.m.
State Capitol, Conference Room 329

Re: Testimony on S.B. No. 2774, S.D. 1
Relating to Insurance

Thank you for the opportunity to submit testimony on this bill, which would update various areas of the State's insurance laws. The Office of Information Practices (OIP) testified seeking an amendment to a previous version of this bill. That amendment was made and OIP has no further concerns regarding this bill.

Thank you for the opportunity to testify.

March 14, 2018

The Honorable Roy Takumi, Chair
The Honorable Linda Ichiyama, Vice Chair
House Committee on Consumer Protection & Commerce

Re: Opposition of Senate Bill 2774, SD1; But Will Be Neutral with Agreed Changes Understood with Insurance Commissioner as it relates to Vehicle Protection Product Warrantors and Service Contract Providers

On behalf of its members, the Motor Vehicle Protection Products Association (MVPPA) would like to express its **opposition** of **Senate Bill (SB) 2774, Senate Draft (SD) 1** as currently drafted, specifically section 28 through 31. However, based on recent discussions with the Insurance Commissioner, it is our understanding that his office is agreeable to deleting Sections 28 through 31. If the bill is amended in that fashion, MVPPA no longer opposes the bill.

By way of background, MVPPA is a national trade association with member companies that include providers, retailers, administrators, and insurers of motor vehicle protection products ("VPPs"), which include protection service warranties and protection products. Collectively, MVPPA's members represent the leading companies in the protection products industry. The MVPPA's member companies offer over 80% of the protection products available in the marketplace today and include Ally Insurance, AmTrust Financial Services, Assurant Solutions, Automobile Protection Corporation (APCO), Toyota Motor Insurance Services, CNA National Warranty Co., and Nation Safe Drivers. MVPPA's primary goal is to establish a uniform, balanced regulatory landscape across jurisdictions, one that minimizes confusion or dispute about the regulatory status of protection products.

MVPPA opposes sections 28 through 31 of House Bill 2347/Senate Bill 2774 for two primary reasons:

- 1) Those sections have been represented as alleviating administrative burdens upon the VPP warranty and service contract industries and the Division, but in practice the proposed revisions are more likely to increase the administrative burden on all interested parties.
- 2) Several of the proposed revisions relative to service contract providers not only take Hawaii further from the NAIC's Service Contract Model Act, but actually remove or revise provisions under current law that are verbatim provisions from the NAIC's model act.

MVPPA respectfully requests that sections 28-31 be stricken from SB2774 and that the current regulatory framework for annual filings and recordkeeping be maintained. Please do not hesitate to contact me directly with any questions, concerns, or requests for additional information at jim@meenanlawfirm.com or (850) 425-4000.

Thank you for your time and consideration in this matter.

"Tire, wheel, windshield, dent, appearance care and other valuable coverage."

MCCORRISTON MILLER MUKAI MACKINNON LLP

ATTORNEYS AT LAW

March 13, 2018

Honorable Roy M. Takumi, Chair
Honorable Linda Ichiyama, Vice Chair
Committee on Consumer Protection and Commerce
House of Representatives
State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Re: S.B. NO. 2774, S.D.1 RELATING TO INSURANCE

Dear Chair Takumi, Vice Chair Ichiyama and Committee Members:

On behalf of the American Family Life Assurance Company of Columbus (AFLAC), we respectfully submit the following written comments on Senate Bill No. 2774, Senate Draft 1, relating to insurance, which is to be heard by your Committee on Consumer Protection and Commerce on March 14, 2018.

Section 3 of the Senate Bill No. 2774, Senate Draft 1, adds two new sections, one of which requires a disclaimer that the subject policy does not satisfy the health coverage requirement of the Affordable Care Act. As drafted, Senate Bill No. 2774, Senate Draft 1, exempts from the disclosure requirement “specified disease, long-term care, disability income, medicare supplement, dental, or vision” policies.

AFLAC respectfully submits that “accident-only” policies also should be included in the exemption. This would be consistent with 45 CFR §148.220.

45 CFR §148.220(b)(4)(iv) specifies the disclaimer language contained in Section 3 of the Senate Bill No. 2774, Senate Draft 1 (as modified), but only applies to “hospital indemnity or other fixed indemnity insurance.” However, 45 CFR §148.220(a)(1) provides for a general exemption of accident-only policies (*i.e.*, no disclaimer required):

(a) *Benefits excepted in all circumstances.* The following benefits are excepted in all circumstances:

(1) Coverage only for accident (including accidental death and dismemberment).

45 CFR §148.220(a)(1) (underscoring added).

Accordingly, under 45 CFR §148.220, the disclaimer language is not required for accident-only policies and AFLAC respectfully requests that the first new section (HRS §431:10A-A) to be added by Section 3 of the Senate Bill No. 2774, Senate Draft 1, be amended so that accident-only policies also are exempted from the disclaimer requirement, as follows:

SECTION 3. Chapter 431, Hawaii Revised Statutes,
is amended by adding two new sections to part I of
article 10A to be appropriately designated and to read
as follows:

"§431:10A-A **Required disclaimer.** Any limited
benefit policy, certificate, application, or sales
brochure that provides coverage for accident and
sickness, excluding specified disease, long-term care,
disability income, **accident-only**, medicare supplement,
dental, or vision, shall disclose in a conspicuous
manner and in no less than fourteen-point boldface
type the following, or substantially similar,
statement:

"THIS IS NOT QUALIFYING HEALTH COVERAGE
("MINIMUM ESSENTIAL COVERAGE") THAT SATISFIES THE
HEALTH COVERAGE REQUIREMENT OF THE AFFORDABLE
CARE ACT."

(Additional language underscored and bolded.)

Honorable Roy M. Takumi, Chair
Honorable Linda Ichiyama, Vice Chair
Committee on Consumer Protection and Commerce
March 13, 2018
Page 3

Thank you for your consideration of the foregoing.

Very truly yours,

MCCORRISTON MILLER MUKAI MACKINNON LLP

A handwritten signature in black ink, appearing to read 'P. Hamasaki', with a long horizontal flourish extending to the right.

Peter J. Hamasaki

Encl. (45 CFR §148.220)

PJH:fk

45 CFR § 148.220 Excepted benefits.

The requirements of this part and part 147 of this subchapter do not apply to any individual coverage in relation to its provision of the benefits described in paragraphs (a) and (b) of this section (or any combination of the benefits).

(a) Benefits excepted in all circumstances. The following benefits are excepted in all circumstances:

- (1)** Coverage only for accident (including accidental death and dismemberment).
- (2)** Disability income insurance.
- (3)** Liability insurance, including general liability insurance and automobile liability insurance.
- (4)** Coverage issued as a supplement to liability insurance.
- (5)** Workers' compensation or similar insurance.
- (6)** Automobile medical payment insurance.
- (7)** Credit-only insurance (for example, mortgage insurance).
- (8)** Coverage for on-site medical clinics.
- (9)** Travel insurance, within the meaning of § 144.103 of this subchapter.

(b) Other excepted benefits. The requirements of this part do not apply to individual health insurance coverage described in paragraphs (b)(1) through (b)(6) of this section if the benefits are provided under a separate policy, certificate, or contract of insurance. These benefits include the following:

- (1)** Limited scope dental or vision benefits. These benefits are dental or vision benefits that are limited in scope to a narrow range or type of benefits that are generally excluded from benefit packages that combine hospital, medical, and surgical benefits.
- (2)** Long-term care benefits. These benefits are benefits that are either -
 - (i)** Subject to State long-term care insurance laws;
 - (ii)** For qualified long-term care insurance services, as defined in section 7702B(c)(1) of the Code, or provided under a qualified long-term care insurance contract, as defined in section 7702B(b) of the Code; or
 - (iii)** Based on cognitive impairment or a loss of functional capacity that is expected to be chronic.

(3) Coverage only for a specified disease or illness (for example, cancer policies) if the policies meet the requirements of § 146.145(b)(4)(ii)(B) and (C) of this subchapter regarding noncoordination of benefits.

(4) Hospital indemnity or other fixed indemnity insurance only if -

(i) The benefits are provided only to individuals who attest, in their fixed indemnity insurance application, that they have other health coverage that is minimum essential coverage within the meaning of section 5000A(f) of the Internal Revenue Code, or that they are treated as having minimum essential coverage due to their status as a bona fide resident of any possession of the United States pursuant to Code section 5000A(f)(4)(B).

(ii) There is no coordination between the provision of benefits and an exclusion of benefits under any other health coverage.

(iii) The benefits are paid in a fixed dollar amount per period of hospitalization or illness and/or per service (for example, \$100/day or \$50/visit) regardless of the amount of expenses incurred and without regard to the amount of benefits provided with respect to the event or service under any other health coverage.

(iv) A notice is displayed prominently in the application materials in at least 14 point type that has the following language: "THIS IS A SUPPLEMENT TO HEALTH INSURANCE AND IS NOT A SUBSTITUTE FOR MAJOR MEDICAL COVERAGE. LACK OF MAJOR MEDICAL COVERAGE (OR OTHER MINIMUM ESSENTIAL COVERAGE) MAY RESULT IN AN ADDITIONAL PAYMENT WITH YOUR TAXES."

(v) The requirement of paragraph (b)(4)(iv) of this section applies to all hospital or other fixed indemnity insurance policy years beginning on or after January 1, 2015, and the requirement of paragraph (b)(4)(i) of this section applies to hospital or other fixed indemnity insurance policies issued on or after January 1, 2015, and to hospital or other fixed indemnity policies issued before that date, upon their first renewal occurring on or after October 1, 2016.

(5) Medicare supplemental health insurance (as defined under section 1882(g)(1) of the Social Security Act, 42 U.S.C. 1395ss, also known as Medigap or MedSupp insurance). The requirements of this part 148 (including genetic nondiscrimination requirements), do not apply to Medicare supplemental health insurance policies. However, Medicare supplemental health insurance policies are subject to similar genetic nondiscrimination requirements under section 104 of the Genetic Information Nondiscrimination Act of 2008 (Pub. L. 110-233), as incorporated into the NAIC Model Regulation relating to sections

1882(s)(2)(e) and (x) of the Act (The NAIC Model Regulation can be accessed at <http://www.naic.org>).

(6) Coverage supplemental to the coverage provided under Chapter 55, Title 10 of the United States Code (also known as CHAMPUS supplemental programs).

(7) Similar supplemental coverage provided to coverage under a group health plan (as described in § 146.145(b)(5)(i)(C) of this subchapter).

[62 FR 16995, Apr. 8, 1997; 62 FR 31696, June 10, 1997, as amended at 74 FR 51696, Oct. 7, 2009; 79 FR 30341, May 27, 2014; 81 FR 75327, Oct. 31, 2016]

TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS
IN SUPPORT OF SB 2774, SD 1, RELATING TO INSURANCE

March 14, 2018

Via e mail: cpctestimony@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 2774, 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.

ACLI supports legislation which conforms Hawaii’s insurance laws to the National Association of Insurance Commissioners (NAIC) Model Acts.

SB 2774, SD 1, in part adopts the corporate governance and annual disclosure requirements of the NAIC’s Corporate Governance Annual Disclosure Model Act (section 1 of the bill), and amends Hawaii’s Insurance Holding Company System Act by adopting the 2014 revisions to the NAIC’S Holding Company System Regulatory Model Act (sections 4, 14, and 15 of the bill) to provide for group-wide supervision of internationally active insurance groups. These revisions to Hawaii’s insurance laws will enable the State to maintain its accreditation with the NAIC.

Accordingly, ACLI supports the foregoing provisions set forth in the bill.

Again, thank you for the opportunity to testify in support of SB 2774, SD 1, relating to Insurance.

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Testimony of
Jonathan Ching
Government Relations Specialist

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

March 14, 2018
2:00 p.m.
Conference Room 329

Re: SB2774 SD1, Relating to Insurance

Chair Takumi, Vice-Chair Ichiyama, and committee members, thank you for this opportunity to provide testimony on SB2774 SD1, which amends various portions of the Hawaii Insurance Code under Hawai'i Revised Statutes title 24 and 26 to updates existing Insurance Code provisions.

Kaiser Permanente Hawai'i offers the following COMMENTS on SB2774 SD1

Specifically, we note that Section 23, Pages 60-61 and Section 24, Pages 61-64 seeks to temporarily allow the Insurance Division to create stopgap measures, until 12/31/2020, to implement the National Association of Insurance Commissioner's (NAIC) Health Benefit Plan Network Access and Adequacy Model Act, MDL-74 ("Model Act").

While we appreciate the Insurance Commissioner's intent to streamline the process to implement the Model Act, we prefer the manner and form for a health carrier to file its network plan via the public rule making process, pursuant to chapter 91, or via legislation to make amendments to Act 191, Session Laws of Hawai'i 2017.

Thank you for the opportunity to testify on SB2774 SD1.

**TESTIMONY ON S.B. NO. 2774
RELATING TO INSURANCE**

LATE

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

Wednesday, March 14, 2018, 2:00 p.m.
Conference Room 329
State Capitol
415 South Beretania Street

To Representative Roy M. Takumi, Chair; Representative Linda Ichiyama, Vice Chair; and members of the House Committee on Consumer Protection & Commerce:

My name is Matthew Takamine, and I am submitting this testimony as a director and Chair of the Board of Directors of the Hawai'i Captive Insurance Council (HCIC). The HCIC is a nonprofit corporation that is committed to promoting, developing, and maintaining a quality captive insurance industry in the State of Hawai'i. In partnership with the State of Hawai'i Insurance Division, the HCIC provides information and education on issues affecting captives, which includes risk retention captive insurance companies ("RRGs"), and assist the State of Hawai'i in promoting Hawai'i as a quality captive domicile on the local, national, and international level.

The HCIC generally supports Senate Bill No. 2774 Senate Draft 1 (SD2774 SD1), but **opposes** the insertion of "3D" in subsection (b) on page 59, line 17, which makes RRGs subject to the National Association of Insurance Commissioner's (NAIC) Risk Management and Own Risk and Solvency Assessment Model Act ("ORSA").

The NAIC has a separate set of accreditation standards for the governance of RRGs. It is the understanding of the HCIC that the accreditation standards applicable to RRGs do not require a state to adopt the ORSA requirements.

Furthermore, it is our understanding that RRGs domiciled in Hawaii would be automatically exempt from the application of ORSA because all are well below the exemption threshold of \$500 million in annual direct written and assumed premium, set forth in Section 431:3D-106, Hawai'i Revised Statutes.

It should be noted that subjecting RRGs to unnecessary regulation could potentially jeopardize Hawaii's position as a leading and competitive captive domicile. Hawaii cannot afford to be viewed as a jurisdiction that promulgates laws that are or may be construed as overly burdensome.

Thank you for this opportunity to submit comments.

Respectfully submitted:
Matthew Takamine
Director and Chair of the Board of Directors
Hawai'i Captive Insurance Council



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 2774, SD1 – Relating to Insurance

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

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 2774, SD1, which updates various areas of the State's insurance laws to: adopt the NAIC's Corporate Governance Annual Disclosure Model Act beginning on 1/1/2020; allow the department of commerce and consumer affairs and the insurance commissioner to determine whether a request to add or change a trade name or assumed name satisfies certain requirements; clarify certain provider reimbursement requirements; adopt revisions to the Insurance Holding Company System Regulatory Act beginning on 1/1/2020; provide the insurance commissioner with additional regulatory authority to supervise or liquidate a captive insurer; enable the insurance division to create stopgap measures, until 12/31/2020, to implement the Network Adequacy Model Act; change notice requirements and recordkeeping obligations for vehicle protection product warrantors and service contract providers; and make various housekeeping amendments to clarify existing language and avoid ambiguities. HMSA supports this Bill and acknowledges this Bill is a work in progress. We appreciate the work of the previous Committee in taking into consideration our proposed amendments.

Thank you for allowing us to testify in support of SB 2774, SD1.

Sincerely,

Jennifer Diesman
Senior Vice-President, Government Relations