

# SB2774

**Measure Title:** RELATING TO INSURANCE.

**Report Title:** Insurance; Health Insurance; Corporate Governance; National Association of Insurance Commissioners; Corporate Governance Annual Disclosure Model Act; Trade Name; Assumed Name; Pre-Existing Disclosure; Provider Reimbursement; Reimbursement By Provider; Medical Service Provider; Pharmacist; Contraceptive; Advanced Practice Registered Nurses; Insurance Holding Company System Regulatory Act; Group-Wid

**Description:** Amends various portions of the Hawaii Insurance Code under Hawaii Revised Statutes title 24 to update and improve existing Insurance Code provisions.

**Companion:** [HB2347](#)

**Package:** Governor

**Current Referral:** CPH

**Introducer(s):** KOUCHI (Introduced by request of another party)



DAVID Y. IGE  
GOVERNOR  
SHAN S. TSUTSUI  
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TO THE SENATE COMMITTEE ON  
COMMERCE, CONSUMER PROTECTION, AND HEALTH

TWENTY-NINTH LEGISLATURE  
Regular Session of 2018

Friday, February 2, 2018  
9:30 a.m.

**TESTIMONY ON SENATE BILL NO. 2774, 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. 2774, Relating to Insurance. My name is Gordon Ito, and I am the Insurance Commissioner (“Commissioner”) for the Department’s Insurance Division (“Division”). The Department strongly supports this administration bill, which is a companion to H.B. 2347.

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. Specifically, this measure will do the following:

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. In addition, the Department respectfully requests a revision to page 7, line 9 as follows: insert “disclosure pursuant to” before “chapter 92F” to correct a technical flaw that currently creates an exemption to the Uniform Information Practices Act (“UIPA”), rather than providing that a record is not subject to disclosure under the UIPA.

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.

The Department respectfully proposes two additional amendments to SECTION 3 of this bill: (1) On page 15, line 22, “REQUIRMENT” should be “REQUIREMENT”; and

(2) On page 16, lines 1-2, the following sentence should be deleted, as it may be construed as no longer reflecting federal law: “IF YOU DON'T HAVE MINIMUM ESSENTIAL COVERAGE, YOU MAY OWE AN ADDITIONAL PAYMENT WITH YOUR TAXES.”

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. In addition, the Department respectfully requests inserting “3D” in subsection (b) on page 56, line 19, after “1, 2,” as risk retention groups are subject to the NAIC Risk Management and Own Risk and Solvency Assessment Model Act (“ORSA”). The Insurance Code was amended in 2016 to adopt ORSA for NAIC accreditation purposes. However, article 19 was not simultaneously amended to also make captive risk retention groups subject to ORSA requirements. The current absence of article 3D in section 431:19-115(b) may be interpreted to mean captive risk retention groups are not subject to ORSA requirements set forth in article 3D.

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.

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.

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 SENATE COMMITTEE ON  
COMMERCE, CONSUMER PROTECTION, AND HEALTH

TWENTY-NINTH LEGISLATURE  
Regular Session of 2018

Friday, February 2, 2018  
9:00 a.m.

**TESTIMONY ON SENATE BILL NO. 2774, RELATING TO INSURANCE.**

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

My name is Lee Ann Teshima, and I am the Executive Officer of the Hawaii State Board of Nursing ("Board"). Thank you for the opportunity to testify on this administration bill, which is a companion to H.B. 2347. The Board supports this measure and provides comments only with respect to sections 3, 5, 11, 12, 25, and 32, which pertain to reimbursement of advanced practice registered nurses. The Board takes no position on the remaining sections of this 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.

The language on page 43, lines 12-20 of this bill proposes to delete reimbursement by any "policy, contract, plan, or agreement issued or renewed in this State" for services provided by an advanced practice registered nurse. In addition, the language on page 71, lines 15-21 proposes to delete reimbursement by "all individual and group hospital and medical service plan contracts and medical service corporation contracts that provide reimbursement for health plan-covered services" provided by an advanced practiced registered nurse.

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.

The new definition of “health care provider” under HRS section 431:10A-B (Reimbursement to providers) on page 16, lines 3-17 and HRS section 432:1-\_\_\_\_ (Reimbursement to providers) on page 25, line 16 through page 26, line 5 includes “other practitioners licensed by the State and working within their scope of practice.” Accordingly, advanced practice registered nurses will continue getting reimbursed for services provided within their scope of practice.

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

**PRESENTATION OF THE  
BOARD OF PHARMACY**

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

TWENTY-NINTH LEGISLATURE  
Regular Session of 2018

Friday, February 2, 2018  
9:00 a.m.

**TESTIMONY ON SENATE BILL NO. 2774, RELATING TO INSURANCE.**

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

My name is Lee Ann Teshima, and I am the Executive Officer of the Hawaii State Board of Pharmacy ("Board"). Thank you for the opportunity to testify on this administration bill, which is a companion to H.B. 2347. The Board supports this measure and provides comments only with respect to sections 3, 5, 11, 12, 25, and 32, which pertain to reimbursement of pharmacists. The Board takes no position on the remaining sections of this 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 and 5 that pertain to the reimbursement of health care providers who are licensed by the State and working within their scope of practice.

The language on page 45, lines 9-12 proposes to delete "reimbursement to a prescribing and dispensing pharmacist who prescribes and dispenses contraceptive supplies pursuant to section 461-\_\_\_\_." This section being deleted was inserted in HRS section 431:10A-116.6 (Contraceptive services) pursuant to Act 67, Session Laws of Hawaii 2017, which provided greater access to contraceptive supplies by allowing pharmacists to prescribe and dispense self-administered hormonal contraceptive supplies and be reimbursed for providing this service.



In addition, the language on page 62, lines 5-8 proposes to delete “reimbursement to a prescribing and dispensing pharmacist who prescribes and dispenses contraceptive supplies pursuant to section 461-\_\_\_\_.”

The new definition of “health care provider” under HRS section 431:10A-B (Reimbursement to providers) on page 16, lines 12-17 and HRS section 432:1-\_\_\_\_ (Reimbursement to providers) on page 25, line 16 through page 26, line 5 includes “other practitioners licensed by the State and working within their scope of practice.” Accordingly, pharmacists will continue getting reimbursed for services provided within their scope of practice, including, but not limited to, prescribing and dispensing contraceptive supplies.

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

# OFFICE OF INFORMATION PRACTICES

STATE OF HAWAII  
NO. 1 CAPITOL DISTRICT BUILDING  
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EMAIL: oip@hawaii.gov

To: Senate Committee on Commerce, Consumer Protection, and Health

From: Cheryl Kakazu Park, Director

Date: February 2, 2018, 9:30 a.m.  
State Capitol, Conference Room 229

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

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Thank you for the opportunity to submit testimony on this bill, which would add a new article relating to corporate governance annual disclosures and amend various portions of the Insurance Code. The Office of Information Practices (“OIP”) takes no position on the substance of this bill, but has **concerns** regarding a confidentiality provision in the proposed new article and recommends amendments that it has discussed with the Insurance Division.

On bill page 7, proposed section 431:\_\_\_-F, regarding confidentiality, mandates confidentiality for all Insurance Division records “obtained by, created by, or disclosed to the commissioner or any other person under this article . . .” and states that they “shall not be subject to chapter 92F[.]” OIP has both a technical concern with the phrasing of the exemption and a substantive concern with its breadth.

**OIP’s substantive concern is that this provision is overly broad in covering all records, including blank forms, created by the insurance division to administer this new article.** Generally speaking, OIP does not object to providing confidentiality for the information held by the Insurance

Division that originated in a company's annual disclosure as required by the proposed article. Although the UIPA's frustration exception does protect trade secrets and confidential commercial and financial information, OIP recognizes that companies may feel more comfortable with a specific confidentiality statute applicable to the information they provide in the proposed annual disclosures, and OIP therefore does not object to the confidentiality provision as applied to the annual disclosures and the information they contain. **Rather, OIP's concern is that the proposed confidentiality provision covers all records created by the insurance division in the course of administering the new article, regardless of whether they contain information originating in a company's annual disclosure.** The provision thus makes records confidential that would otherwise be public, such as blank forms the Insurance Division might create for companies to use in reporting under the new article, work schedules, purchase orders, or other administrative records the Insurance Division might create relating to its duties under the new article, or other records that may contain no information derived from any company's disclosure and that would not otherwise fall within an exception to disclosure under the UIPA.

Based on discussions with the Insurance Division, OIP understands that the Insurance Division's intent was not to extend the confidentiality to administrative records that do not contain information derived from a company's disclosure; however, as written, the confidentiality provision would do just that. **OIP therefore recommends an amendment to limit it to records containing information originating in an annual disclosure under the proposed article.** Such a limitation would still allow the Insurance Division to withhold records it creates that discuss and assess information from an annual disclosure, without creating a situation where blank annual disclosure forms must be withheld

by law. Specifically, **OIP recommends that language be inserted into the first sentence of the provision (at bill page 7, lines 5-6) be amended to read, “. . . that are obtained by, created by, or disclosed to the commissioner or any other person under this article, and that contain information originating in a corporate governance annual disclosure under this article, are recognized . . .”**

**OIP also has a technical concern with the phrasing of the UIPA exemption at bill page 7 lines 8-9, which states that the records in question “shall not be subject to chapter 92F[.]” Chapter 92F applies to all government records, and (together with OIP’s administrative rules) requires that even when an agency will deny access because a record is subject to a confidentiality statute or an exception to disclosure, the agency must still respond to the requester to let him or her know that the request is denied and the statutory basis. Thus, by exempting records from chapter 92F, the current language would mean that the Insurance Division had no duty to respond at all to record requests, even to inform the requester of a denial. OIP understands that the Insurance Division will be recommending an amendment to this language to provide instead that the records “shall not be subject to disclosure pursuant to chapter 92F[.]” OIP supports that amendment.**

Thank you for the opportunity to testify.



An Independent Licensee of the Blue Cross and Blue Shield Association

February 2, 2018

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

Re: SB 2774 – Relating to Insurance

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

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 2774, which amends various portions of the Hawaii Insurance Code under Hawaii Revised Statutes title 24 to update and improve existing Insurance Code provisions. HMSA supports the intent of this Bill, but we would like to offer comments for consideration.

HMSA would ask the Committee to consider the following changes and clarifications:

- Section 3: Page 15 - to remove the section being proposed regarding tax implications for the failure to have minimum essential coverage, as it is no longer needed due to the repeal of the Individual mandate.
- Section 3: Page 16 - to add the underlined to the following section to clarify that plans can provide reimbursement to providers both par and non-par accordingly.  
**Reimbursement to providers.** (a) Coverage for services required by this part shall include reimbursement to health care providers who perform services required by this part or to the insured member, as appropriate.
- Section 5: Page 25 - to add the underlined to the following section to clarify that plans can provide reimbursement to providers both par and non-par accordingly.  
**Reimbursement to providers.** (a) Coverage for services required by this part shall include reimbursement to health care providers who perform services required by this article or to the insured member, as appropriate.

HMSA understands that Sections 23 and 24 are being amended to temporarily allow the Insurance Division to carry out stopgap measures, by order or rule, to implement NAIC's Network Adequacy Model Act. We appreciate the Commissioner's intent to streamline the process, but we prefer the public rule making process or legislation to make changes in this area. Also, while the intent is to make this temporary we do not see a sunset provision contained in the bill.

Lastly, we would like to amend Section 3 of the bill to add in stronger notification and language to address the recent changes by the U.S. Department of Labor regarding short term limited duration health plans.

SECTION \_\_. Chapter 431, Hawaii Revised Statutes, is amended by adding a new section to article 10A to be appropriately designated and to read as follows:

"§431:1- **Application, Scope and Duration of Coverage.**

- (a) This Act applies to health insurers that offer short-term, limited duration health insurance coverage to individuals in the



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State, and to short-term, limited duration health insurance coverage that is delivered or issued for delivery in the State, including coverage issued outside of this State that covers individuals in this State.

(b) A short-term, limited duration health insurance coverage policy (even where issued outside of this state) may not cover any person residing in this State or be delivered or issued for delivery in the State unless the policy complies with the provisions of this section and other sections of this Act.

(c) Any short-term, limited duration health insurance coverage policy that is delivered or issued for delivery in this State must have an expiration date in the contract that is less than 91 days and shall not be renewable either at the option of the issuer or the individual.

(d) As used in this section, unless the context clearly requires otherwise:

“Group health insurance coverage” means health insurance coverage offered to groups of persons, with or without their dependents, under a policy issued to an employer, an employee organization, or both.

“Health insurance coverage” means benefits consisting of medical care (provided directly, through insurance or reimbursement, or otherwise) under any hospital or medical service policy or certificate, hospital or medical service plan contract, or HMO contract offered by a health insurer.

“Health insurer” means insurance company, insurance service, or insurance organization (including an HMO) that is required to be licensed to engage in the business of insurance in this State and is subject to the laws and regulations of insurance in this State.



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"Individual health insurance coverage" means health insurance coverage offered to individuals other than in connection with group health insurance coverage.

"Medical Care" means amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, or amounts paid for the purpose of affecting any structure or function of the body.

"Short-term, limited duration health insurance coverage" means health insurance coverage provided to an individual under a contract offered by a licensed health insurer, regardless of the situs of the delivery of the policy or contract, that has a specified, limited duration and does not meet all of the requirements otherwise applicable to individual health insurance coverage.

#### SECTION   . **Disclosure Requirements**

- (a) A health insurer that offers short-term, limited duration health insurance coverage shall, in addition to all other documents required in this State, deliver an outline of coverage to an applicant for or an enrollee in short-term, limited duration coverage delivered or issued for delivery in this state.
- (b) Any short-term, limited duration health insurance coverage policy that is delivered or issued for delivery in this State must display prominently in any application, sales and marketing materials provided in connection with enrollment in such coverage, in at least 14 point type the following: "YOU MAY BE DENIED ENROLLMENT IN THIS POLICY BASED ON YOUR HEALTH STATUS."
- (c) Any short-term, limited duration health insurance coverage policy that is delivered or issued for delivery in this State must display prominently in the contract, in any application, sales and marketing materials provided in connection with



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enrollment in such coverage, and in the outline of coverage for such coverage, in at least 14 point type the following:

- i. "THIS IS NOT QUALIFYING HEALTH COVERAGE ("MINIMUM ESSENTIAL COVERAGE") UNDER THE AFFORDABLE CARE ACT. IF YOU DON'T HAVE MINIMUM ESSENTIAL COVERAGE, YOU WON'T QUALIFY FOR A SPECIAL ENROLLMENT PERIOD TO ENROLL IN INDIVIDUAL HEALTH INSURANCE WHEN THIS COVERAGE ENDS. THIS COVERAGE MAY HAVE SIGNIFICANT LIMITS ON BENEFITS. PLEASE READ CAREFULLY AND COMPARE WITH OTHER HEALTH INSURANCE COVERAGE AVAILABLE IN THIS STATE."
  - ii. "THIS POLICY DOES NOT PROVIDE ALL OF THE BENEFITS PROVIDED BY INDIVIDUAL HEALTH INSURANCE. YOUR BENEFITS UNDER THIS POLICY ARE LIMITED. PLEASE READ THE BENEFIT PROVISIONS AND EXCLUSIONS CAREFULLY TO DETERMINE WHETHER THIS POLICY IS APPROPRIATE FOR YOU."
  - iii. "YOUR DEDUCTIBLE AND COST-SHARING (INCLUDING COPAYMENTS AND COINSURANCE) ARE BASED ON YOUR CONTRACT PERIOD."
  - iv. "PRE-EXISTING CONDITIONS ARE NOT COVERED UNDER THIS POLICY."
- (d) Any identification card for short-term, limited duration health insurance coverage that is delivered or issued for delivery in this State must display prominently the following in bold type: "THIS IS TEMPORARY COVERAGE. THIS POLICY PROVIDES LIMITED BENEFITS."

#### SECTION \_\_. **Filing and Approval**

- (a) Coverage subject to this section may not be delivered or issued for delivery in the State, unless the policy form has been filed with and approved by [the appropriate state authority]. Such requirement applies to coverage issued outside of this state, but otherwise covering a person residing in this State.





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(b) The [appropriate state authority] shall approve short-term, limited duration health insurance coverage contracts if such contract provisions comply with this Act.

SECTION \_\_. **Regulations**

The Insurance Commissioner may promulgate any regulations necessary to carry out the provisions of this Act.

Thank you for allowing us to testify on SB 2774. Your consideration of our comments is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Pono Chong", with a stylized flourish extending from the end.

Pono Chong  
Vice-President, Government Relations

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

February 2, 2018

Via e mail: [cphtestimony@capitol.hawaii.gov](mailto:cphtestimony@capitol.hawaii.gov)

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 2774, 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 conform Hawaii’s insurance laws to the National Association of Insurance Commissioners (NAIC) Model Acts.

SB 2774 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, relating to Insurance.

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