

SCR 137

SD 1

SENATE CONCURRENT RESOLUTION

REQUESTING THAT THE INSURANCE COMMISSIONER ESTABLISH AND CONVENE
AN INSURANCE MODERNIZATION WORKING GROUP TO UPDATE AND
MODERNIZE HAWAII'S PROPERTY, CASUALTY, AND LIFE INSURANCE
LAWS.

1 WHEREAS, Hawaii's Insurance Code, codified as chapter 431,
2 Hawaii Revised Statutes, was originally adopted in 1987 and has
3 not been substantively updated to account for technological
4 improvements such as the Internet and smart phones; and
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6 WHEREAS, technology and consumer expectations are rapidly
7 transforming the regulated insurance industry; and
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9 WHEREAS, substantial investments are being made in
10 innovative insurance products, services, and technologies, which
11 have great potential to improve the mitigation of risks; improve
12 efficiencies; reduce costs of insurance transactions; speed up
13 claims payments; and improve overall customer understanding of,
14 and satisfaction with, this essential form of financial
15 protection; and
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17 WHEREAS, some innovations are likely to disrupt current
18 insurance business models and introduce new and more efficient
19 ways of doing business; and
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21 WHEREAS, by actively engaging with, and encouraging, the
22 piloting and testing of new and innovative ways of delivering
23 insurance to businesses and consumers, the State can expand
24 insurance markets, particularly by making insurance transactions
25 more accessible for first-time insurance buyers; and
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27 WHEREAS, strict application of uniformly applicable
28 requirements can lead to unintended results when new and
29 innovative technologies, products, and services are first tested



1 in a closely regulated marketplace such as insurance; now,
2 therefore,
3

4 BE IT RESOLVED by the Senate of the Twenty-ninth
5 Legislature of the State of Hawaii, Regular Session of 2018, the
6 House of Representatives concurring, that the Insurance
7 Commissioner is requested to establish an insurance
8 modernization working group to explore and propose specific
9 legislation to update and modernize Hawaii's property, casualty,
10 and life insurance laws; and
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12 BE IT FURTHER RESOLVED that the Insurance Commissioner is
13 requested to invite representatives from the five largest
14 property and casualty insurers operating in the State,
15 representatives from the three largest life insurers operating
16 in the State, one representative from the Hawaii Independent
17 Insurance Agents Association, one representative from the
18 National Association of Insurance and Financial Advisors, and
19 one representative from the Hawaii Association for Justice to
20 comprise the insurance modernization working group; and
21

22 BE IT FURTHER RESOLVED that the insurance modernization
23 working group is requested to submit a written report of its
24 findings and recommendations, including any proposed
25 legislation, to the Legislature no later than twenty days prior
26 to the convening of the Regular Session of 2019; and
27

28 BE IT FURTHER RESOLVED that a certified copy of this
29 Concurrent Resolution be transmitted to the Insurance
30 Commissioner, who is then requested to transmit copies to all
31 entities and organizations invited to participate in the
32 insurance modernization working group.



**HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE**

April 12, 2018

SCR 137 SD 1 - Requesting that the Insurance Commissioner Establish and Convene an Insurance Modernization Working Group to Update and Modernize Hawaii's Property, Casualty, and Life Insurance Laws

Chair Takumi, Vice Chair Ichiyama, and Members of the Committee on Consumer Protection and Commerce:

I am Rick Tsujimura, representing State Farm Mutual Automobile Insurance Company (State Farm). State Farm supports Senate Concurrent Resolution 137 Senate Draft 1.

The purpose of this resolution is to convene an insurance modernization working group to update and modernize the State's property and casualty insurance and life insurance laws. The insurance code, originally adopted in 1988, has not been substantively updated to account for technological innovations such as the Internet and smart phones. Today, however, substantial investments in innovative insurance products, services, and technologies have already improved the insurance industry by mitigating risks, improving efficiencies, reducing costs of insurance transactions, expediting claim payments, and improving overall customer understanding and satisfaction.

Much of the code applicable to auto insurance was revised twenty years ago. I am uncertain how long ago the life insurance and homeowners code was last reviewed. Technology has advanced over those years making certain concepts problematic, such as "electronic documents". When first envisioned "electronic documents" were electronic (digitized) copies of an original written document. This was a time of photocopies and faxes, today online applications are not in a "document" format but digital inputs, yet the code has not advanced to consider these advances. Document storage in the past required actual documents to be saved in an agent's office; but this too has changed where documents are stored online and can be made available to agents and, in some cases, to consumers themselves, without the necessity of physically travelling to an agent's or a company's office. Although seemingly minor, these changes should be reviewed to clarify current practices.

The resolution continues the trend for the Insurance Code to reflect the current state of business and provide customers with the convenience they desire. We believe a meeting of all interested parties is prudent and worthy of consideration.

Thank you for the opportunity to present this testimony.

SCR-137-SD-1

Submitted on: 4/11/2018 11:25:08 AM

Testimony for CPC on 4/12/2018 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Oahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i	Support	No

Comments:

LATE

**TESTIMONY OF NAHELANI WEBSTER ON BEHALF OF THE HAWAII
ASSOCIATION FOR JUSTICE (HAJ) REGARDING SCR 137 SD1**

April 12, 2018
2:00 p.m.
Room 329

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

My name is Nahelani Webster and I am presenting this testimony on behalf of the HAJ regarding SCR 137 SD1. HAJ offers the following comments.

The resolution is broadly titled to call for modernization of the Hawaii Insurance Code with respect to property & casualty (P&C) and life insurance laws. The resolution appears to highlight “technological innovations” such as the internet and smartphones. Whether the proponents seek a broad top to bottom review of the Insurance Code or a more focused examination of aspects affected by “technological innovations,” is not clear.

With respect to a comprehensive review and overhaul of the code, we offer two comments. First, the code has not been a static document. Many changes – some major and some minor – have been made to the code since the time it was first enacted in 1987. This committee reviews dozens of changes each legislative session and has amended the code annually. Hence, it is not accurate to view or portray the code as out-of-date simply because it was initially promulgated in 1987. It is, and has been, evolving to address the needs of a changing world. Second, a truly comprehensive review of the insurance code is a massive undertaking. HAJ participated in the working group, which drafted the 1987 code and recognizes that a comprehensive review may not be the best use of division resources given the division’s priorities. In addition, there have been no significant

problems identified with applying the uniformly applicable requirements to new and innovative technologies that would warrant the need for a comprehensive review at this time.

Representatives from P&C insurers, health insurers, HAJ, Commissioner Gordon Ito and his staff met last week to discuss legislation related to updating insurance code provisions implicated in advancing technology. It was a good discussion of the challenges facing insurance regulators when deciding how fast or slow to proceed in encouraging, adopting and implementing regulatory changes related to technology. A few states have taken an aggressive position that regulators need to be on the cutting edge of technology or be left behind, while many states and the federal government have approached the issue more conservatively taking a look before you leap approach. One is not right and the other wrong. Both approaches have sound reasons that merit consideration. Some deference should be given to the commissioner to determine the scope and timing for his division given his judgment and available resources.

As to the application of advancing technology to highly regulated financial industries (of which insurance is a sub-group) there is a concern that being at the cutting edge is not necessarily best due to the difficulties in adequately regulating emerging technology to protect consumers. Regulators have neither the expertise nor resources to effectively regulate emerging technological platforms. Current examples include misuse of consumer data by the largest technology giants, surreptitious manipulation of America's government by foreign governments using highly sophisticated technology, data breaches of on-line financial services involving the largest banks in the country, and estimates that perhaps half of cyber financial transactions involving cryptocurrency are

related to criminal activity. It is one thing to be at the cutting edge for ordering pizza on your iPhone; but may be quite another when the safety and stability of an important financial industry is involved. Look before you leap might be the more prudent approach until regulators can gain a better understanding of current (and future) hacking threats and prevention, as well as controlling unauthorized use of information as has apparently been happening on a widespread basis with cyber technology.

HAI appreciates the opportunity to be a part of this important discussion and inclusion in the proposed working group should these resolution be adopted and implemented.

Thank you for the opportunity to testify and for listening to our concerns and comments. Please feel free to contact me should there be any questions.