

SCR137

REQUESTING THAT THE INSURANCE COMMISSIONER
ESTABLISH AND CONVENE AN INSURANCE

Measure Title: MODERNIZATION WORKING GROUP TO UPDATE AND
MODERNIZE HAWAII'S PROPERTY, CASUALTY, AND LIFE
INSURANCE LAWS.

Report Title: Requests that the Insurance Commissioner establish and
convene an insurance modernization working group.

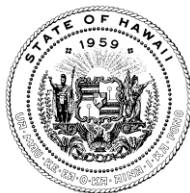
Description:

Companion:

Package: None

**Current
Referral:** CPH, WAM

Introducer(s): BAKER, KEITH-AGARAN, S. Chang, Galuteria, K. Kahele,
Wakai



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

TWENTY-NINTH LEGISLATURE
Regular Session of 2018

Friday, March 23, 2018
9:00 a.m.

**TESTIMONY ON SENATE CONCURRENT RESOLUTION NO. 137, 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.**

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 in support of S.C.R. 137, 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. My name is Gordon Ito, and I am the Insurance Commissioner ("Commissioner") for the Department's Insurance Division.

The Department notes that the goals contained in this concurrent resolution are very similar to what was proposed in S.B. 2938, which this Committee heard and passed as an S.D. 1, and which the Department strongly supported. This concurrent resolution proposes that a working group be formed to explore and propose legislation to update and modernize Hawaii's property and casualty insurance and life insurance laws in the face of rapid technological changes in the insurance industry.

The Department supports this resolution but is aware that the process of convening a task force, reporting to the Legislature, preparing proposed insurance

statutory changes resulting from the task force's recommendations, introducing insurance regulation legislation, and implementing the resulting legislation, in addition to allowing a reasonable grace period for the industry, may take at least three or four years. The most recent recodification of Hawai'i's insurance regulatory laws took a similar time period

Meanwhile, during this proposed three- to four-year time period, meaningful opportunities to deliver new and innovative technologies, products and services will be lost or, at the very least, delayed to Hawai'i's citizens.

The Department also respectfully recommends the scope of the working group be expanded to include the entire title 24 of the Hawaii Revised Statutes.

The Department believes that this resolution's proposals and S.B. 2938, S.D. 1, can work well together. The bill allows the Commissioner to review beneficial and innovative consumer products for immediate application while, at the same time, work on the task force with the industry to update and streamline statutory laws. This affords the opportunity to have a seamless transition in the evolution of insurance regulation in Hawai'i.

Thank you for the opportunity to testify in support of this resolution.

SCR-137

Submitted on: 3/21/2018 6:44:03 PM

Testimony for CPH on 3/23/2018 9:00:00 AM

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

Comments:

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

March 23, 2018

SCR 137 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 Baker, Vice Chair Tokuda, and Members of the Committee on Commerce,
Consumer Protection, and Health:

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

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.



Senate Committee on Commerce, Consumer Protection & Health
Date: March 23, 2018 Time: 9:00 AM

RE: SCR 137 -- Requesting the Insurance Commissioner Establish and Convene an Insurance Modernization Working Group to Update and Modernize the State’s Property, Casualty, and Life Insurance Laws.

Chair Baker, Vice Chair Tokuda, and Members of the Committee, the National Association of Insurance and Financial Advisors (NAIFA) Hawaii represents life insurance producers/agents across Hawaii who primarily market life insurance, annuities, long term care insurance and disability income insurance products.

We offer our comments on SCR 137.

The insurance industry is heavily regulated. This resolution proposes a working group to “explore and propose legislation to update and modernize Hawaii’s property and casualty insurance and life insurance laws”. Our organization along with representatives from the three largest life insurers operating in Hawaii are named to serve as members of this working group. Representatives from the five largest property and casualty insurers operating in Hawaii, a representative from the Hawaii Independent Insurance Agents Association and a representative from the Hawaii Association for Justice are also invited to serve.

NAIFA Hawaii is an agents/producers association and our members sell the insurance products and provide services to the clients, all under the auspices of the insurers. It’s unclear what our role as an organization would serve on this working group since we don’t have a say in these “innovative” insurance products and services nor in the technologies available now and in the future to improve efficiencies, reducing the costs of insurance transactions, and expediting claim payments.

We probably will see more “disrupters” in the current insurance models but that is under the insurer’s purview as they control the insurance products, sales information, and employment agreements. We are in the front line of educating and selling the products to the consumers and much of that process is also regulated. We appreciate being named to serve on this working group.

Thank you for allowing us to share our viewpoint.

Cynthia Takenaka, Executive Director
Ph: 808-394-3451

SCR-137

Submitted on: 3/19/2018 6:40:47 PM

Testimony for CPH on 3/23/2018 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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

March 23, 2018
9:00 a.m.
Room 229

To: Chair Rosalyn H. Baker and Members of the Senate Committee on Commerce ,
Consumer Protection and Health:

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