



DAVID Y. IGE
GOVERNOR

JOSH GREEN
LT. GOVERNOR

**STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

335 MERCHANT STREET, ROOM 310
P.O. BOX 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
cca.hawaii.gov

CATHERINE P. AWAKUNI COLÓN
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Commerce and Consumer Protection
Friday, February 11, 2022
Via Videoconference**

**On the following measure:
S.B. 3080, RELATING TO CREDIT FOR REINSURANCE**

Chair Baker and Members of the Committee:

My name is Colin M. Hayashida, and I am the Insurance Commissioner of the Department of Commerce and Consumer Affairs' (Department) Insurance Division. The Department supports this administration bill.

The purpose of this bill is to adopt revisions to the National Association of Insurance Commissioners' (NAIC) Credit for Reinsurance Model Law to conform to the requirements of the bilateral agreements on insurance and reinsurance between the United States and the European Union and between the United States and the United Kingdom.

The NAIC accreditation standard requires states to adopt the 2019 amendments to the NAIC's Credit for Reinsurance Model Law. The NAIC adopted the 2019 revisions to make the Credit for Reinsurance Model law consistent with bilateral agreements, or "covered agreements", entered into by the United States with the European union and the United Kingdom. Failure to establish a reinsurance modernization framework and collateral reforms, and to implement reinsurance collateral provisions of the covered

agreements will subject states to federal preemption in this area and may jeopardize the Insurance Division's accreditation with the NAIC.

We respectfully request the following amendments be made to be consistent with the Model Law:

1. Section 2, p.2, lines 11-13 to read as follows: "requirements of subsection (b), (c), (d), (e), ~~or~~ (f) ~~or~~ (m). The commissioner may adopt by rules pursuant to section 431:4A-104(b) specific additional requirements relating to:"
2. Section 2, p.32, lines 15-16 to read as follows: "subsection (b), (c), (d), (e), or (f), but only with respect to the insurance of risks"
3. Section 2, p.34, lines 2-3 to read as follows: "requirements of subsection (b) ~~or~~ (c), (d), (e), or (f), the credit permitted by subsection (d) and (e)"
4. Section 3, p.38, line 20 to read as follows: "pursuant to section 431:4A-104(b) specific additional requirements relating to:"

Thank you for the opportunity to testify, and we respectfully ask the Committee to pass this administration bill.

TESTIMONY OF ALISON UEOKA

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Senator Rosalyn H. Baker, Chair
Senator Stanley Chang, Vice Chair

Friday, February 11, 2022
10:00 a.m.

SB 3080

Chair Baker, Vice Chair Chang, and members of the Committee on Commerce and Consumer Protection, my name is Alison Ueoka, President of the Hawaii Insurers Council. The Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately forty percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **supports** the intent of SB 3080. This bill is intended to align Hawaii accounting for reinsurance with the other 49 states, is necessary for Hawaii to maintain its NAIC accreditation, and ensures that Hawaii's insurance regulator has the information they need to regulate the ability and willingness of reinsurers to pay their claims as they become due.

This measure also ensures that Hawaii's law will not be preempted by the federal government, as this bill complies with the federally negotiated agreements with the EU and the UK.

Thank you for the opportunity to testify.



Hawaii SB 3080
Support with Commissioner’s Amendments
Credit for Reinsurance

The Reinsurance Association of America (“RAA”), on behalf of itself, the American Council of Life Insurers (ACLI) and the American Property Casualty Insurance Association (APCIA), submits the following comments in support of SB 3080 and in support the amendments requested by Commissioner Hayashida in his submitted testimony.

The Reinsurance Association of America is the leading trade association of property and casualty reinsurers doing business in the United States. RAA membership is diverse, including reinsurance underwriters and intermediaries licensed in the U.S. and those that conduct business on a cross border basis. The RAA represents its members before state, federal and international bodies.

The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI’s member companies are dedicated to protecting consumers’ financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI’s 280 member companies represent 95 percent of industry assets in the United States.

Representing nearly 60 percent of the U.S. property casualty insurance market, the American Property Casualty Insurance Association (APCIA) promotes and protects the viability of private competition for the benefit of consumers and insurers. APCIA represents the broadest cross-section of home, auto, and business insurers of any national trade association. APCIA members represent all sizes, structures, and regions, which protect families, communities, and businesses in the U.S. and across the globe.

As the Commissioner and the Hawaii Insurance Council note, this bill is intended to align Hawaii’s law addressing accounting for reinsurance with the other 49 states. The term “credit for reinsurance” is consistent with insurance statutory accounting parlance. (New Mexico and the District of Columbia are entertaining similar legislation this session.)

The bill is also necessary for Hawaii to maintain its NAIC (National Association of Insurance Commissioners) accreditation.

In addition to aligning with other states’ laws, the measure also aligns with the requirements of federally negotiated covered agreements between the United States and the European Union (EU) and the United Kingdom (UK). Such alignment ensures that Hawaii’s law will not be preempted by

the federal government.

We also support the Commissioner's proposed amendments. These amendments correct drafting differences and when adopted will align the bill language with the model credit for reinsurance law.

Thank you for the opportunity to testify.

Dennis C. Burke
Vice President, State Relations
Reinsurance Association of America
burke@reinsurance.org
202-783-8325

Steven Clayburn, FSA, MAAA
Senior Actuary, Health Insurance & Reinsurance
American Council of Life Insurers
steveclayburn@acli.com
202-624-2197

Mark Sektnan, Vice President
State Government Relations
American Property Casualty Insurance Association
mark.sektnan@apci.org
916-449-1370

TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS
IN SUPPORT OF SB 3080, RELATING TO CREDIT REINSURANCE

February 11, 2022

Honorable Senator Rosalyn H. Baker, Chair
Honorable Stanley Chang, Vice-Chair
Committee on Commerce and Consumer Protection
State Senate
Hawaii State Capitol, Room 229 and Videoconference
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Baker, Vice-Chair Chang and Members of the Committee:

Our firm represents the American Council of Life Insurers (“ACLI”). ACLI is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI’s member companies are dedicated to protecting consumers’ financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI’s 280 member companies represent 94 percent of industry assets in the United States. Two hundred seventeen (217) ACLI member companies currently do business in the State of Hawaii; and they represent 94% of the life insurance premiums and 97% of the annuity considerations in this State.

SB 3080 adopts the 2019 revision to the National Association of Insurance Commissioners (“NAIC”) Credit for Reinsurance to conform to the requirements of the bilateral agreements on insurance and reinsurance between the United State (US) and the European Union and the US and the United Kingdom, and to ensure states’ regulatory authority remains intact.

ACLI supports the proposed changes in SB 3080 suggested by the Insurance Commissioner in his testimony on the bill.

As amended by the Commissioner ACLI is in strong support of SB 3080, relating to Credit for Reinsurance, and its passage by this Committee.

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

LAW OFFICES OF
OREN T. CHIKAMOTO
A Limited Liability Law Company

Oren T. Chikamoto
1001 Bishop Street, Suite 1750
Honolulu, Hawaii 96813
Telephone: (808) 531-1500
E mail: otc@chikamotolaw.com