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

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**Testimony of the Department of Commerce and Consumer Affairs**

**Before the**  
**House Committee on Finance**  
**Thursday, February 22, 2024**  
**10:00 a.m.**

**State Capitol, Conference Room 308 and via Videoconference**

**On the following measure:**  
**H.B. 2394, H.D. 1, RELATING TO INSURANCE**

Chair Yamashita and Members of the Committee:

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

The purpose of this bill is to amend various sections of chapter 431, article 11, Hawai'i Revised Statutes to adopt revisions to the National Association of Insurance Commissioners Model #440, Insurance Holding Company System Regulatory Act.

These amendments are necessary for maintaining our accreditation status with the NAIC.

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



TESTIMONY OF NOLAN KAWANO

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COMMITTEE ON FINANCE  
Representative Kyle Yamashita, Chair  
Representative Lisa Kitagawa, Vice Chair

HB 2394 HD1  
RELATING TO INSURANCE

Thursday, February 22, 2024

Chair Yamashita, Vice Chair Kitagawa, and members of the Committee on Finance, my name is Nolan Kawano, Chief Financial Officer of Tradewind Group.

Tradewind Group **opposes** three provisions of this bill and offers three amendments that will make the bill acceptable.

All three amendments would grant an exemption for a Domestic Insurance Holding Company System, with the intent to exempt an Insurance Holding Company System with insurance companies doing business only in Hawaii. Moreover, these amendments should not interfere with the National Association of Insurance Commissioners (NAIC) accreditation for Hawaii.

**NAIC ACCREDITATION**

The NAIC accreditation as per the NAIC is to facilitate the regulation and oversight of multi-state insurers, particularly with respect to solvency. Our subsidiary insurance company, Island Insurance, only serves those in Hawaii and is not a multi-state insurer.

*The NAIC Accreditation Program was established to develop and maintain standards to promote effective insurance company financial solvency regulation. The purpose of the accreditation program is for state insurance departments to meet baseline standards of solvency regulation, particularly with respect to regulation of multi-state insurers. NAIC accreditation allows non-domestic states to rely on the accredited domestic regulator to fulfill a baseline level of effective financial regulatory oversight. This creates substantial efficiencies for insurance regulators, who are then able to coordinate and rely on each other's work. It also creates far greater efficiencies for insurance companies licensed in accredited states, which are then not subject to financial examinations or other financial oversight by multiple jurisdictions. All fifty states, the District of Columbia, and the U.S. Virgin Islands are currently accredited.*

<https://content.naic.org/cipr-topics/accreditation>



## **PROPOSED AMENDMENTS**

The first proposed amendment A below would reinstate an exemption that has been in place since 2014. The Insurance Division received National Association of Insurance Commissioners (NAIC) accreditation in 2016 and more recently 2021 with that exemption in place. The proposed amendments B and C would follow that same exemption which was in place during the two most recent accreditations.

- A. Enterprise Risk Report. Page 3, lines 5 through 9. Restore the deleted language to read "The ultimate controlling person of every insurer subject to registration shall also file an annual enterprise risk report. The ultimate controlling person of a domestic insurance holding company system shall be exempt from this requirement." Note that the second sentence is deleted in SB 3083.
- B. Group Capital Calculation. Page 4, line 16. Shifting subsections (A) to (G) to (B) to (H) with a new subsection (A) to read: A domestic insurance holding company system.
- C. Liquidity Stress Test. Page 10, line 20. Add subsection (C) to read: The ultimate controlling person of a domestic insurance holding company system shall be exempt from this requirement.

The proposed amendment A also aligns with exemptions in Texas, Kansas and Nevada, all NAIC accredited states, where Insurance Holding Company Systems with insurance carriers doing business only in those respective states receive an exemption. With regards to the proposed amendment B, Nevada grants an exemption for single-state insurers.

Tradewind Group is defined by HRS §431:11-102 as a Domestic Insurance Holding Company System with Island Insurance and its subsidiary insurance companies all doing business in Hawaii. Island Insurance has no operations outside of Hawaii.

Island Insurance, a wholly-owned subsidiary of Tradewind Group, was engaged 85 years ago to offer property and casualty insurance to Asian immigrants who suffered discrimination in the purchase of insurance.

Since that time and with the values instilled in 1939, Tradewind Group has expanded its roots and today we have several companies serving not only the insurance, but also the technology, real estate, building services, professional services, and product distribution community in Hawaii; thus making us unlike those who only transact insurance.

Each of our family members share a common mission, one where we are so very and deeply committed to creating opportunities for Hawaii's people, including bringing back those who have left; serving Hawaii businesses so they can thrive; and most of all ensuring that there is a strong spirit of doing what's right for our Hawaii.

Insurance like our other businesses, is a community endeavor, one that we view as essential to having a vibrant Hawaii and one that stands strong in protecting Hawaii's people, its local businesses, and the community in general.

To preserve our unique identity and ability to effectively serve Hawaii's people and local businesses, we ask that HB 2394 HD1 be amended as shown above.

Mahalo for this opportunity to testify on HB 2394 HD1.

Nolan Kawano, Chief Financial Officer, Tradewind Group  
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808-342-6136

TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS  
IN SUPPORT OF HB 2394, HD 1, RELATING TO INSURANCE

February 22, 2024

Honorable Representative Kyle T. Yamashita, Chair  
Honorable Representative Lisa Kitagawa, Vice Chair  
Committee on Finance  
State House of Representatives  
VIA VIDEOCONFERENCE  
Hawaii State Capitol, Conference Room 308  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chair Yamashita, Vice Chair Kitagawa and Members of the Committee:

Our firm represents the American Council of Life Insurers (“ACLI”). 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 275 member companies represent 93 percent of industry assets in the United States.

Two hundred sixteen (216) ACLI member companies currently do business in the State of Hawaii; and they represent 95% of the life insurance premiums and 99% 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.

HB 2394, HD 1, amends Article 11 of Chapter 431 of the Hawaii Revised Statutes by adopting the revisions set forth in Model #440 of the NAIC’S Holding Company System Regulatory Model Act. Accordingly, ACLI is in strong support HB 2394, HD 1 and urges this Committee to pass this bill.

Thank you for the opportunity to testify in support of HB 2394, HD 1, relating to Insurance.

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