JOSH GREEN, M.D.
GOVERNOR | KE KIAʻĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIAʻĀINA

STATE OF HAWAII | KA MOKUʻĀINA ʻO HAWAIʻI
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
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DIRECTOR | KA LUNA HOʻOKELE

DEAN I HAZAMA
DEPUTY DIRECTOR | KA HOPE LUNA HOʻOKELE

Testimony of the Department of Commerce and Consumer Affairs

Before the
House Committee on Consumer Protection and Commerce
Tuesday, February 13, 2024
2:05 p.m.
State Capitol, Conference Room 329 and via Videoconference

On the following measure:
H.B. 2392, RELATING TO INSURANCE

Chair Nakashima and Members of the Committee:

My name is Gordon I. Ito, 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 amend various provisions of title 24, HRS, to update and improve existing provisions; define "dormant captive insurance company" and sets out a procedure to apply for the certificate of dormancy; add the term "doing business as" to "trade name" statutory references; clarify continuing education provider filing requirements; clarify reinsurance intermediary-manager filing requirements; amend the surety bond threshold requirement for third party administrators and clarify the audited financial statements requirements; amend the definitions of "controlled unaffiliated business" and "participant" as applied to captive insurance companies; and provide for exemption from premium taxes for a captive insurer in its first year after formation.

Section 1 of this bill of this bill will (1) clearly define what constitutes a dormant captive insurance company; (2) outline the process for a company's transition, as well as a renewal process; (3) outline the forgoing expectations of a company, as well as any prohibited acts; (4) outline a process for a company to surrender its certificate of dormancy; and (5) define penalties for non-compliance.

Currently, there is no standardized process for a captive insurance company to transition to a dormant status in Hawaii. Under current practices, a dormant captive insurance company must obtain approval from the Insurance Division to be dormant, and if approved, must comply with modified filing requirements. A standardized process is necessary to establish a uniform, efficient, and transparent system.

Section 2 will clarify that "trade name" also means the name individuals and business entities are doing business as, thereby allowing applicants and licensees to add or maintain trade names on licenses.

This will help to facilitate the Insurance Division's transition to an electronic licensing platform and to avoid potential confusion for individuals and businesses submitting their electronic applications and renewals via the National Association of Insurance Commissioners (NAIC) State Based Systems and National Insurance Producer Registry.

Section 3 will make clear that exam content and questions are not required to be approved or filed with the division and are to be made available upon request of the commissioner.

Currently, continuing education (CE) providers are required to only submit the licensing self-study course to the Insurance Division; however, CE providers are also submitting exam questions, which may create a false impression that the division is also approving exam content/questions.

Sections 4 and 5 will delete the surety bond and Errors and Omissions (E&O) policy filing requirements in section 431:9B-102(c)(1) and (2) and insert the surety bond and E&O policy filing requirements in section 431:9B-108.

Currently, the duties addressing surety bond requirement and E&O policy filings for reinsurance intermediary-managers (RIMs) are organized under HRS 431:9B-

102(c)(1) and (2). HRS 431:9B-102 addresses licensure, while HRS 431:9B-108 addresses the duties of reinsurers utilizing the services of RIMs. Thus, HRS 431:9B-102(c)(1) and (2) are better placed in HRS 431:9B-108 as RIMs have the authority to bind or manage all or part of the assumed reinsurance business of a reinsurer and act as an agent for the reinsurer.

Sections 6 and 7 will ensure adequate consumer protection and promote transparency of Third Party Administrators operating in the State of Hawaii by increasing the surety bond threshold requirement for third party administrators in section 431:9J-103 to $300,000 from the third year of licensure filing and clarifying the audited financial statements requirement in section 431:9J-112.

Currently, administrators seeking a license need only file with the commissioner and maintain a surety bond of at least $100,000. Additionally, no requirement exists to file an audited financial statement reflecting proof of the requisite surety bond amount along with the annual report.

Section 8 will amend the definitions of “controlled unaffiliated business” and “participant” in section 431:19-101.

This clarification is necessary to the definition of a “controlled unaffiliated business” in section 431:19-101 to make clear that this term applies to sponsored captive insurance companies that are subject to part III of article 19, chapter 431.

We respectfully request that **Section 9** be deleted. Upon further analysis, the amendments to section 431:19-116 are not necessary at this time.

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

HAWAII CAPTIVE INSURANCE COUNCIL

TESTIMONY ON PROPOSED AMENDMENTS TO CHAPTER 431, HAWAII REVISED STATUTES RELATING TO INSURANCE

COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Rep. Mark M. Nakashima, Chair
Rep. Jackson D. Sayama, Vice Chair

Tuesday, February 13, 2024, 02:05 p.m.
Conference Room 329 & Videoconference
State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

TESTIMONY REGARDING HOUSE BILL 2392

To Rep. Mark M. Nakashima – Chair; Rep. Jackson D. Sayama – Vice Chair; and members of the Committee on Consumer Protection & Commerce:

My name is Paul Shimomoto, and I am submitting this testimony as President of the Hawaii Captive Insurance Council ("HCIC"). The HCIC is a nonprofit corporation whose mission is to promote, develop, and maintain a strong, stable and reputable captive insurance industry in the State of Hawaii. We do this in partnership with the State of Hawaii Insurance Division ("Division") on a local, national, and international level.

Today, Hawaii is home to 263 actively operating and licensed captive insurance companies. Their parent companies are headquartered all over the US, in Japan and Europe. A large portion of them are traded on major stock exchanges globally and are regularly included in Forbes' Global 100 and 500 lists. As of the end of 2023, Hawaii was ranked the fifth largest captive domicile (in terms of number of active licenses) in the US, and the eighth largest domicile worldwide. Hawaii is also currently the domicile of choice for 41 Japanese-owned captive insurance companies, making it the world's leader. On a combined basis as of December 31, 2022, these 260+ captive insurance companies wrote approximately $15 billion of gross written premium and had invested assets in Hawaii financial institutions that totaled nearly $2 billion.

The captive industry that represents and supports the State of Hawaii as a captive domicile has been, and continues to be, a shining example of real, economic diversification. This industry provides local, professional job opportunities in the legal, accounting, banking and finance, and insurance management sectors to name a few, and it contributes nearly $90 million to Hawaii's economy annually.

Hawaii's prominence within the global captive insurance industry is, however, not without competition. In the US, there are approximately 40 other states that are active captive insurance domiciles. This means that prospective captive owners – as well as current captive owners – have choices as to where they domicile and operate their captive insurance companies. Although Hawaii is an established and well-respected captive domicile, it nevertheless has some inherent challenges given its location and certain perceptions of "doing business" in Hawaii. Thus, it is critically important that our legal and regulatory framework is structured and operates in a manner that incentivizes prospective captive owners to choose Hawaii in the first place and continually reaffirms the value proposition for existing captive owners already domiciled here.

The HCIC ***supports*** the following Sections of HB 2392 as the HCIC believes they will improve Hawaii's captive insurance laws:

- Section 1 pertaining to "Dormant captive insurance companies" under HRS Chapter 431, Article 19
- Section 8 pertaining to "controlled unaffiliated business" under HRS § 431:19-101

The HCIC ***takes no position*** with regard to the following Sections of HB 2392:

- Section 2 pertaining to "Trade Name" under HRS § 431: 2-217
- Section 3 pertaining to "Self-study courses" under HRS § 431:9A-154
- Section 4 relating to reinsurance intermediary-managers under HRS § 431:9B-102
- Section 5 relating to reinsurance intermediary-managers under HRS § 431:9B-108
- Section 6 relating to "Surety bond required" under HRS § 431:9J-103
- Section 7 relating to "Annual report required" under HRS § 431:9J-112
- Section 9 relating to "Taxation" under HRS § 431:19-116

Thank you for the opportunity to submit this testimony.

Respectfully submitted,

Paul Shimomoto

Paul Shimomoto, President
Hawaii Captive Insurance Council

TESTIMONY ON PROPOSED AMENDMENTS TO CHAPTER 431, HAWAII REVISED STATUTES RELATING TO INSURANCE

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Rep. Mark M. Nakashima, Chair
Rep. Jackson D. Sayama, Vice Chair

Tuesday, February 13, 2024, 02:05 p.m.
Conference Room 329 & Videoconference
State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

TESTIMONY REGARDING HOUSE BILL 2392

To Rep. Mark M. Nakashima – Chair; Rep. Jackson D. Sayama – Vice Chair; and members of the Committee on Consumer Protection & Commerce:

My name is Christina Kamaka, Director and Secretary of the Hawaii Captive Insurance Council ("HCIC"). The HCIC is a nonprofit corporation whose mission is to promote, develop, and maintain a strong, stable and reputable captive insurance industry in the State of Hawaii. As a member of the Hawaii Captive Insurance Council ("HCIC") and Vice President of Aon Insurance Managers (USA) Inc., we thank you for the opportunity to provide this written testimony. Aon provides consulting and captive management services for 45 of Hawaii captive insurance companies.

Today, Hawaii is home to 263 actively operating and licensed captive insurance companies. Their parent companies are headquartered all over the US, in Japan and Europe. A large portion of them are traded on major stock exchanges globally and are regularly included in Forbes' Global 100 and 500 lists. As of the end of 2023, Hawaii was ranked the fifth largest captive domicile (in terms of number of active licenses) in the US, and the eighth largest domicile worldwide. Hawaii is also currently the domicile of choice for 41 Japanese-owned captive insurance companies, making it the world's leader. On a combined basis as of December 31, 2022, these 260+ captive insurance companies wrote approximately $15 billion of gross written premium and had invested assets in Hawaii financial institutions that totaled nearly $2 billion.

The captive industry that represents and supports the State of Hawaii as a captive domicile has been, and continues to be, a shining example of real, economic diversification. This industry provides local, professional job opportunities in the legal, accounting, banking and finance, and insurance management sectors to name a few, and it contributes nearly $90 million to Hawaii's economy annually.

Hawaii's prominence within the global captive insurance industry is, however, not without competition. In the US, there are approximately 40 other states that are active captive insurance domiciles. This means that prospective captive owners – as well as current captive owners – have choices as to where they domicile and operate their captive insurance companies. Although Hawaii is an established and well-respected captive domicile, it nevertheless has some inherent challenges given its location and certain perceptions of “doing business” in Hawaii. Thus, it is critically important that our legal and regulatory framework is structured and operates in a manner that incentivizes prospective captive owners to choose Hawaii in the first place and continually reaffirms the value proposition for existing captive owners already domiciled here.

We ***support*** the following Sections of HB 2392 as they will ensure Hawaii’s captive insurance laws are flexible and support the desires and needs of the constituency we serve:

- Section 1 pertaining to “Dormant captive insurance companies” under HRS Chapter 431, Article 19
- Section 8 pertaining to “controlled unaffiliated business” under HRS § 431:19-101

We ***take no position*** with regard to the following Sections of HB 2392:

- Section 2 pertaining to “Trade Name” under HRS § 431: 2-217
- Section 3 pertaining to “Self-study courses” under HRS § 431:9A-154
- Section 4 relating to reinsurance intermediary-managers under HRS § 431:9B-102
- Section 5 relating to reinsurance intermediary-managers under HRS § 431:9B-108
- Section 6 relating to “Surety bond required” under HRS § 431:9J-103
- Section 7 relating to “Annual report required” under HRS § 431:9J-112
- Section 9 relating to “Taxation” under HRS § 431:19-116

Thank you for the opportunity to submit this testimony.

Respectfully submitted,

DocuSigned by:
CKamaka
D4F830B2E1A840A...

Christina Kamaka, Vice President
Aon Insurance Managers (USA) Inc.

Brown & Brown

TESTIMONY ON PROPOSED AMENDMENTS TO CHAPTER 431, HAWAII REVISED STATUTES RELATING TO INSURANCE

COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Rep. Mark M. Nakashima, Chair
Rep. Jackson D. Sayama, Vice Chair

Tuesday, February 13, 2024, 02:05 p.m.
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415 South Beretania Street
Honolulu, Hawaii 96813

TESTIMONY REGARDING HOUSE BILL 2392

To Rep. Mark M. Nakashima – Chair; Rep. Jackson D. Sayama – Vice Chair; and members of the Committee on Consumer Protection & Commerce:

My name is Matthew Takamine, and I submit this testimony as the leader of Brown & Brown's global captive practice and the head of our Hawaii office. Brown & Brown is one of the world's leading captive insurance managers and consultants, managing companies with over $20 billion in assets and writing $6.8 billion in insurance premiums. Brown & Brown has maintained an office in Hawaii since 1991. We manage captives and advise companies on captive jurisdictions throughout North America, Europe, and Asia.

I also submit this testimony a director of the Hawaii Captive Insurance Council ("HCIC"). The HCIC is a nonprofit corporation whose mission is to promote, develop, and maintain a strong, stable and reputable captive insurance industry in the State of Hawaii. We do this in partnership with the State of Hawaii Insurance Division ("Division") on a local, national, and international level.

In my role as leader of our captive practice, we regularly advise companies with respect to where they should domicile their captives. These recommendations are based on thorough domicile analyses which include a number of factors such as quality and consistency of regulation, quality of service providers, travel considerations, and the costs of doing business. Today, we actively manage captives in approximately 25 jurisdictions across North America, including the State of Hawaii.

Today, Hawaii is home to 263 actively operating and licensed captive insurance companies. Their parent companies are headquartered all over the US, in Japan and Europe. A large portion of them are traded on major stock exchanges globally and are regularly included in Forbes' Global 100 and 500 lists. As of the end of 2023, Hawaii was ranked the fifth largest captive domicile (in terms of number of active licenses) in the US, and the eighth largest domicile worldwide. Hawaii is also currently the domicile of choice for 41 Japanese-owned captive insurance companies, making it the world's leader. On a combined basis as of December 31, 2022, these 260+ captive insurance companies wrote approximately $15 billion of gross written premium and had invested assets in Hawaii financial institutions that totaled nearly $2 billion.

The captive industry that represents and supports the State of Hawaii as a captive domicile has been, and continues to be, a shining example of real, economic diversification. This industry provides local, professional job opportunities in the legal, accounting, banking and finance, and insurance management sectors to name a few, and it contributes nearly $90 million to Hawaii's economy annually.

1001 Bishop Street, Suite 2788
Honolulu, HI 96813
www.bbrown.com

Hawaii's prominence within the global captive insurance industry is, however, not without competition. In the US, there are approximately 40 other states that are active captive insurance domiciles. This means that prospective captive owners – as well as current captive owners – have choices as to where they domicile and operate their captive insurance companies. Although Hawaii is an established and well-respected captive domicile, it nevertheless has some inherent challenges given its location and certain perceptions of "doing business" in Hawaii. Thus, it is critically important that our legal and regulatory framework is structured and operates in a manner that incentivizes prospective captive owners to choose Hawaii in the first place and continually reaffirms the value proposition for existing captive owners already domiciled here.

The HCIC ***supports*** the following Sections of HB 2392 as the HCIC believes they will improve Hawaii's captive insurance laws:

- Section 1 pertaining to "Dormant captive insurance companies" under HRS Chapter 431, Article 19
- Section 8 pertaining to "controlled unaffiliated business" under HRS § 431:19-101

The HCIC ***takes no position*** with regard to the following Sections of HB 2392:

- Section 2 pertaining to "Trade Name" under HRS § 431: 2-217
- Section 3 pertaining to "Self-study courses" under HRS § 431:9A-154
- Section 4 relating to reinsurance intermediary-managers under HRS § 431:9B-102
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- Section 7 relating to "Annual report required" under HRS § 431:9J-112
- Section 9 relating to "Taxation" under HRS § 431:19-116

Thank you for the opportunity to submit this testimony.

Very Truly Yours,

Matthew D. R. Takamine, CPA
Executive Managing Director, Captive Practice Leader
Brown & Brown

Director
Hawaii Captive Insurance Council

LEGISLATIVE TAX BILL SERVICE

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INSURANCE PREMIUM, One-Year Exemption for New Captive Insurers

BILL NUMBER: SB 3081, HB 2392

INTRODUCED BY: SB by KOUCHI; HB by SAIKI (Governor's Package)

EXECUTIVE SUMMARY: Amends various provisions of title 24, HRS, to update and improve existing provisions. Defines "dormant captive insurance company" and sets out a procedure to apply for the certificate of dormancy. Adds the term "doing business as" to "trade name" statutory references. Clarifies continuing education provider filing requirements. Clarifies reinsurance intermediary-manager filing requirements. Amends the surety bond threshold requirement for third party administrators and clarifies the audited financial statements requirements. Amends the definitions of "controlled unaffiliated business" and "participant" as applied to captive insurance companies. Provides for exemption from premium taxes for a captive insurer in its first year after formation.

SYNOPSIS: As it relates to captive insurance companies:

Adds a new section to chapter 431, article 19, HRS, allowing for a captive insurance company to temporarily be in a dormant status.

Amends section 431:19-116, HRS, to provide for an exemption from payment of premium taxes for the first year after its formation.

EFFECTIVE DATE: Upon approval, provided that section 5 shall take effect on July 1, 2025.

STAFF COMMENTS: This is an Administration measure sponsored by the Department of Commerce and Consumer Affairs and designated CCA-09 (24).

Multiple technical corrections are made to the Insurance Code.

For dormant status, the justification sheet for the measure recites that there has been no standard process for a captive insurance company to transition to dormant status. The bill adds one to provide clarity.

For the tax exemption, the justification sheet for the measure recites that the first-year exemption "will provide relief from premium taxes to newly formed captive insurers." There appears to be no comparable exemption from any other taxes to newly formed entities of other types, so perhaps this one is just being done for marketing purposes.

Digested: 2/7/2024

**TESTIMONY ON PROPOSED AMENDMENTS TO
CHAPTER 431, HAWAII REVISED STATUTES
RELATING TO INSURANCE**

COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Rep. Mark M. Nakashima, Chair
Rep. Jackson D. Sayama, Vice Chair

Tuesday, February 13, 2024, 02:05 p.m.
Conference Room 329 & Videoconference
State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

TESTIMONY REGARDING HOUSE BILL 2392

To Rep. Mark M. Nakashima – Chair; Rep. Jackson D. Sayama – Vice Chair; and members of the Committee on Consumer Protection & Commerce:

My name is David Beyer and I am submitting this testimony as Director of Risk Management of Alaska Airlines, Inc. ("Alaska") and as the General Manager and Corporate Secretary of Alaska's Hawaii based captive insurance company, ASA Assurance, Inc. ("AAI").

Alaska, while based in Washington, maintains a significant airline presence in Hawaii serving four airports across the islands with over thirty-five daily flights from the mainland. AAI is Alaska's wholly-owned captive insurance company based on Oahu. AAI's sustainability is key to the risk management practices of Alaska.

A healthy captive insurance industry in Hawaii is beneficial to existing captive owners like Alaska. Ensuring that the division has the appropriate legislative structure to operate effectively to support existing captive owners while securing new business incentivizes current and prospective captive owners to select and maintain Hawaii above other highly competitive options in the industry. A smooth-running division allows current captive owners the ability to trust that the flexibility that captive insurance provides will not be hindered by regulatory red-tape. An efficient and effective division is a true value proposition to current and future captive owners.

Alaska and AAI ***support*** the following Sections of HB 2392 as they collectively believe they will improve Hawaii's captive insurance laws:

- Section 1 pertaining to "Dormant captive insurance companies" under HRS Chapter 431, Article 19
- Section 8 pertaining to "controlled unaffiliated business" under HRS § 431:19-101

HCIC, Alaska and AAI ***take no position*** with regard to the following Sections of HB 2392:

- Section 2 pertaining to "Trade Name" under HRS § 431: 2-217
- Section 3 pertaining to "Self-study courses" under HRS § 431:9A-154

- Section 4 relating to reinsurance intermediary-managers under HRS § 431:9B-102
- Section 5 relating to reinsurance intermediary-managers under HRS § 431:9B-108
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- Section 7 relating to "Annual report required" under HRS § 431:9J-112
- Section 9 relating to "Taxation" under HRS § 431:19-116

Thank you for the opportunity to submit this testimony.

Respectfully submitted,

David Beyer
Director, Risk Management, Alaska Airlines, Inc.
General Manager and Corporate Secretary, ASA Assurance, Inc.

TESTIMONY ON PROPOSED AMENDMENTS TO CHAPTER 431, HAWAII REVISED STATUTES RELATING TO INSURANCE

COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Rep. Mark M. Nakashima, Chair
Rep. Jackson D. Sayama, Vice Chair

Tuesday, February 13, 2024, 02:05 p.m.
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Honolulu, Hawaii 96813

TESTIMONY REGARDING HOUSE BILL 2392

To Rep. Mark M. Nakashima – Chair; Rep. Jackson D. Sayama – Vice Chair; and members of the Committee on Consumer Protection & Commerce:

My name is Jill Miura, and I am submitting this testimony as Treasurer of the Hawaii Captive Insurance Council ("HCIC"). The HCIC is a nonprofit corporation whose mission is to promote, develop, and maintain a strong, stable and reputable captive insurance industry in the State of Hawaii. We do this in partnership with the State of Hawaii Insurance Division ("Division") on a local, national, and international level.

Today, Hawaii is home to 263 actively operating and licensed captive insurance companies. Their parent companies are headquartered all over the US, in Japan and Europe. A large portion of them are traded on major stock exchanges globally and are regularly included in Forbes' Global 100 and 500 lists. As of the end of 2023, Hawaii was ranked the fifth largest captive domicile (in terms of number of active licenses) in the US, and the eighth largest domicile worldwide. Hawaii is also currently the domicile of choice for 41 Japanese-owned captive insurance companies, making it the world's leader. On a combined basis as of December 31, 2022, these 260+ captive insurance companies wrote approximately $15 billion of gross written premium and had invested assets in Hawaii financial institutions that totaled nearly $2 billion.

The captive industry that represents and supports the State of Hawaii as a captive domicile has been, and continues to be, a shining example of real, economic diversification. This industry provides local, professional job opportunities in the legal, accounting, banking and finance, and insurance management sectors to name a few, and it contributes nearly $90 million to Hawaii's economy annually.

Hawaii's prominence within the global captive insurance industry is, however, not without competition. In the US, there are approximately 40 other states that are active captive insurance domiciles. This means that prospective captive owners – as well as current captive owners – have choices as to where they domicile and operate their captive insurance companies. Although Hawaii is an established and well-respected captive domicile, it nevertheless has some inherent challenges given its location and certain perceptions of "doing business" in Hawaii. Thus, it is critically important that our legal and regulatory framework is structured and operates in a manner that incentivizes prospective captive owners to choose Hawaii in the first place and continually reaffirms the value proposition for existing captive owners already domiciled here.

The HCIC ***supports*** the following Sections of HB 2392 as the HCIC believes they will improve Hawaii's captive insurance laws:

- Section 1 pertaining to "Dormant captive insurance companies" under HRS Chapter 431, Article 19
- Section 8 pertaining to "controlled unaffiliated business" under HRS § 431:19-101

The HCIC ***takes no position*** with regard to the following Sections of HB 2392:

- Section 2 pertaining to "Trade Name" under HRS § 431: 2-217
- Section 3 pertaining to "Self-study courses" under HRS § 431:9A-154
- Section 4 relating to reinsurance intermediary-managers under HRS § 431:9B-102
- Section 5 relating to reinsurance intermediary-managers under HRS § 431:9B-108
- Section 6 relating to "Surety bond required" under HRS § 431:9J-103
- Section 7 relating to "Annual report required" under HRS § 431:9J-112
- Section 9 relating to "Taxation" under HRS § 431:19-116

Thank you for the opportunity to submit this testimony.

Respectfully submitted,

Digitally signed by Jill A. Miura
Date: 2024.02.12 07:37:55 -10'00'

Jill Miura, Treasurer
Hawaii Captive Insurance Council

TESTIMONY ON PROPOSED AMENDMENTS TO CHAPTER 431, HAWAII REVISED STATUTES RELATING TO INSURANCE

COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Rep. Mark M. Nakashima, Chair
Rep. Jackson D. Sayama, Vice Chair

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TESTIMONY REGARDING HOUSE BILL 2392

To Rep. Mark M. Nakashima – Chair; Rep. Jackson D. Sayama – Vice Chair; and members of the Committee on Consumer Protection & Commerce:

My name is Masako Ruiz and ***support*** the following Sections of HB 2392 as I believe they will improve Hawaii's captive insurance laws:

- Section 1 pertaining to "Dormant captive insurance companies" under HRS Chapter 431, Article 19
- Section 8 pertaining to "controlled unaffiliated business" under HRS § 431:19-101

I ***takes no position*** with regard to the following Sections of HB 2392:

- Section 2 pertaining to "Trade Name" under HRS § 431: 2-217
- Section 3 pertaining to "Self-study courses" under HRS § 431:9A-154
- Section 4 relating to reinsurance intermediary-managers under HRS § 431:9B-102
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- Section 6 relating to "Surety bond required" under HRS § 431:9J-103
- Section 7 relating to "Annual report required" under HRS § 431:9J-112
- Section 9 relating to "Taxation" under HRS § 431:19-116

Thank you for the opportunity to submit this testimony.

Respectfully submitted,

DocuSigned by:
A6A97E350F50447...

Masako Ruiz

HB-2392
Submitted on: 2/11/2024 5:16:02 PM
Testimony for CPC on 2/13/2024 2:05:00 PM

Submitted By	Organization	Testifier Position	Testify
dennis boyd miller	Individual	Oppose	Written Testimony Only

Comments:

This bill refers to amending requirements for insurance company audits.

The problem with how insurance companies either self audit or are audited is that in both cases the parties involved accept the current ACA doctrine of increased administrative cost aka Value Based Payments or Quality Metrics.

Twenty nations with half the USA healthcare cost and 1/5 of our admin cost who also have either single payer or hybrid public/privately financed universal healthcare do not use ACA style 'quality metrics' or the VBP system.

They pay half per capita what the USA pays and their national healthcare outcomes rank from first on up. The USA ranks 29th or 30th for healthcare outcomes, even though we pay twice as much, per capita.

Contrary to what our health insurance officials report to the legislature, healthcare can be delivered with vastly less administrative overhead, for both the provider and the payer.

Two years ago a bill to require the state auditor to audit the private contractors for medicaid was opposed by the state auditor. He argued, "those are private companies, and I only audit state departments."

Well, if the state gives its $2.2 billion dollar Medicaid budget to private contractors, shouldn't the state have the ability to audit how that money is spent?

Judy Mohr Peterson also testified against that bill arguing, "we're already audited by CMS every year, we don't need another audit."

Well, the audits she is referring to accept VBP and Quality Metrics as a religious doctrine.

And yet, her doctrine of high admin costs does not exist in any nation with Universal Healthcare.

In this bill, you can specify that the cost audits of private insurance companies in Hawaii must be subject to an evaluation of the benefits of Quality Metrics.

An evaluation of 'Quality Metrics' in use by the five private contractors for MedQuest Hawaii will reveal numerous problems with that system. Starting with the fact that it's impossible to quantify what a Dr does. Dr. Stephen Kemble estimates that the quality metrics in use in Hawaii are based on 11% of what a Dr. does. For the rest, it's guesswork which allows Drs to cherry pick patients, and it rewards upcoding by both Drs and insurance companies.

The easiest path forward is for you to support a $250,000 line item in the budget to the HRS322H The Hawaii Health Authority.

Then, ensure that the people appointed to the HHA are free from HMSA/Judy doctrine. They should be able to understand health policy in a single payer system as well as having a 'hands on' understanding of Quality Metrics.

Then, the HHA would take 6 to 12 months to design a universal healthcare plan in which all health insurance companies in Hawaii would remain in business but would have to follow a new admin system which would relieve them of much of their labor cost.

This simple admin system would drop costs for Drs which would reverse Hawaii's physician shortage.

When the HHA gives this wonderful new health insurance system to the legislature for review the next year, then the legislature could approve, reject, or request changes.

Why not take a look at this Universal Healthcare system?

Fund the HHA this session, Hawaii's economy and people need it.

Dennis B Miller

(808) 227 8241

singlepayerhawaii@gmail.com

Waikiki