

STAND. COM. REP. NO.

894

Honolulu, Hawaii

March 6, 2009

RE: H.B. No. 1074
H.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 1074, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this bill is to update the Insurance Code by, among other things:

- (1) Clarifying the allowable insurer investments in common stocks, common trust funds, mutual funds, and exchange traded funds;
- (2) Establishing a time limit for an insurer to claim the retaliatory tax credit;
- (3) Limiting the issuance of surplus lines broker licenses to licensed producers with certain insurance lines of authority;
- (4) Allowing a limited adjuster license for crop insurance claims;
- (5) Amending the continuing education credit hours required for insurance producer license renewals; and

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- (6) Making printed form filings optional for insurance rate and policy revision filings, in accordance with state plans to begin accepting electronic rate filings and payments for all lines of insurance using the National Association of Insurance Commissioners' System for Electronic Rate and Form Filing.

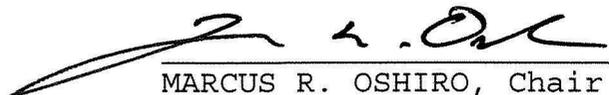
The Department of Commerce and Consumer Affairs and National Association of Insurance and Financial Advisors testified in support of this bill. The American Council of Life Insurers, Hawai'i Captive Insurance Council, and Hawaii Medical Service Association provided comments.

Your Committee has amended this bill by:

- (1) Changing its effective date to July 1, 2020, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1074, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1074, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Finance,


MARCUS R. OSHIRO, Chair



A BILL FOR AN ACT

RELATING TO INSURANCE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 26-9, Hawaii Revised Statutes, is
2 amended by amending subsection (o) to read as follows:
3 "(o) Every person licensed under any chapter within the
4 jurisdiction of the department of commerce and consumer affairs
5 and every person licensed subject to chapter 485A or registered
6 under chapter 467B shall pay upon issuance of a license, permit,
7 certificate, or registration a fee and a subsequent annual fee
8 to be determined by the director and adjusted from time to time
9 to ensure that the proceeds, together with all other fines,
10 income, and penalties collected under this section, do not
11 surpass the annual operating costs of conducting compliance
12 resolution activities required under this section. The fees may
13 be collected biennially or pursuant to rules adopted under
14 chapter 91, and shall be deposited into the special fund
15 established under this subsection. Every filing pursuant to
16 chapter 514E or section 485A-202(a)(26) shall be assessed, upon
17 initial filing and at each renewal period in which a renewal is



1 required, a fee that shall be prescribed by rules adopted under
2 chapter 91, and that shall be deposited into the special fund
3 established under this subsection. Any unpaid fee shall be paid
4 by the licensed person, upon application for renewal,
5 restoration, reactivation, or reinstatement of a license, and by
6 the person responsible for the renewal, restoration,
7 reactivation, or reinstatement of a license, upon the
8 application for renewal, restoration, reactivation, or
9 reinstatement of the license. If the fees are not paid, the
10 director may deny renewal, restoration, reactivation, or
11 reinstatement of the license. The director may establish,
12 increase, decrease, or repeal the fees when necessary pursuant
13 to rules adopted under chapter 91. The director may also
14 increase or decrease the fees pursuant to section 92-28.

15 There is created in the state treasury a special fund to be
16 known as the compliance resolution fund to be expended by the
17 director's designated representatives as provided by this
18 subsection. Notwithstanding any law to the contrary, all
19 revenues, fees, and fines collected by the department shall be
20 deposited into the compliance resolution fund. Unencumbered
21 balances existing on June 30, 1999, in the cable television fund
22 under chapter 440G, the division of consumer advocacy fund under



1 chapter 269, the financial institution examiners' revolving
2 fund, section 412:2-109, the special handling fund, section
3 414-13, and unencumbered balances existing on June 30, 2002, in
4 the insurance regulation fund, section 431:2-215, shall be
5 deposited into the compliance resolution fund. This provision
6 shall not apply to the drivers education fund underwriters fee,
7 [~~section~~] sections 431:10C-115[~~7~~] and 431:10G-107, insurance
8 premium taxes and revenues, revenues of the workers'
9 compensation special compensation fund, section 386-151, the
10 captive insurance administrative fund, section 431:19-101.8, the
11 insurance commissioner's education and training fund, section
12 431:2-214, the medical malpractice patients' compensation fund
13 as administered under section 5 of Act 232, Session Laws of
14 Hawaii 1984, and fees collected for deposit in the office of
15 consumer protection restitution fund, section 487-14, the real
16 estate appraisers fund, section 466K-1, the real estate recovery
17 fund, section 467-16, the real estate education fund, section
18 467-19, the contractors recovery fund, section 444-26, the
19 contractors education fund, section 444-29, the condominium
20 management education fund, section 514A-131, and the condominium
21 education trust fund, section 514B-71. Any law to the contrary
22 notwithstanding, the director may use the moneys in the fund to



1 employ, without regard to chapter 76, hearings officers and
2 attorneys. All other employees may be employed in accordance
3 with chapter 76. Any law to the contrary notwithstanding, the
4 moneys in the fund shall be used to fund the operations of the
5 department. The moneys in the fund may be used to train
6 personnel as the director deems necessary and for any other
7 activity related to compliance resolution.

8 As used in this subsection, unless otherwise required by
9 the context, "compliance resolution" means a determination of
10 whether:

- 11 (1) Any licensee or applicant under any chapter subject to
12 the jurisdiction of the department of commerce and
13 consumer affairs has complied with that chapter;
- 14 (2) Any person subject to chapter 485A has complied with
15 that chapter;
- 16 (3) Any person submitting any filing required by chapter
17 514E or section 485A-202(a)(26) has complied with
18 chapter 514E or section 485A-202(a)(26);
- 19 (4) Any person has complied with the prohibitions against
20 unfair and deceptive acts or practices in trade or
21 commerce; or



1 (5) Any person subject to chapter 467B has complied with
2 that chapter;
3 and includes work involved in or supporting the above functions,
4 licensing, or registration of individuals or companies regulated
5 by the department, consumer protection, and other activities of
6 the department.

7 The director shall prepare and submit an annual report to
8 the governor and the legislature on the use of the compliance
9 resolution fund. The report shall describe expenditures made
10 from the fund including non-payroll operating expenses."

11 SECTION 2. Section 431:2-215, Hawaii Revised Statutes, is
12 amended by amending subsection (a) to read as follows:

13 "(a) All assessments, fees, fines, penalties, and
14 reimbursements collected by or on behalf of the insurance
15 division under title 24, except for the commissioner's education
16 and training fund (section 431:2-214), the patients'
17 compensation fund (Act 232, Session Laws of Hawaii 1984), the
18 drivers education fund underwriters fee [~~section~~] (sections
19 431:10C-115[+], and 431:10G-107), and the captive insurance
20 administrative fund (section 431:19-101.8) to the extent
21 provided by section 431:19-101.8(b), shall be deposited into the
22 compliance resolution fund under section 26-9(o). All sums



1 transferred from the insurance division into the compliance
2 resolution fund may be expended by the commissioner to carry out
3 the commissioner's duties and obligations under title 24."

4 SECTION 3. Section 431:3-302.5, Hawaii Revised Statutes,
5 is amended by amending subsection (c) to read as follows:

6 "(c) The audit required in subsection (a) and the audited,
7 consolidated, or combined financial statements as may be
8 approved under subsection (b) shall be prepared in accordance
9 with either the National Association of Insurance Commissioners'
10 annual statement instructions, following the practices and
11 procedures prescribed by the National Association of Insurance
12 Commissioners' accounting practices and procedure manuals~~[-]~~, or
13 rules adopted by the commissioner pursuant to chapter 91."

14 SECTION 4. Section 431:6-317, Hawaii Revised Statutes, is
15 amended as follows:

16 1. By amending subsection (a) to read:

17 "(a) ~~[A]~~ To meet the requirements under section 431:6-
18 201, an insurer may invest any of its funds in common shares of
19 stock that are filed with the SVO or are considered "filing
20 exempt" by the Purposes and Procedures Manual of the SVO, or its
21 successor publication~~[-. In aggregate]~~; provided that an
22 insurer's amount of investment in common stocks~~[, including~~



1 ~~investments]~~ and in non-dividend paying stocks made pursuant to
2 this section and in common trust funds, mutual funds, and
3 exchange traded funds made pursuant to section 431:6-322 [~~, and~~
4 ~~non-dividend paying stocks,~~] shall not exceed the greater of
5 twenty-five per cent of its admitted assets or one hundred per
6 cent of its surplus as regards to policyholders as defined in
7 section 431:6-101."

8 2. By amending subsection (c) to read:

9 "(c) An insurer's aggregate amount of investment in non-
10 dividend paying stocks [~~is~~] shall be subject to the limitations
11 [~~of~~] in section 431:6-104."

12 SECTION 5. Section 431:6-322, Hawaii Revised Statutes, is
13 amended to read as follows:

14 "**§431:6-322 Common trust funds; mutual funds; and**
15 **[~~f~~]exchange[~~t~~] traded funds.** [~~(a) Subject to the limitations in~~
16 ~~subsections (b) and (c), an insurer may invest in:~~

17 ~~(1) A bank's common trust fund as defined in Section 584~~
18 ~~of the United States Internal Revenue Code of 1986, as~~
19 ~~amended;~~

20 ~~(2) The securities of any open-end management type~~
21 ~~investment company or investment trust registered with~~
22 ~~the federal Securities and Exchange Commission under~~



1 ~~the Investment Company Act of 1940, as amended, if the~~
2 ~~investment company or trust, other than one of which~~
3 ~~as a subsidiary of the insurer is investment adviser~~
4 ~~or principal underwriter, has a new value of not less~~
5 ~~than \$25,000,000 as of the date of investment by the~~
6 ~~insurer, and~~

7 ~~(3) An exchange traded fund that is registered with the~~
8 ~~federal Securities and Exchange Commission under the~~
9 ~~Investment Company Act of 1940, as amended, and is~~
10 ~~traded on a public exchange.~~

11 ~~(b) In aggregate, an insurer's amount of investment,~~
12 ~~including investments]~~ (a) To meet the requirements under
13 section 431:6-201, an insurer may invest in common trust funds,
14 mutual funds, and exchange traded funds; provided that an
15 insurer's amount of investment made pursuant to this section and
16 in common stocks made pursuant to section 431:6-317(a) [7] shall
17 not exceed the greater of twenty-five per cent of its admitted
18 assets or one hundred per cent of its surplus as regards to
19 policyholders as defined in section 431:6-101. This limitation
20 shall not apply to investments approved on the "Mutual Funds
21 List" from the Purposes and Procedures Manual of the SVO, or its
22 successor publication.



1 ~~(e)~~ (b) An insurer may invest any of its funds in common
2 trust funds, mutual funds, and exchange traded funds after
3 satisfying the requirements of section 431:6-201.

4 (c) For purposes of this section:

5 "Common trust funds" means a fund maintained by a bank
6 exclusively for the collective investment and reinvestment of
7 moneys contributed by the bank in its capacity as a trustee,
8 executor, administrator, guardian, or custodian of accounts as
9 defined in Section 584 of the United States Internal Revenue
10 Code of 1986, as amended.

11 "Exchange traded fund" means a security that tracks an
12 index, commodity, or basket of assets similar to an index fund,
13 is registered with the federal Securities and Exchange
14 Commission under the Investment Company Act of 1940, as amended,
15 and is traded on a public exchange.

16 "Mutual funds" means an investment company that is
17 registered with the federal Securities and Exchange Commission
18 under the Investment Company Act of 1940 (15 United States Code
19 Section 80a-1, et seq.), as amended."

20 SECTION 6. Section 431:7-206, Hawaii Revised Statutes, is
21 amended to read as follows:



1 "**§431:7-206 Domestic company credit for retaliatory taxes**
2 **paid other states.** If by the laws of any state other than this
3 State, or by the action of any public official of another state,
4 any insurer or company, as defined in section 431:1-202,
5 organized or domiciled in this [~~State,~~] state, shall be required
6 to pay taxes for the privilege of doing business in the other
7 state, and the amounts are imposed or assessed so that the taxes
8 which are or would be imposed against Hawaii domestic insurance
9 companies are greater than those taxes required of insurers
10 organized or domiciled in the other state, to the extent the
11 amounts are legally due to the other states, an insurer or
12 company organized or domiciled in this [~~State~~] state may claim a
13 credit against the tax payable pursuant to this article of a sum
14 not to exceed one hundred per cent of the amount. The credit
15 shall not be greater than the tax payable pursuant to this
16 article during the taxable year. All claims for the tax credit
17 under this section, including any amended claims, shall be filed
18 on or before the end of the twelfth month following the close of
19 the taxable year for which the credit may be claimed. Failure
20 to comply with the foregoing provision shall constitute a waiver
21 of the right to claim the credit."



1 SECTION 7. Section 431:8-310, Hawaii Revised Statutes, is
2 amended by amending subsection (b) to read as follows:

3 "(b) The commissioner shall issue a surplus lines broker
4 license to any producer licensed under article 9A, except
5 producers licensed under section 431:9A-107(a)(1), (2), or (5),
6 when the producer has:

- 7 (1) Remitted the annual license fee to the commissioner as
- 8 provided in article 7; and
- 9 (2) Submitted a completed license application on a form
- 10 furnished by the commissioner."

11 SECTION 8. Section 431:9-222.5, Hawaii Revised Statutes,
12 is amended to read as follows:

13 "~~§431:9-222.5 [Workers' compensation claims]~~ Claims
14 adjusters; limited license. (a) The commissioner may issue a
15 limited license to an adjuster who [~~only~~] adjusts only workers'
16 compensation or crop insurance claims; provided that the
17 adjuster:

- 18 (1) Is domiciled in the State of Hawaii, or in a state
- 19 that permits residents of the State of Hawaii to act
- 20 as adjusters in that other state;
- 21 (2) Has had experience, special education, or training in
- 22 handling loss claims under workers' compensation or



1 crop insurance contracts of sufficiently reasonable
2 duration and extent to enable an individual to fulfill
3 the responsibilities of an adjuster;

4 (3) Has a passing grade on the workers' compensation or
5 crop insurance examination pursuant to section 431:9-
6 206; and

7 (4) Pays the applicable fees.

8 (b) An adjuster with a limited license in workers'
9 compensation issued under this section may extend the license
10 biennially upon successfully passing a reexamination on workers'
11 compensation."

12 SECTION 9. Section 431:9A-124, Hawaii Revised Statutes, is
13 amended by amending subsection (b) to read as follows:

14 "(b) The required number of credit hours shall be as
15 follows:

16 (1) For a licensee authorized to sell lines of insurance
17 in only one of the following groups:

18 (A) Life or accident and health or sickness; or

19 (B) Property, marine and transportation, vehicle,
20 general casualty, or surety;

21 the requisite number of credit hours shall be [~~twenty~~]

22 twenty-four credit hours, consisting of twenty-one



1 credit hours relating to the line of authority for
 2 which the license is held[, ~~including~~] and three
 3 credit hours relating to ethics training or relating
 4 to the insurance laws and the insurance rules;

5 (2) For a licensee with a license to sell lines of
 6 insurance in both groups in paragraph (1), the total
 7 requisite number of credit hours shall be [~~thirty~~]
 8 twenty-four credit hours, [of which:] consisting of:

9 (A) [~~Twelve~~] Ten credit hours [~~shall relate~~] relating
 10 to paragraph (1) (A) [~~of which two hours shall~~
 11 relate to the insurance laws and the rules
 12 relating to the line of authority for which the
 13 license is held; and];

14 (B) [~~Eighteen~~] Eleven credit hours [~~shall relate~~]
 15 relating to paragraph (1) (B) [~~of which two hours~~
 16 shall relate to the insurance laws and the rules
 17 relating to the line of authority for which the
 18 license is held.]; and

19 (C) Three credit hours relating to ethics training or
 20 relating to the insurance laws and the insurance
 21 rules.



1 For purposes of this section, ethics training shall include but
2 shall not be limited to the study of fiduciary responsibility,
3 commingling of funds, payment and acceptance of commissions,
4 unfair claims practices, policy replacement considerations, and
5 conflicts of interest."

6 SECTION 10. Section 431:14-104, Hawaii Revised Statutes,
7 is amended by amending subsections (a) and (b) to read as
8 follows:

9 "(a) Every insurer shall file with the commissioner every
10 manual of classifications, rules, and rates, every rating plan,
11 every other rating rule, and every modification of any of the
12 foregoing that it proposes to use; provided that filings with
13 regard to specific inland marine risks, which by general custom
14 of the business are not written according to manual rate or
15 rating plans, and bail bonds, subject to section 804-62, shall
16 not be required pursuant to this subsection.

17 Every filing shall:

18 [~~1~~] ~~Consist of two printed copies and one copy filed by~~
19 ~~electronic, telephonic, or optical means;~~

20 ~~2~~] (1) State its proposed effective date;

21 [~~3~~] (2) Indicate the character and extent of the coverage
22 contemplated; [~~and~~]



1 ~~[(4)]~~ (3) Include a report on investment income~~[-]~~; and
2 (4) Be accompanied by a \$50 fee payable to the
3 commissioner, which fee shall be deposited in the
4 commissioner's education and training fund.

5 ~~[(b) Each filing shall be accompanied by a \$50 fee payable~~
6 ~~to the commissioner, which fee shall be deposited in the~~
7 ~~commissioner's education and training fund.]~~

8 (b) An insurer shall submit to the commissioner:

9 (1) An electronic version of the filing. The commissioner
10 may request a printed version of the electronic filing
11 to be also submitted; or

12 (2) Two printed versions of the filing."

13 SECTION 11. Section 431:14-105, Hawaii Revised Statutes,
14 is amended to read as follows:

15 "**§431:14-105 Policy revisions that alter coverage.** (a)

16 Any policy revisions that alter coverage in any manner shall be
17 filed with the commissioner~~[, consist of two printed copies and~~
18 ~~one copy by electronic, telephonic, or optical means,]~~ and
19 include an analysis of the impact of each revision on rates.

20 (b) A filing shall consist of either:



1 (1) An electronic version of the filing. The commissioner
2 may request a printed version of the electronic filing
3 to be also submitted; or

4 (2) Two printed versions of the filing.

5 (c) After review by the commissioner, the commissioner
6 shall determine whether a rate filing for the policy revision
7 must be submitted in accordance with section 431:14-104."

8 SECTION 12. Statutory material to be repealed is bracketed
9 and stricken. New statutory material is underscored.

10 SECTION 13. This Act shall take effect on July 1, 2020.



Report Title:

Insurance Producers; Surplus Lines Brokers; Retaliatory Tax Credit; Limited Lines Adjuster License; Continuing Education Credits

Description:

Makes numerous updates to the Insurance Code. Clarifies allowable insurer investments to meet capital and reserve requirements. Sets a time limit for insurers to claim the Retaliatory Tax Credit. Limits the issuance of surplus lines broker licenses to certain insurance lines of authority. Allows a limited adjuster license for crop insurance claims. Amends the continuing education credit hours required for insurance produce license renewals. Makes printed form filings optional for insurance rate filings in accordance with state plans to begin accepting electronic rate filings and payments for all lines of insurance. Effective 07/01/2020. (HB1074 HD2)





LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR

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TO THE SENATE COMMITTEE ON COMMERCE
& CONSUMER PROTECTION

TWENTY-FIFTH LEGISLATURE
Regular Session of 2009

Wednesday, March 18, 2009
9:00 a.m.

TESTIMONY ON HOUSE BILL NO. 1074, H.D. 2 – RELATING TO INSURANCE.

TO THE HONORABLE ROSALYN BAKER, CHAIR, AND MEMBERS OF THE
COMMITTEE:

My name is J. P. Schmidt, State Insurance Commissioner (“Commissioner”),
testifying on behalf of the Department of Commerce and Consumer Affairs
 (“Department”). Thank you for hearing this bill. The Department strongly supports this
Administration bill, with requested amendments.

The purpose of this bill is to update the Insurance Code, Hawaii Revised Statutes
 (“HRS”) chapter 431, by:

- (1) Including in HRS §§ 26-9(o) and 431:2-215(a) an express reference to the
drivers education fund underwriters fee in HRS § 431:10G-107;
- (2) Adding in HRS § 431:3-302.5(c) the reference to rules governing audited
financial statements;
- (3) Amending HRS §§ 431:6-317 and 431:6-322 to clarify the allowable
investments in common stocks, common trust funds, mutual funds, and
exchange traded funds;
- (4) Including in HRS § 431:7-206 a time limit for claiming the retaliatory tax
credit;

- (5) Clarifying in HRS § 431:8-310(b) that surplus lines brokers licenses are issued to licensed producers with property or casualty lines of authority or to property and casualty coverages sold for personal use;
- (6) Allowing under HRS § 431:9A-222.5 a limited adjuster license for crop insurance claims;
- (7) Amending HRS § 431:9A-124(b) regarding the number of continuing education credit hours required for insurance producer license renewal; and
- (8) Allowing under HRS §§ 431:14-104 and 431:14-105 the acceptance of electronic rate filings and payments for all property and casualty insurance filings.

The clean-up of these provisions is necessary so that Hawaii is uniform with the best practices in insurance regulation.

HRS §§ 26-9(o) and 431:2-215(a) currently refer to the drivers education fund underwriters fee in HRS § 431:10C-115 for motor vehicle insurance policies, but do not refer to the drivers education fund underwriters fee in HRS § 431:10G-107 for motorcycle and motor scooter insurance policies. Both fees should be referenced in these sections.

HRS § 431:3-302.5(c) currently requires insurers to prepare annual audited financial statements according to annual statement instructions and accounting practices and procedures manuals of the National Association of Insurance Commissioners (“NAIC”). The NAIC will be removing these provisions from the annual statement instructions and require state insurance regulators to expressly adopt these provisions by January 1, 2010, either by statute or rule, as a condition for NAIC accreditation. The Commissioner is currently proceeding to adopt these provisions in the administrative rules. Thus, the statutory reference to NAIC annual statement instructions will be outdated upon adoption of the rules.

HRS §§ 431:6-317 and 431:6-322 allow insurers to meet their capital and reserve requirements in HRS § 431:6-201 with investments in common stocks, common trust funds, mutual funds, and exchange traded funds, subject to certain limitations. After

meeting the requirements in HRS § 431:6-201, insurers may invest any of their funds in these securities. The investment statutes in Article 6 were amended last session to provide greater flexibility to insurers. These amendments are made for clarification purposes.

HRS § 431:7-206 allows a domestic insurer to claim credit for retaliatory taxes against the premium tax. This amendment provides a deadline for claiming the credit similar to that imposed for the regulatory oversight tax credit in HRS § 431:7-207(d).

HRS § 431:8-310(b) provides for the issuance of a surplus lines broker license to anyone with an insurance producer license and HRS § 431:9A-124(b) addresses the number of credit hours required for insurance producer license renewal. These provisions of the bill adopt the recommendations of the Uniformity Subgroup of the NAIC Producer Licensing Working Group to attain uniformity and reciprocity with other states to:

- (1) Expressly limit the issuance of the surplus lines broker license to property and casualty insurance producers;
- (2) Revise the number of continuing education credit hours required as a prerequisite for license renewal for insurance producers; and
- (3) Include ethics training in the continuing education requirement.

All states have agreed to reciprocity in insurance producer licensing.

Accordingly, many states already have adopted the NAIC's recommendations. Achieving nationwide uniformity in insurance licensing will make insurance regulation less burdensome and complicated for insurers, producers, and regulators, and this in turn will benefit the public. This proposal is an important step in achieving that goal.

All resident insurance producers will be required to earn 24 credit hours of continuing education, including three credit hours of ethics training or insurance laws and rules.

HRS § 431:9-222.5 currently provides for the issuance of a workers' compensation limited lines adjuster's license, but does not provide for other types of limited licenses. There is a certain need for adjusters to assess crop insurance losses. This section expands limited lines adjuster's licenses to include crop adjusters.

Amendments to HRS §§ 431:14-104 and 431:14-105 will allow insurers to submit all property and casualty insurance rate filings electronically.

Hawaii is participating in the NAIC's System for Electronic Rate and Form Filing ("SERFF"). SERFF enables companies to send and states to receive, comment on, and approve or reject insurance industry rate and form filings, and payments. It offers a technological solution to address the rate and form filing and approval process and offers a decentralized point-to-point, web-based electronic filing system. SERFF facilitates communication, management, analysis, and electronic storage of documents and supporting information, as well as providing up-to-date filing requirements when they are needed. It is designed to improve the efficiency of the rate and form filing and approval process and to reduce the time and cost involved in making regulatory filings.

The Department respectfully requests the following amendments:

1. Section 8 of the bill on page 12, lines 8-11 refers to license renewal of the limited adjuster's license. Since both the workers' compensation and crop insurance adjuster's licenses require renewal on reexamination, the references to "workers' compensation" should be deleted such that subsection (b) on page 12, lines 8-11 reads:

"(b) An adjuster with a limited license issued under this section may extend the license biennially upon successfully passing a reexamination. ~~[on workers' compensation.]~~"

2. In the H.D. 1, the provision in HRS § 431:10C-408(a) amending eligibility for the assigned claims program was deleted, since it was being considered in another measure, House Bill No. 264. House Bill No. 264 died in committee.

This amendment is needed to clarify the original intent of the assigned claims program, which is to cover claims where no other applicable motor vehicle insurance coverage applies. Therefore, the Department respectfully requests the addition of an amendment to HRS § 431:10C-408(a), such that page 14, line 6 of the bill reads:

SECTION 10. Section 431:10C-408, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) Each person sustaining accidental harm, or such person's legal representative, may, except as provided in subsection (b), obtain the motor vehicle insurance benefits through the plan whenever:

- (1) No [~~liability or uninsured motorist~~] insurance benefits under motor vehicle insurance policies are applicable to the accidental harm;
- (2) No such insurance benefits applicable to the accidental harm can be identified; or
- (3) The only identifiable insurance benefits under motor vehicle insurance policies applicable to the accidental harm will not be paid in full because of financial inability of one or more self-insurers or insurers to fulfill their obligations. "]

3. This version of the bill contains a defective effective date of July 1, 2020. The Department respectfully requests amending the effective date in section 13 of the bill to July 1, 2009.

We thank the Committee for the opportunity to present testimony on this measure and respectfully request that an S.D. 1 be issued with the requested amendments.

TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS
IN SUPPORT OF H.B. 1074, HD 2, RELATING TO INSURANCE

March 18, 2009

Via E Mail: cpntestimony@capitol.hawaii.gov

Hon. Senator Rosalyn H Baker, Chair
Committee on Commerce and Consumer Protection
State Senate
Hawaii State Capital, Conference Room 229
415 S. Beretania Street
Honolulu, HI 96813

Dear Chair Baker and Committee Members:

Thank you for the opportunity to testify in support of House Bill 1074, HD 2, relating to Insurance.

Our firm represents the American Council of Life Insurers ("ACLI"), a national trade association whose three hundred forty (340) member company's account for 94% of the life insurance premiums and 94% of the annuity considerations in the United States among legal reserve life insurance companies. ACLI member company assets account for 93% of legal reserve company total assets. Two hundred fifty-three (253) ACLI member companies currently do business in the State of Hawaii.

ACLI supports HB 1074, HD 2, which updates Hawaii's Insurance Code to conform to uniform national standards.

Again, thank you for the opportunity to testify in support of House Bill 1074, HD 2.

CHAR HAMILTON
CAMPBELL & YOSHIDA
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HAWAII

516 Kawaihae Street Suite E Honolulu, HI 96825

Senate Committee on Commerce & Consumer Protection
Senator Rosalyn H. Baker, Chair

House Bill 1074, HD 2 – Relating to Insurance

Hearing Date: Wednesday – March 18, 2009 Time: 8:30 am

Chair Baker and members of the Committee, the National Association of Insurance and Financial Advisors (NAIFA) Hawaii is an organization made up of life insurance agents and financial advisors across Hawaii, who primarily sell life insurance, long term care, disability income insurance and provide financial advice.

We support Section 9 of HB 1074, HD 2. We are limiting our comments to the continuing education credit hours in Section 9 (431:9A-124(b), HRS) that will amend the number of continuing education credit hours required to maintain producer licenses. 24 credit hours over a 2 year period is now the uniform NAIC requirement.

This measure increases the number of continuing education credit hours from 20 to 24 hours for those with only one line of authority -- 21 hours relating to the line of authority for that license (i.e., life insurance), plus **3 hours relating to ethics training or insurance law/rules.**

For those with licenses in both life/accident/health **and** property casualty, the required credit hours will **decrease** from 30 to 24, whereby 10 hours will relate to life/accident/health; 11 hours will relate to property casualty; and **3 hours relating to ethics training or to insurance laws/rules.**

Since the start of Hawaii's continuing education requirements in Hawaii, producers have been subject to Hawaii insurance laws and rules rather than ethics. Currently the CE ethics programs are categorized under the insurance laws and rules.

Many CE providers have adjusted their programs to accommodate our insurance laws and rules requirements. Having the Hawaii producers be required to have 3 hours of Hawaii insurance laws/rules **or** ethics training may be unique to Hawaii but both these areas are important components to the competency of insurance producers.

Mahalo for allowing us to share our views and we ask for your favorable consideration.

Cynthia Hayakawa, Executive Director

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

March 18, 2009

The Honorable Rosalyn Baker, Chair
The Honorable David Ige, Vice Chair

Senate Committee on Commerce and Consumer Protection

Re: HB 1074 HD2 – Relating to Insurance

Dear Chair Baker, Vice Chair Ige and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 1074 HD2. HMSA has comments on the language in Section 3 of this measure but takes no position on the remainder of the bill.

In Section 3 of HB 1074 HD2, proposed language would seem to give the Insurance Commissioner the latitude to draft rules concerning how health plans are audited that may not follow the National Association of Insurance Commissioners' (NAIC) guidelines. We would respectfully request clarifying language be added to this section to ensure that the rules drafted by the Insurance Commissioner mirror the NAIC guidelines which health plans are already following today. To accomplish this we would request replacing the current amended language on page 6 lines 12-13 with the following language:

[.], or rules adopted by the commissioner which shall only include the National Association of Insurance Commissioners' annual statement instructions, following the practices and procedures prescribed by the National Association of Insurance Commissioners' accounting practices and procedure manuals.

We would also like to point out that this amendment is acceptable to the proponent of the measure and will ensure that any administrative rules adopted by the State Insurance Commissioner will mirror NAIC guidelines. Thank you for the opportunity to testify today.

Sincerely,

A handwritten signature in black ink, appearing to read "JDiesman", with a long horizontal flourish extending to the right.

Jennifer Diesman
Assistant Vice President
Government Relations



HIIA

Hawaii Independent Insurance Agents Association

March 16, 2009

To: Senator Rosalyn H. Baker, Chair
Senator David Y. Ige, Vice Chair
Committee on Commerce and Consumer Protection
From: Hawaii Independent Insurance Agents Association

Re: HB1074 HD2 Relating to Insurance – Updates references in Insurance Code
Hearing: Wednesday, March 18, 2009 9:00 am Conference Room 229

The Hawaii Independent Insurance Agents **supports** HB 1074, HD 2 with regard to amendment to section 431:9A-124 dealing with Continuing Education as indicated:

Single Line of Authority

21 credit hours in line of authority
3 credit hours in insurance laws, insurance rules or ethics training
24 total credit hours

Dual Line of Authority –

10 credit hours relating to Life & Health topic
11 credit hours relating to Property & Casualty topic
3 credit hours in insurance laws, insurance rules or ethics training
24 total credit hours

The proposed Continuing Education requirement will still continue to achieve uniformity and reciprocity as recommended by the National Association of Insurance Commissioners.

HIIA is a non profit trade association of independent insurance producers dedicated to assisting the insurance buying public with their insurance needs. Thank you for the opportunity to testify.

TESTIMONY ON H.B. NO. 1074, H.D. 2
RELATING TO INSURANCE

SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Sen. Rosalyn H. Baker, Chair
Sen. David Y. Ige, Vice Chair

Wednesday, March 18, 2009, 8:30 a.m.
State Capitol, Conference Room 229

WRITTEN TESTIMONY ONLY

My name is Gerald C. Yoshida, an attorney in the Honolulu law firm of Char Hamilton Campbell & Yoshida. Our firm provides legal services to a number of captive insurance companies currently licensed in the State of Hawai'i. I am also Chairman of the Legislative Committee of the Hawai'i Captive Insurance Council (HCIC), a trade organization of captive insurance companies and service providers who comprise and support Hawai'i's captive insurance industry.

Our testimony will be limited to our support of Sections 4 and 5 of H.B. No. 1074, H.D. 2. These sections clarify that insurers may meet their capital and reserve requirements in Hawaii Revised Statutes ("HRS") § 431:6-201 with investments in common stocks, common trust funds, mutual funds, and exchange traded funds, subject to certain limitations. After meeting HRS § 431:6-201 requirements, insurers may invest any of its funds in these securities. We believe the clarification provided in Sections 4 and 5 of H.B. No. 1074, H.D. 2 would provide Hawaii captives greater flexibility in investing their assets.

Thank you for this opportunity to submit testimony on this measure.

Respectfully submitted:

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