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DIRECTOR

EVERETT KANESHIGE  
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON CONSUMER  
PROTECTION & COMMERCE

TWENTY-SIXTH LEGISLATURE  
Regular Session of 2011

Monday, February 14, 2011  
2 p.m.

**TESTIMONY ON HOUSE BILL NO. 1045 – RELATING TO INSURANCE.**

TO THE HONORABLE ROBERT HERKES, CHAIR, AND MEMBERS OF THE  
COMMITTEE:

My name is Gordon Ito, 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.

The purpose of this bill is to adopt the National Association of Insurance  
Commissioners’ (“NAIC”) Risk-Based Capital for Health Organizations Model Act. The  
intent of this model act is to apply consistent regulatory treatment to health maintenance  
organizations (“HMO”), mutual benefit societies (“MBS”), fraternal benefit societies  
 (“FBS”), managed care plans, and similar risk-bearing entities.

Risk-based capital is a method of establishing the minimum amount of capital  
appropriate for an insurer to support its overall business operations, in consideration of  
its size, structure, and risk profile. The risk-based capital regime allows for graduated

regulatory intervention that is appropriate for the level of trouble that an insurer finds itself in. It helps the Insurance Division to be pro-active in protecting consumers from the hardship of insurer insolvencies.

Risk-based capital requirements are currently contained in part IV of article 3, of the Insurance Code, HRS chapter 431. These provisions expressly apply to property and casualty insurers and life or accident and health or sickness insurers. Risk-based capital requirements should be extended to include MBS, FBS, and HMO, because the federal health reform under the Patient Protection and Affordable Care Act will introduce significant uncertainty into the market.

Adoption of NAIC model laws and regulations is essential for the Insurance Division to retain NAIC accreditation. The NAIC financial regulation standards and accreditation program ensures that each state has adequate solvency laws and regulations to protect consumers and guarantee funds.

We thank this Committee for the opportunity to present testimony on this matter and ask for your favorable consideration.

# HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

February 14, 2011

The Honorable Robert N. Herkes, Chair  
The Honorable Ryan I. Yamane, Vice Chair

House Committee on Consumer Protection and Commerce

**Re: HB 1045 – Relating to Insurance**

Dear Chair Herkes, Vice Chair Yamane, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 1045 which would update the Insurance Code to adopt model laws and regulations for risk based capital (RBC) for health plans operating in the state. HMSA supports the proposed changes in the sections which apply to health plans; we take no position on the sections of the measure which apply to different types of insurers.

RBC is a method of establishing the minimum amount of capital appropriate for a health plan to support its overall business operations, in consideration of its size, structure, and risk profile. The changes being proposed for the RBC provisions of the Insurance Code for mutual benefit societies and health maintenance organizations would appear to strengthen the current language. We believe this will promote the public interest by ensuring the financial solvency of health plans in the state.

We appreciate the Insurance Commissioner's proposed changes and respectfully urge the Committee to pass this measure today. Thank you for the opportunity to testify.

Sincerely,

A handwritten signature in black ink, appearing to read 'JD' or similar initials, followed by a long horizontal flourish.

Jennifer Diesman  
Vice President  
Government Relations

HOUSE OF REPRESENTATIVES  
THE TWENTY-SIXTH LEGISLATURE  
REGULAR SESSION OF 2011

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NOTICE OF DECISION MAKING

DATE: Monday, February 14, 2011  
TIME: 2:05 pm  
PLACE: Conference Room 325  
State Capitol  
415 South Beretania Street

A G E N D A

The following measures were previously heard on **Monday, February 7, 2011**. No public testimony will be accepted.

<u>HB 1050</u> <u>Status</u>	RELATING TO CONSUMER PROTECTION. Updates regulation of legal service plans.	CPC/JUD, FIN
<u>HB 1051</u> <u>Status</u>	RELATING TO INSURANCE. Adopts model regulations of National Association of Insurance Commissioners in conformity with senior investor protections in section 989A of the federal Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.	CPC/JUD, FIN
<u>HB 1052</u> <u>Status</u>	RELATING TO INSURANCE. Adopts amendments to the insurance code to comply with the federal Nonadmitted and Reinsurance Reform Act of 2010 relating to surplus lines insurance and participate in a multi-state cooperative to collect surplus lines premium taxes and fees and distribute to the individual states the taxes and fees they assessed.	CPC/JUD, FIN

