



NEIL ABERCROMBIE  
GOVERNOR

BRIAN SCHATZ  
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  
[www.hawaii.gov/dcca](http://www.hawaii.gov/dcca)

KEALI'I S. LOPEZ  
DIRECTOR

EVERETT KANESHIGE  
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-SIXTH LEGISLATURE  
Regular Session of 2011

Wednesday, April 6, 2011 – Agenda #1  
2 p.m.

**TESTIMONY ON SENATE BILL NO. 1277, S.D. 2, H.D. 1 – RELATING TO  
CONSUMER PROTECTION.**

TO THE HONORABLE MARCUS OSHIRO, 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, with requested amendments.

The purpose of this bill is to enhance regulation of legal service plans. The H.D.  
1 made the bill effective upon approval and made technical changes.

Legal service plans have a low rate of compliance with Hawaii law. The  
Commissioner continues to receive complaints from consumers about prepaid legal  
service plans. Prepaid legal service plans are currently regulated by chapter 488. The  
law was amended in 2010 by Act 47, Session Laws of Hawaii 2010. Further clarification  
of that chapter will enhance the commissioner's ability to regulate these plans and to  
enforce these laws.

Currently, there is no fee charged for the licensing or renewal of prepaid legal  
service plans. Since there is no renewal process, a plan operator does not inform the

commissioner when it has ceased operations. Adding a fee will encourage operators of legal service plans to notify the commissioner of their continued existence and provide certainty as to which plans are legitimately operating in the State.

Section 5 of the H.D. 1 adds a new subsection (e) requiring notice to the Commissioner of a plan's intention to cease operations. The plan is operated by the plan administrator, who is responsible for the marketing of the plan to consumers and for the hiring of attorneys who provide legal services to members. The Department holds the plan administrator primarily responsible for the plan's operations. If the intent of this subsection is to require the plan to notify the Commissioner when the plan attorneys resign or terminate their services, the Department suggests the following language on page 9, lines 8 to 13:

(e) If the plan is canceled or otherwise terminated, the plan administrator shall notify the commissioner and members in writing at least sixty days before the termination of the plan of the fact of plan termination and the provisions made for the disposition of funds accumulated under the plan. If the plan attorney resigns or otherwise ceases to provide services to the plan, the plan administrator shall notify the commissioner in writing within fifteen days of the resignation and of the provisions made for hiring another plan attorney or terminating the plan.

Section 6 of the H.D. 1 in new subsection (c) on page 11, line 2, contains an unspecified amount for the bond requirement. The Department respectfully requests that the bond amount be specified as \$100,000.

Section 8 of the H.D. 1 amends HRS § 431:7-101(a) and (b) by adding unspecified fees for the issuance or renewal of a legal service plan certificate of authority. The Department respectfully requests that the fees be specified as follows:

- Page 15, line 21 to page 16, line 1 to read:

(19) Legal service plan certificate of authority:

<u>Issuance before July 1, 2014 . . . . .</u>	<u>\$1,000</u>
<u>Issuance or after July 1, 2014. . . . .</u>	<u>\$500</u>

- Page 18, lines 16 to 21 to read:

- (18) \$1,000 per year for all services provided before July 1, 2014 (including extension of the certificate) for an authorized legal service plan; and
- (19) \$500 per year for all services provided on or after July 1, 2014 (including extension of the certificate) for an authorized legal service plan.

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

TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS  
COMMENTING ON SB 1277, SD 2, HD 1, RELATING TO CONSUMER PROTECTION

April 6, 2011

Via e mail: [fintestimony@capitol.hawaii.gov](mailto:fintestimony@capitol.hawaii.gov)

Honorable Marcus R. Oshiro, Chair  
Committee on Finance  
House of Representatives  
Hawaii State Capital, Conference Room 308  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chair Oshiro and Committee Members:

Thank you for the opportunity to testify in opposition to Section 8 of SB 1277, SD 2, HD 1, Relating to Consumer Protection.

Our firm represents the American Council of Life Insurers ("ACLI"), a national trade association, who represents more than three hundred (300) legal reserve life insurer and fraternal benefit society member companies operating in the United States. These member companies account for 90% of the assets and premiums of the United States Life and annuity industry. ACLI member company assets account for 91% of legal reserve company total assets. Two hundred thirty-nine (239) ACLI member companies currently do business in the State of Hawaii; and they represent 93% of the life insurance premiums and 95% of the annuity considerations in this State.

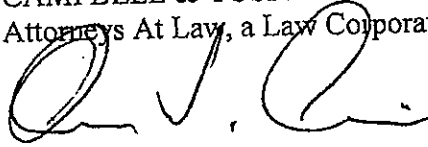
Section 8 of the Bill (at page 18, lines 4 through 6) amends Section 431:7-101(b), by deleting the \$40 filing fee an insurer must pay for a criminal history record check and adds a fee for fingerprinting. The fee in both cases is "to be established by the commissioner." Why this discretionary authority is granted to the Commissioner is unstated. Nor are there any standards or guidelines stated in the bill which the Commissioner is to employ in determining the amount of the fee charged for these services.

Life Insurers pay more than their fare share of the cost of government.

ACLI submits that the fee charged should be stated in the bill and the amount to be charged should be commensurate with the time and level of difficulty of securing a criminal history check and finger prints. ACLI suggests that the fee for these services be \$40, the amount of the fee set under current law.

Again, thank you for the opportunity to testify in opposition to Section 8 of SB 1277, SD 2, HD 1.

CHAR, HAMILTON  
CAMPBELL & YOSHIDA  
Attorneys At Law, a Law Corporation

A handwritten signature in black ink, appearing to read 'Oren T. Chikamoto', is written over the text of the law firm.

Oren T. Chikamoto  
737 Bishop Street, Suite 2100  
Honolulu, Hawaii 96813  
Telephone: (808) 524-3800  
Facsimile: (808) 523-1714