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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. 2394, RELATING TO INSURANCE

Chair Nakashima 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 THE AMERICAN COUNCIL OF LIFE INSURERS
IN SUPPORT OF HB 2394, RELATING TO INSURANCE

February 13, 2024

Honorable Representative Mark M. Nakashima, Chair
Honorable Representative Jackson D. Sayama, Vice Chair
Committee on Consumer Protection and Commerce
State House of Representatives
VIA VIDEOCONFERENCE
Hawaii State Capitol, Conference Room 329
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Nakashima, Vice Chair Sayama 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 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 and urges this Committee to pass this bill.

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

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LATE

TESTIMONY OF NOLAN KAWANO

COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Rep. Mark M. Nakashima, Chair
Rep. Jackson D. Sayama, Vice Chair

HB 2394
RELATING TO INSURANCE

Tuesday, February 13, 2024

Chair Nakashima, Vice Chair Sayama, and members of the Committee on Consumer Protection & Commerce, 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.

HB 2394 includes three substantive parts, each with a provision requiring an Insurance Holding Company System to file:

- A. An annual enterprise risk report
- B. An annual group capital calculation
- C. Liquidity stress test results

Tradewind Group is defined by HRS §431:11-102 as a Domestic Insurance Holding Company System. Tradewind Group, however, is more appropriately defined as a Hawaii corporation serving Hawaii's people and local business community.

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, we have expanded our roots and today have several companies serving the insurance, technology, real estate, investment, building services, professional services, and product distribution community in Hawaii.

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.

Having to comply with the various risk, capital and liquidity testing as well as having our non-insurance stewards subject to supervision by the Insurance Commissioner would place an unnecessary and undue hardship on us. Moreover, it would place us in the extremely difficult position of having to exit the insurance landscape and have the Island Insurance operations be synonymous with all other insurance companies in Hawaii, most of which are owned by mainland or foreign companies.

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

- 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."

4 2. By amending subsection (1) to read:
5 "(1) (1) The ultimate controlling person of every insurer
6 subject to registration shall also file an annual
7 enterprise risk report. [~~The ultimate controlling
8 person of a domestic insurance holding company system
9 shall be exempt from this requirement.~~] The report

- B. Group Capital Calculation. Page 7. Shifting subsections (A) to (G) to (B) to (H) with a new subsection (A) to read: The ultimate controlling person of a domestic insurance holding company system shall be exempt from this requirement.

- C. Liquidity Stress Test. Page 10. Add subsection (C) The ultimate controlling person of a domestic insurance holding company system shall be exempt from this requirement.

Mahalo for this opportunity to testify on HB 2394.

Nolan Kawano, Chief Financial Officer, Tradewind Group

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