



DAVID Y. IGE
GOVERNOR
SHAN S. TSUTSUI
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

CATHERINE P. AWAKUNI COLÓN
DIRECTOR
JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

TO THE SENATE COMMITTEE ON WAYS AND MEANS

TWENTY-EIGHTH LEGISLATURE
Regular Session of 2015

Friday, February 27, 2015
1:00 p.m.

WRITTEN TESTIMONY ONLY

TESTIMONY ON SENATE BILL NO. 1094, S.D. 1 – RELATING TO INSURANCE.

TO THE HONORABLE JILL N. TOKUDA, 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”). The Department strongly supports this Administration bill.

The purpose of this bill is to update title 24 of the Hawaii Revised Statutes
 (“HRS”) relating to insurance: to have consistency in fees charged on all applications
 and services the Insurance Division provides to purchasing groups, foreign risk
 retention groups (“RRGs”), insurers subject to chapter 431, HRS, fraternal benefit
 societies (“FBSs”), mutual benefit societies (“MBSs”), health maintenance organizations
 (“HMOs”), and dental insurers; to recover certain administrative costs associated with
 the applications process and services; and to make other technical amendments for
 clarity and consistency.

SECTION 1 of the bill adds two new sections to chapter 431K, HRS, to make
 consistent fees charged on all applications and services the Insurance Division
 provides to purchasing groups and foreign RRGs and to recover certain administrative
 costs allocated to such processes and services.

The Insurance Division does not currently charge any fees for services provided to purchasing groups and foreign RRGs. In contrast, other states impose fees on purchasing groups, such as California (\$405 initial, \$200 annual renewal), Utah (\$300 initial, \$250 annual renewal), and Oregon, New Jersey, New York, and Louisiana (all \$100 initial). The fees proposed in this bill for purchasing groups and foreign RRGs are reasonable in light of the fees other states charge purchasing groups, the services the Insurance Division provides to purchasing groups and foreign RRGs, and the fact that work done for foreign RRGs is comparable to that done for purchasing groups.

SECTION 2 of the bill adds a new section to article 2, part 1 of chapter 432, HRS, establishing fees for the application and issuance of certificates of authority for FBSs, as well as all other services subsequent to the issuance of the certificate of authority. Extensions of the certificates of authority are for up to three years, and penalties are imposed for failure to extend the certificates within a specified time. All fees and penalties collected are deposited into the compliance resolution fund.

SECTION 3 of the bill amends HRS § 431:2D-102 by amending the definition of “market conduct examination” to differentiate such examination from a financial examination pursuant to article 2, chapter 431, HRS.

SECTION 4 of the bill amends HRS § 431:3-214 to clarify the commissioner has the authority to extend certificates of authority and adds the thirty-day written notice requirement to be consistent with current practice and proposed changes to chapters 432, 432D, and 432G.

SECTION 5 of the bill amends HRS § 431:5-307 to conform that section to the National Association of Insurance Commissioners’ (“NAIC”) Standard Valuation Model Law. The term “disability income” and “disability income benefits” are the correct terms to use and better reflect the meaning intended by the NAIC’s Standard Valuation Model Law.

SECTION 6 of the bill amends subsections (a) and (c) of HRS § 431:7-101 to clarify the fees for the application and issuance of certificates of authority and the fee for the application for solicitation permits, as well as require written notice of delinquency and penalties for failure to extend the certificates of authority.

SECTION 7 of the bill amends HRS § 431:10-102 by amending the definition of “contract” to make clear that the readability requirements apply to health insurance contracts and by amending the definition of “insurer” to include MBSs.

SECTION 8 of the bill repeals the requirement in HRS § 431K-3(2)(A) that foreign RRGs file financial statements with the Insurance Division. Since this information is filed with the NAIC and can be accessed electronically, this amendment would eliminate unnecessary paper filings and increase physical storage space.

SECTION 9 of the bill amends HRS § 432:1-108 by establishing fees for applications for certificates of authority and registration, making fees for issuance of certificates of authority for MBSs consistent with other entities, and establishing fees for all other services subsequent to the issuance of the certificate of authority. Extensions of the certificates are for up to three years, penalties are imposed for failure to extend the certificates within a specified time, and thirty days’ advance written notice of the extension date is required.

SECTION 10 of the bill amends HRS § 432:1-301 to clarify MBS extensions of certificates of authority must comply with § 432:1-108.

SECTION 11 of the bill amends HRS § 432:2-602 to delete filing fees, as the newly created fees section for FBSs addresses depositing fees and penalties into the compliance resolution fund.

SECTION 12 of the bill amends HRS § 432:2-603 by clarifying the annual date for licensure, referencing the newly created section for FBS fees, and allowing for extensions of certificates of authority.

SECTION 13 of the bill amends HRS § 432:2-701 to conform the service of process fee for FBSs to that of other authorized insurers.

SECTION 14 of the bill amends subsections (a) and (b) of HRS § 432D-17 by increasing fees for applications and issuance of certificates of authority for HMOs, thereby maintaining consistency with applicable fees for insurers set forth in chapter 431, HRS. Written notice of any failure to extend the certificates and imposition of penalties are required.

SECTION 15 of the bill amends HRS § 432E-36(g) to correct an erroneous citation to HRS § 432E-5; the correct citation is HRS § 432E-33(a).

SECTION 16 of the bill amends HRS § 432G-12 by establishing fees for the application and issuance of certificates of authority to dental insurers and by maintaining consistency with applicable fees for insurers set forth in chapter 431, HRS. Advance written notice shall be provided to dental insurers of the extension dates for certificates of authority and any imposition of penalties.

The Department requests three amendments to the bill as follows:

1. Replace the phrase: “extended from time to time by the commissioner” in section 4, page 6, line 5, with the following: “extended by the commissioner from time to time”. The phrase will be consistent with changes proposed to chapters 432, 432D, and 432G.

2. “[] 431:104(e)(8) []” in subsection (e), section 5, page 8, line 4 is incomplete and should be replaced with “[] 431:10D-104(e)(8) []”.

3. Amend HRS § 432:1-102(b) by inserting a reference to HRS § 431:10-102. Section 7 of the bill currently amends HRS § 431:10-102 to include MBSs. Failure to include reference to HRS § 431:10-102 in chapter 432, HRS, may cause confusion as to the applicability of this section to MBSs. Proposed amended language to HRS § 432:1-102(b) is as follows:

“(b) Article 2, article 2D, parts II and IV of article 3, article 6, part III of article 7, article 9A, article 13, article 14G, and article 15 of chapter 431, sections 431:3-301, 431:3-302, 431:3-303, 431:3-304, [~~and~~] 431:3-305, and 431:10-102, and the powers granted by those provisions to the commissioner, shall apply to managed care plans, health maintenance organizations, or medical indemnity or hospital service associations that are owned or controlled by mutual benefit societies so long as the application in any particular case is in compliance with and is not preempted by applicable federal statutes and regulations.”

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