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TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-EIGHTH LEGISLATURE
Regular Session of 2016

Friday, April 1, 2016
1:00 p.m.

Agenda #2

TESTIMONY ON SENATE BILL NO. 2852, S.D. 1 – RELATING TO THE INSURANCE HOLDING COMPANY SYSTEM.

TO THE HONORABLE SYLVIA LUKE, 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 purposes of this bill are to: (1) amend the Insurance Holding Company System Regulatory Act, codified at Hawaii Revised Statutes (“HRS”) §§ 431:11-101 through 431:11-117, to maintain the Insurance Division’s accreditation with the National Association of Insurance Commissioners (“NAIC”); and (2) to make technical, substantive, and nonsubstantive amendments for clarity and consistency.

During the Insurance Division’s last interim accreditation review in August 2014, the NAIC stated the Insurance Holding Company System Regulatory Act will need to be revised by January 1, 2016, as changes made by the 2014 Legislature would make Hawaii noncompliant with NAIC accreditation standards. Accordingly, the Insurance Holding Company System Regulatory Act should be amended to resolve its substantial deviations from the NAIC Insurance Holding Company System Regulatory Model Act.

Senate Bill No. 2852, S.D. 1
DCCA Testimony of Gordon Ito
Page 2

SECTION 1 of the bill amends the definitions of “domestic insurance holding company system” and “statement” in HRS § 431:11-102.

SECTION 2 of the bill amends HRS § 431:11-104(b) by identifying the correct HRS section that references the annual report.

SECTION 3 of the bill amends HRS § 431:11-105(b) by requiring an insurer that is subject to registration to file with the Commissioner the financial statements of the insurance holding company system and its affiliates, as well as any other information required by the Commissioner by rule.

SECTION 4 of the bill amends HRS § 431:11-107 by setting forth the Commissioner’s examination authority of insurers registered under HRS § 431:11-105, as well as their affiliates, to ascertain their financial condition and enterprise risk.

SECTION 5 of the bill makes technical and nonsubstantive amendments to HRS § 431:11-108(c), which sets forth the Commissioner’s examination authority of insurers registered under HRS § 431:11-105, as well as their affiliates, to ascertain their financial condition and enterprise risk.

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

TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS
IN SUPPORT OF SENATE BILL 2852, SD 1, RELATING TO THE INSURANCE
HOLDING COMPANY SYSTEM

April 1, 2016

Via e mail: capitol.hawaii.gov/submittestimony.aspx

Honorable Representative Sylvia Luke, Chair
Honorable Representative Scott Y. Nishimoto, Vice Chair
Committee on Finance
State House of Representatives
Hawaii State Capitol, Conference Room 308
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Luke, Vice Chair Nishimoto and Committee Members:

Thank you for the opportunity to testify in support of SB 2852, SD 1, relating to the Insurance Holding Company System.

Our firm represents the American Council of Life Insurers (“ACLI”), a Washington, D.C., based trade association with approximately 300 member companies operating in the United States and abroad. ACLI advocates in federal, state, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers’ products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing more than 90 percent of industry assets and premiums. Two hundred sixteen (216) ACLI member companies currently do business in the State of Hawaii; and they represent 93% of the life insurance premiums and 88% of the annuity considerations in this State.

In its current form, Hawaii’s Insurance Holding Company System Regulatory Act is in part non-compliant with the National Association of Insurance Commissioners (NAIC) Model Insurance Holding Company System Regulatory Act. Further, the Justification Sheet for SB 2852, SD 1, states that the bill’s amendments to Article 11 of Hawaii’s Insurance Code are necessary to maintain the State’s accreditation with the NAIC.

SB 2852, SD 1, amends Article 11 of Hawaii’s Insurance Code to comply with the NAIC Model Insurance Holding Company System Regulatory Act.

ACLI had worked closely with the NAIC in adopting the Model Act and generally supports legislation which conform to uniform national standards.

Accordingly ACLI stands in strong support of SB 2852, SD 1, and requests its passage into law.

Again, thank you for the opportunity to testify in support of SB 2852, SD 1, relating to the Insurance Holding Company System.

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