Hawaii Insurance Division
Insurance Division...

- Oversees the insurance and health industry, which includes:
  - Insurance Companies
  - Agents
  - Captives
  - Self-Insurers
  - Mutual Benefit Societies
  - Health Maintenance Organizations
  - Dental Insurers
- Mission Statement - Ensuring fairness in the marketplace
Financial Surveillance and Examination

Certification and Agency Exam

- Certificate of Authority applications
  - Review all applications from insurers, mutual benefit societies and fraternal benefit societies
  - 25 applications per year
- Conduct agencies exams for compliance
  - premium trust account
Certification and Agency Exam

- **Purchasing Groups**
  - Review the formation and operation of risk retention and risk purchasing groups
  - 259 Purchasing Groups
  - 58 Risk Retention Groups

- **Self-Insurer**
  - Review applications and filings for certificate of self-insurance for motor vehicles, motorcycles, or group workers’ compensation coverage
  - 10 motor vehicle self-insurers
  - 2 workers compensation self-insurer
  - Review annual and quarterly insurance premium tax statements and supporting schedules to insure complete reporting of premium taxes, review deductions and computations
  - Collected $153 million in premium taxes for the State
Financial Standards and Market Conduct

- 1025 licensed insurers at the end of 2014
- In 2014, direct written premiums total $4.5 billion for P&C, Life
- $6.3 billion for Health
- $8.9 billion in Hawaii investments
Compliance and Enforcement

- Conducts investigation of complaints filed by the public and/or the insurance industry.
  - Prepare reports, make findings and recommendations. After review and consultation with the Commissioner, recommended action is taken.

- In 2014
  - 463 complaints filed
  - Saved or recovered $1,092,161 for consumers
Issues, renews and amends all resident producers, non-resident producers, adjusters, surplus lines brokers, bail bondsman, independent bill reviewer licenses.

Processes appointments and terminations
Licensing

- **2014**
  - **55,510 Licensees**
    - 6,908 HI Producers
    - 39,160 NR Producers
    - 1,814 Adjusters
    - 1,565 Surplus Lines
  - Administers the continuing education program
  - Construct and administers licensing examinations
  - Coordinates the continuing education program
- **2001**
  - 10,014 Licensees
Rate and Policy

- Conducts and analyzes rate and policy filings of insurers
  - Homeowners, Motor Vehicle, Workers Compensation, Inland Marine, Liability, Surety, Life, Disability, TDI, Medicare Supplement, Long-Term Care
Rate and Policy

- Approves rates for motor vehicle, homeowners, and workers comp
- Analyzes and insures that rates are not excessive, inaccurate, or unfairly discriminatory
- FY 14-15
  - 4,146 rate & policy filings
- Enforces readability standards
- Handles consumer, industry and legislative inquiries
- Publishes motor vehicle rate comparison chart
Rate and Policy

- Mandated re-filing of homeowner’s policies in 2011
- $10 million annual savings
- Created Homeowner’s Premium Publication & Consumer’s Guide to Homeowner’s Insurance
- Return on Equity coming down
Health

- Regulates health insurers, including Mutual Benefit Societies and HMOs
  - 6 Mutual Benefit Societies
  - 3 HMOs
  - 1 Dental Insurer
- Implements & enforces ACA provisions
- Receives inquiries and complaints pertaining federal and state laws governing health insurance
  - Patient Bill of Rights
  - HIPAA
2014

- Received approximately 120 complaints received from consumers, health care providers and insurers.Saved consumers $810,749
- 11 request for external reviews pursuant to the Patient Bill of Rights received saving $42,000
- 84 health rate filings review resulted in saving over $22.8 million
Fraud

- Conducts a statewide program for the prevention, investigation, and prosecution of motor vehicle insurance fraud cases.
- In FY 14-15, opened 359 fraud cases
- 47 indictments with a fraud total of $804,000
Captives

- Licenses and regulates captives
- Promotes and develops the captive industry
- 2014
  - 194 active captives
    - 2009 162
  - Total Hawaii investments is over $981,000,000
  - Total written premiums is over $5.1 billion
    - 2009 $1.2 billion
  - Total assets $18.8 billion
    - 2009 $6.3 billion
- Parents of captives include:
  - Google, Nike, Bancorp, Marriott, Clorox, Occidental Petroleum
Legal

- Conducts research based upon other state statutes and NAIC model laws
- Provides interpretation of laws and rules
- Prepares enforcement actions
- Coordinates rehabilitation or liquidation actions
- Prepares legislative bills and testimony
- Drafts admin rules
Federal preemption and intervention...

Federal financial reform & healthcare reform

- Impact on State-Based Regulation
  - NAIC created in 1871
  - McCarran - Ferguson Act in 1945
    - US v. South-Eastern Underwriters case
Federal Oversight

Gramm-Leach-Bliley (GLB)

Signed into law on Nov. 12, 1999

Most sweeping bank, securities and insurance reforms in 60 years

- Eliminated barriers between banks, securities firms and insurance companies
- Permitted national banks to continue to sell insurance
- State insurance department became “functional regulators” of all financial firms engaged in the business of insurance
ACA Healthcare Reform

On March 23, 2010, the Patient Protection and Affordability bill (PPACA) passed and was signed into law on March 31, 2010.

- Address rising healthcare cost
- Reduce uninsured population
- Federal preemption of state-based insurance regulation
- September 2010, mandates started
Hawaii’s Answer: Prepaid Health Care Act

- Passed in 1974
- Employer mandate
- First in the nation to set minimum standards of health care coverage for workers
- Passed the same year as the federal Employee Retirement Income Security Act (ERISA), which superseded all state laws on employee benefits.
- Hawaii obtained an ERISA exemption, essentially freezing the PHCA passed in 1974
Prepaid Health Care Act

- Hawaii’s Uninsured
  - Early 1970’s, estimated between 25 to 30%
  - In the 80’s, dropped to 5%, the lowest in the nation
  - By 1996-97, uninsured rose to 8.1%

- Prevalent plans (A & B)
  - Set plan benefit levels, types and quantity

- Impacts
  - Rich benefits package, lower cost
  - Healthier population
Financial Reform

- Dodd-Frank Wall Street Reform & Consumer Protection Action
  - Signed into law July 21, 2010
  - Partial repeal of GLB?

- Provisions of the reform
  - Establish the Financial Stability Oversight Council
    - Head of specific federal financial regulatory bodies
    - An Insurance Commissioner is a non-voting member
  - Establish the Federal Insurance Office
    - Determine whether State insurance measures are preempted by covered agreements
    - Preemption may occur if the Office determines the measures result in less favorable treatment on non-United States insurer domiciled in a foreign jurisdiction