



HAWAII

National Association of Insurance and Financial Advisors -- Hawaii  
516 Kawaihae Street, Suite E  
Honolulu, HI 96825

House Committee on Finance  
Representative Marcus Oshiro, Chair

**Date of Hearing: Thursday, February 26, 2009**  
**Agenda # 3**

**Time: 12:00 pm**

**RE: HB 1748 – Relating to Insurance Premium Taxes**

Chairman Oshiro and members of the Committee, the National Association of Insurance and Financial Advisors (NAIFA) Hawaii is made up of insurance agents throughout Hawaii, who primarily sell life insurance, annuities, long term care and disability income policies.

**We are strongly opposed** to HB 1748 that will amend Section 431:7-202, HRS, by increasing the rate of the premium tax on **life insurance contracts from 2.75% to 4.265%**. We will reserve our comments to only this part of the measure and not the increase in ocean marine contracts.

Increasing the GET rate to 4.265% will only increase the cost of the life insurance contract on new life insurance policies to the consumer because it is the consumer who will bear that increase in the tax rate because the insurance companies will include the tax into the set premium charge.

**This measure is also very problematic for current life insurance policies since the amount of the insurance premium is set at the onset of the policy** as stated in Hawaii Revised Statutes:

**§431:10-218 Stated premium must include all charges.** (a) The premium stated in the policy shall be inclusive of all fees, charges, premiums, or other consideration charged for the insurance or for its procurement. This subsection shall not apply to surety or group insurance contracts.

(b) No insurer or its officer, employee, producer, or other representative shall charge or receive any fee, compensation, or consideration for insurance which is not included in the premium specified in the policy.

Since the premium amount is set as stated in the policy, increasing the rate of the premium tax on current life insurance policies will place the burden on the

insurance companies entirely. It is not fair nor equitable that the insurers bear this tax burden

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which is equivalent to almost a 16% income tax rate when current corporate income tax rates range from 4.4% to 6%.

We ask that you hold this measure in Committee. We appreciate the opportunity to share our views.

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