

STAND. COM. REP. NO. 1867

Honolulu, Hawaii

Ajil 5

, 2007

RE: S.B. No. 1676  
S.D. 2  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fourth State Legislature  
Regular Session of 2007  
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred S.B. No. 1676, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION,"

begs leave to report as follows:

The purpose of this bill is to ensure the ability of the Hawaii Health Systems Corporation (HHSC) to obtain adequate and affordable insurance coverage by setting forth requirements for HHSC to establish a captive insurance company to provide medical malpractice and hospital professional and general liability coverage for HHSC facilities and physicians, and appropriating funds for this purpose.

HHSC testified in support of this bill. The Department of Commerce and Consumer Affairs supported the intent of this measure.

Your Committee finds that this bill is intended to help HHSC address the rising costs of medical malpractice and hospital liability insurance and the lack of insurers providing sufficient coverage in Hawaii. However, such an undertaking by HHSC requires oversight by those with appropriate knowledge and experience in the insurance industry.

SB1676 HD1 HSCR CPC HMS 2007-3664



Accordingly, your Committee has amended this measure by:

- (1) Changing the composition of the HHSC board of directors to the following members:
  - (A) Eight members to be appointed by the Governor as follows:
    - (i) Three members from a list of five persons submitted by the Senate President, with at least one of these members having experience in the insurance industry;
    - (ii) Three members from a list of five persons submitted by the Speaker of the House of Representatives, with at least one of these members having experience in the insurance industry; and
    - (iii) Two additional members, one of whom must be the chief executive officer or chief financial officer of an insurer licensed to do business in the state and who will serve as a nonvoting board member;
  - and
  - (B) The Director of Health and the Insurance Commissioner, or their respective designees, to serve as ex officio, nonvoting members;
- (2) Prohibiting employees or vendors of HHSC, and their immediate family members, from serving on the HHSC board of directors;
- (3) Requiring HHSC, at least 20 days prior to the convening of the Regular Session of 2008, to submit to the Legislature a report on the feasibility of HHSC establishing a captive insurance company;
- (4) Deleting the appropriations for HHSC to establish a captive insurance company;
- (5) Changing the effective date to July 1, 2007; and



- (6) Making technical, nonsubstantive amendments for clarity and style.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1676, S.D. 2, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 1676, S.D. 2, H.D. 1.

Respectfully submitted on  
behalf of the members of the  
Committee on Consumer  
Protection & Commerce,

*For:* ~~AM~~ vlc  
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ROBERT N. HERKES, Chair



