

JAN 24 2007

A BILL FOR AN ACT

RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the cost of medical
2 malpractice and hospital professional and general liability
3 coverage continues to rise and that stability in risk financing
4 is needed for the Hawaii health systems corporation and the
5 physicians serving this entity. The escalating costs of
6 premiums, lack of insurers providing coverage in Hawaii,
7 decreased limits of available coverage, and coverage
8 restrictions, make it important to establish a captive insurance
9 company to insure and control exposure to the liability risks of
10 the aforementioned entity.

11 The purpose of this Act is to authorize and provide initial
12 funding for the establishment of a domestic captive insurance
13 company five year pilot project by the Hawaii health systems
14 corporation to provide medical malpractice and hospital
15 professional and general liability coverage for the corporation
16 and the physicians serving the entity.



1 SECTION 2. Chapter 323F, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§323F- Captive insurance company; authorized. (a) The
5 corporation may establish a captive insurance company pilot
6 project in accordance with article 19, chapter 431, to provide
7 medical malpractice and hospital professional and general
8 liability coverage for Hawaii health systems facilities and
9 their physicians.

10 (b) In organizing a captive insurance company:

11 (1) The corporation shall submit a formalized financial
12 plan to the director of finance for review and
13 approval; and

14 (2) Upon receiving the approval required by paragraph (1),
15 and in addition to the documents required by article
16 19, chapter 431, the corporation shall submit to the
17 insurance commissioner a formalized business plan that
18 includes the establishment of a captive insurer board
19 of directors."

20 SECTION 3. Section 431:19-102, Hawaii Revised Statutes, is
21 amended follows:

22 1. By amending subsection (a) to read:



1 "(a) Any captive insurance company, when permitted by its
2 articles of association or articles of incorporation, may apply
3 to the commissioner for a certificate of authority to do any and
4 all insurance set forth in subsection (h); provided that:

5 (1) No pure captive insurance company may insure any risks
6 other than those of its parent and affiliated
7 entities; provided that the captive insurance company
8 established by the Hawaii health systems corporation
9 may insure risks authorized under section 323F- ;

10 (2) No association captive insurance company may insure
11 any risks other than those of the member organizations
12 of its association and their affiliated entities;

13 (3) No captive insurance company may provide personal
14 motor vehicle or homeowner's insurance coverage or any
15 component thereof, other than as employee benefits for
16 the employees of a parent, association, or its
17 members, and their respective affiliated entities; or
18 as reinsurance as may be allowed under this article;
19 and

20 (4) No captive insurance company may accept or cede
21 insurance except as provided in section 431:19-111."

22 2. By amending subsection (h) to read:



1 "(h) A captive insurance company may engage in the
2 business of any of the following types of insurance:

3 (1) All casualty insurance;

4 (2) Marine and transportation insurance;

5 (3) Marine protection and indemnity insurance, which
6 includes insurance against, or against legal liability
7 of the insured for loss, damage, or expense arising
8 out of or incident to, the ownership, operation,
9 chartering, maintenance, use, repair, or construction
10 of a vessel, craft, or instrumentality in use in ocean
11 or inland waterways, including liability of the
12 insured for personal injury, illness, death, or for
13 loss of or damage to the property of another person;

14 (4) Wet marine and transportation insurance, which is that
15 part of marine and transportation insurance that
16 includes only:

17 (A) Insurance upon vessels, crafts, hulls, and of
18 interests therein or with relation thereto;

19 (B) Insurance of marine builder's risks, marine war
20 risks and contracts, or marine protection and
21 indemnity insurance;



- 1 (C) Insurance of freights and disbursements
- 2 pertaining to a subject of insurance; and
- 3 (D) Insurance of personal property and interests
- 4 therein, in the course of exportation from or
- 5 importation into any country, and in the course
- 6 of transportation coastwise or on inland waters,
- 7 including transportation by land, water, or air
- 8 from point of origin to final destination, with
- 9 respect to, appertaining to, or in connection
- 10 with any and all risks or perils of navigation,
- 11 transit, or transportation, and while being
- 12 prepared for and while awaiting shipment, and
- 13 during delays, storage, transshipment, or
- 14 reshipment incident thereto;
- 15 (5) Property insurance;
- 16 (6) Surety insurance;
- 17 (7) Title insurance;
- 18 (8) Credit life insurance and credit disability insurance
- 19 offered as part of, or relating directly to the
- 20 business or operations of its parent or affiliated
- 21 entities; and



1 (9) Other lines of insurance that the commissioner may
2 allow. The commissioner shall allow the captive
3 insurance company established by the Hawaii health
4 systems corporation to provide medical malpractice and
5 hospital professional and general liability coverage
6 pursuant to section 323F- ."

7 SECTION 4. There is appropriated out of the general
8 revenues of the State of Hawaii the sum of \$, or so
9 much thereof as may be necessary for fiscal year 2007-2008, to
10 the health systems special fund.

11 SECTION 5. There is appropriated out of the health systems
12 special fund the sum of \$, or so much thereof as may
13 be necessary for fiscal year 2007-2008, for the Hawaii health
14 systems corporation to establish the captive insurance company
15 authorized by this Act.

16 The sum appropriated shall be expended by the department of
17 health for the purposes of this Act.

18 SECTION 6. New statutory material is underscored.

19 SECTION 7. This Act shall take effect on July 1, 2007;
20 provided that this Act shall be repealed on June 30, 2012, and
21 section 431:19-102(a) and (h), Hawaii Revised Statutes, are



1 reenacted in the form in which it read on the day before the
2 approval of this Act.

3

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Report Title:

Hawaii Health Systems Corporation; Captive Insurer

Description:

Authorizes and funds creation of a captive insurance company by Hawaii health systems corporation to provide medical malpractice and hospital professional and general liability coverage to the corporation as a five-year pilot project.

