

STAND. COM. REP. NO.

2641

Honolulu, Hawaii

FEB 28 2008

RE: S.B. No. 3019

S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committee on Commerce, Consumer Protection, and
Affordable Housing, to which was referred S.B. No. 3019 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to allow insurers greater investment flexibility and diversification in their investment portfolios by amending the Insurance Code to reflect more current regulatory standards.

Testimony in support of this measure was submitted by the Department of Commerce and Consumer Affairs, the Hawaii Medical Service Association (HMSA), the Hawaii Captive Insurance Council, and Artex Risk Solutions, Inc.

Your Committee finds that the current insurer investment provisions under the Insurance Code have remained relatively unchanged since they were established during the recodification of the insurance laws in 1987. Since then, the National Association of Insurance Commissioners has continuously modernized the criteria and limits for allowable investments, which provide for greater flexibility and diversification of insurers' investment portfolios. Amending statutes to reflect more current regulatory standards is necessary to provide insurers greater investment flexibility.

Your Committee has amended this measure by adopting the suggested amendments from the Insurance Division of the Department

2008-1534 SSCR SMA.doc



of Commerce and Consumer Affairs and the Hawaii Captive Insurance Council that:

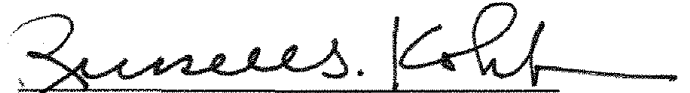
- (1) Adds a definition for "cash" and "cash equivalents" to section 431:6-101, Hawaii Revised Statutes;
- (2) Adds a new section to this measure that amends section 431:6-103(c), Hawaii Revised Statutes, to include language regarding insurer's surplus;
- (3) Adds a new section to this measure that amends section 431:6-104(a), Hawaii Revised Statutes, to include language regarding the acquisition of and investment limitations on non-dividend paying securities;
- (4) Adds a new section to this measure that amends section 431:6-313, Hawaii Revised Statutes, to include language regarding the acquisition of and limitations on foreign investments;
- (5) Adds clarifying language regarding an insurer's investment of funds in common shares of stock in solvent United States corporations under section 431:6-317, Hawaii Revised Statutes;
- (6) Adds language regarding exchange traded funds under section 431:6-322, Hawaii Revised Statutes; and
- (7) Makes technical, nonsubstantive amendments for the purposes of clarity and style.

Your Committee believes that this measure, as amended, fulfills the intent of this measure, which is to allow insurers greater investment flexibility and diversification in their investment portfolios.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Affordable Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3019, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3019, S.D. 1, and be placed on the calendar for Third Reading.



Respectfully submitted on
behalf of the members of the
Committee on Commerce, Consumer
Protection, and Affordable
Housing,



RUSSELL S. KOKUBUN, Chair



