

Honolulu, Hawaii

Feb 13, 2012

RE: H.B. No. 2505
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 2505 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to update the laws governing guaranty associations in conformity with the National Association of Insurance Commissioners' (NAIC) Property and Casualty Insurance Guaranty Association Model Act and the NAIC Life and Health Insurance Guaranty Association Model Act.

The Department of Commerce and Consumer Affairs, Hawaii Life and Disability Insurance Guaranty Association, and Hawaii Insurance Guaranty Association supported this bill. The American Council of Life Insurers submitted comments.

After careful consideration, your Committee has amended this bill by adding provisions that, among other things:

- (1) Release the Hawaii Life and Disability Insurance Guaranty Association (HLDIGA) and the reinsurer from any rights or obligations under reinsurance contracts that HLDIGA has the right to assume under certain conditions, whether for periods prior to or after the date of the order of liquidation;



- (2) Require the reinsurer, receiver, and HLDIGA to provide each other, to the extent practicable, data and records reasonably requested;
- (3) If HLDIGA does not elect to assume a reinsurance contract by the election date under certain conditions, release HLDIGA from rights and obligations, in each case for periods both before and after the date of the order of liquidation, with respect to the reinsurance contract;
- (4) When policies or annuities, or covered obligations with respect thereto, are transferred to an assuming insurer, allow reinsurance on the policies or annuities to also be transferred by HLDIGA under certain conditions;
- (5) Mandate the supersession of any law or any affected reinsurance contract that provides for or requires any payment of reinsurance proceeds, on account of losses or events that occur in periods after the date of the order of liquidation, to the receiver of the insolvent insurer or any other person;
- (6) Allow the receiver to remain entitled to any amounts payable by the reinsurer under the reinsurance contracts with respect to losses or events that occur in periods prior to the date of the order of liquidation, subject to applicable setoff provisions; and
- (7) Prevent the alteration or modification of terms and conditions of any reinsurance contract, except as otherwise provided by law.

Technical, nonsubstantive amendments were also made for the purposes of consistency, 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 H.B. No. 2505, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2505, H.D. 1, and be referred to the Committee on Finance.



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



ROBERT N. HERKES, Chair



