

STAND. COM. REP. NO.

2176

Honolulu, Hawaii

FEB 11 2014

RE: S.B. No. 2820  
S.D. 1

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 2820 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose and intent of this measure is to streamline and improve the operations of the Insurance Division of the Department of Commerce and Consumer Affairs and ensure that the Insurance Division retains its accreditation with the National Association of Insurance Commissioners and complies with the federal Patient Protection and Affordable Care Act of 2010.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs and one individual. Your Committee received testimony in opposition to this measure from the American Council of Life Insurers. Your Committee received comments on this measure from the Hawaii Medical Service Association.

Your Committee finds that this measure will streamline operations within the Insurance Division of the Department of Commerce and Consumer Affairs, improve administrative efficiency, ensure the Insurance Division retains National Association of Insurance Commissioners accreditation, and reduce confusion and inefficiency in the implementation of Hawaii's insurance laws.

Your Committee further finds that this measure prohibits rescission of coverage under a health benefit plan except in cases

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of fraud or intentional misrepresentation of material fact and requires written notice prior to rescission, in conformity with the Affordable Care Act. Your Committee notes that federal regulations further clarify that if a health benefit plan is terminated due to nonpayment of premiums, a qualified health plan must establish a standard policy for the termination of coverage. Accordingly, amendments to this measure are necessary to incorporate these requirements.

Although your Committee has heard the concerns that this measure subjects long-term care insurance to all of article 10A of the State's Insurance Code, your Committee notes that this measure narrowly applies sixteen out of seventy sections of article 10A to long-term care insurance. The application of these specific sections of article 10A to long-term care insurance is the most effective route to ensuring consumer protections and includes common sense regulations, most of which are already generally followed by long-term care insurers. Furthermore, article 10H of the State's Insurance Code and the National Association of Insurance Commissioners Long-Term Care Insurance Model Act, on which article 10H is based, make it clear in their scope that entities subject to article 10H or the Model Act must comply with other applicable insurance laws that are not in conflict with the provisions in article 10H.

Your Committee additionally finds that this measure repeals most of chapter 431M, Hawaii Revised Statutes, relating to mental health and alcohol and drug abuse treatment insurance benefits. Your Committee has heard testimony that this repeal is due to the federal mental health parity provisions of the Affordable Care Act. However, this is a substantial change to the State's Insurance Code that raises questions about parity between mental health and substance abuse benefits and medical benefits. Your Committee believes that more time is needed to reconcile what the Affordable Care Act says about mental health parity and its effects on Hawaii's mental health and substance abuse treatment benefits. Therefore, your Committee concludes that language in this measure repealing sections of chapter 431M, Hawaii Revised Statutes, should be removed.

Accordingly, your Committee has amended this measure by:

- (1) Specifying that nonpayment of premiums or contributions may trigger rescission of coverage; provided that a qualified health plan must develop a standard policy and



meet other requirements for the termination of coverage due to nonpayment;

- (2) Clarifying that accident and health or sickness insurance, when issued as an incidental coverage with or supplemental to liability insurance, is included in the definition of general casualty insurance;
- (3) Removing language that would have repealed most of chapter 431M, Hawaii Revised Statutes, relating to mental health and alcohol and drug abuse treatment insurance benefits; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2820, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2820, S.D. 1, and be referred to the Committee on Ways and Means.

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

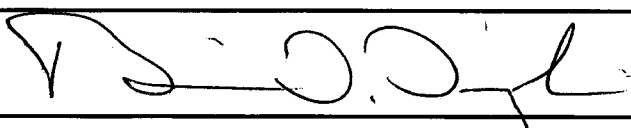


ROSALYN H. BAKER, Chair



The Senate  
Twenty-Seventh Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Commerce and Consumer Protection**  
**CPN**

Bill / Resolution No.:*	Committee Referral:	Date:
SB 2820	CPN, WAM	2/5/14
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____		
The Recommendation is:		
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313		
Members	Aye	Aye (WR)
Nay	Excused	
BAKER, Rosalyn H. (C)	✓	
TANIGUCHI, Brian T. (VC)	✓	
NISHIHARA, Clarence K.	✓	
WAKAI, Glenn	✓	
SLOM, Sam		✓
<b>TOTAL</b>	4	0
0	0	1
Recommendation:		
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted		
Chair's or Designee's Signature: 		
<b>Distribution:</b>		
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency
		Goldenrod Committee File Copy

\*Only one measure per Record of Votes