

STAND. COM. REP. NO. 2794

Honolulu, Hawaii

FEB 28 2014

RE: S.B. No. 2820
S.D. 2

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

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 2820, S.D. 1, 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 to ensure Hawaii's compliance with the federal Patient Protection and Affordable Care Act (PPACA).

Specifically, this measure:

- (1) Prohibits the rescission of coverage under health benefit plans in most circumstances;
- (2) Requires written notice prior to rescission;
- (3) Clarifies that general casualty insurance includes accident and health or sickness insurance only as incidental or supplemental coverage;
- (4) Clarifies the Insurance Commissioner's retention requirements for tax records of surplus lines brokers and independently procured insureds;



- (5) Specifies the authority of the insurance fraud investigations branch to take appropriate action on insurance fraud complaints;
- (6) Includes long-term care insurance among the limited benefit health insurance contracts that are subject to certain requirements for accident and health or sickness insurance contracts;
- (7) Specifies that Article 11A of the Insurance Code, pertaining to business transactions with producer-controlled property or casualty insurers, is applicable to risk retention captive insurance companies;
- (8) Specifies certain rate-making requirements for managed care plans; and
- (9) Makes other amendments to conform to National Association of Insurance Commissioners model laws and the PPACA.

Your Committee received written comments in support of this measure from the Department of Commerce and Consumer Affairs. The Hawaii Substance Abuse Coalition, the Hawaii Medical Services Association, and Kaiser Permanente submitted written comments on the measure.

Your Committee finds that the State must comply with the PPACA by prohibiting the rescission of coverage in most instances and requiring written notice prior to rescission. Your Committee also finds that clarifying that companies with general casualty insurance authority can only write accident and health or sickness insurance as incidental or supplemental coverage will prevent disparities in regulation from occurring and will make Hawaii's regulations similar to those of other states. Your Committee further finds that this measure will streamline and improve the operations of the Insurance Division of the Department of Commerce and Consumer Affairs, allow its Insurance Fraud Investigations Branch to review and take appropriate action on certain complaints, and make various amendments and clarifications that will benefit the State.

Your Committee notes the concerns of various insurers regarding the provision in this measure requiring eighty percent of investment income on reserves to be applied to the rate



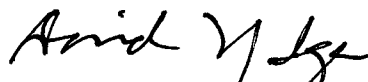
determination and filing of a managed care plan. It is the intent of your Committee to continue working with insurers to address these concerns during the legislative process.

Your Committee has amended this measure by:

- (1) Specifying that rescissions of health benefit plan coverage based on the failure to timely pay required premiums or contributions toward coverage must comply with the PPACA;
- (2) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (3) Making technical nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2820, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2820, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



DAVID Y. IGE, Chair



