
A BILL FOR AN ACT

RELATING TO INSURANCE.

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

1 SECTION 1. Chapter 431, Hawaii Revised Statutes, is
2 amended by adding a new part to article 10E to be appropriately
3 designated and to read as follows:

4 "PART . COVERAGES

5 §431:10E- Notice requirement. Thirteen months prior to
6 discontinuation of writing property insurance coverage, an
7 insurer shall file an affidavit with the commissioner stating
8 the reasons for the discontinuation.

9 §431:10E- Extended coverage. Authorization of the
10 commissioner is required for insurers seeking to provide
11 standard extended coverage endorsements for residential
12 property, including coverage of hurricane risks."

13 SECTION 2. Section 431:2D-107, Hawaii Revised Statutes, is
14 amended by amending subsection (g) to read as follows:

15 "(g) (1) Except as provided in subsections (h) and (i), an
16 insurance compliance self-evaluative audit is
17 privileged information and is not discoverable or



1 admissible as evidence in any legal action in any
2 civil, criminal, or administrative proceeding. The
3 privilege created herein is a matter of substantive
4 law of this State and is not merely a procedural
5 matter governing civil or criminal procedures in the
6 courts of this State;

7 (2) If any company, person, or entity performs or directs
8 the performance of an insurance compliance audit, an
9 officer, employee, or agent involved with the
10 insurance audit, or any consultant who is hired for
11 the purpose of performing the insurance compliance
12 audit may not be examined in any civil, criminal, or
13 administrative proceeding as to the insurance
14 compliance audit or any insurance compliance self-
15 evaluative audit document, as defined in this section.
16 This subsection does not apply if the privilege set
17 forth in [~~subsection (g) (1) of this section~~] paragraph
18 (1) is determined under subsection (h) or (i) not to
19 apply;

20 (3) A company may voluntarily submit, in connection with
21 examinations conducted under this article, an



1 insurance compliance self-evaluative audit document to
2 the commissioner or the commissioner's designee, as a
3 confidential document under this section without
4 waiving the privilege set forth in this section to
5 which the company would otherwise be entitled;
6 provided~~[, however,]~~ that the provisions in this
7 section permitting the commissioner to make
8 confidential documents public pursuant to this section
9 and access to the National Association of Insurance
10 Commissioners shall not apply to the insurance
11 compliance self-evaluative audit document under other
12 provisions of applicable law, any such report
13 furnished to the commissioner shall not be provided to
14 any other persons or [{}]entities[{}] and shall be
15 accorded the same confidentiality and other
16 protections as provided above for voluntarily
17 submitted documents. Any use of an insurance
18 compliance self-evaluative audit document [~~furnished~~
19 ~~as a result of the~~] shall be limited to determining
20 whether or not any disclosed defects in an insurer's
21 policies and procedures or inappropriate treatment of



1 customers has been remedied or that an appropriate
2 ~~[plan for their]~~ remedy is in place.

3 A company's insurance compliance self-evaluative
4 audit document submitted to the commissioner shall
5 remain subject to all applicable statutory or common
6 law privileges including, but not limited to, the work
7 product doctrine, attorney-client privilege, or the
8 subsequent remedial measures exclusion.

9 Any compliance self-evaluative audit document so
10 submitted and in the possession of the commissioner
11 shall remain the property of the company and shall not
12 be subject to any disclosure or production under
13 chapter ~~[92F]~~ 92F;

- 14 (4) Disclosure of an insurance compliance self-evaluative
15 audit document to a governmental agency, whether
16 voluntary or pursuant to compulsion of law, shall not
17 constitute a waiver of the privilege set forth in
18 ~~[subsection (g)(1)]~~ paragraph (1) with respect to any
19 other persons or any other governmental agencies."

20 SECTION 3. Section 431:7-201, Hawaii Revised Statutes, is
21 amended by amending subsections (a) and (b) as follows:



1 "(a) Each authorized insurer shall file with the
2 commissioner annually, on or before March 1 in each year, a
3 statement signed by a duly authorized person on its behalf,
4 setting forth the total business transacted, and the amount of
5 gross premiums reported by the insurer, pursuant to section
6 431:7-202, during the year ending on the preceding December 31,
7 from all risks or property resident, situated, or located within
8 this State, together with such other information as may be
9 required by the commissioner to determine the taxability of
10 premiums[-]; provided that if the tax liability of the insurer
11 exceeds \$100,000, the insurer shall file electronically. The
12 term "gross premiums" as used in this part shall not include
13 consideration paid for annuities.

14 (b) Each authorized insurer shall file with the
15 commissioner monthly, on or before the twentieth day of the
16 calendar month following the month in which the taxes accrue, a
17 statement signed by a duly authorized person on its behalf,
18 setting forth the total business transacted and the amount of
19 gross premiums reported by the insurer, pursuant to section
20 431:7-202, during the month from all risks or property resident,
21 situated, or located within this State, together with other



1 information as may be required by the commissioner to determine
2 the taxability of premiums[-]; provided that if the tax
3 liability of the insurer exceeds \$100,000, the insurer shall
4 file electronically."

5 SECTION 4. Section 431:7-202, Hawaii Revised Statutes, is
6 amended by amending subsection (f) to read as follows:

7 "(f) The taxes imposed by subsections (a), (b), (c), and
8 (d) shall be paid monthly. The monthly tax shall be due and
9 payable by electronic payment via the Automated Clearing House
10 debit or credit payment system on or before the twentieth day of
11 the calendar month following the month in which it accrues[-
12 ~~coinciding with the filing of the statement provided for in~~
13 ~~section 431:7-201]~~ .

14 In addition to the monthly tax and monthly tax statement,
15 the annual tax shall be due and payable by electronic payment
16 via the Automated Clearing House debit or credit payment system
17 on or before March 1 [~~coinciding with the filing of the~~
18 ~~statement provided for in section 431:7-201]~~ .

19 All amounts paid under this subsection, other than fines,
20 shall be allowed as a credit on the annual tax imposed by
21 subsections (a), (b), (c), and (d).



1 If the total amount of installment payments for any
2 calendar year exceeds the amount of annual tax for that year,
3 the excess shall be treated as an overpayment of the annual tax
4 and be allowed as a refund under section 431:7-203.

5 Any insurer failing or refusing to pay the required taxes
6 above stated when due and payable shall be liable for a fine of
7 \$500 or ten per cent of the tax due, whichever is greater; plus
8 interest at a rate of twelve per cent per annum on the
9 delinquent taxes. The taxes may be collected by distraint, or
10 the taxes, fine, and interest may be recovered by an action to
11 be instituted by the commissioner in the name of this State, in
12 any court of competent jurisdiction. The commissioner may
13 suspend the certificate of authority of the delinquent insurer
14 until the taxes, fine, and interest, should any be imposed, are
15 fully paid.

16 Nothing in this subsection shall be construed to prevent,
17 preclude, or otherwise interfere with the requirements for the
18 timely filing of statements under section 431:7-201.

19 As used in this subsection, "Automated Clearing House debit
20 or credit payment system" means the network for the interbank



1 clearing of electronic payments for participating depository
2 financial institutions."

3 SECTION 5. Section 431:10-104, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "§431:10-104 General readability requirements. In addition
6 to any other requirements of law, no contract shall be delivered
7 or issued for delivery in this State unless:

8 (1) The text is in plain language, achieving a minimum
9 score of forty on the Flesch reading ease test or an
10 equivalent score on any other comparable test
11 prescribed by the commissioner under section 431:10-
12 105(a);

13 (2) The contract is printed, except for specification
14 pages, schedules, and tables, in not less than ten
15 point type, one point leaded;

16 (3) The style, arrangement, and general appearance of the
17 contract [~~gives~~] give no undue prominence to any
18 endorsements, riders, or other portions of the text;
19 [and]

20 (4) A table of contents or index of principal sections is
21 provided with the contract when the text consists of



1 more than three thousand words printed on three or
2 less pages or when the text has more than three pages
3 regardless of the total number of printed words[-] i
4 and

5 (5) For any short-term health insurance policies that
6 impose preexisting conditions provisions, any policy,
7 application, or sales brochure shall disclose in a
8 conspicuous manner in not less than fourteen point
9 bold face type the following statement:

10 "THIS POLICY EXCLUDES COVERAGE FOR CONDITIONS FOR
11 WHICH MEDICAL ADVICE, DIAGNOSIS, CARE, OR TREATMENT
12 WAS RECOMMENDED OR RECEIVED DURING THE [insert
13 exclusion period] IMMEDIATELY PRECEDING THE EFFECTIVE
14 DATE OF COVERAGE."

15 SECTION 6. Section 431:10A-116.6, Hawaii Revised Statutes,
16 is amended by amending subsection (d) to read as follows:

17 "(d) For purposes of this section:
18 "Contraceptive services" means physician-delivered,
19 physician-supervised, physician assistant-delivered, [~~nurse~~
20 ~~practitioner delivered, certified nurse midwife delivered,~~
21 advanced practice registered nurse-delivered, nurse-delivered,

1 or pharmacist-delivered medical services intended to promote the
2 effective use of contraceptive supplies or devices to prevent
3 unwanted pregnancy.

4 "Contraceptive supplies" means all United States Food and
5 Drug Administration-approved contraceptive drugs or devices used
6 to prevent unwanted pregnancy."

7 SECTION 7. Section 431:10A-116.7, Hawaii Revised Statutes,
8 is amended by amending subsection (g) to read as follows:

9 "(g) For purposes of this section:

10 "Contraceptive services" means physician-delivered,
11 physician-supervised, physician assistant-delivered, [~~nurse~~
12 ~~practitioner delivered, certified nurse midwife delivered,~~]
13 advanced practice registered nurse-delivered, nurse-delivered,
14 or pharmacist-delivered medical services intended to promote the
15 effective use of contraceptive supplies or devices to prevent
16 unwanted pregnancy.

17 "Contraceptive supplies" means all United States Food and
18 Drug Administration-approved contraceptive drugs or devices used
19 to prevent unwanted pregnancy."

20 SECTION 8. Section 431:10A-206.5, Hawaii Revised Statutes,
21 is amended as follows:



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

2 "(a) All accident and health or sickness insurance
3 policies issued in this State [~~which~~] that provide coverage for
4 the children of the insured shall provide coverage for child
5 health supervision services from the moment of birth through age
6 five years. These services shall be exempt from any deductible
7 provisions, and immunizations shall be exempt from any copayment
8 provisions, which may be in force in these policies or
9 contracts."

10 2. By amending subsection (e) to read:

11 "(e) For the purposes of this section, "child health
12 supervision services" means physician-delivered, physician-
13 supervised, physician assistant-delivered, or nurse-delivered
14 services as defined by section 457-2 ("registered nurse"), which
15 shall include as the minimum benefit coverage for services
16 delivered at intervals and scope stated in this section."

17 SECTION 9. Section 431:13-108, Hawaii Revised Statutes, is
18 amended by amending subsection (c) to read as follows:

19 "(c) If a claim is contested or denied or requires more
20 time for review by an entity, the entity shall notify the health
21 care provider, insured, or member filing a claim from a non-



1 contracted provider licensed in the State in writing or
 2 electronically not more than fifteen calendar days after
 3 receiving a claim filed in writing, or not more than seven
 4 calendar days after receiving a claim filed electronically, as
 5 appropriate. The notice shall identify the contested portion of
 6 the claim and the specific reason for contesting or denying the
 7 claim, and may request additional information; provided that a
 8 notice shall not be required if the entity provides a
 9 reimbursement report containing the information, at least
 10 monthly, to the health care provider."

11 SECTION 10. Section 431:19-304, Hawaii Revised Statutes,
 12 is amended to read as follows:

13 "[+]§431:19-304[+] **Qualification of sponsors.** A sponsor
 14 of a sponsored captive insurance company shall be an insurer
 15 licensed under laws of any state, a reinsurer authorized or
 16 approved under the laws of any state, a captive insurance
 17 company formed or licensed under this article, or any other
 18 person, company, or organization approved by the commissioner in
 19 the exercise of the commissioner's discretion, after finding
 20 that the approval of that person, company, or organization as a
 21 sponsor is not inconsistent with the purposes of this article.



1 A risk retention group shall not be [~~either~~] a sponsor [~~or a~~
2 ~~participant~~] of a sponsored captive insurance company."

3 SECTION 11. Section 431:19-305, Hawaii Revised Statutes,
4 is amended by amending subsection (a) to read as follows:

5 "(a) Associations, corporations, limited liability
6 companies, partnerships, trusts, risk retention groups, and
7 other business entities may be participants in any sponsored
8 captive insurance company formed or licensed under this
9 chapter."

10 SECTION 12. Section 431M-1, Hawaii Revised Statutes, is
11 amended by adding a new definition to be appropriately inserted
12 and to read as follows:

13 ""Licensed dietitian" means a person who uses the title of
14 licensed dietitian or dietitian and has been licensed to
15 practice dietetics under chapter 448B."

16 SECTION 13. Section 431M-4, Hawaii Revised Statutes, is
17 amended by amending subsection (b) to read as follows:

18 "(b) Mental illness benefits.

19 (1) Covered benefits for mental health services set forth
20 in this subsection shall be limited to coverage for
21 diagnosis and treatment of mental disorders. All



1 mental health services shall be provided under an
2 individualized treatment plan approved by a physician,
3 psychologist, licensed clinical social worker,
4 marriage and family therapist, licensed mental health
5 counselor, ~~[or]~~ advanced practice registered nurse, or
6 licensed dietitian treating eating disorders, and must
7 be reasonably expected to improve the patient's
8 condition. An individualized treatment plan approved
9 by a licensed clinical social worker, marriage and
10 family therapist, licensed mental health counselor,
11 ~~[or-an]~~ advanced practice registered nurse, or a
12 licensed dietitian treating eating disorders, for a
13 patient already under the care or treatment of a
14 physician or psychologist shall be done in
15 consultation with the physician or psychologist;

16 (2) In-hospital and nonhospital residential mental health
17 services as a covered benefit under this chapter shall
18 be provided in a hospital or a nonhospital residential
19 facility. The services to be covered shall include
20 those services required for licensure and
21 accreditation;



1 (3) Mental health partial hospitalization as a covered
 2 benefit under this chapter shall be provided by a
 3 hospital or a mental health outpatient facility. The
 4 services to be covered under this paragraph shall
 5 include those services required for licensure and
 6 accreditation; and

7 (4) Mental health outpatient services shall be a covered
 8 benefit under this chapter."

9 SECTION 14. Section 431P-10, Hawaii Revised Statutes, is
 10 amended by amending subsection (b) to read as follows:

11 "(b) [~~Upon the authorization~~] Authorization of the
 12 commissioner[,-] shall be required for insurers [~~may~~] seeking to
 13 provide standard extended coverage endorsements for residential
 14 property, including coverage of hurricane risks, subject to the
 15 fund's program for incentives and credits; provided that in the
 16 absence of such authorization, no other policy of residential
 17 property insurance or endorsement to a policy of residential
 18 property insurance on eligible residential property located in
 19 this State shall be issued to provide insurance for damages or
 20 losses caused by a covered event if such coverage is less than
 21 that offered by the fund. If standard extended coverage



1 endorsements on commercial property are no longer being offered
2 by the fund, any standard extended coverage endorsements on
3 commercial property offered by an insurer shall qualify as a
4 comparable coverage under section 431P-5(b)(8)(A). Standard
5 extended coverage endorsements on residential property which
6 include coverage for hurricane losses offered by an insurer
7 shall qualify as a comparable coverage under section 431P-
8 5(b)(8)(A)."

9 SECTION 15. Section 431R-5, Hawaii Revised Statutes, is
10 amended to read as follows:

11 "[~~f~~]~~§~~431R-5[~~t~~] Violations; penalties. (a) The insurance
12 commissioner may assess a fine of up to \$10,000 for each
13 violation by a pharmacy benefit manager or prescription drug
14 benefit plan provider who is in violation of section 431R-2 or
15 431R-3. In addition, the insurance commissioner may order the
16 pharmacy benefit manager to take specific affirmative corrective
17 action or make restitution.

18 (b) Failure of a pharmacy benefit manager to comply with a
19 previously agreed upon contractual retail pharmacy network
20 agreement pursuant to section 431R-2 or 431R-3 shall be an



1 unfair or deceptive act or practice as provided in section
2 431:13-102.

3 (c) A pharmacy benefit manager or prescription drug
4 benefit plan provider may appeal any decision made by the
5 insurance commissioner in accordance with chapter 91.

6 (d) Every person and its officers, employees, and
7 representatives subject to investigation or examination by the
8 commissioner under this chapter shall produce and make freely
9 accessible to the commissioner the accounts, records, documents,
10 and files in the person's possession or control relating to the
11 subject of the investigation or examination and shall otherwise
12 facilitate the investigation or examination.

13 (e) Every person and its officers, employees, and
14 representatives subject to investigation or examination by the
15 commissioner under this chapter shall issue a written response
16 no later than fifteen working days after receiving a written
17 inquiry from the commissioner regarding a claim or complaint.
18 The response shall be more than an acknowledgment that the
19 commissioner's communication has been received and shall
20 adequately address the concerns stated in the communication."



1 SECTION 16. Section 432:1-102, Hawaii Revised Statutes, is
2 amended by amending subsection (b) to read as follows:

3 "(b) Article 2, article 2D, parts II and IV of article 3,
4 article 6, part III of article 7, article 9A, article 13,
5 article 14G, and article 15 of chapter 431, sections 431:3-301,
6 431:3-302, 431:3-303, 431:3-304, 431:3-305, [~~and~~] 431:10-102,
7 431:10-225, 431:10-226.5, and 431:10A-116(1) and (2), and the
8 powers granted by those provisions to the commissioner, shall
9 apply to managed care plans, health maintenance organizations,
10 or medical indemnity or hospital service associations that are
11 owned or controlled by mutual benefit societies so long as the
12 application in any particular case is in compliance with and is
13 not preempted by applicable federal statutes and regulations."

14 SECTION 17. Section 432:1-602.5, Hawaii Revised Statutes,
15 is amended by amending subsection (e) to read as follows:

16 "(e) For the purposes of this section, "child health
17 supervision services" means physician-delivered, physician-
18 supervised, physician assistant-delivered, or nurse-delivered
19 services as defined by section 457-2 ("registered nurse"), which
20 shall include as the minimum benefit coverage for services
21 delivered at intervals and scope stated in this section."



1 SECTION 18. Section 432D-14, Hawaii Revised Statutes, is
2 amended by amending subsection (b) to read as follows:

3 "(b) In addition to, or in lieu of, suspension or
4 revocation of a certificate of authority pursuant to this
5 section, the commissioner [~~after hearing,~~] may levy an
6 administrative fine upon the health maintenance organization in
7 an amount not less than \$500 and not more than \$50,000 pursuant
8 to section 431:3-221."

9 SECTION 19. Section 432D-19, Hawaii Revised Statutes, is
10 amended by amending subsection (d) to read as follows:

11 "(d) Article 2, article 2D, part IV of article 3, article
12 6, part III of article 7, article 9A, article 13, article 14G,
13 and article 15 of chapter 431, and sections 431:3-301, 431:3-
14 302, 431:3-303, 431:3-304, [and] 431:3-305, 431:10-225, and
15 431:10-226.5, and the powers granted by those provisions to the
16 commissioner shall apply to health maintenance organizations, so
17 long as the application in any particular case is in compliance
18 with and is not preempted by applicable federal statutes and
19 regulations."

20 SECTION 20. Section 431P-17, Hawaii Revised Statutes, is
21 repealed.



1 ~~["§431P 17] Additional notice requirement. Thirteen~~
2 ~~months prior to discontinuation of writing property insurance~~
3 ~~coverage, an insurer shall file an affidavit with the~~
4 ~~commissioner stating the reasons for the discontinuation."]~~

5 SECTION 21. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 22. This Act shall take effect on July 1, 2050;
8 provided that sections 3 and 4 shall take effect on January 1,
9 2051.



Report Title:

Property Insurance; Premium Tax; Electronic Filing; Electronic Payments; Short-term Health Policies; Child Health Supervision Services; Claim Filer; Risk Retention; Captive Insurance; Mental Illness Benefits; Duty to Respond; Visual or Optometric Services Coverage; Surgical or Emergency Services Coverage; Contraceptive Services

Description:

Makes various amendments in the Insurance Code relating to property insurance, market conduct, insurance premium taxes, insurance contracts, accident and health insurance, unfair methods of competition, captive insurance companies, mental health and alcohol and drug abuse treatment insurance benefits, Hawaii hurricane relief fund, prescription drug benefits, mutual benefit societies, and health maintenance organizations.

(SB2854 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

