

Honolulu, Hawaii
April 8, 2016

RE: S.B. No. 2853
S.D. 2
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2016
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 2853, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to adopt the National Association of Insurance Commissioners (NAIC) Risk Management and Own Risk Solvency Assessment Model Act and update Hawaii's Risk Retention Law to comply with NAIC accreditation requirements.

Specifically, the bill:

- (1) Adds a new article to chapter 431, Hawaii Revised Statutes (HRS), to require certain insurers and insurance groups to maintain a risk management framework, to regularly perform an own risk and solvency assessment (ORSA), and to annually file an ORSA summary report;
- (2) Amends section 431:19-115(b), HRS, to cite sections 431:3-409, 431:3-411, and 431:3-412, HRS, as being applicable to risk retention captive insurance companies; and
- (3) Amends section 431K-1, HRS, to include new definitions for "board of directors" or "board" and "director," and amends section 431K-2, HRS, to incorporate new corporate



governance requirements from the NAIC Model Risk Retention Act.

The Department of Commerce and Consumer Affairs, American Council of Life Insurers, and Property Casualty Insurers Association of America supported this measure. The Hawaii Captive Insurance Council and the Hawaii Medical Service Association provided comments.

Your Committee has amended this measure by:

- (1) Changing its effective date to July 1, 2030, to encourage further discussion; and
- (2) Making technical nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2853, S.D. 2, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2853, S.D. 2, H.D. 1.

Respectfully submitted on
behalf of the members of the
Committee on Finance,



SYLVIA LUKE, Chair



