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

State of Hawaii House of Representatives The Twenty-eighth Legislature

HJCR 1634-16

Record of Votes of the Committee on Finance

Bill/Resolution No.: SB2853 SD2	Committee Referral: CPC, FIN	Date: 04/01/16		
☐ The committee is reconsidering its previous decision on the measure.				
The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold Pass short form bill with HD to recommit for future public hearing (recommit)				
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. LUKE, Sylvia (C)	1./			
2. NISHIMOTO, Scott Y. (VC)				
3. CACHOLA, Romy M.				
4. CULLEN, Ty J.K.				
5. DeCOITE, Lynn				
6. JOHANSON, Aaron Ling				
7. JORDAN, Jo				
8. KEOHOKALOLE, Jarrett		F		
9. KOBAYASHI, Bertrand				
10. LoPRESTI, Matthew S.				
11. LOWEN, Nicole E.				
12. ONISHI, Richard H.K.				
13. TOKIOKA, James Kunane				
14. YAMASHITA, Kyle T.				
15. POUHA, Feki				
16. WARD, Gene				
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TOTAL (16)	/ (6			
The recommendation is: Adopted Not Adopted If joint referral, did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature:				
Distribution: Original (White) - Committee Duplicate (Yellow) - Chief Clerk's Office Duplicate (Pink) - HMSO				