

STAND. COM. REP. NO.

710

Honolulu, Hawaii

February 17, 2017

RE: H.B. No. 917

H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 917 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to ensure that Hawaii's mutual benefit societies maintain a minimum net worth reflective of actual risk by stipulating that the calculation of a mutual benefit society's net worth be made using annual net premium revenues and net health care expenditures.

The Reinsurance Association of America and Hawaii Medical Assurance Association testified in support of this measure. The Department of Commerce and Consumer Affairs testified in opposition to this measure.

Your Committee notes that reinsurance is insurance purchased by insurance companies to guard against insolvency, particularly in instances of catastrophic loss. However, your Committee also notes the concerns raised by the Insurance Commissioner that a mutual benefit society that uses a reinsurer is ultimately responsible for all liabilities should a reinsurer fail. Accordingly, your Committee finds that allowing the net annual health care expenditures to be reduced when the reinsurer has an appropriate rating, and is approved by the Insurance Commissioner, is a more prudent approach.

HB917 HD1 HSCR CPC HMS 2017-2225-1



Your Committee has amended this measure by:

- (1) Allowing net annual health care expenditures of a mutual benefit society to be reduced by the amount ceded to reinsurers if the reinsurer is approved by the Insurance Commissioner; and
- (2) Changing its effective date to July 1, 2112, to facilitate further discussion.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 917, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 917, H.D. 1, and be referred to your Committee on Finance.

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



ANGUS L.K. MCKELVEY, Chair



