

STAND. COM. REP. NO.

2593

Honolulu, Hawaii

MAR 01 2018

RE: S.B. No. 2306
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2018
State of Hawaii

Sir:

Your Committees on Commerce, Consumer Protection, and Health and Human Services, to which was referred S.B. No. 2306 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

beg leave to report as follows:

The purpose and intent of this measure is to prohibit property insurers from refusing to issue, refusing to renew, or canceling a homeowners insurance policy based in whole upon an insured's or prospective insured's obtaining or maintaining liability insurance coverage as a condition of licensure, temporary permission, or registration with the Department of Human Services to operate a child care facility.

Your Committees received testimony in support of this measure from PATCH, Hawaii Children's Action Network, and four individuals. Your Committees received testimony in opposition to this measure from State Farm Mutual Automobile Insurance Company and Hawaii Insurers Council. Your Committees received comments on this measure from the Department of Human Services.

Your Committees find that Act 161, Session Laws of Hawaii 2017 (Act 161), requires all child care providers subject to regulation by the Department of Human Services to obtain and maintain liability insurance as a condition of licensure, temporary permission, or registration. Your Committees further find that feedback from child care providers has indicated that



some homeowners insurers have not been renewing existing homeowners insurance policies if child care is being provided on the premises. According to testimony from PATCH, child care providers who have attempted to maintain professional liability insurance for their home-based childcare business, while also maintaining homeowners insurance with the same company, have been experiencing difficulties renewing their homeowners insurance policies, as they were told the liability and homeowners policies were considered dual coverage.

Furthermore, according to the Department of Human Services, some child care providers have indicated to the Department that they were considering no longer registering with the Department or providing child care, as a result of Act 161's insurance requirements. The Department noted in testimony before your Committees that there was a twelve percent decrease in the number of homes that were regulated by the Department between December 2016 and December 2017. This measure therefore prevents the insurer of a homeowner from refusing to issue, refusing to renew, or canceling the homeowner's insurance policy based on a provider obtaining or maintaining liability insurance coverage for their child care business.

However, your Committees have heard the concerns that this measure fails to distinguish between the different types of child care facilities regulated by the Department of Human Services. Your Committees note that the Department's regulation of child care facilities encompasses family child care homes, which provide care for three to no more than six children, as well as facilities for larger groups of children, including group child care homes and group child care centers. Your Committees have also heard the concerns that although this measure enables a liability insurer to cancel a policy based on a failure to meet certain underwriting standards, this measure requires a homeowners insurer to accept a policy, without regard to any underwriting standards that the homeowners insurer might typically require. Your Committees understand these concerns and conclude that amendments to this measure are necessary.

Accordingly, your Committees have amended this measure by:

- (1) Clarifying that an insurer shall not cancel or refuse to renew a homeowners insurance policy based solely upon an

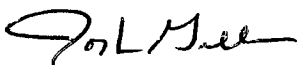


insured's requirement to obtain liability insurance coverage as a condition of licensure, temporary permission, or registration with the Department of Human Services to operate a family child care home, rather than a child care facility;

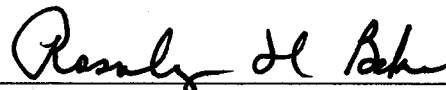
- (2) Specifying that an insurer is not otherwise prohibited from cancelling or refusing to renew a homeowners insurance policy for other reasons;
- (3) Inserting a definition of family child care home;
- (4) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Commerce, Consumer Protection, and Health and Human Services that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2306, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 2306, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committees on Commerce,
Consumer Protection, and Health
and Human Services,



JOSH GREEN, Chair



ROSALYN H. BAKER, Chair



