

STAND. COM. REP. NO.

2552

Honolulu, Hawaii

MAR 01 2018

RE: S.B. No. 2643  
S.D. 1

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

Sir:

Your Committee on Commerce, Consumer Protection, and Health,  
to which was referred S.B. No. 2643 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose and intent of this measure is to provide an insurer with an exception to the requirement of providing all of its customers with annual privacy notices where the insurer provides nonpublic personal financial information to nonaffiliated third parties under certain conditions and the insurer's policies and practices regarding disclosure of such information are unchanged.

Your Committee received testimony in support of this measure from the Hawaii Medical Service Association, National Association of Mutual Insurance Companies, Property Casualty Insurers Association of America, American Council of Life Insurers, and American Insurance Association. Your Committee received testimony in opposition to this measure from the Department of Commerce and Consumer Affairs and one individual.

Your Committee finds that existing law requires insurers to send annual privacy notices to all individuals covered by a group policy, regardless of whether there has been a change to the privacy policy, in conformity with the federal Gramm-Leach-Bliley Act. Your Committee further finds that a 2015 federal act



included amendments to the privacy provisions of the Gramm-Leach-Bliley Act, and was intended to eliminate the costly and time consuming requirement of redundant annual privacy notices, if certain conditions were met. This measure therefore amends Hawaii's annual privacy notice requirements to reduce the need for redundant annual privacy notices.

However, your Committee has heard the concern raised by the Department of Commerce and Consumer Affairs that this measure may enable an insurer to avoid sending any additional privacy notices, after the initial required notice, regarding its policies and practices of disseminating customers' nonpublic personal financial information to nonaffiliated third parties, while continuously engaging in the release of this nonpublic personal financial information. Your Committee understands these concerns and concludes that amendments to this measure are necessary.

Accordingly, your Committee has amended this measure by:

- (1) Clarifying the requirements for additional privacy notices that an insurer must send, rather than amending the exceptions to the annual privacy notice requirement, including:
  - (A) Permitting an insurer to send a privacy notice every five years, if the relationship between the insurer and a customer is renewed annually or less than annually and the insurer has not changed its policies and practices regarding disseminating customers' nonpublic personal financial information to nonaffiliated third parties;
  - (B) Requiring an insurer to provide an additional privacy notice upon renewal of a relationship between an insurer and a customer that lasts longer than a year; and
  - (C) Requiring an insurer that changes its policies and practices regarding disseminating customers' nonpublic personal financial information to nonaffiliated third parties to send an additional notice to customers after the change to its policies and practices;



- (2) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2643, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2643, S.D. 1, and be placed on the calendar for Third Reading.

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



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ROSALYN H. BAKER, Chair



