

STAND. COM. REP. NO.

2251

Honolulu, Hawaii

FEB 13 2018

RE: S.B. No. 2773
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. 2773 entitled:

"A BILL FOR AN ACT RELATING TO THIRD PARTY ADMINISTRATORS,"

begs leave to report as follows:

The purpose and intent of this measure is to establish
regulations for third party administrators, including:

- (1) Encouraging disclosure of contracts between insurers and
third party administrators to potential insureds and the
Insurance Commissioner;
- (2) Promoting the financial responsibility of third party
administrators;
- (3) Regulating third party administrators' practices; and
- (4) Governing the qualifications and procedures for the
licensing of third party administrators.

Your Committee received testimony in support of this measure
from the Department of Commerce and Consumer Affairs. Your
Committee received comments on this measure from the Hawaii-
Western Management Group.



Your Committee finds that third party administrators collect charges or premiums from, or adjust or settle claims on, life insurance coverage or accident and health or sickness insurance coverage. Hawaii is one of nine states that do not regulate third party administrators. This measure establishes regulations over third party administrators and is based on the National Association of Insurance Commissioners' Registration and Regulation of Third Party Administrators Guideline.

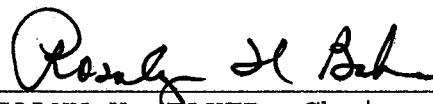
Your Committee further finds that according to discussions with the Department of Commerce and Consumer Affairs, the Guideline serves as a starting point for states to consider when regulating third party administrators. Your Committee notes that a state's accreditation by the National Association of Insurance Commissioners is not contingent upon a verbatim adoption of the Guideline, and thus, variation between the Guideline and a state's law is acceptable.

Your Committee has amended this measure by:

- (1) Clarifying the surety bond requirements for third party administrators; and
- (2) 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. 2773, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2773, S.D. 1, and be referred to your Committee on Ways and Means.

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



ROSALYN H. BAKER, Chair



