

**LATE**



Advocacy. Leadership. Results.

To: The Honorable Rosalyn H. Baker, Chair  
The Honorable Clarence K. Nishihara, Vice Chair  
Senate Committee on Commerce, Consumer Protection and Health

From: Mark Sektnan, Vice President

Re: HB 917 HD1 – Relating to Insurance  
**PCI Position: CONCERNS – REQUEST FOR AMENDMENT**

Date: Tuesday, March 14, 2017  
9:00 a.m., Conference Room 229

Aloha Chair Baker, Vice Chair Nishihara and Members of the Committee:

The Property Casualty Insurers Association of America (PCI) supports the original draft of HB 917 as it clarifies that the financial condition and net worth requirements for a mutual benefit society are based upon its net risk after consideration of risk that it has transferred to acceptable reinsurers. This is sound public policy that will enable insurers to increase the number of insurance policies issued in a financially prudent manner to the benefit of Hawaii's insurance consumers. PCI does not support the language in HB 917 HD 1, which authorizes the appropriate net accounting only if the commissioner approves of the reinsurer. It is our view that the credit for reinsurance laws and regulations appropriately set the standards for reinsurer acceptability and requirements for an additional approval of the specific reinsurers supporting a mutual benefit society are redundant and could complicate and limit the society's reinsurance options at key renewal dates.

Alternatively, we support SB 1077 SD1, which maintains much of the original bill's language while clarifying the definitions of "health care expenditures" and "operating expenses" are net of inuring reinsurance.

While PCI supports HB 917 as originally drafted, we believe that clarifying amendments referring to the Hawaii credit for reinsurance law and amendments would improve the law. Accordingly, PCI supports language substantially like the following proposal:

- (2) Every mutual benefit society shall maintain a minimum net worth equal to the greater of:
- (A) \$2,000,000;
  - (B) Two per cent of annual premium net revenues as reported on the most recent annual financial statement filed with the commissioner on the first \$150,000,000 of premium revenues and one per cent of annual net premium revenues on the premium revenues in excess of \$150,000,000; or
  - (C) An amount equal to eight per cent of the sum of net annual health care expenditures and operating expenses as reported on the most recent financial statement filed with the commissioner. The net annual health care expenditures may be reduced by the amount ceded

to reinsurers, provided the reinsurance credit taken complies with the credit for reinsurance administrative rules established by the commissioner pursuant to HRS §§431:4A-101 through 431:4A-104.

In Hawaii, PCI member companies write approximately 42.3 percent of all property casualty insurance written in Hawaii. PCI member companies write 44.7 percent of all personal automobile insurance, 65.3 percent of all commercial automobile insurance and 76.5 percent of the workers' compensation insurance in Hawaii.

PCI respectfully requests the Committee to consider amending HB 917 HD1 to reflect the language in SB 1077 SD1 and thank you for considering our proposed aforementioned amendments.