

STAND. COM. REP. NO. **393**

Honolulu, Hawaii

February 14, 2019

RE: H.B. No. 986
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 986 entitled:

"A BILL FOR AN ACT RELATING TO REGULATORY AUTHORITY OF THE INSURANCE COMMISSIONER,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Require third-party administrators to be licensed and regulated by the Insurance Commissioner (Commissioner) in accordance with the National Association of Insurance Commissioners' Registration and Regulation of Third Party Administrators Guideline (NAIC Guideline); and
- (2) Authorize the Commissioner to issue targeted variances, waivers, or no-action letters relating to title 24, Hawaii Revised Statutes, to enable the introduction of new, innovative, and more efficient insurance products, services, and technologies.

The Department of Commerce and Consumer Affairs testified in support of this measure. Hawaii Association of Justice testified in opposition. MDX Hawaii, Inc., State Farm Mutual Automobile Insurance Company, Hawaii-Western Management Group, Hawaii Medical Service Association, and Kaiser Permanente provided comments.

HB986 HD1 HSCR CPC HMS 2019-1851-1



After careful consideration, your Committee has amended this measure by:

- (1) Making the following amendments to conform with the NAIC Guideline:
 - (A) Changing the recordkeeping requirements;
 - (B) Changing the license requirement to require proof that the applicant has a positive net worth;
 - (C) Removing the licensing requirement for employees and contracted individuals who adjust claims for the administrator; and
 - (D) Reducing the surety bond requirement from \$300,000 to \$100,000;
- (2) Providing that compensation to an administrator for adjusting or settling claims will not increase contingent on claim experience;
- (3) Removing the section authorizing the Commissioner to issue targeted variances, waivers, or no-action letters;
- (4) Changing its effective date to July 1, 2050, to facilitate further discussion; and
- (5) Making technical, nonsubstantive amendments for clarity and style.

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. 986, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 986, 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,

Roy M. Takumi

ROY M. TAKUMI, Chair



Record of Votes of the Committee on Consumer Protection & Commerce

Bill/Resolution No.: HB 986	Committee Referral: CPC, FIN	Date: 2/10/19		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
CPC Members	Ayes	Ayes (WR)	Nays	Excused
1. TAKUMI, Roy M. (C)	✓			
2. ICHIYAMA, Linda (VC)	✓			
3. AQUINO, Henry J.C.	✓			
4. BELATTI, Della Au	✓			
5. CABANILLA ARAKAWA, Rida				✓
6. CACHOLA, Romy M.	✓			
7. HAR, Sharon E.	✓			
8. KONG, Sam Satoru	✓			
9. MIZUNO, John M.				✓
10. ONISHI, Richard H.K.	✓			
11. MATSUMOTO, Lauren	✓			
TOTAL (11)	9	0	0	2
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <small style="margin-left: 150px;">committee acronym(s)</small>				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				