

STAND. COM. REP. NO. **773**-22

Honolulu, Hawaii

**MAR 03**, 2022

RE: H.B. No. 2111  
H.D. 1

Honorable Scott K. Saiki  
Speaker, House of Representatives  
Thirty-First State Legislature  
Regular Session of 2022  
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 2111 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to update and improve existing provisions in the Insurance Code and promote consumer protection by:

- (1) Amending the Insurance Commissioner's authority to issue limited licenses to persons selling travel insurance to be inclusive of other general travel insurance products;
- (2) Removing references to outdated and obsolete limited lines product offerings;
- (3) Amending the regulation of third party administrators by:
  - (A) Excluding dental insurers and dental service corporations;
  - (B) Increasing the required surety bond beginning in the third party administrator's third year of licensure; and



- (C) Requiring third party administrators to include renewal certificates for surety bonds and audited financial statements in their annual reports; and
- (4) Adopting the revised National Association of Insurance Commissioners Suitability in Annuity Transactions Model Regulation to:
  - (A) Require producers to act in the best interest of the consumer when making a recommendation of an annuity; and
  - (B) Require insurers to establish and maintain a system to supervise recommendations.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs, National Association of Insurance and Financial Advisors Hawaii, American Council of Life Insurers, and American Insurance Group, Inc. Your Committee received comments on this measure from the Hawaii-Western Management Group.

Your Committee finds that existing law fails to allow limited lines producers to offer various forms of general travel insurance products, such as trip interruption or cancellation, damages to accommodations or rental vehicles, emergency evacuations, or repatriation of remains. This absence creates consumer confusion and gaps in product offerings. This measure allows limited lines producers to offer products covering the breadth of travel insurance.

Your Committee further finds that, in 2020, the National Association of Insurance Commissioners adopted a revised version of the Suitability in Annuity Transactions Model Regulation, which more clearly defines a producer's responsibility to act in the best interest of the consumer when making a recommendation of an annuity and requires insurers to establish and maintain a system to supervise recommendations. This measure ensures that producers are acting in the best interest of the consumer and strengthens protections under the Insurance Code with regard to annuity transactions.

Your Committee has amended this measure by:



- (1) Clarifying that a third party administrator must file and maintain a surety bond of at least \$100,000 for the first two years of licensure and at least \$300,000 from the third year of licensure;
- (2) Clarifying when a renewal certificate for a surety bond or updated surety bond must be filed along with the annual report;
- (3) Authorizing the Insurance Commissioner to delay the enforcement of the provisions concerning limited licenses and third party administrator annual reports until no later than March 31, 2023;
- (4) Changing the effective date to January 1, 2050, to encourage further discussion; and
- (5) Making technical, nonsubstantive amendments for purposes of clarity, consistency, 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. 2111, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2111, H.D. 1, and be placed on the calendar for Third Reading.

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

  
AARON LING JOHANSON, Chair



**Record of Votes of the Committee on Consumer Protection & Commerce**

|  |  |                                |             |                |
|--|--|--------------------------------|-------------|----------------|
| <b>Bill/Resolution No.:</b><br><i>HB 2111</i>  | <b>Committee Referral:</b><br><i>CPC</i> | <b>Date:</b><br><i>2-24-22</i> |             |                |
| <input type="checkbox"/> The committee is reconsidering its previous decision on the measure.  |  |                                |             |                |
| <b>The recommendation is to:</b> <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold<br><input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit) |  |                                |             |                |
| <b>CPC Members</b>   | <b>Ayes</b>                              | <b>Ayes (WR)</b>               | <b>Nays</b> | <b>Excused</b> |
| 1. JOHANSON, Aaron Ling (C)  | ✓  |                                |             |                |
| 2. KITAGAWA, Lisa (VC)   | ✓  |                                |             |                |
| 3. AQUINO, Henry J.C.  | ✓  |                                |             |                |
| 4. HAR, Sharon E.  | ✓  |                                |             |                |
| 5. HASHEM, Mark J.   | ✓  |                                |             |                |
| 6. KONG, Sam Satoru  | ✓  |                                |             |                |
| 7. MIZUNO, John M.   | ✓  |                                |             |                |
| 8. MORIKAWA, Dee   | ✓  |                                |             |                |
| 9. ONISHI, Richard H.K.  | ✓  |                                |             |                |
| 10. TARNAS, David A.   | ✓  |                                |             |                |
| 11. MATSUMOTO, Lauren  | ✓  |                                |             |                |
|  |  |                                |             |                |
|  |  |                                |             |                |
|  |  |                                |             |                |
|  |  |                                |             |                |
| <b>TOTAL (11)</b>  | <b>11</b>                                | <b>0</b>                       | <b>0</b>    | <b>0</b>       |
| <b>The recommendation is:</b> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted   |  |                                |             |                |
| If joint referral, _____ did not support recommendation.<br>committee acronym(s)   |  |                                |             |                |
| <b>Vice Chair's or designee's signature:</b> <i>[Signature]</i>  |  |                                |             |                |
| <b>Distribution:</b> Original (White) – Committee    Duplicate (Yellow) – Chief Clerk's Office    Duplicate (Pink) – HMSO  |  |                                |             |                |