

STAND. COM. REP. NO. 774-22

Honolulu, Hawaii

MAR 03 , 2022

RE: H.B. No. 2112
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. 2112 entitled:

"A BILL FOR AN ACT RELATING TO CREDIT FOR REINSURANCE,"

begs leave to report as follows:

The purpose of this measure is to adopt the revised National Association of Insurance Commissioners Credit for Reinsurance Model Law, which conforms existing reinsurance law to the bilateral agreements on insurance and reinsurance between the United States and European Union and between the United States and United Kingdom.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs, Hawaii Insurers Council, and American Council of Life Insurers.

Your Committee finds that, in 2017, the United States Treasury Department and United States Trade Representative, pursuant to their authority under the Dodd-Frank Wall Street Reform and Consumer Protection Act, P.L. 111-203, concluded negotiations on an agreement with the European Union (EU) that eliminates EU reinsurer collateral requirements, provided certain regulatory criteria are met. In addition, the EU agreed to recognize the United States' approach to group supervision, including group capital. In December 2018, a separate agreement

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was signed between the United States and United Kingdom that mirrors the language from the agreement with the EU. Under both agreements, states must enact laws conforming to the agreements by September 1, 2022, or face possible federal preemption.

Your Committee further finds that the National Association of Insurance Commissioners (NAIC) adopted revisions to the models that are intended to implement the reinsurance collateral provisions of the agreements. The revisions eliminate reinsurance collateral requirements for reinsurers that have their head office or are domiciled in any of the following reciprocal jurisdictions: an EU-member country that is subject to an in-force agreement; a United States jurisdiction that meets the requirements for accreditation under NAIC financial standards and accreditation program; and a non-United States jurisdiction recognized as a qualified jurisdiction that meets additional requirements consistent with the terms of the agreements.

This measure will conform the provisions of the State's Insurance Code regarding credit for reinsurance to the bilateral agreements and avoid federal preemption.

Your Committee has amended this measure by:

- (1) Clarifying the conditions under which credit for reinsurance may be allowed;
- (2) Changing the effective date to January 1, 2050, to encourage further discussion; and
- (3) 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. 2112, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2112, 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



