

STAND. COM. REP. NO.

584

Honolulu, Hawaii

FEB 17 2023

RE: S.B. No. 1324  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Second State Legislature  
Regular Session of 2023  
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 1324 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose and intent of this measure is to amend various provisions of the State's insurance laws. Specifically, this measure:

- (1) Adds a Health Insurance Administrator Deputy Commissioner position;
- (2) Defines "dormant captive insurance company" and sets out a procedure to apply for the certificate of dormancy;
- (3) Adds the term "doing business as" to "trade name" statutory references;
- (4) Clarifies continuing education provider filing requirements;
- (5) Clarifies reinsurance intermediary-manager filing requirements;



- (6) Amends the surety bond threshold requirement for third party administrators and clarifies the audited financial statements requirements;
- (7) Adopts the revised National Association of Insurance Commissioners Model #880 Unfair Trade Practices Act regarding expansion of value-added products beyond health products;
- (8) Aligns section 431:13-103, Hawaii Revised Statutes, with changes made to article 9 of chapter 431, Hawaii Revised Statutes, by Act 110, Session Laws of Hawaii 2021; and
- (9) Amends the definition of "controlled unaffiliated business" and "participant" as applied to captive insurance companies.

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

Your Committee finds that updating the State's insurance laws is necessary for clarity, to provide greater protections to consumers, improve the administration and enforcement of regulated entities, and modernize insurance regulation to conform with current technologies and practices in the insurance industry. This measure will accomplish these goals.

Your Committee acknowledges the testimony of the Department of Commerce and Consumer affairs, which requested that sections 1 and 3 of this measure, which establishes a Health Insurance Administrator position and exempts the position from the State's civil service law be deleted. Your Committee also acknowledges the testimony of the American Council of Life Insurers, which notes that while this measure adopts certain provisions from the National Association of Insurance Commissioners' Model #880 Unfair Trade Practices Act (Model Act), this measure omits key provisions from the Model Act. Thus, amendments are necessary to address these concerns.

Accordingly, your Committee has amended this measure by:



- (1) Deleting sections 1 and 3 of this measure, which would have established a Health Insurance Administrator position and exempted the position from the State's civil service law;
- (2) Inserting provisions from the Model Act, which define the "value added products or services" an insurer or producer may lawfully provide to a customer or potential customer and authorize an insurer or producer to offer gifts, items, or services to, and conduct raffles or drawings for, a customer or potential customer, under certain conditions;
- (3) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (4) 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 and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1324, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1324, 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 and  
Consumer Protection.




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JERRETT KEOHOKALOLE, Chair



The Senate  
 Thirty-Second Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Commerce and Consumer Protection**  
**CPN**

Bill / Resolution No.:* <b>SB1324</b>	Committee Referral: <b>CPN, NAM</b>	Date: <b>2/9/23</b>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KEOHOKALOLE, Jarrett (C)	✓			
FUKUNAGA, Carol (VC)	✓			
MCKELVEY, Angus L.K.	✓			
RICHARDS, III, Herbert M. "Tim"	✓			
AWA, Brenton	✗		✓	
<b>TOTAL</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>0</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution:             Original     Yellow     Pink     Goldenrod File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy				

\*Only one measure per Record of Votes