

Honolulu, Hawaii

FEB 16, 2024

RE: H.B. No. 2392

H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 2392 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to make various amendments to the Insurance Code, including:

- (1) Implementing a standardized process for captive insurance companies to transition to dormant status;
- (2) Inserting a definition for "trade name";
- (3) Clarifying that continuing education providers need not submit exam content or questions to the Insurance Division of the Department of Commerce and Consumer Affairs;
- (4) Raising the required surety bond amount to \$300,000 from the third year of licensure for third party administrators and clarifying their audited financial statement requirements;



- (5) Amending the definitions of "controlled unaffiliated business" and "participant" for purposes of the laws regulating captive insurance companies;
- (6) Exempting captive insurers from the premium taxes in their first year after formation; and
- (7) Making housekeeping amendments.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs. Your Committee received testimony in opposition to this measure from one individual. Your Committee received comments on this measure from the Hawaii Captive Insurance Council; Brown & Brown; Alaska Airlines, Inc.; ASA Assurance, Inc.; Tax Foundation of Hawaii; and three individuals.

Your Committee finds that this measure makes various amendments to the Insurance Code to improve consumer protection and the administration of the Insurance Code. Specifically, your Committee finds that under existing law, there is no standardized process for captive insurance companies to transition to dormant status. Currently, a dormant captive insurance company must obtain approval from the Insurance Division to be dormant and if approved, must comply with modified filing requirements. A standardized procedure will increase efficiency, promote uniformity, and provide clarity to captive insurance companies and the Insurance Division; and three individuals.

Your Committee further finds that continuing education providers are only required to submit the licensing self-study course to the Insurance Division. However, providers are also submitting exam questions. As such, providers may have a false impression that the Insurance Division is approving exam content or questions. This measure provides greater clarity that content and questions are not required to be approved by or filed with the Insurance Division, and are to be made available upon request of the Insurance Commissioner.

Lastly, your Committee finds that, under existing law, third party administrators are required to file a surety bond in an amount of \$100,000 and are not required to file an audited financial statement. To improve consumer protection and provide greater transparency, this measure raises the requisite surety



bond amount to \$300,000 from the third year of licensure filing and requires the filing of an audited financial statement.

Your Committee has amended this measure by:

- (1) Deleting language exempting captive insurers from the premium taxes in their first year after formation;
- (2) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the 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. 2392, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2392, 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,



MARK M. NAKASHIMA, Chair



