

Honolulu, Hawaii

FEB 16 , 2024

RE: H.B. No. 2394
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. 2394 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to adopt the revisions to the National Association of Insurance Commissioners Model No. 440, the Insurance Holding Company System Regulatory Act.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs and American Council of Life Insurers. Your Committee received testimony in opposition to this measure from Tradewind Group.

Your Committee finds that the National Association of Insurance Commissioners' (NAIC) Insurance Holding Company System Regulatory Act has, since the 1970s, provided state insurance departments with a framework for insurance group supervision. In 2020, the NAIC adopted revisions that established group capital calculation filing requirements and liquidity stress test reporting.

Your Committee further finds that the group capital calculation provides United States solvency regulators with an additional analytical tool for conducting group-wide supervision



and assists regulators in holistically understanding the financial condition of non-insurance entities. The group capital calculation provides key financial information on the insurance group; quantifies risk across the insurance group; supports transparency into how capital is allocated; and aids in understanding whether and to what degree insurance companies are supporting the operations of non-insurance entities. The group capital calculation is intended to satisfy the group capital assessment requirements of the Covered Agreements made between the United States and the European Union and United Kingdom. Without the group capital calculation, any supervisor in the European Union or United Kingdom could impose its own group capital calculation on a United States group operating in the European Union or United Kingdom and all United States insurers within that group.

Your Committee additionally finds that the liquidity stress test was developed to provide state insurance regulators with insights into a key macroprudential risk monitored by the Financial Stability Oversight Council and other jurisdictions internationally, while also enhancing group supervision. The liquidity stress test requires insurers to file the results of a specific year's liquidity stress test to the lead state insurance commissioner. This measure provides the Insurance Division with greater tools to properly conduct insurance group supervision and will enable the Division to maintain its accreditation status with the NAIC.

Your Committee has amended this measure by:

- (1) Requiring that written agreements between the Insurance Commissioner and any third-party consultant:
 - (A) Specify that the ownership of information shared with the National Association of Insurance Commissioners or a third-party consultant remains with the Insurance Commissioner; and
 - (B) Require that prompt notice be given to an insurer whose confidential information is in the possession of a third-party consultant and that the insurer is subject to a request or subpoena from the third-party consultant;



- (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. 2394, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2394, 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



