STAND. COM. REP. NO. 289 -12

Honolulu, Hawaii

Feb 13 , 2012

RE: H.B. No. 2505 H.D. 1

Honorable Calvin K.Y. Say Speaker, House of Representatives Twenty-Sixth State Legislature Regular Session of 2012 State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 2505 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to update the laws governing guaranty associations in conformity with the National Association of Insurance Commissioners' (NAIC) Property and Casualty Insurance Guaranty Association Model Act and the NAIC Life and Health Insurance Guaranty Association Model Act.

The Department of Commerce and Consumer Affairs, Hawaii Life and Disability Insurance Guaranty Association, and Hawaii Insurance Guaranty Association supported this bill. The American Council of Life Insurers submitted comments.

After careful consideration, your Committee has amended this bill by adding provisions that, among other things:

(1) Release the Hawaii Life and Disability Insurance Guaranty Association (HLDIGA) and the reinsurer from any rights or obligations under reinsurance contracts that HLDIGA has the right to assume under certain conditions, whether for periods prior to or after the date of the order of liquidation;

- (2) Require the reinsurer, receiver, and HLDIGA to provide each other, to the extent practicable, data and records reasonably requested;
- (3) If HLDIGA does not elect to assume a reinsurance contract by the election date under certain conditions, release HLDIGA from rights and obligations, in each case for periods both before and after the date of the order of liquidation, with respect to the reinsurance contract;
- (4) When policies or annuities, or covered obligations with respect thereto, are transferred to an assuming insurer, allow reinsurance on the policies or annuities to also be transferred by HLDIGA under certain conditions;
- (5) Mandate the supersession of any law or any affected reinsurance contract that provides for or requires any payment of reinsurance proceeds, on account of losses or events that occur in periods after the date of the order of liquidation, to the receiver of the insolvent insurer or any other person;
- (6) Allow the receiver to remain entitled to any amounts payable by the reinsurer under the reinsurance contracts with respect to losses or events that occur in periods prior to the date of the order of liquidation, subject to applicable setoff provisions; and
- (7) Prevent the alteration or modification of terms and conditions of any reinsurance contract, except as otherwise provided by law.

Technical, nonsubstantive amendments were also made for the purposes of consistency, clarity, 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. 2505, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2505, H.D. 1, and be referred to the Committee on Finance.

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

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ROBERT N. HERKES, Chair

State of Hawaii House of Representatives The Twenty-sixth Legislature

HSCR 289-12

Record of Votes of the Committee on Consumer Protection & Commerce

Bill/Resolution No.: HB 2505 Committee	e Referral:	FIN Da	te: 1/30/12	
☐ The committee is reconsidering its previous decision on the measure.				
The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold Pass short form bill with HD to recommit for future public hearing (recommit)				
CPC Members	Ayes	Ayes (WR)	Nays	Excused
1. HERKES, Robert N. (C)				-
2. YAMANE, Ryan I. (VC)				
3. BROWER, Tom				
4. CABANILLA, Rida T.R.				
5. CARROLL, Mele				
6. COFFMAN, Denny				
7. ITO, Ken				_
8. KEITH-AGARAN, Gilbert S.C.				
9. LUKE, Sylvia				
10. McKELVEY, Angus L.K.				
11. SOUKI, Joseph M.				
12. TSUJI, Clift				
13. CHING, Corinne W.L.				
14. MARUMOTO, Barbara C.				
15. THIELEN, Cynthia				
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TOTAL (15)	12			3
The recommendation is: Adopted If joint referral, committee acronym(s) Adopted did not support recommendation.				
Vice Chair's or designee's signature:				
Distribution: Original (White) Committee Duplicate (Yellow) Chief Clerk's Office Duplicate (Pink) HMSO				