STAND. COM. REP. NO. 710

Honolulu, Hawaii

February 17 , 2017

RE: H.B. No. 917 H.D. 1

Honorable Joseph M. Souki Speaker, House of Representatives Twenty-Ninth State Legislature Regular Session of 2017 State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 917 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to ensure that Hawaii's mutual benefit societies maintain a minimum net worth reflective of actual risk by stipulating that the calculation of a mutual benefit society's net worth be made using annual net premium revenues and net health care expenditures.

The Reinsurance Association of America and Hawaii Medical Assurance Association testified in support of this measure. The Department of Commerce and Consumer Affairs testified in opposition to this measure.

Your Committee notes that reinsurance is insurance purchased by insurance companies to guard against insolvency, particularly in instances of catastrophic loss. However, your Committee also notes the concerns raised by the Insurance Commissioner that a mutual benefit society that uses a reinsurer is ultimately responsible for all liabilities should a reinsurer fail. Accordingly, your Committee finds that allowing the net annual health care expenditures to be reduced when the reinsurer has an appropriate rating, and is approved by the Insurance Commissioner, is a more prudent approach.

Your Committee has amended this measure by:

- Allowing net annual health care expenditures of a mutual benefit society to be reduced by the amount ceded to reinsurers if the reinsurer is approved by the Insurance Commissioner; and
- (2) Changing its effective date to July 1, 2112, to facilitate further discussion.

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. 917, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 917, 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,

L.K. McKELVEY, Chair

## State of Hawaii House of Representatives The Twenty-ninth Legislature



## **Record of Votes of the Committee on Consumer Protection & Commerce**

Bill/Resolution No.: HB 917	Committee			Date: 2/13/1	1
$\theta$ The committee is reconsidering its previous decision on the measure.					
The recommendation is to: $\theta$ Pass, unamended (as is) $\theta$ Pass, with amendments (HD) $\theta$ Hold $\theta$ Pass short form bill with HD to recommit for future public hearing (recommit)					
CPC Members		Ayes	Ayes (WI	R) Nays	Excused
1. McKELVEY, Angus L.K. (C)		<b>V</b>			
2. ICHIYAMA, Linda (VC)		<b>√</b>			
3. AQUINO, Henry J.C.		<b>√</b>			
4. ITO, Ken				,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
5. SAY, Calvin K.Y.		<u>√</u>			
6. TAKAYAMA, Gregg					
7. TODD, Chris		<b>√</b>			
8. YAMANE, Ryan I.					
9. FUKUMOTO, Beth		· · · · · · · · · · · · · · · · · · ·			
		400-4-40			
TOTAL (9)		9	0	0	0
The recommendation is:   Adopted θ Not Adopted  If joint referral, did not support recommendation.  committee acronym(s)					
Vice Chair's or designee's signature:					
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO					
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