STAND. COM. REP. NO. 2251

Honolulu, Hawaii

FEB 1 3 2018

S.B. No. 2773 RE:

S.D. 1

Honorable Ronald D. Kouchi President of the Senate Twenty-Ninth State Legislature Regular Session of 2018 State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health, to which was referred S.B. No. 2773 entitled:

"A BILL FOR AN ACT RELATING TO THIRD PARTY ADMINISTRATORS," begs leave to report as follows:

The purpose and intent of this measure is to establish regulations for third party administrators, including:

- Encouraging disclosure of contracts between insurers and third party administrators to potential insureds and the Insurance Commissioner;
- (2) Promoting the financial responsibility of third party administrators;
- (3) Regulating third party administrators' practices; and
- (4)Governing the qualifications and procedures for the licensing of third party administrators.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs. Your Committee received comments on this measure from the Hawaii-Western Management Group.

Your Committee finds that third party administrators collect charges or premiums from, or adjust or settle claims on, life insurance coverage or accident and health or sickness insurance coverage. Hawaii is one of nine states that do not regulate third party administrators. This measure establishes regulations over third party administrators and is based on the National Association of Insurance Commissioners' Registration and Regulation of Third Party Administrators Guideline.

Your Committee further finds that according to discussions with the Department of Commerce and Consumer Affairs, the Guideline serves as a starting point for states to consider when regulating third party administrators. Your Committee notes that a state's accreditation by the National Association of Insurance Commissioners is not contingent upon a verbatim adoption of the Guideline, and thus, variation between the Guideline and a state's law is acceptable.

Your Committee has amended this measure by:

- (1) Clarifying the surety bond requirements for third party administrators; and
- (2) 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, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2773, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2773, 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, Consumer Protection, and Health,

ROSALYN H. BAKER, Chair

The Senate Twenty-Ninth Legislature State of Hawai'i

Record of Votes Committee on Commerce, Consumer Protection, and Health CPH

Bill / Resolution No.:* Committee	Referral:	Da	te:	
58 2773 CPH	MAM	2/6/18		
The Committee is reconsidering its previous decision on this measure.				
If so, then the previous decision was to:				
The Recommendation is:				
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
TOKUDA, Jill N. (VC)				V
CHANG, Stanley	V	·		
ESPERO, Will	V			
IHARA, Jr., Les	V			
NISHIHARA, Clarence K.	14			/
RUDERMAN, Russell E.	/			
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TOTAL	5			2
Recommendation: Adopted 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