

ACT 107

S.B. NO. 818

A Bill for an Act Relating to Financial Services Loan Companies.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. Section 36-21, Hawaii Revised Statutes, is amended to read as follows:

**“§36-21 Short-term investment of state moneys.** The director of finance may invest any moneys of the State which in the director’s judgment are in excess of the amounts necessary for meeting the immediate requirements of the State and where in the director’s judgment the action will not impede or hamper the necessary financial operations of the State in any bonds or interest-bearing notes or obligations of the State (including state director of finance’s warrant notes issued pursuant to chapter 40), or of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest, or in federal land bank bonds or joint stock farm loan bonds, or in federally insured savings accounts, or in time certificates of deposit, or in certificates of deposit open account, or in repurchase agreements with federally insured banks [and], savings and loan associations[;] and financial services loan companies; provided that the investments are due to mature not more than five years from the date of investment. Income derived therefrom shall be a realization of the general fund.”

SECTION 2. Section 431:6-315, Hawaii Revised Statutes, is amended to read as follows:

**“§431:6-315 Banks, savings and loan associations [and], credit unions[.], and financial services loan companies.** (a) An insurer may invest or deposit any of its funds in checking or savings accounts, under separate certificates of deposit, or in any other form in solvent banks or trust companies.

(b) An insurer may invest any of its funds in shares or savings accounts in solvent savings and loan associations that are insured by the [federal savings and loan insurance corporation or similar federal agency.] Federal Deposit Insurance Corporation.

(c) An insurer may deposit any of its funds in shares or share draft accounts in solvent state chartered credit unions or federally chartered credit unions.

(d) An insurer may invest or deposit any of its funds in savings accounts, in certificates of deposit, or in any other form in solvent financial services loan companies that are insured by the Federal Deposit Insurance Corporation.”

SECTION 3. Section 431:9-230, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

- “(b) The licensee shall, upon receipt of the funds, either:
- (1) Remit the premiums (less commissions) and return premiums received or held by the licensee to the insurers or the persons entitled to such funds; or

- (2) Maintain the funds at all times in a federally insured account with a bank [or], savings and loan association, or financial services loan company situated in Hawaii, separate from the licensee's own funds or funds held by the licensee in any other capacity, in an amount at least equal to the premiums (net of commissions) and return premiums received by such licensee and unpaid to the insurers or persons entitled to such funds.

The licensee shall not be required to maintain a separate bank account or other account for the funds of each insurer or person entitled to such funds, if and so long as the funds held for the insurer or person entitled to such funds are reasonably ascertainable from the books of account and records of the licensee. Only such additional funds as may be reasonably necessary to pay bank [or], savings and loan association, or financial services loan company charges may be commingled with the premium funds. In the event the bank [or], savings and loan association, or financial services loan company account is an interest earning account, such licensee may not retain the interest earned on such funds to the licensee's own use or benefit without the prior written consent of the insurers or persons entitled to such funds. A premium trustee account shall be designated on the records of the bank [or], savings and loan association, or financial services loan company as a "trustee account established pursuant to section 431:9-230, Hawaii Revised Statutes", or words of similar import."

SECTION 4. Statutory material to be repealed is bracketed. New statutory material is underscored.

SECTION 5. This Act shall take effect upon its approval.

(Approved May 17, 1993.)