

Honorable Scott K. Saiki  
Speaker, House of Representatives  
Thirtieth State Legislature  
Regular Session of 2019  
State of Hawaii  
Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 986 entitled:

"A BILL FOR AN ACT RELATING TO REGULATORY AUTHORITY OF THE INSURANCE COMMISSIONER,"

begs leave to report as follows:

The purpose of this measure is to:

(1) Require third-party administrators to be licensed and regulated by the Insurance Commissioner (Commissioner) in accordance with the National Association of Insurance Commissioners' Registration and Regulation of Third Party Administrators Guideline (NAIC Guideline); and

(2) Authorize the Commissioner to issue targeted variances, waivers, or no-action letters relating to title 24, Hawaii Revised Statutes, to enable the introduction of new, innovative, and more efficient insurance products, services, and technologies.

The Department of Commerce and Consumer Affairs testified in support of this measure. Hawaii Association of Justice testified in opposition. MDX Hawaii, Inc., State Farm Mutual Automobile Insurance Company, Hawaii-Western Management Group, Hawaii Medical Service Association, and Kaiser Permanente provided comments.

After careful consideration, your Committee has amended this measure by:

(1) Making the following amendments to conform with the NAIC Guideline:

- (A) Changing the recordkeeping requirements;
- (B) Changing the license requirement to require proof that the applicant has a positive net worth;
- (C) Removing the licensing requirement for employees and contracted individuals who adjust claims for the administrator; and
- (D) Reducing the surety bond requirement from \$300,000 to \$100,000;

(2) Providing that compensation to an administrator for adjusting or settling claims will not increase contingent on claim experience;

(3) Removing the section authorizing the Commissioner to issue targeted variances, waivers, or no-action letters;

(4) Changing its effective date to July 1, 2050, to facilitate further discussion; and

(5) Making technical, nonsubstantive amendments for 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. 986, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 986, 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,

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ROY M. TAKUMI, Chair