

JAN 25 2012

A BILL FOR AN ACT

RELATING TO ENTITIES REGULATED BY THE INSURANCE COMMISSIONER.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Chapter 432, Hawaii Revised Statutes, is
2 amended by adding to part I of article 1 a new section to be
3 appropriately designated and to read as follows:

4 "§432: Fees. (a) The commissioner shall collect in
5 advance the following fees:

6 (1) Issuance of certificate of authority: \$900;

7 (2) Organization of domestic mutual benefit societies:

8 (A) Filing of application and documents required for
9 issuance of certificate of registration: \$1,500;

10 and

11 (B) Issuance of certificate of registration: \$150;

12 and

13 (3) For renewal of the certificate of authority: \$600 per
14 year.

15 (b) If the fee for the renewal of the certificate of
16 authority is not paid before or on the renewal date, a penalty
17 shall be imposed in the amount of fifty per cent of the fee. If
18 the fee and the penalty are not paid within thirty days

S.B. NO. 2766

1 immediately following the renewal date, the commissioner may
2 revoke the certificate of authority and shall not reinstate the
3 certificate of authority until the fee and penalty have been
4 paid.

5 (c) All fees and penalties collected pursuant to this
6 section and penalties collected pursuant to sections 432:1-105,
7 432:1-405, and 432:1-408 shall be deposited to the credit of the
8 compliance resolution fund."

9 SECTION 2. Section 432:1-102, Hawaii Revised Statutes, is
10 amended to read as follows:

11 "§432:1-102 **Applicability of other laws.** (a) Part III of
12 article 10A, and article 10H of chapter 431 shall apply to
13 nonprofit medical indemnity or hospital service associations.
14 Such associations shall be exempt from the provisions of part I
15 of article 10A; provided that such exemption is in compliance
16 with applicable federal statutes and regulations.

17 (b) Article 2, article 2D, [~~part~~] parts II and IV of
18 article 3, article 6, part III of article 7, article 13, article
19 14G, and article 15 of chapter 431, sections 431:3-301, 431:3-
20 302, 431:3-303, 431:3-304, and 431:3-305, and the powers granted
21 by those provisions to the commissioner, shall apply to managed
22 care plans, health maintenance organizations, or medical

S.B. NO. 2766

1 indemnity or hospital service associations that are owned or
2 controlled by mutual benefit societies so long as the
3 application in any particular case is in compliance with and is
4 not preempted by applicable federal statutes and regulations.

5 (c) The commissioner may adopt rules pursuant to chapter
6 91 for the implementation and administration of this chapter."

7 SECTION 3. Section 432:1-202, Hawaii Revised Statutes, is
8 amended by amending subsection (c) to read as follows:

9 "(c) After the organization of a society is completed and
10 a certificate of [~~compliance with law~~] registration is granted
11 by the commissioner, the society shall be governed by its
12 administrative board or body in accordance with its constitution
13 and bylaws."

14 SECTION 4. Section 432:1-301, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "§432:1-301 Registration with commissioner: certificate
17 of registration [~~and authorization to solicit members.~~] and
18 certificate of authority. (a) Before doing business or
19 engaging in any act, any society as defined in section 432:1-
20 104(2) shall file with the commissioner:

S.B. NO. 2766

- 1 (1) Copies of its constitution or organic instrument under
2 which it purports to operate, and the bylaws, and
3 rules and regulations, if any;
- 4 (2) If a society promising or offering to pay death, sick,
5 disability, or other benefits in an amount equal to or
6 in excess of \$25:
- 7 (A) Copies of all proposed forms of benefit
8 certificates, applications and circulars to be
9 issued by the society; and
- 10 (B) A bond in the sum of \$25,000 with sureties
11 approved by the commissioner. The bond shall be
12 conditioned upon the return of the advance
13 payments referred to in section 432:1-304, if the
14 organization is not completed within one year;
15 and
- 16 (3) Any additional information as the commissioner may
17 require.
- 18 (b) ~~Upon~~ Except as provided in section 432:1-302, upon
19 the filing of the information required by subsection (a), if it
20 appears to the commissioner's satisfaction that the purposes of
21 the society are lawful, ~~[the commissioner shall issue a~~

S.B. NO. 2766

1 ~~certificate registering the society and licensing it to operate~~
2 ~~in the State.~~

3 ~~(c) In the case of any society offering or promising to~~
4 ~~pay death, sick, disability, or other benefits in an amount~~
5 ~~equal to or in excess of \$25, if the commissioner is satisfied~~
6 ~~that the purposes of the society are] not for profit [but], and~~
7 for the benefit of its members, the commissioner shall
8 [authorize] issue a certificate of registration authorizing the
9 society to solicit members as provided in section 432:1-303.

10 (c) Upon issuance of a certificate of registration
11 pursuant to subsection (b), the society may apply for a
12 certificate of authority. The applicant society shall provide
13 to the commissioner:

- 14 (1) Evidence of compliance with the special deposit
15 requirements of section 432:1-304; and
16 (2) A description of the procedures, approved by the
17 society's administrative board or body in accordance
18 with its constitution and bylaws, to be implemented to
19 comply with the protection against insolvency
20 requirements of section 432:1-407.

21 (d) The applicant society that satisfies the requirements
22 of this chapter shall be issued a certificate of authority in

S.B. NO. 2766

1 accordance with part II of article 3 of chapter 431. Societies
2 that are now authorized to transact business in this State may
3 continue such business until August 16, 2013. The authority of
4 such societies and all societies hereafter issued a certificate
5 of insurance, may thereafter be renewed annually, but in all
6 cases to terminate on the succeeding August 16. The applicant
7 society may appeal the denial of its application pursuant to
8 chapter 91."

9 SECTION 5. Section 432:1-303, Hawaii Revised Statutes, is
10 amended to read as follows:

11 "§432:1-303 Authority to offer death, sick, disability, or
12 other benefits; conditions. (a) Each society promising or
13 offering to pay death, sick, disability, or other benefits in an
14 amount equal to or in excess of \$25 may solicit members for the
15 purpose of completing its organization upon receipt from the
16 commissioner of the certificate [~~and authority~~] of registration
17 required in section 432:1-301, and [shall] may collect from each
18 applicant the amount of not [less] more than one regular monthly
19 payment [in accordance with its table of rates as provided by
20 its constitution and bylaws,] and shall issue to each applicant
21 a receipt for the amount so collected.

S.B. NO. 2766

1 (b) Except as hereinafter provided, no society shall incur
2 any liability other than for the advance payments, nor issue any
3 benefit certificate, nor allow, or offer or promise to pay, or
4 allow to any person any death benefit until:

5 (1) Actual bona fide applications for death certificates
6 have been secured upon at least one hundred lives for
7 at least \$25 each, and all the applicants for death
8 benefits have been regularly examined by a qualified
9 practicing physician, and certificates of the
10 examination have been duly filed with and approved by
11 the administrative board or body of the society; and

12 (2) At least one hundred applicants have been accepted for
13 membership; and

14 (3) There has been submitted to the commissioner, under
15 oath of the president and secretary, or corresponding
16 officers of the society, a list of applicants
17 including the following information about each
18 applicant:

- 19 (A) Name and address,
20 (B) Date examined,
21 (C) Date of approval,
22 (D) Date accepted as member,

S.B. NO. 2766

- 1 (E) If subordinate branches have been established,
- 2 the name and number of the subordinate branch of
- 3 which each applicant is a member,
- 4 (F) Amount of benefits to be granted, and
- 5 (G) The rate of stated periodical contributions which
- 6 shall be sufficient to provide for meeting the
- 7 mortuary obligations contracted when valued for
- 8 death purposes upon the basis of a recognized
- 9 table of mortality or any mutual benefit standard
- 10 based on at least twenty years' experience, and
- 11 for disability benefits by tables based upon
- 12 reliable experience, and for combined death and
- 13 permanent total disability benefits by tables
- 14 based upon reliable experience; and
- 15 (4) It has been shown to the commissioner by the sworn
- 16 statement of the treasurer or corresponding officer of
- 17 the society that at least one hundred applicants have
- 18 paid in cash at least one regular monthly payment as
- 19 provided under subsection (a), which payments in the
- 20 aggregate shall amount to at least five times the
- 21 maximum amount of death benefit offered or promised to
- 22 be paid to any one member.

S.B. NO. 2766

1 (c) If the society does not offer or promise to pay any
2 death benefits in excess of \$25 upon the death of a member, but
3 merely offers or promises to pay disability benefits by reason
4 of sickness or injury, or to pay any other benefits, with or
5 without provision of death benefit in excess of \$25, the society
6 shall [~~before receiving a certificate of compliance with law~~
7 ~~from the commissioner, prove to the commissioner that at least~~
8 ~~one hundred members have each paid in, in cash, at least six~~
9 ~~regular monthly payments to the disability fund. Such payments~~
10 ~~in the aggregate shall:~~

11 ~~(1) Amount to at least twenty times the maximum amount of~~
12 ~~disability or other benefits offered or promised to be~~
13 ~~paid to any one member during or within a period of~~
14 ~~thirty days,~~

15 ~~(2) Be credited to the disability, sick or other benefit~~
16 ~~fund, and~~

17 ~~(3) During the period of organization of the society, be~~
18 ~~held in trust to be returned to the applicants or~~
19 ~~members who have made payment of the same, if and in~~
20 ~~case the organization of the society is not completed~~
21 ~~within one year.] apply for a certificate of authority~~
22 ~~from the commissioner."~~

S.B. NO. 2766

1 SECTION 6. Section 432:1-304, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§432:1-304 Authority to offer death, sick, disability, or
4 other benefits; special deposit and control of certain funds.

5 Except as provided in this section and section 432:1-305, all
6 regular payments received for account of death benefit, accident
7 and health or sickness, or other [~~benefit funds,~~] benefits,
8 during the period of organization of a society, shall not be
9 used for the payment of any expenses of the society, but shall
10 be placed on deposit or in trust in some bank or trust company
11 approved by the commissioner, payable to the society but under
12 the joint control with the commissioner. In case the
13 organization of the society is not completed within one year,
14 the funds shall be returned to the applicants or members who
15 made payments of the respective amounts. If, however, the
16 organization is completed and the commissioner issues a
17 certificate of [~~compliance with the law,~~] authority, the funds
18 so deposited in trust, together with interest, if any, shall be
19 released by the commissioner in favor of the society."

20 SECTION 7. Section 432:1-305, Hawaii Revised Statutes, is
21 amended by amending subsection (a) to read as follows:

S.B. NO. 2766

1 "(a) At no time shall the society, except as provided in
2 subsection (c), use more than twenty-five per cent of the
3 payments up to \$100,000 and seven per cent of the payments in
4 excess of \$100,000, received from its members or applicants in
5 the form of admission fees, dues, contributions, or assessments
6 of any nature for expenses other than taxes, in connection with
7 ~~[the management or operation of the death benefit, sick,~~
8 ~~disability, or other benefit funds.]~~ its management or
9 operations."

10 SECTION 8. Section 432:1-405, Hawaii Revised Statutes, is
11 amended by amending subsection (b) to read as follows:

12 "(b) The commissioner may suspend or revoke the
13 certificate of ~~[compliance]~~ authority of any mutual benefit
14 society that fails to file any of the documents required in
15 subsection (a). In lieu of or in addition to suspension or
16 revocation of the certificate of ~~[compliance]~~ authority of any
17 mutual benefit society, the commissioner may impose on the
18 mutual benefit society a penalty in the amount of not less than
19 \$100 and not more than \$500 for each day of delinquency."

20 SECTION 9. Section 432:1-407, Hawaii Revised Statutes, is
21 amended by amending subsection (a) to read as follows:

22 "(a) Net worth requirements are as follows:

S.B. NO. 2766

- 1 (1) Before issuing a certificate of authority pursuant to
2 section 432:1-301, the commissioner shall require that
3 the mutual benefit society has an initial net worth of
4 \$2,000,000 and the society shall thereafter maintain
5 the minimum net worth required under paragraph (2);
- 6 (2) Except as provided in paragraphs (3) and (4), every
7 mutual benefit society shall maintain a minimum net
8 worth equal to the greater of:
- 9 (A) \$2,000,000;
- 10 (B) Two per cent of annual premium revenues as
11 reported on the most recent annual financial
12 statement filed with the commissioner on the
13 first \$150,000,000 of premium revenues and one
14 per cent of annual premium revenues on the
15 premium revenues in excess of \$150,000,000; or
- 16 (C) An amount equal to eight per cent of the sum of
17 annual health care expenditures and operating
18 expenses as reported on the most recent financial
19 statement filed with the commissioner[+]
- 20 ~~(3) The minimum net worth requirement set forth in~~
21 ~~paragraph (2) (A) shall be phased in as follows:~~

S.B. NO. 2766

- 1 ~~(A) Seventy five per cent of the required amount by~~
- 2 ~~January 1, 2001; and~~
- 3 ~~(B) One hundred per cent of the required amount by~~
- 4 ~~December 31, 2002; and~~
- 5 ~~(4) The minimum net worth requirement set forth in~~
- 6 ~~[paragraph] (2)(C) shall be phased in as follows:~~
- 7 ~~(A) Fifty per cent of the required amount by December~~
- 8 ~~31, 1997;~~
- 9 ~~(B) Seventy five per cent of the required amount by~~
- 10 ~~December 31, 1998; and~~
- 11 ~~(C) One hundred per cent of the required amount by~~
- 12 ~~December 31, 1999]."~~

13 SECTION 10. Section 432:2-602, Hawaii Revised Statutes, is
14 amended to read as follows:

15 "**§432:2-602 Reports.** ~~[Reports shall be filed in~~
16 ~~accordance with the provisions of this section.]~~ (a) Every
17 society transacting business in this State shall annually, on or
18 before March 1, unless for cause shown such time has been
19 extended by the commissioner, file with the commissioner a true
20 statement of its financial condition, transactions and affairs
21 for the preceding calendar year and pay a fee of ~~[\$7.50]~~ \$300
22 for filing same. The statement shall be in general form and

1 context as approved by the National Association of Insurance
2 Commissioners for fraternal benefit societies and as
3 supplemented by additional information required by the
4 commissioner.

5 (b) As part of the annual statement [~~herein~~] required each
6 society shall, on or before March 1, file with the commissioner
7 a valuation of its certificates in force on December 31 last
8 preceding, provided the commissioner may, in the commissioner's
9 discretion for cause shown, extend the time for filing [~~such~~]
10 the valuation for not more than two calendar months. [~~Such~~] The
11 valuation shall be done in accordance with the standards
12 specified in section 432:2-601. [~~Such~~] The valuation and
13 underlying data shall be certified by a qualified actuary or, at
14 the expense of the society, verified by the actuary of the
15 department of insurance of the state of domicile of the society.

16 (c) A society neglecting to file the annual statement in
17 the form and within the time provided by this section shall be
18 liable for a penalty of \$100 for each day during which [~~such~~]
19 the neglect continues, and, upon notice by the commissioner to
20 that effect, its authority to do business in this State shall
21 cease while [~~such~~] the default continues.

S.B. NO. 2766

1 (d) All fees and penalties collected pursuant to this
2 section and section 432:2-603 and penalties collected pursuant
3 to section 432:2-703 shall be deposited to the credit of the
4 compliance resolution fund."

5 SECTION 11. Section 432:2-603, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "**§432:2-603 Annual license.** (a) Societies which are now
8 authorized to transact business in this State may continue such
9 business until May 1 next succeeding July 1, 1988. The
10 authority of such societies and all societies hereafter
11 licensed, may thereafter be renewed annually, but in all cases
12 to terminate on the succeeding May 1. However, a license so
13 issued shall continue in full force and effect until the new
14 license is issued or specifically refused. For each such
15 license or renewal, the society shall pay the commissioner
16 [~~\$7.50-~~] \$300. A duly certified copy or duplicate of such
17 license shall be prima facie evidence that the licensee is a
18 fraternal benefit society within the meaning of this article."

19 SECTION 12. Section 432D-13, Hawaii Revised Statutes, is
20 amended by amending subsection (a) to read as follows:

21 "(a) The commissioner may examine the affairs of any
22 health maintenance organization or of any providers with whom

S.B. NO. 2766

1 such organization has contracts, agreements, or other
2 arrangements as often as is reasonably necessary for the
3 protection of the interests of the people of this State but
4 shall make such examination not fewer than once every [~~three~~
5 five years[-] for health maintenance organizations domiciled in
6 this State."

7 SECTION 13. Section 432D-17, Hawaii Revised Statutes, is
8 amended to read as follows:

9 "§432D-17 Fees. (a) The commissioner shall collect in
10 advance the following fees:

- 11 (1) For filing an application for a certificate of
12 authority or amendment thereto, [~~\$600~~] \$900; and
13 (2) For [~~all services subsequent to the issuance of a~~
14 renewal of the certificate of authority [~~(including~~
15 ~~extension of the certificate of authority), \$400.]~~,
16 \$600 per year.

17 (b) The commissioner shall [~~notify the~~] provide each
18 holder of [~~the~~] a certificate of authority [~~by~~] at least thirty
19 days advance written notice [~~at least thirty days prior to the~~
20 of the applicable extension date [~~of the certificate~~]. If the
21 fee for the extension of the certificate of authority is not
22 paid before or on the extension date, a penalty shall be imposed

S.B. NO. 2766

1 in the amount of fifty per cent of the fee. If the fee and the
2 penalty are not paid within thirty days immediately following
3 the extension date, the commissioner may revoke the certificate
4 of authority and shall not reinstate the certificate of
5 authority until the fee and penalty have been paid.

6 (c) All fees and penalties collected pursuant to this
7 section and penalties collected pursuant to section 432D-14
8 shall be [~~remitted by the commissioner to the director of~~
9 ~~finance and shall be placed to the credit of the general fund.]~~
10 deposited to the credit of the compliance resolution fund."

11 SECTION 14. Section 432D-19, Hawaii Revised Statutes, is
12 amended by amending subsection (d) to read as follows:

13 "(d) Article 2, article 2D, part IV of article 3, article
14 6, part III of article 7, article 13, article 14G, and article
15 15 of chapter 431, sections 431:3-301 and 431:3-302, and the
16 powers granted by those provisions to the commissioner shall
17 apply to health maintenance organizations, so long as the
18 application in any particular case is in compliance with and is
19 not preempted by applicable federal statutes and regulations."

20 SECTION 15. Section 481X-2, Hawaii Revised Statutes, is
21 amended as follows:

S.B. NO. 2766

1 (1) By adding a new definition to be appropriately inserted
2 and to read as follows:

3 "Portable electronics" means electronic devices that can
4 be transported by the consumer and the accessories related to
5 the use of the device."

6 (2) By amending the definition of "service contract" to
7 read as follows:

8 "Service contract" means a contract or agreement for a
9 separately stated consideration and a specific duration, to
10 perform or indemnify the repair, replacement, or maintenance of
11 property for operational or structural failure due either to a
12 defect in materials or artisanship, or to normal wear and tear,
13 with or without additional provision for incidental payment or
14 indemnity under limited circumstances [7] for accidental loss,
15 including but not limited to, as pertains to automobiles or
16 their components, towing, rental, tire repair, and emergency
17 road service. Service contracts may provide for the repair,
18 replacement, or maintenance of property damaged by power surges,
19 or accidentally damaged during handling [-], or the damage or
20 loss of portable electronics due to theft or accidental harm."

21 SECTION 16. Section 481X-4, Hawaii Revised Statutes is
22 amended to read as follows:

1 "§481X-4 Financial responsibility. A provider shall
2 comply with the requirements under any one of the following
3 paragraphs, and shall not be subject to any other financial
4 security requirements under state law:

5 (1) The provider shall insure all service contracts under
6 a contractual liability insurance policy issued by an
7 insurer authorized to transact insurance in this State
8 or issued pursuant to part III of article 8 of chapter
9 431;

10 (2) The provider shall:

11 (A) Maintain a funded reserve account exclusively for
12 all obligations under service contracts issued
13 and in force in this State. The reserves shall
14 not be less than forty per cent of the gross
15 consideration received from the sale of the
16 service contract [~~, less claims paid,~~] for all in
17 force contracts. For the calculation of minimum
18 reserve amount, the gross consideration may be
19 reduced by the amount of claims paid on the in
20 force service contracts. The reserve account
21 shall be subject to examination by the
22 commissioner; and

S.B. NO. 2766

- 1 (B) Place in trust with the commissioner, for all
2 service contracts issued and in force in this
3 State, a financial security deposit having a
4 value that is the larger of \$25,000 or five per
5 cent of the gross consideration received [~~less~~
6 ~~claims paid for the sale of the service~~
7 ~~contracts~~]. For the calculation of minimum
8 financial security deposit, the gross
9 consideration may be reduced by the amount of
10 claims paid for the in force service contracts.
11 The financial security deposit shall consist of
12 one of the following:
- 13 (i) A surety bond issued by an authorized
14 surety;
 - 15 (ii) Securities of the type eligible for deposit
16 by authorized insurers in this State;
 - 17 (iii) Cash;
 - 18 (iv) A letter of credit issued by a qualified
19 financial institution; or
 - 20 (v) Another form of security authorized by the
21 commissioner by rule; or
- 22 (3) The provider or its parent company shall:

S.B. NO. 2766

- 1 (A) Maintain a net worth or stockholders' equity of
2 at least \$100,000,000; and
- 3 (B) Upon request, provide the commissioner with a
4 copy of the provider's or the provider's parent
5 company's most recent Form 10-K or Form 20-F
6 filed with the Securities and Exchange Commission
7 within the last calendar year, or if the company
8 does not file with the Securities and Exchange
9 Commission, a copy of the provider's or the
10 provider's parent company's audited financial
11 statements.

12 If the financial responsibility requirement under this
13 paragraph is to be maintained by the provider's parent
14 company, the parent company shall guarantee the
15 provider's obligations under service contracts sold by
16 the provider in this State."

17 SECTION 17. Section 432:1-307, Hawaii Revised Statutes, is
18 repealed.

19 [~~"§432:1-307 Authority to offer death, sick, disability,~~
20 ~~or other benefits; certificate of existence. The commissioner~~
21 ~~may make such examination and require such information from time~~
22 ~~to time as the commissioner may deem advisable. Upon~~

S.B. NO. 2766

1 ~~presentation of satisfactory proof that the society has complied~~
2 ~~with this article, and any other applicable law, the~~
3 ~~commissioner shall issue to the society a certificate to that~~
4 ~~effect. The certificate shall be prima facie evidence of the~~
5 ~~existence of the society as of the date of the certificate. The~~
6 ~~commissioner shall cause a record of the certificate to be made~~
7 ~~and a certified copy of the record may be given in evidence with~~
8 ~~the same effect as the original certificate."]~~

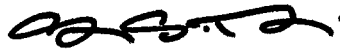
9 SECTION 18. Statutory material to be repealed is bracketed
10 and stricken. New statutory material is underscored.

11 SECTION 19. This Act shall take effect on July 1, 2012.

12

13

INTRODUCED BY: _____



14

BY REQUEST

S.B. NO. 2766

Report Title:

Entities Regulated by the Insurance Commissioner

Description:

Removes confusing and obsolete provisions to streamline licensing process; updates financial regulatory requirements to be more consistent with requirements placed on traditional insurance companies; and modernizes the fee amounts paid by these entities.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

JUSTIFICATION SHEET

SB. NO. 2766

DEPARTMENT: Commerce and Consumer Affairs

TITLE: A BILL FOR AN ACT RELATING TO ENTITIES
REGULATED BY THE INSURANCE COMMISSIONER.

PURPOSE: To remove confusing and obsolete provisions affecting the licensing and regulation of mutual benefit societies and health maintenance organizations; reform the financial regulations to be more consistent with the regulation of traditional insurance companies; and modernize the fee amounts paid by these entities.

To clarify the authorized coverage of service contracts to expressly include indemnity for the accidental loss or damage to the item covered by the service contract; include a definition of portable electronic devices; and clarify the language relating to the calculation of deposit requirements.

MEANS: Add a new section to part I of article 1 of chapter 432, Hawaii Revised Statutes (HRS); amend sections 432:1-102; 432:1-202, 432:1-301, 432:1-303, 432:1-304, 432:1-305, 432:1-405, 432:1-407, 432:2-602, 432:2-603, 432D-13, 432D-17, 432D-19, 481X-2, 481X-4, HRS; and repeal section 432:1-307, HRS.

JUSTIFICATION: The Department and the insurance industry benefits from the amendment of confusing and obsolete provisions of the statutes that regulate mutual benefit societies and health maintenance organizations.

This bill amends chapters 432, and 432D, HRS, by eliminating unnecessary and confusing requirements for the licensing process and restating necessary provisions for greater clarity.

1. Amends section 432:1-102, HRS, to compile in one section the applicable section of chapter 431, HRS;
2. Amends sections 432:1-202, 432:1-301, 432:1-303, 432:1-304 432:1-305, 432:1-405, 432:1-407, HRS, and repeal section 432:1-307, HRS, to remove obsolete references;
3. Amends sections 432D:13, 432:D-19, HRS, to update financial regulatory provisions to be similar to traditional insurers;
4. Adds a new section to chapter 432, and amends sections 432:2-602, 432:2-603, and 432D-17, HRS, to modernize the fee amounts paid by these entities and deposit fees into the department compliance resolution fund.

Chapter 481X permits service contracts to include indemnity for loss or damage to the covered item, but only in terms relating to automobiles. The amendment provides clarity that other types of property covered by service contracts would be eligible for the indemnity coverage. Amends section 481X-2, HRS.

Re-wording the provisions relating to the calculation of deposit requirements eliminates the concern expressed by some providers that alternate interpretations should be followed. Amends section 481X-4, HRS.

Impact on the public: Service contract providers will have assurance that they are authorized to indemnify the consumer for loss to the covered item. The amended statute will provide the service contract providers with clearer instructions to meet the financial responsibility requirements.

Impact on the department and other agencies:
Streamlines regulatory requirements for mutual benefit societies and health maintenance organizations and enables the department to more effectively regulate these entities.

The amendments will enable the Insurance Division to more efficiently regulate this industry.

GENERAL FUND: Amendment of section 432D-17 conforms the treatment of fees paid by health maintenance organizations to the fees paid by traditional insurers. Fees will be deposited into the department's compliance resolution fund instead of the State's general fund.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: CCA-106.

OTHER AFFECTED AGENCIES: None.

EFFECTIVE DATE: July 1, 2012.