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# A BILL FOR AN ACT

RELATING TO INSURANCE.

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

1           SECTION 1. Act 1, Special Session Laws of Hawaii 2005 (Act  
2 1), prescribed a formula to calculate the assessment amount to  
3 be paid by all lines or types of insurance regulated under title  
4 24, Hawaii Revised Statutes. That current formula requires the  
5 insurance commissioner to assess insurers based on the ending  
6 cash balance at the end of the prior fiscal year, anticipated  
7 revenues for the current fiscal year, and the proposed fiscal  
8 year budget. Pursuant to section 431:2-215, Hawaii Revised  
9 Statutes, the insurance commissioner is prevented from making  
10 any assessment until the closing of the prior fiscal year, as  
11 the amount of funds at the end of the prior fiscal year must be  
12 determined before an assessment can be made and there is a  
13 minimum sixty-day notice requirement to insurers, which delays  
14 the receipt of the cash necessary to fund the insurance  
15 division's operations. These requirements set forth in Act 1  
16 limit the insurance division's ability to fund its operations in  
17 the first three months of the fiscal year. The purpose of this  
18 Act is to amend the formula for assessments to allow the



1 insurance division to ensure continued operations during the  
2 first three months of each new fiscal year.

3 SECTION 2. Section 431:2-215, Hawaii Revised Statutes, is  
4 amended by amending subsection (d) to read as follows:

5 "(d) The amount or amounts to be assessed for each line or  
6 type of insurance or entity regulated under title 24 shall be  
7 determined and assessed as provided below:

8 (1) The insurers or entities regulated under title 24  
9 shall be provided at least sixty days notice of when  
10 their respective assessments are due;

11 (2) The total amount or amounts to be assessed of insurers  
12 or entities regulated under title 24 in all lines or  
13 types of insurance shall be calculated based on  
14                      per cent of the commissioner's proposed  
15 fiscal year budget [~~7~~less]:

16 (A) Less funds in the insurance regulation sub-  
17 account of the compliance resolution fund on June  
18 30 of the fiscal year immediately preceding the  
19 fiscal year of the proposed budget [~~and less~~];  
20 and

21 (B) Less the commissioner's anticipated revenues;

- 1           (3) The assessments by line or type shall bear a  
2           reasonable relationship to the costs of regulating the  
3           line or type of insurance, including any  
4           administrative costs of the division; and
- 5           (4) The sum total of all assessments made and collected  
6           shall not exceed the special fund ceiling or ceilings  
7           related to the fund that are established by the  
8           legislature; provided that the total assessments for  
9           all lines or types of insurance in any one fiscal year  
10          shall not exceed \$5,000,000."

11          SECTION 3. Statutory material to be repealed is bracketed  
12 and stricken. New statutory material is underscored.

13          SECTION 4. This Act shall take effect on July 1, 2050.



**Report Title:**

Compliance Resolution Fund; Insurance; Insurer Assessment

**Description:**

Allows the Insurance Division to have a post-fiscal year surplus reserve by using an unspecified percentage multiplier in excess of 100 percent in calculating the proposed fiscal year budget that likely results in higher Compliance Resolution Fund assessments, to ensure the continued operations of the Division for the first quarter of the next fiscal year. (HB3089 HD1)

