

S.B. NO. 3011

JAN 22 2008

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

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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 shall
9 be provided at least sixty days notice of when their
10 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 one
14 hundred twenty-five per cent of the commissioner's
15 proposed fiscal year budget [~~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;

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1 (3) The assessments by line or type shall bear a reasonable
2 relationship to the costs of regulating the line or
3 type of insurance, including any administrative costs
4 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, 2008.

14

15

INTRODUCED BY: _____

BY REQUEST

16

Report Title:

Compliance Resolution Fund; Insurance; Insurer Assessment

Description:

Allows the Insurance Division to include a 3-month reserve in the calculation of Compliance Resolution Fund (CRF) assessments in order to ensure continued operations of the Division at the end of the fiscal year.

JUSTIFICATION SHEET

DEPARTMENT: Commerce and Consumer Affairs

TITLE: A BILL FOR AN ACT RELATING TO INSURANCE.

PURPOSE: Amends the formula for assessments paid by all lines or types of insurance regulated under the Insurance Code.

MEANS: Amend section 431:2-215(d), Hawaii Revised Statutes (HRS).

JUSTIFICATION: The formula and minimum 60-day notice requirements established through Act 1, Special Session Laws of Hawaii 2005, hinder the Insurance Division's ability to fund operations in the first three months of the fiscal year following the year of assessment. The current formula requires the Insurance Commissioner to assess insurers based on the ending cash balance at the end of the prior fiscal year, anticipated revenues for the current fiscal year, and the proposed fiscal year budget. Under the current requirements set forth in section 431:2-215, HRS, the Insurance Commissioner is prevented from making any assessment until the closing of the prior fiscal year and the minimum 60-day notice requirement delays the receipt of the cash necessary to fund the Insurance Division's operations.

This bill will give the Insurance Commissioner authority to assess a sufficient amount to fund the Insurance Division's operations for the first three months of the fiscal year following the year of assessment.

Impact on the public: Without this proposed change to the current assessment formula, the Insurance Division may not be able to fully fund all of its operating needs, thereby limiting its regulatory functions.

Impact on the department and other agencies:
None anticipated.

GENERAL FUND: None.

OTHER FUNDS: Compliance Resolution Fund.

PPBS PROGRAM
DESIGNATION: CCA-106.

OTHER AFFECTED
AGENCIES: None.

EFFECTIVE DATE: July 1, 2008.