

Honolulu, Hawaii

Feb 14, 2008

RE: H.B. No. 3089
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 3089 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this bill is to sufficiently fund the operating needs of the Insurance Division by authorizing the Insurance Commissioner to collect assessments on insurers in amounts sufficient to fund the Insurance Division's operations for the first quarter of the fiscal year following the year of assessment.

The Department of Commerce and Consumer Affairs testified in support of this bill. State Farm Insurance Companies supported the intent of this measure. The Hawaii Insurers Council opposed this bill. The American Council of Life Insurers submitted comments.

The Insurance Division is funded by the Compliance Resolution Fund (CRF). The Insurance Commissioner (Commissioner) makes assessments on insurers for deposit into the CRF to fund the regulation of the insurance industry. Currently, insurers are assessed to the extent the Commissioner's proposed fiscal year budget exceeds available funds in the CRF at the end of the prior fiscal year and anticipated revenues.



According to the Commissioner, the current law delays the Insurance Division's funding for the first quarter of each fiscal year. That is because the amount of funds at the end of the prior fiscal year must first be determined before an assessment can be made, and because insurers must receive at least sixty days notice of when their assessments are due.

Your Committee finds that the Insurance Division's funding concerns, balanced against the interests of insurers in ensuring that assessments are not excessive, merits further consideration.

Accordingly, your Committee has amended this bill by making the following changes to encourage further discussion:

- (1) Blanking out the percentage of the Commissioner's proposed fiscal year budget forming the basis of the amounts assessed by the Insurance Division; and
- (2) Changing the effective date to July 1, 2050.

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. 3089, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 3089, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



ROBERT N. HERKES, Chair



