

Honolulu, Hawaii

March 20, 2008

RE: S.B. No. 3011  
S.D. 1  
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 S.B. No. 3011, S.D. 1, 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 (Commissioner) to collect assessments on insurers in amounts that would ensure the Insurance Division's continued operations during the first quarter of each fiscal year.

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

The Insurance Division is funded by the Compliance Resolution Fund (CRF). The 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.

SB3011 HD1 HSCR CPC HMS 2008-3198



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 60 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:

- (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) 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 S.B. No. 3011, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3011, S.D. 1, 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,



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ROBERT N. HERKES, Chair



