

STAND. COM. REP. NO. 2234

Honolulu, Hawaii

FEB 12 2008

RE: S.B. No. 3011

S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committee on Commerce, Consumer Protection, and
Affordable Housing, to which was referred S.B. No. 3011 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to increase the effectiveness
of the Compliance Resolution Fund by amending the formula used to
determine the assessment amount to the Compliance Resolution Fund
that should be made by insurers regulated under the Insurance
Code.

Testimony in support of this measure was submitted by the
Department of Commerce and Consumer Affairs and State Farm
Insurance Companies. Testimony in opposition to this measure was
submitted by the Hawaii Insurers Council. The American Council of
Life Insurers submitted comments.

The Compliance Resolution Fund is used to fund, among other
things, the operations of the Insurance Division of the Department
of Commerce and Consumer Affairs. Under current law, the
Insurance Commissioner is authorized to assess insurers to the
extent the proposed fiscal budget exceeds the cash balance at the
end of the prior fiscal year after deducting other anticipated
revenues. This entails that the Insurance Division manage its
budget to achieve zero funds in reserve at the end of each fiscal
year. Although the fiscal year closes on June 30, the prior
fiscal year's ending cash balance is not known until a few months



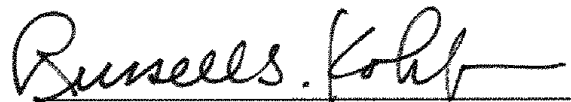
later, which results in a cash shortfall in the first quarter of the fiscal year.

Your Committee finds that it is impossible for the Insurance Division to continue operations if it is unable to assess until there is a zero cash balance on June 30 as the Insurance Division requires cash on hand on July 1 of the next fiscal year to fund payroll and ongoing expenses. Basing the assessment calculation of 125 per cent of the proposed fiscal budget will allow for sufficient reserve to fund operational needs during the first quarter of the fiscal year and provide funds for continued operation of the Insurance Division until fees and assessments for the new fiscal year are received.

In light of the testimony from the Hawaii Insurers Council indicating opposition to assessing the insurance industry twenty-five per cent more than the budget ceiling approved by the Legislature, your Committee has inserted an effective date of July 1, 2050 to ensure continued dialogue on this issue by the Committee on Ways and Means.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Affordable Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3011, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3011, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Commerce, Consumer
Protection, and Affordable
Housing,



RUSSELL S. KOKUBUN, Chair



