

STAND. COM. REP. NO.

2687

Honolulu, Hawaii

FEB 29 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 Ways and Means, 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 measure is to increase the effectiveness of the use of the compliance resolution fund.

Specifically, this measure allows the Insurance Division of the Department of Commerce and Consumer Affairs to include a three-month reserve in the calculation of compliance resolution fund assessments to ensure continued operations of the Insurance Division at the end of the fiscal year.

The Department of Commerce and Consumer Affairs submitted testimony in support of this measure. The Hawaii Insurers Council and Property Casualty Insurers Association of America submitted testimony in opposition to this measure. The American Council of Life Insurers and State Farm submitted comments.

The current formula to calculate the assessment amount to be paid by all lines or types of insurance regulated under state insurance law requires the Insurance Commissioner to assess insurers based on the cash balance at the end of the prior fiscal year, anticipated revenues for the current fiscal year, and the proposed fiscal year budget. The Insurance Commissioner is prohibited under current state law from making any assessment until the closing of the prior fiscal year, which delays the

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receipt of the cash necessary to fund the Insurance Division's operations.

This measure amends the current formula for assessments to include a three-month reserve in the calculation of the assessment amount. Your Committee finds that this measure will help ensure the continued operation of the Insurance Division during the first three months of each new fiscal year.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3011, S.D. 1, and recommends that it pass Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



ROSALYN H. BAKER, Chair



