

Honolulu, Hawaii

FEB 29 2008

RE: S.B. No. 3025  
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. 3025 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to improve Hawaii's business  
climate for insurers and to make the insurance statutes easier to  
understand, technically correct, and consistent by making  
clarifying amendments to the Insurance Code.

Specifically, this measure:

- (1) Clarifies, for insurance producer licensing purposes,  
the Insurance Commissioner's authority to summarily  
suspend a license pending a hearing on actions to  
suspend, revoke, or refuse to renew a license;
- (2) Limits the amount of the bond to \$500,000 that managing  
general agents are required to furnish as part of their  
licensure requirements;
- (3) Deletes the requirement for managing general agents to  
obtain an errors and omissions policy in an amount based  
on an upper limit of twenty-five per cent of annual  
gross direct written premiums and replaces it with a  
minimum \$1,000,000 errors and omission policy  
requirement;



- (4) Requires insurers, as part of their required contract provisions with managing general agents, to ensure managing general agents' compliance with statutory bond and errors and omissions policy requirements; and
- (5) Conforms section 431:20-122, Hawaii Revised Statutes, with existing Hawaii law with respect to annual and quarterly financial statement filing requirements for foreign and alien title insurers.

Testimony in support of this measure was submitted by the Department of Commerce and Consumer Affairs.

Your Committee finds that making clarifying amendments to the Insurance Code will improve Hawaii's business climate for insurers, which in turn will improve the State's competitiveness in the global insurance industry, and enhance its potential to increase insurance options for its businesses and residents. Furthermore, this measure will provide added assurance that managing general agents have the required bond and errors and omissions policy coverage, the benefits of which will inure to insurance consumers should problems develop with an insurer's managing general agent.

Your Committee has amended this measure by:

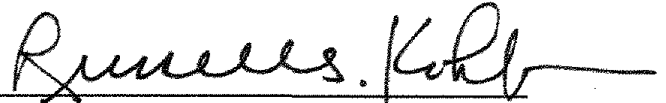
- (1) Replacing its effective date from upon approval to July 1, 2050 to encourage further discussion on this matter; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and style.

Your Committee believes that this measure, as amended, fulfills the intent of this measure, which is to improve Hawaii's business climate for insurers and to make the insurance statutes easier to understand, technically correct, and consistent.

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. 3025, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3025, S.D. 1, and be placed on the calendar for Third Reading.



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



RUSSELL S. KOKUBUN, Chair



