

STAND. COM. REP. NO.

1079

Honolulu, Hawaii

APR 08 2011

RE: H.B. No. 1052
H.D. 2
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred H.B. No. 1052, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose and intent of this measure is to adopt amendments to provisions of the Insurance Code relating to surplus lines insurance to comply with the federal Nonadmitted and Reinsurance Reform Act of 2010 and to participate in a multistate cooperative to collect and distribute surplus lines insurance premium taxes and fees among compact members.

Your Committee received testimony in support of this measure from the Insurance Commissioner of the Department of Commerce and Consumer Affairs. Your Committee received comments on this measure from the National Association of Professional Surplus Lines Offices, Ltd.

Your Committee finds that this measure will enable the Insurance Commissioner to comply with the federal Nonadmitted and Reinsurance Reform Act of 2010 and participate on behalf of the Insurance Division, in the multi-state effort to regulate issuers of surplus lines insurance policies that cover risks in multiple states and to collect and properly distribute premium taxes. Your Committee further finds that participation in the multi-state effort is authorized under the Nonadmitted and Reinsurance Reform Act of 2010 and is essential for the Insurance Division to be able



to continue to collect premium taxes on multistate surplus lines policies which are deposited into the General Fund and presently represent \$10,000,000 annually.

Your Committee has amended this measure by:

- (1) Amending the payment schedule for premium taxes on multi-state surplus lines insurance to require a surplus lines broker to submit payment pursuant to this measure no later than September 15, 2011, for transactions after December 31, 2010, and before July 1, 2011, and payments for subsequent transactions no later than forty-five days after the end of each calendar quarter;
- (2) Adding a new provision directing the Insurance Commissioner to submit recommendations to the Legislature prior to the convening of the 2012 Regular Session for legislation pertaining to and enabling the Insurance Commissioner's full participation in the multi-state effort to regulate surplus lines insurers and collect and distribute premium taxes by the Nonadmitted and Reinsurance Reform Act of 2010;
- (3) Changing its effective date to July 1, 2011, and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

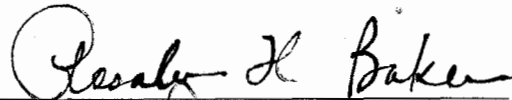
Your Committee notes that the multi-state effort authorized pursuant to the federal Nonadmitted and Reinsurance Reform Act of 2010 is currently being created by the participating states. Therefore, your Committee anticipates that further legislation will be necessary in the future to enable the Insurance Commissioner to fully participate in the multi-state effort once it is implemented in its final form. Your Committee finds that, as the regulator charged with conducting the State's participation in the multi-state effort, the guidance of the Insurance Commissioner will be essential to assist the Legislature in crafting effective future legislation.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1052, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto



as H.B. No. 1052, H.D. 2, S.D. 1, and be placed on the calendar for Third Reading.

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



ROSALYN H. BAKER, Chair



