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TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-SIXTH LEGISLATURE  
Regular Session of 2011

Tuesday, March 1, 2011 – Agenda #1  
10 a.m.

**TESTIMONY ON HOUSE BILL NO. 1052, H.D. 1 – RELATING TO INSURANCE.**

TO THE HONORABLE MARCUS OSHIRO, CHAIR, AND MEMBERS OF THE  
COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner ("Commissioner"), testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). Thank you for hearing this bill. The Department strongly supports this Administration bill, HB 1052 HD1 as amended.

The purpose of this bill is to adopt the National Association of Insurance Commissioners' ("NAIC") recommendations relating to the states' implementation of the provisions of the federal Nonadmitted and Reinsurance Reform Act of 2010 ("NRRRA") as they relate to the states' regulation and taxation of surplus lines insurance. NRRRA's effective date is July 21, 2011. Surplus lines or nonadmitted insurance are insurance contracts that cover risks in states where the insurer is not an admitted or authorized insurance company.

Adoption of NAIC's recommendations are essential for the Insurance Division to participate in the multi-state effort to regulate companies and to collect and distribute the premium taxes. Presently, the Insurance Division collects and deposits into the General Fund \$10 mil. of surplus lines taxes. The proposed legislation is intended to

authorize the Insurance Division to join with other states in arrangements that are being developed to ensure the continued receipt of the surplus lines taxes.

This bill follows the framework developed by the NAIC. It will allow the nation's Insurance Commissioners to create a collection agency that would collect taxes due based on the taxes earned in each state and payable through the home state. Unlike the SLIMPACT model, this framework does not require the delegation of sovereign authority. It is a workable framework that many states are working to implement.

We thank this Committee for the opportunity to present testimony on this matter and ask for your favorable consideration.