

STAND. COM. REP. NO.

148

Honolulu, Hawaii

FEB 08 2019

RE: S.B. NO. 19  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirtieth State Legislature  
Regular Session of 2019  
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,  
to which was referred S.B. No. 19 entitled:

"A BILL FOR AN ACT RELATING TO SURPLUS LINES,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the  
calculation of surplus lines insurance premium tax to tax the  
entirety of the premium using the rate established by state law  
regardless of the location of risk.

Your Committee received testimony in support of this measure  
from the Wholesale and Specialty Insurance Association and  
American Property Casualty Insurance Association. Your Committee  
received comments on this measure from the Department of Commerce  
and Consumer Affairs.

Your Committee finds that surplus lines insurance premium tax  
is collected differently than standard insurance premium tax for  
admitted lines. In 2010, Congress passed the Nonadmitted and  
Reinsurance Reform Act as part of the Dodd-Frank Act, which  
establishes the insured consumer's "home state" as the one and  
only jurisdiction to regulate and tax surplus lines transactions,  
even if parts of the risk are located in other states. Since the  
Nonadmitted and Reinsurance Reform Act was passed, forty-six  
states have amended their laws to streamline the taxation of  
surplus lines premiums on multi-state policies, eliminating time-



consuming computation, reporting, allocation, and reconciliation of state-by-state tax monies that ultimately are all retained by the home state.

Your Committee further finds that under existing law, risks that are located outside of Hawaii are taxed on the rate based on where the risk is located, rather than exclusively at the Hawaii tax rate of 4.68 percent. This results in unnecessary regulatory burdens for brokers, requires a different allocation of risk when a consumer resides or operates a business in multiple states, and adds costs of compliance, which ultimately impact the consumer. This measure adopts the provisions of the Nonadmitted and Reinsurance Reform Act, which will reduce regulatory burdens on local surplus lines brokers, simplify compliance procedures, increase nationwide uniformity in surplus lines taxation, and increase premium tax revenue for the State.

Your Committee has amended this measure by changing its effective date to October 1, 2019.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 19, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 19, S.D. 1, and be referred to your Committee on Ways and Means.

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

  
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ROSALYN H. BAKER, Chair



