STAND. COM. REP. NO. 223

Honolulu, Hawaii FEB 1 2 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 Commerce, Consumer Protection, and Affordable Housing, to which was referred S.B. No. 3011 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 Compliance Resolution Fund by amending the formula used to determine the assessment amount to the Compliance Resolution Fund that should be made by insurers regulated under the Insurance Code.

Testimony in support of this measure was submitted by the Department of Commerce and Consumer Affairs and State Farm Insurance Companies. Testimony in opposition to this measure was submitted by the Hawaii Insurers Council. The American Council of Life Insurers submitted comments.

The Compliance Resolution Fund is used to fund, among other things, the operations of the Insurance Division of the Department of Commerce and Consumer Affairs. Under current law, the Insurance Commissioner is authorized to assess insurers to the extent the proposed fiscal budget exceeds the cash balance at the end of the prior fiscal year after deducting other anticipated revenues. This entails that the Insurance Division manage its budget to achieve zero funds in reserve at the end of each fiscal year. Although the fiscal year closes on June 30, the prior fiscal year's ending cash balance is not known until a few months



later, which results in a cash shortfall in the first quarter of the fiscal year.

Your Committee finds that it is impossible for the Insurance Division to continue operations if it is unable to assess until there is a zero cash balance on June 30 as the Insurance Division requires cash on hand on July 1 of the next fiscal year to fund payroll and ongoing expenses. Basing the assessment calculation of 125 per cent of the proposed fiscal budget will allow for sufficient reserve to fund operational needs during the first quarter of the fiscal year and provide funds for continued operation of the Insurance Division until fees and assessments for the new fiscal year are received.

In light of the testimony from the Hawaii Insurers Council indicating opposition to assessing the insurance industry twenty-five per cent more than the budget ceiling approved by the Legislature, your Committee has inserted an effective date of July 1, 2050 to ensure continued dialogue on this issue by the Committee on Ways and Means.

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. 3011, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3011, S.D. 1, and be referred to the Committee on Ways and Means.

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

KURSORX

RUSSELL S. KOKUBUN, Chair



The Senate Twenty-Fourth Legislature State of Hawaii

Record of Votes Committee on Commerce, Consumer Protection and Affordable Housing CPH

Bill / Resolution No.:*	Committee Referral:			Date:		
53 3011	CPH, WAM			2/7/08		
The committee is reconsidering its previous decision on this measure.						
If so, then the previous decision was to:						
The Recommendation is:						
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313						
Members		Aye	Aye (WI	7) (F	lay	Excused
KOKUBUN, Russell S. (C)						
IGE, David Y. (VC)		\sim				
ESPERO, Will	,	· · · · ·	 ✓ 			
IHARA, Jr., Les						1
SAKAMOTO, Norman						
TANIGUCHI, BRIAN T.		(AMA)	\checkmark			
TRIMBLE, Gordon		<u> </u>				
				ete de la trajectorio Notario actividadestra		
TOTAL		3	2			2
Recommendation: Adopted Not Adopted						
Chair's or Designee's Signature:						
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy						

*Only one measure per Record of Votes