

STAND. COM. REP. NO.

2642

Honolulu, Hawaii

FEB 28 2008

RE: S.B. No. 3020
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. 3020 entitled:

"A BILL FOR AN ACT RELATING TO ACTIVITIES REGULATED BY THE
INSURANCE COMMISSIONER,"

begs leave to report as follows:

The purpose of this measure is to create uniformity between
other states' laws and Hawaii law in regard to licensing laws and
reduce the burden and cost of regulatory compliance by amending
various statutes relating to activities regulated by the Insurance
Commissioner of the Department of Commerce and Consumer Affairs.

Specifically, this measure:

- (1) Amends the number of continuing education credit hours
required for insurer producer license renewal as
recommended by the National Association of Insurance
Commissioners (NAIC) for the purpose of achieving
uniformity and reciprocity;
- (2) Authorizes the imposition of automatic inactivation of
license, certificate, or registration with respect to
surplus lines brokers, reinsurance intermediaries,
managing general agents, service contract providers, and
vehicle protection product warrantors who fail to timely
pay license, certificate, or registration renewal fees;



- (3) Imposes upon service contract providers and vehicle protection product warrantors similar procedures for reinstatement of a registration that has been inactivated for failure to timely pay renewal fees as are presently imposed upon insurance producers, surplus line brokers, reinsurance intermediary brokers, and managing agents; provided that payment of the fee and fine for untimely payment of the fee are made within thirty days of the inactivation date; and
- (4) Permits service contract providers and vehicle protection product warrantors more options in selecting an insurer of a contractual liability and reimbursement insurance policy to meet the financial responsibility requirements.

Testimony in support of this measure was submitted by the Department of Commerce and Consumer Affairs, the National Association of Insurance and Financial Advisors Hawaii, and the American Council of Life Insurers. The Hawaii Independent Insurance Agents Association submitted testimony in opposition to this measure.

Your Committee finds that the Producer Licensing Working Group of the NAIC has recommended a uniform continuing education requirement of twenty-four credit hours, including three hours of ethics training. Existing state law requires twenty to thirty continuing education credit hours, depending upon the lines of insurance a producer is authorized to sell. Adopting the NAIC's recommendation will promote uniformity and reciprocity with other states. Your Committee notes the testimony indicating the concerns regarding the credit hour requirement relating to insurance laws and rules.

Your Committee further finds that when licensees (insurance producers, adjusters, and independent bill reviewers) fail to timely pay renewal fees, existing law permits the automatic inactivation of their licenses, and upon license reinstatement, licensees are required to pay a renewal fee and a penalty equivalent of fifty per cent of those fees. Updating and extending this process to other licensees regulated by the Insurance Commissioner of the Department of Commerce and Consumer Affairs will provide greater latitude and uniformity in the licensing laws. Furthermore, providing the same thirty-day notice requirement regarding the license renewal fees to service contract



providers and vehicle product warrantors will reduce the costs of regulation and promote timely payment of license renewal fees.

Your Committee further finds that providing service contract providers and vehicle product warrantors greater latitude in selecting a qualified insurer to provide its contractual liability or reimbursement insurance policy will promote administrative efficiency, reduce the costs of regulation, and provide companies with more alternatives for compliance without any reductions in protecting the public.

Your Committee has amended this measure by:

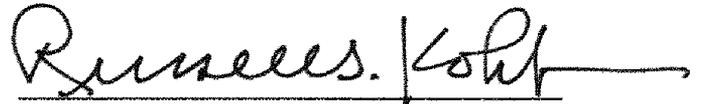
- (1) Amending the continuing education credit hour requirement for producers with a single line of authority by deleting three credit hours relating to insurance laws and rules;
- (2) Amending the continuing education credit hour requirement for producers with life/accident/health, and property and casualty lines of authority by deleting two credit hours relating to insurance laws and rules for each line of authority; and
- (3) 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 create uniformity between other states' laws and Hawaii law in regard to licensing laws and reduce the burden and cost of regulatory compliance.

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. 3020, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3020, 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



