

STAND. COM. REP. NO.

472

Honolulu, Hawaii

MAR 03 2011

RE: S.B. No. 1279  
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 S.B. No. 1279 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the Insurance Code in order to comply with the requirements of federal law and to authorize the Insurance Commissioner to enter into a multistate compact to recoup taxes and fees from surplus lines insurers.

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 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 Surplus Lines Insurance Multistate Compliance Compact in order to regulate issuers of surplus lines insurance policies that cover risks in multiple states. Your Committee further finds that participation in the Multistate Compliance Compact 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 notes



472

that the Multistate Compliance Compact created pursuant to the federal Nonadmitted and Reinsurance Reform Act of 2010 is currently in the process of creation 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 Multistate Compliance Compact once it is implemented in its final form.

Your Committee has amended this measure by:

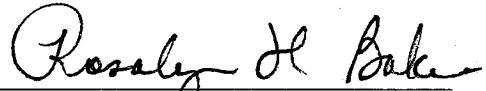
- (1) Amending the definitions of "state" and "United States" in the Insurance Code to include the Northern Mariana Islands, to conform with federal law;
- (2) Substituting the term "insured" for "subject resident", "surplus lines insurance" for "unauthorized insurance", and "unauthorized insurer" for "nonadmitted insurer" to conform with the language used throughout the Insurance Code;
- (3) Specifying a quarterly reporting schedule for surplus lines brokers to report verified statements of all surplus lines insurance transacted;
- (4) Specifying a payment schedule for tax on surplus lines paid to the Director of Finance from a surplus lines broker during the transition period to the Multistate Compliance Compact and once the Insurance Commissioner's participation in the Multistate Compliance Compact is fully effectuated;
- (5) Instructing the Insurance Commissioner to submit recommendations for further legislation to enable the Insurance Commissioner to participate fully in the Multistate Compliance Compact created pursuant to the Nonadmitted and Reinsurance Reform Act of 2010; and
- (6) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

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 S.B. No. 1279, as amended herein, and recommends that



it pass Second Reading in the form attached hereto as S.B.  
No. 1279, 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,

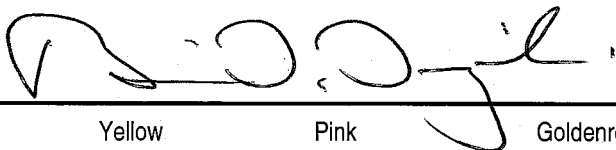


ROSALYN H. BAKER, Chair



The Senate  
Twenty-Sixth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Commerce and Consumer Protection**  
**CPN**

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 1279	CPN	2/11/2011		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
TANIGUCHI, Brian T. (VC)	✓			
GALUTERIA, Brickwood	✓			
GREEN, M.D., Josh	✓			
NISHIHARA, Clarence K.	✓			
SOLOMON, Malama	✓			
SLOM, Sam			✓	
<b>TOTAL</b>	6	0	1	0
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original      Yellow      Pink      Goldenrod File with Committee Report      Clerk's Office      Drafting Agency      Committee File Copy				

\*Only one measure per Record of Votes