

Honolulu, Hawaii
Feb 9, 2006

RE: H.B. No. 2002

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 2002 entitled:

"A BILL FOR AN ACT RELATING TO THE HAWAII EMPLOYERS' MUTUAL INSURANCE COMPANY,"

begs leave to report as follows:

The purpose of this bill is to require the Oversight Council of the Hawaii Employers' Mutual Insurance Company (HEMIC) to use the State Auditor to:

- (1) Review the activities of HEMIC; and
- (2) Determine and report whether HEMIC is fulfilling its express statutory purposes.

The ILWU Local 142, Hawaii State Teachers Association, Vocational Management Consultants, Inc., International Association of Rehabilitation Professionals, Rehabilitation Association of Hawaii, TJK Rehabilitation Services, Lynn C. Fox & Associates, Inc., and several concerned individuals testified in support of this bill. The Department of Commerce and Consumer Affairs and HEMIC testified in opposition to this measure. The Department of Labor and Industrial Relations commented on this bill.

In oral testimony given by HEMIC, it was alleged that the State Auditor did not have the skill and training to conduct an audit of HEMIC. Your Committee has confirmed that the State



Auditor would retain outside assistance in conducting an audit of HEMIC should it be tasked with conducting such an audit.

Although your Committee understands that HEMIC is audited annually by one of Hawaii's leading independent audit firms and that the Government Oversight Council of HEMIC is charged with reviewing HEMIC's activities, a number of concerns raised by various individuals claiming that HEMIC has unfair competitive advantages warrants close scrutiny of HEMIC's activities by the State Auditor.

As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2002 and recommends that it pass Second Reading and be referred to the Committee on Consumer Protection & Commerce.

Respectfully submitted on
behalf of the members of the
Committee on Labor & Public
Employment,


KIRK CALDWELL, Chair



