

Honolulu, Hawaii
Feb 7, 2006

RE: H.B. No. 2753

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

Sir:

Your Committee on Health, to which was referred H.B. No. 2753
entitled:

"A BILL FOR AN ACT RELATING TO MUTUAL BENEFIT SOCIETIES,"

begs leave to report as follows:

The purpose of this bill is to protect members of a mutual
benefit society in the event of its dissolution by:

- (1) Ensuring that the assets of a mutual benefit society in
dissolution escheat to the State of Hawaii; and
- (2) Authorizing the Insurance Commissioner to take actions
reasonably required to prevent dissipation of a mutual
benefit society's assets prior to their dissolution and
to ensure the continued operation of the mutual benefit
society for the benefit of its members.

The Department of Commerce and Consumer Affairs and Hawaii
Coalition for Health testified in support of this bill. The
Hawaii Medical Services Association testified in opposition to
this measure. The American Council of Life Insurers offered
comments of this measure.

Although the Insurance Commissioner currently has the
authority to deal with insurers that are insolvent, no such
remedies exist for mutual benefit societies that are not insolvent
but have decided to no longer provide benefits to their members.
Your Committee understands that in such cases, while a mutual

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benefit society may have significant assets, these assets are not the property of the management of the society but that no mechanism is in place to regulate what happens to the assets.

As affirmed by the record of votes of the members of your Committee on Health that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2753 and recommends that it pass Second Reading and be referred to the Committees on Consumer Protection & Commerce and Judiciary.

Respectfully submitted on
behalf of the members of the
Committee on Health,



DENNIS A. ARAKAKI, Chair



