

Honolulu, Hawaii

Jan 30, 2008

RE: H.B. No. 1969
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 1969 entitled:

"A BILL FOR AN ACT RELATING TO WORKERS' COMPENSATION,"

begs leave to report as follows:

The purpose of this bill is to extend the exemption from workers' compensation insurance to services performed by:

- (1) A partner of a partnership;
- (2) A sole proprietor for the sole proprietorship; and
- (3) Employers owning 50 percent or more of a Limited Liability Company (LLC) or Limited Liability Partnership (LLP).

The Department of Labor and Industrial Relations (DLIR), The National Federation of Independent Business, Hawaii Business League, Chamber of Commerce of Hawaii, Hawaii Independent Insurance Agents Association, and several concerned individuals testified in support of this measure. The ILWU, Local 142 testified in opposition to this bill.

Workers' compensation provides medical insurance and wage loss coverage for work-related injuries of employees while protecting employers from civil liability resulting from these injuries. Current Hawaii law requires employers to maintain

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workers' compensation insurance for the benefit of their employees, even in cases of a partner of a partnership, or an LLC or LLP, where the only employees are the owners of or partners in the company. Since an owner or partner would have nothing to gain from suing themselves for workers' compensation, it would appear that this type of "employment" could be exempted from the workers' compensation insurance requirement.

However, your Committee recognizes that providing this exemption may adversely affect the balance of funds held by DLIR to pay for workers' compensation benefits. As noted by DLIR, there are approximately 40,000 LLCs and LLPs currently operating in Hawaii. Although it is unknown how many of these entities would qualify for this exemption, any significant amount could have adverse financial impacts on the fund.

Accordingly, your Committee has amended this measure by changing its effective date to July 1, 2059, to facilitate further discussion. Other technical, nonsubstantive amendments were made for purposes of clarity, consistency, and style.

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. 1969, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1969, H.D. 1, and be referred to the Committee on Consumer Protection & Commerce.

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



ALEX M. SONSON, Chair



