

Honolulu, Hawaii
Feb 7, 2008

RE: H.B. No. 2256
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 Consumer Protection & Commerce, to which
was referred H.B. No. 2256 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this bill is to find ways to improve the
insurance marketplace by specifying that smaller insurers
occupying less than ten percent market share may condition the
issuance or renewal of one class of insurance on the purchase of
another class of insurance or an additional policy of the same
class.

The Hawaii Medical Assurance Association testified in support
of this bill. The Department of Commerce and Consumer Affairs,
Hawaii Medical Service Association, and State Farm Insurance
Companies opposed this bill. The American Council of Life
Insurers submitted comments.

Section 431:13-103(a)(4)(B), Hawaii Revised Statutes,
prohibits insurers from making the purchase of one class of
insurance contingent upon the purchase of another class of
insurance or an additional policy of the same class. This "anti-
bundling" provision is intended to protect consumers from being
forced to purchase multiple types of insurance when the consumer
is only interested in buying a specific policy.



However, it has been argued that insurers with limited market share lack the coercive power in the marketplace that the anti-bundling provision is intended to address. Your Committee also heard testimony claiming that an exemption from the anti-bundling provision would enhance the ability of smaller insurers to offer bundled insurance options at a lower cost to certain types of customers while promoting competition in the insurance marketplace. In light of these considerations, your Committee is moving this bill along with a defective date for further discussion on its merits.

Your Committee notes, however, that while it appears this bill is intended to apply only to small health insurers with limited market share, this bill as received by your Committee seems to apply to all types of insurers with less than ten percent market share.

Accordingly, your Committee has amended this bill by:

- (1) Limiting the application of this bill to accident and health or sickness insurers with no more than five percent market share;
- (2) Changing the effective date of this bill to January 1, 2050, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for clarity and style.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2256, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2256, H.D. 1, and be referred to the Committee on Judiciary.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



ROBERT N. HERKES, Chair



