

Honolulu, Hawaii

Feb 8, 2008

RE: H.B. No. 2407
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. 2407 entitled:

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

begs leave to report as follows:

The purpose of this bill is to improve the workers' compensation system with regard to professional employment organizations (PEOs) by:

(1) Requiring PEOs to:

- (A) Register with the Insurance Commissioner;
- (B) Maintain separate records for payroll and work-related injuries and illnesses; and
- (C) Provide each client company with payroll and loss experience records related to workers' compensation insurance;

and

(2) Prohibiting insurers from issuing a workers' compensation policy to any PEO not registered with the Insurance Commissioner.



The Department of Commerce and Consumer Affairs (DCCA) supported the intent of this bill. The National Association of Professional Employer Organizations, ALTRES, Inc., and the Hawaii Employers' Mutual Insurance Company testified in opposition to this measure.

PEOs provide services to businesses that can reduce their client's labor costs and allow their clients to concentrate on their customers. These services also allow a PEO's client to provide their employees and employees' family members with comprehensive and affordable benefits. However, because of the unique nature of PEOs, there is no mechanism to track certain statistics and issues such as the individual experience and utilization of workers' compensation by customers of PEOs. This measure attempts to address this situation.

Your Committee is aware of the concerns raised by DCCA as to whether the Department of Labor and Industrial Relations (DLIR) would be better suited as the department with which PEOs should register since DLIR has jurisdiction over employers. However, DLIR stated that it is more of an oversight and enforcement agency on issues involving workers' compensation and feels that workers' compensation insurance rate and experience issues would be better addressed by DCCA. Nevertheless, this measure deserves further consideration and these jurisdictional issues can be addressed as this bill proceeds through the legislative process.

Your Committee has amended this measure by:

- (1) Changing its effective date to July 1, 2009, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for 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. 2407, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2407, 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



State of Hawaii
House of Representatives
The Twenty-fourth Legislature

Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.: HB 2407	Committee Referral: LAB, CPC, FIM	Date: 02/05/02		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input checked="" type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
LAB Members	Ayes	Ayes (WR)	Nays	Excused
1. SONSON, Alex M. (C)	X			
2. NAKASONE, Bob (VC)				X
3. EVANS, Cindy	X			
4. HAR, Sharon E.		X		
5. LEE, Marilyn B.	X			
6. LUKE, Sylvia	X			
7. McKELVEY, Angus L.K.		X		
8. NISHIMOTO, Scott Y.	X			
9. SOUKI, Joseph M.	X			
10. TAKAMINE, Dwight Y.	X			
11. TAKUMI, Roy M.	X			
12. MEYER, Colleen Rose		X		
13. PINE, Kymberly Marcos		X		
TOTAL (13)	8	4	0	1
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. _____ committee acronym(s)				
Vice Chair's or designee's signature: _____				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office				