

Honolulu, Hawaii

March 13, 2008

RE: S.B. No. 2314
S.D. 1
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 S.B. No. 2314, S.D. 1, 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 allowing mutual benefit societies with
less than five percent share of the health insurance market to
condition the issuance or renewal of a health insurance policy on
the purchase of dental and vision insurance.

Hawaii Medical Assurance Association and State Farm Insurance
Companies testified in support of this bill. The Department of
Commerce and Consumer Affairs, Department of the Attorney General,
and Hawaii Medical Service Association opposed this bill.

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" law is intended to protect consumers from being forced
to purchase multiple types of insurance when the consumer is only
interested in a specific policy.



In providing a limited exemption from the anti-bundling law, this bill ostensibly seeks to enhance the ability of smaller insurers to offer broader health insurance options at a lower cost to certain types of customers, such as sole proprietors and small businesses, while promoting competition in the insurance marketplace. However, your Committee received testimony opposing this measure as unfairly favoring health plans with less than five percent share of the health insurance market.


Accordingly, your Committee has amended this bill by:

- (1) Eliminating the requirement that a mutual benefit society occupy less than five percent of the health insurance market in order to qualify for the anti-bundling exemption;
- (2) Restricting the exemption to policies offered to an individual or sole proprietor; and
- (3) Making technical, nonsubstantive amendments for clarity and style.

Your Committee notes that this bill already has a defective date of January 1, 2050, that will facilitate further discussion.

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 S.B. No. 2314, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2314, S.D. 1, 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



