

Honolulu, Hawaii
March 20, 2008

RE: S.B. No. 3016
S.D. 1
H.D. 2

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. 3016, S.D. 1, H.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this bill is to encourage competition in the mutual benefit society market by:

- (1) Capping the deposit required to operate a mutual benefit society at \$20,000,000; and
- (2) Deleting the benefit fund requirement under section 432:1-401, Hawaii Revised Statutes.

This bill also requires the Insurance Commissioner to appoint an independent auditor to conduct a financial and operational audit of each domestic mutual benefit society formed prior to 1950.

The Department of Commerce and Consumer Affairs testified in support of this bill. The Hawaii Medical Service Association opposed this bill.

Your Committee has amended this bill by replacing the audit provisions with those requiring the Legislative Auditor to conduct a comprehensive financial audit of all health plans offered by

SB3016 HD2 HSCR CPC HMS 2008-3196



domestic mutual benefit societies, health maintenance organizations, and insurers.

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. 3016, S.D. 1, H.D. 1, as amended herein, and recommends that it be referred to the Committee on Finance in the form attached hereto as S.B. No. 3016, S.D. 1, H.D. 2.

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



ROBERT N. HERKES, Chair



