

STAND. COM. REP. NO.

2722

Honolulu, Hawaii

FEB 29 2008

RE: S.B. No. 3017
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committee on Commerce, Consumer Protection, and
Affordable Housing, to which was referred S.B. No. 3017, S.D. 1,
entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to protect mutual benefit
society members by authorizing the Insurance Commissioner of the
Department of Commerce and Consumer Affairs to monitor the
relationships and transactions between mutual benefit societies
and their affiliates.

Specifically, this measure:

- (1) Makes chapter 431, article 11, Hawaii Revised Statutes,
expressly applicable to mutual benefit societies; and
- (2) Allows the Insurance Commissioner to monitor the
relationship and transactions between mutual benefit
societies and their affiliates, and among the affiliates
of mutual benefit societies, in the same manner as
presently authorized for other insurers.

Testimony in support of this measure was submitted by the
Department of Commerce and Consumer Affairs. Testimony in
opposition to this measure was submitted by the Hawaii Medical
Service Association (HMSA).

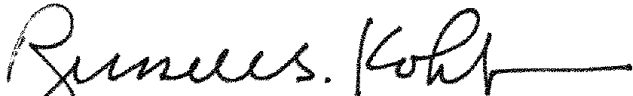


Your Committee finds that mutual benefit societies are treated differently than other insurers under the Insurance Code, which includes being subjected to limited regulation by the Insurance Commissioner. In Hawaii, several mutual benefit societies provide insurance through the extensive use of their affiliates, which raises special concerns due to the nature of these transactions. This measure increases the regulatory supervision of the Insurance Commissioner over mutual benefit societies and their relationships and transactions with affiliates. Your Committee determines that increased regulation will improve the Insurance Commissioner's ability to protect consumers from improper transactions between mutual benefit societies and their affiliates.

Your Committee recognizes the testimony, submitted by HMSA, indicating concerns as to how this measure will affect the HMSA Foundation, which is a private charitable foundation that provides a vehicle by which HMSA can invest resources in a cost-effective manner to enhance the overall health and quality of life for the communities HMSA serves. Your Committee requests the Insurance Commissioner to address HMSA's concerns regarding the possible affects this measure will have on the HMSA Foundation.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Affordable Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3017, S.D. 1, and recommends that it pass Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Commerce, Consumer
Protection, and Affordable
Housing,


RUSSELL S. KOKUBUN, Chair



