



LINDA LINGLE  
GOVERNOR  
JAMES R. AIONA, JR.  
LT. GOVERNOR

STATE OF HAWAII  
OFFICE OF THE DIRECTOR  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
335 MERCHANT STREET, ROOM 310  
P.O. Box 541  
HONOLULU, HAWAII 96809  
Phone Number: (808) 586-2850  
Fax Number: (808) 586-2856  
[www.hawaii.gov/dcca](http://www.hawaii.gov/dcca)

LAWRENCE M. REIFURTH  
DIRECTOR  
RONALD BOYER  
DEPUTY DIRECTOR

TO THE SENATE COMMITTEE ON COMMERCE,  
CONSUMER PROTECTION, AND AFFORDABLE HOUSING

TWENTY-FOURTH LEGISLATURE  
Regular Session of 2008

Monday, February 25, 2008  
9:00 a.m.

**TESTIMONY ON SENATE BILL NO. 3016 – RELATING TO MUTUAL BENEFIT SOCIETIES.**

TO THE HONORABLE RUSSELL KOKUBUN, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is J. P. Schmidt, State Insurance Commissioner (“Commissioner”), testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). Thank you for scheduling a hearing on this bill. The Department strongly supports this Administration bill.

The purpose of this bill is to cap the deposit required to operate a mutual benefit society at not more than \$20,000,000 and to delete the benefit fund requirement set forth in Hawaii Revised Statutes (“HRS”) § 432:1-401.

The Department supports this bill because small mutual benefit societies are having difficulty complying with the “one-half of twenty times the maximum benefit payable in thirty days” deposit required under current law.

This bill amends the maximum benefit fund provision by redefining the deposit to be a percentage of minimum net worth. This bill also sets minimum/maximum requirements and caps the deposit at a reasonable amount.

Deposits by mutual benefit societies protect the public in the event of insolvency; however, tying up unnecessarily large sums in deposits deprives the insurer of funds that could be used to defer premium increases. Making the deposit requirement relative to the size of the mutual benefit society is fairer and removes a barrier to entry for new mutual benefit societies, thus allowing for a more competitive market.

We thank this Committee for the opportunity to present testimony on this matter and ask for your favorable consideration.

# HMSA



Blue Cross  
Blue Shield  
of Hawaii

An Independent Licensee of the Blue Cross and Blue Shield Association

February 25, 2008

The Honorable Russell Kokubun, Chair  
The Honorable David Ige, Vice Chair

Senate Committee on Commerce, Consumer Protection and Affordable Housing

**Re: SB 3016 – Relating to Mutual Benefit Societies**

Dear Chair Kokubun, Vice Chair Ige and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 3016 which would delete the requirement that health plans must maintain a fund equal to “one half of twenty times the maximum benefits paid in 30 days” and caps the deposit requirement at \$20 million.

HMSA supports the changes in this measure. We believe that SB 3016 could have a positive impact for all health plans in the State.

Thank you for the opportunity to testify today.

Sincerely,

Jennifer Diesman  
Director, Government Relations