



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

LAWRENCE M. REIFURTH
DIRECTOR
RONALD BOYER
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON
CONSUMER PROTECTION & COMMERCE

TWENTY-FOURTH LEGISLATURE
Regular Session of 2008

Monday, March 17, 2008
3:30 p.m.

**TESTIMONY ON SENATE BILL NO. 3016, S.D. 1, H.D. 1 – RELATING TO MUTUAL
BENEFIT SOCIETIES.**

TO THE HONORABLE ROBERT HERKES, 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 as introduced, however,
we defer to the Department of Budget and Finance with regard to whether the general
fund appropriation added to the bill is consistent with the priorities as indicated in the
Executive Supplemental Budget Request.

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.

00030

DCCA Testimony of J.P. Schmidt
S. B. No. 3016, S.D. 1, H.D. 1
March 17, 2008
Page 2

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.