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TO THE HOUSE COMMITTEE ON HEALTH

TWENTY-FOURTH LEGISLATURE
Regular Session of 2008

Wednesday, March 12, 2008
8:00 a.m.

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

TO THE HONORABLE JOSH GREEN, M.D., 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

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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.