

Honolulu, Hawaii

April 1, 2010

RE: S.B. No. 2371  
S.D. 2  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fifth State Legislature  
Regular Session of 2010  
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred S.B. No. 2371, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO LIMITED BENEFIT HEALTH INSURANCE,"

begs leave to report as follows:

The purpose of this bill is to exempt limited benefit health insurance policies (Limited Policies) from provisions of the Insurance Code covering accident and health or sickness insurance contracts enacted after July 1, 2010, unless the provisions expressly apply.

The American Family Life Assurance Company of Columbus and American Council of Life Insurers testified in support of this bill. The Department of Commerce and Consumer Affairs opposed this measure.

Limited Policies allow consumers to buy additional coverage for certain defined risks that may not be adequately covered by a primary health insurance policy (Primary Policies). Benefits under Limited Policies are paid directly to the insured rather than as reimbursements to health providers.

Because Limited Policies generally supplement coverage under Primary Policies, it can be inappropriate to impose requirements upon both types of policies in the same way. For example, a law



requiring Limited Policies to include coverage for certain health treatments may be duplicative and wasteful if a consumer's Primary Policy is already required to cover the same treatments. To address this issue, this bill creates a general exception for Limited Policies so that prospective laws regulating health insurance policies apply to Limited Policies only if these laws specifically state that they apply to Limited Policies.

However, there are concerns that this bill as written may cause confusion as to the applicability of accident and health or sickness insurance laws, in that this measure would require looking at the enactment date of a statute to determine whether the statute applies to Limited Policies. This would make the Insurance Code more complex and confuse insurers, consumers, and regulators.

Accordingly, your Committee has amended this bill by recasting the exemption for Limited Policies as a general exemption from the Insurance Code provisions on accident and health or sickness insurance, with certain exceptions for statutes that are intended to apply to Limited Policies. As amended, the mechanics of this bill no longer rely upon statutory enactment dates.

Your Committee has also amended the effective date of this bill to July 1, 2050, to encourage further discussion.

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. 2371, S.D. 2, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2371, S.D. 2, H.D. 1.

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



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ROBERT N. HERKES, Chair



