
HOUSE CONCURRENT RESOLUTION

REQUESTING THE AUDITOR TO AUDIT THE HAWAII EMPLOYERS' MUTUAL
INSURANCE COMPANY.

1 WHEREAS, providing adequate monetary compensation, medical
2 care, and vocational rehabilitation for injured workers at
3 affordable premium costs to employers remains a worthy and
4 desired goal for the citizenry of the State of Hawaii; and
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6 WHEREAS, Article 14A of the Insurance Code, Chapter 431,
7 Hawaii Revised Statutes, was enacted in 1996 with the stated
8 purpose of establishing the Hawaii Employers' Mutual Insurance
9 Company "to provide workers' compensation coverage to employers
10 of the State at the highest level of service with the lowest
11 possible cost, consistent with reasonable and applicable
12 actuarial standards and the sound financial integrity of the
13 company" and "to provide the highest standard of workplace
14 safety and loss prevention, to encourage employer involvement,
15 and to be responsive to each policyholder's experience,
16 practice, and operating effectiveness"; and
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18 WHEREAS, from January 1, 1977, through December 31, 2007,
19 the Hawaii Employers' Mutual Insurance Company has been excluded
20 from the surplus requirements of domestic mutual insurers and
21 assessments by the Hawaii Hurricane Relief Fund for the first
22 \$25,000,000 of written premiums in each calendar year; and
23

24 WHEREAS, the Hawaii Employers' Mutual Insurance Company was
25 tasked to work with policyholders, health care providers, and
26 employees to develop, implement, and monitor workplace safety
27 and health and return to work programs, including the
28 development of workplace accident and injury reduction plans and
29 to promote safety programs for policyholders through analyzing
30 reports of industrial accidents of members, conducting studies
31 of risk and hazard identification and assessment by safety and
32 medical professionals, and conducting educational programs to
33 prevent frequently recurring industrial accidents; and



1
2 WHEREAS, assigned risk coverage as authorized in section
3 431:14-116, Hawaii Revised Statutes, was discontinued on
4 December 31, 1996, with the expectation that the Hawaii
5 Employers' Mutual Insurance Company would provide insurance
6 coverage for such risks and would assist Hawaii employers
7 entitled to workers' compensation coverage but who were unable
8 to purchase such coverage in the voluntary insurance market or
9 through self-insurance; and

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11 WHEREAS, section 431:14A-109.5, Hawaii Revised Statutes,
12 establishes an oversight council for the Hawaii Employers'
13 Mutual Insurance Company whose responsibilities include
14 receiving financial data, triannual examination reports by the
15 Insurance Division, and actuarial certification of loss reserves
16 so that they may make determinations of whether the company is
17 fulfilling the purposes set forth by law in Article 14A of the
18 Insurance Code and whether deficiencies exist in this regard;
19 and

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21 WHEREAS, the Hawaii Employers' Mutual Insurance Company is
22 required to compile and maintain statistical and actuarial data
23 relating to its determination of premium rates, incidence of
24 work injuries, cost of injuries and other data relating to work
25 injuries for annual submission to the Insurance Commissioner;
26 and

27
28 WHEREAS, the Hawaii Employers' Mutual Insurance Company is
29 empowered to conduct annual accountings of its incurred loss
30 experience and expenses and to declare dividends to
31 policyholders, according to classifications set policies
32 established by its board, having due regard for the solvency of
33 the company; and

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35 WHEREAS, for all the foregoing reasons, the Legislature
36 believes that an audit of the Hawaii Employers' Mutual Insurance
37 Company is necessary to assess that organization's fiscal
38 performance and management to insure it fulfills the statutory
39 purposes for which it was created; now, therefore,

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41 BE IT RESOLVED by the House of Representatives of the
42 Twenty-third Legislature of the State of Hawaii, Regular Session
43 of 2006, the Senate concurring, that the Auditor is requested to



1 conduct an audit and an impact assessment report on the Hawaii
2 Employers' Mutual Insurance Company; and

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4 BE IT FURTHER RESOLVED that the Legislature requests that
5 the audit and impact assessment address:

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7 (1) Whether the Hawaii Employers' Mutual Insurance Company
8 has fulfilled the statutory objectives for which it
9 was created providing the highest possible quality of
10 workers' compensation insurance at the lowest possible
11 cost;

12
13 (2) Whether it has effectively implemented workplace
14 safety and loss prevention programs for its
15 shareholders;

16
17 (3) Whether it has prudently managed its finances and
18 justified the special treatment it has received in
19 exemptions from surplus requirements for domestic
20 insurers and exclusion from assessment of the Hawaii
21 hurricane reserve trust fund;

22
23 (4) Whether it has met existing needs for marginal
24 insureds to provide reasonable cost insurance as was
25 intended when the assigned risk pool was abolished;

26
27 (5) Whether the Hawaii Employers' Mutual Insurance Company
28 has established fair and reasonably inclusive
29 standards for such insureds who have been unable to
30 obtain insurance in the voluntary insurance market;

31
32 (6) To what extent the need for workers' compensation
33 insurance of insureds from the former assigned risk
34 pool are being adequately met;

35
36 (7) Whether the Hawaii Employers' Mutual Insurance
37 Company's standards and practice for servicing the
38 injured employees of its insured are consistent with
39 community practice of private insurance carriers and
40 government entities in terms of prompt adjudication
41 and payment of compensable claims;

42
43 (8) Whether the Hawaii Employers' Mutual Insurance
44 Company's has fairly and reasonably allocated its



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1 profits between executive compensation, internal
 2 personnel costs, dividends to shareholders, and
 3 payments to injured workers it insures; and
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5 (9) Whether the Hawaii Employers' Mutual Insurance
 6 Company's reserve is on track to be fully funded; and
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8 BE IT FURTHER RESOLVED that the Auditor is requested to
 9 submit findings and recommendations to the Legislature,
 10 including any necessary implementing legislation, not later than
 11 twenty days prior to the convening of the Regular Session of
 12 2007; and
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14 BE IT FURTHER RESOLVED that certified copies of this
 15 Concurrent Resolution be transmitted to the Auditor and to the
 16 Insurance Commissioner, who in turn is requested to transmit
 17 copies to the Hawaii Employers' Mutual Insurance Company.
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OFFERED BY: Kirk Caldwell

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