
HOUSE 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
5

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
17

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
34



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

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

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

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

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

40 BE IT RESOLVED by the House of Representatives of the
41 Twenty-third Legislature of the State of Hawaii, Regular Session
42 of 2006, that the Auditor is requested to conduct an audit and
43 an impact assessment report on the Hawaii Employers' Mutual
44 Insurance Company; and



1
2 BE IT FURTHER RESOLVED that this body requests that the
3 audit and impact assessment address:

- 4
5 (1) Whether the Hawaii Employers' Mutual Insurance Company
6 has fulfilled the statutory objectives for which it
7 was created providing the highest possible quality of
8 workers' compensation insurance at the lowest possible
9 cost;
- 10
11 (2) Whether it has effectively implemented workplace
12 safety and loss prevention programs for its
13 shareholders;
- 14
15 (3) Whether it has prudently managed its finances and
16 justified the special treatment it has received in
17 exemptions from surplus requirements for domestic
18 insurers and exclusion from assessment of the Hawaii
19 hurricane reserve trust fund;
- 20
21 (4) Whether it has met existing needs for marginal
22 insureds to provide reasonable cost insurance as was
23 intended when the assigned risk pool was abolished;
- 24
25 (5) Whether the Hawaii Employers' Mutual Insurance Company
26 has established fair and reasonably inclusive
27 standards for such insureds who have been unable to
28 obtain insurance in the voluntary insurance market;
- 29
30 (6) To what extent the need for workers' compensation
31 insurance of insureds from the former assigned risk
32 pool are being adequately met;
- 33
34 (7) Whether the Hawaii Employers' Mutual Insurance
35 Company's standards and practice for servicing the
36 injured employees of its insured are consistent with
37 community practice of private insurance carriers and
38 government entities in terms of prompt adjudication
39 and payment of compensable claims;
- 40
41 (8) Whether the Hawaii Employers' Mutual Insurance
42 Company's has fairly and reasonably allocated its
43 profits between executive compensation, internal



1 personnel costs, dividends to shareholders, and
 2 payments to injured workers it insures; and
 3
 4 (9) Whether the Hawaii Employers' Mutual Insurance
 5 Company's reserve is on track to be fully funded; and
 6

7 BE IT FURTHER RESOLVED that the Auditor is requested to
 8 submit findings and recommendations to the Legislature,
 9 including any necessary implementing legislation, not later than
 10 twenty days prior to the convening of the Regular Session of
 11 2007; and
 12

13 BE IT FURTHER RESOLVED that certified copies of this
 14 Resolution be transmitted to the Auditor and to the Insurance
 15 Commissioner, who in turn is requested to transmit copies to the
 16 Hawaii Employers' Mutual Insurance Company.
 17
 18
 19

OFFERED BY: Kiik Caldwell

Bob Nukunui
Jim Sub.
Paul
Matt
Paul
Kelly
Jim
Paul
 MAR 15 2006

