H.B. NO. 1050

### A BILL FOR AN ACT

RELATING TO THE HAWAII EMPLOYERS' MUTUAL INSURANCE COMPANY.

#### BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that small contractors
are unable to purchase general liability insurance when they
build projects that are considered multi-family or track homes.
On the other hand, our State needs the skills and services of
small contractors to provide single family and multi-family
housing for Hawaii's working residents.

7 The purpose of this Act is to require the Hawaii Employers' 8 Mutual Insurance Company to provide liability coverage for small 9 contractors, thereby encouraging the rest of the insurance 10 market to write policies for small affordable housing 11 developments without undue cost and management requirements. 12 SECTION 2. Section 431:14A-103, Hawaii Revised Statutes, is amended to read as follows: 13 14 "§431:14A-103 Hawaii employers' mutual insurance company,

15 established. (a) The Hawaii employers' mutual insurance 16 company is established as an independent corporation to provide 17 workers' compensation insurance and related services to Hawaii



employers. The company may be reorganized as a nonprofit
corporation under chapter 414D.

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3 The company shall be organized and operated as a (b) domestic mutual insurance company. The company shall comply 4 with, unless specifically excluded, all requirements of the 5 insurance code regarding a domestic mutual insurance company. 6 7 The company shall not be an agency of the State. The company or 8 its liabilities shall not be deemed to constitute debts or 9 liabilities of the State of Hawaii or pledges of the full faith and credit of the State. The company shall write workers' 10 compensation insurance policies covering Hawaii employers as 11 12 required or authorized by law and employers' liability to the 13 same extent as any other private insurer. The company shall not write other lines of insurance, reinsurance, or excess 14 15 insurance.

16 (c) The company may insure Hawaii employers against their 17 liability for compensation or damages for injury or death under 18 the United States Longshoremen's and Harbor Workers' 19 Compensation Act or federal or maritime laws like any other 20 private insurer.

(d) The company's assets shall consist of real and
personal property and shall include all premiums and other HB LRB 07-1094.doc



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moneys paid to the company, all property, and other income 1 2 acquired, earned, or otherwise gained by the use of premiums and other moneys paid to the company by deposits, investments, 3 4 exchanges, and other transactions. The company's assets shall be the sole property of the company and shall be used 5 exclusively by the company for the operation and obligations of 6 7 the company. Notwithstanding any other law to the contrary, the 8 (e) 9 company shall be excluded from the surplus requirements of domestic mutual insurers from January 1, 1997, through December 10 31, 2007. The company is also excluded during this time period 11 12 from any assessments by the Hawaii hurricane relief fund 13 otherwise required by section 431P-5(b)(8); provided that the 14 exclusion shall apply to the first \$25,000,000 of written 15 premiums in each calendar year; and provided further that annual written premiums in excess of \$25,000,000 shall be assessed in 16 17 accordance with section 431P-5(b)(8). 18 (f) The company is exempt from participation, and shall not join, contribute financially to, nor be entitled to the 19 protection of, any plan, association, guaranty, insolvency fund, 20

21 or education and training fund authorized or required by this22 chapter. Notwithstanding the foregoing exemptions, beginning



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January 1, 2008, the company shall participate in the property 1 and liability insurance guaranty association, pursuant to 2 sections 431:16-101 to 431:16-117; provided that the company 3 shall meet the surplus requirements applicable to all other 4 domestic insurers under chapter 431 effective January 1, 2008. 5 On or after January 1, 1997, the company shall provide 6 (q) 7 workers' compensation coverage to Hawaii employers otherwise entitled to coverage but not able to or not electing to purchase 8 9 coverage in the voluntary insurance market, and not authorized, either individually or as a part of a group, to self-insure. 10 An authorized self-insured is eligible for coverage upon 11 12 termination of self-insurance. 13 (h) On or after January 1, 2008, the company shall provide 14 liability insurance coverage to contractors licensed under chapter 444 and who qualify as a small employer under section 15 431:2-201.5, who are otherwise entitled to coverage but not able 16

17 to or not electing to purchase coverage in the voluntary

18 insurance market, and not authorized, either individually or as

19 a part of a group, to self-insure. An authorized self-insured

20 is eligible for coverage upon termination of self-insurance."

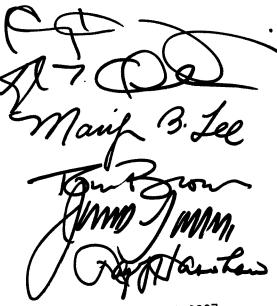
21 SECTION 3. New statutory material is underscored.



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SECTION 4. This Act shall take effect upon its approval.

Mele Carroll INTRODUCED BY:



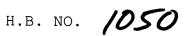
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### Report Title:

Hawaii Employers' Mutual Insurance Company

#### Description:

Requires the Hawaii employers' mutual insurance company to make liability insurance available to small contractors.

