



**STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

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January 28, 2008

To: The Honorable Alex Sonson, Chair
and Members of the House Committee on Labor and Public Employment

Date: January 29, 2008
Time: 8:30 a.m.
Place: Conference Room 309, State Capitol

From: Darwin L.D. Ching, Director
Department of Labor and Industrial Relations

**Testimony taking No Position
on
H.B. 2390 – Relating to Workers’ Compensation**

I. OVERVIEW OF CURRENT PROPOSED LEGISLATION

House Bill 2390 proposes to amend section 386-124, Hawaii Revised Statutes (“HRS”), by requiring the insurance carrier to report to the Director of the Department of Labor and Industrial Relations (Department”) and to the Insurance Commissioner on an annual basis the following:

1. Costs of Independent Medical Examinations (“IMEs”);
2. Costs for legal services relating to administration of claims; and
3. Administrative costs.

II. CURRENT LAW

Currently, section 386-124, HRS, does not require the insurer to file an annual report to the insurance commissioner that must include cost for IMEs, legal services, and administrative costs.

III. HOUSE BILL

The Department takes no position and defers to the State Insurance Commissioner at this time regarding H.B. 2390.



LINDA LINGLE
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LAWRENCE M. REIFURTH
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TO THE HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

TWENTY-FOURTH LEGISLATURE
Regular Session of 2008

Tuesday, January 29, 2008
8:30 a.m.

**TESTIMONY ON HOUSE BILL NO. 2390 – RELATING TO WORKERS’
COMPENSATION.**

TO THE HONORABLE ALEX SONSON, 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”). While the Department takes no position on this bill and defers to the
Department of Labor and Industrial Relations, we believe the provisions of H. B. No.
2390 are duplicative of existing law and, therefore, unnecessary.

The purpose of this bill is to amend Hawaii Revised Statutes (“HRS”) § 386-124
by requiring workers’ compensation insurers to submit an annual report of the costs of
their policies, including costs of independent medical examinations, legal services, and
administrative costs to the Commissioner and the Director of Labor and Industrial
Relations.

The Department notes that the Insurance Code in HRS § 431:14-110.5 already
requires workers’ compensation insurers to disclose this information to their insureds
and to the Commissioner and the Director of Labor and Industrial Relations. Therefore,
this bill appears to be duplicative of an existing statutory provision.

We thank this Committee for the opportunity to present testimony on this matter.



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Alison Powers
Executive Director

TESTIMONY OF ALISON POWERS

HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
Representative Alex M. Sonson, Chair
Representative Bob Nakasone, Vice Chair

Tuesday, January 29, 2008
8:30 a.m.

HB 2390

Chair Sonson, Vice Chair Nakasone, and members of the committee, my name is Alison Powers, Executive Director of Hawaii Insurers Council. Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately 60% of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **opposes** H.B. 2390. This bill would require insurers to annually report to the Director and Insurance Commissioner costs of IME's, costs for legal services relating to administration of claims, and administrative costs. This bill will add costs to insurers, provides no benefit to those paying premiums for workers' compensation insurance, and does not improve the delivery of services to injured workers. HB 2390 only applies to insurance companies and does not require the same reporting requirements of self insureds and captives.

We respectfully request that H.B. 2390 be held.

Thank you for the opportunity to testify.

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January 28, 2008

TO: Representative Alex Sonson
Chair, Committee on Labor & Public Employment
Hawaii State Capitol, Room 323
Via Email: LABtestimony@Capitol.hawaii.gov

FROM: Anne T. Horiuchi, Esq.
H.B. 2390 Relating to Workers' Compensation
Hearing Date: Tuesday, January 29, 2008 at 8:30 a.m.

Dear Chair Sonson and Members of the Committee on Labor & Public Employment:

I am Anne Horiuchi, testifying on behalf of the American Insurance Association (AIA). AIA represents approximately 350 major insurance companies that provide all lines of property and casualty insurance and write more than \$123 billion annually in premiums. AIA members supply 23 percent of the property/casualty insurance sold in Hawaii. The association is headquartered in Washington, D.C., and has representatives in every state.

H.B. 2390 requires the employer's carrier to submit annual reports to the Director of the Department of Labor and Industrial Relations on the costs of its policies.

AIA is in the process of reviewing the various workers' compensation measures before the Legislature. At this time, AIA opposes H.B. 2390.

Thank you very much for this opportunity to submit testimony.

COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

Rep. Alex M. Sonson, Chair
Rep. Bob Nakasone, Vice Chair

Testimony Related to HB 2390
Tuesday, January 29, 2008
8:30 A.M.
Conference Room 309

Chair Sonson, Vice Chair Nakasone, and Committee Members:

I am Ernest H. Fukeda, Jr., Chief Operating Officer of Hawaii Employers' Mutual Insurance Company, Inc. (HEMIC). Thank you for the opportunity of offering testimony regarding HB 2390. Hawaii currently has a very workable Workers' Compensation system that provides avenues of fairness to both the employees and the employers. This bill introduces another step and layer into the system that can and will create another time consuming feature which, in turn, generates an expense element.

This bill needs to further clarify its definition of Administrative costs, as all this information is currently being provided to the Director and the Insurance Commissioner.