

Honolulu, Hawaii

March 4, 2016

RE: H.B. No. 2715

H.D. 2

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2016
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 2715, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO WORKERS' COMPENSATION,"

begs leave to report as follows:

The purpose of this measure is to overhaul employee health and safety insurance protections in the State by:

- (1) Repealing statutes that establish and authorize the operation of the Hawaii Employers' Mutual Insurance Company;
- (2) Establishing the State Workers' Compensation Insurance Company, a public body corporate, attached to the Department of Labor and Industrial Relations, to provide workers' compensation insurance to employers across the State;
- (3) Requiring employers to self-insure or obtain workers' compensation coverage through the State Workers' Compensation Insurance Company; and
- (4) Requiring the Department of Labor and Industrial Relations to develop, report to the Legislature on, and implement a transition and implementation plan for the repeal of the Hawaii Employers' Mutual Insurance Company and establishment of the State Workers' Compensation Insurance Company.



Hawaii Insurers Council; The Chamber of Commerce Hawaii; Property Casualty Insurers Association of America; General Contractors Association of Hawaii; ILWU Local 142; and a concerned individual opposed this measure. The Department of Labor and Industrial Relations and Department of Commerce and Consumer Affairs provided comments.

Your Committee finds that although workers' compensation premiums in Hawaii have dropped significantly since the reforms in the mid-1990s and are now ranked 27 from the top nationwide, legislation is introduced every year alleging unfair treatment of injured workers, including through slow processes. In 2015, the Legislature adopted House Concurrent Resolution No. 168, H.D. 2, S.D. 1, which required the Department of Labor and Industrial Relations to streamline the state's workers' compensation process, of which results will be reported to the 2017 Legislature. Despite this action, your Committee believes a closed claims study is warranted to objectively review whether specific law changes are necessary. The last closed claims study done in Hawaii on workers' compensation was in 1993 by Tillinghast. Therefore, your Committee has amended this measure by:

- (1) Removing provisions that:
 - (A) Repealed statutes establishing and authorizing operations of the Hawaii Employers' Mutual Insurance Company;
 - (B) Established the State Workers' Compensation Insurance Company;
 - (C) Required employers to self-insure or obtain workers' compensation coverage through the State Workers' Compensation Insurance Company; and
 - (D) Required the Department of Labor and Industrial Relations to undertake transition planning and submit a report to the Legislature;
- (2) Inserting new language which requires the Department of Labor and Industrial Relations to contract with an actuarial firm that has experience conducting workers' compensation closed claims studies in the United States to perform a comprehensive review of workers' compensation in the State;



- (3) Requiring the study to be completed at an undefined time and submitted to the Legislature after completion; and
- (4) Appropriating funds, with matching funds through an assessment on workers' compensation insurers, captive insurers, and employers that self-insure to the Department of Labor and Industrial Relations to contract a firm to complete the comprehensive study.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2715, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 2715, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Finance,



SYLVIA LUKE, Chair



