



DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
Insurance Division

DCCA News Release

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HAWAII SEES SIGNIFICANT DROP IN WORKERS COMPENSATION FILINGS

HONOLULU -- The Department of Commerce and Consumer Affairs' Insurance Division announced a dramatic decrease of 18.2 percent in workers compensation insurance "loss costs" that was requested by the National Council on Compensation Insurance (NCCI). The filing will affect premiums beginning January 1, 2006.

The reduction is based on an exceptional reduction in the number of claims filed in 2003; the last year for which complete data is available that determines trends for 2006.

"Claim frequency is down due to the great efforts of Hawaii's employers in providing a safer work place for our workers," stated Insurance Commissioner J.P. Schmidt. "We have made a concerted effort to encourage employers to implement work place safety programs and thereby qualify for insurer's discounts." In addition, the Department of Labor and Industrial Relations (DLIR) has aggressively pursued initiatives to work with businesses to ensure compliance with Occupational Safety Health Administration (OSHA) safety standards.

Although the number of claims is down, medical and indemnity costs are continuing to rise. These are major cost drivers to workers' compensation premiums, which the administration attempted to address the previous three years through the legislature and with administrative rules. One of the proposals that would have curbed these costs was the introduction of clinically tested, evidence based medical treatment guidelines.

These guidelines would have resulted in more effective treatments and returned injured workers back to work sooner. Independent studies have shown that Hawaii has significantly more injured workers off the job (52.8 percent of claims) than the national average (30.6 percent of claims). While the legislature blocked workers compensation reform at both the legislative and the administrative levels, the Lingle-Aiona Administration will continue to push for reform in the 2006 legislative session.

The significant reduction in claim frequency should result in overall lower costs and premiums. This should bring some much-needed relief in 2006 to Hawaii's businesses that have had to pay some of the highest workers compensation premiums in the nation. According to a 2004 Oregon national study, the only states with higher rates than Hawaii were California, Alaska, and Florida. All three states have recently enacted significant workers compensation reforms.

NCCI collects and validates data on workers compensation premiums and loss experience. If the filing is approved, insurance companies can choose to adopt NCCI's "loss costs" and then file their own factor for covering the other components that finally make up the premium.

"Loss costs" are a significant component of premiums and represent the amounts paid for claims by insurers. Other components that make up the premium include production and general expenses, contingencies, profit, taxes, licenses and fees.

"We very carefully review each of these filings, because we understand the impact on business in Hawaii," the Commissioner stated.

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