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WAYNE METCALF
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PRESS STATEMENT
FOR IMMEDIATE RELEASE

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Hawaii's workers' compensation and auto insurance markets remain competitive

HONOLULU – June 28, 2002 – At a news conference today, Insurance Commissioner Wayne Metcalf said that Hawaii's workers' compensation and automobile insurance markets remain competitive.

Workers' Compensation Insurance

"Hawaii's workers' compensation market remains sound. Insurers continue to write business in a competitive environment, and while we are no longer witnessing the double-digit decreases of just a few years ago, insurers in Hawaii are profitable, and there is a market for employers in Hawaii," Metcalf said.

Those workers' compensation insurers that have experienced financial difficulties faced problems that were due to events unrelated to the Hawaii market. Reliance and HIH America Insurance Company of Hawaii Inc. (HIH Hawaii), two workers' compensation insurers, have been used by some to inaccurately portray the health of Hawaii's market.

"Reliance, a Pennsylvania company failed for reasons unrelated to the Hawaii market. Similarly, Hawaii's market conditions did not cause HIH Hawaii's financial problems. HIH Hawaii's problems were caused in part by two affiliated California companies that became insolvent and saddled HIH Hawaii with their debt. But for the insolvency of the California affiliates, HIH Hawaii's insurance business operations would be financially sound," Metcalf said.

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Although other insurers have curtailed their overall book of business due to losses sustained in mainland markets, Metcalf said that most are still actually writing business in Hawaii. Metcalf also said that more insurers have filed to enter Hawaii's workers' compensation market than have exited, producing a net gain in the number of insurers in Hawaii.

"In 2001 several new workers' compensation insurance companies filed to enter the Hawaii market," stated Metcalf. Metcalf identified some of these companies as General Casualty Company of Wisconsin, Regent Insurance Company, AIG Hawaii Insurance Company, American Pacific Insurance Company, Kemper Employers Insurance Company, Kemper Casualty Insurance Company, and National Interstate Insurance Company of Hawaii.

"The entrance of these insurers certainly indicates that Hawaii's workers' compensation insurance market remains quite strong," Metcalf said.

Metcalf also warned that the public should be wary of news reports that relate to what appears to be large operating losses for insurance companies, referring to HMSA's statement last week that its two wholly owned subsidiaries collectively lost \$1.5 million last year, mostly from increased claims in its workers' compensation business.

"Insurance companies are often earning investment income from reserves and other policyholder funds that bring the company's total return in line with other industries. It is not unusual to see early expenses that exceed normal expenses during times of major growth, as was the case for HMSA's two subsidiaries, which have reported a revenue increase from \$19.8 million to \$26.4 million in the most recent year," Metcalf stated.

Automobile Insurance

As with workers' compensation insurance, Hawaii's automobile insurance market continues to be healthy and competitive. The reforms initiated by Act 251, Session Laws of Hawaii 1997, have provided a solid base for Hawaii.

"Our state now compares very favorably with mainland averages following decreases in the rates that have been far greater than those in any other state. Hawaii's rates which used to be among the highest in the nation are now much closer to

the average being paid on the mainland. This is very good news given the fact that the costs associated with many products are often higher in Hawaii," Metcalf said.

New requests by insurance companies for rate revisions are generally small, and are in line with changes in the cost of medical care and the associated costs of automobile accidents. Not many automobile insurance cases are litigated which adds to the efficiencies and lowers the costs associated with insuring our vehicles.

"Insurance companies are competing for business, giving consumers options as to where they wish to purchase their coverage. Prices remain low after substantial reductions that followed the legislative reforms of a few years ago, and in addition, consumers have a great amount of choice as to the types of coverage they wish to purchase," stated Metcalf.

The Hawaii Insurance Division oversees the insurance industry in Hawaii; issues licenses; examines the fiscal condition of Hawaii-based companies; reviews rate and policy filings; and investigates insurance related complaints and prosecutes motor vehicle insurance fraud cases.

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