



DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
Insurance Division

DCCA News Release

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Businesses Help Bring Down Workers' Compensation Insurance Rates

HONOLULU -- The Department of Commerce and Consumer Affairs' Insurance Division announced that the National Council on Compensation Insurance (NCCI) has filed a request for a decrease of 12.3% in the workers' compensation loss costs. The filing would affect premiums beginning January 1, 2007.

The reduction is based on a continuing reduction in the number of claims filed in 2004 (which is the last year complete data is available, which helps to determine trends for 2007). Last year the Insurance Commissioner approved a decrease of 18.2% in loss costs as evidence began showing a significant reduction in claims.

"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."

Additionally, the Department of Labor and Industrial Relations, Hawaii Occupational Safety and Health (HIOSH) Division has made great strides toward partnering with Hawaii's employers and labor organizations in enforcing the state's workplace safety and health laws. This collaborative effort has led to exemplary safety and health programs that have directly resulted in less workers' compensation claims being filed.

Medical and indemnity costs also showed a slight decrease. This should bring some additional relief in 2007 to Hawaii's businesses that have had to pay some of the highest work comp premiums in the nation. According to a 2003 Oregon national study, the only states with higher rates than Hawaii were California and Florida, both of which recently enacted significant work comp reforms.

"The DLIR has made marked improvements in streamlining and expediting the hearing process," said Schmidt. "Claims are now being resolved in a more timely manner. However, we still need to work with the Legislature to reduce the adversarial nature of the system and improve the quality of care to our injured workers so that they can return to work promptly without the financial impact associated with an unnecessary prolonged absence from work."

NCCI collects and validates data on work comp 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. The 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 that these rates have on business and workers in Hawaii," the Commissioner stated.

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