



# Actuarial Analysis of the Utilization and Rate Impacts of Reinstating Naturopathy Among the Personal Injury Protection Benefits in Motor Vehicle Insurance

In Accordance with H.C.R. NO. 131  
Adopted by the  
Twenty-First Legislature of the State of Hawaii  
Regular Session of 2002

Prepared by the

Insurance Division  
Department of Commerce and Consumer Affairs  
State of Hawaii  
and

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## **I. INTRODUCTION**

House Concurrent Resolution (H.C.R.) No. 131, which was adopted by the Twenty-First Legislature of the State of Hawaii, Regular Session of 2002, requested the Insurance Commissioner to perform an actuarial analysis of the utilization and rate impacts, if any, of reinstating naturopathy among the personal injury protection (PIP) benefits in motor vehicle insurance.

## **II. BACKGROUND**

In 1997, the Legislature passed and the Governor signed Act 251, Session Laws of Hawaii (SLH) 1997. Act 251, SLH 1997, among other things, tied PIP benefits to health plan benefits as required under the Hawaii Prepaid Health Care Act (HPHCA) (Chapter 393, Hawaii Revised Statutes (HRS)). Naturopathy is not a required benefit under HPHCA. Consequently, naturopathy is not currently a required PIP benefit.

After the enactment of Act 251, SLH 1997, complementary alternative medicine (CAM) other than chiropractic were not among the PIP benefits. In 1998, the Legislature by way of Act 275, SLH 1998, added acupuncture as a PIP benefit.

H.C.R. No. 131 indicates that naturopathic physicians are not seeking authorization for an increase in the number of allowed CAM treatments, which is currently limited to 30 combine visits for chiropractic and acupuncture treatments.

## **III. FINDINGS**

The Insurance Division (Division) requested information relative to the expected impact upon insurance rates of reinstating naturopathy among PIP benefits from several insurance carriers that provide PIP coverage. Responses from the insurance carriers that were received by the Division indicate the following:

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1. Naturopathy is currently a voluntary coverage under Hawaii's motor vehicle insurance statutes;
  2. Including naturopathy as a mandated PIP coverage with limitations will cause motor vehicle insurance rates to increase; and
  3. Data is not currently available to determine with any degree of accuracy, the precise impact upon motor vehicle insurance rates.

Despite the aforementioned limitations, the Division's actuary was able to develop an informed estimate of the impact of reinstating naturopathy as a PIP benefit. According to the information the Division received from the insurance carriers, it is estimated that prior to 1997, naturopathy comprised approximately 1.1% of the claims for PIP benefits. The following criteria have brought about the need to adjust that percentage for future estimations:

1. Chiropractic claims will constitute a lower percentage of CAM claims due to the effects of Act 251, SLH 1997; and
2. This will have the effect of increasing the potential percentage of CAM claims and the percentage of PIP claims that are due to naturopathy.

Based upon the information available at this time, it is estimated that the impact upon PIP premiums brought about by reinstating naturopathy is an increase of 1.25% to 2.00%. This will result in an increase in the total mandatory coverage rates and premiums of approximately 0.5% or less.

In addition to the direct impact on PIP premiums, the reinstatement of naturopathy may also have an impact on bodily injury (BI), uninsured motorist (UM), and

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underinsured motorist (UIM) premiums. The magnitude of these impacts is expected to be minimal.

The actual resulting rate and premium impacts will vary by insurer and will also vary depending upon the limits of motor vehicle insurance coverage purchased. The ultimate impact upon individual insurance purchasers may therefore vary substantially.

#### **IV. RECOMMENDATIONS**

The Division defers to the sound discretion of the Legislature in determining whether to include naturopathy among the PIP benefits in motor vehicle insurance.