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WRITTEN TESTIMONY
OF
KEITH A. REGAN, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
COMMITTEE ON LABOR & GOVERNMENT OPERATIONS

H.B. 565

JANUARY 31, 2023, 9:00AM
CONFERENCE ROOM 309 AND VIA VIDEOCONFERENCE, STATE CAPITOL
RELATING TO STATE SELF-INSURANCE AGAINST PROPERTY AND CASUALTY RISKS.

Chair Matayoshi, Vice Chair Garrett and Members of the Committee, thank you for the opportunity to testify on H.B. 565.

The Department of Accounting and General Services ("Department") provides the following comments on implementing a statewide self-insurance program to cover all lines of insurance coverages and eliminating the Comptroller's discretion to purchase casualty and property insurance.

The Department appreciates the general intent to save the State the cost of its annual insurance premiums by establishing and administering self-insurance coverage but has serious and grave concerns with the immediate conversion to a fully self-insured program.

As testified last session, without a formal and comprehensive study on the risks and costs involved with such an undertaking, we may be compromising the state's ability to manage risk exposure. The legislature concurred and an appropriation of \$150,000.00 in general revenues was authorized in Act 248, SLH 2022, for further analysis and consultation of a self-insurance program. A formal and comprehensive study on the risks and costs involved with

immediate conversion to a fully self-insured program is underway and estimated to be completed by September 2023.

The current statute allows for both insurance purchases and self-insurance as options, depending on insurance market conditions. It would be prudent to preserve these options in protecting the State against catastrophic losses and to minimize the total cost of insuring risk, as well as the ability to meet other insurance requirements and risk management considerations such as those related to FEMA reimbursement, procurement/financing agreements and credit rating agencies analysis on governance practices.

In summary, the Department appreciates the intent of this bill for total self-insurance as a cost-saving measure but has serious concerns regarding the risks and costs to the State without the benefit of further analysis and consultation. As such, the Department respectfully requests this measure be deferred until the study is complete.

Thank you for the opportunity to testify on this matter.