



UNIVERSITY OF HAWAI'I SYSTEM

TESTIMONY

H.B. 640 RELATING TO THE ASIA-PACIFIC
RISK MANAGEMENT AND INSURANCE PROGRAM

Testimony Presented Before the
House Committees on Higher Education,
Consumer Protection & Commerce, and International Affairs

February 17, 2005

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Dean, College of Business Administration
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Chair Waters, Chair Hiraki, Chair Hale, and Members of their Committees:

Thank you for this opportunity to testify in support of House Bill 640. Good afternoon. My name is Vance Roley and I am the dean and the First Hawaiian Bank Distinguished Professor at the College of Business Administration at the University of Hawai'i at Mānoa. I joined the College about a month and a half ago. Before that, I was the acting dean at the University of Washington Business School and a member of the faculty for over 21 years. It is an honor to testify before you so early in my tenure at UH.

Last year S.C.R. No. 136 was adopted, which requested the Board of Regents of the University of Hawai'i to establish an Asia-Pacific risk management and insurance program ("APRMIP") within the college of business administration at UH Mānoa. The current bill, H.B. 640, would by statute establish the APRMIP within the College. As the new dean of the College of Business Administration, I would like to assure you that the College is committed to helping the business community in the State of Hawai'i achieve greater success in the Asia-Pacific region. However, I would like to express some concerns with the current bill.

I have three areas of concern: 1. the lack of funding for the APRMIP and its financial impact on the College, 2. the process by which the APRMIP is being proposed, and 3. the market viability of the program.

Funding. The unfunded mandate to develop the APRMIP places constraints on options the College has to achieve the next level of success. I accepted the job as dean of the college of business at UH because I believe the College is well positioned to improve its performance and rankings. But, as you are well aware, the college, and UH as a whole, faces tight budgets and limited funds.

I knew this before coming to UH and accept it as a challenge. In cooperation with the UHM and UH administrations, we in the College are developing a plan to allow the College to grow while, at the same time, become more self sufficient. Until this plan can be fully developed and adopted, we must be very careful in taking on new initiatives that entail financial commitments.

Process. Our university places a high value on participation in the strategic planning process by a wide range of groups. As a result, the planning process is quite involved. The most recent UH strategic planning process took 11 months with many public meetings. This was followed by the UHM strategic planning process that took about a year. And finally the College's strategic planning process took 15 months.

The APRMIP did not arise from any of these planning processes. Consequently, it did not receive adequate evaluation by the College's stakeholders. I do not believe that the APRMIP has the support of our faculty or other stakeholders; not so much because of its merits, but because it has not gone through the normal review processes.

Market viability. I do not believe the APRMIP has undergone sufficient analysis of its market viability. Again, the resources in the College are scarce and we must carefully weigh the financial risk of all new initiatives. Clearly the State of Hawai'i has a strategic interest in the insurance industry and the College may be able to help. But, it is not clear that the current proposal is the best path to take.

Allow me to summarize my experience with a similar program at the University of Washington. Last year, we advertised an executive program on risk management in the Pacific Rim. We had an impressive list of faculty and guest speakers arranged for this program. Unfortunately, the demand was very low, and we had to cancel. Consequently, we need to determine the demand for potential programs sponsored by APRMIP more carefully.

In addition, at a meeting in December to discuss the APRMIP, which I attended, representatives of the insurance industry in Hawai'i expressed their concerns. These industry leaders did not appear to be convinced that the proposed APRMIP would be of sufficient value to their firms to justify financial support.

In conclusion, I believe it is premature to legislate the creation of risk management and insurance programs in the College of Business Administration. Normal processes in the College allow for new programs to start and evolve without legislative actions. Indeed, most of the proposed activities in the bill can occur with sufficient faculty and industry support. I urge you to allow the programs in risk management and insurance to follow the normal processes and prove their market viability without placing unnecessary financial risks on the College.

Thank you for your time and the opportunity to speak with you.