

January 15, 2020

BOARD OF GOVERNORS
HAWAII JOINT UNDERWRITING PLAN
INSURANCE DIVISION
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 Merchant Street, 2nd Floor
Honolulu, Hawaii 96813

I. Call to Order

Mr. Michael Mitsuka called the meeting to order at 9:04 a.m. in the Queen Kapiolani Conference Room of the King Kalakaua Building.

Members Present:

Maria Carvalho (Farmers Hawaii)
Darleen Daguro (First Insurance Company of Hawaii)
Todd Feltman (State Farm)
Michael Mitsuka (Allianz Global Corporate Specialty)
Lane Nishioka (Island Insurance)

Others Present:

Jerry Bump (DCCA/Insurance Division)
Rae Oda (DCCA/Insurance Division)
Claire Taise-Chee (DCCA/Insurance Division)
Thomas Assad (AIPSO) – Teleconference
Cathie Brockway (AIPSO) – Teleconference
Alicia Hanson (AIPSO) – Teleconference
Edward Sullivan (AIPSO) – Teleconference

Members Absent:

Edward Bartolini (Liberty Mutual)
Russell Lo (Allstate)

II. Reading of Antitrust Statement

The antitrust statement was read by Mr. Mitsuka as follows:

“As members of this organization or participants in this meeting, we need to be mindful of the constraints of the antitrust laws. There shall be no discussions of agreements or concerted actions that may restrain competition. This prohibition includes the exchange of information concerning individual company rates,

coverages, market practices, claims settlement practices or any other competitive aspect of an individual company's operation. Each member or participant is obligated to speak up immediately for the purpose of preventing any discussion falling outside the bounds indicated."

III. Approval of Minutes

Motion was passed unanimously to approve the minutes of the October 16, 2019 meeting.

IV. Financial Reports from the Hawaii Insurance Division/AIPSO

Financial reports from AIPSO were distributed to the Board members by Mr. Bump. Referring to the balance sheet, Mr. Feltman asked if AIPSO had any thoughts as to how long it would be sustainable before there would have to be an assessment to the industry. Mr. Bump explained that the over \$3 million distribution that occurred this plan year plus two upcoming distributions will start to diminish the cash balance, adding that, if it drops below \$1 million to \$2 million, it would necessitate an assessment. Mr. Assad said that the distribution of just over \$3 million at the beginning of July 2019 caused investments to decline. He pointed out that \$905,000 in known claim settlements to be paid in November and December was included in the October 31 cash flow projection as cash going out to give the Board advance notice. He noted that in May or June 2020 a little over \$2 million will be distributed to carriers who were participating in policy year 2008 based on their market share that year.

V. Items for Discussion

A. Election of 2020 Officers

Based on the past practice of rotating companies, a motion was made and seconded to elect Mr. Michael Mitsuka as Chair and Mr. Todd Feltman as Vice Chair for 2020. The Board voted unanimously to approve the motion.

B. Future of Shared System

Mr. Assad said that the Board needs to decide on a long-term plan for the system. He provided possible options: 1) asking the servicing carriers to go back to using their own voluntary systems to issue the business; 2) expanding the ICE system to be more functional to do more of the work that the servicing carriers' voluntary systems are currently doing and evaluating the longevity of the ICE system; or 3) buy a new system that would be more flexible and more useful for a

longer term. Mr. Assad recommended that the Board authorize AIPSO immediately to begin analysis. AIPSO estimated that over the next quarter they would spend forty to sixty hours of work which would include meeting with the owners of the ICE system; analyzing what it would take to enhance the system; and validating what the systems are capable of doing. AIPSO would ask that each of the servicing carriers provide a contact person so that AIPSO may start to evaluate whether or not the proposed solutions are acceptable to the servicing carriers. AIPSO would provide a report on their preliminary findings to the Board at the next quarterly meeting, and at each quarterly meeting, the Board could authorize AIPSO to continue or discontinue, based on what the analysis provides at that time.

Mr. Nishioka asked what is AIPSO's concern with the ICE system as it seems to be working fine. Mr. Assad replied that it is an older system and before deciding to put more money into it, the Board should consider how long it will be viable in its current configuration. He noted that the president of Hoike, who owns the system, also says that it is old technology, and it should be considered how acceptable that technology would be to a new carrier coming in. Mr. Feltman added that an old system will either become very expensive to continue to maintain, or at some point, the owners may discontinue maintenance entirely. Mr. Assad said that AIPSO has a proposal from ICE to utilize the other components of their system to provide billing, claims handling, and stat reporting, but there has been no analysis to determine whether it would be feasible.

Mr. Bump said that he thought the Board should proceed with exploring expansion. Mr. Feltman said that, in its current configuration, the ICE system will not work for State Farm.

Mr. Assad said that, if the Board authorizes the funds, AIPSO will provide a documented sequence of activities that they will perform and the estimated cost, which would be subject to approval before AIPSO begins. He added that by the next meeting he will know whether he will need a consultant to help with the analysis.

After discussion, motion was made and seconded to recommend to the Commissioner to approve up to sixty hours of work by AIPSO to provide an analysis of the various options to assist the Board with its decision as to what direction to take with regard to the system. Motion was passed unanimously.

C. Other

Mr. Bump mentioned that the Residual Market Planning Conference in Rhode Island will be coming up on April 22. He noted that up to one board member per year is authorized to attend using JUP funds. Mr. Bump and Ms. Oda will be

attending. Mr. Felton said that he is planning on attending but will not request JUP funds.

Ms. Carvalho requested clarification on proposed legislation that the Commissioner had mentioned at the Hawaii Insurers Council Commissioner reception. Mr. Bump explained that the proposed language concerning the HJUP is intended to refresh outdated existing statutes regarding the composition of the Board of Governors and criteria from which its members are selected.

VI. Next Board Meeting

April 15, 2020 at 9:00 a.m. in the Queen Kapiolani Conference Room.

VII. Adjournment

The meeting was adjourned at 9:46 a.m.