

July 26, 2023

BOARD OF GOVERNORS  
HAWAII JOINT UNDERWRITING PLAN

Queen Liliuokalani Conference Room  
King Kalakaua Building, 1st Floor  
335 Merchant Street  
Honolulu, HI 96813

and

Videoconference via Zoom Meeting Application

**I. Call to Order**

Ms. Kim Sato called the meeting to order at 9:01 a.m.

Members Present:

Maria Carvalho

Reid Higashi (Business Insurance Services, Inc.)

Lance Kawano (First Insurance Company of Hawaii)

Chenise Morrow-Blalock (Hawaii Independent Insurance Agents Association)

Lane Nishioka (Island Insurance)

Kim Sato (Farmers Hawaii)

Others Present:

Jerry Bump (DCCA/Insurance Division)

Rae Oda (DCCA/Insurance Division)

Claire Taise-Chee (DCCA/Insurance Division)

Thomas Assad (AIPSO)

Douglas Beck (AIPSO)

Natalie Benkovich (AIPSO)

Jim Chrones (AIPSO)

Alicia Hanson (AIPSO)

Edward Sullivan (AIPSO)

Members Absent:

Todd Feltman (State Farm)

## **II. Reading of Antitrust Statement**

The antitrust statement was read by Ms. Sato 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**

Ms. Blalock moved and Mr. Nishioka seconded the motion to approve the meeting minutes from April 18, 2023. With no members objecting, the motion passed unanimously.

## **IV. Financial Reports from the Hawaii Joint Underwriting Plan**

Mr. Bump said that going forward, the reports he distributes to board members will no longer include statistical summaries on a monthly basis and that he will include quarterly financials and quarterly experience reports.

## **V. Items for Discussion**

### **A. Servicing of PP and CPAI - Update from AIPSO**

Noting a slight increase in PP and High Risk policies in June 2023, bringing the number of in-force policies to 11, Mr. Beck reported that, after picking up the business in June 2022 and one full year of growth, the number of in-force CPAI policies has hit a steady-state run rate hovering at just over 1,000 customers as expected.

Mr. Bump asked whether AIPSO has the capacity to handle a dramatic increase in PP/High Risk policies should it occur. Mr. Beck gave his assurance that an increase from 11 to 300 or 400 policies would not be a problem, adding that if the volume increased by a hundred or a thousand times, AIPSO would need to add staffing. Mr. Beck noted that AIPSO’s recent reorganization has given them additional bandwidth to handle capacity.

**B. Servicing of Commercial Business – Updates from Insurance Division/AIPSO**

Mr. Bump explained that, with First Insurance having exited as a servicing carrier, and in preparation for Island Insurance to exit, State Farm has agreed to take on the role of the sole commercial provider with the assistance of AIPSO and IC International and that the parties have been working to make the transition as seamless as possible, especially for the agent community who will have to write the business.

Ms. Hanson presented AIPSO's proposal to introduce a Commercial Automobile Part in the Principles of Operation that would reflect State Farm as the sole commercial provider effective October 1, 2023 while maintaining the level of service that the agents have been accustomed to. Ms. Hanson added that the proposal introduces electronic transmission procedures for the submission of commercial applications and provides commercial quoting assistance for agents to be performed by IC International.

Mr. Assad explained that, with State Farm agreeing to take all of the business, AIPSO tried to build a model similar to what they used in other states where State Farm had been a servicing provider for direct assignment mechanisms. He added that, with the help of IC International, the Hawaii Insurance Division, and State Farm, AIPSO has been working to build a model that deals with how the agent will get the quoting service they have been getting. He added that agreements between all parties are in the works, and they are in pretty good shape to make it happen on October 1. Mr. Assad noted that since the model was orchestrated around AIPSO's EASi product, which the HJUP is already paying for, there is no additional charge to the to expand the service to commercial

Mr. Bump noted that State Farm intends to assume the role only until AIPSO is able to assume the role of servicing provider at some yet-to-be-determined point in the future, at which point, State Farm would want to decommission their system.

Ms. Benkovich explained AIPSO's plan to work with the Hawaii Independent Insurance Agents Association (HIIAA) to develop and deliver training which will be available on both AIPSO's and HIIAA's websites. She added that AIPSO will be doing additional training with IC International, who will be handling support calls after hours when State Farm is closed for the day. The schedule is for documentation to be put together in August with training to be delivered through September. Ms. Blalock added that HIIAA is in the process of seeing if they can provide continuing education credit for the training.

Noting that not all agencies and agents in Hawaii are members of HIIAA, Mr. Higashi suggested that the Insurance Division should advertise the training to all

agents. Mr. Bump said AIPSO has offered to get the word out to all agents and that he would provide AIPSO with a list. Ms. Blalock added that training would be open to all agents, not only HIAA members.

Ms. Benkovich said that a workflow will be included in the training and described the process in which producers will obtain quotes through IC International, electronically submit applications through EASi, and send hard copies with payments to IC International, who will forward them to State Farm. Mr. Chrones said the process is similar to what AIPSO did with private passenger, except that the EASi system for private passenger is more robust than their commercial EASi system, which does not have electronic payments and submission or rating built in. He added that this is where the key connection point with IC International comes in, with IC International providing quotes using the ICE system and accepting the materials, which will be scanned to allow AIPSO to do electronic processing.

Mr. Nishioka asked whether Island Insurance may proceed with sending out non-renewal notices by mid-August even though agreements haven't been signed. Mr. Bump said he will check with the Commissioner and get back to Mr. Nishioka. Mr. Nishioka also suggested edits to the proposal for clarity.

**VI. Next Board Meeting**

October 17, 2023 at 9:00 a.m.

**VII. Adjournment**

The meeting was adjourned at 9:40 a.m.