

April 17, 2024

BOARD OF GOVERNORS
HAWAII JOINT UNDERWRITING PLAN

King Kalakaua Conference Room
King Kalakaua Building, 1st Floor
335 Merchant Street, Room 330
Honolulu, HI 96813

and

Videoconference via Zoom Meeting Application

I. Call to Order (00:00:01)

Mr. Lance Kawano called the meeting to order at 9:00 a.m.

Members Present:

Todd Feltman (State Farm)

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)

Kathleen Nakasone (DCCA/Insurance Division)

Rae Oda (DCCA/Insurance Division)

Claire Taise-Chee (DCCA/Insurance Division)

Thomas Assad (AIPSO)

Natalie Benkovich (AIPSO)

Alicia Hanson (AIPSO)

Amy Hicks (AIPSO)

Victoria Ivanov (AIPSO)

Matthew Mayfield (AIPSO)

David Maynard (AIPSO)

Edward Sullivan (AIPSO)

Members Absent:

Reid Higashi (Business Insurance Services, Inc.)

II. Reading of Antitrust Statement (00:03:17)

The antitrust statement was read by Mr. Kawano 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 (00:04:07)

Mr. Nishioka moved to approve the meeting minutes from January 17, 2024. Mr. Feltman seconded the motion. With no members objecting, the motion passed unanimously.

IV. Financial Reports from the Hawaii Joint Underwriting Plan (00:04:28)

Reviewing the cash flow report, Mr. Bump noted that, unlike previous cash flow projections, the policy year drop was not included in this one, explaining that, while preparing the summary requested by Mr. Kawano regarding how the policy year drop process works, AIPSO ran into some difficulties in trying to explain it and how it impacts the cash flow. He said AIPSO is working on a presentation for the board members and Insurance Division staff, tentatively scheduled for May 20, regarding the policy year drop process.

Mr. Bump pointed out that as of January 2024, the cash ending balance dropped below \$2 million, noting that typically, at that point, the board would recommend to the Commissioner to do an assessment of the industry to increase the HJUP’s cash position, especially if the forecasted average outflow is \$1.2 million per year.

Responding to Mr. Feltman’s question as to whether, with the policy year drop, a collection of approximately \$350,000 would be put towards cash to reduce the overall additional assessment, Mr. Assad apologized to the board for AIPSO not having resolved how the policy year drop would impact the cash flow. He said that, while there are times when there is a policy year drop that there is an impact on the cash flow, in most instances, AIPSO tries to make it cash neutral and that AIPSO did not know if \$350,000 is what would actually be put towards cash.

Mr. Bump reported that effective October 1, 2024, AIPSO would take over quoting services for the commercial business from IC International, bringing the cost down

from \$350,000 to \$170,000, with \$65,000 going to AIPSO for quoting services using the ICE system and \$105,000 to IC International for their continued assistance with the commercial business, handling on-island functions such as receiving the paperwork and payments. He noted that IC International will continue to help with CPAI and private passenger business. Mr. Bump pointed out that, while, typically, the board will review these types of financial decisions or big changes and make a recommendation to the Commissioner, due to the timing and the need to exercise the termination right with IC International to avoid being locked in for another twelve months at \$350,000, the Commissioner decided to make the change without the board meeting first.

Following discussion, board members agreed to recommend a \$1.6 million assessment. Mr. Feltman moved to recommend to the Commissioner to do an industry assessment of \$1.6 million. Ms. Blalock seconded the motion. The motion passed unanimously.

Mr. Kawano expressed his interest in seeing a historical policy year drop review when AIPSO does their presentation. Mr. Assad said that AIPSO would provide a historical review of the last five policy year drops.

Mr. Bump reviewed the total operating and claims fees paid for fiscal years 2021, 2022, and 2023. He noted that, if all else stays the same, for fiscal year 2024, the total cost to service the business will be \$1.3 million, up from approximately \$750,000 in a four-year accounting timeframe.

V. Items for Discussion

A. AIPSO Proposal – Rating Services by AIPSO (00:48:26)

Ms. Hicks presented AIPSO's proposal of rating services. Mr. Feltman moved to recommend to the Commissioner to approve the proposal. Mr. Nishioka seconded the motion. The motion passed unanimously.

B. AIPSO Proposal – Increased Limits of Liability (00:55:22)

Mr. Bump introduced the proposal to add increased limits of liability to the HJUP Manual with Mr. Feltman providing further explanation. Mr. Nishioka questioned whether the Hawaii Administrative Rules would have to be changed to allow for the additional limits. Mr. Assad said that AIPSO would get the cost to update ICE, and they would also work to determine whether the HJUP Manual could be modified without amending the Administrative Rules. No action was taken by the board.

C. Servicing Provider Update from AIPSO (01:08:10)

Mr. Mayfield provided AIPSO's servicing provider update. He noted that AIPSO is gearing up to take on HJUP's commercial business effective January 1, 2026 and that they will be ready to stand up a quoting service by or in October.

VI. Next Board Meeting

Wednesday, July 17, 2024 at 9:00 a.m.

VII. Adjournment (01:11:20)

The meeting was adjourned at 10:12 a.m.