

BOARD OF GOVERNORS  
HAWAII JOINT UNDERWRITING PLAN  
INSURANCE DIVISION  
P. O. Box 3614  
HONOLULU, HI 96811

A G E N D A

Date: July 7, 2020

Time: 9:00 a.m.

Place: [Join Microsoft Teams Meeting](#)

+1 808-829-4853 United States, Honolulu (Toll)

Conference ID: 319 684 327#

- I. Call to Order
- II. Reading of Anti Trust Statement
- III. Approval of Minutes (January 15, 2020)
- IV. Financial Reports from Hawaii Insurance Division/AIPSO
- V. Items for Discussion
  - A. AIPSO Proposal - Coverage Exclusion
  - B. AIPSO Proposal – Updates to Plan Language and Admin Rules
  - C. AIPSO Proposal - Shared System Expansion Analysis
  - D. Other
- VI. Next Meeting – October 21, 2020, 9:00 a.m., Microsoft Teams Meeting
- VII. Adjournment

If you need any assistance prior to the meeting please contact Jerry Bump of the Insurance Division at [jbump@dcca.hawaii.gov](mailto:jbump@dcca.hawaii.gov) as soon as possible. Requests made as early as possible will allow adequate time to fulfill your request.

**Office of Foreign Assets Control  
Trade or Economic Sanctions**


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**Defining the Issue**

The US Department of Treasury has issued an Executive Order that prohibits transactions with persons who commit, threaten to commit, or support terrorism. This Executive Order applies to property casualty insurers and to claims paid by those insurers. Due to recent enforcement actions by the Department of the Treasury, clarification should be provided to the policyholder that no payment will be made to a third party in violation of the Executive Order.

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**Action Needed**

Please review the following information and decide if the proposal is appropriate for the Hawaii Joint Underwriting Plan.

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**Proposal**

We propose excluding coverage for any claim in violation of the Executive Order issued by the US Department of Treasury that prohibits transactions with persons who commit, threaten to commit, or support terrorism.

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**Impact**

**Systems Impact:** The estimated cost to implement this is \$1,552.50 not including Hawaii State tax. Four weeks are needed for implementation.

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**Proposed Changes**

**AIP 03 62 03 20    Trade Or Economic Sanction**  
(For use with the Personal Auto Policy and the Commercial Auto Coverage Part)

This endorsement is introduced to exclude coverage for any claim in violation of the Executive Order that prohibits transactions with persons who commit, threaten to commit, or support terrorism.

**AIP 13 60 03 20    U.S. Treasury Department’s Office Of Foreign Assets Control (“OFAC”) Advisory Notice To Policyholders**  
(For use with the Personal Auto Policy and the Commercial Auto Coverage Part)

This advisory notice is introduced to inform policyholders that no payment will be made to a third party in violation of the Executive Order issued by the US Department of Treasury.

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**Attachments**

Proposed endorsement and advisory notice

**<COMPANY NAME>**

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

**TRADE OR ECONOMIC SANCTIONS**

The following is added to this Policy:

**Trade Or Economic Sanctions**

This insurance does not provide any coverage, and we (the Company) shall not make payment of any claim or provide any benefit hereunder, to the extent that the provision of such coverage, payment of such claim or provision of such benefit would expose us (the Company) to a violation of any applicable trade or economic sanctions, laws or regulations, including but not limited, to those administered and enforced by the United States Treasury Department's Office of Foreign Assets Control (OFAC).

All other terms and conditions remain unchanged.

**Instructions**

The provisions of this endorsement must be attached to, incorporated in, or overprinted upon every applicable policy issued in accordance with the provisions of an Automobile Insurance Plan.

**U.S. TREASURY DEPARTMENT'S OFFICE OF FOREIGN  
ASSETS CONTROL ("OFAC")  
ADVISORY NOTICE TO POLICYHOLDERS**

No coverage is provided by this Policyholder Notice nor can it be construed to replace any provisions of your Policy. You should read your Policy and review your Declarations page for complete information on the coverages you are provided.

This Notice provides information concerning possible impact on your insurance coverage due to directives issued by OFAC. **Please read this Notice carefully.**

The Office of Foreign Assets Control (OFAC) administers and enforces sanctions policy, based on Presidential declarations of "national emergency". OFAC has identified and listed numerous:

- Foreign agents;
- Front organizations;
- Terrorists;
- Terrorist organizations; and
- Narcotics traffickers;

as "Specially Designated Nationals and Blocked Persons". This list can be located on the United States Treasury's web site – <http://www.treas.gov/ofac>.

In accordance with OFAC regulations, if it is determined that you or any other insured, or any person or entity claiming the benefits of this insurance has violated U.S. sanctions law or is a Specially Designated National and Blocked Person, as identified by OFAC, this insurance will be considered a blocked or frozen contract and all provisions of this insurance are immediately subject to OFAC. When an insurance policy is considered to be such a blocked or frozen contract, no payments nor premium refunds may be made without authorization from OFAC. Other limitations on the premiums and payments also apply.



April 21, 2020

Jerry Bump  
Insurance Division  
Hawaii Department of Commerce and Consumer Affairs  
PO Box 3614  
Honolulu, HI 96811-3614

**RE: HJUP - FINANCIAL STATEMENTS – QUARTER ENDING 12/31/2019**

Dear Jerry:

Attached are the Hawaii Joint Underwriting Plan financial statements for the period ended **December 31, 2019**. The reporting requirement that breaks down the information into four separate classes was effective January 1, 2008. The four class reports will not balance to the fiscal year to date consolidated information for several reasons.

1. The premium deficiency reserve, claim service fee reserve and anticipated salvage and subrogation reserves computed by AIPSO do not contain a breakout of private passenger business between the high risk and other private passenger classifications. Therefore, the entries for these reserves are only allocated to the class level for Commercial and CPAI business. The difference in the change in reserves attributed to Private Passenger High Risk and Private Passenger other business, which cannot be allocated, are as followed:
  - Loss Reserves and Losses Incurred – \$416
  - Premium Deficiency Reserve - \$0
  - Servicing Carrier Fees Claim LAE- \$1,690
2. Also, some general ledger accounts, such as interest income, bureau expenses, bank charges, etc. are not able to be split out by the four classes due to the nature of the account activity. We have not allocated these general income and expense items on the class exhibits.
3. The class reports are provided to allow the department to review the pure results of the HJUP business by class, without distortions, which would have occurred from the allocation of some non-class specific results.

The financial statements included are as follows:

**BALANCE SHEET – CONSOLIDATED**

**STATEMENT OF INCOME AND EXPENSES - CONSOLIDATED AND BY CLASS**

**STATEMENT OF OTHER THAN UNDERWRITING EXPENSES - CONSOLIDATED**

**QUARTERLY EXHIBIT OF RESERVES - CONSOLIDATED AND BY CLASS**

**QUARTERLY RESULTS OF OPERATIONS - CONSOLIDATED AND BY CLASS**

If you have any questions, please feel free to call me at (401) 528-1389.

Sincerely,



Edward Sullivan,  
Financial and Investment Services-Supervisor,

cc: Colin M. Hayashida, HJUP  
Gordon Ito, HJUP  
Thomas Assad, AIPSO  
Sherri Palermo, AIPSO  
Kim Caputo, AIPSO  
Michelle Lapierre, AIPSO

Attachments

**HAWAII JOINT UNDERWRITING PLAN  
CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2019**

	12/31/2019	12/31/2018
<u>Assets</u>		
<u>Cash (Overdraft)</u>		
Central Bank	\$ (69,463.65)	\$ (88,371.77)
Central Processor	-	-
Concentration Account	280,703.72	340,593.97
Servicing Carrier - Depository Cash	120,436.40	134,557.80
Servicing Carrier - Checks Outstanding	(161,346.59)	(95,100.20)
Total Cash (Overdraft)	170,329.88	291,679.80
Investments	4,623,790.55	8,471,629.77
<u>Accounts Receivable</u>		
Servicing Carriers Premium Accounts	40,577.16	77,655.07
Salvage and Subrogation	(5,739.05)	3,417.30
Assigned Claims Program	455,946.01	454,211.70
Member Company	-	-
Accrued Interest	1,203.13	1,203.12
Late Payment Penalty Fees	-	-
Other	-	-
Due from Other JUA Plans	(6,473.50)	-
Total Accounts Receivable	485,513.75	536,487.19
Claim Service Fee Reserve	247,342.00	297,347.00
Total Assets	\$5,526,976.18	\$9,597,143.76
<u>Liabilities &amp; Members' Equity (Deficit)</u>		
Loss Reserves (Incl IBNR)	\$ 3,539,532.19	\$ 2,808,467.63
Unearned Premium Reserve	2,222,482.34	2,470,639.33
Premium Deficiency Reserve	532,612.00	576,885.00
Outstanding Drafts	160,478.01	220,830.52
Outstanding Drafts - Assigned Claims	(30,451.54)	34,644.97
Escheat Reserves	72,087.95	62,567.41
<u>Accounts Payable</u>		
Servicing Carrier Fees- Claims	82,543.76	98,565.38
Servicing Carrier Fees- Operating	45,698.48	45,243.93
Unallocated Claim Expense Allowance	9,511.42	8,535.88
AIPSO	24,094.67	12,454.97
Commissions	5,509.59	3,505.15
Advanced Premium Collections	3,615.00	25,303.50
Other	2,500.00	18,803.24
Total Accounts Payable	173,472.92	212,412.05
Total Liabilities	6,670,213.87	6,386,446.91
Members' Equity (Deficit)	(1,143,237.69)	3,210,696.85
Total Liabilities & Members' Equity (Deficit)	\$5,526,976.18	\$9,597,143.76

**HAWAII JOINT UNDERWRITING PLAN**  
**CONSOLIDATED STATEMENT OF INCOME AND EXPENSES**  
**YEAR TO DATE THROUGH DECEMBER 31, 2019**

	Quarter Ending Current	Quarter Ending Prior	Fiscal Year to Date Current	Fiscal Year to Date Prior	Fiscal year to Date Change	%
<u>Underwriting Income:</u>						
Premium Written	\$882,513.11	\$1,029,588.67	\$882,513.11	\$1,029,588.67	(\$147,075.56)	-14.28%
Change in Unearned Premiums	(289,617.68)	(335,274.98)	(289,617.68)	(335,274.98)	45,657.30	-13.62%
Premiums Earned	1,172,130.79	1,364,863.65	1,172,130.79	1,364,863.65	(192,732.86)	-14.12%
<u>Deductions:</u>						
Losses Paid	1,263,386.86	440,513.71	1,263,386.86	440,513.71	822,873.15	186.80%
Change in Loss Reserves	(1,115,868.71)	16,062.45	(1,115,868.71)	16,062.45	(1,131,931.16)	-7047.06%
Losses Incurred	147,518.15	456,576.16	147,518.15	456,576.16	(309,058.01)	-67.69%
Change in Premium Deficiency Reserve	(29,132.00)	(31,684.00)	(29,132.00)	(31,684.00)	2,552.00	-8.05%
Servicing Carrier Fees - Claims LAE	87,024.79	131,923.24	87,024.79	131,923.24	(44,898.45)	-34.03%
Servicing Carrier Fees - Operating	71,649.79	85,045.01	71,649.79	85,045.01	(13,395.22)	-15.75%
Commissions Written	22,449.86	21,412.85	22,449.86	21,412.85	1,037.01	4.84%
Total Underwriting Deductions	299,510.59	663,273.26	299,510.59	663,273.26	(363,762.67)	-54.84%
Net Underwriting Gain (Loss)	872,620.20	701,590.39	872,620.20	701,590.39	171,029.81	24.38%
Investment Income	21,810.18	46,573.86	21,810.18	46,573.86	(24,763.68)	-53.17%
Gain (Loss) on Investments	-	-	-	-	-	0.00%
<u>Other Income (Expenses):</u>						
Misc. Income	-	-	-	-	-	0.00%
Membership Fees	-	-	-	-	-	0.00%
Producer Seminar Income	-	-	-	-	-	0.00%
Late Penalty Fees	-	-	-	-	-	0.00%
Commissions Charged Off	(47.88)	(41.10)	(47.88)	(41.10)	(6.78)	16.50%
Premiums Charged Off	(13.11)	(1,321.50)	(13.11)	(1,321.50)	1,308.39	-99.01%
Premiums Charged Off - CPAI	(414,289.04)	(442,972.02)	(414,289.04)	(442,972.02)	28,682.98	-6.48%
Other than Underwriting Expenses	(62,859.62)	(57,940.49)	(62,859.62)	(57,940.49)	(4,919.13)	8.49%
Total Other Income (Expenses)	(477,209.65)	(502,275.11)	(477,209.65)	(502,275.11)	25,065.46	-4.99%
Net Gain (Loss)	\$417,220.73	\$245,889.14	\$417,220.73	\$245,889.14	\$171,331.59	69.68%

**HAWAII JOINT UNDERWRITING PLAN**  
**CONSOLIDATED STATEMENT OF OTHER THAN UNDERWRITING EXPENSES**  
**YEAR TO DATE THROUGH DECEMBER 31, 2019**

	Quarter Ending		Quarter Ending		Fiscal Year to		Fiscal Year to		Fiscal Year to		
	Current	Prior	Prior	Current	Date	Prior	Date	Prior	Date	Change	%
Salaries	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ -	2,500.00	-	-	0.00%
Insurance	3,141.36	-	-	3,141.36	3,141.36	-	3,141.36	-	3,141.36	3,141.36	0.00%
Software Equipment	16,790.58	16,187.42	16,187.42	16,790.58	16,187.42	16,187.42	603.16	16,187.42	603.16	603.16	3.73%
Central Processor	31,858.00	29,946.50	29,946.50	31,858.00	29,946.50	29,946.50	1,911.50	29,946.50	1,911.50	1,911.50	6.38%
Bank and Finance Charges	2,096.18	3,256.57	3,256.57	2,096.18	3,256.57	3,256.57	(1,160.39)	3,256.57	(1,160.39)	(1,160.39)	-35.63%
Rate making Expense	6,473.50	6,050.00	6,050.00	6,473.50	6,050.00	6,050.00	423.50	6,050.00	423.50	423.50	7.00%
Total Other Than Underwriting Expenses	\$ 62,859.62	\$ 57,940.49	\$ 57,940.49	\$ 62,859.62	\$ 57,940.49	\$ 57,940.49	\$ 4,919.13	\$ 57,940.49	\$ 4,919.13	\$ 4,919.13	8.49%

**HAWAII JOINT UNDERWRITING PLAN  
CONSOLIDATED EXHIBIT OF RESERVES  
YEAR TO DATE THROUGH DECEMBER 31, 2019**

	Prior Year End Reserves	First Quarter Change	Second Quarter Change	Third Quarter Change	Fourth Quarter Change	Quarter End Reserves
Unearned Premium	\$ 2,512,100.02	\$ (289,617.68)	\$ -	\$ -	\$ -	\$ 2,222,482.34
Premium Deficiency Reserve	561,744.00	(29,132.00)	0.00	0.00	0.00	532,612.00
Loss Reserves	\$ 3,558,772.90	\$ (738,567.71)	\$ -	\$ -	\$ -	\$ 2,820,205.19
IBNR Loss Reserves	1,211,469.00	(355,048.00)	0.00	0.00	0.00	856,421.00
Anticipated Salvage and Subrogation	(114,841.00)	(22,253.00)	0.00	0.00	0.00	(137,094.00)
Net Loss Reserves	\$ 4,655,400.90	\$ (1,115,868.71)	\$ -	\$ -	\$ -	\$ 3,539,532.19

**HAWAII JOINT UNDERWRITING PLAN**  
**CONSOLIDATED QUARTERLY RESULTS OF OPERATION**

	Quarter Ending Dec 2019	Quarter Ending Sep 2019	Quarter Ending Jun 2019	Quarter Ending Mar 2019	Quarter Ending Dec 2018
<u>Underwriting Income:</u>					
Premium Written	\$882,513.11	\$1,489,506.41	\$1,209,910.09	\$1,125,836.39	\$1,029,588.67
Change in Unearned Premiums	(289,617.68)	297,366.79	(83,449.14)	(172,456.96)	(335,274.98)
Premiums Earned	1,172,130.79	1,192,139.62	1,293,359.23	1,298,293.35	1,364,863.65
<u>Deductions:</u>					
Losses Paid	1,263,386.86	373,756.79	222,695.98	765,215.11	440,513.71
Change in Loss Reserves	(1,115,868.71)	1,592,960.64	497,147.57	(243,174.94)	16,062.45
Losses Incurred	147,518.15	1,966,717.43	719,843.55	522,040.17	456,576.16
Change in Premium Deficiency Reserve	(29,132.00)	(3,518.00)	(5,298.00)	(6,325.00)	(31,684.00)
Servicing Carrier Fees - Claims LAE	87,024.79	223,988.23	136,153.10	113,559.45	131,923.24
Servicing Carrier Fees - Operating	71,649.79	130,631.09	102,146.96	93,507.62	85,045.01
Commissions Written	22,449.86	50,358.38	36,115.14	31,550.07	21,412.85
Total Underwriting Deductions	299,510.59	2,368,177.13	988,960.75	754,332.31	663,273.26
Net Underwriting Gain (Loss)	872,620.20	(1,176,037.51)	304,398.48	543,961.04	701,590.39
Investment Income	21,810.18	27,693.30	48,148.41	47,633.90	46,573.86
Gain (Loss) on Investments	-	-	-	-	-
<u>Other Income (Expenses):</u>					
Miscellaneous Income	-	-	-	(134.00)	-
Membership Fees	-	-	350,000.00	-	-
Producer Seminar Income	-	-	-	-	-
Late Penalty Fees	-	50.00	350.00	50.00	-
Commissions Charged Off	(47.88)	-	-	(44.63)	(41.10)
Premiums Charged Off	(13.11)	532.14	(923.77)	692.07	(1,321.50)
Premiums Charged Off - CPAI	(414,289.04)	(459,128.78)	(463,301.49)	(484,700.26)	(442,972.02)
Other than Underwriting Expenses	(62,859.62)	(59,012.84)	(62,310.46)	(58,279.87)	(57,940.49)
Total Other Income (Expenses)	(477,209.65)	(517,559.48)	(176,185.72)	(542,416.69)	(502,275.11)
Net Gain (Loss)	\$417,220.73	(\$1,665,903.69)	\$176,361.17	\$49,178.25	\$245,889.14

**HAWAII JOINT UNDERWRITING PLAN  
SUMMARY OF ALL UNITS  
STATEMENT OF INCOME AND EXPENSES  
YEAR TO DATE THROUGH DECEMBER 31, 2019**

	<u>Quarter Ending</u>	<u>Fiscal Year to Date</u>
<u>Underwriting Income</u>		
Premium Written	\$882,513.11	\$882,513.11
Change in Unearned Premiums	(289,617.68)	(289,617.68)
Premiums Earned	<u>1,172,130.79</u>	<u>1,172,130.79</u>
<u>Deductions</u>		
Losses Paid	1,263,386.86	1,263,386.86
Change in Loss Reserves	(1,115,452.71)	(1,115,452.71)
Losses Incurred	<u>147,934.15</u>	<u>147,934.15</u>
Change in Premium Deficiency Reserve	(29,132.00)	(29,132.00)
Servicing Carrier Fees - Claims LAE	88,714.79	88,714.79
Servicing Carrier Fees - Operating	71,649.79	71,649.79
Servicing Carrier Fees - Collections	-	-
Commissions Written	<u>22,449.86</u>	<u>22,449.86</u>
Total Underwriting Deductions	<u>301,616.59</u>	<u>301,616.59</u>
Net Underwriting Gain (Loss)	870,514.20	870,514.20
<u>Other Income (Expenses)</u>		
Commissions Charged Off	(47.88)	(47.88)
Premiums Charged Off	(414,302.15)	(414,302.15)
Total Other Income (Expenses)	<u>(414,350.03)</u>	<u>(414,350.03)</u>
Net Gain (Loss)	<u><u>\$456,164.17</u></u>	<u><u>\$456,164.17</u></u>

**HAWAII JOINT UNDERWRITING PLAN**  
**CPAI**  
**STATEMENT OF INCOME AND EXPENSES**  
**YEAR TO DATE THROUGH DECEMBER 31, 2019**

	<u>Quarter Ending</u>	<u>Fiscal Year to Date</u>
<u>Underwriting Income</u>		
Premium Written	\$415,038.04	\$415,038.04
Change in Unearned Premiums	(46,302.50)	(46,302.50)
Premiums Earned	<u>461,340.54</u>	<u>461,340.54</u>
<u>Deductions</u>		
Losses Paid	186,253.83	186,253.83
Change in Loss Reserves	(100,457.49)	(100,457.49)
Losses Incurred	<u>85,796.34</u>	<u>85,796.34</u>
Change in Premium Deficiency Reserve	(29,132.00)	(29,132.00)
Servicing Carrier Fees - Claims LAE	35,572.86	35,572.86
Servicing Carrier Fees - Operating	24,902.28	24,902.28
Servicing Carrier Fees - Collections	-	-
Commissions Written	-	-
Total Underwriting Deductions	<u>117,139.48</u>	<u>117,139.48</u>
Net Underwriting Gain (Loss)	<u>344,201.06</u>	<u>344,201.06</u>
<u>Other Income (Expenses)</u>		
Commissions Charged Off	-	-
Premiums Charged Off	(414,289.04)	(414,289.04)
Total Other Income (Expenses)	<u>(414,289.04)</u>	<u>(414,289.04)</u>
Net Gain (Loss)	<u><u>(\$70,087.98)</u></u>	<u><u>(\$70,087.98)</u></u>

**HAWAII JOINT UNDERWRITING PLAN  
COMMERCIAL  
STATEMENT OF INCOME AND EXPENSES  
DECEMBER 31, 2019**

	<u>Quarter Ending</u>	<u>Fiscal Year to Date</u>
<u>Underwriting Income</u>		
Premium Written	\$436,850.73	\$436,850.73
Change in Unearned Premiums	(239,872.10)	(239,872.10)
Premiums Earned	<u>676,722.83</u>	<u>676,722.83</u>
<u>Deductions</u>		
Losses Paid	1,049,493.30	1,049,493.30
Change in Loss Reserves	(1,009,003.22)	(1,009,003.22)
Losses Incurred	<u>40,490.08</u>	<u>40,490.08</u>
Change in Premium Deficiency Reserve	-	-
Servicing Carrier Fees - Claims LAE	49,273.13	49,273.13
Servicing Carrier Fees - Operating	43,685.08	43,685.08
Servicing Carrier Fees - Collections	-	-
Commissions Written	21,842.50	21,842.50
Total Underwriting Deductions	<u>155,290.79</u>	<u>155,290.79</u>
Net Underwriting Gain (Loss)	<u>521,432.04</u>	<u>521,432.04</u>
<u>Other Income (Expenses)</u>		
Commissions Charged Off	-	-
Premiums Charged Off	(13.11)	(13.11)
Total Other Income (Expenses)	<u>(13.11)</u>	<u>(13.11)</u>
Net Gain (Loss)	<u><u>\$521,418.93</u></u>	<u><u>\$521,418.93</u></u>

**HAWAII JOINT UNDERWRITING PLAN  
PRIVATE - OTHER  
STATEMENT OF INCOME AND EXPENSES  
YEAR TO DATE THROUGH DECEMBER 31, 2019**

	<u>Quarter Ending</u>	<u>Fiscal Year to Date</u>
<u>Underwriting Income</u>		
Premium Written	\$2,904.00	\$2,904.00
Change in Unearned Premiums	(6,072.69)	(6,072.69)
Premiums Earned	<u>8,976.69</u>	<u>8,976.69</u>
<u>Deductions</u>		
Losses Paid	-	-
Change in Loss Reserves	(3,462.00)	(3,462.00)
Losses Incurred	<u>(3,462.00)</u>	<u>(3,462.00)</u>
Change in Premium Deficiency Reserve	-	-
Servicing Carrier Fees - Claims LAE	1,023.19	1,023.19
Servicing Carrier Fees - Operating	290.40	290.40
Servicing Carrier Fees - Collections	-	-
Commissions Written	214.15	214.15
Total Underwriting Deductions	<u>(1,934.26)</u>	<u>(1,934.26)</u>
Net Underwriting Gain (Loss)	10,910.95	10,910.95
<u>Other Income (Expenses)</u>		
Commissions Charged Off	(47.88)	(47.88)
Premiums Charged Off	-	-
Total Other Income (Expenses)	<u>(47.88)</u>	<u>(47.88)</u>
Net Gain (Loss)	<u><u>\$10,863.07</u></u>	<u><u>\$10,863.07</u></u>

**HAWAII JOINT UNDERWRITING PLAN  
PRIVATE - HIGH RISK  
STATEMENT OF INCOME AND EXPENSES  
YEAR TO DATE THROUGH DECEMBER 31, 2019**

	<u>Quarter Ending</u>	<u>Fiscal Year to Date</u>
<u>Underwriting Income</u>		
Premium Written	\$27,720.34	\$27,720.34
Change in Unearned Premiums	2,629.61	2,629.61
Premiums Earned	<u>25,090.73</u>	<u>25,090.73</u>
<u>Deductions</u>		
Losses Paid	27,639.73	27,639.73
Change in Loss Reserves	(2,530.00)	(2,530.00)
Losses Incurred	<u>25,109.73</u>	<u>25,109.73</u>
Change in Premium Deficiency Reserve	-	-
Servicing Carrier Fees - Claims LAE	2,845.61	2,845.61
Servicing Carrier Fees - Operating	2,772.03	2,772.03
Servicing Carrier Fees - Collections	-	-
Commissions Written	393.21	393.21
Total Underwriting Deductions	<u>31,120.58</u>	<u>31,120.58</u>
Net Underwriting Gain (Loss)	(6,029.85)	(6,029.85)
<u>Other Income (Expenses)</u>		
Commissions Charged Off	-	-
Premiums Charged Off	-	-
Total Other Income (Expenses)	<u>-</u>	<u>-</u>
Net Gain (Loss)	<u><u>(\$6,029.85)</u></u>	<u><u>(\$6,029.85)</u></u>

**HAWAII JOINT UNDERWRITING PLAN  
SUMMARY OF ALL UNITS  
EXHIBIT OF RESERVES  
YEAR TO DATE THROUGH DECEMBER 31, 2019**

	Prior Year End Reserves	First Quarter Change	Second Quarter Change	Third Quarter Change	Fourth Quarter Change	Quarter End Reserves
Unearned Premium	\$ 2,512,100.02	\$ (289,617.68)	\$ -	\$ -	\$ -	\$ 2,222,482.34
Premium Deficiency Reserve	561,744.00	(29,132.00)	0.00	0.00	0.00	532,612.00
Loss Reserves	\$ 3,558,772.90	\$ (738,567.71)	\$ -	\$ -	\$ -	\$ 2,820,205.19
IBNR Loss Reserves	1,211,469.00	(355,048.00)	0.00	0.00	0.00	856,421.00
Anticipated Salvage and Subrogation	(114,653.00)	(21,837.00)	0.00	0.00	0.00	(136,490.00)
Net Loss Reserves	\$ 4,655,588.90	\$ (1,115,452.71)	\$ -	\$ -	\$ -	\$ 3,540,136.19

**HAWAII JOINT UNDERWRITING PLAN**  
**CPAI**  
**EXHIBIT OF RESERVES**  
**YEAR TO DATE THROUGH DECEMBER 31, 2019**

	Prior Year End Reserves	First Quarter Change	Second Quarter Change	Third Quarter Change	Fourth Quarter Change	Quarter End Reserves
Unearned Premium	\$ 932,362.48	\$ (46,302.50)	\$ -	\$ -	\$ -	\$ 886,059.98
Premium Deficiency Reserve	561,744.00	(29,132.00)	0.00	0.00	0.00	532,612.00
Loss Reserves	\$ 395,738.67	\$ (23,533.49)	\$ -	\$ -	\$ -	\$ 372,205.18
IBNR Loss Reserves	149,882.00	(72,475.00)	0.00	0.00	0.00	77,407.00
Anticipated Salvage and Subrogation	(15,762.00)	(4,449.00)	0.00	0.00	0.00	(20,211.00)
Net Loss Reserves	\$ 529,858.67	\$ (100,457.49)	\$ -	\$ -	\$ -	\$ 429,401.18

**HAWAII JOINT UNDERWRITING PLAN  
COMMERCIAL**

**EXHIBIT OF RESERVES**

**YEAR TO DATE THROUGH DECEMBER 31, 2019**

	Prior Year End Reserves	First Quarter Change	Second Quarter Change	Third Quarter Change	Fourth Quarter Change	Quarter End Reserves
Unearned Premium	\$ 1,506,303.10	\$ (239,872.10)	\$ -	\$ -	\$ -	\$ 1,266,431.00
Premium Deficiency Reserve	-	-	-	-	-	-
Loss Reserves	\$ 3,160,034.23	\$ (715,734.22)	\$ -	\$ -	\$ -	\$ 2,444,300.01
IBNR Loss Reserves	1,044,152.00	(275,881.00)	0.00	0.00	0.00	768,271.00
Anticipated Salvage and Subrogation	(98,891.00)	(17,388.00)	0.00	0.00	0.00	(116,279.00)
Net Loss Reserves	\$ 4,105,295.23	\$ (1,009,003.22)	\$ -	\$ -	\$ -	\$ 3,096,292.01

**HAWAII JOINT UNDERWRITING PLAN  
PRIVATE - OTHER  
EXHIBIT OF RESERVES  
YEAR TO DATE THROUGH DECEMBER 31, 2019**

	Prior Year End Reserves	First Quarter Change	Second Quarter Change	Third Quarter Change	Fourth Quarter Change	Quarter End Reserves
Unearned Premium	\$ 21,317.46	\$ (6,072.69)	\$ -	\$ -	\$ -	\$ 15,244.77
Premium Deficiency Reserve	-	-	-	-	-	-
Loss Reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IBNR Loss Reserves	6,136.00	(3,462.00)	0.00	0.00	0.00	2,674.00
Anticipated Salvage and Subrogation	0.00	0.00	0.00	0.00	0.00	0.00
Net Loss Reserves	\$ 6,136.00	\$ (3,462.00)	\$ -	\$ -	\$ -	\$ 2,674.00

**HAWAII JOINT UNDERWRITING PLAN  
PRIVATE - HIGH RISK  
EXHIBIT OF RESERVES  
YEAR TO DATE THROUGH DECEMBER 31, 2019**

	Prior Year End Reserves	First Quarter Change	Second Quarter Change	Third Quarter Change	Fourth Quarter Change	Quarter End Reserves
Unearned Premium	\$ 52,116.98	\$ 2,629.61	\$ -	\$ -	\$ -	\$ 54,746.59
Premium Deficiency Reserve	-	-	-	-	-	-
Loss Reserves	\$ 3,000.00	\$ 700.00	\$ -	\$ -	\$ -	\$ 3,700.00
IBNR Loss Reserves	11,299.00	(3,230.00)	0.00	0.00	0.00	8,069.00
Anticipated Salvage and Subrogation	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net Loss Reserves</b>	<b>\$ 14,299.00</b>	<b>\$ (2,530.00)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,769.00</b>

**HAWAII JOINT UNDERWRITING PLAN  
SUMMARY OF ALL UNITS  
QUARTERLY RESULTS OF OPERATION**

	Quarter Ending Dec 2019	Quarter Ending Sep 2019	Quarter Ending Jun 2019	Quarter Ending Mar 2019	Quarter Ending Dec 2018
<u>Underwriting Income:</u>					
Premium Written	\$882,513.11	\$1,489,506.41	\$1,209,910.09	\$1,125,836.39	\$1,029,588.67
Change in Unearned Premiums	(289,617.68)	297,366.79	(83,449.14)	(172,456.96)	(335,274.98)
Premiums Earned	1,172,130.79	1,192,139.62	1,293,359.23	1,298,293.35	1,364,863.65
<u>Deductions:</u>					
Losses Paid	1,263,386.86	373,756.79	222,695.98	765,215.11	440,513.71
Change in Loss Reserves	(1,115,452.71)	1,592,851.64	497,067.57	(243,632.94)	15,992.45
Losses Incurred	147,934.15	1,966,608.43	719,763.55	521,582.17	456,506.16
Change in Premium Deficiency Reserve	(29,132.00)	(3,518.00)	(5,298.00)	(6,325.00)	(31,684.00)
Servicing Carrier Fees - Claims LAE	88,714.79	221,488.23	207,310.50	114,362.45	132,813.24
Servicing Carrier Fees - Operating	71,649.79	130,631.09	102,146.96	93,507.62	85,045.01
Commissions Written	22,449.86	50,358.38	36,115.14	31,550.07	21,412.85
Total Underwriting Deductions	301,616.59	2,365,568.13	1,060,038.15	754,677.31	664,093.26
Net Underwriting Gain (Loss)	870,514.20	(1,173,428.51)	233,321.08	543,616.04	700,770.39
Investment Income	-	-	-	-	-
Gain (Loss) on Investments	-	-	-	-	-
<u>Other Income (Expenses):</u>					
Membership Fees	-	-	-	-	-
Producer Seminar Income	-	-	-	-	-
Late Penalty Fees	-	-	-	-	-
Commissions Charged Off	(47.88)	-	-	(44.63)	(41.10)
Premiums Charged Off	(13.11)	532.14	(923.77)	692.07	(1,321.50)
Premiums Charged Off - CPAI	(414,289.04)	(459,128.78)	(463,301.49)	(484,700.26)	(442,972.02)
Other than Underwriting Expenses	-	-	-	-	-
Total Other Income (Expenses)	(414,350.03)	(458,596.64)	(464,225.26)	(484,052.82)	(444,334.62)
Net Gain (Loss)	\$456,164.17	(\$1,632,025.15)	(\$230,904.18)	\$59,563.22	\$256,435.77

**HAWAII JOINT UNDERWRITING PLAN**

**CPAI**

**QUARTERLY RESULTS OF OPERATION**

	Quarter Ending Dec 2019	Quarter Ending Sep 2019	Quarter Ending Jun 2019	Quarter Ending Mar 2019	Quarter Ending Dec 2018
<u>Underwriting Income:</u>					
Premium Written	\$415,038.04	\$457,988.78	\$471,101.49	\$476,900.26	\$447,847.02
Change in Unearned Premiums	(46,302.50)	(12,511.61)	(9,264.42)	(10,770.16)	(52,873.26)
Premiums Earned	461,340.54	470,500.39	480,365.91	487,670.42	500,720.28
<u>Deductions:</u>					
Losses Paid	186,253.83	97,281.63	119,239.47	194,559.26	158,254.99
Change in Loss Reserves	(100,457.49)	(96,783.80)	(38,473.69)	24,514.82	(179,879.60)
Losses Incurred	85,796.34	497.83	80,765.78	219,074.08	(21,624.61)
Change in Premium Deficiency Reserve	(29,132.00)	(3,518.00)	(5,298.00)	(6,325.00)	(31,684.00)
Servicing Carrier Fees - Claims LAE	35,572.86	89,455.05	94,940.90	42,722.45	50,778.44
Servicing Carrier Fees - Operating	24,902.28	27,479.33	28,266.09	28,614.01	26,870.83
Commissions Written	-	-	-	-	-
Total Underwriting Deductions	117,139.48	113,914.21	198,674.77	284,085.54	24,340.66
Net Underwriting Gain (Loss)	344,201.06	356,586.18	281,691.14	203,584.88	476,379.62
Investment Income	-	-	-	-	-
Gain (Loss) on Investments	-	-	-	-	-
<u>Other Income (Expenses):</u>					
Membership Fees	-	-	-	-	-
Producer Seminar Income	-	-	-	-	-
Late Penalty Fees	-	-	-	-	-
Commissions Charged Off	-	-	-	-	-
Premiums Charged Off	-	-	-	-	-
Premiums Charged Off - CPAI	(414,289.04)	(459,128.78)	(463,301.49)	(484,700.26)	(442,972.02)
Other than Underwriting Expenses	-	-	-	-	-
Total Other Income (Expenses)	(414,289.04)	(459,128.78)	(463,301.49)	(484,700.26)	(442,972.02)
Net Gain (Loss)	(\$70,087.98)	(\$102,542.60)	(\$181,610.35)	(\$281,115.38)	\$33,407.60

**HAWAII JOINT UNDERWRITING PLAN  
COMMERCIAL  
QUARTERLY RESULTS OF OPERATION**

	Quarter Ending Dec 2019	Quarter Ending Sep 2019	Quarter Ending Jun 2019	Quarter Ending Mar 2019	Quarter Ending Dec 2018
<u>Underwriting Income:</u>					
Premium Written	\$436,850.73	\$989,988.67	\$701,099.89	\$618,007.77	\$561,081.40
Change in Unearned Premiums	(239,872.10)	302,678.72	(80,801.24)	(158,051.22)	(264,517.25)
Premiums Earned	676,722.83	687,309.95	781,901.13	776,058.99	825,598.65
<u>Deductions:</u>					
Losses Paid	1,049,493.30	269,741.79	96,756.69	535,953.30	256,941.90
Change in Loss Reserves	(1,009,003.22)	1,706,982.44	520,761.26	(239,323.01)	197,034.30
Losses Incurred	40,490.08	1,976,724.23	617,517.95	296,630.29	453,976.20
Change in Premium Deficiency Reserve	-	-	-	-	-
Servicing Carrier Fees - Claims LAE	49,273.13	128,104.02	108,805.11	67,693.62	77,648.84
Servicing Carrier Fees - Operating	43,685.08	98,998.87	70,109.99	61,800.77	56,108.14
Commissions Written	21,842.50	49,499.38	35,054.98	30,900.34	28,054.08
Total Underwriting Deductions	155,290.79	2,253,326.50	831,488.03	457,025.02	615,787.26
Net Underwriting Gain (Loss)	521,432.04	(1,566,016.55)	(49,586.90)	319,033.97	209,811.39
Investment Income	-	-	-	-	-
Gain (Loss) on Investments	-	-	-	-	-
<u>Other Income (Expenses):</u>					
Membership Fees	-	-	-	-	-
Producer Seminar Income	-	-	-	-	-
Late Penalty Fees	-	-	-	-	-
Commissions Charged Off	-	-	-	-	-
Premiums Charged Off	(13.11)	532.87	(886.66)	1,239.80	(1,246.00)
Premiums Charged Off - CPAI	-	-	-	-	-
Other than Underwriting Expenses	-	-	-	-	-
Total Other Income (Expenses)	(13.11)	532.87	(886.66)	1,239.80	(1,246.00)
Net Gain (Loss)	\$521,418.93	(\$1,565,483.68)	(\$50,473.56)	\$320,273.77	\$208,565.39

**HAWAII JOINT UNDERWRITING PLAN  
PRIVATE - OTHER  
QUARTERLY RESULTS OF OPERATION**

	Quarter Ending Dec 2019	Quarter Ending Sep 2019	Quarter Ending Jun 2019	Quarter Ending Mar 2019	Quarter Ending Dec 2018
<u>Underwriting Income:</u>					
Premium Written	\$2,904.00	\$13,287.73	\$12,609.00	\$5,756.65	\$3,842.87
Change in Unearned Premiums	(6,072.69)	2,499.55	1,574.43	(7,120.35)	(10,407.50)
Premiums Earned	8,976.69	10,788.18	11,034.57	12,877.00	14,250.37
<u>Deductions:</u>					
Losses Paid	-	6,733.37	6,699.82	5,146.80	8,646.23
Change in Loss Reserves	(3,462.00)	(17,434.00)	19,803.00	(11,435.00)	(5,490.00)
Losses Incurred	(3,462.00)	(10,700.63)	26,502.82	(6,288.20)	3,156.23
Change in Premium Deficiency Reserve	-	-	-	-	-
Servicing Carrier Fees - Claims LAE	1,023.19	1,223.94	1,254.76	1,448.46	1,606.21
Servicing Carrier Fees - Operating	290.40	1,328.77	1,260.90	575.67	384.29
Commissions Written	214.15	223.93	292.04	265.51	(515.55)
Total Underwriting Deductions	(1,934.26)	(7,923.99)	29,310.52	(3,998.56)	4,631.18
Net Underwriting Gain (Loss)	10,910.95	18,712.17	(18,275.95)	16,875.56	9,619.19
Investment Income	-	-	-	-	-
Gain (Loss) on Investments	-	-	-	-	-
<u>Other Income (Expenses):</u>					
Membership Fees	-	-	-	-	-
Producer Seminar Income	-	-	-	-	-
Late Penalty Fees	-	-	-	-	-
Commissions Charged Off	(47.88)	-	-	(44.63)	(41.10)
Premiums Charged Off	-	(0.73)	-	(0.45)	(0.27)
Premiums Charged Off - CPAI	-	-	-	-	-
Other than Underwriting Expenses	-	-	-	-	-
Total Other Income (Expenses)	(47.88)	(0.73)	-	(45.08)	(41.37)
Net Gain (Loss)	\$10,863.07	\$18,711.44	(\$18,275.95)	\$16,830.48	\$9,577.82

**HAWAII JOINT UNDERWRITING PLAN  
PRIVATE - HIGH RISK  
QUARTERLY RESULTS OF OPERATION**

	Quarter Ending Dec 2019	Quarter Ending Sep 2019	Quarter Ending Jun 2019	Quarter Ending Mar 2019	Quarter Ending Dec 2018
<u>Underwriting Income:</u>					
Premium Written	\$27,720.34	\$28,241.23	\$25,099.71	\$25,171.71	\$16,817.38
Change in Unearned Premiums	2,629.61	4,700.13	5,042.09	3,484.77	(7,476.97)
Premiums Earned	25,090.73	23,541.10	20,057.62	21,686.94	24,294.35
<u>Deductions:</u>					
Losses Paid	27,639.73	-	-	29,555.75	16,670.59
Change in Loss Reserves	(2,530.00)	87.00	(5,023.00)	(17,389.75)	4,327.75
Losses Incurred	25,109.73	87.00	(5,023.00)	12,166.00	20,998.34
Change in Premium Deficiency Reserve	-	-	-	-	-
Servicing Carrier Fees - Claims LAE	2,845.61	2,705.22	2,309.73	2,497.92	2,779.75
Servicing Carrier Fees - Operating	2,772.03	2,824.12	2,509.98	2,517.17	1,681.75
Commissions Written	393.21	635.07	768.12	384.22	(6,125.68)
Total Underwriting Deductions	31,120.58	6,251.41	564.83	17,565.31	19,334.16
Net Underwriting Gain (Loss)	(6,029.85)	17,289.69	19,492.79	4,121.63	4,960.19
Investment Income	-	-	-	-	-
Gain (Loss) on Investments	-	-	-	-	-
<u>Other Income (Expenses):</u>					
Membership Fees	-	-	-	-	-
Producer Seminar Income	-	-	-	-	-
Late Penalty Fees	-	-	-	-	-
Commissions Charged Off	-	-	-	-	-
Premiums Charged Off	-	-	(37.11)	(547.28)	(75.23)
Premiums Charged Off - CPAI	-	-	-	-	-
Other than Underwriting Expenses	-	-	-	-	-
Total Other Income (Expenses)	-	-	(37.11)	(547.28)	(75.23)
Net Gain (Loss)	(\$6,029.85)	\$17,289.69	\$19,455.68	\$3,574.35	\$4,884.96



*"Serving the Insurance Industry"*

March 5, 2020

Mr. Jerry Bump, Manager  
Hawaii Joint Underwriting Plan  
335 Merchant Street, Rm. 213  
Honolulu, HI 96811

Hawaii Joint Underwriting Plan  
Manual Revisions to  
Administrative Rules and  
Principles of Operation

Dear Mr. Bump,

For your consideration, I am forwarding suggested revisions to the Hawaii Administrative Rules, Subchapter 13 - The Joint Underwriting Plan to remove specific language relating to the servicing carrier allowances and the commission rates. The proposed revisions provide the Commissioner with the flexibility to adjust the servicing carrier allowances and establish the commission rate based on industry trends.

Highlights of the proposed changes include (Exhibit A):

- §16-23-78 Allowances to servicing carriers

Removes specific references to the servicing carrier allowances to allow the Commissioner, in consultation with the JUP board of governors, to set the reimbursement fee for servicing carrier expenses for handling CPAI and Non-CPAI business.

- §16-23-79 Commissions

Removes specific references to the rate of commission to the servicing carrier to provide the Commissioner with the authority to set the commission rate for private passenger non-fleet motor vehicle insurance as well as commercial business based on market pricing in consultation with the JUP Board of Governors.

Also included are suggested revisions to the Hawaii Principles of Operation to revise current language to reflect Hawaii enabling statutes as well as the Hawaii Administrative Rules.

Highlights of the proposed changes include (Exhibit B):

- Updates the Establishment of Hawaii Joint Underwriting Plan to include reference that each insurer will pay an annual membership fee.

- Updates eligibility guidelines to reflect language approved in the Hawaii enabling statutes and the Hawaii Administrative Rules
- Updates the Board of Governors' composition to reflect the Board of Governors' composition in HB2320 and SB 2876.

Subsequent revisions to the Hawaii Joint Underwriting Plan as well as the Hawaii Joint Underwriting Plan Accounting and Statistical Requirements Manual will be incorporated following approval of revisions to the Hawaii Administrative Rules, where appropriate.

Lastly, the Hawaii Joint Underwriting Plan Accounting and Statistical Requirements Manual, Chapter 14 – Servicing Carrier Allowance Settlement Procedure provides an annual retroactive claim service fee adjustment. Instead of this annual retroactive calculation procedure, AIPSO proposes an annual recalculation of the servicing carrier allowances for review by the Hawaii Joint Underwriting Plan Board of Governors.

Please submit or present the proposed revisions to the Board of Governors to obtain their approval prior to review and approval by the Division of Insurance. We also ask that you submit or present the proposed revisions to the Hawaii Administrative Rule to the appropriate party for their review and approval. However, prior to presentation of the attached proposed changes to the Board of Governors, we would like the opportunity to discuss them with you and Lane Nishioka so any changes can be made to the proposal based on your knowledge and expertise.

If you have any questions, please feel free to contact me.

Mahalo,



Alicia Hanson, CPCU, AIS, API  
Insurance Services Analyst  
AIPSO Plan Services

Attach.

Pc: T. Assad  
R. Powers  
C. Brockway

## Key to Changes

Yellow	indicates language added or language deleted
Green	indicates that language in the Principles of Operation is reflected in the Hawaii Revised Statutes or in the Hawaii Administrative Rules
Gray	indicates current language approved by the Commissioner but not reflected in in the Hawaii Revised Statutes or in the Hawaii Administrative Rules
White	indicates current language approved by the Commissioner

HAWAII ADMINISTRATIVE RULES  
TITLE 16

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

CHAPTER 23

MOTOR VEHICLE INSURANCE LAW

§16-23-78 Allowances to servicing carriers. Servicing carriers shall be reimbursed for their servicing expenses ~~on the basis of:~~. The Commissioner shall establish the fees for reimbursement of the servicing carrier's loss adjustment expenses associated with its handling of CPAI and Non-CPAI business, after consultation with the JUP board of governors.

(1) ~~Non-CPAI:~~

- (A) ~~Ten per cent of written premium for operating costs, excluding claims expense, plus;~~
- (B) ~~Twelve per cent of earned premium for the reporting period for loss adjustment expenses, both allocated or direct and unallocated or indirect, for liability coverage; and~~
- (C) ~~Ten per cent of earned premium for the reporting period for physical damage coverages;~~

(2) ~~CPAI:~~

- (A) ~~Six per cent of written premium for operating costs, excluding claims expense, plus;~~
- (B) ~~Twelve per cent of earned premium for the reporting period for loss adjustment expenses, both allocated or direct and unallocated or indirect, for liability coverage. [Eff 9/1/80; am and comp 9/1/82; comp 9/1/85; comp 9/1/88; comp 9/15/89; comp 9/1/90; comp 6/1/93; comp 1/1/98; comp 1/8/99; comp 11/11/12] (Auth: HRS "431:10C 214, 431:10C 406) (Imp: HRS "431:10C401 through 431:10C 404)~~

§16-23-79 Commissions. A servicing carrier shall pay a producer commission for business written pursuant to the JUP. ~~a commission at the following rate:~~ The rate of commission payable by the servicing carrier for business written pursuant to the JUP shall be paid at market rates as presented by the Board and approved by the Commissioner.

(1) ~~For private passenger non-fleet motor vehicle insurance, a commission of eight per cent of the written premium up to a maximum amount of \$75 per vehicle for all new business and five per cent of the written premium up to a maximum amount of \$35 per vehicle for all renewals;~~

(2) ~~For commercial and all other vehicles, five per cent of written premium for all new business and renewals; and~~

(3) ~~No commission shall be paid for CPAI business.~~

No commission shall be paid for CPAI business.

All risks transferred from one servicing carrier to another under the JUP or reinstated policies are to be considered renewal business. [Eff 9/1/80; am and comp 9/1/82; am and comp 9/1/85; comp 9/1/88; comp 9/15/89; comp 9/1/90; comp 6/1/93; am 1/30/95; am and comp 1/1/98; am and comp 1/8/99; am and comp 11/11/12] (Auth: HRS "431: IOC-214, 431: IOC-406) (Imp: HRS "431: through 431: 10C404)

Hawaii Joint Underwriting Plan  
Principles of Operation

**A. JOINT UNDERWRITING PLAN,  
ESTABLISHMENT**

A Joint Underwriting Plan (JUP) is established consisting of all insurers authorized to transact motor vehicle insurance in this state. Each Insurer shall be a member of the Plan and shall maintain membership as a condition of its licensure to transact such insurance in this state. As part of its membership, each Insurer shall pay an annual membership fee in accordance with §16-23-68 of the Hawaii Administrative Rules.

**B. ADMINISTRATION**

The JUP will be administered through a JUP Bureau under the direction of the Insurance Commissioner hereinafter referred to as the "Commissioner."

**C. ALLOCATION OF COSTS**

All costs incurred in the operation of the Joint Underwriting Plan Bureau and the operation of this Plan such as administrative, staff, and claims paid, and policies written for Certified Public Assistance Insureds (CPAI) shall be allocated fairly and equitably among the JUP members.

Member company participation ratios shall be computed based on "voluntary market share" for the following lines of automobile business:

- private passenger
- all other automobile (included §16-23-70)

Member companies will participate in the HJUP private passenger and other than private passenger pools in accordance with these participation ratios. In addition, for the purpose of member company participation in CPAI experience, a CPAI participation ratio will be determined.

For each line of HJUP and CPAI business, member companies shall share in experience for the following coverages:

1. Bodily injury liability
2. Property damage liability
3. Personal injury protection

Member companies participating in the HJUP private passenger and HJUP other than private passenger pools will also share in HJUP physical damage experience.

Allocation of HJUP private passenger non-fleet experience will be made on the basis of voluntary private passenger net direct written car years. Allocation of HJUP other than private passenger experience will be made on the basis of voluntary all other automobile net direct written premiums. A CPAI participation ratio will be developed using a weighting factor in accordance with Chapter 13.

For further information on member company sharing of HJUP and CPAI experience, refer to Accounting and Statistical Requirements Manual

Chapters 12 and 13.

**D. CENTRAL PROCESSOR REPORTING**

All of the data necessary to comply with the foregoing allocation procedures shall be reported to the Central Processor of the JUP by each member insurer or by the statistical agencies designated by such insurers. Each insurer agrees to permit its statistical agent to release such data to the Central Processor and agrees that its statistical agent shall be permitted to furnish the Central Processor with statements of its experience.

**E. JOINT UNDERWRITING PLAN RISK,  
ELIGIBILITY**

The JUP shall provide required motor vehicle insurance policies and required optional additional insurance for each of the following eligible classes, and each eligible class at the option of the applicant, may secure a policy through the plan:

1. The applicant or any person who resides in the same household as the applicant and customarily operates the automobile or any other person who regularly and frequently operates the motor vehicle to be insured, who:
  - a. Within the 36 months prior to the date of the application has had his driver's license under suspension or revocation been convicted of operating a motor vehicle without motor vehicle insurance (§16-23-72 (1)(A)(i)); or
  - b. Within the 18 months prior to the date of the application, has been convicted of or forfeited bail for three or more moving traffic violations; or
  - c. Has been convicted of any felony involving a motor vehicle.
2. The applicant or any operator of an automobile in the same household who customarily operates the automobile or any other operator who customarily operates the automobile has been involved during the 36-month period prior to the date of the application in:
  - a. Two or more accidents involving bodily injury or death if there is one car in the household or an average or more than one such accident for all cars in the household, provided that a loss payment has been made or a loss reserve has been established for such accidents, or
  - b. Two or more accidents involving damage to any property, including his own, of \$200 or more, if there is one car in the household, or an average or more than one such accident for all cars in the household, provided that loss payments or reserves under the comprehensive

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physical damage shall not be counted, or

- c. A combination of two or more such accidents of the type specified in a. or b. above.

Accidents under 2.a., b., or c. shall not be counted unless it can be clearly demonstrated that the applicant or other operator referred to therein was at fault. Accidents occurring under the following circumstances would tend to demonstrate that such applicant or operator was not at fault:

- a. Automobile was lawfully parked (an automobile rolling from a parked position shall not be considered as lawfully parked, but shall be considered as the operation of the last operator); or
- b. Applicant or other operator residing in the same household, was reimbursed by, or on behalf of, a person responsible for the accident or has judgement against such person; or
- c. Automobile for the applicant or other operator resident in the same household was struck in the rear by another vehicle, and the operator has not been convicted of a moving traffic violation in connection with an accident; or
- d. Operator of the other automobile involved in such accident was convicted of a moving traffic violation and the named insured or other operator resident in the same household was not convicted of a moving traffic violation in connection therewith; or
- e. Automobile operated by the applicant or other resident in the same household was damaged as a result of contact with a hit and run driver, if the accident was reported to proper authority within 24 hours; or
- f. Accidents involving contact with animals or fowl.
- g. Accidents involving physical damage, limited to and caused by flying gravel, missiles, or falling (included in 431:10C-407)

3. Motor vehicles owned by licensed drivers convicted within the 36 months immediately preceding the date of application, in any jurisdiction of any one or more of the offenses of, or the offenses cognate to:
- a. Heedless and careless driving,
- b. Driving while license suspended or revoked,
- c. Leaving the scene of an accident,
- d. Manslaughter, if resulting from the

operation or a motor vehicle, (included in 431:10C-407)

- e. Operating a vehicle under the influence of an intoxicant, as provided in Section 291E-61, (included in 431:10C-407)
- f. Driving under the influence of an intoxicating liquor, as provided in Section 291-4, or any drug, except marijuana, as provided in Section 291-7. (included in 431:10C-407)

4. Commercial uses, first class, defined as any commercial use engaged in the transport of passengers, for hire or gratuitously. (included in 431:10C-407)
5. Commercial uses, second class, defined as any commercial, business or institutional use other than the transport of passengers as described in 4 or the exclusive use of a vehicle for domestic- household-familial purposes. (included in 431:10C-407)
6. Motorcycles, motor scooters and vehicles with less than four wheels. (Not included in 431:10C-407; current language approved by the Commissioner)
7. Licensed drivers receiving public assistance benefits consisting of medical services or direct cash payments through the Department of Social Services and Housing, or benefits from the Supplemental Security Income Program under the Social Security Administration. (Not included in 431:10C-407; current language approved by the Commissioner)
8. Licensed physically handicapped drivers, including drivers with any auditory limitation. (included in 431:10C-407(E)(2)(B))
9. All other motor vehicles, not classified under subparagraphs 1 through 8 or section 431:10C-407, HRS, owned by licensed drivers who are unable to obtain motor vehicle insurance policies and optional additional insurance through ordinary methods. (included in §16-23-72)

F. SERVICING CARRIERS (included in §16-23-71)

JUP coverage and direct insurance operations will be performed on behalf of JUP members by selected insurers to be appointed by the Commissioner as servicing carriers.

Appointment of servicing carriers will be based on a consideration of the following criteria:

1. The member insurer should be a licensed motor vehicle insurer currently operating in each county in Hawaii. A

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carrier must demonstrate the capability to process and maintain a high level of service for all risks submitted through agents.

2. Servicing carriers should have the necessary facilities to provide JUP policyholders and assigned claims a high level of service.

3. If a servicing carrier normally services its Hawaii voluntary market from a policy service facility not physically located in Hawaii, it is acceptable to service its JUP business from the same policy service facility provided that the same level of service is maintained. **(not included in §16-23-71; current language approved by the Commissioner)**

4. Servicing carriers should be able to service both private passenger and commercial lines unless otherwise approved by the Commissioner and have the ability to process fluctuating work volumes and maintain quality of service through peak periods.

5. Insurers claim capabilities must include

a. an adequately decentralized adjusting staff;

b. a claim examining staff resident in Hawaii; and

c. local authority to settle claims up to the statutory basic motor vehicle limits provided for by law.

6. Insurers must have the capability to produce accounting and statistical reports as required.

#### G. SERVICE STANDARDS—SERVICING CARRIERS

On an ongoing basis, servicing carriers must

1. accomplish confirmation of rating criteria such as an applicant's or policyholders' driving record in accordance with the servicing carrier's voluntary market operating procedures; **(included in §16-23-77)**

2. accomplish confirmation of rating criteria such as an applicant's or policyholders' driving record in accordance with the servicing carrier's voluntary market operating procedures; **(included in §16-23-77)**

3. issue insurance policies and endorsements within 15 working days; **(included in §16-23-77)**

4. effectively and efficiently perform all necessary accounting and statistical procedures as outlined by the JUP Manual; **(included in §16-23-77)**

5. collect the necessary data to disburse commission payments to agents and the

ability to store these data and report same to Internal Revenue Service annually. **(included in §16-23-77)**

#### H. ALLOWANCES TO SERVICING CARRIERS

Servicing carriers shall be reimbursed for servicing expense on the basis of **(included §16-23-78)**

1. Non-CPAI **(included §16-23-78)**

a. 10% of written premium for operating costs, excluding claim expense; plus

b. 12%\* of earned premium for the reporting period for loss adjustment expenses, both allocated and unallocated, for liability coverages, including bodily injury, property damage, personal injury protection, medical payments coverage, and uninsured motorists coverage; and

c. 10%\* of earned premium for the reporting period for physical damage coverages.

2. CPAI **(included in §16-23-78)**

a. 6% of written premiums for operating costs, excluding claims expense; plus

b. 12%\* of earned premium for the reporting period for loss adjustment expenses, both allocated and unallocated, for liability coverages.

3. These percentages are predicted on 70% pure loss ratio. Increases or decreases in the annual loss ratio will require adjusted reimbursements at the rate of .5% for each change of five full percentage points in the loss ratio. Loss ratio will be computed on an earned/incurred basis. **(included in HJUP A&S Manual)**

Methods of application and interim adjustment of these expense allowances will be outlined specifically in the accounting and statistical section of the JUP Manual.

The Commissioner may authorize reimbursement to servicing carriers for abnormal insurance business losses incurred in connection with JUP business. Such abnormal business losses may be defined and designated by the Commissioner but shall not include any loss or expense incurred as a result of fraud or dishonesty on the part of a servicing carrier's claims personnel (including but not limited to independent adjusters and agents), and each servicing carrier shall hold the JUP harmless from, and reimburse it for, any such loss or expense charged to the JUP as a result of fraud or dishonesty. **(not included §16-23-78 or the A&S Manual; current language approved by the Commissioner)**

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**I. CONSUMER SELECTION OF  
SERVICING CARRIER**

Consumers, who are eligible for the JUP coverage, will have an option of selecting the servicing carrier through a solicitor of a general agent representing the particular servicing carrier(s). (included in §16-23-74)

Agents who represent servicing carriers in the voluntary market shall use those same servicing carriers in placing JUP applicants. (included in §16-23-74)

Agents who do not represent servicing carriers in the voluntary market may use any servicing carrier for placement of JUP applicants. (included in §16-23-74)

All general agents licensed to write motor vehicle insurance shall automatically be licensed and authorized to bind motor vehicle insurance on behalf of the JUP. Agents must be familiar with and properly process JUP applications and assigned claims according to the JUP rules of practice and maintain a high level of policy and claim service. (included in §16-23-74)

**J. COMMISSIONS**

The rate of commission payable by servicing carrier for business written pursuant to the JUP shall be as follows: (included in §16-23-79)

1. For private passenger nonfleet motor vehicle insurance, including motorcycles, a commission of 8% of the written premium up to maximum amount of \$75 per vehicle for all new business and 5% of the written premium up to a maximum amount of \$35 per vehicle for all renewals. (included in §16-23-79)
2. For commercial and all other vehicles, 5% of written premium for all new business and renewals. (included in §16-23-79)
3. No commission shall be paid for CPAI business. (included in §16-23-79)

All risks transferred from one servicing carrier to another under the JUP or reinstated policies are to be considered renewal business. (included in §16-23-79)

In the event that a producer fails to include his TIN with an application, and that information is not available in the servicing carrier's records, the producer's commission is to be withheld in its entirety until the applicable TIN is provided to the servicing carrier. Under these circumstances, the producer is to be notified promptly that this procedure is being implemented and that payment of the affected commission will be accomplished under the next commission payment cycle following the receipt of this information. (Not included in §16-23-79; current language approved by the Commissioner)

**K. INSURANCE POLICIES**

Motor vehicle insurance policies and binders issued to eligible JUP applicants shall be issued in the name of a servicing carrier on behalf of the JUP and appropriate language, as approved by the Commissioner, shall be used to reflect the liability thereunder of the JUP. Such policies shall be standard policies as prescribed by the Commissioner.

**L. MEETINGS OF JUP MEMBERS**

Special meetings of JUP members may be called by the Commissioner at any time upon reasonable notice to JUP members.

**M. BOARD OF GOVERNORS (revised per  
HB2320 and SB2876)**

A Board of Governors, hereinafter referred to as the Board, shall be established by the Commissioner for the purpose of providing to provide expertise and consultation on all matters pertaining to the operation of the bureau and the JUP. The Board shall be composed of Hawaii residents and consist of two persons from, and members or representatives of, each of the following associations, groups or organizations, appointed by the Commissioner for terms of two years each.

1. Two members of, and nominated by, the American Insurance Association
  2. Two members of, and nominated by, the Alliance of American Insurers
  3. Two members of, and nominated by, the National Association of Independent Insurers
  4. Two members, not affiliated with the foregoing organizations nominated by such nonaffiliated insurers
  5. Two members, each a self-insurer under the Motor Vehicle Insurance Law, and nominated by all certified self-insurers in the state
  6. Two members each, to be selected by the Commissioner or nominated by each of the classification provided for in Section 431:10C-407(b) of the Hawaii No-Fault Law
1. Six persons from, and members or representatives of, nationally organized insurers or their domestic insurer affiliates, and

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**2. One person to represent insurance producers.**

The Commissioner shall provide, after consultation with the Board, funds in the budget of the JUP sufficient to reimburse each member of the Board for the actual costs of transportation, overnight housing, food and other incidental costs of attending to the business and meetings of the Board. Otherwise, the members shall serve without compensation.

The Board shall elect its chairman and vice chairman annually. The first meeting of the Board shall be convened by the Commissioner within 60 days after June 6, 1974. Thereafter, the Board shall meet at its discretion, but not less frequently than quarterly.

**N. MEMBERSHIP—TERMINATION**

A member may terminate membership in the JUP upon ceasing to write Motor Vehicle Insurance within the state. With respect to all policies in effect on the effective date of a member's termination, the liability of the terminating member shall cease on the anniversary date of each such policy during the succeeding year. Termination of membership shall not discharge or otherwise affect liabilities incurred prior to the expiration of such policies and the member shall continue to pay assessments until its proportionate share established by its writings prior to discontinuance of business has been determined. However, if the motor vehicle liability, **no-fault personal injury protection**, or physical damage business of an insurer discontinuing the writing of motor vehicle liability, **no-fault personal injury protection**, or physical damage insurance in this state has been purchased by, transferred to, or reinsured by another insurer, the latter shall pay the assessments of the former until the proportionate share of the former as established by its writings prior to such transfer has been paid. **(included in §16-23-86)**

In the event that an insurer is merged with another insurer or there is a consolidation of insurers, the continuing insurer shall pay the assessments of the insurer merged and consolidated. Groups of insurers under the same ownership and management must be treated as a single insurer under these provisions. Groups of insurers under either the same ownership or management, but not both, may elect to be treated separately. **(included in**

**§16-23-86)**

**O. JOINT LIABILITY FOR JUP BUSINESS**

In the event of the failure of any member, through insolvency or otherwise, to pay promptly its portion of any loss or expense, after the JUP shall have made written demand upon it to pay such loss or expense, the Commissioner shall take appropriate action. If the loss or expense remains unpaid beyond a reasonable period, all of the other JUP members, upon notification by the Commissioner, shall promptly pay their respective pro rata shares, based upon the predetermined participation ratios. Members which **shall** have made contributions shall have the right to recovery thereafter against the member in default, provided however, the Commissioner may enter into agreement with any such member in default, or with the legal representative thereof, upon an amount which shall constitute a full settlement of all of the obligations of said member to the remaining members. **(included in § 16-23-87)**

**P. INDEMNIFICATION**

The State of Hawaii, or any officer or his designated agent or any employee of the state, made a party to any action, suit, or proceeding because of any action taken or failure of action by the state or such person in connection with the administration or operation of the JUP (Joint Underwriting Plan) shall be indemnified by the participating members against all costs (including the amount of judgements, settlements, fines, and penalties) and expenses incurred in connection with such action, suit or proceeding; provided, however, such indemnification shall not be provided (except to the state of Hawaii) on any matter in which the person shall be finally adjudged in any such action, suit, or proceeding to have committed a breach of duty involving gross negligence [bad faith, dishonesty], willful misfeasance, or reckless disregard of the responsibilities of his office or position. In the event of settlement of a matter before final adjudication, indemnification shall be provided only if the state of Hawaii is advised by independent counsel that the person to be indemnified did not, in counsel's opinion, commit such a breach of duty. The costs and expenses of such indemnification shall be prorated and paid for by the members, each contributing in accordance with the JUP formula or allocation of other costs and expenses.

**Q. AUDITING OF MEMBERS**

The Commissioner may audit the records of any member relating to the JUP and may establish what policies, records, books of account, documents, and related material it deems necessary to carry out its functions. Such material shall be provided by the members in the form and with the frequency reasonably required by the JUP. **(included in §16-23-88)**

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**R. APPEAL**

The Commissioners may provide an appropriate appeal process for members, servicing carriers, and agents.

**S. EFFECT**

The Plan will take effect September 1, 1974.  
The JUP may provide a method for an orderly transition during the first year of operation.

## **HJUP Shared System Expansion Analysis**

### **Introduction**

The HJUP Board has been informed by their existing Servicing Carriers that legacy systems used to support HJUP policy administration and claims handling functions will be eliminated in a few years. The Board indicated that an analysis of the ICE software is necessary to determine if the HJUP should continue to invest in this software (to add functionality) or consider other alternatives.

The objective of this first phase will be determining if the Blue Tropics software (claims, billing and statistical reporting functionality) will meet the HJUP requirements. Another objective of this engagement will be to determine to what degree it will need to be modified to meet the unique HJUP requirements (shared system and attractive to new servicing carriers). This includes cost and time to implement. To assist in accomplishing this objective, AIPSO will facilitate the review of and establishing agreement on common servicing carrier operating practices for billing, claims, and stat reporting (or identifying critical differences).

AIPSO is assisting the Michigan Automobile Insurance Placement Facility with a similar project and will attempt to identify common requirements and any resulting economies of scale that may apply to any selected solution by either JUA. Certainly, our role as a facilitator /project manager for each entity will provide us with a unique opportunity to identify opportunities for system and expense sharing if at all possible.

The HJUP Board has requested that AIPSO, the current HJUP Systems Administrator, assist with this effort as the project manager. A stage gate approach will be used for each subsequent phase of the program which will require prior Board approval of written documentation outlining the objectives and deliverables of each new phase.

### **HJUP Project Overview – first phase**

#### **Deliverables:**

- 1.) Produce a set of high-level requirements for the necessary functionality of a shared billing, claims, and statistical reporting system. This includes a summary of the shared system concept and how it will require changes within the Servicing Carrier's operations for the new functionality provided by the Blue Tropics solution.
- 2.) Evaluate the Blue Tropics software for its ability to meet the shared system requirements for billing, claims handling, statistical reporting and other necessary HJUP functions developed by the Team.
  - a. Define the ICE operating system, software dependencies and development language, company access requirements and cyber security related components of the HJUP system.

- b. Identify any additional modifications to the Blue Tropics software that may be necessary and their cost considerations.
  - c. Evaluate if automated data submissions to AIPSO by each servicing carrier may be integrated into the software solution.
- 3.) Summarize the results of all the research for HJUP Board consideration.

**Approach:**

- 1.) Develop a Team of Servicing Carriers that includes adequate decision makers in each company to develop agreement on a common approach to HJUP business processing. Any individual company requirements may result in individual company system modifications. AIPSO will conduct regularly scheduled meetings to engage carriers in the definition of the requirements. The Team will have to establish how it intends for the interaction to occur between Servicing Carrier Staff and the new software solution.
  - 2.) Obtain the documentation of the ICE and Blue Tropics software capabilities and help interpret that information for the HJUP and its servicing carriers. Conduct specific detailed demos for the Team of the Blue Tropics solution to cover specific predefined functionality for Claims, billing, & statistical reporting – (possible inclusion of AIPSO reporting)
  - 3.) Document the system or software changes that may be required to address expansion of the ICE/Blue Tropics software's use for the HJUP and its approximate cost.
  - 4.) Provide an analysis of the programming language, software configuration, and other factors that would influence the life expectancy of the ICE product. Operating system requirements, cyber security concerns, company software hosting and remote software access will be reviewed to determine current and future servicing carrier acceptance of the software should be part of the documentation. Perhaps utilize a consultant in the evaluation of the useful life of the ICE software and Blue Tropics software being proposed if there are GAPS in the AIPSO staff abilities to perform same.
  - 5.) Engage the Insurance Division throughout the process to ensure they are aware of the findings and the Executive Summary before it is presented to the HJUP Board.
  - 6.) Assist the HJUP Board with its review of the results of our analysis and perform additional analysis if necessary.
-

**Proposed Team** The following are the individuals will perform the services outlined in Phase I of this engagement. A consultant may be necessary to assist in the determination of the ICE software's long-term viability for the HJUP.

<b>Person</b>	<b>Role</b>
N. Benkovich	Project Manager, Facilitator
T. Assad	SME – HJUP Board
L. Paquin	SME – Policy Management systems and HJUP Req.
TBD	Servicing Carrier Rep.
TBD	Servicing Carrier Rep.
TBD	Servicing Carrier Rep.
Connie Testa	Business Analyst and SME – Policy Management Systems

**Assumptions:**

Processing of CPAI is within scope.

Servicing Carriers will provide personnel that will be made available for the duration of this engagement.

The HJUP Manager – Jerry Bump will participate periodically in Team meetings to address any overriding concerns and to move the process along.

**Constraints:**

AIPSO will attempt to utilize internal staff to provide an analysis of the long term viability of the current ICE\Blue Tropics software but a consultant may be necessary if the proper credentials cannot be identified at AIPSO.

**PHASE 2**

AIPSO may be asked to provide a proposal on the costs associated with Phase 2 and perhaps high level costs associated with a different approach to the shared system concept for the Board and Commissioner to considered as alternatives.

**AIPSO's  
Estimated  
Expense**

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AIPSO is providing a price estimate based upon a number of assumptions:

**AIPSO Projected Expense:**

<b>Consultant</b>	<b>Unknown at this time</b>
<b>Staff member's time:</b>	<b>61 hours @ \$123 = \$7,503</b>
<b>Travel Expenses:</b>	<b>Not anticipated at this time</b>
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<b>TOTAL</b>	<b>AIPSO Expense \$7,503</b>

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