HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Minutes of the Board of Trustees
Thursday, February 28, 2002

TRUSTEES PRESENT:  Mr. Sam Callejo, Chairperson
Ms. Audrey Hidano, Vice-Chairperson
Ms. Joan Lewis
Ms. Kathryn S. Matayoshi
Mr. Neal Miyahira
Mr. Will Miyake
Mr. Jimmy Yasuda
Mr. Davis Yogi

TRUSTEES ABSENT:  Mr. Jim Williams, Secretary-Treasurer
Mr. Chip Uwaine

ATTORNEY:  Mr. Brian Aburano, Deputy Attorney General

HEUHBTF STAFF:  Mr. Tracy Ban
Ms. Lynette Fukunaga
Ms. Shirley Kawamoto
Ms. Wanda Kimura
Ms. Karen Tom

OTHERS PRESENT:  Ms. Jean Aoki, HSRTA
Ms. Lynette Arakawa, HDS
Mr. George Butterfield, HSTA-Retired
Ms. Nani Crowell, HSTA
Ms. Alana Deppe-Mariota, Kaiser
Ms. Monica Engle, VSP
Mr. Melvin Higa, MBAH
Mr. Charles Khim
Mr. Gordon Murakami, Royal State
Mr. George Yamamoto, HGEA-Retirees

A. CALL TO ORDER
The regular meeting of the Board of Trustees was called to order at 9:35 a.m. by Mr. Sam Callejo, Chairperson, in Conference Room 303/304, No. 1 Capitol District Building, 250 South Hotel Street, Honolulu, Hawaii, on Thursday, February 28, 2002.

MOTION to nominate Mr. Miyake as Secretary-Treasurer pro tem was made by Ms. Lewis and seconded by Mr. Yogi. There was no discussion.

MOTION to close nominations was made by Ms. Matayoshi and seconded by Ms. Hidano. There was no discussion. The motion was passed unanimously. (Employer trustees 5/Employee-Beneficiary trustees 3)

B. PRESENTATION BY INSURANCE BROKERS (Agenda Item V.A.)
Ms. Matayoshi announced that there were to be presentations by the two insurance brokers that provided proposals in response to the Board’s solicitation. She indicated that an executive session will be placed on the agenda for the March 12, 2002 meeting to discuss liability and legal aspects relating to the insurance policies.

A presentation on the proposal from Aon was made by Mr. William Sandkuhler and Aon’s Hawaii staff. Aon’s proposal was for insurance that is on a primary basis and stands alone from the State’s insurance program.

In response to questions, Mr. Sandkuhler explained that the proposed fiduciary liability policy is a duty to defend policy. The attorneys used for litigation would be those listed on the insurer’s pre-approved panel of attorneys. If agreed to by the insurer, the Attorney General’s Office may be included in the panel. In response to a question from Mr. Aburano concerning one of the provisions of the fiduciary liability policy, Mr. Sandkuhler will confirm if it will be required that the Board request indemnity from the State prior to the insurer being obligated to pay a claim; he will obtain an answer in writing and submit it to Chair Callejo.

Mr. Sandkuhler’s recommendation for coverage was to obtain premium quotes for $250,000 - $500,000 retention amounts and cost for $5 million, $10 million, and $30 million insurance limits.

In response to a question on liability of the Board for past acts by the Health Fund, Mr. Sandkuhler commented that for a newly formed entity prior acts are not normally covered, however, if the entity wishes to include a prior act, it may be possible to negotiate inclusion of the act with the carrier.

The trustees were advised that any further questions for Aon should be submitted to the Chair by the close of business on March 1, 2002.

RECESS AT 10:30 a.m.; reconvened at 10:35 a.m.

A presentation on the proposal from Marsh, an MMC Company, was made by Mr. Mike Grossi and Ms. Stephanie Tsubata. Marsh’s proposal was for an insurance program that is coordinated with the State’s insurance program.

In response to a question regarding the Board’s liability for actions taken by the Health Fund, Ms. Tsubata commented that the proposed policies exclude any known, prior, or pending litigation. An unknown prior occurrence that results in a claim during the policy period could possibly be covered depending upon the allegations and circumstances. Should the Board know of any occurrence that may turn into a claim, the Board could submit the circumstances in writing to the insurer within the policy period so that the claim may be covered depending upon the allegations and circumstances.

In response to a question regarding the Board’s liability for decisions it is currently making that may impact its future assets, Ms. Tsubata indicated that the policies are “claims-made” policies.
which means that they cover a claim that occurs within the policy period and reported within the
claims reporting period.

In response to Mr. Aburano’s question relating to the policy’s coverage of defense for excluded
non-monetary claims, she indicated that the policy has a duty to defend provision that would
cover defense of such claims. The carrier has its pre-approved panel of attorneys from which to
select but it is possible to request the addition of local attorneys and the Attorney General to the
carrier’s approved panel.

The trustees were advised that any further questions for Marsh should be submitted to the Chair
by the close of business on March 1, 2002.

C. FUTURE AGENDA ITEMS AND NEXT MEETING DATE
Tuesday. March 5, 2002, 9 a.m. at the same location.

D. ADJOURNMENT
MOTION to adjourn the meeting was made by Ms. Matayoshi and seconded by Mr. Miyake.
There were no objections; the motion as unanimously passed. (Employer trustees 5/Employee-
beneficiary trustees 3).

The meeting was adjourned at 11:25 a.m.

Respectfully submitted,

Will Miyake, Secretary-Treasurer pro tem

APPROVED on March 12, 2002.

Documents Distributed:
1. Minutes for January 24, 2002. (7 pages)
2. Aon presentation. (4 pages)
3. Marsh presentation. (12 pages)