EXECUTIVE CHAMBERS

HONOLULU

NEIL ABERCROMBIE
GOVERNOR

December 6, 2013

The Honorable Donna Mercado Kim,
President
and Members of the Senate
Twenty-Seventh State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki, Speaker
and Members of the House of
Representatives
Twenty-Seventh State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the State of Hawaii Department of Accounting and General Services Comptroller's Report on the Study of the Risk Management Program, December 2013, pursuant to Act 134, Session Laws of Hawaii 2013, section 116. In accordance with section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at: http://ags.hawaii.gov/reports/legislative-reports.

Sincerely,

Neil Abercrombie

NEIL ABERCROMBIE
Governor, State of Hawaii

Enclosures

STATE OF HAWAII

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

COMPTROLLER’S REPORT ON THE STUDY OF THE RISK MANAGEMENT PROGRAM

DECEMBER 2013

SUBMITTED TO

THE TWENTY-SEVENTH STATE LEGISLATURE

IN RESPONSE TO ACT 134, SLH 2013, SECTION 116

STATE OF HAWAII

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

COMPTROLLER'S REPORT ON THE STUDY OF THE STATE RISK MANAGEMENT PROGRAM

DECEMBER 2013

Background

Act 134, Section 116, SLH 2013 (the proviso) requires the Comptroller to conduct a study on the State Risk Management program (the Program) and submit it before January 1, 2014 to the Legislature. This report addresses the six (6) areas that are identified in the proviso and includes an attachment (Exhibit 1) prepared by the State's insurance broker, Aon Risk Services, Inc. of Hawaii (Aon) which provides detailed information supporting the findings in each of the areas studied. Analysis and projections for the State Risk Management Revolving Fund (the Fund) is also included (Exhibit 2).

The format of this report will be as follows:

1. Each proviso requirement is presented in bold
2. The study findings will follow the proviso requirement with references to the Aon Risk Services data where appropriate.

Proviso #1

A description of the best practices of risk management applicable to the State, identification of the State's present deficiencies in relation to the best practices, and estimation of the costs and benefits of implementing the best practices:

The attached report from Aon compares Hawaii against four other states, Utah, Nevada, Washington and Oregon (Exhibit 1, Section 1). These states were chosen for benchmarking for two reasons.

1. Aon has data on their risk management programs
2. Employee counts for Washington and Oregon are comparable to Hawaii. For Nevada and Utah, Hawaii has approximately double the number of

employees and the difference is attributable to the Hawaii employees in the Department of Education and the Hawaii Health Systems Corporation (HHSC). Without those two agencies, the executive branch employees would be comparable to those two states.

For purposes of this report we view the "Functions and Responsibilities" presented in the Aon report as "Best Practices". The Aon report also provides a staffing comparison between the four states and Hawaii. This staffing study is used to supplement the best practices analysis.

The Best Practices identified and evaluated are as follows;

1) Purchase of Liability Insurance
2) Purchase of Property Insurance
3) Contract for specialized services (i.e. actuarial services to project losses and risk exposures, safety services including driver training, etc.)
4) Settle liability claims
5) Establish claims settlement authority
6) Establish a risk management fund
7) Establish what types of claims will be paid from the risk management fund
8) Establish a cost allocation method
9) Develop and implement a risk management and loss prevention (safety) program

Worker's compensation is not included on the listing of best practices as it is excluded from the Comptrollers authority in HRS 41D-2(3).

The State of Hawaii's Risk Management Office currently;

1) Purchases Property, Liability and Crime (wrongful acts by employees) insurance policies.
2) Utilizes its insurance broker to obtain supplemental services such as actuarial, claims advocacy against insurance companies, safety training and other risk management related services.

3) Has authorized staff of four. There are three claims adjusters to handle Property, Liability (including Auto) and Crime claims and a Risk Management Officer who oversees the office, policy renewals, large claims, contract compliance and all administrative duties.

4) HRS 41D provides for claims settlement authority for liability (tort) claims up to $10,000 and for auto claims up to $15,000.

5) Manages the Risk Management Revolving Fund (the Fund) which has revenue from a general fund appropriation and non general fund billings and disburses payments for insurance premiums, self insured (deductible portions of) claims, and administrative costs (including salaries).

6) Utilizes a cost allocation method that allocates and bills the (non general fund programs) department's share of the total projected Risk Management program costs. This method is also the basis of the general fund appropriation. The projected program costs include the payment of all insurance premiums, cost of all self insured claim payments and administrative costs. In summary, it includes all costs to operate the Program.

7) Recently utilized a driver training program as a loss prevention measure.

Present Deficiencies in Best Practices;

Our evaluation and Aon's (Exhibit 1, Section 1, page 4) of Hawaii's program relative to the four other states reveals several best practices that are either nonexistent or inadequate. The deficiencies are as follows:

1) Claims settlement authority below that of peers

2) Absence of a loss prevention program

3) Understaffing of the Risk Management Office, specifically in the risk management, loss prevention and risk financing responsibilities

A discussion on each deficiency follows:

1) Claim settlement authority: HRS 41D, authorizes the Risk Management Office to settle tort claims up to $10,000 and auto claims up to $15,000. The Aon report shows peer states (Exhibit 1, Section 1, page 2) have settlement authority ranging from $25,000 to no limit.

2) Loss prevention: The peer states utilize loss prevention programs to address losses and loss exposures. The State of Hawaii has no dedicated section or staff for this responsibility. The objective of loss control services is to curtail negligent acts of government operations before it occurs or eliminate or minimize claims being filed or paid by the state. An example of a loss prevention program is a state employee training class on automobile driving strategies to mitigate the amount and severity of auto accidents. Another example is property inspections to identify hazards and mitigate any exposure(s) to OSHA or HIOSH citations or hazards such as fires or chemical spills.

3) Staffing: The authorized staffing of the Program of four (4) employees is significantly lower than the peer states which range between 11 and 21 of employees (excluding employees performing worker's compensation responsibilities). The Risk Management Officer's responsibilities are split approximately 75% to administering general risk management tasks and 25% to risk financing tasks (renewing insurance policies and administration of the allocation model including billing and collecting appropriate amounts for the Fund). Refer to the "Risk Management Staffing" chart section of Exhibit 1, section 1, page 3 for details.

   Specifically, the staffing deficiencies are in:

   1) Claims adjustment (Hawaii 3 staff, peer range between 4 to 11 staff)

   2) Risk Management (Hawaii .75 staff, peer range between 2 to 8 staff)

   3) Loss Prevention or Safety (Hawaii 0, peer range between 1 to 11 staff)

   4) Risk Finance (Hawaii .25 staff, peer range between 1 and 3 staff)

   The impacts of these staff deficiencies are as follows:

   1) Claims adjustment: No impact as current staffing is sufficient to process claims within time standards established in performance measures

2) Risk Management: currently, the Risk Management Officer administers and manages all risk management responsibilities. Risk Management responsibilities include:

   a. Generate, analyze and distribute claims reports

   b. Managing the claims operation including supervision of three claims adjusters

   c. Answer all departmental questions on insurance requirements for procurement solicitations, proposals and contracts

   d. Conduct "Insurance Requirements for Contracts" webinars for the State Procurement Office (to meet delegation training requirements)

   e. Maintain a list of current departmental risk management coordinators and provide training materials and communication network so that they are able to address general department risk management requirements

   f. Manage issuance of Statements of Self Insurance

   g. Review all requests for indemnification of liability to use of county facilities and provide a recommendation to the Comptroller on the need for additional insurance to address the indemnification

   The understaffing of the Risk Management office leaves the Risk Management Officer with limited time to address the Risk Financing area and initiate new programs. It is more important for the Risk Management Officer to concentrate more time on the financing activities and new initiatives than to spend time resolving general risk management issues as the financing activities include the management of the Fund.

3) Loss Prevention: without a formal program, there is no dedicated effort to mitigate negligent acts and minimize claims paid as a result of these incidents.

4) Risk Financing: Risk financing responsibilities include:

   a. The renewal of insurance policies which includes updating the underwriting data such as vehicle counts and property (buildings and contents) assets from each department

   b. The administration of the cost allocation model which includes incorporating the underwriting data into the cost allocation model and providing the departmental billing

   c. Billing and collections of the cost allocation amounts

   d. Prepares budget reports for general fund appropriations based on the cost allocation model (all costs for general funded programs)

   e. Oversee the fiscal operation and budgeting of the Program

   These responsibilities are currently being done by the Risk Management Officer. These Risk Financing and Risk Management Responsibilities consume and overload the Risk Management Officer. The staffing charts clearly show the staffing by peer states and the deficiencies Hawaii has with only a single employee, the Risk Management Officer handling these responsibilities. It is important for the Risk Management Officer to effectively manage the Fund which has revenues of $15 million and expenditures of that amount or more.

<u>Estimation of costs and benefits to implementing deficient best practices:</u>

The following are the mitigation steps recommended to address the three deficiencies previously noted.

1. Increasing the claims settlement authority limit to similar limits up to $50,000 will not be advantageous to the State of Hawaii. Based on a review of the last five (5) ATG1 bills submitted to the Legislature, an increase of the risk management claims settlement authority to $50,000 will only add an average of 10 claims per year and an average aggregate value of $264,000 or 2% of the total ATG1 request. Therefore, the impact and benefit on the

Attorney General's staffing will be minimal, if any. No change in claim settlement authority is recommended.

2. The establishment of a formal loss control program will have a direct financial benefit by reducing the number of accidents occurring and claims filed and paid. However, the calculation of an accurate direct financial benefit on unknown future accidents would not be feasible or accurate. Therefore, we recommend a formal loss control program be established with those responsibilities rolled in with a full time position that will also handle risk management responsibilities. The estimated cost will be addressed in item 3 as it relates to the staffing cost and benefits.

3. It is recommended that the staffing deficiencies previously noted be addressed by the addition of one full time position that will be responsible for the loss control program and risk management duties being handled by the Risk Management Officer. This one (1) staff position will be at a SR-24 level with an annual salary of approximately $73,000, including fringe benefits (of $22,000), and $5,000 initial equipment costs. The benefits for this cost will be the establishment of a loss prevention program, increased focus and service on general risk management services including providing advice on contractual requirements for procurement solicitations and contracts and allowing the Risk Management Officer with more time to focus on Risk Financing responsibilities and new initiatives.

Proviso #2

The identification of the optimum level of funding for the risk management program that is affordable to the State, itemized by insurance premiums costs, self insurance losses, risk retention reserves, loss prevention costs, loss adjustment costs, administrative costs and other relevant costs:

The discussion on the optimal level of funding should start with the understanding that there are two types of funding being addressed in this section. The two types of funding are as follows.

1. Annual funding to the risk management program: Comprised of the legislative general fund appropriation (for general funds programs) and non-general fund revenue (collected from non general fund agencies for their share of the Program's cost)
2. The balance of cash in the Fund

Optimal Level of Annual Funding:

The optimal annual funding level is to have annual revenues equal to the annual expenditures if the cash balance in the Fund is at the optimal level. Revenue for the revolving fund includes the general fund appropriation from the legislature and non-general fund revenue (based on billings from cost allocation process). The expenditures include the cost of insurance policies, claim payments for property, tort, auto and crime losses, and administrative costs. Assuming that the current level of insurance coverage is adequate, the five year average expenditure level is $16,229,000 (See Exhibit 2). Therefore, the optimal level of annual funding should at least be $16.3 million. The forecasted revenue for FY 15 will be $14,746,000 which is short by $1.5 million.

Optimal Level of Cash in the Fund:

The optimal level of cash in the Fund is the amount required to cover expenses as a result of a significant disaster or loss event in excess of normal loss annual costs (insurance premiums, normal claims payment levels and overhead costs).

To calculate this excess loss amount, Aon prepared three loss scenarios and its effect on the Fund which is detailed in Exhibit 1, Section 2. Each scenario is based on recent historical losses (10 years) which includes the 2004 University of Hawaii Flood (total value of $81.6 million) and the 2006 earthquake (total value of $15.6 million). These are actual losses do not reflect losses such as a category five (5) hurricane (named windstorm).

The three scenarios are described as follows:

1. Receive FEMA and State (Legislative) support --- The Fund does not respond (pay) for named storm, flood or earthquake losses
2. Receive only partial FEMA support --- The Fund responds to only 25% of named storm, flood or earthquake losses
3. Receive no support at all --- The Fund responds to 100% of named storm, flood or earthquake losses

As it is unknown what the level of FEMA support will be, the Optimal Cash was defined as the mid point of the excess costs between scenarios #1 and #3 because that assumption represents the best and worst case for the Fund. The 90% confidence level data is used as it is the most accurate estimate. The following schedule below will explain how the optimum cash for the Fund is calculated:

Step 1; address increased revenue for FY14 from study year (FY13);

Revenue Adjustment:

FY 14 projected revenue	$13.6 million
FY 13 revenue (used in Aon analysis)	<$12.2 million>
Net increase in projected revenue	$1.4 million

Step 2, calculation of optimal level of Cash in the Fund:

	Scenario #1	Scenario #3
Projected net annual cash deficit (90% confidence level)*	<$6.0 million>	<$21.4 million>
Net increase in projected revenue	$1.4 million	$ 1.4 million
Adjusted annual cash deficit	<$4.6 million>	<$20.0 million>

Optimal Level of Cash in the Fund **$12.3 million**

* Please refer to Exhibit 1, Section 2, page 9 to 14.

Itemization of Program Costs:

Please refer to Exhibit 2 as the schedule itemizes the insurance premium cost, loss prevention costs, loss adjustment costs, administrative and other relevant costs. A definition of each expense type follows:

1. Insurance premium costs: Is the premiums paid for each type of insurance coverage
2. Self Insurance losses: Is the claim payments made by the Program for Property (within the current $1 million deductible) claims, Liability and Auto (within the $4 million dollar self insured retention and below the $10,000 liability and $15,000 automobile claim authorization) and Crime (payments within the $500,000 deductible)
3. Loss Prevention costs: Expenses to conduct safety inspections or training
4. Loss adjustment costs: Payroll expenses for the risk management staff
5. Administrative and other relevant costs: Office expenses, Joint Underwriting fees, self insurance certificate fees

Loss retention reserves are listed separately (actual):

The Fund's Actual Risk Retention Reserves as of 6-30-13 are as follows:

	(In 000's)			
Risk retention reserves outstanding as of 6-30-13	FY10	FY11	FY12	FY13
Property	5	166	14	1,087
Liability	1	1	0	23
Auto	0	0	11	54
Crime	0	0	0	0

In addition, Exhibit 1, Section 2 includes these reserves (except for FY 13) in the actuarial estimated outstanding losses.

Conclusion:

1. The recommended optimal annual funding for the program would be the amount of the projected expenditures.
    - For FY 15, the optimum level should be $16.6 million (projected expenditures for FY 15, see Exhibit 2). Projected revenue is $14.7 million and the result is an estimated annual operating deficit of $1.9 million.
2. The recommendation for the optimum level of cash for the State Risk Management Revolving Fund is $12.3 million dollars. The balance in the Fund at June 30, 2013 was $18.1 million.
    - Although the balance of the Fund at June 30, 2013 is $5.8 million above the optimal Fund balance, the projected yearly deficits will reduce the Fund balance by $5.0 million to $13.1 million by June 30, 2015 (see Exhibit 2).
    - As previously explained in section 2 of this study, the optimal level was obtained by considering the mid point of the best and worst case (90% confidence) scenarios from Aon's annual sufficiency study. This study took into account all parameters such as loss projections and funding into the program for losses of a probable severity.
3. No changes to the annual funding levels are currently recommended, however, an analysis of the insurance markets, loss history and balance in the Fund should be done annually to address any change in the annual funding level.

Proviso #3

An evaluation of the various risks of the State and the effectiveness and appropriateness of the present amount of insurance, self insurance and loss retention for the risks:

Evaluation of the various risks:

1. Property Risk:
    a. The State of Hawaii owns a property portfolio of approximately $17.4 billion as of Jan. 30, 2013 and is the largest financial exposure for the State. Since 2004, the State has experienced floods, fire, tsunamis, earthquakes and a roof collapse. The largest tangible loss occurred in 2004 when the University of Hawaii - Manoa campus sustained over $80 million of flood damages and exhausted the property policy limits of $25 million for flood coverage. Payments made by insurance companies since 2004 are shown in Exhibit 1 section 3. Losses up to $1 million (property policy deductible) are paid from the Fund. Since 2008, the Fund has paid over $5 million in property losses. These losses are loses that were within the deductibles of the property policies. In comparison, insurance policies have paid over $42 million since 2004 to the State, which includes the $25 million payment from the 2004 flood in Manoa. Since 2012, there has been two large claims (The University lower campus fire and the Farrington High School roof collapse) that are estimated to be over $5.5 million in total damages.
2. Liability and Auto Risk:
    a. The liability (tort) and automobile exposures are also a risk to the state. The liability risks involve any acts of negligence or error and omissions while conducting state government operations that can involve multi million dollar fatality accidents on hiking trails to five dollar claims involving prison staff misplacing a prisoner's magazine. In addition, the state owns over 5,000 automobiles so there are also risks of automobile accidents which cause bodily injury and property damage. Both liability and automobile risks are self insured within the $4 million self insured retention (SIR) of the $15 million limit provided by the liability policy. Any loss above the $15 million limit ($19 million in total) will also be funded by the State. Claims that are

settled within the $4 million self insured retention are paid in two different ways. As stated in proviso #1, the Fund pays for liability (tort) and auto claims below $10,000 and $15,000 respectively. Liability and auto claims to be paid above the previously mentioned amounts to $4 million are subject to approval by the Legislature via the Attorney General's ATG1 bill. No single settlement (liability or auto) listed on the ATG1 bills for the past five (5) annual submittals exceeded the liability policy limit of $15 million. Since 2004, the Fund has paid over $2.1 million of liability claims and $3.1 million of auto claims. Payments made by insurance companies since 2004 totaling $37.7 million are shown in Exhibit 1, Section 3, and page 9.

3. Crime Risk:

    a. The Crime risk is the smallest exposure to the State of Hawaii (of the three discussed). This risk involves employees acting in a dishonest fashion such as altering procurement documents to obtain benefits from a vendor or forgery where a State check is stolen and forged for deposit by the employee. Since 2004, there have 31 claims filed with the Fund and approximately $354,000 paid in aggregate. The largest claim was $320,000 (employee theft at Waipahu High School) and the smallest claim was $10 (counterfeit bill used). The frequency of these claims are low and none of the claims have exceeded the $500,000 insurance policy deductible. Due to the volume of financial transactions that occur in state government, it is prudent to mitigate this type of exposure with an insurance policy.

<u>Effectiveness and Appropriateness of the present amounts of:</u>

1. Property:

    a. The current property insurance has catastrophic limits of $225 million per occurrence with 3% deductibles of each location value (building value) of each occurrence (hurricanes, flood and earthquakes) with a cost of $11,836,000 in fiscal year 2013. See Exhibit 1, Section 3 (Aon State of Hawaii Statewide Insurance Program Summary) for a reference guide of the property coverage.

    b. It is not economically feasible to fully insure the $17.4 billion property portfolio and to predict future losses. A Probable Maximum Loss (PML) study is done on a yearly basis to assist with the evaluation of appropriate amounts of property insurance the State of Hawaii should purchase. The study provides information about projected loss for catastrophic events such as a hurricane or earthquake. See Exhibit 1, Section 3 (Hawaii Earthquake and Costal Windstorm Analysis). In the most recent PML study, for a 100 year storm and earthquake, the projected losses are estimated at $203 million and $101 million respectively. It would be an industry standard to insure for a 100 year storm and, therefore, $225 million of property insurance is purchased.

c. When purchasing any type of insurance coverage and choosing appropriate amounts of deductibles or self insured retentions, the choice is often determined by the affordability of the premiums being charged for each value of a deductible or self insured retention. Insurance companies will base their premiums on the likelihood of a loss occurring, therefore, the lower the deductible the higher the premium (especially when insurance carriers have actual claims data to calculate the occurrence frequency). The Risk Management Program has determined, based on actual losses, any premiums for a lower deductible level below $1 million would not be feasible to purchase. In addition, the losses paid within the $1 million deductible can be funded by the Fund based on Aon's sufficiency report discussed in Proviso #2 and included in Exhibit 1, Section 2.

2. Liability and Auto

a. The current Liability insurance policy in place has a $4 million self insured retention (deductible) and provides coverage of $15 million (above the $4 million) with an annual cost of $1.3 million. Exhibit 1, Section 3, Page 6 has the current coverage details. The four (4) year average annual payment from the Risk Fund was $278,000 for liability claims and $388,000 for auto claims, or $655,000 in total. As with the property policy, a liability policy with a $4 million deductible reduces premiums verses one with a lower deductible. The $15 million coverage for the insurance for the liability policy is reasonable in light of three (3) large losses shown in Exhibit 1, Section 3, page 9 for a $15 million settlement in 2006, a settlement in 2005 for $5.7 million and a 1999 Sacred Falls incident settled for $10 million.

3. Crime

    a. The Crime insurance policy costs $116,000 and provides $10 million dollars in protection. Based on the value of the paid claims (10 year annual average of $35,000), frequency of claims filed (10 year average of 3 per year) the Crime policy is an appropriate coverage for the State's operations due to the amount of the coverage and pricing.

Effectiveness and Appropriateness of self insurance and loss retentions:

Loss retention or deductible is the part of a risk or loss that the State is obligated to pay. Due to the State's current insurance program structure, the loss retention of $1 million and $500,000 for the property and crime insurance policy is paid from the Fund. The liability claims (tort and auto) are paid by the Fund up to the statutory authorized amounts and settlements above the statutory limits are included with the Attorney General's litigation settlement bill.

The optimal funding amounts discussed in Proviso 2 provides for adequate coverage of deductible and loss retention amounts.

Conclusion

The various risks of the State involve perils that can damage our buildings such as weather related incidents, acts of negligence or errors and omissions from conducting operations as a State government, automobile accidents that may cause bodily injury or property damage and employee dishonesty actions that may have negative financial consequences.

The current amount of insurance coverages provide the State with protection from financial consequences as a result of the above risks at a cost affordable to the State. The amount of property insurance is justified by a Probable Maximum Loss study considering a 100 year storm. The general liability insurance limits are justified by being sufficient to cover all severe liability and auto losses as evidenced by the past five (5) annual Attorney General ATG bill requests. The crime policy limit is also justified by being sufficient to cover the severe losses incurred by the State.

The effectiveness and appropriateness of self insurance and loss retentions are also justified by the sufficiency reports mentioned in Proviso #2 whereby all losses incurred within these retentions can be adequately funded within the Program. In addition, the current levels of retentions are providing reasonable and affordable premium costs for the coverages in place.

Proviso #4

A review of the procurement of insurance policies, with the purpose of promoting the procurement from responsible insurers of insurance policies providing the best coverage at the least cost;

Procurement from responsible insurers:

The Risk Management Office utilizes Aon as its insurance broker to market insurance companies to provide policies that will protect the State for the lowest prices. Brokers, as opposed to agents who represent insurance carriers, will be advocates of an insured (State of Hawaii) and not an insurance company. For the protection and benefit of their clients, brokers will always obtain quotes from insurance companies that will have the least propensity to become insolvent. Aon was selected through a request for proposal and solicitation in 2009. Currently, Aon's selection as the State's insurance broker is on an annual basis subject to evaluation of their performance by the program and approval by the Comptroller. For background on Aon, please refer to the fact sheet at the end of this section. Significant information on Aon are as follows:

- Ranked #1 risk services broker and reinsurance intermediary
- Has 65,000 employees
- 500 global offices
- Operates in 120 countries
- Is traded on the NYSE (AON)
- Total revenues of $11.5 billion in 2012

Since appointing Aon as the State's insurance broker, their performance has met or exceeded the program's expectations.

As the State's broker, Aon will deal with very credible and financially secure insurance companies. A good characteristic of a responsible insurer is its financial strength and size. Aon recommends quotes from insurance companies with financial integrity when considering any coverage for the State of Hawaii. Aon utilizes A.M. Best (one of the most accepted rating systems in insurance industry) as a reference to choosing an insurance company to quote on a State policy. A.M. Best assigns each insurance company a designation for its financial strength. This ranking system uses an Alpha grading system ranging from A to F. The insurance companies having a rating of B+ (Good) to A++ (Superior) are placed in the "Secure" category. Any rating from B (Fair) to F (in liquidation) are placed in the “Vulnerable” category. Aon recommends using companies with rating no lower than A-. This market security criteria ensures that their clients are using well managed and financially sound insurance companies that will have the propensity to honor any obligations of its insurance policies to the State of Hawaii. Besides A.M Best, Aon also considers rating from other financial rating companies such as Standard and Poor’s (A-), Moody’s (A3) and Fitch’s (A-).

To enhance the usefulness of the financial strength rating, A.M. Best assigned each insurance company a Financial Size Category (FSC) designation which reflects the insurance company’s size based on their capital, surplus and conditional reserve funds (measured in the millions of U.S. dollars). The category of A-VIII is the rating that Aon recommends to their clients. The FSC A-VIII category indicates that an insurance company’s capital, surplus and conditional reserve funds are at least $100 million. This measurement provides a good indication that an insurer will have the ability to honor its obligations to an insured. The FSC ratings range from I to XV. Although it would be favorable to utilize only insurance companies that have a financial size of XV; the market would be limited to only a handful of companies driving up prices. The VIII level has been reputed to be low enough in the range to provide a sufficient amount of insurance companies to choose from and still have the financial strength to provide payment to their claim obligations. This type of standard ensures all carriers that participate in the State of Hawaii insurance program are responsible insurers.

Best Coverage at Least Cost:

Besides using financially responsible insurers, the Risk Management Office relies on its broker for its marketing and purchasing leverage to negotiate the best (lowest) rates and coverages. Aon’s size allows it to work closely with insurance companies (domestic and foreign) to obtain the best rates and the broadest coverages. In addition, Aon is versed on marketing credible and detailed underwriting data to insurance companies, possess the ability to properly communicate the risk management practices executed by their clients, and provide prompt responses to underwriter’s request. These aspects of the marketing process provide insurance companies with appropriate information so competitive rates can be quoted for the best coverages. Aon also possesses the ability to propose and utilize its own policy form that provides the State of Hawaii with the most coverage that is accepted by many insurance companies. Aon’s established policy form is used as the basis for the actual insurance policy which is a great advantage as over 30 insurance companies participate together to provide the property aggregate state insurance policy. This is necessary as no one insurance company is willing to take a $225 million risk at with one client. Aon’s policies provide broad coverages and are accepted by many insurance companies allowing for more insurance companies to quote in the State's renewal process creating competition. The State's internal underwriting data is maintained and kept by the Risk Management Office. It includes information such as asset inventory, vehicle inventory, employee counts and claim information as these are key data that insurance companies require when underwriting and pricing an insurance policy. This information is provided to Aon for the marketing process mentioned previously. The objective is to have underwriters from insurance companies feel very comfortable with State's insurability and risk and they may offer additional and broader coverages knowing that the State's risk management practices are sound. The pricing competition ensures the State of Hawaii will obtain the lowest price for the most coverage. The utilization of multiple insurance companies is always documented by quotation sheets that Aon supplies to the Risk Management Office on every renewal. This document itemizes every company that participated in the renewal process and confirms and establishes competition for price and coverage was achieved. An example of a quote disclosure report is included in Exhibit 1, Section 4 (part of page 24). Interim marketing reports which are used by the State's Risk Management Office are also useful in understanding the flavor of the pricing and availability of coverage. It guides the Risk Management Office on its negotiation strategies for price, coverage and self insured levels/deductibles as this will assist in obtaining the best coverage for the least costs. There are other tools that are used to monitor the insurance market and its associated pricing and capacity (coverage) such as independent market survey's or studies, and investment market and economic indicators. The soft (insurers that are willing to provide coverages) and hard (insurers that are not providing coverages) markets in the insurance industry dictate the prices depending on the amount of claims that were paid (catastrophes/large lawsuits). All these parameters are followed closely to provide the Risk Management Office an indication of the insurance market for pricing and coverage availability.

<u>Conclusion</u>:

1. The State's policies are procured from financially sound insurers: Aon utilizes insurance companies participating in the State program to have a minimum A.M Best financial strength rating of A- and a financial size rating of VIII.

2. Best coverage at the least cost

    a. The marking efforts of Aon Risk Services, Inc. of Hawaii create price and coverage competition by utilizing multiple insurers world wide in the quotation process. This command of the insurance market provides clients like the State of Hawaii with access to the broadest coverages at the best prices.

b. The selection of the State's insurance broker is a result of a request for proposal soliciting for competition among insurance brokers.

Fact Sheet

Aon plc (NYSE: AON) is the leading global provider of risk management, insurance and reinsurance brokerage, and human resource solutions and outsourcing services. For more information on Aon, visit aon.com. For more information on Aon's global partnership and shirt sponsorship with Manchester United, visit aon.com/manchesterunited.

Beauty in Numbers

#1	Rated risk services broker, reinsurance intermediary, and human resource consulting and outsourcing provider
65,000	Number of Aon colleagues around the world
500	Number of global offices
120	Number of countries in which Aon operates
USD 11.5B	Total revenue generated by Aon in 2012

Aon Senior Management

Gregory C. Case, President and Chief Executive Officer

Christa Davies, Executive Vice President and Chief Financial Officer

Peter Lieb, Executive Vice President and General Counsel

Gregory J. Besio, Executive Vice President and Chief Human Resources Officer

Matthew Levin, Executive Vice President and Head of Global Strategy

Stephen P. McGill, Group President, Aon plc, and Chairman and Chief Executive Officer, Aon Risk Solutions

Dominic Christian, Co-Chief Executive Officer, Aon Benfield

Michael Bungert, Co-Chief Executive Officer, Aon Benfield

Kristi Savacool, Chief Executive Officer, Aon Hewitt

Rob Brown, Chief Executive Officer, Aon Limited

Philip B. Clement, Global Chief Marketing and Communications Officer

Laurel Meissner, Senior Vice President and Global Controller

Aon plc

Aon Risk Solutions

- Retail Brokerage
- Risk Assessment and Advisory
- Captive Management
- Affinity Programs
- Premium Finance
- Claims Advocacy and Administration
- Select Personal Lines
- Actuarial and Analytics
- Technology Solutions

Aon Benfield

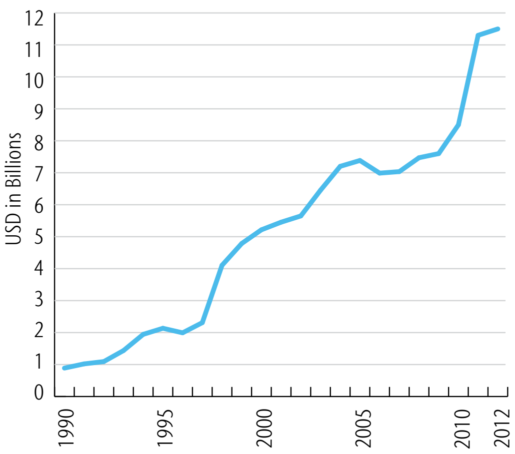
- Treaty Reinsurance Brokerage
- Facultative Reinsurance Brokerage
- Capital Markets and Financial Advisory
- Analytics and Technical Services
- Claims Management
- Strategy, Claims and Operations Consulting

Aon Hewitt

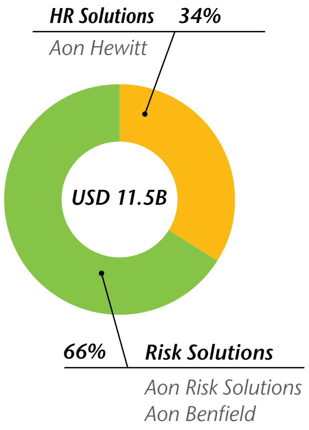
- Rewards & Compensation
- Engagement & Leadership
- Workforce Planning & Administration
- Defined Contribution & Defined Benefit
- Investments & Financial Planning
- Health & Benefits
- Population Health & Absence
- Health Care Exchanges

Aon Revenue

Aon Risk Solutions, Aon Benfield, Aon Hewitt



2012 Breakdown of Total Revenue



Awards & Recognition

Aon was given **a perfect score** on the Human Rights Campaign's 2012 Corporate Equality Index, which marks the sixth year in a row.

Aon Risk Solutions earned a **2012 Innovation Award** from *Business Insurance*, which marks the third year in a row.

Readers of *Business Insurance* named Aon Best Retail Broker 2007-2010, Best Reinsurance Broker 2006-2010 (Aon Benfield), **buyers choice for service in 2011 and 2012, and for expertise in 2012**.

Aon Benfield was named **Global Best Reinsurance Broker** at *Intelligent Insurer* Global Awards 2012 and **Best Global Reinsurance Broking Company for Analytics** at Reactions Global Awards 2012.

Aon Hewitt had more top consultants named to *Human Resource Executive* and *Risk & Insurance* magazine's 2012 list of Top Employee Benefits Consultants than any other firm.

Aon Hewitt was named the **#1 Investment Consulting Provider** globally by *Pensions & Investments*.

In all, Aon had more **2013 Power Brokers** named by *Risk & Insurance* magazine than any other firm.

Aon was named to *Working Mother* magazine's 2012 list of **100 Best Companies.**

Proviso #5

An examination of whether insurance, loss, and administrative costs incurred by state programs or projects funded by non-general funds are properly allocated to and paid from those non-general funds:

Exhibit 1, Section 5 provides references to this section.

General overview of the Program:

The Risk Management Office administers a cost allocation system that allocates the projected program costs to all general and non-general programs. The projected total program cost (the cost) includes:

1. Purchase property, liability and crime insurance policies.
2. The deductible/self insured portion of property, liability, and crime claims to state agencies and third parties
3. Administrative costs including salary and benefits

Description of the Cost Allocation Method:

This projected Programs total cost is the starting point of the allocation method. The cost is allocated based on an exposure factor (property value insured, number of vehicles insured, and number of employees) and a five year claims history of a department.

The primary basis (approximately 75%) for the allocation is the exposure factors for each program. Each type of insurance policy or coverage has its basic exposure factor. An exposure factor is a fair common denominator that is applicable for all programs and can be quantitatively measured and used for this allocation calculation. The three insurance policies and exposure factors are listed below:

1. Property
    - Asset values associated to each Department which includes the replacement costs to buildings and/or its contents
2. General Liability (includes auto liability coverage)
    - Liability - Employee count
    - Auto - Vehicle count

3. Crime
    - Employee count

The exposure factor has a greater weight because it measures the true risk of a program. More employee's working for a program basically means more liability and the more cars that are operated the higher chance of an accident will occur. In addition, the exposure factors listed above, each department's five (5) year claims history (capped at $250,000 for a single occurrence to avoid unfairly penalizing smaller programs) is factored and weighted based on the size of the department. This five (5) year historical data is weighed approximately 25% of the calculation. In many instances, claims history or losses paid especially for property losses are not a result of a department's negligence but rather from vandalism or uncontrollable hazards.

The application of the exposures factor and five (5) year claims history for each department will calculate a department's allocated risk management cost. The departmental costs calculated from the cost allocation model are the basis for the Program's general fund appropriation and the billings for the non general programs. Exhibit 1, Section 5 contains pages of the excel spreadsheet that illustrates this explanation.

<u>CONCLUSION:</u>

The Program costs are fairly and consistently allocated to non-general fund programs and based on a methodical, logical and rational allocation system applied to all programs.

Proviso #6

A recommendation of changes to administrative policies or amendments of law necessary to improve the risk management program to the State:

1. Administrative changes authorizing the Risk Management Office to be the only office that is allowed to purchase Property, General Liability and Crime insurance for state risks:

The Risk Management Office recognizes that insurance policies have been purchased by other programs which may constitute duplicate coverages being purchased. The exact number of duplications or the financial impact is unknown to date. This recommended policy will provide assurances that duplicate insurance policies are not purchased by State agencies and will create administrative consistency. It would only be applicable to the property, liability and crime policies purchased by the Program.

This policy would not include infrastructure property policies (i.e. airports that are not covered in the statewide property policy) and specialty insurance such as medical malpractice insurance (not covered in the statewide general liability policy). Airport operations and medical malpractice insurance are excluded from the Program's policies and are very specialized to their respective operations.

Establishing a Loss Control Program:

Section one of this proviso recommended that a formal Loss Control Program be established. The follow are requests to implement this recommendation:

1. Approval by legislation for a new permanent position and an increase in the Fund expenditure ceiling
2. Approval of reorganization of the Program to establish the Loss Control section and new employee
3. Approval to establish the new position by the Department of Human Resources and Development
4. Grant state wide authority to the Loss Control Program via the Risk Management Office to have access to any and all department specific information associated within the scope of investigating an incident or inspection of any State premises that is associated with the safety and welfare of State government operations or associated with any potential or actual insurance coverage for any underwriting purpose. This would include

OSHA/HIOSH (Occupational Safety and Health Administration or Hawaii Occupational & Safety and Health) topics that relate to the physical assets of the State of Hawaii or property as is covered under the Property policy. An example of this would be a loss control employee would need to inspect a building due to a fire or potential OSHA violation. The same authority should be granted for any issues related to the general liability, auto or crime insurance policies. The purpose of a loss control inspection would be to identify the root cause of an incident so a resolution can be recommended to avoid a loss. Another example is when a loss control staff is informed of a large percentage of rear end accidents. This will require driver training to correct the problem but will require administrative policies and may need the employee's union concurrence to have employee's adhere to the driver training request. This will assist with minimizing the probability of an incident occurring or re-occurring. Any issues related to worker's compensation should be excluded as the Department of Human Resources Development is responsible for that risk and has its own safety staff.

EXHIBIT 1

State of Hawaii
Department of Accounting and General Services

State of Hawaii

ACT 134, SLH 2013, SECTION 116 PROVISO

Section 107 – Risk Management Program

Chad W. Karasaki, CPCU
Chairman, President and Chief Executive Officer
Aon Risk Services, Inc. of Hawaii
201 Merchant Street, Suite 2400
Honolulu, HI 96813
Phone: (808) 533-4370
www.aon.com

November 13, 2013

AON

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Section 107 (1)

> (1) A description of the best practices of risk management applicable to the State, identification of the State's present deficiencies in relation to the best practices, and estimation of the costs and benefits of implementing the best practices

In order to qualify the above inquiry, we believe that it is appropriate to identify other peer States, based upon geography and size, and understand their best practices, and compare how Hawaii risk management aligns with this peer group.

For the purposes of this study, we have chosen Utah, Nevada, Washington and Oregon. We selected Utah, Nevada, Oregon and Washington as benchmarking partners primarily because we have good data on their risk management programs. We also considered them to be of comparable size based on employee counts. However, Hawaii has a higher employee count (about 45,000) than NV (17,000) and UT (22,000). We think a key reason for this is that the State of Hawaii employee count includes all public schools and the State hospital system.

Risk Management Statute Comparison

COMPARISON POINT	HAWAII	UTAH	NEVADA	WASHINGTON	OREGON
Code Section	41D	Chapter 4 Risk Management	NSR 331.182	RCW Title 43, Chapter19, Section 766	Chapter 278
Risk Manager Location	Comptroller's office, Department of Accounting and General Services	Executive Director's office, Division of Risk Management	Chief of Risk Management Division under supervision of the Director of the Department of Administration	Department of Enterprise Services	Oregon Department of Administrative Services
Purchases Liability Insurance	Yes	Yes	Yes	Yes	Yes
Purchases Property Insurance	Yes	Yes	Yes	Yes	Yes
Purchases Workers Compensation Insurance	No	Yes	No	Yes	Yes

Risk Management Statute Comparison

COMPARISON POINT	HAWAII	UTAH	NEVADA	WASHINGTON	OREGON
Contract for Services (e.g., Actuarial & Claims Administration	Yes	Yes	Yes	Yes	Yes
Allowed to Form a Captive Insurer	Yes	No	N.A.	N.A.	N.A.
Settle Liability Claims	Yes (with the AG)	Yes	Yes (except self-insured tort claims, which the AG settles)	Yes	Yes (with the AG)
Exempt Entities	UH (Liability Risks Only) Health Facilities (Medical Malpractice Only)	Yes (agencies or employees specifically exempted by statute)	No	Not stated	Yes, State Accident Insurance Fund Corp (for the transaction of workers' compensation insurance and reinsurance)
Claim Settlement Authority Level	$15,000 – Auto liability $10,000 – General Liability	• $25,000; • $25,000 to $100,000 with the AG and the ED of the Dept. of Administrative Services; • >$100,000 pursuant to Title 63G, Chapter 10, State Settlement Agreements	Risk Management Division has unlimited authority except for self-insured tort claims/expenses.	Risk Management has full settlement authority- liability.	$50,000 – Property
Risk Management Fund	Yes (the Risk Management Revolving Fund)	Yes, administered by the Risk Manager	Yes (Fund for Insurance premiums) maintained by the Risk Management Division and the AG.	Liability Account (in custody of the Treasurer)	Yes (Special liability Revolving Fund and the Insurance Fund) administered by the Oregon Dept. of Administrative Services
Claims to be Paid from RM Fund	• Liability • Property • Employee Dishonesty	• Liability • Property • Fidelity • Other risks as determined by the Risk Manager with the Executive Director	• Deductibles • Liability (except self-insured tort claims) • Self-insured property • Claims pursuant to NRS 41-0349	• Liability	• Deductibles • Property • Liability
Authorized to Charge Agencies (Cost Allocation)	Yes	Yes	Yes	Yes	Yes
Develop and Implement Risk Management and Loss Prevention Programs	N.A.	Yes	Yes	Yes	Yes

Risk Management Staffing

		HAWAII	UTAH	NEVADA	WASHINGTON	OREGON
Risk Management Personnel In Risk Management Unit:						
Claims Admin	**Claims – Liability**	**2**	**4**	**2**	**8**	**6**
Claims Admin	**Claims – Workers Compensation**	**0**	**1**	**3**	**0**	**-**
Claims Admin	**Claims – Property**	**1**	**5**	**2**	**1**	**3**
Admin Subtotal:		**3**	**10**	**7**	**9**	**9**
Other Risk Mgmt.	**Risk Management**	**.75**	**4**	**2**	**8**	**7**
Other Risk Mgmt.	**Loss Prevention / Safety**	**0**	**11**	**3**	**3**	**1**
Other Risk Mgmt.	**Risk Financing**	**.25**	**3**	**2**	**1**	**2**
Other Mgmt. Functions Subtotal:		**0**	**18**	**7**	**12**	**10**
TOTAL:		**4**[1]	**28**	**14**	**21**	**19**

Does your risk management unit provide coverage for:					
All four year colleges and universities	Yes	Yes	No	No	Yes
Only some colleges and universities	No	No	No	Yes	Yes
No four year colleges and universities	No	No	No	No	No
The department of transportation	Yes	Yes	Yes	Yes	Yes
State police or highway patrol	Yes	Yes	Yes	Yes	Yes
Firefighting service	No	Yes	Yes	Yes	Yes
Outside agencies, such as schools or cities		Yes	No	No	No
a. Schools	Yes	Yes	No	No	No
b. Cities and Counties	No	No	No	No	No
c. Other	N/A	Yes	N/A	No	No
Hospitals	Yes	Yes	No	No	No

---

[1] Human Resources Dept. includes 20 people in Workers' Compensation area which includes 2 people for Safety.

As can be identified by studying the individual components of the attached chart, there are many similarities regarding roles and responsibilities within the risk management department.

The most obvious differences are:

1. Claim settlement authority level for State of Hawaii in lower than peer group.
2. Hawaii risk management does not develop and implement loss prevention programs.
3. Staffing of the risk management department in Hawaii, is significantly lower than all others in the peer group.

HAWAII	UTAH	NEVADA	WASHINGTON	OREGON
4[2]	28	14	21	19

---

[2] Human Resources Dept. includes 20 people in Workers' Compensation area which includes 2 people for Safety.

Section 107 (2)

> (2) The identification of the optimum level of funding for the risk management program that is affordable to the State, itemized by insurance premium costs, self-insurance losses, risk retention reserves, loss prevention costs, loss adjustment costs, administrative costs, and other relevant costs.

The State of Hawaii self-insures property, general liability and auto liability losses and maintains a Risk Management Fund (RMF) to meet the costs of:

1. Auto Liability – the first $15,000 of each claim/claimant. Entire loss amounts for claims that exceed this limit are paid by legislative appropriation.
2. Tort (or General Liability) – the first $10,000 of each claim/claimant. Entire loss amounts for claims that exceed this limit are paid by legislative appropriation.
3. Property:
    1. The amount below property insurance policy deductibles. This is now:
        - For Named Storm, Flood and Earthquake losses, the first 3% of the cost of repairs for each building, subject to a minimum of $1,000,000 per occurrence.
        - For losses by all other perils, the first $1,000,000 of each loss.
    2. The amount of each loss in excess of the insurance policy limit.
        - The policy limit is now: $225,000,000 annual aggregate for Flood and Earthquake losses.
        - $225,000,000 for losses by all other perils including Named Storms.

The Risk Management Fund for the State of Hawaii is evaluated on an annual basis by Aon for the purpose of evaluating sufficiency of the fund in responding to claim payments and insurance costs, specifically:

- Insurance Premiums
- Auto Liability Claims Paid
- General Liability Claims Paid
- Property Claims Paid
- Loss Control
- Personnel
- Miscellaneous Regulatory Fees and Current Expenses

Aon's report provides estimates of outstanding losses for claims which have already occurred, plus a range of ultimate anticipated losses for claims occurring in the upcoming fiscal year, evaluated under three catastrophic property loss scenarios:

- The Risk Management Fund does not respond to potential property losses resulting from Named Storm, Flood or Earthquake. Catastrophic property losses are paid through a combination of FEMA, Civil Defense, or other legislative appropriation as has been done historically,

- The Risk Management Fund responds to potential catastrophic property losses with the expected assistance of FEMA only,

- The Risk Management Fund responds to all property losses resulting from potential catastrophic events.

Sufficiency of the Risk Management Fund is evaluated under all three scenarios and anticipates potential statistical variations within the three scenarios.

Estimates of potential loss in the three scenarios above by either including or excluding in the underlying historical loss data the two major catastrophic losses occurring since 1997:

1. The 10/30/2004 University of Hawaii, Manoa campus flood claim. Valued at $81,600,000, the portion of the loss incorporated into the historical loss basis for scenarios 1, 2, and 3 are $0, $25,600,000, and $56,600,000 respectively.
2. The 10/15/2006 Earthquake which resulted in property damages currently valued at $15,609,455. The portion of this loss incorporated into the historical loss basis for scenarios 1, 2, and 3 are $0, $2,714,500, and $10,858,000.

It has been further assumed that the State's property insurance policy will respond to a future catastrophe and pay a similar proportion of the total loss as it has in these two instances.

The results of the analysis under these three scenarios rely on the actual flood and earthquake experience of the State evaluated using standard actuarial methods. The analysis is not meant to replace more robust engineering models used to estimate the impact of a wide variety of windstorm and earthquake scenarios. It should be further noted that the analysis does not incorporate the damage potential related to losses incurred from Hurricane Iniki in 1992.

SECTION 107(2) SELF-INSURED OUTSTANDING LOSS RESERVE ANALYSIS AND LOSS PAYMENT ANALYSIS (AS OF JUNE 30, 2012) EXHIBIT

State of Hawaii

Self-Insured Outstanding Loss Reserve Analysis and Loss Payment Analysis

As of June 30, 2012

December 6, 2012

1420 Fifth Avenue, Suite 1200
Seattle, WA 98111
Tel: 206-749-4874

Section I – Introduction and Executive Summary will be attached for the purposes of this study.

The rest of the report can be provided upon request.

Please contact Tracy Kitaoka, Risk Management Officer

Phone Number: (808) 586-0550

Email: tracy.s.kitaoka@hawaii.gov

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I. Introduction

Purpose

Aon Global Risk Consulting (AGRC) has been retained by State of Hawaii (the State) to provide an estimate of its outstanding retained auto liability, general liability, and property losses. The purpose of the unpaid loss estimates provided in our analysis is to assist the State in the preparation of their fiscal year-end financial statements.

Scope

Specifically, this report provides:

- Estimated outstanding losses falling within the State's self-insured retention for fiscal years beginning 7/1/97, based on loss information valued 6/30/12,
- A reasonable range of ultimate and outstanding losses based on loss information valued 6/30/12,
- Projected outstanding losses for the above lines of risk as of 6/30/13,
- Projected ultimate losses and ALAE limited to the State's self-insured retention for the upcoming fiscal years 7/1/12-13.
- Projected self-insured losses to be paid from the Risk Management Fund in the upcoming fiscal year 7/1/12-13, regardless of accident or report date.
- An evaluation of the sufficiency of the Risk Management Fund to pay losses in the upcoming fiscal year 7/1/12-13. Sufficiency of the fund is to be evaluated under three catastrophic property loss scenarios:
    1. The Risk Management Fund does not respond to potential property losses resulting from named storm, flood, or earthquake. Catastrophic property losses are paid through a combination of FEMA, Civil Defense, or other legislative appropriation as has been done historically,
    2. The Risk Management Fund responds to potential catastrophic property losses with the expected assistance of FEMA only,
    3. The Risk Management Fund responds to all property losses resulting from potential catastrophic events.
- A reasonable range for 7/1/12-13 revenue assessments for the Risk Management Fund.

The outstanding loss estimates in this report are actuarial central estimates (i.e., expected values over a range of reasonably possible outcomes), though we have made additional estimates at the 90th percentile confidence level. All estimates are net of collectible excess insurance.

Unless noted otherwise, the term "loss" is defined to include both indemnity and ALAE and is net of applicable insurance recoveries. We have performed no additional work to verify the financial condition of the assuming insurance companies and have assumed that it has been purchased from solvent sources.

We did not undertake a study of unallocated loss expenses (ULAE) and, as such, our conclusions do not provide a provision for these expenses or other loss or exposure based assessments. The State of Hawaii may have a liability for adjusting open claims if the claims handling charges are calculated as a percent of paid/incurred loss or via a charge per open claims. In addition, the State may have ULAE liability associated with incurred but not reported claims.

We performed this analysis using generally accepted actuarial principles and in accordance with all relevant Actuarial Standards of Practice.

Please contact us if you have any questions regarding this report.

Respectfully submitted,

Aon Global Risk Consulting

John Griffith, CPCU, ARM	Vahan A. Mahdasian, ACAS, MAAA
Senior Consultant	Assistant Director & Actuary
206-749-4874	617-457-7648

Conditions and Limitations

Inherent Uncertainty

Actuarial calculations produce estimates of inherently uncertain future contingent events. We believe that the estimates provided represent reasonable provisions based on the appropriate application of actuarial techniques to the available data. However, there is no guarantee that actual future payments will not differ from estimates included herein.

Extraordinary Future Emergence

Our projections make no provision for the extraordinary future emergence of losses or types of losses not sufficiently represented in the historical data or which are not yet quantifiable.

Data Reliance

In conducting this analysis, we relied upon the provided data without audit or independent verification; however, we reviewed it for reasonableness and consistency. Any inaccuracies in quantitative data or qualitative representations could have a significant effect on the results of our review and analysis.

Use and Distribution

Use of this report is limited to the State of Hawaii for the specific purpose described in the Introduction section. Other uses are prohibited without an executed release with Aon.

Distribution by the State is unrestricted. We recognize that this report may be distributed to the State's financial auditors. We request that Aon be notified of further distribution of this report. The report should only be distributed in its entirety including all supporting exhibits.

Executive Summary

Estimated Outstanding Losses

AGRC has completed an analysis of outstanding losses for the State of Hawaii which are self-insured through its Risk Management Fund as of June 30, 2012.

The results of our analysis are as follows:

Estimated Outstanding Losses (Net of Insurance Reimbursement)
Fiscal Year Losses 7/1/95 – 6/30/12, 6/30/13

	Retained Paid Losses	Retained Incurred Losses	Projected Ultimate Retained Losses	Estimated Outstanding Losses	Estimated Outstanding Losses @ 90th Percentile Confidence Level	Estimated Outstanding Losses as of 6/30/13	Estimated Outstanding Losses @ 90th Percentile Confidence Level as of 6/30/13
Auto Liability	$4,956,695	$4,988,121	$5,092,857	$136,162	$185,719	$199,903	$272,658
General Liability	3,858,773	3,920,363	4,285,243	426,470	521,443	468,830	573,236
Property	10,899,669	13,031,867	13,632,774	2,733,105	4,240,823	2,582,566	4,007,240
Grand Total	$19,715,137	$21,940,350	$23,010,874	$3,295,737	$4,947,985	$3,251,299	$4,853,134

The above estimates do not incorporate property losses from either the 10/30/04 flood, paid through a combination of FEMA funds and property insurance, or the 10/15/06 earthquake, currently being paid with funds from FEMA and Hawaii Civil Defense.

Outstanding losses and projected ultimate losses have been evaluated at both expected and 90th percentile confidence levels, indicating an appropriate safety load as a precaution against potential adverse loss development. Note that as the historical loss data excludes named storm, flood, and earthquake claims, the 90th percentile loss amounts also exclude potential losses resulting from catastrophic claims.

It must be emphasized that variability increases whenever the expected loss costs are small relative to per claim retention levels due to the potential impact of individual large claims. For the State, a single additional claim at or near the retention for their property coverage would represent a high percentage increase from expected claim costs.

Fiscal Years 7/1/12-13 Projected Ultimate Limited Losses

Projected ultimate losses for the upcoming fiscal year are as follows. The details supporting this chart can be found in the Exhibits section.

7/1/12-13 Projected Ultimate Limited Losses

AUTO LIABILITY

Fiscal Period	Loss Rate per Vehicle	Exposure (Vehicle Count)	Estimated Ultimate Limited Losses	90% Confidence Level Estimated Ultimate Retained Losses
7/1/12-13	$70.54	5,600	$395,000	$593,874

GENERAL LIABILITY

Fiscal Period	Loss Rate per $1,000 in Expenditures	Exposure (State Expenditures)	Estimated Ultimate Limited Losses	90% Confidence Level Estimated Ultimate Retained Losses
7/1/12-13	$0.031	$9,500,000,000	$291,000	$387,136

PROPERTY

Fiscal Period	Loss Rate per $1,000,000 in Property Value	Exposure (Property Value, 000's)	Estimated Ultimate Limited Losses	90% Confidence Level Estimated Ultimate Retained Losses
7/1/12-13	$110.44	$17,231,370	$1,903,000	$3,366,882

TOTAL

Policy Period	Estimated Ultimate Limited Losses	90% Confidence Level Estimated Ultimate Retained Losses
7/1/12-13	$2,589,000	$4,347,893

The above estimates are based on the assumption that any catastrophic property loss would be financed as it has been historically, through a combination of primary insurance, FEMA funds, Hawaii Civil Defense, or other appropriation mechanism.

Expected Net Loss Payments

We have projected loss payments net of insurance reimbursement to be paid by the Risk Management Fund in the 7/1/12-13 fiscal year. The results are as follows:

7/1/12-13 Projected Ultimate Limited Losses (Net of Insurance Reimbursement)

EXPECTED NET LOSS PAYMENTS

Fiscal Period	Auto Liability	General Liability	Property	Total
7/1/12-13	$331,260	$248,640	$2,053,538	$2,633,438

90th PERCENTILE CONFIDENCE LEVEL NET LOSS PAYMENTS

Fiscal Period	Auto Liability	General Liability	Property	Total
7/1/12-13	$451,823	$304,011	$3,442,533	$4,198,368

Once again, the above estimates are based on the assumption that a catastrophic property loss would be financed through a mechanism other than the Risk Management Fund.

Implicit in this analysis is the assumption that property losses which are excess of the retention limit are immediately reimbursed by the insurance carrier. We have made no analysis of the lag between excess of deductible property damage payments made by the State and reimbursement of those payments by the insurance carrier.

Sufficiency of Risk Management Fund

We have been asked to address whether the Risk Management Fund is sufficient to pay auto liability, general liability, and property losses which are funded by the RMF and limited to their self-insurance retention levels. Self-insured retention levels can be found in the Program Description section of this report.

The cost to the RMF is the amount paid each fiscal year, without regard to when the loss or accident takes place. That is, if an auto accident takes place in FY12 and is paid in FY13, it is shown as an FY13 cost.

The information we received shows the RMF had a cash balance at the end of FY12 (i.e. 6/30/12) of $21,185,000. Our evaluation of the sufficiency of the RMF fund is shown below: Once again, the estimates below are based on the assumption that any catastrophic property loss payments made between 6/30/12 and 6/30/13 would be financed through a mechanism other than the Risk Management Fund.

7/1/12-13 Sufficiency of Risk Management Fund

	Item	Using Expected Paid Losses	Using 90th %ile Confidence Level Paid Losses
1.	Risk management fund balance @ 6/30/12	$21,185,000	$21,185,000
2.	FY13 revenue	12,220,000	12,220,000
3.	FY13 insurance premiums	(13,620,000)	(13,620,000)
4.	FY13 auto liability claims paid	(331,260)	(451,823)
5.	FY13 general liability claims paid	(248,640)	(304,011)
6.	FY13 property claims paid	(2,053,538)	(3,442,533)
7.	Total claims paid (4) + (5) + (6)	(2,633,438)	(4,198,368)
8.	Loss control	0	0
9.	Personnel	(350,000)	(350,000)
10.	Misc reg fees and current expenses	(35,000)	(35,000)
11.	Legislative adjustments	0	0
12.	Total operational expenses (8) + (9) + (10)+ (11)	(385,000)	(385,000)
13.	FY13 net (2) + (3) + (7) + (12)	(4,418,438)	(5,983,368)
14.	Ending Balance @ 6/30/13 (1) + (13)	$16,766,562	$15,201,632

Though the Risk Management Fund balance is currently more than sufficient to pay auto liability, general liability, and non-catastrophic property losses limited to the State's self-insurance retention, we have been asked to evaluate the RMF's adequacy through FY12 under three catastrophic loss response scenarios:

1. The Risk Management Fund does not respond to property losses under the State's property insurance deductible resulting from named storm, flood, or earthquake perils. Catastrophic property losses are paid through a combination of FEMA, Civil Defense, or other legislative appropriation as has been done historically,

2. The Risk Management Fund responds to potential catastrophic property losses under the property deductible with expected assistance of FEMA equal to 75% of the retained loss cost.

3. The Risk Management Fund responds to all property losses under the property insurance deductible resulting from potential catastrophic events.

Estimates of potential loss in the three scenarios above have been made by either including or excluding in the underlying historical loss data the two major catastrophic losses occurring since 1997:

1. The 10/30/04 University of Hawaii, Manoa campus flood claim. Valued at $81,600,000, the portion of the loss incorporated into the historical loss basis for scenarios 1, 2, and 3 are $0, $25,600,000, and $56,600,000 respectively.

2. The 10/15/06 earthquake which resulted in property damages currently valued at $15,609,455. The portion of this loss incorporated into the historical loss basis for scenarios 1, 2, and 3 are $0, $2,714,500, and $10,858,000.

It has been further assumed that the State's property insurance policy will respond to a future catastrophe and pay a similar proportion of the total loss as it has in these two instances.

The results of the analysis under these three scenarios rely on the actual flood and earthquake experience of the State. This simple analysis is not meant to replace more robust engineering models used to estimate the impact of a wide variety of windstorm and earthquake scenarios.

Scenario 1: FEMA, State Support – Fund Does Not Respond to Named Storm, Flood, or Earthquake Losses.

7/1/12-13 Projected Ultimate Limited Losses (Property)

PROPERTY				
Fiscal Period	Loss Rate per $1,000,000 in Property Value	Exposure (Property Value, 000's)	Estimated Ultimate Limited Losses	90% Confidence Level Estimated Ultimate Retained Losses
7/1/12-13	$110.44	$17,231,370	$1,903,000	$3,366,882

7/1/12-13 Sufficiency of Risk Management Fund

	Item	Using Expected Paid Losses	Using 90th %ile Confidence Level Paid Losses
1.	Risk management fund balance @ 6/30/12	$21,185,000	$21,185,000
2.	FY13 revenue	12,220,000	12,220,000
3.	FY13 insurance premiums	(13,620,000)	(13,620,000)
4.	FY13 auto liability claims paid	(331,260)	(451,823)
5.	FY13 general liability claims paid	(248,640)	(304,011)
6.	FY13 property claims paid	(2,053,538)	(3,442,533)
7.	Total claims paid (4) + (5) + (6)	(2,633,438)	(4,198,368)
8.	Loss control	0	0
9.	Personnel	(350,000)	(350,000)
10.	Misc reg fees and current expenses	(35,000)	(35,000)
11.	Legislative adjustments	0	0
12.	Total operational expenses (8) + (9) + (10)+ (11)	(385,000)	(385,000)
13.	FY13 net (2) + (3) + (7) + (12)	(4,418,438)	(5,983,368)
14.	Ending Balance @ 6/30/13 (1) + (13)	$16,766,562	$15,201,632

Scenario 2: FEMA Support Only – Fund Responds to 25% of Named Storm, Flood, and Earthquake Losses.

7/1/12-13 Projected Ultimate Limited Losses (Property)

PROPERTY

Fiscal Period	Loss Rate per $1,000,000 in Property Value	Exposure (Property Value, 000's)	Estimated Ultimate Limited Losses	90% Confidence Level Estimated Ultimate Retained Losses
7/1/12-13	$481.22	$17,231,370	$8,292,000	$18,827,351

7/1/12-13 Sufficiency of Risk Management Fund

	Item	Using Expected Paid Losses	Using 90th %ile Confidence Level Paid Losses
1.	Risk management fund balance @ 6/30/12	$21,185,000	$21,185,000
2.	FY13 revenue	12,220,000	12,220,000
3.	FY13 insurance premiums	(13,620,000)	(13,620,000)
4.	FY13 auto liability claims paid	(331,260)	(451,823)
5.	FY13 general liability claims paid	(248,640)	(304,011)
6.	FY13 property claims paid	(4,803,096)	(10,096,071)
7.	Total claims paid (4) + (5) + (6)	(5,382,996)	(10,851,905)
8.	Loss control	0	0
9.	Personnel	(350,000)	(350,000)
10.	Misc reg fees and current expenses	(35,000)	(35,000)
11.	Legislative adjustments	0	0
12.	Total operational expenses (8) + (9) + (10)+ (11)	(385,000)	(385,000)
13.	FY13 net (2) + (3) + (7) + (12)	(7,167,996)	(12,636,905)
14.	Ending Balance @ 6/30/13 (1) + (13)	$14,017,004	$8,548,095

Scenario 3: No FEMA, State Support – Fund Responds to 100% of Named Storm, Flood, and Earthquake Losses.

7/1/12-13 Projected Ultimate Limited Losses (Property)

PROPERTY

Fiscal Period	Loss Rate per $1,000,000 in Property Value	Exposure (Property Value, 000's)	Estimated Ultimate Limited Losses	90% Confidence Level Estimated Ultimate Retained Losses
7/1/12-13	$988.72	$17,231,370	$17,037,000	$37,282,814

7/1/12-13 Sufficiency of Risk Management Fund

	Item	Using Expected Paid Losses	Using 90th %ile Confidence Level Paid Losses
1.	Risk management fund balance @ 6/30/12	$21,185,000	$21,185,000
2.	FY13 revenue	12,220,000	12,220,000
3.	FY13 insurance premiums	(13,620,000)	(13,620,000)
4.	FY13 auto liability claims paid	(331,260)	(451,823)
5.	FY13 general liability claims paid	(248,640)	(304,011)
6.	FY13 property claims paid	(8,566,577)	(18,660,331)
7.	Total claims paid (4) + (5) + (6)	(9,146,477)	(19,416,166)
8.	Loss control	0	0
9.	Personnel	(350,000)	(350,000)
10.	Misc reg fees and current expenses	(35,000)	(35,000)
11.	Legislative adjustments	0	0
12.	Total operational expenses (8) + (9) + (10)+ (11)	(385,000)	(385,000)
13.	FY13 net (2) + (3) + (7) + (12)	(10,931,477)	(21,201,166)
14.	Ending Balance @ 6/30/13 (1) + (13)	$10,253,523	($16,166)

By our analysis, the RMF under Scenario 3 could be exhausted in FY13 should a catastrophic event occur in FY13.

Risk Management Fund Assessment

The revenue assessment for FY13 has been set at $12,220,000, but the State has asked us to validate this assessment and indicate a reasonable revenue assessment range. Assessment ranges are provided in the exhibits below for each of the three catastrophic loss scenarios.

Expected Level

The expected level assessment is the amount required to fund FY13 premium, expected loss payments, loss control and miscellaneous costs while reducing the RMF balance at 6/30/13 to a level sufficient to cover the expected value of remaining payments for losses occurring through 6/30/13. This should be considered a minimum funding level.

Expected Level, Current Fund Balance Maintenance

This level of funding contemplates the same loss and expense payments as detailed above. The difference is that this assessment amount seeks to maintain the current balance of the RMF at its 6/30/13 beginning balance level less legislative adjustments.

90th Percentile Assessment

This level of funding is the amount required to fund FY13 premium, loss control, miscellaneous costs, and FY13 loss payments at their 90th percentile confidence levels, leaving the RMF balance at 6/30/13 at a level sufficient to cover the remaining payments for losses in 90% of the future claim settlement scenarios. While funding at even this level does not guarantee an RMF sufficient to pay all losses which will be incurred through 6/30/13, it should be considered towards the upper end of a reasonable range.

7/1/12-13 Risk Management Fund Assessment Options Range

Scenario 1: FEMA, State Support – Fund Does Not Respond to Named Storm, Flood, or Earthquake Losses.

	Item	Expected Level	Expected Level, Fund Balance Maintenance Less Legislative Adjustment	90th Percentile Assessment
1.	FY13 insurance premiums	$13,620,000	$13,620,000	$13,620,000
2.	FY13 auto liability claims paid	331,260	331,260	451,823
3.	FY13 general liability claims paid	248,640	248,640	304,011
4.	FY13 property claims paid	2,053,538	2,053,538	3,442,533
5.	FY13 operational expenses	385,000	385,000	385,000
6.	Total premium, claims paid, operational expenses (1)+(2)+(3)+(4)+(5)	16,638,438	16,638,438	18,203,368
7.	Risk management fund balance @ 6/30/12	21,185,000	21,185,000	21,185,000
8.	Target Fund balance @ 6/30/13	3,251,299	21,185,000	4,853,134
9.	FY13 Fund Surplus / (deficit) (7) - (8)	17,933,701	0	16,331,866
10.	Required assessment (6) - (9)	($1,295,263)	$16,638,438	$1,871,502

Scenario 2: FEMA Support Only – Fund Responds to 25% of Named Storm, Flood, and Earthquake Losses.

	Item	Expected Level	Expected Level, Fund Balance Maintenance Less Legislative Adjustment	90th Percentile Assessment
1.	FY13 insurance premiums	$13,620,000	$13,620,000	$13,620,000
2.	FY13 auto liability claims paid	331,260	331,260	451,823
3.	FY13 general liability claims paid	248,640	248,640	304,011
4.	FY13 property claims paid	4,803,096	4,803,096	10,096,071
5.	FY13 operational expenses	385,000	385,000	385,000
6.	Total premium, claims paid, operational expenses (1)+(2)+(3)+(4)+(5)	19,387,996	19,387,996	24,856,905
7.	Risk management fund balance @ 6/30/12	21,185,000	21,185,000	21,185,000
8.	Target Fund balance @ 6/30/13	6,890,741	21,185,000	13,817,997
9.	FY13 Fund Surplus / (deficit) (7) - (8)	14,294,259	0	7,367,003
10.	Required assessment (6) - (9)	$5,093,737	$19,387,996	$17,489,903

Scenario 3: No FEMA, State Support – Fund Responds to 100% of Named Storm, Flood, and Earthquake Losses.

	Item	Expected Level	Expected Level, Fund Balance Maintenance Less Legislative Adjustment	90th Percentile Assessment
1.	FY13 insurance premiums	$13,620,000	$13,620,000	$13,620,000
2.	FY13 auto liability claims paid	331,260	331,260	451,823
3.	FY13 general liability claims paid	248,640	248,640	304,011
4.	FY13 property claims paid	8,566,577	8,566,577	18,660,331
5.	FY13 operational expenses	385,000	385,000	385,000
6.	Total premium, claims paid, operational expenses (1)+(2)+(3)+(4)+(5)	23,151,477	23,151,477	33,421,166
7.	Risk management fund balance @ 6/30/12	21,185,000	21,185,000	21,185,000
8.	Target Fund balance @ 6/30/13	11,872,260	21,185,000	25,154,050
9.	FY13 Fund Surplus / (deficit) (7) - (8)	9,312,740	0	(3,969,050)
10.	Required assessment (6) - (9)	$13,838,737	$23,151,477	$37,390,216

Clearly, the necessary funding level for the Risk Management Fund is heavily dependent on its intended use in responding to catastrophic property claims.

Program Description

The State of Hawaii self-insures property, general liability and auto liability losses.

The State maintains a Risk Management Fund (RMF) to meet the costs of:

1. Auto Liability – the first $15,000 of each claim/claimant. Entire loss amounts for claims that exceed this limit are paid by legislative appropriation.

2. Tort (or General) Liability – the first $10,000 of each claim/claimant. Entire loss amounts for claims that exceed this limit are paid by legislative appropriation.

3. Property:

    a. The amount below property insurance policy deductibles. This is now:

        i. For named storm, flood and earthquake losses, the first 3% of the cost of repairs for each building, subject to a minimum of $1,000,000 per occurrence.

        ii. For losses by all other perils, the first $1,000,000 of each loss.

    b. The amount of each loss in excess of the insurance policy limit. The policy limit is now:

        i. $225,000,000 annual aggregate for Flood and Earthquake losses.

        ii. $225,000,000 for losses by all other perils including named storms.

Data

The data used in this report consists of:

Claims Information

Auto liability, general liability, and property loss data for the fiscal periods 7/1/97-6/30/12 has been collected by the State and is valued at 6/30/12.

Exposure Information

Vehicle count, state expenditures, and property value information used as the exposure bases for auto liability, general liability, and property was provided by Aon Risk Services, Honolulu and the State.

Program Provisions

Information on the Risk Management Fund (i.e. per claim retentions) was provided by the State.

Industry Data

Incurred and paid loss development factors for property are based on industry experience promulgated by A.M. Best (2011). Claim frequency development factors for property come from insurance industry sources.

Claim cost trend factors for auto liability, general liability, and property are based on industry experience promulgated by A.M. Best Masterson Indices. Property value and state expenditure trend factors are based on Consumer Price Index information.

Actuarial Analysis

Overview

The methodology used to estimate outstanding losses is outlined in the process described below:

Historical Loss Development

The term “Loss Development” is used to describe the changes over time in paid, incurred, or claim count values. The State’s own limited auto and general liability loss experience in fiscal periods 1995 forward was used to establish incurred loss, paid loss, and claim frequency development patterns.

For property, A.M. Best (Special Property) information was used estimate paid and incurred loss development for the State. Claim count development was based on insurance-industry averages.

Limitation of Losses

All losses are limited to the appropriate per occurrence retention. Allocated loss adjustment expenses are presumed included within this limit.

Estimate Ultimate Losses (expired fiscal years)

The ultimate value of losses associated with a given fiscal period is usually not known until many years after the fiscal period has expired. One estimate of future payments for a given fiscal period is the case reserves value. However, to accurately project future payments for a given fiscal period, we also take into account the following three factors:

- The amount that case reserves set by claims adjusters are redundant or deficient.

- Losses which occurred during the fiscal period but which have not yet been reported. This is called “Pure IBNR”.

- Future payments on claims which are closed but will be reopened in the future.

Methods/Models of Estimating Unpaid Loss Estimates

An actuarial analysis involves development of a qualitative understanding of the risk being evaluated and application of various analytic techniques and methods to the available data. Each of these methods attempts to project unpaid and/or unreported losses to their ultimate settlement value. The various methods are based on certain underlying assumptions and vary in responsiveness to the loss and exposure data. As a result, not all methods are appropriate for use in all circumstances. For each unique situation, professional judgment must be used to assess the strengths and weaknesses inherent in each method in producing reasonable estimates of ultimate loss.

The following actuarial methods were employed in developing the recommendations contained in this report:

Paid and Incurred Loss Development Methods

The Paid and Incurred Loss Development Methods are based upon the assumption that losses from a group of claims are reported or paid in a sufficiently consistent pattern such that past experience can be used to predict future development. If the program under study has inadequate history to develop predictive loss development patterns, then other sources of loss development information may be considered.

The Loss Development Methods can be applied using either cumulative paid losses or incurred losses. For a given group of claims (grouped here by concurrent fiscal years), cumulative paid or incurred losses are multiplied by the appropriate cumulative loss development factor to estimate ultimate losses.

Case Reserve Development

Similarly, an estimate of ultimate losses can also be calculated as a function of case reserves. A case reserves development factor is calculated based on the cumulative paid and incurred loss development factors.

Generalized Paid and Incurred Cape-Cod Methods

The Generalized Paid and Incurred Cape-Cod Methods estimate ultimate losses based on an initial expected ultimate loss amount and an assumed percentage either unpaid or unreported based on the loss development factors described above. These methods are less sensitive to the effects of large, or “shock” losses than are the development methods. Also, unlike the loss development methods, the Cape-Cod Methods are sensitive to the exposure levels reported for each fiscal period.

The initial expected ultimate loss amount for each specific historical fiscal period is based on a weighted average of loss rates resulting from the paid or incurred loss projection methodology in all fiscal periods. This weighting is adjustable, generally set to be heavier for loss rates from adjacent years and lighter for loss rates from more distant years.

Frequency / Severity Method

The Frequency / Severity method is used in this analysis only to estimate ultimate losses in the current and upcoming fiscal years and is based on separate evaluation of historical frequency (number of claims per exposure unit) and severity (average claim cost) trends over time.

Ultimate claims for historical fiscal periods are calculated by multiplying the reported number of claims by the appropriate claim-frequency development factor. Historical claim-frequency rates are calculated as ultimate claims divided by inflation trended exposure. Based on these historical rates and the observed trends in those rates, a current claim-frequency rate is selected.

Ultimate losses limited to current retention levels are calculated by taking a weighted average of the five methods outlined above. Selected ultimate loss values for each fiscal period are then inflation adjusted to current cost and benefit levels before dividing by ultimate claims in prior fiscal periods to provide historical indications of average severity. A current average severity estimate is based on these historical values.

Projected ultimate claims multiplied by the projected average severity yields an estimate of projected ultimate losses for the current fiscal period. Projections of ultimate losses in upcoming fiscal years are based on the indicated claim frequency rates, projected exposure, and the indicated average severity.

Select Ultimate Losses

Based on a weighted average of the indicated ultimate loss estimates generated by the various methods above, projected ultimate limited losses by year are selected.

Estimate Outstanding Losses

Estimated outstanding losses equal projected ultimate losses minus loss amounts which have already been paid.

Confidence Levels

Ultimate and outstanding losses determined using the methods above represent our best estimates of expected loss amounts based on historical loss and exposure relationships. However, actual ultimate losses will vary from expected levels, and this variability has been quantified at a specific 90th percentile confidence level. Confidence levels are a way of defining a particular loss settlement outcome from among all possible outcomes. For example, the 90th percentile confidence level is defined as that level of losses which will be exceeded in 10% of the loss settlement scenarios.

Aon Global Risk Consultants has used State of Hawaii's expected accident year loss rates as a representative sample of a broader lognormal distribution of loss rates to estimate the potential variation that exists around the expected ultimate loss values. The potential variation is mitigated by the age of the accident year (older accident years have less variability) and by the percent of loss which is invariable (reported paid losses).

Actuarial Assumptions

This document is intended to assist the State in its financial planning, however, it is important to recognize that the projections in this report are estimates at one point in time and are subject to future changes. The accuracy of the projections in this report depends on many factors, including the following:

Loss Activity Between the Evaluation Date of the Losses and the Current Date

The losses in this study were valued as of June 30, 2012. It is possible that there has been significant loss activity which has occurred since that date which would change the findings of this report.

Data Accuracy

This report relies on unaudited loss and exposure information provided by the State of Hawaii and Aon Risk Services. The accuracy of our projections relies on the accuracy of this data.

Loss Development

The appropriateness of the State and industry historical loss development patterns is assumed to be representative of future State of Hawaii loss development and loss payment.

Inflation Trends

Projections of expected ultimate loss in current and upcoming fiscal periods rely on the appropriateness of the inflation trend indices used to adjust historical losses to current cost levels.

Actuarial Considerations

The Casualty Actuarial Society Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Liabilities provides a list of items which should be considered in evaluating the accuracy of projected ultimate loss costs. These considerations have been included in the analysis of the State's experience in the following manner:

Homogeneity

The accuracy of loss estimates may be improved by subdividing loss experience into groups exhibiting similar characteristics. In this analysis, auto liability, general liability, and property losses have been evaluated separately. Any further subdivision may have an adverse impact on credibility.

Credibility

Credibility is a measure of the predictive value attached to a body of data. The degree to which consideration is given to homogeneity is related to the consideration of credibility. While credibility of the data may be increased by making more homogeneous groupings, it may also be decreased by partitioning into cells too small to be statistically reliable. As discussed above, any further subdivision of data would reduce the statistical credibility too greatly. This aggregation of data assumes that there has been a relatively stable distribution of exposures among various risk characteristics during the years included in this analysis.

Data Availability

Loss data was collected from the State's data management system. Exposure, self-insured retentions, and other non-loss information were provided to us by Aon Risk Services, Honolulu, and the State. While we have evaluated the information for reasonableness, we have not performed an audit of claim or exposure information.

Emergence Pattern

The delay between the occurrence of claims and the recording of claims was considered in the estimation of loss development factors.

Settlement Patterns

The rate at which claims are closed and its impact upon incurred losses was considered in the calculation of loss development factors.

Development Patterns

The rate at which known cases develop to their ultimate level was included in the calculation of loss development factors. For auto and general liability the State's own historical loss data was used exclusively in the estimation of appropriate paid loss, incurred loss, and claim count development factors. For property, loss development patterns were based on industry statistics from A.M. Best.

Frequency and Severity

Consideration of frequency (claim counts) and average claim severity have been considered in this analysis for the projection of ultimate losses in the most recent and upcoming fiscal periods.

Reopened Claim Potential

The effect of reopened claims is included in the calculation of loss development factors.

Claims-Made

Such coverage is triggered by the reporting of claims rather than by the occurrence of claims. No claims-made coverage has been cited by the State. All coverage has been treated as occurrence-based.

Loss Limitations

To project outstanding losses, losses were first limited to the State of Hawaii's Risk Management Fund retention appropriate to each fiscal period.

Collateral Sources

The impact of any salvage and subrogation is included in the calculation of loss development factors which have been based upon losses net of recovered items. No specific collateral sources for recovery such as coordination of benefits programs or second injury funds have been cited by the State.

Portfolio Transfers, Commutations and Structured Settlements

No specific portfolio transfers, commutations or structured settlements have been cited by the State.

Pools and Associations

Only data pertaining to the State has been considered. No membership in any insurance pool or association has been cited by the State.

Operational Changes

It has been assumed that the practice followed for paying and reserving claims for the State will not be materially different from general insurance industry practices.

Changes in Contracts

No specific changes in past, present or future contracts have been cited by The State; therefore, none have been assumed.

External Influences

This analysis contemplates a continuation of current social, economic, judicial, and legislative trends.

Discounting

Since the financial liability for casualty claims which have occurred may not be paid out for many years, the investment income potential on outstanding losses may be recognized. An analysis of such potential investment income has been included in this report at a discount rate of 3.0%.

Provision for Uncertainty

Ultimate loss costs are estimates and as such a degree of uncertainty is inherent. In this report, no specific provisions have been included in the estimates of loss costs. Indications of variability have been established, however, by estimating ultimate losses at the 90th percentile confidence level.

Reasonableness

Within the confines of the data provided, the projected ultimate loss cost estimates provided in this report are reasonable. This judgment is made in light of developed and trended historic experience from which no material departure has been anticipated.

Generally Accepted Accounting Principles & Loss Related Balance Sheet Items

No specific information concerning accounting principles or balance sheet items has been provided by the State. In this report any such adjustments have been assumed to be immaterial.

Loss Reserving Methods

All methods used in this report to estimate expected ultimate loss costs are standard actuarial techniques. A detailed discussion of the terminology and methods employed in this report can be found in the sections entitled "Analysis” and “Definition of Terms”.

Standards of Practice

The standards of practice as adopted by the Actuarial Standards Board have been followed. No relationship between Aon Risk Services and the State has been cited by the State other than Aon Group's retention as a property and casualty loss or insurance consultant or broker. It is possible that, from time to time, either Aon's or the State's pension fund might own stock in the other company. However, no managerial control has ever existed.

Section 107 (3)

> (3) An evaluation of the various risks of the State and the effectiveness and appropriateness of the present amounts of insurance, self-insurance, and loss retention for the risks.

Much of the methodology for procurement of insurance coverage is based upon actuarial and predictive statistical models.

As respects State of Hawaii’s largest insurance spend, property insurance, it is not economically feasible to insure the entire $18 billion dollar property portfolio.

As such, a probable maximum loss study is performed, which provides parameters for structuring the property insurance limits, as well as, terms and conditions.

The $225,000,000 loss limit currently procured by the State is the 100 year prediction for storm damage.

Additionally, the State procures a $4,000,000 excess of $1,000,000 deductible buy back, which has been subject to numerous losses over the past seven years.

DEPT	OCCURRED	DESCRIPTION	RESERVE	PAID	TOTAL	INS. PYMT
UH MANOA	10/30/2004	FLOOD DMGD BLDGS	$0.00	$25,000,000	$25,000,000	$25,000,000
KALAHEO	5/7/2005	ARSON-DMG BLDG	$0.00	$668,649	$668,649	$1,703,486
UH LAB SCH	6/13/2006	FIRE DMG	$0.00	$250,000	$250,000	$4,734,544
DOT HARBORS	10/15/2006	PIER 1	$0.00	$0.00	$0.00	$3,003,169
DLNR PARKS	10/15/2006	HULIHEE PALACE	$0.00	$0.00	$0.00	$1,388,782
UH MANOA	10/20/2007	FIRE AND WATER DMG	$0.00	$371,892	$371,892	
KAHULUI	4/18/2010	FIRE - BLDG G	$840,014	$1,000,000	$1,840,014	$840,014
UH MANOA	2/12/2012	FIRE - BLDG 171-D	$1,268,603	$117,829	$1,386,433	$2,386,433 (est)
FARRINGTON	11/23/2012	ROOF COLLAPSE	$4,218,000	$0.00	$4,218,000	$3,218,000 (est)

As respects catastrophe liability claims, based upon the cost feasibility the State chooses to retain, $4,000,000 of self-insured retention, and purchases $15,000,000 in catastrophe limits.

Losses within the self-insured retention are captured within the previously indicated sufficiency report, to ensure adequate funding of the risk management fund.

Employee Dishonesty coverage at $10,000,000 with a $500,000 retention also provides the State with some catastrophe coverage at an economically feasible premium level.

While much of the buying decision is based purely upon economics and funding ability, the structure of the program is supported by statistical data, which substantiates the appropriateness of the plan design, given economic realities.

SECTION 107(3) STATE OF HAWAII STATEWIDE INSURANCE PROGRAM SUMMARY REFERENCE GUIDE 12/1/12 TO 12/1/13

EXHIBIT A

State of Hawaii

Statewide Insurance Program Summary Reference Guide

December 1, 2012 to December 1, 2013

Prepared by:

Aon Risk Services, Inc. of Hawaii
201 Merchant Street, Suite 2400
Honolulu, HI 96813
(808) 533-4900
Fax: (808) 540-4301

Named Insureds

State of Hawaii,

Including any and all state agencies, boards, bureaus and commissions, affiliated, subsidiary, and associated companies and/or corporations thereof, of any tier, as now or hereafter constituted and any other legal entity, including the insured's interest in partnerships and joint ventures, in which ***the Insured*** *has more than fifty percent ownership or over which* ***the Insured*** *exercise management or financial control; any entity for which the Insured is required to provide insurance; and any other party in interest that is required by contract or other agreement to be named as Insured.*

- Aloha Stadium
- Campaign Spending Commission
- Dept of Accounting & Gen Svcs
- Dept of Agriculture
- Dept of Budget & Finance
- Dept of Business Econ Dev & Tourism
- Dept of Commerce & Consumer Affairs
- Dept of Defense
- Dept of Education
- Dept of Hawaiian Home Lands
- Dept of Health
- Dept of Human Resources Development
- Dept of Human Services
- Dept of Labor & Industrial Relations
- Dept of Land & Natural Resources
- Dept of Public Safety
- Dept of Taxation
- Dept of the Attorney General
- Dept of Transportation
- Governor of Hawaii
- Hawaii State Ethics Commission
- Hawaii Revised Statutes
- Housing & Community Dev Corp of Hawaii
- Judiciary
- King Kamehameha Celebration Commission
- Legislative Reference Bureau
- Legislature
- Office of Elections
- Office of Information Practices
- Office of the Auditor
- Office of the Lieutenant Governor
- Office of the Ombudsman
- Political Campaign Spending Records
- State Foundation on Culture and the Arts
- State Library System
- State Procurement Office
- University of Hawaii
- Research Corporation of the University of Hawaii

Property Insurance Program

COVERAGE & LIMITS:

Real and Personal Property and Business Interruption and Extra Expense
Statewide Blanket Policy

"ALL RISK" OF DIRECT PHYSICAL LOSS, INCLUDING

Windstorm	$ 225 million Occurrence
Flood	$ 225 million Occurrence and in the Aggregate
Earthquake	$ 225 million Occurrence and in the Aggregate
Boiler & Machinery	$ 225 million Occurrence
Terrorism	$ 50 million Occurrence and in the Aggregate

The following are included with sublimits:

Business Interruption; Extra Expense; Valuable Papers; EDP Equipment & Media; Demolition & Increased Cost of Construction; Newly Acquired Property; Fine Arts; Debris Removal; Off Premises Utility Interruption; Transit; Professional Fees, Builders Risk including Soft Costs, Pollution Cleanup and Removal.

DEDUCTIBLES:

Named Hurricane: 3% of values per unit of insurance, subject to a "per occurrence" minimum of $1,000,000; a maximum of $25,000,000 shall apply only to the Honolulu Airport

Earthquake, Flood Damage, Tsunami & Volcanic Action:
3% of values per unit of insurance, subject to a "per occurrence" minimum of $1,000,000; a maximum of $25,000,000 shall apply only to the Honolulu Airport

Boiler & Machinery – Direct Coverage/Spoilage: $1,000,000

Boiler & Machinery – Indirect Coverage: 24 hours waiting period

Terrorism: $25,000 per Occurrence (PD & BI combined)

Other Losses: $1,000,000 per Occurrence

INSURERS: Various (see schedule)

PREMIUM & TAXES/FEES: $11,836,259.10

Coverage/Layer	Underwriter	Policy Number	Layer Limit	% of Share	Participation % of Limit	100% Layer Premium	Gross Premium	Surplus Lines Taxes/Fees	Total Incl Premium & Taxes
PROPERTY INSURANCE ($225 Million Limit)									
USD 4x1 Ded Buy Down	DTRIC	FA33401538	$4,000,000	100%	$4,000,000	1,400,000	$1,400,000	$0.00	$1,400,000.00
Total for Layer			$4,000,000	100%	$4,000,000		$1,400,000	$0.00	$1,400,000.00
USD 25 M Primary	Lloyds Lead ASC 1414	WB1201240	$25,000,000	37.50%	$9,375,000	4,750,000	$1,781,250	$83,362.50	$1,864,612.50
	Ironshore	WB1201239	$25,000,000	11.50%	$2,875,000	4,750,000	$546,250	$25,564.50	$571,814.50
	AXIS Specialty Europe	WB1201241	$25,000,000	13.00%	$3,250,000	4,750,000	$617,500	$28,899.00	$646,399.00
	Lexington	WB1201244*	$25,000,000	5.50%	$1,375,000	4,600,000	$253,000	$11,840.40	$264,840.40
	AWAC	0307-9963-1A	$25,000,000	7.50%	$1,875,000	4,600,000	$345,000	$16,146.00	$361,146.00
	XL	US00064519PR12A	$25,000,000	7.50%	$1,875,000	4,750,000	$356,250	$0.00	$356,250.00
Total for Layer			$25,000,000	82.50%	$20,625,000		$3,899,250	$165,812.40	$4,065,062.40
USD 50 M Primary	Lloyds Lead QBE 1886	WB1201242	$50,000,000	10.00%	$5,000,000	6,000,000	$600,000	$28,080.00	$628,080.00
	Lexington	WB1201244*	$50,000,000	1.50%	$750,000	6,000,000	$90,000	$4,212.00	$94,212.00
	Starr/Chubb/Gen Sec	Various	$50,000,000	6.00%	$3,000,000	5,950,000	$357,000	$16,707.60	$373,707.60
Total for Layer			$50,000,000	17.50%	$8,750,000		$1,047,000	$48,999.60	$1,095,999.60
USD 25M xs USD 25M	Lloyds Lead CNP 4444	WB1201243	$25,000,000	7.50%	$1,875,000	1,450,000	$108,750	$5,089.50	$113,839.50
	Colony	XP261018	$25,000,000	10.00%	$2,500,000	1,450,000	$145,000	$7,036.00	$152,036.00
	Alterra Specialty	MAX2XP0060607	$25,000,000	15.00%	$3,750,000	1,470,000	$220,500	$10,319.40	$230,819.40
	Essex Insurance Co.	ESP7850	$25,000,000	18.50%	$4,625,000	1,450,000	$268,250	$12,554.10	$280,804.10
	Aspen Specialty	PXA90V412A0F	$25,000,000	7.50%	$1,875,000	1,425,000	$106,875	$5,001.75	$111,876.75
	Pioneer Liberty	B128410310W12	$25,000,000	7.50%	$1,875,000	1,400,000	$105,000	$4,914.00	$109,914.00
	Arch Specialty	PRP0036321-03	$25,000,000	16.50%	$4,125,000	1,475,000	$243,375	$11,389.95	$254,764.95
Total for Layer			$25,000,000	82.50%	$20,625,000		$1,197,750	$56,054.70	$1,254,054.70
USD 50M xs USD 50M	DTRIC	FA33401539	$50,000,000	100%	$50,000,000	1,300,000	$1,300,000	$0.00	$1,300,000.00
Total for Layer			$50,000,000	100%	$50,000,000		$1,300,000	$0.00	$1,300,000.00
USD 125M xs USD 100M	Arrowhead (Empire)	XPP4603449	$125,000,000	29.20%	$36,500,000	2,400,000	$700,800	$32,997.44	$733,797.44
	Colony	XP261018	$125,000,000	8.00%	$10,000,000	2,650,000	$212,000	$9,921.60	$221,921.60
	General Security	2012 10F146544-1	$125,000,000	12.00%	$15,000,000	2,425,000	$291,000	$13,618.80	$304,618.80
	Commonwealth (Hudson)	HCS100299	$125,000,000	4.00%	$5,000,000	2,400,000	$96,000	$4,492.80	$100,492.80
	AXIS Surplus Ins	ENG770716-12	$125,000,000	5.00%	$6,250,000	2,500,000	$119,150	$5,850.00	$125,000.00
	Hiscox	URS2517554.12	$125,000,000	4.00%	$5,000,000	2,800,000	$112,000	$5,241.60	$117,241.60
	Maiden Re	S5LPY0248602S	$125,000,000	4.80%	$6,000,000	2,650,000	$127,200	$5,952.96	$133,152.96
	Aspen Specialty	PXA94KH12AOH	$125,000,000	2.00%	$2,500,000	2,750,000	$55,000	$2,574.00	$57,574.00
	Torus	06906A123APR	$125,000,000	12.00%	$15,000,000	2,700,000	$324,000	$15,163.20	$339,163.20
	Swiss Re	31-3-75407	$125,000,000	7.00%	$8,750,000	2,750,000	$192,500	$0.00	$192,500.00
	ACE	CRX-D37879605	$125,000,000	12.00%	$15,000,000	2,425,000	$291,000	$0.00	$291,000.00
Total for Layer			$125,000,000	100%	$125,000,000		$2,520,650	$95,812.40	$2,616,462.40
TERRORISM									
$50M / $25,000 ded.	Lloyd's Syndicate	RQ1200048	$50,000,000	100%	$50,000,000	100,000	$100,000	$4,680.00	$104,680.00
PROGRAM TOTAL							**$11,464,650**	**$371,159**	**$11,836,259**

The property insurance coverage is written on a broad form “all risk” policy that affords coverage to State properties unless the specific peril causing the loss is excluded by the policy’s terms and conditions.

The traditional perils covered are fire loss, windstorm, earthquake and flood. The resultant time element losses consisting of loss of rents, additional operating expenses and expediting expenses such as renting temporary facilities to resume normal operations would be covered within the property program.

The limit of liability to pay each occurrence or loss is $225,000,000. This limit resets after each loss however, certain perils such as earthquake, flood and terrorism have annual aggregate limits that do not reset and are only available during the policy year up to the appropriate limit.

The participants in the State program need to be cognizant that newly acquired buildings or significant equipment purchases should be reported to the State Risk Management Office as soon as possible. The risk management office has a specific form that can be completed to report the information required to submit for insurance coverage.

All claims that could result in a claim for damages should be reported to the State’s Risk Management Office as soon as practicable.

Liability Insurance Program

COVERAGE & LIMITS:

$15 million	Any one Occurrence or Wrongful Acts or series of continuous repeated or related occurrences
$15 million	Products-Completed Operations Hazard Aggregate
$15 million	Errors & Omissions Liability Aggregate (other than Personal Injury)
$15 million	Employee Benefit Liability Aggregate

- Bodily Injury and Property Damage
- Personal and Advertising Injury
- Errors and Omissions Liability
- Employment Practices Liability
- Automobile Liability
- Watercraft Liability
- Terrorism Coverage
- Dam Coverage

MAJOR EXCLUSIONS:

Pollution, Asbestos, Airport & Aircraft, Medical Malpractice, Nuclear Energy, Inverse Condemnation, Workers' Compensation/Employer's Liability, ERISA, Failure to Procure Insurance, Failure to Supply Utilities, Intentional Injury, Fungus, Uninsured/Underinsured Motorist

SELF-INSURED RETENTION: $4 million Any one Occurrence or Wrongful Act

INSURER: Starr Indemnity & Liability Company Policy #: SISCPEL01951012

PREMIUM: $1,305,294 (Includes TRIA)

The State purchases significant excess liability limits ($15,000,000) to respond to claims from third parties alleging malfeasance or negligence on the part of the State resulting in property damage or bodily injury.

This coverage is a special public entity form that provides coverage grants for general liability, automobile liability, law enforcement liability, errors & omissions and personal and advertisement liability.

All claims that involve the State as the Defendant except for contractual claims, business disputes, aviation liability and medical malpractice are eligible for coverage. However the fact pattern of each particular claim will ultimately determine if the policy will afford coverages.

The program is structured with significant retentions which are similar to deductibles. The rationale behind employing this type of program structure is to assume liability for claims that the State can absorb without serious economic repercussions and transfer claims that are catastrophic in nature.

All claims that could result in a claim for damages should be reported to the State's Risk Management Office as soon as practicable.

Government Crime Policy

COVERAGE & LIMITS:

Public Employee Dishonesty	$ 10,000,000
Faithful Performance of Duty	$ 10,000,000
Forgery or Alteration	$ 10,000,000
Theft of Money & Securities (Inside)	$ 10,000,000
Robbery or Safe Burglary (Inside)	$ 10,000,000
Outside the Premises	$ 10,000,000
Computer Fraud	$ 10,000,000
Funds Transfer Fraud	$ 10,000,000
Money Orders & Counterfeit Paper Currency	$ 10,000,000
Credit, Debit & Charge Card Forgery	$ 10,000,000
Clients Property	$ 5,000,000
Claims Expense	$ 100,000

DEDUCTIBLE:

Per Occurrence	$ 500,000
Money Orders & Counterfeit Paper Currency	$ 1,000
Credit, Debit & Charge Card Forgery	$ 1,000
Claims Expense	$ 1,000

INSURER:

Westchester Fire Insurance Company	Policy No. G24580830 004

PREMIUM: **$115,802**

SUMMARY OF INSURING AGREEMENTS:

Employee Theft – Loss or damage to money, securities, and other property resulting directly from theft committed by an employee.

Faithful Performance of Duties – Loss or damage to money, securities, and other property resulting directly from the failure of employee to faithfully perform duties as prescribed by law.

Forgery or Alteration – Loss resulting directly from forgery or alteration of checks, drafts, or promissory notes.

Theft of Money/Securities (Inside) – Loss of money and securities inside the premises resulting directly from theft, disappearance, or destruction.

Robbery/Safe Burglary Other Property (Inside) – Loss of or damage to other property inside the premises resulting directly from an actual or attempted robbery of a custodian.

Outside Premises – Loss of money and securities outside the premises in the care and custody of a messenger or an armored motor vehicle company resulting directly from theft, disappearance, or destruction.

Computer Fraud – Loss or damage to money, securities or other property resulting directly from the use of any computer to fraudulently cause a transfer of that property from inside the premises to a person or place outside those premises.

Funds Transfer Fraud – Loss of funds resulting directly from a fraudulent instruction directing a financial institution to transfer, pay or deliver funds from your transfer account.

Money Orders/Counterfeit Paper – Loss resulting directly from your having accepted in good faith, in exchange for merchandise, money or services, counterfeit /money orders.

Credit/Debit or Charge Card Forgery – Loss resulting directly from forgery or alteration of written instruments required in connection with any credit, debit or charge card issued to the State or any employee for business purposes.

Claim Scenarios:

Employee Theft – John Employee alters procurement documents in collusion with an outside vendor and receives kick-back payments.

Faithful Performance – An employee intentionally invests State funds in an investment that is not permitted by statute. The investment loses in millions of dollars resulting in a direct loss.

Forgery/Alteration – A State check is stolen from the recipient’s mail box, the payee and amount is altered and check is negotiated and cashed.

Theft Money/Securities (Inside) – A locked cash box/safe is broken into during closed hours, cash and bearer bonds are taken.

Robbery/Safe Burglary Other Property – An armed individual enters the treasury burglarizing vault and walks out with gold ingots.

Outside the Premises – Daily receipts are being messengered by staff automobile to Treasury and the messenger is held up.

Computer Fraud – An individual penetrates firewalls and diverts payments from authorized payees to fictitious individuals and accounts.

Funds Transfer Fraud – An individual sends fraudulent instructions upon which the financial institution acts and funds are transferred from the State’s accounts to others.

Money Orders/Counterfeit Currency – An auction of property is held and the low bidder pays cash. The cash is counterfeit.

Credit/Debit/Charge Card Forgery – A credit card is provided to an employee for use during travel. The employee purchases items; the paper receipt is utilized to make additional charges to the State's account.

IMPORTANT COVERAGE INFORMATION

Coverage for an employee ceases upon discovery of loss, e.g. all theft/loss perpetrated after you know an employee has stolen will not be compensated by this policy. In addition to other action, you should be sure that an employee who has committed theft no longer has access to assets.

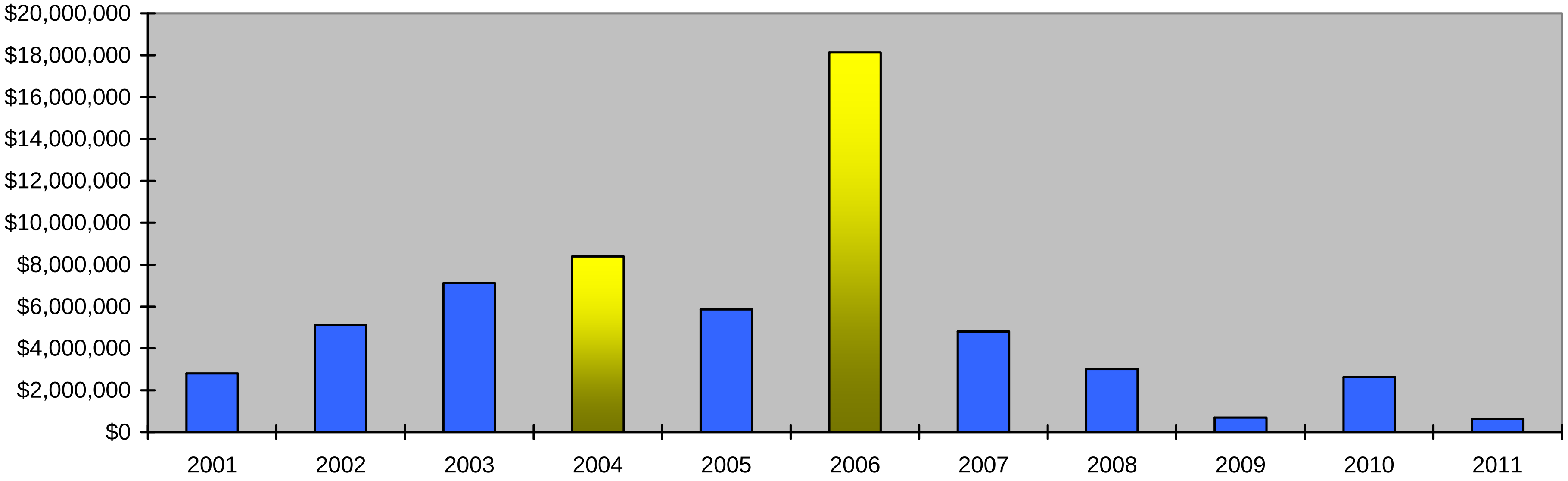
This coverage requires **all** loss to be reported to the insurer **as soon as possible**. Report all instances to Risk Management Department (586-0550). **To not do so may void coverage**.

SECTION 107(3) EXCESS LIABILITY AND PROPERTY LOSS SUMMARIES

EXHIBIT B

Excess Liability Loss Summary (as of 10/26/12)

	12/31/01-12/1/2002	**12/1/2002-12/1/2003**	**12/1/2003-12/1/2004**	**12/1/2004-12/1/2005[1]**	**12/1/2005-12/1/2006**	**12/1/2006-12/1/2007[2]**	**12/1/2007-12/1/2008**	**12/1/2008-12/1/2009**	**12/1/2009-12/1/2010**	**12/1/2010-12/1/2011**	**12/1/2011-12/1/2012**
Incurred Amount	$2,805,612	$5,118,615	$7,116,805	$8,386,985	$5,859,534	$18,129,985	$4,813,320	$3,021,330	$693,469	$2,631,152	$643,068
Premium	$575,741	$830,700	$1,350,800	$1,571,700	$1,523,580	$1,657,881	$1,205,300	$1,188,900	$1,102,518	$1,306,215	$1,306,110
Limits	$15MM	$7MM	$10MM	$10MM	$10MM	$10MM	$10MM	$10MM	$10MM	$15MM	$15MM
Retention	$2MM	$3MM	$4MM	$3MM	$4MM	$3MM	$4MM	$4MM	$4MM	$4MM	$4MM



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[1] Cabanting, Bienvenido C. (Civil No. 07-1-0038) – Girl was found unconscious and mentally and/or physically harmed at the home of Hyacinth L. Poouahi in Ainoloa on 2/7/2005. State Paid $3,500,000 + Insurance Paid $2,250,000 = $5,750,000

[2] Brem, etal v. State of Hawaii (Civil No. 07-1-0176) – Two tourists fell to their deaths at Waialua Park of Kuamoo Road, Kauai, HI. State Paid $5,034,107 + Insurance Paid $9,965,892 = $15,000,000

STATE OF HAWAII
LOSS SUMMARY (2001-2012)

			CARRIER LOSS RUN (CHARTIS/EVEREST-STARR)						SOH INCURRED AMOUNTS		CARRIER + SOH
			Indemnity Rsv	Expense Rsv	Indemnity Paid	Paid Expense	Other Recoveries	Total Incurred	**Reserves**	**Amounts Paid**	**Total Incurred**
12/31/2001	12/1/2002	CHARTIS	-	-	-	14,970.00	-	14,970	25,000	2,765,642	2,805,612
12/1/2002	12/1/2003		6,700.00	-	-	36,805.11	-	43,505	1,535,000	3,540,110	5,118,615
12/1/2003	12/1/2004		-	-	-	25,159.65	-	25,160	4,094,200	2,997,446	7,116,805
12/1/2004	12/1/2005		6,700.00	-	2,264,185.00	653,823.04	(1,076.86)	2,923,631	55,000	5,408,354	8,386,985
12/1/2005	12/1/2006		6,702.00	-	-	26,473.37	-	33,175	1,147,085	4,679,274	5,859,534
12/1/2006	12/1/2007		20,100.00	8,821.23	9,965,892.50	358,168.21	-	10,352,982	2,111,662	5,665,341	18,129,985
12/1/2007	12/1/2008	STARR	-	-	-	-	-	-	3,008,300	1,805,020	4,813,320
12/1/2008	12/1/2009		1.00	-	-	-		1	2,689,114	332,215	3,021,330
12/1/2009	12/1/2010		-	-	-	-	-	-	607,313	86,156	693,469
12/1/2010	12/1/2011		-	-	-	-	-	-	2,531,152	100,000	2,631,152
12/1/2011	12/1/2012		-	-	-	-	-	-	567,068	76,000	643,068
									18,370,894	***27,455,557***	***59,219,876***

STATE OF HAWAII

Settlements in Excess of $100,000

FY 1998 - FY 2012

NAME	CIVIL NO.	DATE OF INCIDENT	DEPT	AMT. PAID	LEG. SESSION	DESCRIPTION	
Aoki	96-4322-10	10/17/1994	DOE	$ 200,000	FY 1998	Student was injured when he fell into a glass door.	
Ben	95-0054	3/26/1994	DLNR	$ 1,500,000	FY 1998	Boy electrocuted by high power lines over a DLNR structure - Kauai Citizens contributed to loss ($500,000 - total settlement $2 million)	
Hodge	95-1935-06		UH	$ 200,000	FY 1998	Discrimination case - alleges surgical residency denied due to pregnancy	
Keahuloa	96-028	3/6/1995	DOE	$ 100,000	FY 1998	Student vision damaged by a rock thrown by another student - lack of supervision	
King	93-3771-09	1991	DOE	$ 172,500	FY 1998	Security hired by State sexually assaulted student	
Lopes	95-0415(2)	5/29/1994	DOT	$ 262,500	FY 1998	Car accident - alleged road design - serious injuries	
Malo	95-2098-06		DOH	$ 175,000	FY 1998	A Hansen's disease patient was not provide d appropriate dental care resulting in serious injuries	
Manning	95-2200-06/97-01092	3/14/1995	PSD	$ 175,000	FY 1998	Inmate stabbed by another inmate.	
Motu	94-3531-09	6/16/1994	DLNR	$ 173,510	FY 1998	A boy died when he fell from ropes at Kapena Falls.	
Yallouz	95-3305-08	9/2/1994	DOT	$ 100,000	FY 1998	A woman was injured when she fell on a broken sidewalk.	
Techno Engineering	94-2603-07		DAGS	$ 631,000	FY 1998	Breach of contract in a construction project.	
Williams	96-4946-12			$ 335,000	FY 1998	Car accident with State vehicle -serious injuries.	
Crowder	93-0013			$ 165,000	FY 1998	Civil rights claim - denial of visitation of dog in quarantine by blind.	
Coveyou	96-0870-03		DOT	$ 110,000	FY 1998	Man injured by a boulder that fell onto his passing vehicle from a hill.	
Casteel	96-0091	10/20/1994	DOT	$ 240,000	FY 1999	A motor vehicle accident allegedly due to negligent road design.	
Coveyou	96-0870-03	4/24/1995	DOT	$ 115,861	FY 1999	A boulder fell onto a vehicle - serious injuries.	
Cunningham	96-3816-09	9/22/1995	DOT	$ 200,000	FY 1999	A motor vehicle accident when a tree fell onto the vehicle - a child passenger suffered brain injury.	
Freitas	97-4242-10	2/11/1997	PSD	$ 125,000	FY 1999	An inmate was working on a ladder and fell - injuring his leg.	
Lee	97-2272-06	11/23/1996	DOT	$ 115,000	FY 1999	Pedestrian-motor vehicle accident - killing one and injuring one. Alleged negligent road design.	
Ome	97-3464-08	7/9/1996	UH	$ 175,000	FY 1999	Moped operator was struck & killed by a State vehicle.	
Piko	96-1927-05	11/16/1995	PSD	$ 120,000	FY 1999	An inmate was injured while cutting meat.	
Quiaoit	94-3714-09	8/24/1994	DOE	$ 306,694	FY 1999	A student was seriously injured in a gang fight at school.	
Singleton	97-0091	6/1/1996	DOT	$ 160,000	FY 1999	Motor vehicle accident alleging negligent road design - fatality.	
Trendler	95-0924(3)	2/5/1995	DOT	$ 2,500,000	FY 1999	Motor vehicle accident alleging negligent road design - traumatic amputation of leg. State paid $2 million, insurance paid $500,000.	
Allen	97-00175		PSD	$ 750,654	FY 2000	Plaintiff alleges civil rights violations.	
Taylor-Rice	94-0173	2/21/1994	DOT	$ 1,744,751	FY 2000	Motor vehicle accident - 2 fatalities - alleged negligent road design.	
Tupuola	97-00647	5/1/1995	PSD	$ 100,000	FY 2000	Plaintiff alleges civil rights violations.	
Franca	98-0-001225	2/2/1998	DOE	$ 1,500,000	FY 2000	A DOE teacher was driving and struck & severely injured a pedestrian.	
Kolomitz	96-0108	1/10/1996	DOT	$ 835,494	FY 2000	A vehicle hydroplaned and the accident killed the driver.	
Revera	00-1-1289-04	2/21/1999	PSD	$ 250,000	FY 2001	Plaintiff alleges correction officers beat her son causing his death.	
DeSilva	97-0303-3	5/1/1999	DOT	$ 685,974	FY 2001	Plaintiff was killed allegedly due to the lack of a guardrail.	
Emerick	97-00766		UH	$ 177,000	FY 2001	Plaintiff alleges ADA violations.	

STATE OF HAWAII

Settlements in Excess of $100,000

FY 1998 - FY 2012

NAME	CIVIL NO.	DATE OF INCIDENT	DEPT	AMT. PAID	LEG. SESSION	DESCRIPTION	
Ferrera	99-0816-02	2/9/1998	DOE	$ 539,965	FY 2001	Plaintiff was burned at an auto shop class while following instructions.	
Fielder	99-00350		DLNR	$ 265,000	FY 2001	Plaintiff alleges discrimination regarding a mooring permit.	
Francisco	98-0230	12/9/1997	DOE	$ 800,000	FY 2001	Plaintiff was injured playing tackle football - suffered a stroke.	
Freeman	98-00244	6/20/1905	DOH	$ 126,215	FY 2001	Plaintiff alleges civil rights violations.	
Fujioka	97-5232-12	1991-95	DHS	$ 205,000	FY 2001	Plaintiff alleges abuse while in foster care.	
Gassner	98-1314-03	7/10/1996	DAGS	$ 260,000	FY 2001	Plaintiff was injured by a State vehicle and suffered brain injury.	
Kamai	99-0481-02	2/19/1999	PSD	$ 175,000	FY 2001	Plaintiff committed suicide while in the care of the facility.	
Slavik	96-242	5/2/1996	DOH	$ 1,536,644	FY 2001	Plaintiff was injured by a State vehicle and suffered brain injury.	
Williams	98-0683(3)	7/24/1998	DOT	$ 144,118	FY 2001	Plaintiff was injured riding a bike on a State highway. Alleges road should have guardrails.	
Zukevich	95-00545	9/26/1994	PSD	$ 294,723	FY 2001	Plaintiff alleges facility failed to diagnose his medical condition and died.	
Kihara	00-1-2847-09		DHS	$ 1,683,541	FY 2002	Class action lawsuit re: general assistance benefits.	
Le	00-1-2813-09	7/4/1999	DOT	$ 2,000,000	FY 2002	Plaintiff was killed while changing a tire on the shoulder of a State road.	
Silva	09-00636		UH	$ 138,163	FY 2002	Plaintiff alleges she was sexually harassed at UH.	
Roes	99-00079		DOH	$ 143,000	FY 2002	Plaintiffs allege they were sexually assaulted at a State hospital.	
Rim	95-4350-11	8/26/1995	DOT	$ 125,000	FY 2002	Motor vehicle accident - fatality - alleged negligent road design.	
Clark	99-00885		DOH	$ 1,053,196	FY 2003	Plaintiffs allege they were not transferred promptly from prison to the State Hospital.	
desMarets	97-3978-09	5/23/1991	PSD	$ 175,000	FY 2003	Plaintiff alleges gender discrimination during course of employment.	
Evans	97-1908-05		PSD	$ 1,990,000	FY 2003	Plaintiffs allege they suffered discrimination and sexual harassment.	
DOE	96-4906-11	1/13/1995	DOE	$ 1,790,242	FY 2003	Plaintiffs allege a teacher sexually assaulted 2 female students.	
Rashaan	00-00795		DOE	$ 425,000	FY 2003	A teacher alleged racial discrimination.	
Thomas	00-00125	4/1/1999	Agr	$ 150,000	FY 2003	A deaf woman had a revocation of a permit to reduce the time of her dog's quarantine resulting in expenses.	
Burns-Vidlak	95-00892	8/1/1994	DOH	$ 7,000,000	FY 2003	A class action lawsuit alleging discrimination of fees.	
Allstate	99-0648-3	6/4/1998	DOT	$ 250,000	FY 2003	Motor vehicle accident that injured a woman & killed her baby. Alleged negligent road design.	
Delos Reyes	02-1-0819	6/9/2000	DOT	$ 1,500,000	FY 2003	Plaintiff was electrocuted allegedly due to actions of State workers.	
Hashimoto	01-1-0110-01	1/17/1999	DOT	$ 250,000	FY 2003	Auto accident alleging negligent road design.	
San Nicholas	01-1-0110-01	1/17/1999	DOT	$ 350,000	FY 2003	Auto accident alleging negligent road design.	
Halpenny	97-1941	2/8/1997	DOE	$ 150,000	FY 2003	A student had his fingered amputated due to a pipe that was exposed.	
Bohland	03-1-2558-12	12/1/2002	DOH	$ 105,000	FY 2004	Plaintiff alleged breach of contract when she was not hired as a director.	
Godbehere	02-1-1292-05	3/10/1997	DOT	$ 100,000	FY 2004	Plaintiff alleges negligent maintenance of sidewalk that caused him to fall. He injured his knees.	
Kealoha	01-1-0681-3	4/27/2000	DOT	$ 705,000	FY 2004	Plaintiff was injured in a 3-car accident - alleged road design.	
Henderson	00-1-0216		PSD	$ 200,000	FY 2004	Plaintiffs allege sexual harassment over a period of time.	
Lewis	01-1-1371-05	5/25/1999	PSD	$ 175,000	FY 2004	Plaintiff was injured in the kitchen when he slipped & fell.	
Mattos	00-387	7/22/1999	PSD	$ 245,000	FY 2004	Plaintiff alleges his medical condition was not diagnosed.	

STATE OF HAWAII

Settlements in Excess of $100,000

FY 1998 - FY 2012

NAME	CIVIL NO.	DATE OF INCIDENT	DEPT	AMT. PAID	LEG. SESSION	DESCRIPTION	
Tapaoan	01-000815		PSD	$ 1,200,000	FY 2004	Plaintiffs allege that they were held beyond a reasonable time after their cases were dismissed or acquitted.	
Morita	99-101	3/2/1998	DOT	$ 684,416	FY 2004	Plaintiff was killed in a car accident - alleges negligent road design.	
Martin	01-1-3159-07	9/24/2000	Agr	$ 1,175,000	FY 2004	Plaintiff was seriously injured when he dove into a irrigation reservoir. Alleges that the State filed to warn of the hazard.	
Vinson	97-00091			$ 117,500	FY 2004	Plaintiff alleges violation of ADA requirements and attorney fees.	
Sacred Falls	torts	5/9/1999	DLNR	$ 10,000,000	FY 2004	Rock fall that killed 8 people & injured 50. State paid $2 million and insurance paid $8 million	
Ducosin	99-0735-3	5/26/1998	DOT	$ 540,000	FY 2004	Plaintiff was injured in a car accident - alleges negligent road design. She is a quadriplegic.	
Bacani	02-1-2099-09	7/9/2002	DOT	$ 500,000	FY 2005	This case arose out of a pedestrian vs. car accident that occurred on July 9, 2002 on Ft. Weaver Road. A teenager was crossing Ft. Weaver Rd. in a crosswalk when she was struck by a vehicle. The girl died as a result of her injuries. Plaintiffs allege that the State negligently designed, installed, maintained, and/or repaired the roadway where the accident occurred. The case was settled with the assistance of a mediator.	
Election Systems, et al	Admin. Hearing: DCCA: PCH-2004-14		DAGS	$ 132,861	FY 2005	This was a bid protest of the award of a contract for voting systems where the losing bidder protested, the protest was denied by the State Procurement Office and the matter was appealed to DCCA. The issue was whether the winning bidder met the solicitation requirement (touch screen) technology systems in other jurisdictions. The DCCA ruled that the winning bidder did not, and the protestor was awarded its bid preparation costs.	
Brilhante v. State of Hawaii, et al	02-1-2713-11		DOE	$ 250,000	FY 2005	A member of the Kalaheo High School swim team was injured while performing a practice drill during swim practice. The swim coach utilized the practice drill to teach swimmers the forward start. Swimmers were instructed to dive off a starting block into a hula hoop located on the surface of the water. Plaintiff alleges this was a dangerous drill to be performed in 4 1/2 ft. of water. The plaintiff struck her head on the bottom of the pool while performing the exercise and sustained a fracture to her cervical spine. The case proceeded to arbitration , which resulted in a ruling adverse to the State. The case subsequently settled for $250,000.	
MacKenzie	02-1-2401-10	10/20/2000	PSD	$ 110,000	FY 2005	The plaintiff alleges the Oahu Community Correctional Center failed to diagnose his medical condition resulting in surgeries.	
Sakaguchi	98-1640	8/13/1996	DOT	$ 350,000	FY 2005	The plaintiff died in a motor vehicle accident allegedly caused by road design on Rte. 190, North Kona.	
Taylor	03-1-0073	9/7/2002	DOT	$ 450,000	FY 2005	The plaintiff alleges road design caused his accident on Mamalaohа Hwy. resulting in his paraplegia.	
Oceanic Companies	04-1-0054		DAGS	$ 130,800	FY 2006	Contract dispute (not insurance)	

STATE OF HAWAII
Settlements in Excess of $100,000
FY 1998 - FY 2012

NAME	CIVIL NO.	DATE OF INCIDENT	DEPT	AMT. PAID	LEG. SESSION	DESCRIPTION	
Aldana	tort	9/4/2003	DOE	$ 137,500	FY 2006	Auto accident involving State vehicle that rear-ended plaintiff.	
Sula	tort	3/12/2004	DOE	$ 125,000	FY 2006	A student accidentally ingest a chemical that was in an unmarked container.	
Smith, et al	04-1-0096		DHS	$ 2,300,000	FY 2006	DHS will disburse money to qualified individuals with a set-off or rent credit. (not insurance)	
Doi (Buentipo)	97-4036-10	8/31/1997	DHS	$ 3,500,000	FY 2006	A boy was severely beaten and remains in a vegetative state. Allegations were that the State failed to protect him from his mother. The State paid $2 million and insurance contributed $1.5 million.	
Fielder	01-00608	5/12/1999	DLNR	$ 162,018	FY 2006	The plaintiff alleges his civil rights were violated in the handling of his boat permit. The settlement was $7,200 and his attorney fees of 154,881.34.	
Rumball	04-1-0038	9/8/2001	DOT	$ 100,000	FY 2006	Auto accident involving a State vehicle that rear-ended the plaintiff and her 3 minor children. They suffered neck and back injuries.	
Brzezowski	04-1-0595-03	6/27/2003	DOT	$ 150,000	FY 2006	Plaintiffs, a father & son, were killed while crossing a street. The allegations of faulty road design.	
Kamalu	97-4959-12	12/7/1995	DOT	$ 1,702,328	FY 2006	Plaintiff was severely injured at a State construction site.	
Lewis	02-1-0257	12/11/2001	DOT	$ 318,468	FY 2006	Plaintiff was severely injured while walking along a State road when she fell off into a stream bed. Allegations that the State failed to warn of the hazard.	
Newhouse	04-1-0090	10/4/2003	DOT	$ 200,000	FY 2006	The Plaintiff was inured while driving on State road. Other vehicle crossed centerline and struck him. Alleged negligent road design.	
Belle	04-1-1355-07	12/27/2002	PSD	$ 225,000	FY 2006	Plaintiff alleges he was injured by a corrections officer.	
Kienker	98-033	7/5/1997	DOT	$ 1,135,189	FY 2006	Plaintiff alleges negligent road design caused accident. Other vehicle swerved into plaintiff's lane and caused accident.	
Kramer	97-256	11/3/1995	DOT	$ 160,753	FY 2006	Plaintiff alleges negligent road design caused accident. Other vehicle struck her vehicle while making a left turn.	
Alsip	03-1-0499-03	3/11/2001	DHS	$ 155,000	FY 2007	A child was injured in a "shaken baby syndrome" incident by a foster parent.	
Waters	05-1-0815-05	1997 - current	DHS-HPHA	$ 155,000	FY 2007	Class action re: monthly assistance disputes for electric bills	
Cummings	02-1-1831-08	8/11/2000	PSD	$ 131,633	FY 2007	Inmate was attacked by a fellow inmate and became blind in one eye. State found 50% at fault.	
Benjamin	03-1-0040(3)	6/26/2002	DOT	$ 300,000	FY 2007	The plaintiff was walking on Honoapiilani Hwy. and was struck by a vehicle sustaining serious and permanent injuries to her legs. The allegation against the State are negligent road design.	
Ramos	04-1-1498-08	1/9/2004	DOT	$ 135,000	FY 2007	A pedestrian was killed by a car when she had been walking over a bridge on Kaukonahua Road. The plaintiffs allege negligent road design.	
Kimberly	95-0718-03	2005	PSD	$ 225,000	FY 2008	Claimant was sexually harassed while incarcerated.	
Filimoehala	04-1-1880-10	4/16/2004	DOT	$ 2,600,000	FY 2008	Single car accident - 5 fatalities - alleged road design defect	
Klink	98-039	3/9/1997	DOT	$ 816,659	FY 2008	Fatality - alleged road defect - car crossed center line & struck another vehicle	
Kalueati	07-00504	2007	DOE	$ 185,000	FY 2008	DOE failed to provide bus services to homeless children (attorney fees)	

STATE OF HAWAII

Settlements in Excess of $100,000

FY 1998 - FY 2012

NAME	CIVIL NO.	DATE OF INCIDENT	DEPT	AMT. PAID	LEG. SESSION	DESCRIPTION
Ruiz	04-1-1739-09	June 2003	DHS	$ 350,000	FY 2008	Female ward at Hawaii Youth Correctional was sexually assaulted by a corrections officer.
Dunn	04-1-1330-07	8/16/2003	DOT	$ 930,965	FY 2008	Bike rider struck a broken plastic lane marker and fell - hitting his head.
Hashimoto	99-2462-06	10/28/1996	DOT	$ 250,000	FY 2008	Moped hit a car making left turn - alleged road design defect - severe internal injuries
Hoffelt	05-1-0480(3)	3/24/2004	DOT	$ 150,000	FY 2008	Pedestrian killed crossing street - alleged road design defect
Kahoohanohano	03-1-0012/0257	2/14/2001	DHS	$ 832,456	FY 2008	Alleged injuries to child - failure to remove from home of abusive parents
Amarino, et al	04-1-1582-08	disc. 2004	DCCA	$ 142,593	FY 2009	Alleged failure to monitor a mortuary financial status causing damages to claimants.
Wiley, et al	04-1-1895-10	10/28/2002	DOE	$ 175,000	FY 2009	Trip & fall on an uneven sidewalk.
Haole	03-1-0876-04	12/16/2002	DOT	$ 275,000	FY 2009	Auto accident on a pier - allegations that an old pipe should have been removed by the State.
Cuson	06-1-1855-10	11/25/2004	DOT	$ 230,000	FY 2009	Auto accident - car hydroplaned resulting in severe back injury.
Kim	06-1-1771-10 & 07-1-1676-09	7/24/2006	DOT	$ 1,850,000	FY 2009	Auto accident - 2 fatalities. Car ran off road into a ditch.
Lang	05-1-0389(1)	7/29/2005	DOT	$ 325,000	FY 2009	Auto accident - alleged road design issue - serious bodily injury.
Punsalan	05-1-0129K	1/9/2005	DOT	$ 350,000	FY 2009	Auto accident - alleged road design issue - serious bodily injury.
Hadley	08-1-1074-05 KKS		DHS	$ 100,000	FY 2010	Emotional distress - work conditions at Hawaii Youth Correctional Facility.
Bartolome	08-1-0086K	3/27/2006	DOT	$ 500,000	FY 2010	Fatality - road design. Lost control on an "S" turn and hit guardrail.
Farris	06-1-0249-02	2/26/2004	DOT	$ 475,000	FY 2010	Road design - quadriplegia - female - water run off made road slick.
Pinion	08-1-0460-(1)	11/29/2006	DOT	$ 475,000	FY 2010	Road design - motorcycle vs. car. Sever injuries to driver of car - other prior accidents at this location. Motorcyclist was speeding and died.
Cabanting	07-1-0038	2/7/2005	DOE	$ 5,750,000	FY 2010	DOE failed to notify of alleged abuse. State paid $3,500,000 and ins. paid $2,250,000.
Koloko Dam	06-1-0082 & others	3/14/2006	DLNR	$ 1,500,000	FY 2010	Dam failure - State's share of the total $25 million settlement. 7 fatalities.
McMillon & Faletogo	08-00578 & 08-1-2608-12		DHS	$ 610,000	FY 2010	Class Action - living conditions. $245,000 to residents as rent-abatement & balance as attorney fees.
Kong-Guillermo	07-1-2406-12	1995	DHS	$ 110,000	FY 2010	Female inmate sexually assaulted at Hawaii Youth Correctional Facility.
Perez	07-1-2418-12	6/1/2002	DHS	$ 213,333	FY 2010	Female inmate sexually assaulted at Hawaii Youth Correctional Facility.
Wolters	07-1-2358-12	2002	DHS	$ 213,333	FY 2010	Female inmate sexually assaulted at Hawaii Youth Correctional Facility.
Toomey	07-1-2407-12	2002	DHS	$ 213,333	FY 2010	Female inmate sexually assaulted at Hawaii Youth Correctional Facility.
Botelho	06-00096	6/28/1905	PSD	$ 277,750	FY 2012	Inmates allege unsanitary living conditions - 4 plaintiffs
Brem	07-1-0176	12/19/2006	DOT	$ 15,000,000	FY 2012	Two tourist fell to their deaths at Waialua Park of Kuamoo Road in Kauai. State paid $5,034,107.50 and Insurance paid $9,965,892.50.
Elections System v. Cronin	CAAP-11-0000078		Elections	$ 1,205,000	FY 2012	A former CEO of the State violated procurement rules.
Graff	08-1-0975-05		PSD	$ 156,814	FY 2012	Two inmates injured during work crew at Oahu Community Correctional Center.
Jemwai	09-1-0095-01	3-1-07/5-6-08	DOE	$ 252,500	FY 2012	Physical & sexual assault on student y an employee
Kahle v. Villaflor	10-00764 LEK-KSC	4/29/2010	PSD	$ 100,000	FY 2012	First amendment rights violated.

STATE OF HAWAII

Settlements in Excess of $100,000

FY 1998 - FY 2012

NAME	**CIVIL NO.**	**DATE OF INCIDENT**	**DEPT**	**AMT. PAID**	**LEG. SESSION**	**DESCRIPTION**
Kuahiwinui v. Zelo & Ackerman v. Kuahiwinui	08-1-0067 & 08-1-0069	4/1/2006	DOT	$ 210,000	FY 2012	Auto accident - A drunk driver hit a guardrail and went into a river. Two passengers drowned.
Labina	07-1-0075-1	6/9/2006	DOT	$ 909,000	FY 2012	Auto accident - State vehicle hit moped - serious injuries
Matsumura v. ERS	CAAP-11-0000106	7/1/1905	ERS	$ 120,000	FY 2012	Breach of fiduciary duty.
McCauley	07-01-206K	9/12/2006	DOE	$ 136,350	FY 2012	Student injured in shop class - not wearing eye protection gear
Moulton	08-1-0447(3)	6/3/2007	DOT	$ 909,000	FY 2012	Auto accident - alleged road design - 2 vehicles - 1 fatality - 8 yr. old boy
Requelman	06-1-0366	12/3/2004	DOT	$ 232,300	FY 2012	Auto hit a fallen tree across road - failure to maintain
Segundo	08-1-0106	4/21/2006	DOH	$ 328,250	FY 2012	Auto accident with State vehicle - crossed center line and injured other
Tenney	09-1-0190-1	1/30/2007	PSD	$ 150,995	FY 2012	Auto accident in State vehicle rear-ended another car - inmate injured
Tsachev	09-1-1207-05	11/14/2008	OHA	$ 162,500	FY 2012	Auto accident - State vehicle hit moped - serious injuries

STATE OF HAWAII
RISK MANAGEMENT
PROPERTY LOSSES GREATER THAN $250,000
1-01-01 TO CURRENT

CLAIM NO	DEPT	DIVISION	OPENED	OCCURRED	DESCRIPTION	EST AMT	RESERVE	PAID	TOTAL	INS. PYMT	STS	CLOSED
2053026	UH	MANOA	11/1/2004	10/30/2004	FLOOD DMGD BLDGS	$20,000,000.00	$0.00	$25,000,000.00	$25,000,000.00	$25,000,000.00	CLS	3/25/2009
2053082	DOE	KALAHEO ELEM	5/9/2005	5/7/2005	ARSON-DMG BLDG	$5,000,000.00	$0.00	$668,649.57	$668,649.57	$1,703,486.07	OPN	
2063144	UH	LAB SCHOOL	6/14/2006	6/13/2006	FIRE DMGD-UH LAB SCH	$6,000,000.00	$0.00	$250,000.00	$250,000.00	$4,734,544.95	OPN	
2073049	AGR	WAIMEA	11/13/2006	10/15/2006	IRRIGATION SYSTEM	$12,000,000.00	$0.00	$0.00	$0.00		CNP	12/27/2007
2073095	DOT	HARBORS	12/6/2006	10/15/2006	PIER 1	$7,000,000.00	$0.00	$0.00	$0.00	$3,003,169.74	CLS	1/22/2008
2073142	DLNR	STATE PARKS	12/18/2006	10/15/2006	HULIHEE PALACE	$1,500,000.00	$0.00	$0.00	$0.00	$1,388,782.18	CLS	12/28/2010
2073145	DLNR	DOBAR	12/18/2006	10/15/2006	N. KAWAIHAE SM BOAT	$1,870,000.00	$0.00	$0.00	$0.00		CNP	12/27/2007
2073146	DLNR	DOBAR	12/18/2006	10/15/2006	KAILUA KONA WHARF	$1,500,000.00	$0.00	$0.00	$0.00		CNP	12/27/2007
2083082	UH	MANOA	10/24/2007	10/20/2007	FIRE AND WATER DMG	$1,100,000.00	$0.00	$371,891.92	$371,891.92		CLS	9/30/2010
2103058	DOE	KAHULUI ELEM	4/19/2010	4/18/2010	FIRE - BLDG G	$3,000,000.00	$840,013.87	$1,000,000.00	$1,840,013.87		OPN	
2012000006	UH	MANOA	2/12/2012	2/12/2012	FIRE - UH MANOA BLDG 171-D	$3,386,433.00	$1,268,603.46	$117,829.54	$1,386,433.00	$2,386,433.00	OPN	
2012000091	DOE	FARRINGTON HS	11/23/2012	11/23/2012	ROOF COLLAPSE	$4,218,000.00	$4,218,000.00	$0.00	$4,218,000.00	$3,218,000.00		

LOSS INFORMATION SUMMARY

COMMERCIAL PROPERTY

REPORT DATE: 06/29/2013

PAGE 1

INSURED: STATE OF HAWAII

POLICY NO: CP32101357
PERIOD: 12/01/2011 - 12/01/2012
AGENT: AON RISK SERVICES

VALUATION DATE: 06/30/2013

LOSS DATE	ST	CLAIMANT CLAIM NUMBER	ACCIDENT DESCRIPTION	DED	COV	PAYMENT TO DATE	EST.FUTURE PAYMENT	TOTAL INCURRED	EXPENSE PAID	RECOV TO DATE
02/12/12	O	STATE OF HAWAII 2012000006	Fire Loss		BLD	117829.54	1268603.46	1386433.00	902.50	.00
11/23/12	O	STATE OF HAWAII 2012000091	Other Accident not Described in System		BLD	.00	3218000.00	3218000.00	59898.50	.00
STATUS (ST)		LOSS RATIO: 354.19%	NO. OF CLAIMS: 2	POLICY TOTAL		117829.54	4486603.46	4604433.00	60801.00	.00

O OPEN
C Closed
R Recovery

COVERAGE (COV)
BI Business Income
IM Inland Marine
BLD Building
OTH Other
CR Crime
PPR Personal Property

DTRIC INSURANCE COMPANY, LIMITED
1600 KAPIOLANI BOULEVARD, SUITE 1520
HONOLULU, HAWAII 96814

SECTION 107(3) STATE OF HAWAII – HAWAII EARTHQUAKE & COASTAL WINDSTORM ANALYSIS (SEPTEMBER 28, 2012)

EXHIBIT C

ARS Natural Hazards

State of Hawaii

Hawaii Earthquake
&
Coastal Windstorm Analysis

RiskLink v11.0.SP2 Loss Analysis Details

September 28, 2012

Account Level Results
Earthquake Input, Average Annual Loss Estimates, etc.
Windstorm Input, Average Annual Loss Estimates, etc.
Exposure Summaries by Geographic Region
RiskLink Ready-To-Import ASCII Text EDM Files
Analysis Data as used for this report
RiskLink Construction Codes
RiskLink Occupancy Codes

Confidential

ARS Naturals Hazards Group
Keith Ory
Aon Risk Services
(707) 554 8348
keith.ory@aon.com

RiskLink Account Level Results

Hawaii Earthquake

Deductible: 3% "per unit" site deductible subject to a $1,000,000 site minimum and a $25,000,000 maximum deductible, with a $225,000,000 blanket limit.

Annual Probability	Return Period (years)	Ground Up Aggregate LE	Ground Up Occurrence LE	Client's Retained Agg.	Insurer's Aggregate LE	Loss Over Limit
0.02%	5,000	$1,065,884,678	$1,061,072,516	$23,370,008	$230,449,552	$782,197,253
0.10%	1,000	$280,611,393	$273,232,217	$12,081,662	$219,572,382	$44,717,731
0.20%	500	$210,445,160	$204,888,669	$7,057,937	$196,852,339	$3,966,645
0.40%	250	$159,777,372	$155,446,181	$1,214,383	$161,989,530	$19,336
0.50%	200	$144,921,679	$140,936,783	$515,330	$148,527,549	$10,454
1.00%	100	$101,451,154	$98,503,011	$0	$104,201,065	$9,379
2.00%	50	$62,513,706	$60,560,484	$0	$62,935,162	$7,230
4.00%	25	$30,479,640	$29,419,205	$0	$29,956,152	$2,931

Hawaii Earthquake

Locations Analyzed:	6608		
Total Building:	$14,082,255,353	**Total Contents:**	$2,846,137,268
Total Time Element:	$302,977,643	**Total Values:**	$17,231,370,264

	Ground Up	Client (within Deduct)	Insured/Undtr's	Loss Over Limit
Average Annual Loss...	$4,885,227	$36,559	$4,341,276	$507,393

Hawaii Coastal Windstorm

Deductible: 3% "per unit" site deductible subject to a $1,000,000 site minimum and a $25,000,000 maximum deductible, with a $225,000,000 blanket limit.

Annual Probability	Return Period (years)	Ground Up Aggregate LE	Ground Up Occurrence LE	Client's Retained Agg.	Insurer's Aggregate LE	Loss Over Limit
0.02%	5,000	$3,896,482,932	$3,885,663,435	$48,035,269	$261,031,020	$3,648,474,936
0.10%	1,000	$1,803,453,346	$1,795,620,517	$37,744,212	$225,016,133	$1,530,144,629
0.20%	500	$1,094,026,216	$1,088,101,478	$32,355,804	$225,005,666	$814,035,144
0.40%	250	$597,866,256	$593,942,803	$20,977,118	$224,984,730	$324,403,022
0.50%	200	$476,756,881	$473,500,386	$18,406,367	$224,811,331	$215,636,181
1.00%	100	$203,883,502	$202,242,021	$7,941,693	$190,365,638	$23,673,302
2.00%	50	$62,559,971	$62,039,469	$3,281,479	$61,785,640	$85,484
4.00%	25	$7,914,642	$7,846,441	$1,143,357	$4,455,577	$62,607

Hawaii Coastal Windstorm

Locations Analyzed:	6608		
Total Building:	$14,082,255,353	**Total Contents:**	$2,846,137,268
Total Time Element:	$302,977,643	**Total Values:**	$17,231,370,264

	Ground Up	Client (within Deduct)	Insured/Undtr's	Loss Over Limit
Average Annual Loss...	$9,936,618	$310,909	$3,886,405	$5,739,305

Exposure Summaries by Geographic Region

All values in thousands (000)

Hawaii Earthquake Exposure Summary by (000)

State - County	Total Values	Bldg. Value	Cont. Value	TE Value
HI - Unspecified Locations	$53,079	$49,744	$3,336	$0
HI - Hawaii	$2,155,618	$1,792,791	$330,744	$32,083
HI - Honolulu	$12,949,790	$10,546,844	$2,158,195	$244,751
HI - Kauai	$751,442	$621,255	$121,559	$8,629
HI - Maui	$1,321,440	$1,071,622	$232,303	$17,515
Totals: (000)	**$17,231,369**	**$14,082,256**	**$2,846,137**	**$302,978**

County & Distance to Coast (000)

State	County	Miles to Coa	TIVs	Building	Contents	TE Values
Hawaii						
		<=5 miles	$53,079	$49,744	$3,336	$0
	Hawaii					
		<=5 miles	$2,099,102	$1,746,822	$320,197	$32,083
		5-10 miles	$28,150	$23,166	$4,984	$0
		10-25 miles	$28,366	$22,803	$5,563	$0
	Honolulu					
		<=5 miles	$12,718,650	$10,367,267	$2,106,631	$244,751
		5-10 miles	$231,141	$179,576	$51,564	$0
	Kauai					
		<=5 miles	$748,364	$620,826	$118,909	$8,629
		5-10 miles	$3,078	$429	$2,649	$0
	Maui					
		<=5 miles	$1,108,268	$898,825	$191,929	$17,515
		5-10 miles	$213,172	$172,797	$40,375	$0

Section 107 (4)

> (4) A review of the procurement of insurance policies, with the purpose of promoting the procurement from responsible insurers of insurance policies providing the best coverage at the least cost.

Aon annually has a pre-renewal meeting with the State Risk Manager to discuss the marketing strategy for the upcoming renewal. This meeting includes review of market analytics, prepared by Aon's casualty, property and management liability practice to provide quantitative analysis of the state of the various markets Aon will access on behalf of the State of Hawaii.

Based upon the information and then studying how the State's own loss experience for the past year might impact renewal terms, a comprehensive renewal marketing strategy is implemented.

Due to the complexity of the State's insurance placement, our team in Hawaii engages the services of our National Casualty, National Property and National Financial Services Group to assist in marketing these renewals.

Aon's Property Expertise

Aon's National Property Practice is a collaborative team of 90 professional property brokers who combine their considerable experience and expertise to place difficult and demanding risks, including every class of business and every kind of loss record. The group has significant expertise and experience working with the risks and challenges of natural catastrophic exposures, business interruption, captive integration, terrorism and crisis management, risk control and claims advocacy.

Aon's approach to placing property programs is very different from our competitors. We have been named Best Property Broker by several industry publications and independent surveys because of our:

- **Data-Driven Approach:** We are committed to fully understanding our clients' risks and exposures. With the evolution of natural catastrophic modeling, we have dedicated internal resources who work exclusively with the same RMS models the leading underwriters use. Further, we use these tools to understand the key drivers of PML and work with our clients and other technical resources to gather the most accurate and important information which best represents our client's risk to the market.
- **Benchmarking:** Aon GRIP (Global Risk Insight Platform) utilizes a database of thousands of accounts and analyzes more detail than any other broker including premium, rates, deductible/retention and limits. We benchmark by industry as well as geography, which gives Aon and our clients unique insights into the market and how best to access the market and deliver the optimal program results.
- **Customized Policy Wording:** Our property practice group strives to utilize the Aon Manuscript Property Policy Form wherever possible. Our widely accepted manuscript wording provides the broadest property coverage available in the marketplace. Manuscript wordings can be tailored to individual clients with the assistance of our wordings expert within the practice, and enable State of Hawaii to receive policies within 60 days of binding.
- **Dedicated London and Bermuda Resources:** Our London Team (comprised of 45 colleagues and supports over 300 North American clients) and Bermuda Property Teams (comprised of seven team members and supports over 160 North American clients) are both the industry leaders in their respective markets. More importantly,

they form an integrated part of the Aon Property Solution to our clients and are strategic team members, not third party contractors with interests that may not be in our clients' best interests.

- **Risk Control and Claims Support:** Our property risk control and claims expertise is integrated into our Property service platform. We will track potentially catastrophic events around the country (and globe if applicable) against State of Hawaii's exposures, using our proprietary ImpactOnDemand technology. For a major catastrophic event, our Rapid Response team is unique to the industry and can significantly help our clients in terms of expediting the adjustment and settlement of claims. Furthermore, we will engage our claims consultants during the submission creation process. This ensures that, rather than waiting for claims to highlight wording issues, the policy meets State of Hawaii's needs at the outset. Our claims team will play a central role in developing your policy wording.
- **Property Symposium:** Aon's annual Property Symposium is the largest event of its kind for underwriters and clients to meet and strategize. Virtually every major domestic and international market is represented at the symposium, which provides our clients the opportunity to meet with the global property markets in one central location. We were thrilled to host over 500 clients and underwriters in February 2013, our eighth installment of the marquee property insurance event for the industry. Dialogues included a CEO Panel, where leaders from ACE, AIG, Ironshore, QBE, XL and Zurich discussed the industry and issues impacting the property market; and a special conversation on Superstorm Sandy. The event also included sessions on flood modeling, best practices for risk control, and a Hurricane Season forecast with meteorologists from Aon Benfield. This final session discussed

the science behind climate and weather patterns, and their converging influence on natural catastrophes at a local level.

Property Marketing Process

Aon's strategic global partnerships with All Risks and Catastrophic Property markets worldwide provide an unparalleled advantage for State of Hawaii's, (as well as our many other public entity risks across the country), in today's evolving marketplace. Aon's strategic market relationships guarantee maximum results yielding the most competitive terms and conditions at the lowest prices available in the industry. In addition, Aon in most cases maintains the single largest premium volume of any broker with many of our strategic partners. This inherently affords Aon and our clients the greatest leverage while placing State of Hawaii's program.

In the wake of Hurricane Sandy, the global Property market has demonstrated a resiliency unseen in the past three decades. As one of the most devastating events from an economic and insured loss standpoint, the overall market has quickly shed resulting price increase tendencies witnessed in Q1 2013 and early Q2 in favor of rate stabilization and now reductions in early Q3. Obviously, a client's individual quality of risk and supporting underwriting information, as well as loss experience are impactful. To this end, not only are losses as a result of catastrophic perils meaningful to underwriters, but also the frequency and severity of historic attritional losses. Those factors directly affect the magnitude of the market's individual renewal coverage and pricing responses. Working in tandem with State of Hawaii, Aon will identify strategies to most effectively address market vulnerabilities in order to generate a most favored outcome.

Potential Carrier Structures	
DOMICILE	**MARKETS**
US	Ace, AIG, Allianz, Arch, Chubb, Liberty Mutual, QBE, Starr Tech, Swiss Re, Travelers, XL, Zurich, US Wholesale markets
Bermuda	Ace, AWAC, Hardy, Montpelier Re, XL
London	Lloyd’s Syndicates, London Companies, Sidecars as noted below
Europe	Hannover Re, HDI, Munich Re, Swiss Re, Partner Re
Asia	Mitsui Sumitomo, Sompo, Tokio Marine
Local	First Insurance Company of Hawaii, DTRIC Insurance Company

The rationale for the identification of all the markets listed is primarily that they are strategic partners of Aon and provide the best competitive alternative for securing the most aggressive terms and conditions available in today’s market. This list is not exhaustive, but provides a strong illustrative example.

It should also be noted Aon has exclusive relationships with the Berkshire Hathaway and Hiscox sidecar which automatically provide additional capacity accessible by no one else in the market, and attach in conjunction with Lloyd’s of London (Berkshire Hathaway) and London-centered European placements (Hiscox).

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State of Hawaii

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SECTION 107(4) U.S. PROPERTY QUARTERLY MARKET OVERVIEW
SUMMARY AND FORECAST Q3'12
EXHIBIT A

Quarterly Market Overview

Summary and Forecast
Property
U.S. Q3'12

Aon Analytics
Business Intelligence, Risk Analysis and Market Insights

Property

Summary

Rate increases continued in Q3 '12

Property rates began increasing for most clients by the middle of 2011, following global losses of greater than USD100 billion in 2011. There have been four consecutive quarters of higher or increasing rate levels through Q3'12. Larger and more complex "National" accounts have seen five straight quarters of increasing rates. In addition to poor industry experience, upward rating pressure was influenced by the release of Risk Management Solutions' version 11 natural catastrophe modeling software, which predicted much higher expected losses for windstorm for the Eastern half of U.S. – we believe this influence has now been largely digested by underwriters. The rate increases for most accounts have been under 10 percent, but some accounts have now experienced two consecutive renewals with rising rates - a phenomenon which has not occurred without poor account specific loss experience since 2001 and 2002. Strong industry surplus and modest competition for desirable accounts has muted overall rate increase levels.

At a minimum, expect a continuation of modest upward rate pressure in the near future

Global losses for the first half of 2012 were just under USD10 billion, with almost 80 percent of the losses arising from an active U.S. spring thunderstorm and tornado season. Further, through the middle of October 2012, most property insurers were anticipating very good results for the year. In late October, Post Tropical Cyclone Sandy ferociously hit the Northeastern U.S. causing very large losses and dramatically changed the experience for many Insurers in 2012. Initial estimates of insured losses for Sandy range from USD20 to USD25 billion. Unprecedented storm surge/flooding impacted the greater New York area. It is still too early to gauge the full impact of Sandy on the property insurance market; however, we expect, at a minimum, modest upward rate pressure will continue in the near future. Prior to Sandy, we predicted flat rates with some increased competition and possibly lower rates for some accounts in 2013.

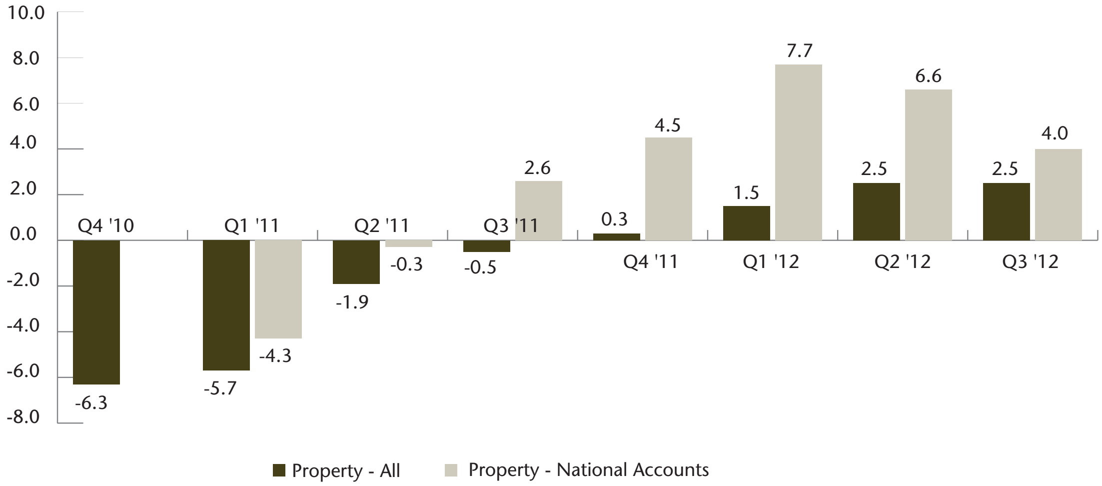
Category	Q3'12	Comment	2012 and Beyond	Comment
Pricing	↑	Overall property rates are up by 2.5 percent. Larger complex and Natural Catastrophic (NatCat) exposed accounts are facing the greatest degree of pricing pressure. These accounts experienced an average rate increase of 3.98 percent in Q3'12	↔↑	Modest upward rate pressure is expected to continue for most accounts for the remainder of 2012 and 2013, with rate increases in the range of 0 to 10 percent. Accounts with losses or larger windstorm exposures could face higher short term rate pressure
Limits	↔	Majority of risks purchased same limits	↔	No significant change in limits is expected for the remainder of 2012 and 2013. We do expect flood limits to be under the underwriting microscope and contingent business interruption limits will be carefully underwritten
Deductibles/ Retentions	↔	Over 90 percent of insureds maintained deductible/ retention levels	↔	Expect most buyers to maintain similar deductibles/ retentions
Coverage	↔	No appreciable change in property coverage, and coverage availability for broad property coverage is readily available	↔	Anticipate very limited change in property coverage
Capacity	↔	Most carriers offered similar line sizes	↔	Capacity is expected to be adequate to meet buyer demand throughout 2012 and 2013. We expect flood coverage will be more cautiously offered by property insurers
Losses	↓	Through Q3'12, catastrophe loss activity in all regions remains well below 2011 levels and annual averages in recent years	↔↑	Forecasts for near normal tropical storm activity for the 2012 was generally accurate with Sandy having a big impact on the Northeastern U.S.

Pricing

For Q3’12, overall property rates rose by 2.5 percent on average and larger, national accounts experienced an average increase of 4.0 percent, extending a downward trend in rate increases from Q1’12. For most property accounts, we expect modest upward rate pressure to continue through the remainder of 2012 and the first half of 2013.

National/large account rates on average were up 4.0% for Q3’12 while overall rates were up 2.5%

Property — Quarterly Year-Over-Year Change in Average Rate



Data Source: Aon Analytics Research and Aon GRIP^{SM}

Limits

Almost 96 percent of accounts purchased the same or higher limits during Q3’12

Majority of insureds maintained limits

Property — Quarterly Year-Over-Year Change in Limits

Type of Change	Q4’11	Q1’12	Q2’12	Q3’12
Lower	14.9%	8.0%	5.2%	4.1%
Same	69.3%	72.7%	83.5%	79.7%
Higher	15.8%	19.3%	11.3%	16.2%

Data Source: Aon Analytics Research and Aon GRIP^{SM}

Deductibles/Retentions

Nearly 97.5 percent of accounts kept the same or lower deductibles/retentions in Q3'12.

Over 97% of accounts had the same or lower deductibles/ retentions

Property – Quarterly Year-Over-Year Change in Deductibles/ Retentions

Type of Change	Q4'11	Q1'12	Q2'12	Q3'12
Lower	3.0%	1.1%	0.9%	1.3%
Same	90.0%	94.3%	94.8%	96.1%
Higher	7.0%	4.6%	4.4%	2.6%

Data Source: Aon Analytics Research and Aon GRIP^{SM}

Coverage

No substantial changes in coverage were evident in Q3'12. Broad coverage continues to be readily available.

No substantive change in property coverage

Capacity

Capacity has remained stable in 2012 and we continue to see adequate supply to meet buyer demand in the near future. Sandy is not expected at this time to significantly impact the availability of property capacity.

Capacity remained stable in Q3'12

Forecast

Modest upward rate pressure for property insurance will continue for most accounts for the remainder of 2012 and 2013 - most accounts should see rates in the 0 to +10 percent range. Accounts with losses or larger windstorm exposures may face even higher rate pressure. The full extent of Sandy is still being measured and could have a larger impact on the property market if losses grow beyond current predictions. We anticipate adequate capacity to meet buyer demand. Coverage terms and conditions will remain stable for the near future. However, flood coverage will be under greater scrutiny, which could lead to more restrictive available terms and conditions for the flood. Aon continues to stress to all clients the importance of documenting and compiling detailed risk and natural catastrophe data in presenting their risk to the marketplace.

Expect majority of accounts will see modest upward rate pressure in the range of 0% to 10%

Little change in coverage is anticipated, however, flood coverage will be more cautiously offered by property insurers

Aon at a Glance

Aon plc (NYSE:AON) is the leading global provider of risk management services, insurance and reinsurance brokerage, and human resources solutions and outsourcing. Through its more than 61,000 colleagues worldwide, Aon unites to deliver distinctive client value via innovative and effective risk management and workforce productivity solutions. Aon's industry-leading global resources and technical expertise are delivered locally in over 120 countries. Named the world's best broker by Euromoney magazine's 2008, 2009 and 2010 Insurance Survey, Aon also ranked highest on Business Insurance's listing of the world's insurance brokers based on commercial retail, wholesale, reinsurance and personal lines brokerage revenues in 2008 and 2009. A.M. Best deemed Aon the number one insurance broker based on revenues in 2007, 2008 and 2009, and Aon was voted best insurance intermediary 2007-2010, best reinsurance intermediary 2006-2010, best captives manager 2009-2010, and best employee benefits consulting firm 2007-2009 by the readers of Business Insurance. Visit http://www.aon.com for more information on Aon and http://www.aon.com/manchesterunited to learn about Aon's global partnership and shirt sponsorship with Manchester United.

Aon Analytics provides clients with forward-looking business intelligence, comprehensive benchmarking and total cost-of-risk analysis as well as global market insights using proprietary technology like the Aon Global Risk Insight Platform® (Aon GRIP℠) to enable more informed and fact-based decision making around risk management, risk retention and risk transfer goals and objectives.

Based in Dublin, Ireland, the Aon Centre for Innovation and Analytics provides Aon colleagues and their clients around the globe fact-based market insights. As the owner of the Aon GRIP, one of the world's largest repositories of risk and insurance placement information, the Centre analyzes Aon's USD 78 billion global premium flow to identify innovative new products and to provide Aon brokers insights as to which markets and which carriers provide the best value for clients.

Aon Global Risk Insight Platform® (Aon GRIP℠) is the world's leading global repository of global risk and insurance placement information. By providing fact-based insights into Aon's USD 78 billion in global premium flow, Aon GRIP helps identify the best placement option regardless of size, industry, coverage line or geography.

The Web-accessible data produced by Aon GRIP helps Aon brokers evaluate which markets to approach with a placement and which carriers may provide the best value for clients. It also gives Aon brokers a leg up when it comes to negotiations, making sure every conversation is based on the most complete, most current set of facts.

About Aon Broking's U.S. Property Practice

Aon Broking's U.S. Property Practice is the premier team of property brokerage professionals in the industry, with extensive experience in representing buyers of complex property insurance. We have more than 100 professionals who are experts in all major client-industry segments. In addition to our significant database of client and industry data, we actively utilize our in-house natural catastrophe modeling capabilities and proprietary terrorism modeling to strategize and advise clients. We have an integrated brokerage platform, including London and Bermuda brokers, which eliminates distribution friction and inefficiencies to deliver the best product to our clients. Aon Broking's U.S. Property Practice places more than USD 2 billion in annual premium and has assisted with claim settlements in excess of USD 1 billion.

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SECTION 107(4) U.S. CASUALTY QUARTERLY MARKET OVERVIEW
SUMMARY AND FORECAST Q3'12 & Q4'12
EXHIBIT B

Quarterly Market Overview

Summary and Forecast

Casualty
U.S. Q3'12

Aon Analytics
Business Intelligence, Risk Analysis and Market Insights

Casualty

Summary

The third quarter of 2012 saw overall rate increases in the low single digits for both primary and excess casualty lines. Lead layer excess casualty placements experienced rate increases, which nearly doubled that of excess casualty placements. Primary casualty increases were partially driven by the reluctance of insureds to move from incumbent markets due to collateral reasons. Across all casualty lines, rate increases continued to be fueled by deteriorating underwriting results and low investment yields.

Overall rates increased in the low single digits for primary and excess casualty lines in Q3'12

Capacity remains close to record levels in most sectors, contributing to a competitive marketplace. In some sectors, such as energy, chemicals and life sciences, available capacity was reduced and the insureds continued to experience a more challenging pricing environment. In the third quarter of 2012, over 90 percent of insureds purchased the same limits and maintained same deductible/retention levels. Collateral requirements continued to be a challenge for insureds with loss-sensitive programs limiting their ability to switch primary insurance carriers. Coverage enhancements remained available for insureds with proper underwriting information. Insureds with large fleets saw increased attachment points quoted by lead layer excess carriers, forcing them to take higher self-insured retentions and/or purchase automobile buffer layers.

For the third time in several years, excess casualty lines experienced a slight average rate increase

For insureds with a low to moderate hazard risk profile, limited exposure change and favorable loss development, we expect continued stable market conditions, with flat to low single digit rate decreases/increases depending upon the specifics of the insured's risk and markets' willingness to compete for the business. Insureds in the more hazardous risk categories and those with poor loss records can anticipate limited competition, particularly in the lead and second layer excess casualty lines and less favorable conditions for their upcoming renewals. With some exceptions, higher layer excess casualty placements will be competitive as a record number of carriers pursue a similar number of insureds.

Stable market conditions to continue with flat to low single digit rate decreases/increases

Category	Q3'12	Comment	Remainder 2012	Comment
Pricing	↑	Similar to the first half of 2012 we are seeing low single digit rate increases for casualty lines in Q3'12. The market is becoming increasingly bifurcated between new business/renewal business, high hazard/low hazard risks, insureds with good loss history/poor loss history, and lead / second layer vs. higher excess layers	↑	We expect the market conditions outlined for Q3'12 to continue throughout the balance of the year
Limits	↔	Insureds maintaining limits purchased	↔	Most insureds expected to maintain excess casualty limits purchased
Deductibles/ Retentions	↔	Over 9 out of 10 of insureds maintained deductible/ retention levels	↔	Most insureds expected to maintain deductibles/retentions. On accounts with poor loss experience or accounts with low deductibles relative to the exposure, we are starting to see pressure from the market to increase deductibles/ retentions. Lead umbrella markets are also putting pressure on the auto attachment for clients with significant fleets or with poor loss experience
Coverage	↔	Coverage/program design enhancements may be available; carriers continue to restrict coverage around emerging risks	↔	Reasonable coverage/program design enhancements expected to be available; underwriter scrutiny around emerging risks is anticipated to continue; more focus will be seen regarding accumulation of limits at risk on a potential single loss scenario
Capacity	↔	Excess casualty capacity remains at record levels	↔	No significant increase or decrease in capacity expected

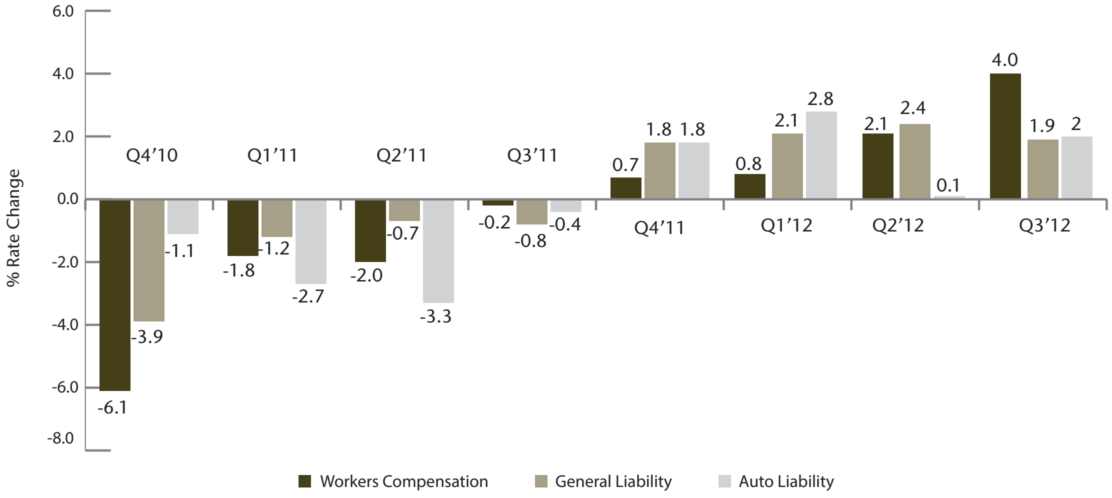
Pricing

For the last several years, the casualty market has experienced diminishing single digit rate decreases–until a distinct shift in the fourth quarter of 2011, when primary casualty showed a small average rate increase. Primary casualty lines' year-over-year rate changes clearly demonstrated modification as the average moved from around +1.9 percent in Q1'12 to +2.6 percent in Q3'12, partially driven by Workers' Compensation line which saw rate increases a full percentage point higher than either Auto or General Liability. Excess casualty lead layer average rate change was +3.2 percent in Q2'12 versus 2.0 percent in Q3'12; total program (including lead layer) rose to +0.1 percent in Q2'12 and +1.1 percent in Q3'12.

For the third time in several years excess casualty showed a small average rate increase

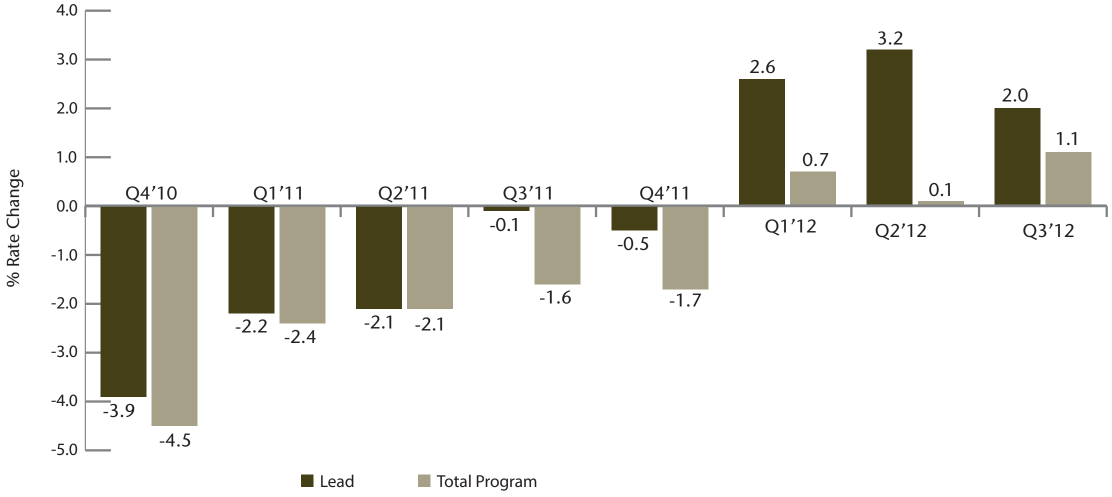
Primary casualty had a fourth straight quarter of rate increases

Primary Casualty – Quarterly Year-Over-Year Change in Average Rate



Data Source: Aon Analytics Research and Aon GRIP^{SM}

Umbrella/Excess Liability – Quarterly Year-Over-Year Change in Average Rate



Data Source: Aon Analytics Research and Aon GRIP^{SM}

Limits

Insureds maintaining limits purchased

In the third quarter of 2012, the vast majority of insureds elected to purchase the same level of umbrella/excess liability limits year over year. The number of insureds purchasing increased limits dropped from an average of 8.3 percent in Q2'12 to 4.9 percent in Q3'12; it was likely a result of opportunistic buying, increased exposure and / or concern for unforeseeable catastrophic loss. The number of insureds reducing limits stayed relatively steady in Q3'12 at 3.3 percent for the third straight quarter.

Umbrella/Excess Liability – Quarterly Year-Over-Year Change in Limits

Type of Change	Q4'11	Q1'12	Q2'12	Q3'12
Lower	2.0%	3.6%	3.6%	3.3%
Same	96.0%	92.9%	88.1%	91.8%
Higher	1.0%	3.6%	8.3%	4.9%

Data Source: Aon Analytics Research and Aon GRIP℠

Deductibles/Retentions

Most insureds chose to maintain deductible/ retention levels

Similar to the situation in 2011 and year to date in 2012, most insureds chose to maintain their deductibles/retentions in Q3'12. Collateral requirements continued to impact the deductible/retention strategies and potential for change in primary casualty carrier(s). In the excess casualty market, insurers began to scrutinize attachment points especially related to large fleets and insureds with poor loss records and/or unusual risk profile(s).

Primary Casualty – Quarterly Year-Over-Year Change in Deductibles/ Retentions

Coverage	Type of Change	Q4'11	Q1'12	Q2'12	Q3'12
Workers Compensation	Lower	2.0%	1.0%	1.2%	1.3%
	Same	93.0%	93.8%	95.1%	93.6%
	Higher	5.0%	5.2%	3.7%	5.1%
General Liability	Lower	1.7%	2.0%	4.4%	2.4%
	Same	95.0%	94.0%	89.7%	92.9%
	Higher	3.3%	4.0%	5.9%	4.8%
Auto Liability	Lower	1.5%	3.0%	1.4%	2.0%
	Same	97.1%	94.0%	94.2%	94.0%
	Higher	1.5%	3.0%	4.3%	4.0%

Data Source: Aon Analytics Research and Aon GRIP℠

Coverage

Coverage changes remained limited in Q3’12. Given adequate underwriting information, insurers offered coverage/program design enhancements or lessened the impact of exclusionary language. For example, full limits for insured’s liability arising from joint ventures/LLCs was available although many carriers required additional information in an effort to manage their aggregation of risk. In some sectors such as offshore energy, this coverage was available for a substantial additional premium.

Coverage remained relatively unchanged

Capacity

Competition and capacity remained strong in the primary casualty marketplace, contributing to a stable marketplace. Over the last year or so, there has been little change in the number of carriers actively writing large primary casualty business. One exception has been the excess workers compensation market, which experienced some restriction in overall capacity and underwriting appetite.

Competition and capacity fueling stable market

Excess casualty capacity remained stable, with a record level of approximately USD2.5 billion of total available capacity, close to half of which is typically available for any single insured. Part of the available capacity will be restricted by industry, coverage forms and/or size of insureds. We saw increased interest in the lead layer from carriers due to the rising prices, except in the more hazardous risk classes where lead layer from carriers due to the rising prices, except in the more hazardous risk classes where lead layer options remain limited. In the excess layers, some carriers restricted the amount of capacity they were willing to deploy given market pricing and the desire to reduce exposures to specific risks such as wildfires. The majority of insureds continued to maintain incumbent relationships.

Number of carriers writing large primary casualty business remained stable

Forecast

We expect the market for the rest of 2012 to be relatively stable as a result of the record levels of capacity. Lead layer excess casualty rates are expected to increase for many insureds, with excess layers mitigating the change in overall program rate. The market will continue to be bifurcated between new business/renewal business, high hazard/low hazard risks, and insureds with good loss history/poor loss history. Depending upon the sector, historical rate change as well as risk profiles, insureds with extreme exposure reductions, poor loss history and high hazard risk categories may see a more signficant rate increase.

Expect stable market conditions in 2012

In an effort to create additional sources of savings, insureds will continue to focus on all primary program cost components with additional scrutiny given to components such as medical bill charges and program taxes and assessments.

The vast majority of insureds are expected to maintain their limits for the rest of 2012. Economic pressures or reduced exposure base will constitute key factors for any reductions in limits. Likewise, increases will be most likely due to increased exposure base and/or opportunistic buying.

Vast majority of insureds are anticipated to maintain their limits in 2012

No significant change is anticipated in deductible/retention levels for the rest of 2012. However, we expect to see continued underwriting scrutiny of attachment points for certain risk profiles.

Deductible/ retention levels expect to remain stable in 2012

Coverage for the rest of 2012 is likely to remain unchanged. Reasonable coverage/program design enhancements and improved endorsement language are expected to be available. Insureds should be prepared to provide detailed underwriting information to obtain the best coverage terms.

No significant changes are expected in coverage for 2012

Capacity is expected to remain available except for more difficult risks, which may experience some additional constriction.

Expect no significant increase in capacity (currently at record levels)

Aon at a Glance

Aon plc (NYSE:AON) is the leading global provider of risk management services, insurance and reinsurance brokerage, and human resources solutions and outsourcing. Through its more than 61,000 colleagues worldwide, Aon unites to deliver distinctive client value via innovative and effective risk management and workforce productivity solutions. Aon's industry-leading global resources and technical expertise are delivered locally in over 120 countries. Named the world's best broker by Euromoney magazine's 2008, 2009 and 2010 Insurance Survey, Aon also ranked highest on Business Insurance's listing of the world's insurance brokers based on commercial retail, wholesale, reinsurance and personal lines brokerage revenues in 2008 and 2009. A.M. Best deemed Aon the number one insurance broker based on revenues in 2007, 2008 and 2009, and Aon was voted best insurance intermediary 2007-2010, best reinsurance intermediary 2006-2010, best captives manager 2009-2010, and best employee benefits consulting firm 2007-2009 by the readers of Business Insurance. Visit http://www.aon.com for more information on Aon and http://www.aon.com/manchesterunited to learn about Aon's global partnership and shirt sponsorship with Manchester United.

Aon Analytics provides clients with forward-looking business intelligence, comprehensive benchmarking and total cost-of-risk analysis as well as global market insights using proprietary technology like the Aon Global Risk Insight Platform® (Aon GRIP℠) to enable more informed and fact-based decision making around risk management, risk retention and risk transfer goals and objectives.

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About Aon Broking's U.S. Casualty Practice

Aon Broking's U.S. Casualty Practice is a premier team of casualty brokerage professionals, with extensive experience in presenting buyers of primary casualty, excess casualty and alternative risk products. Our national group is constantly upgrading tools and resources to ensure our brokers can provide our clients with state-of-the-art, best-in-class coverage. Constantly in the marketplace, our professionals are on the forefront of innovation, challenging the status quo to design, place and implement customized solutions. We have developed specialties in heavy industry, automotive supplier and pharmaceutical/chemical, among others. Aon's U.S. Casualty Practice places USD 4.8 billion in annual premium for its clients.

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3066-P096315010-2012

U.S. Casualty Insurance Market Overview

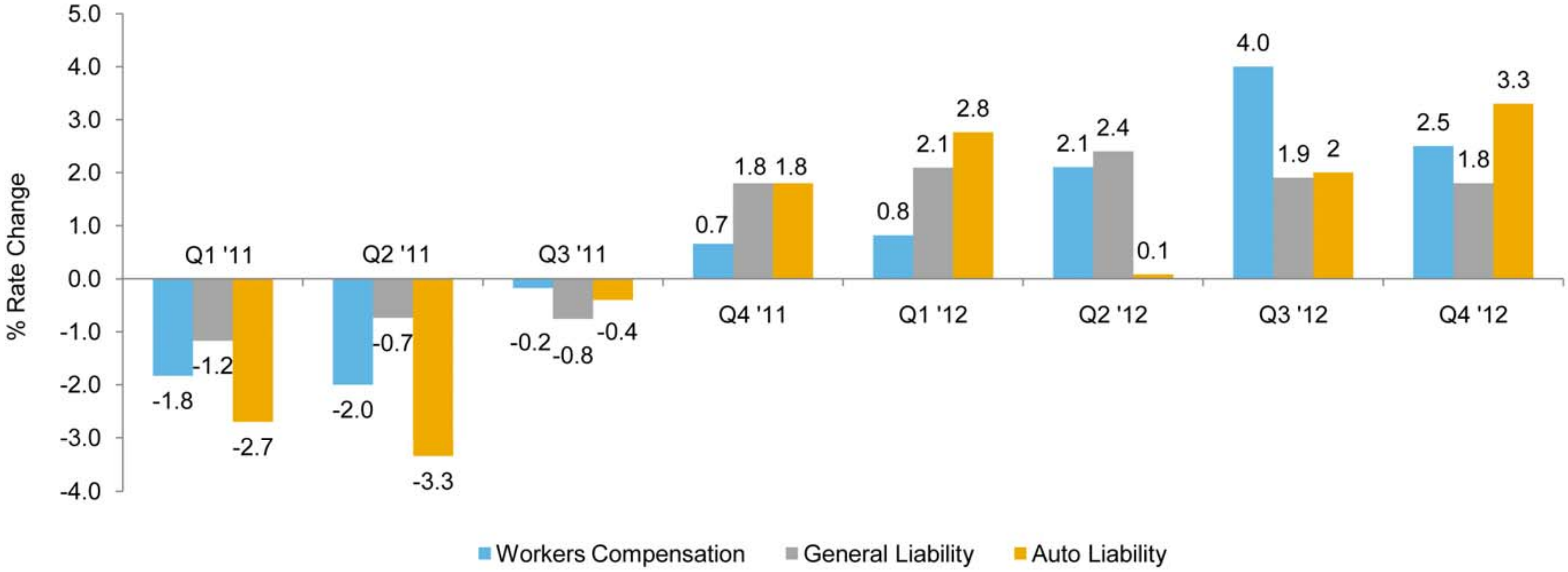
Q4 ‘12

Casualty – Overview

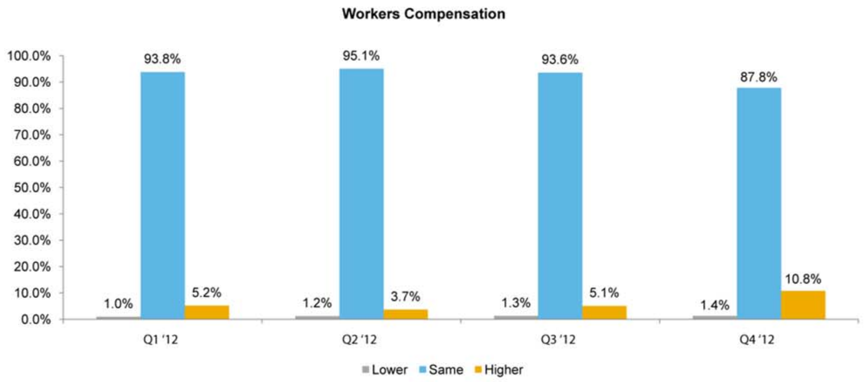
Category	2012	Comment	2013	Comment
Pricing	↑	Overall rates increased in the low single digits for primary and excess casualty lines in 2012. The market is becoming increasingly bifurcated between new business/renewal business, high hazard/low hazard risks, insureds with good loss history/poor loss history, and lead / second layer vs. higher excess layers	↑	We expect the market conditions outlined for Q4'12 to continue throughout the balance of the year
Limits	↔	Insureds maintaining limits purchased	↔	Most insureds expected to maintain excess casualty limits purchased
Deductibles/ Retentions	↔	Over 9 out of 10 of insureds maintained deductible/retention levels	↔	Most insureds expected to maintain deductibles/retentions. On accounts with poor loss experience or accounts with low deductibles relative to the exposure, we are starting to see pressure from the market to increase deductibles/retentions. Lead umbrella markets are also putting pressure on the auto attachment for clients with significant fleets or with poor loss experience
Coverage	↔	Coverage/program design enhancements may be available; carriers continue to restrict coverage around emerging risks	↔	Reasonable coverage/program design enhancements expected to be available; underwriter scrutiny around emerging risks is anticipated to continue; more focus will be seen regarding accumulation of limits at risk on a potential single loss scenario
Capacity	↔	Excess casualty capacity remains at record levels	↔	No significant increase or decrease in capacity expected

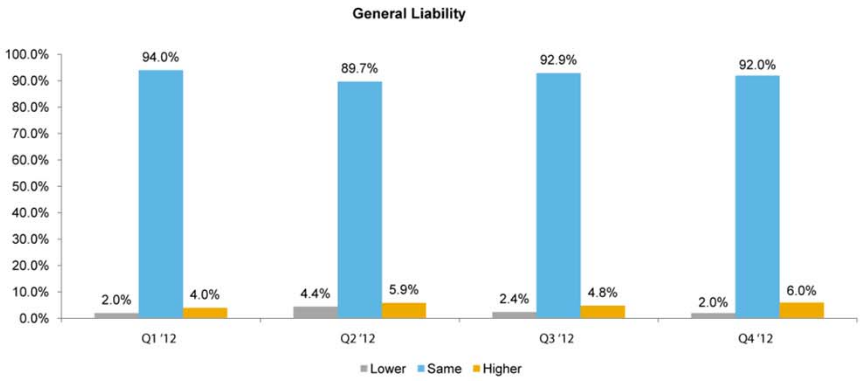
Primary Casualty – Quarterly Year-Over-Year Change In Average Rate

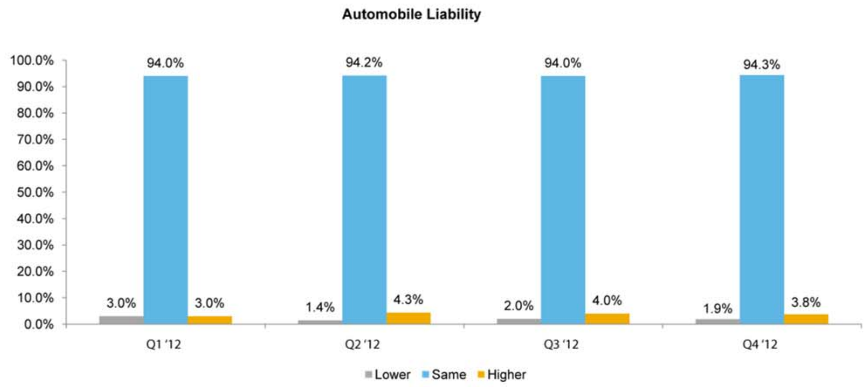
Primary Casualty – Quarterly Year-Over-Year Change In Average Rate



Primary Casualty – Quarterly Year-Over-Year Change In Deductibles/Retentions

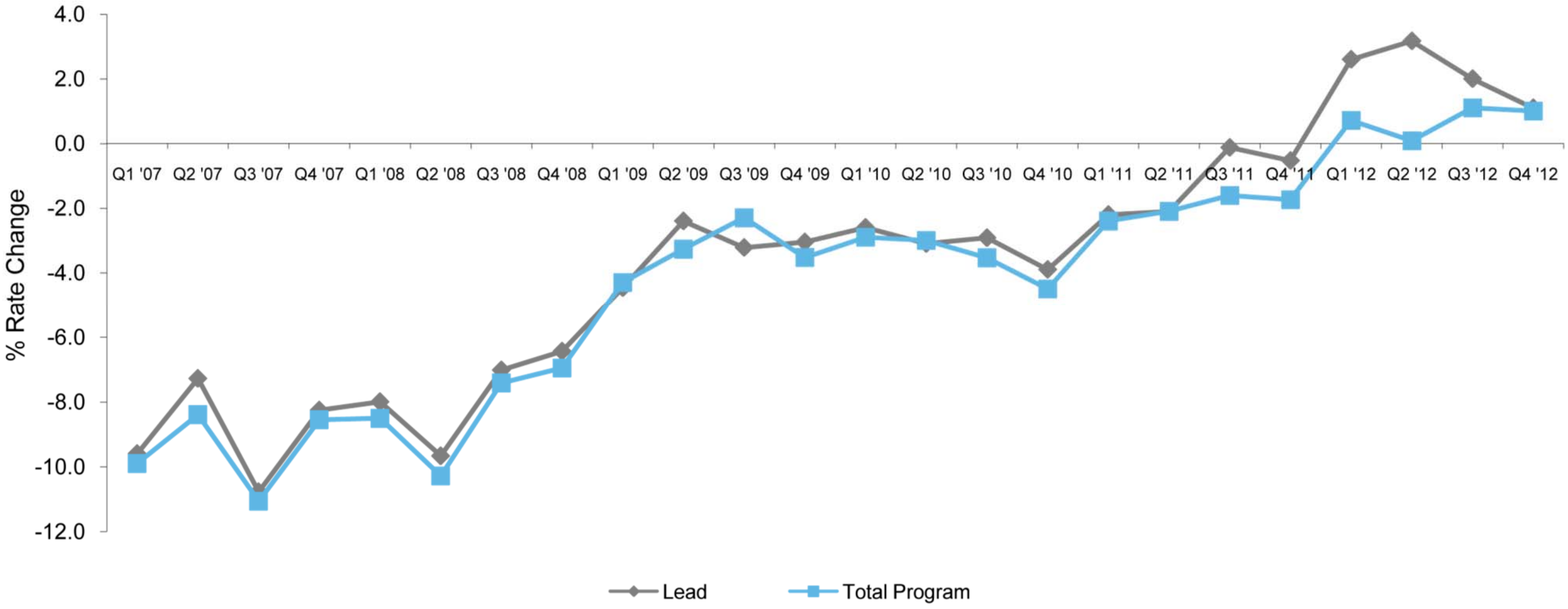




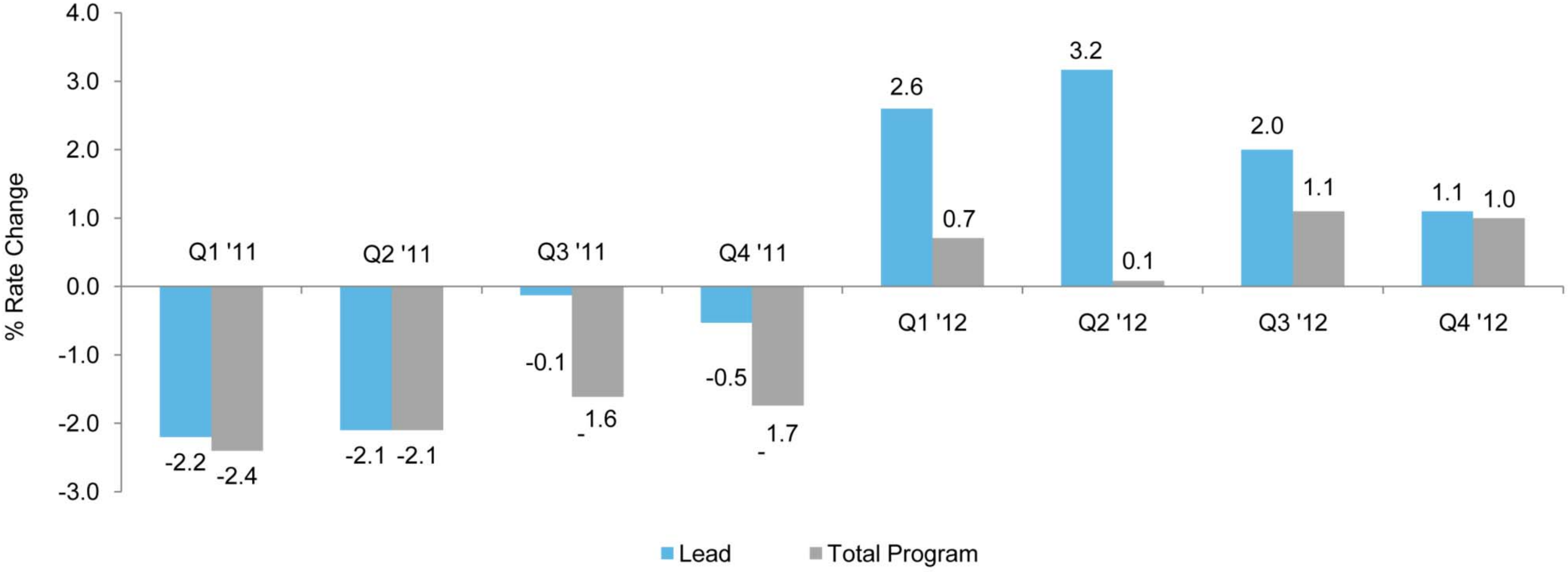


Coverage	Type of Change	Q1 '12	Q2 '12	Q3 '12	Q4 '12
Workers Compensation	**Lower**	1.0%	1.2%	1.3%	1.4%
	Same	93.8%	95.1%	93.6%	87.8%
	Higher	5.2%	3.7%	5.1%	10.8%
General Liability	**Lower**	2.0%	4.4%	2.4%	2.0%
	Same	94.0%	89.7%	92.9%	92.0%
	Higher	4.0%	5.9%	4.8%	6.0%
Auto Liability	**Lower**	3.0%	1.4%	2.0%	1.9%
	Same	94.0%	94.2%	94.0%	94.3%
	Higher	3.0%	4.3%	4.0%	3.8%

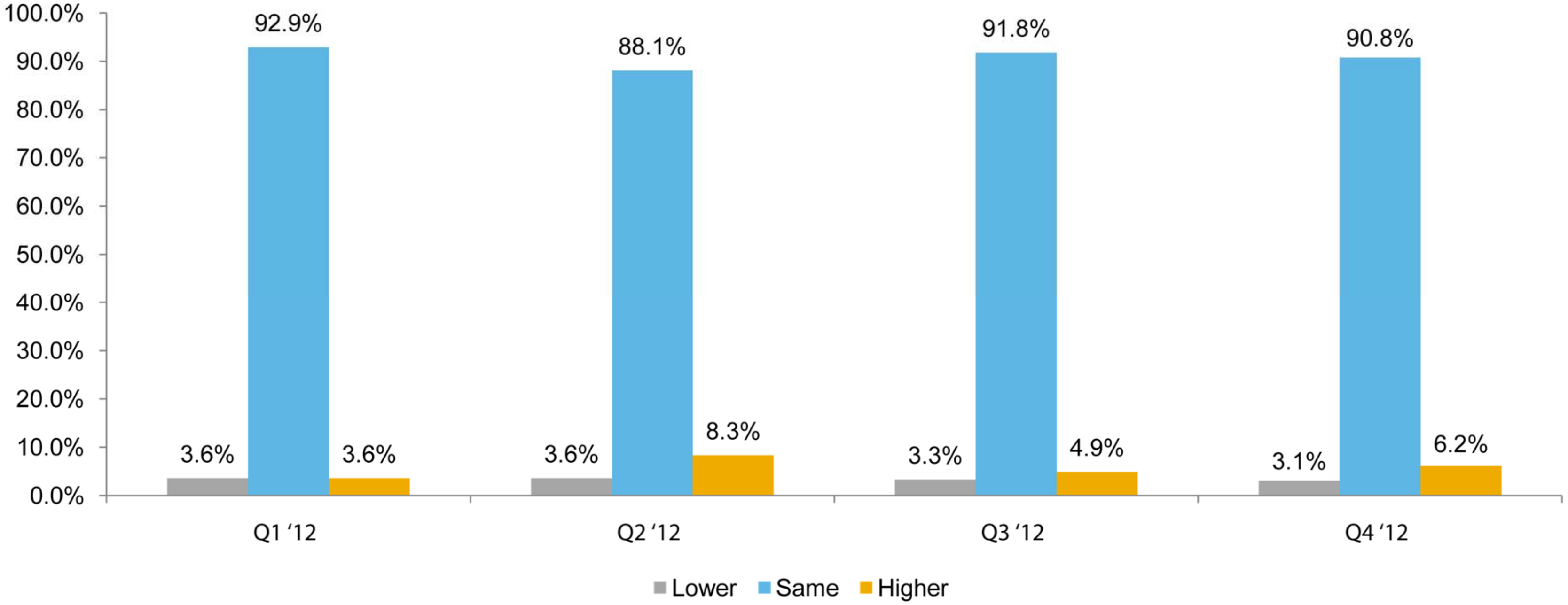
Umbrella/Excess Liability – Quarterly Year-Over-Year Change In Average Rate



Umbrella/Excess Liability – Quarterly Year-Over-Year Change In Average Rate



Umbrella/Excess Liability – Quarterly Year-Over-Year Change In Average Limit



Type of Change	Q1 '12	Q2 '12	Q3 '12	Q4 '12
Lower	3.6%	3.6%	3.3%	3.1%
Same	92.9%	88.1%	91.8%	90.8%
Higher	3.6%	8.3%	4.9%	6.2%

SECTION 107(4) RENEWAL MARKETING UPDATE PRESENTATION
EXHIBIT C

Renewal Marketing Update

November 27, 2012

Aon Risk Services, Inc. | 201 Merchant Street, Suite 2400 | Honolulu, HI 96813

2012 Renewal Timeline

ACTIVITY	ASSIGNED	SEPTEMBER				OCTOBER					NOVEMBER				NOV
		3	10	17	24	1	8	15	22	29	5	12	19	26	30
Gather renewal information	Aon														
Renewal Marketing Strategy Meeting and solicit add'l info needed from State	Aon & STATE		9/15												
Provide Property submission to STATE for sign-off	Aon & STATE			9/20											
Property Submission to market	Aon				9/26										
Provide Crime and XS Liab submission to STATE for sign-off	Aon & STATE					10/5									
Crime & XS Liab Submission to market	Aon					10/5									
Market review and analyze submission	Markets														
Questions from markets	Markets														
Provide status reports to STATE on marketing efforts	Aon							10/18	10/22	11/2	11/12	11/16	11/27		
Respond to market questions	Aon & STATE														
Meeting with key markets	Aon & STATE														
Receive quotes for Crime, XS Liability and Prop (per expiring structure)	Markets									11/2					
Present and discuss Crime & XSLiab options to STATE	Aon & STATE										11/9				
Analyze and negotiate options with markets	Aon														
Present and discuss Property options to STATE and deliver final "mudmap"	Aon & STATE												11/16		
Provide binding instructions	STATE												11/26		
Provide formal proposal & QDR	Aon													11/28	
Deliver insurance binders	Aon														11/30

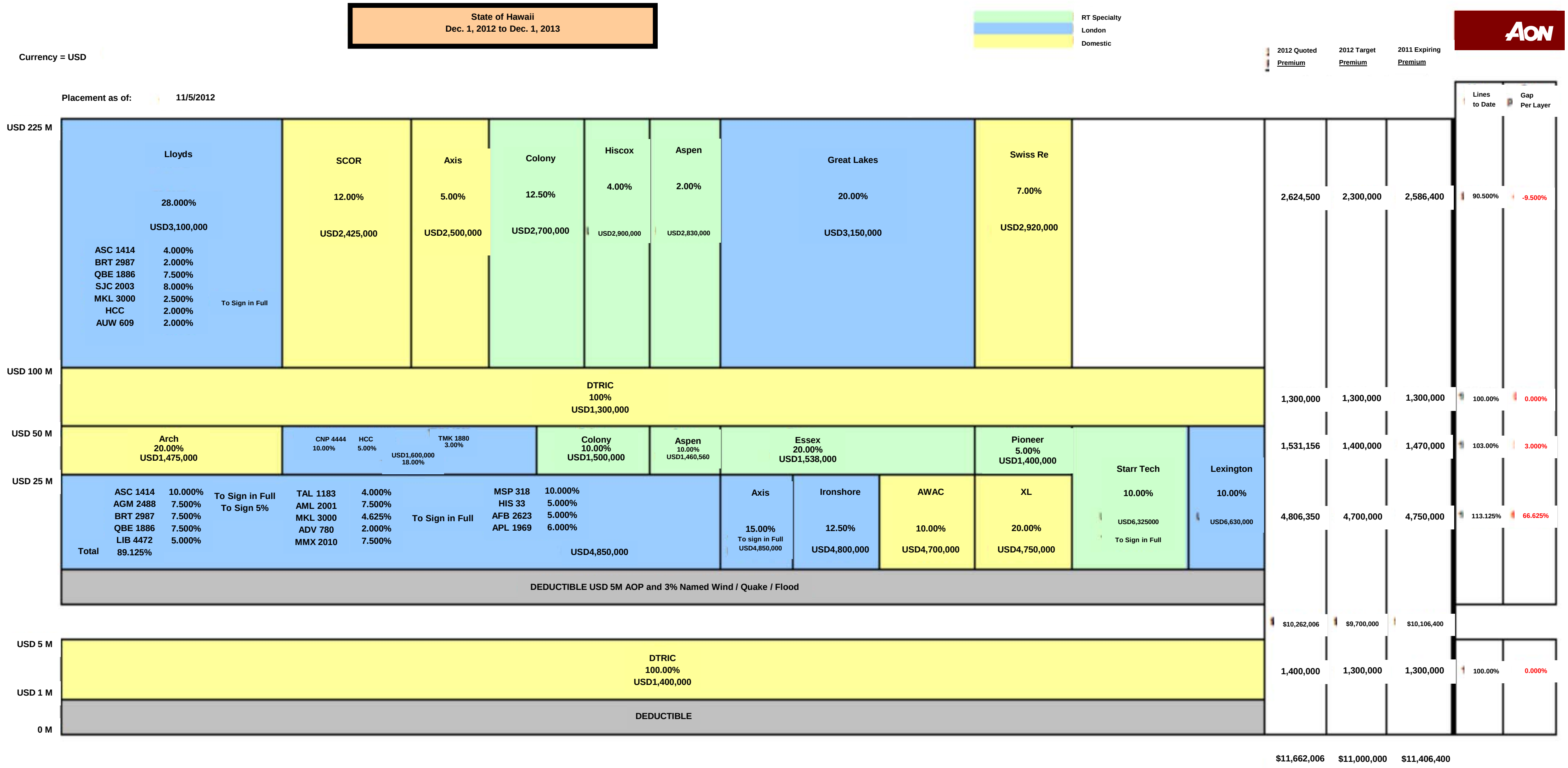
Property

While we are comfortable with the capacity that has been provided to date, much of the London capacity is at pricing that represents a rate increase. We are looking to oversubscribe the layer, and force pricing concessions from the market.

The significant loss caused by Hurricane Sandy, might embolden underwriters to seek rate increases.

We are hopeful to mitigate the impact of this event, on the 12/1/12 State of Hawaii property renewal.

Property Program Schematic ($225M)



State of Hawaii
Dec. 1, 2012 to Dec. 1, 2013

Currency = USD

🟩 RT Specialty
🟦 London
🟨 Domestic

Placement as of: 11/5/2012

USD 225 M – USD 100 M

Lloyds 28.000% USD3,100,000
ASC 1414 4.000%
BRT 2987 2.000%
QBE 1886 7.500%
SJC 2003 8.000%
MKL 3000 2.500%
HCC 2.000%
AUW 609 2.000%
To Sign in Full

SCOR 12.00% USD2,425,000

Axis 5.00% USD2,500,000

Colony 12.50% USD2,700,000

Hiscox 4.00% USD2,900,000

Aspen 2.00% USD2,830,000

Great Lakes 20.00% USD3,150,000

Swiss Re 7.00% USD2,920,000

USD 100 M – USD 50 M

DTRIC 100% USD1,300,000

USD 50 M – USD 25 M

Arch 20.00% USD1,475,000

CNP 4444 10.00%
HCC 5.00%
TMK 1880 3.00%
USD1,600,000 18.00%

Colony 10.00% USD1,500,000

Aspen 10.00% USD1,460,560

Essex 20.00% USD1,538,000

Pioneer 5.00% USD1,400,000

USD 25 M – USD 5 M

ASC 1414 10.000%
AGM 2488 7.500%
BRT 2987 7.500%
QBE 1886 7.500%
LIB 4472 5.000%
Total 89.125%
To Sign in Full
To Sign 5%

TAL 1183 4.000%
AML 2001 7.500%
MKL 3000 4.625%
ADV 780 2.000%
MMX 2010 7.500%
To Sign in Full

MSP 318 10.000%
HIS 33 5.000%
AFB 2623 5.000%
APL 1969 6.000%
USD4,850,000

Axis 15.00% To sign in Full USD4,850,000

Ironshore 12.50% USD4,800,000

AWAC 10.00% USD4,700,000

XL 20.00% USD4,750,000

Starr Tech 10.00% USD6,325000 To Sign in Full (USD 50 M – USD 5 M)

Lexington 10.00% USD6,630,000 (USD 50 M – USD 5 M)

DEDUCTIBLE USD 5M AOP and 3% Named Wind / Quake / Flood

USD 5 M – USD 1 M

DTRIC 100.00% USD1,400,000

USD 1 M – 0 M

DEDUCTIBLE

	2012 Quoted Premium	2012 Target Premium	2011 Expiring Premium	Lines to Date	Gap Per Layer
USD 225 M – USD 100 M	2,624,500	2,300,000	2,586,400	90.500%	-9.500%
USD 100 M – USD 50 M	1,300,000	1,300,000	1,300,000	100.00%	0.000%
USD 50 M – USD 25 M	1,531,156	1,400,000	1,470,000	103.00%	3.000%
USD 25 M – USD 5 M	4,806,350	4,700,000	4,750,000	113.125%	66.625%
	$10,262,006	$9,700,000	$10,106,400		
USD 5 M – USD 1 M	1,400,000	1,300,000	1,300,000	100.00%	0.000%
	$11,662,006	$11,000,000	$11,406,400		

Property Placement Overview

Impact of DTRIC Participation

2010 - 2011

$175 Million Limit

Premium:
$10,712,331 (?)

$50 Million excess
$50 Million

Premium: $ (?)

AOP Ded BuyDown
Various - $1,905,499

SIR - $1,000,000 AOP

Total Premium: $12,617,830

2011 - 2012

$175 Million Limit
excluding DTRIC

Total Premium:
$9,220,109

$50 Million excess
$50 Million

DTRIC: $1,300,000

AOP Ded BuyDown
DTRIC - $1,300,000

SIR - $1,000,000 AOP

Total Premium: $11,820,109
6% from expiring

2012 - 2013

$175 Million Limit
excluding DTRIC

Total Premium:
$9,396,182

$50 Million excess
$50 Million

DTRIC: $1,300,000

AOP Ded BuyDown
DTRIC - $1,400,000

SIR - $1,000,000 AOP

Total Premium: $12,096,182
2% from expiring

UH Fire Loss
2/12/2012
(DTRIC)

Incurred
Reserves:
$1,386,433

Terrorism ($50M)

- Received renewal premium as expiring
  - $117,500 plus HI Surplus Lines Tax

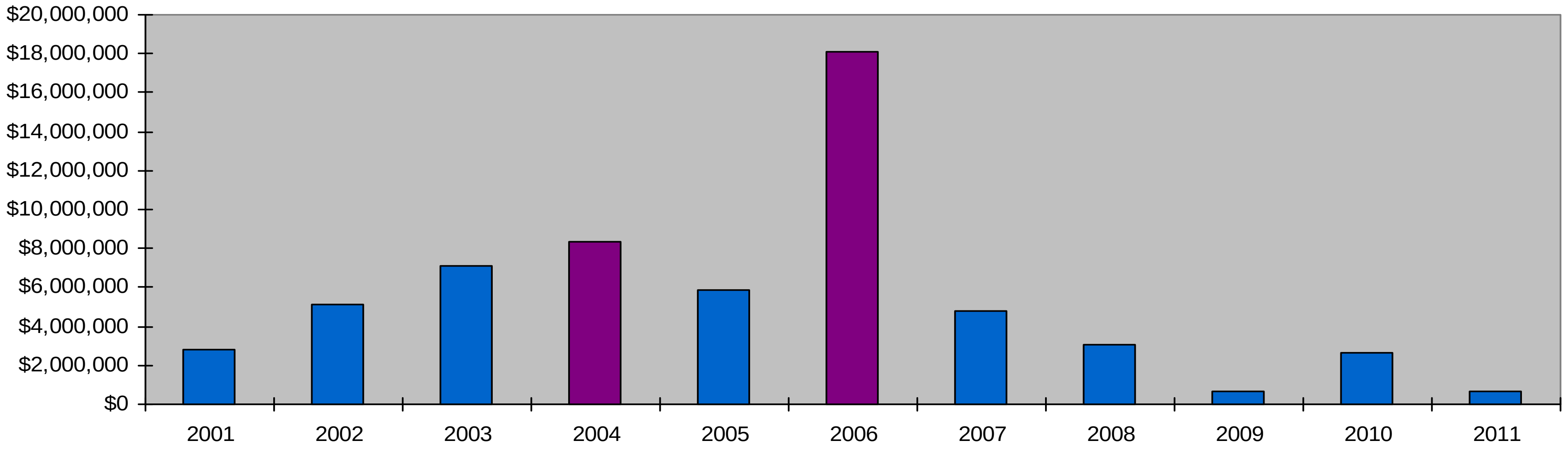
Excess Liability

- Received Starr Indemnity & Liability Company renewal quote:
  - $1,279,700 plus $25,594 Terrorism Coverage
  - $1,305,294 Total Premium with Terrorism
    ($816) from expiring $1,306,110

- Lexington Insurance is significantly higher with rough indications of $2MM based on major loss history. Lexington incurred losses from 2001-2007 is $13.3MM.

- Markets still reviewing but pricing indications not competitive to incumbent: Munich Re, Brit, Markel, AmTrust, Great American, Civic Risk.

Excess Liability Loss Summary Exhibit



CABANTING-DOL 2/7/05

DOE failed to notify of alleged abuse.

Settled in 2010

State paid $3.5M

Chartis paid $2,250,000

BREM–DOL 12/19/06

2 Tourist fell to their deaths at Waialua Park

Settled in 2011

State paid $5,034,107

Chartis paid $9,965,892

Commercial Crime

- Received renewal quote from Ace/Westchester
  - $115,802 Premium (expiring $115,802)
  - Subject to fully completed, dated and signed Ace renewal application

SECTION 107(4) QUOTE DISCLOSURE REPORT (12/1/12 TO 12/1/13)
EXHIBIT D

Trade ID	Program	Line Of Business	Carrier	Carrier Response	Carrier Declination Reason	Premium[2]	Quoted ARS Commission	Nationally Agreed Commission Rate[3]	Intermediary, if applicable	Intermediary Commission	ARS Fee[4]	Total ARS Income[4,5,3]	Total Cost to Client (Premium +Fee)[6]
Policy Term: December 01, 2012 to December 01, 2013													
2114399	Property $25M Primary	Commercial Property Coverage	SYN2010 JOHN HAMBLIN ESQ AND OTHERS - GBR	Bound	N/A	$158,811.50	N/A	N/A	Aon Limited	20.0000%	N/A	N/A	$158,811.50
2114411	Property $25M Primary	Commercial Property Coverage	LEXINGTON INS CO - GBR	Bound	N/A	$253,000.00	N/A	N/A	Aon Limited	17.5000%	N/A	N/A	$253,000.00
2114426	Property $25M Primary	Commercial Property Coverage	SYN0623 A F BEAZLEY AND OTHERS - GBR	Bound	N/A	$19,057.00	N/A	N/A	Aon Limited	20.0000%	N/A	N/A	$19,057.00
2116675	$25M Primary	Commercial Property Coverage	XL Insurance Co Ltd	Bound	N/A	$356,250.00	15.0000%	15.00%	N/A	N/A	N/A	$53,437.50	$356,250.00
2115995	$25M Primary	Commercial Property Coverage	Allied World Assurance Company (US) Inc	Bound	N/A	$345,000.00	15.0000%	15.00%	N/A	N/A	N/A	$51,750.00	$345,000.00
2281554	PRIMARY 25M	Commercial Property Coverage	SYN1183 J.SKINNER ESQ. AND OTHERS - GBR	Bound	N/A	$84,697.25	N/A	N/A	AON LIMITED LONDON	20.0000%	N/A	N/A	$84,697.25
2281555	PRIMARY 25M	Commercial Property Coverage	SYN2488 ACE UNDERWRITING AGENCIES - GBR	Bound	N/A	$237,500.00	N/A	N/A	AON LIMITED LONDON	20.0000%	N/A	N/A	$237,500.00
2281556	PRIMARY 25M	Commercial Property Coverage	SYN2001 S.C W BEALE ESQ. & OTHERS - GBR	Bound	N/A	$158,811.50	N/A	N/A	AON LIMITED LONDON	20.0000%	N/A	N/A	$158,811.50
2281558	PRIMARY 25M	Commercial Property Coverage	SYN1969 N. JONES ESQ AND OTHERS - GBR	Declined	Uncompetitive	N/A	20.0000%	20.00%	AON LIMITED LONDON	N/A	N/A	$97,000.00	N/A
2281559	PRIMARY 25M	Commercial Property Coverage	SYN1969 N. JONES ESQ AND OTHERS - GBR	Bound	N/A	$105,872.75	N/A	N/A	AON LIMITED LONDON	20.0000%	N/A	N/A	$105,872.75
2281560	PRIMARY 25M	Commercial Property Coverage	SYN1000 MARKEL SYNDICATE MGMT - GBR	Bound	N/A	$190,000.00	N/A	N/A	AON LIMITED LONDON	20.0000%	N/A	N/A	$190,000.00
2281562	PRIMARY 25M	Commercial Property Coverage	IRONSHORE INSURANCE LTD - BMU	Declined	Uncompetitive	N/A	20.0000%	20.00%	AON LIMITED LONDON	N/A	N/A	$96,000.00	N/A
2281563	PRIMARY 25M	Commercial Property Coverage	IRONSHORE INSURANCE LTD - BMU	Bound	N/A	$546,250.00	N/A	N/A	AON LIMITED LONDON	20.0000%	N/A	N/A	$546,250.00
2281564	PRIMARY 25M	Commercial Property Coverage	A9307 AXIS SPECIALTY EUROPE LIMITED - GBR	Declined	Uncompetitive	N/A	20.0000%	20.00%	AON LIMITED LONDON	N/A	N/A	$97,000.00	N/A
2281565	PRIMARY 25M	Commercial Property Coverage	A9307 AXIS SPECIALTY EUROPE LIMITED - GBR	Bound	N/A	$617,500.00	N/A	N/A	AON LIMITED LONDON	20.0000%	N/A	N/A	$617,500.00
2281578	PRIMARY 25M	Commercial Property Coverage	SYN4472 M MOORE ESQ & OTHERS - GBR	Client Rejected	N/A	$242,500.00	20.0000%	20.00%	AON LIMITED LONDON	N/A	N/A	$48,500.00	$242,500.00
2281581	PRIMARY 25M	Commercial Property Coverage	QBE INSURANCE (EUROPE) LTD - GBR	Client Rejected	N/A	$363,750.00	20.0000%	20.00%	AON LIMITED LONDON	N/A	N/A	$72,750.00	$363,750.00
2281582	PRIMARY 25M	Commercial Property Coverage	SYN2987 J TURNER ESQ. & OTHERS - GBR	Bound	N/A	$158,811.50	N/A	N/A	AON LIMITED LONDON	20.0000%	N/A	N/A	$158,811.50
2281454	PRIMARY 25M	Commercial Property Coverage	SYN1414 ASCOT UNDERWRITING - GBR	Bound	N/A	$475,000.00	N/A	N/A	AON LIMITED LONDON	20.0000%	N/A	N/A	$475,000.00
2307794	$25M Primary	Commercial Property Coverage	SYN2623 N P MAIDMENT ESQ AND OTHER - GBR	Bound	N/A	$86,815.75	N/A	N/A	Aon Limited	20.0000%	N/A	N/A	$86,815.75
2308410	$25M xs $25M	Excess Property Coverage	Lloyd's Syndicate No. 1861	Bound	N/A	$105,000.00	10.0000%	12.00%	R-T Specialty, LLC	15.0000%	N/A	$12,600.00	$105,000.00
2114442	$50M Primary	Commercial Property Coverage	General Security Indemnity Co of Arizona	Bound	N/A	$119,000.00	10.0000%	12.00%	R-T Specialty, LLC	15.0000%	N/A	$14,280.00	$119,000.00
2114408	Property $50M Primary	Commercial Property Coverage	SYN1301 R A G KATZAROS & OTHERS - GBR	Bound	N/A	$78,258.00	N/A	N/A	Aon Limited	20.0000%	N/A	N/A	$78,258.00
2114427	Property $50M Primary	Commercial Property Coverage	Starr Surplus Lines Insurance Company	Bound	N/A	$119,000.00	10.0000%	12.00%	R-T Specialty, LLC	15.0000%	N/A	$14,280.00	$119,000.00
2281584	PRIMARY 50M	Commercial Property Coverage	N4304 CHARTIS INSURANCE UK LTD - GBR	Declined	Uncompetitive	N/A	20.0000%	20.00%	AON LIMITED LONDON	N/A	N/A	$132,600.00	N/A

2281637	PRIMARY 50M	Commercial Property Coverage	QBE INSURANCE (EUROPE) LTD - GBR	Bound	N/A	$260,874.00	N/A	N/A	AON LIMITED LONDON	20.0000%	N/A	N/A	$260,874.00
2281638	PRIMARY 50M	Commercial Property Coverage	SYN1206 G M HALPIN ESQ & OTHERS - GBR	Bound	N/A	$104,346.00	N/A	N/A	AON LIMITED LONDON	20.0000%	N/A	N/A	$104,346.00
2281634	PRIMARY 50M	Commercial Property Coverage	N4304 CHARTIS INSURANCE UK LTD - GBR	Client Rejected	N/A	$632,500.00	20.0000%	20.00%	AON LIMITED LONDON	N/A	N/A	$126,500.00	$632,500.00
2281635	PRIMARY 50M	Commercial Property Coverage	SYN0318 M S.F. PRITCHARD ESQ. AND O - GBR	Bound	N/A	$156,522.00	N/A	N/A	AON LIMITED LONDON	20.0000%	N/A	N/A	$156,522.00
2307477	$50M Primary	Commercial Property Coverage	Chubb Custom Insurance Co.	Bound	N/A	$119,000.00	10.0000%	12.00%	R-T Specialty, LLC	15.0000%	N/A	$14,280.00	$119,000.00
2307357	Property $50M Primary	Commercial Property Coverage	LEXINGTON INS CO - GBR	Bound	N/A	$90,000.00	N/A	N/A	Aon Limited	17.5000%	N/A	N/A	$90,000.00
2116475	$125m xs $100M	Excess Property Coverage	AXIS Insurance Company	Bound	N/A	$125,000.00	15.0000%	15.00%	N/A	N/A	N/A	$18,750.00	$125,000.00
2116634	$225M Primary	Commercial Property Coverage	Sompo Japan Insurance Company of America	Declined	Underwriting concerns	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2115355	$225M Primary	Commercial Property Coverage	Tokio Marine & Nichido Fire Ins Co Ltd.	Declined	Underwriting concerns	N/A	15.0000%	15.00%	N/A	N/A	N/A	N/A	N/A
2114636	$225M Primary	Commercial Property Coverage	Mitsui Sumitomo Insurance USA Inc.	Declined	Underwriting concerns	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2114795	$225M Primary	Commercial Property Coverage	Liberty Mutual Fire Ins Co	Declined	Underwriting concerns	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2116554	$225M Primary	Commercial Property Coverage	Zurich American Ins Co	Declined	Underwriting concerns	N/A	15.0000%	15.00%	N/A	N/A	N/A	N/A	N/A
2114419	Ded Buyback $4M xs $1M	Commercial Property Coverage	DTRIC Insurance Company Limited	Bound	N/A	$1,400,000.00	20.0000%	20.00%	N/A	N/A	N/A	$280,000.00	$1,400,000.00
2114421	Property $25M xs $25M	Excess Property Coverage	Arch Specialty Insurance Company	Bound	N/A	$243,375.00	15.0000%	15.00%	N/A	N/A	N/A	$36,506.25	$243,375.00
2114422	Property $25M xs $25M	Commercial Property Coverage	Essex Insurance Company	Bound	N/A	$268,250.00	11.0000%	13.00%	R-T Specialty, LLC	16.0000%	N/A	$34,872.50	$268,250.00
2114423	Property $25M xs $25M	Excess Property Coverage	Alterra America Insurance Company	Bound	N/A	$220,500.00	12.0000%	14.00%	R-T Specialty, LLC	17.5000%	N/A	$30,870.00	$220,500.00
2114424	Property $25M xs $25m	Excess Property Coverage	Aspen American Insurance Company	Bound	N/A	$106,875.00	12.0000%	14.00%	R-T Specialty, LLC	17.5000%	N/A	$14,962.50	$106,875.00
2114428	Property $25M xs $25M	Excess Property Coverage	Colony Insurance Company	Bound	N/A	$145,000.00	10.0000%	12.00%	R-T Specialty, LLC	15.0000%	N/A	$17,400.00	$145,000.00
2281641	25M XS 25M	Excess Property Coverage	H5605 HCC INTERNATIONAL INS CO - GBR	Bound	N/A	$30,207.85	N/A	N/A	AON LIMITED LONDON	15.0000%	N/A	N/A	$30,207.85
2281639	25M XS 25M	Excess Property Coverage	SYN1880 P J WRAY ESQ & OTHERS - GBR	Bound	N/A	$18,125.00	N/A	N/A	AON LIMITED LONDON	15.0000%	N/A	N/A	$18,125.00
2281640	25M XS 25M	Excess Property Coverage	SYN4444 JAMES GIORDANO ESQ. & OTHER - GBR	Bound	N/A	$60,417.15	N/A	N/A	AON LIMITED LONDON	15.0000%	N/A	N/A	$60,417.15
2114420	Property $50M xs $50M	Excess Property Coverage	DTRIC Insurance Company Limited	Bound	N/A	$1,300,000.00	20.0000%	20.00%	N/A	N/A	N/A	$260,000.00	$1,300,000.00
2114431	Property $125M xs $100M	Excess Property Coverage	Westport Insurance Corporation	Bound	N/A	$192,500.00	15.0000%	17.00%	N/A	N/A	N/A	$32,725.00	$192,500.00
2114434	$125M xs $100M	Excess Property Coverage	Torus Specialty Insurance Company	Bound	N/A	$324,000.00	15.0000%	15.00%	N/A	N/A	N/A	$48,600.00	$324,000.00
2114435	Property $125M xs $100M	Excess Property Coverage	Maiden Specialty Insurance Company	Bound	N/A	$127,200.00	10.0000%	12.00%	R-T Specialty, LLC	15.0000%	N/A	$15,264.00	$127,200.00
2114436	Property $125M xs $100M	Excess Property Coverage	Empire Indemnity Ins Co	Bound	N/A	$700,800.00	10.0000%	12.00%	R-T Specialty, LLC	15.0000%	N/A	$84,096.00	$700,800.00
2114438	$125M xs $100M	Excess Property Coverage	Commonwealth Ins Co	Bound	N/A	$96,000.00	15.0000%	15.00%	N/A	N/A	N/A	$14,400.00	$96,000.00
2114439	Property $125M xs $100M	Excess Property Coverage	General Security Indemnity Co of Arizona	Bound	N/A	$291,000.00	17.5000%	17.50%	N/A	N/A	N/A	$50,925.00	$291,000.00
2114440	Property $125M xs $100M	Excess Property Coverage	Colony Insurance Company	Bound	N/A	$212,000.00	10.0000%	12.00%	R-T Specialty, LLC	15.0000%	N/A	$25,440.00	$212,000.00
2114425	Property $125M xs $100M	Excess Property Coverage	Aspen American Insurance Company	Bound	N/A	$55,000.00	12.0000%	14.00%	R-T Specialty, LLC	17.5000%	N/A	$7,700.00	$55,000.00
2281657	125M XS 100M	Excess Property Coverage	SYN3000 MARKEL SYNDICATE MGMT - GBR	Declined	Uncompetitive	N/A	20.0000%	20.00%	AON LIMITED LONDON	N/A	N/A	$62,000.00	N/A
2281659	125M XS 100M	Excess Property Coverage	H5605 HCC INTERNATIONAL INS CO - GBR	Client Rejected	N/A	$62,000.00	20.0000%	20.00%	AON LIMITED LONDON	N/A	N/A	$12,400.00	$62,000.00

2281660	125M XS 100M	Excess Property Coverage	G5705 GREAT LAKES REINSURANCE (UK) - GBR	Client Rejected	N/A	$630,000.00	20.0000%	20.00%	AON LIMITED LONDON	N/A	N/A	$126,000.00	$630,000.00
2281662	125M XS 100M	Excess Property Coverage	SYN0382 ADRIAN WALKER ESQ & OTHERS - GBR	Client Rejected	N/A	$232,500.00	20.0000%	20.00%	AON LIMITED, LONDON	N/A	N/A	$46,500.00	$232,500.00
2281667	125M XS 100M	Excess Property Coverage	QBE INSURANCE (EUROPE) LTD - GBR	Client Rejected	N/A	$225,000.00	20.0000%	20.00%	AON LIMITED LONDON	N/A	N/A	$45,000.00	$225,000.00
2308431	$125M xs $100M	Excess Property Coverage	Hiscox Insurance Company Inc.	Bound	N/A	$112,000.00	10.0000%	12.00%	R-T Specialty, LLC	15.0000%	N/A	$13,440.00	$112,000.00

Presentation Date: 12/4/2012

Currency: USD

Disclosures

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1. Aon Risk Services is an insurance producer licensed in your state. Insurance producers are authorized by their license to confer with insurance purchasers about the benefits, terms and conditions of insurance contracts; to offer advice concerning the substantive benefits of particular insurance contracts; to sell insurance; and to obtain insurance for purchasers. The role of the producer in any particular transaction involves one or more of these activities. Compensation will be paid to the producer, based on the insurance contract the producer sells. Depending on the insurer(s) and insurance contract(s) the purchaser selects, compensation will be paid by the insurer(s) selling the insurance contract or by another third party. Such compensation may vary depending on a number of factors, including the insurance contract(s) and the insurer(s) the purchaser selects. In placing, renewing, consulting on or servicing your insurance coverages, Aon Risk Services and its affiliates (\"Aon\") may participate in contingent commission arrangements with insurance companies that provide for additional contingent compensation, if, for example, certain underwriting, profitability, volume or retention goals are achieved.

Such goals are typically based on the total amount of certain insurance coverages placed by Aon with the insurance company or the overall performance of the policies placed with that insurance company, not on an individual policy basis. As a result, Aon may be considered to have an incentive to place your insurance coverages with a particular insurance company. The insurance purchaser may obtain information about compensation expected to be received by the producer based in whole or in part on the sale of insurance to the purchaser, and (if applicable) compensation expected to be received based in whole or in part on any alternative quotes presented to the purchaser by the producer, by contacting your Account Executive or emailing Aon Email Box. Where Aon participates in contingent commission arrangements with insurance companies, Aon may be entitled to additional commission in the range of 0 to 6% depending upon whether and when specified thresholds are achieved.

2. ARS receives premiums Clients pay for remittance to carriers, as well as refunds insurance companies pay for remittance to Clients, and deposits these payments into fiduciary accounts in accordance with applicable insurance laws until they are due to be remitted. ARS will retain the interest or investment income earned while such funds are on deposit pursuant to those laws and carrier agreements.

3. Notwithstanding whether any commission amounts are shown in the Quoted ARS Commission column, ARS has nationally-agreed commission rates with some carriers for certain lines of business and/or for outsourced administrative services performed on the carrier's behalf. Where there is a Nationally Agreed Commission Rate shown, ARS expects to earn this commission rate on the premium amount quoted herein. Collecting this commission will not change in any way the Premium quoted above.

4. When a carrier does not pay ARS an amount sufficient to cover the brokerage and administrative services performed by ARS on the carrier's behalf for the benefit of our clients, ARS may charge such fees to the client as ARS deems necessary and where permitted by applicable law.

5. Total ARS Income equals the sum of the commission ARS will receive from the Carrier, including quoted or nationally agreed commissions (as applicable), and the ARS fee, if any. Commission is calculated by multiplying the Premium amount by applicable commission rates.

6. The Total Cost to Client is Premium (inclusive of all ARS commission) plus ARS Fee (if applicable). Total Cost to Client does not include applicable surplus lines taxes and fees and it does not include applicable state fees, surcharges, or taxes assessed on the policy.

7. ARS performs various administrative functions related to the procurement of coverage, including, but not limited to, electronic policy filing and storage, expiration tracking, client data management, and administration. Where legally permitted to do so, ARS-US charges for its own account and collects from its clients a $300 policy administrative charge per policy placed. In some countries where legally permitted to do so, ARS charges for its own account and collects administrative fees from its clients. Administrative fees are in addition to and not in lieu of any other service fees agreed to and paid to us by our clients and/or any commissions paid to us by insurers, and these administrative fees appear separately on the invoices we issue.

Trade ID	Program	Line Of Business	Carrier	Carrier Response	Carrier Declination Reason	Premium[2]	Quoted ARS Commission	Nationally Agreed Commission Rate[1]	Intermediary, if applicable	Intermediary Commission	ARS Fee[4]	Total ARS Income[1,5,7]	Total Cost to Client (Premium +Fee)[6]
Policy Term: December 01, 2012 to December 01, 2013													
2246744	Crime	Crime - Primary	Westchester Fire Insurance Company	Quoted	N/A	$115,802.00	16.0000%	21.00%	N/A	N/A	N/A	$24,318.42	$115,802.00
2242710	FFXS	Umbrella Liability	Allied World Assurance Company Ltd.	Submitted	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2242455	FFXS	Umbrella Liability	AXIS Surplus Insurance Company	Submitted	N/A	N/A	N/A	N/A	AmWINS Insurance Brokerage of CA	N/A	N/A	N/A	N/A
2242459	FFXS	Umbrella Liability	Catlin Specialty Insurance Company	Declined	Capacity	N/A	N/A	N/A	AmWINS Insurance Brokerage of CA	N/A	N/A	N/A	N/A
2242456	FFXS	Umbrella Liability	Colony Specialty Insurance Company	Submitted	N/A	N/A	N/A	N/A	AmWINS Insurance Brokerage of CA	N/A	N/A	N/A	N/A
2242576	FFXS	Umbrella Liability	Lloyds Syndicate # 444	Submitted	N/A	N/A	N/A	N/A	AmWINS Insurance Brokerage of CA	N/A	N/A	N/A	N/A
2242457	FFXS	Umbrella Liability	Navigators Specialty Insurance Company	Submitted	N/A	N/A	N/A	N/A	AmWINS Insurance Brokerage of CA	N/A	N/A	N/A	N/A
2242458	FFXS	Umbrella Liability	Torus Specialty Insurance Company	Submitted	N/A	N/A	N/A	N/A	AmWINS Insurance Brokerage of CA	N/A	N/A	N/A	N/A
2242454	FFXS	Umbrella Liability	Westchester Surplus Lines Ins Co	Submitted	N/A	N/A	N/A	N/A	AmWINS Insurance Brokerage of CA	N/A	N/A	N/A	N/A
2294860	Terrorism	Terrorism	Lloyd's of London	Quoted	N/A	$100,000.00	22.5000%	22.50%	N/A	N/A	N/A	$22,500.00	$100,000.00
2242463	Umbrella	Umbrella Liability	Amtrust International Underwriters, Ltd	Declined	Loss Experience	N/A	N/A	N/A	AmWINS Insurance Brokerage of CA	N/A	N/A	N/A	N/A
2242695	Umbrella	Umbrella Liability	Argonaut Insurance Co	Declined	Uncompetitive	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2242460	Umbrella	Umbrella Liability	Catlin Specialty Insurance Company	Declined	Underwriting concerns	N/A	N/A	N/A	AmWINS Insurance Brokerage of CA	N/A	N/A	N/A	N/A
2242464	Umbrella	Umbrella Liability	Great American E & S Insurance Company	Declined	Underwriting concerns	N/A	N/A	N/A	AmWINS Insurance Brokerage of CA	N/A	N/A	N/A	N/A
2242709	Umbrella	Umbrella Liability	Houston Casualty Co	Submitted	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2242708	Umbrella	Umbrella Liability	Ironshore Insurance Ltd	Submitted	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2240989	Umbrella	Umbrella Liability	Lexington Insurance Company	Indication Only	N/A	$2,000,000.00	N/A	N/A	N/A	N/A	N/A	N/A	$2,000,000.00
2242528	Umbrella	Umbrella Liability	Lloyds Syndicate No. 2623	Submitted	N/A	N/A	N/A	N/A	AmWINS Insurance Brokerage of CA	N/A	N/A	N/A	N/A
2242462	Umbrella	Umbrella Liability	Markel Insurance Company	Declined	Underwriting concerns	N/A	N/A	N/A	AmWINS Insurance Brokerage of CA	N/A	N/A	N/A	N/A
2242707	Umbrella	Umbrella Liability	Munich Reinsurance America, Inc.	Declined	Uncompetitive	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2242526	Umbrella	Umbrella Liability	Scottsdale Surplus Lines Ins. Co.	Submitted	N/A	N/A	N/A	N/A	AmWINS Insurance Brokerage of CA	N/A	N/A	N/A	N/A

2242461	Umbrella	Umbrella Liability	Selective Ins Co Of America	Declined	Capacity	N/A	N/A	N/A	AmWINS Insurance Brokerage of CA	N/A	N/A	N/A	N/A
2240976	Umbrella	Umbrella Liability	Starr Indemnity & Liability Company	Quoted	N/A	$1,279,700.00	11.5000%	11.50%	N/A	N/A	N/A	$147,165.50	$1,279,700.00
2242527	Umbrella	Umbrella Liability	Lloyds Syndicate # 4000	Submitted	N/A	N/A	N/A	N/A	AmWINS Insurance Brokerage of CA	N/A	N/A	N/A	N/A

Presentation Date: 11/29/2012

Currency: USD

Disclosures

1. Aon Risk Services is an insurance producer licensed in your state. Insurance producers are authorized by their license to confer with insurance purchasers about the benefits, terms and conditions of insurance contracts; to offer advice concerning the substantive benefits of particular insurance contracts; to sell insurance; and to obtain insurance for purchasers. The role of the producer in any particular transaction involves one or more of these activities. Compensation will be paid to the producer, based on the insurance contract the producer sells. Depending on the insurer(s) and insurance contract(s) the purchaser selects, compensation will be paid by the insurer(s) selling the insurance contract or by another third party. Such compensation may vary depending on a number of factors, including the insurance contract(s) and the insurer(s) the purchaser selects. In placing, renewing, consulting on or servicing your insurance coverages, Aon Risk Services and its affiliates (\"Aon\") may participate in contingent commission arrangements with insurance companies that provide for additional contingent compensation, if, for example, certain underwriting, profitability, volume or retention goals are achieved.

Such goals are typically based on the total amount of certain insurance coverages placed by Aon with the insurance company or the overall performance of the policies placed with that insurance company, not on an individual policy basis. As a result, Aon may be considered to have an incentive to place your insurance coverages with a particular insurance company. The insurance purchaser may obtain information about compensation expected to be received by the producer based in whole or in part on the sale of insurance to the purchaser, and (if applicable) compensation expected to be received based in whole or in part on any alternative quotes presented to the purchaser by the producer, by contacting your Account Executive or emailing Aon Email Box. Where Aon participates in contingent commission arrangements with insurance companies, Aon may be entitled to additional commission in the range of 0 to 6% depending upon whether and when specified thresholds are achieved.

2. ARS receives premiums Clients pay for remittance to carriers, as well as refunds insurance companies pay for remittance to Clients, and deposits these payments into fiduciary accounts in accordance with applicable insurance laws until they are due to be remitted. ARS will retain the interest or investment income earned while such funds are on deposit pursuant to those laws and carrier agreements.

3. Notwithstanding whether any commission amounts are shown in the Quoted ARS Commission column, ARS has nationally-agreed commission rates with some carriers for certain lines of business and/or for outsourced administrative services performed on the carrier's behalf. Where there is a Nationally Agreed Commission Rate shown, ARS expects to earn this commission rate on the premium amount quoted herein. Collecting this commission will not change in any way the Premium quoted above.

4. When a carrier does not pay ARS an amount sufficient to cover the brokerage and administrative services performed by ARS on the carrier's behalf for the benefit of our clients, ARS may charge such fees to the client as ARS deems necessary and where permitted by applicable law.

5. Total ARS Income equals the sum of the commission ARS will receive from the Carrier, including quoted or nationally agreed commissions (as applicable), and the ARS fee, if any. Commission is calculated by multiplying the Premium amount by applicable commission rates.

6. The Total Cost to Client is Premium (inclusive of all ARS commission) plus ARS Fee (if applicable). Total Cost to Client does not include applicable surplus lines taxes and fees and it does not include applicable state fees, surcharges, or taxes assessed on the policy.

7. ARS performs various administrative functions related to the procurement of coverage, including, but not limited to, electronic policy filing and storage, expiration tracking, client data management, and administration. Where legally permitted to do so, ARS-US charges for its own account and collects from its clients, a $300 policy administrative charge per policy placed. In some countries where legally permitted to do so, ARS charges for its own account and collects administrative fees from its clients. Administrative fees are in addition to and not in lieu of any other service fees agreed to and paid to us by our clients and/or any commissions paid to us by insurers, and these administrative fees appear separately on the invoices we issue.

SECTION 107(4) STATE OF HAWAII PROPERTY & CASUALTY INSURANCE PROGRAM MARKET SECURITY

EXHIBIT E

Template Issue Date: 5/28/13 (Replaces all prior versions and all undated versions)

State of Hawaii Property & Casualty Insurance Program Market Security

			FSR Rating					
			A.M. Best			S&P		
Carrier Market Guide (in alphabetical order)	**Policy Number**	**Coverage/Layer**	Best	Size	Outlook	S&P	Outlook	ERM
ACE American Insurance Company	CRX-D37879605	Property (125M xs 100M)	A+	XV	Stable	AA-	Positive	Strong
Aioi Nissay Dowa Insurance Company Ltd. (for DTRIC use via cut-through endorsement)	DTRIC Policy FA33401538/FA33401539	Property (4M xs 1M & 50M xs 50M)	A+	XV	Stable	A+	Stable	Strong
Allied World Assurance Co (U.S.) Inc.	0307-9963-1A	Property (25M Primary)	A	XV	Stable	A	Stable	Strong
Alterra Excess & Surplus Insurance Co	MAX2XP0060607	Property (25M xs 25M)	A	XV	Stable	A	Stable	Strong
Arch Specialty Insurance Company	PRP0036321-03	Property (25M xs 25M)	A+	IX	Stable	A+	Stable	Strong
Aspen Specialty Insurance Company	PXA90V412A0F & PXA94KH12AOH	Property (25M xs 25M & 125M xs 100M)	A	XV	Stable	NR	NR	Strong
AXIS Specialty Europe Limited	WB1201241	Property (25M Primary)	A	XV	Positive	A+	Stable	Strong
AXIS Surplus Insurance Company	ENG770716-12	Property (125M xs 100M)	A	XV	Positive	A+	Stable	Strong
Chubb Custom Insurance Company	44681318-01	Property (50M Primary)	A++	XV	Stable	AA	Stable	Strong
Colony Insurance Company	XP261018	Property (25M xs 25M & 125M xs 100M)	A	XII	Stable	A-	Stable	
DTRIC Insurance Company, Limited (for use via cut-through endt with Aioi Nissay)	FA33401538 & FA33401539	Property (4x1 & 50x50)	A-	VI	Stable	NR	NR	
Empire Indemnity Insurance Company	XPP4603449	Property (125M xs 100M)	A+	XV	Stable	AA-	Stable	Strong
Essex Insurance Company	ESP7850	Property (25M xs 25M)	A	XIII	Stable	NR	NR	Adequate
General Security Indemnity Co of Arizona	T0234451200471 & 2012 10F146544-1	Property (50M Primary & 125M xs 100M)	A	XV	Stable	A+	Stable	
Hiscox Insurance Company Ltd	URS2517554.12	Property (125M xs 100M)	A	IX	Stable	A	Stable	Adequate+
Hudson Specialty Insurance Company	HCS100299	Property (125M xs 100M)	A	XV	Stable	A-	Positive	Adequate
Ironshore Insurance Ltd.	WB1201239	Property (25M Primary)	A-	XIV	Positive	NR	NR	Adequate
Lexington Insurance Company	WB1201244	Property (25M Primary & 50M Primary)	A	XV	Stable	A+	Stable	Adequate
Lloyds Ascot 1414	WB1201240 & RQ1200048	Property (25M Primary) & Terrorism (50M)	A	XV	Stable	A+	Positive	Strong
Lloyds Brit 2987	RQ1200048	Terrorism (50M)	A	XV	Stable	A+	Positive	Strong
Lloyds CNP 4444	WB1201243	Property (25M xs 25M)	A	XV	Stable	A+	Positive	Strong
Lloyds Pioneer Liberty 1861	B128410310W12	Property (25M xs 25M)	A	XV	Stable	A+	Positive	Strong
Maiden Reinsurance Company	S5LPY0248602S	Property (125M xs 100M)	A-	XI	Stable	BBB+	Negative	Adequate
QBE Specialty Insurance Company	WB1201242	Property (50M Primary)	A	XV	Stable	A+	Stable	Strong
Starr Indemnity & Liability Company	SISCPEL01951012	Excess Liability (15M)	A	XIV	Stable	NR	NR	NR
Starr Surplus Lines Insurance Company	SLSTPTY10555912	Property (50M Primary)	A	XV	Stable	NR	NR	NR
Torus Specialty Insurance Company	06906A123APR	Property (125M xs 100M)	A-	XI	Stable	NR	NR	
Westchester Fire Insurance Company	G24580830004	Crime (10M)	A+	XV	Stable	AA-	Positive	Strong
Westport Insurance Corporation	31-3-75407	Property (125M xs 100M)	A+	XV	Stable	AA-	Stable	
XL Insurance America, Inc.	US00064519PR12A	Property (125M xs 100M)	A	XV	Stable	A	Positive	Strong
Sample Parameters			≥ 'A-'			≥ 'A-'		

Notes:
Do not forget the qualitative factors which are equally important but cannot be measured.
Aon does not guarantee the solvency of any carrier profiled in this exhibit.

Template Issue Date: 5/28/13 (Replaces all prior versions and all undated versions)

MANDATORY CAUTIONS:

(1) Aon does not guarantee the solvency of any carrier profiled in the Carrier Financial Analysis Matrix.

(2) Financial measures are important, but please do not forget the qualitative factors which are equally important but cannot be measured.

(3) All information populated in this Carrier Market Guide is publicly available. Sources used: a) A.M. Best Reports through BestLink for all statutory filing data and b) S&P Reports for the S&P categories.

(4) Individual carriers are reviewed from a statutory basis for this exhibit. For the non-US carriers shown above, statutory financials are not available through A.M. Best.

(5) "NR" = Not rated; "NA" = Not available; "Not Rpt" = No statutory financial information available through A.M. Best because this is a non-US carrier; "NR-5" means not formally followed by A.M. Best.
(6) This is list of carriers participating in the State of Hawaii insurance program and approved by Aon's Market Security Committee.
If you wish to review information for one not listed, please notify your Aon Account Executive.
(7) Where the S&P Rating column is blank or says "NR", that means that particular carrier entity does not have an S&P rating. If that entity is in a group or pool, there may be others within the group or pool that do carry a rating.

Where S&P has published an ERM assessment for a group; we've shown it for entities within the group, regardless of whether the individual entity has its own S&P rating.

(8) New S&P ERM Classification Scale (in descending order): Excellent / Adequate with Positive Trend ("Adequate+") / Adequate with Strong Risk Controls ("Adequate-S") / Adequate / Weak

Notes:
Do not forget the qualitative factors which are equally important but cannot be measured.
Aon does not guarantee the solvency of any carrier profiled in this exhibit.

CURRENT GUIDE TO BEST'S INSURER FINANCIAL STRENGTH RATINGS

The objective of Best's rating system is to provide an opinion as to an insurer's financial strength and ability to meet ongoing obligations to policyholders. Best's ratings are derived from an evaluation of a company's balance sheet strength, operating performance and business profile as compared with Best's quantitative and qualitative standards.

A.M. Best assigns to insurance related organizations a Best's Rating (A++ to F). The Best's Rating represents an opinion based on a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance and business profile.

Secure Best's Ratings

A++, A+ Superior
A, A- Excellent
B++, B+ Very Good

Vulnerable Best's Ratings

B, B- Fair
C++, C+ Marginal
C, C- Weak
D Poor
E Under Regulatory Supervision
F In Liquidation
S Rating Suspended

Definitions of Best's Ratings and Not Rated Categories (NR)

Secure Best's Ratings

A++ and A+ (Superior)
Assigned to companies that have, in our opinion, a superior ability to meet their ongoing obligations to policyholders.

A and A- (Excellent)
Assigned to companies that have, in our opinion, an excellent ability to meet their ongoing obligations to policyholders.

B++ and B+ (Very Good)
Assigned to companies that have, in our opinion, a good ability to meet their ongoing obligations to policyholders.

VULNERABLE BEST'S RATINGS

B and B- (Fair)
Assigned to companies that have, in our opinion, a fair ability to meet their current obligations to policyholders, but are financially vulnerable to adverse changes in underwriting and economic conditions.

C++ and C+ (Marginal)
Assigned to companies that have, in our opinion, a marginal ability to meet their current obligations to policyholders, but are financially vulnerable to adverse changes in underwriting and economic conditions.

C and C- (Weak)
Assigned to companies that have, in our opinion, a weak ability to meet their current obligations to policyholders, but are financially very vulnerable to adverse changes in underwriting and economic conditions.

D (Poor)
Assigned to companies that, in our opinion, may not have an ability to meet their current obligations to policyholders and are financially extremely vulnerable to adverse changes in underwriting and economic conditions.

E (Under Regulatory Supervision)
Assigned to companies (and possibly their subsidiaries/affiliates) that have been placed by an insurance regulatory authority under a significant form of supervision, control or restraint, whereby they are no longer allowed to conduct normal ongoing insurance operations. This would include conservatorship or rehabilitation, but does not include liquidation. It may also be assigned to companies issued cease and desist orders by regulators outside their home state or country.

F (In Liquidation)
Assigned to companies that have been placed under an order of liquidation by a court of law or whose owners have voluntarily agreed to liquidate the company. Note: Companies that voluntarily liquidate or dissolve their charters are generally not insolvent.

S (Rating Suspended)
Assigned to rated companies that have experienced sudden and significant events affecting their balance sheet strength or operating performance whose rating implications cannot be evaluated due to a lack of timely or adequate information.

NOT RATED CATEGORIES (NR)

NR-1 (Insufficient Data)

Assigned predominately to small companies for which A.M. Best does not have sufficient financial information required to assign rating opinions. The information contained in these limited reports is obtained from the several sources, which include the individual companies, the National Association of Insurance Commissioners (NAIC) and other data providers. Data received from the NAIC, in some cases, is prior to the completion of the crosschecking and validation process.

NR-2 (Insufficient Size and/or Operating Experience)

Assigned to companies that do not meet A.M. Best's minimum size and/or operating experience requirements. To be eligible for a letter rating, a company must generally have a minimum of $2 million in policyholder's surplus to assure reasonable financial stability and have sufficient operating experience to adequately evaluate its financial performance, usually two to five years. General exceptions to these requirements include: companies that have financial or strategic affiliations with Best's rated companies; companies that have demonstrated long histories of financial performance; companies that have achieved significant market positions; and newly formed companies with experienced management that have acquired seasoned books of business and/or developed credible business plans.

NR-3 (Rating Procedure Inapplicable)

Assigned to companies that are not rated by A.M. Best, because our normal rating procedures do not apply due to a company's unique or unusual business features. This category includes companies that are in run-off with no active business writings, are effectively dormant, underwrite financial or mortgage guaranty insurance, or retain only a small portion of their gross premiums written. Exceptions to the assignment of the NR-3 category to run-off companies relate to those that commenced runoff plans in the current year or are inactive companies that have been structurally separated from active affiliates within group structures that pose potential credit, legal or market risks to the group's active companies.

NR-4 (Company Request)

Assigned to companies that were assigned a Best's Rating but request that their ratings not be published because the companies disagree with Best's rating conclusion. The NR-4 will be assigned at the request of the company following the dissemination by A.M. Best of the latest letter rating assignment.

NR-5 (Not Formally Followed)

Assigned to insurers that request not to be formally evaluated for the purposes of assigning a rating opinion. It is also assigned retroactively to the rating history of traditional U.S. insurers when they provide prior year(s) financial information to A.M. Best and receive a Best's Rating or another NR designation in more recent years. Finally, it is assigned currently to those companies that historically had been rated, but no longer provide financial information to A.M. Best because they have been liquidated, dissolved, or merged out of existence.

Rating Modifiers and Affiliation Codes

Under Review (u) Rating Modifiers are assigned to Best's Ratings to identify companies whose rating opinions are Under Review and may be subject to near-term change. Best's Public Data (pd) Rating Modifiers may be assigned to Health Maintenance Organizations (HMOs), Canadian, UK and other European insurers that do not subscribe to our interactive rating process. Best's Public Data Ratings reflect both qualitative and quantitative analysis using publicly available data and other public information. Syndicate (s) Rating Modifiers are assigned to syndicates operating at Lloyd's. Affiliation Codes are based on a Group (g), Pooling (p) or Reinsurance (r) affiliation with other insurers.

Rating Modifiers
u - Under Review
s - Syndicate
pd - Public Data

Affiliation Codes
g - Group
p - Pooled
r - Reinsured

FINANCIAL SIZE CATEGORIES (FSC)

Assigned to all companies and reflects their size based on their capital, surplus and conditional reserve funds in millions of U.S. dollars, using the scale below.

To enhance the usefulness of our ratings, A.M. Best assigns each company a Financial Size Category (FSC). The FSC is designed to provide the subscriber with a convenient indicator of the size of a company in terms of its statutory surplus and related accounts. Many insurance buyers only want to consider buying insurance coverage from companies that they believe have sufficient financial capacity to provide the necessary policy limits to insure their risks. Although companies utilize reinsurance to reduce their net retention on the policy limits they underwrite, many buyers still feel more comfortable buying from companies perceived to have greater financial capacity.

FSC I	less than	1
FSC II	1 to	2
FSC III	2 to	5
FSC IV	5 to	10
FSC V	10 to	25
FSC VI	25 to	50
FSC VII	50 to	100
FSC VIII	100 to	250
FSC IX	250 to	500
FSC X	500 to	750
FSC XI	750 to	1,000
FSC XII	1,000 to	1,250
FSC XIII	1,250 to	1,500
FSC XIV	1,500 to	2,000
FSC XV	greater than	2,000

GUIDE TO STANDARD & POOR'S RATINGS

S&P's **Insurer Financial Strength Ratings** (previously claims-paying ability ratings) reflect S&P's current opinion of the financial security characteristics of an organization with respect to its ability to pay under its insurance policies and in contracts in accordance with its terms.

Insurer Financial Strength Ratings are based on information furnished by rated organizations or obtained by Standard & Poor's from other sources it considers reliable. Insurer Financial Strength Ratings are assigned to U.S. and non-U.S. companies and ratings from "AA" to "CCC" may be modified by the use of a "+" or "-" sign. Ratings appear on **CreditWatch (*)** where an event or deviation from an expected trend occurs and additional information is necessary to evaluate the current rating. The CreditWatch may have positive, negative or developing implications.

"pi" Ratings, formerly known as "Public Information" ratings, are Insurer Financial Strength Ratings based on an analysis of published financial information and additional information in the public domain. "pi" Ratings are identified by the subscript "pi" and are also assigned to U.S. and non-U.S. companies. "pi" Ratings are also modified with the "+" or "-" designations, but are not subject to potential CreditWatch listings.

National Scale Ratings (NEW), denoted with a prefix such as "mx" (Mexico) or "ar" (Argentina), assess an insurer's financial security relative to other insurers in its home market

INSURER FINANCIAL STRENGTH RATINGS

An insurer rated 'BBB' or higher is regarded as having financial security characteristics that outweigh any vulnerabilities, and is highly likely to have the ability to meet financial commitments.

AAA

An insurer rated 'AAA' has EXTREMELY STRONG financial security characteristics. 'AAA' is the highest Insurer Financial Strength Rating assigned by Standard & Poor's.

AA

An insurer rated 'AA' has VERY STRONG financial security characteristics, differing only slightly from those rated higher.

A
An insurer rated 'A' has STRONG financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings.

BBB
An insurer rated 'BBB' has GOOD financial security characteristics, but is more likely to be affected by adverse business conditions than are higher rated insurers.

An insurer rated 'BB' or lower is regarded as having vulnerable characteristics that may outweigh its strengths. 'BB' indicates the least degree of vulnerability within the range; 'CC' the highest.

BB
An insurer rated 'BB' has MARGINAL financial security characteristics. Positive attributes exist, but adverse business conditions could lead to insufficient ability to meet financial commitments.

B
An insurer rated 'B' has WEAK financial security characteristics. Adverse business conditions will likely impair its ability to meet financial commitments.

CCC

An insurer rated 'CCC' has VERY WEAK financial security characteristics, and is dependent on favorable business conditions to meet financial commitments.
R
An insurer rated 'R' is under regulatory supervision owing to its financial condition. During the pendency of the regulatory supervision, the regulators may have the power to favor one class of obligations over others or pay some obligations and not others. The rating does not apply to insurers subject only to nonfinancial actions such as market conduct violations.

NR
An insurer designated 'NR' is NOT RATED, which implies no opinion about the insurer's financial security.

Plus (+) or minus (-)
Ratings from 'AA' to 'CCC' may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

CreditWatch highlights the potential direction of a rating, focusing on identifiable events and short-term trends that cause ratings to be placed under special surveillance by Standard & Poor's. The events may include mergers, recapitalizations, voter referenda, regulatory actions, or anticipated operating developments. Ratings appear on

CreditWatch when such an event or a deviation from an expected trend occurs and additional information is needed to evaluate the rating. A listing, however, does not mean a rating change is inevitable, and whenever possible, a range of alternative ratings will be shown. CreditWatch is not intended to include all ratings under review, and rating changes may occur without the ratings having first appeared on CreditWatch. The "positive" designation means that a rating may be raised; "negative" means that a rating may be lowered; "developing" means that a rating may be raised, lowered or affirmed.

'pi' Ratings, denoted with a 'pi' subscript, are Insurer Financial Strength Ratings based on an analysis of an insurer's published financial information and additional information in the public domain. They do not reflect in-depth meetings with an insurer's management and are therefore based on less comprehensive information than ratings without a 'pi' subscript. 'pi' ratings are reviewed annually based on a new year's financial statements, but may be reviewed on an interim basis if a major event that may affect the insurer's financial security occurs. Ratings with a 'pi' subscript are not subject to potential CreditWatch listings.

Ratings with a 'pi' subscript generally are not modified with '+' or '-' designations. However, such designations may be assigned when the insurer's financial strength rating is constrained by sovereign risk or the credit quality of a parent company or affiliated group.
National Scale Ratings, denoted with a prefix such as 'mx' (Mexico) or 'ar' (Argentina), assess an insurer's financial security relative to other insurers in its home market. For more information, refer to the separate definitions for national scale ratings.
Quantitative Ratings, denoted with a 'q' subscript, were discontinued in 1997. The ratings were based solely on quantitative analysis of publicly available financial data.

SHORT-TERM INSURER FINANCIAL STRENGTH RATINGS

Short-Term Insurer Financial Strength Ratings reflect the insurer's creditworthiness over a short-term time horizon.

A-1

An insurer rated 'A-1' has a STRONG ability to meet its financial commitments on short-term policy obligations. It is rated in the highest category by Standard & Poor's. Within this category, certain insurers are designated with a plus sign (+). This indicates that the insurer's ability to meet its financial commitments on short-term policy obligations is—EXTREMELY STRONG.

A-2

An insurer rated 'A-2' has a GOOD ability to meet its financial commitments on short-term policy obligations. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than insurers in the highest rating category.

A-3
An insurer rated 'A-3' has an ADEQUATE ability to meet its financial commitments on short-term policy obligations. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened ability of the insurer to meet its financial obligations.

B
An insurer rated 'B' is regarded as VULNERABLE and has significant speculative characteristics. The insurer currently has the ability to meet its financial commitments on short-term policy obligations; however, it faces major ongoing uncertainties which could lead to the insurer's inadequate ability to meet its financial obligations.

C
An insurer rated 'C' is regarded as CURRENTLY VULNERABLE to nonpayment and is dependent upon favorable business, financial, and economic conditions for it to meet its financial commitments on short-term policy obligations.

R
See definition of "R" under Long-term Ratings.
Plus (+) or minus (-)
Ratings from 'AA' to 'CCC' may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Standard & Poor's ratings and other assessments of creditworthiness and financial strength are not a recommendation to purchase or discontinue any policy or contract issues by an insurer or to buy, hold, or sell any security issued by an insurer. In addition, neither a rating nor an assessment is a guaranty of an insurer's financial strength.

Section 107 (5)

> (5) An examination of whether insurance, loss, and administrative costs incurred by state programs or projects funded by non-general funds are properly allocated to and paid from those non-general funds.

The State of Hawaii collects and allocates expected costs associated with its self-insured property, general liability, auto liability, and employee faithful performance (bond) risks, including:

- Premium Costs
- Estimated Total Deductible Loss Costs
- Overhead

The State's allocation plan was designed to equitably distribute the budgeted costs above to each of the State's thirty-four departments and offices. Allocation rates are based on a combination of each department's 5-year historical contribution to both total losses and total loss exposure as follows:

- Contribution to total losses is measured by summing each department's total losses over the most recent 5-year historical period and comparing this amount, in percentage terms, to losses for the State as a whole. Each department's contributing losses are limited to $250,000 per occurrence to mitigate the impact of individual catastrophic claims.

- Contribution to loss exposure is measured by taking the average of each department's exposure in the most recent 5-year historical period and comparing this amount to the 5-year average exposure for the State as a whole. Exposure is measured differently for each risk - total insured value (TIV) for property, vehicle count for auto liability, and employee count for both bond and general liability.

- The final allocation rating is determined by taking a weighted average of the loss and exposure contribution percentages above, with weighting variable by department size. As the loss activity for the individual departments varies greatly, the loss/exposure contribution percentages are weighted for each department's loss "credibility", assuring that larger departments with significant losses and exposure to loss are allocated costs based in part on their own loss experience while smaller departments with few, if any, losses are charged at least a minimum amount. For property, historical loss contribution is weighted 10 - 25%, implying that the exposure contribution is weighted 75% - 90%. For the auto, bond, and tort liabilities, historical loss contributions are weighted between 25% - 75%.

Departments with costs paid from both the Special Fund and the General Fund are further allocated for each of the funds.

SECTION 107(5) STATE OF HAWAII COST ALLOCATION FY14 & FY15 EXHIBIT

State of Hawaii

Risk Management Cost Allocation
FY 2014 and FY 2015

(1) Allocation Code	(2) Dept Code	(3) Department (or Office)	(4) Property	(5) Tort	(6) Auto	(7) Crime	(8) Total
		Special Fund					
1	AGR	Agriculture (SF Allocation)	$ 18,965	$ 10,947	$ 11,563	$ 1,507	$ 42,983
2	BEDT	Business & Economic Developement (SF Allocation)	287,010	15,332	2,882	1,826	307,051
3	DLNR	Dept. of Land & Nat. Resources (SF Allocation)	33,514	22,271	34,305	1,955	92,046
4	DOT	Airports	1,518,739	0	32,620	4,680	1,556,039
5	DOT	DOT Harbors	193,938	7,320	13,210	1,383	215,850
6	DOT	DOT Highway / Admin	64,149	739,998	40,395	4,428	848,970
10	RCUH	Research Corp. of UH	3,334	26,436	8,929	5,307	44,006
13	HHSC	Hawaii Health Systems Corporation	600,942	52,212	10,279	7,404	670,836
14	DHHL	Hawaiian Home Lands	25,844	4,290	3,492	861	34,488
17	DHS	HPHA	635,610	24,113	8,872	1,775	670,370
19	DAGS	DAGS - Stadium (SF Allocation)	43,629	1,349	100	152	45,229
19	DAGS	DAGS - Automotive Mgmt (SF Allocation)	29,920	1,171	20,536	140	51,767
24	DCCA	Commerce & Consumer Affairs	1,907	12,774	0	2,564	17,245
28	OHA	Office of Hawaiian Affairs	3,001	85,080	3,236	718	92,035
		Total:	*3,460,502*	*1,003,293*	*190,419*	*34,701*	*4,688,915*
		General Fund					
1	AGR	Agriculture (GF Allocation)	$ 8,128	$ 4,692	$ 4,956	$ 646	$ 18,421
2	BEDT	Business & Economic Developement (GF Allocation)	8,329	445	84	53	8,910
3	DLNR	Dept. of Land & Nat. Resources (GF Allocation)	20,839	13,848	21,331	1,216	57,234
7	DOE	Dept. of Education	3,891,418	296,338	83,782	41,283	4,312,821
8	HSL	Library Services	316,055	12,352	2,395	2,071	332,872
9	UH	University of Hawaii	2,908,172	109,188	93,743	15,268	3,126,371
11	DOD	Dept. of Defense	99,324	9,848	12,054	1,533	122,759
12	DOH	Dept. of Health	224,177	61,727	67,996	9,542	363,441
15	JUD	Judiciary	213,448	36,748	12,171	7,251	269,618
16	DHS	Human Services	47,620	44,490	59,834	8,817	160,762
18	DLIR	Labor & Industrial Relations	33,699	16,100	635	3,232	53,666
19	DAGS	Accounting & General Services (GF Allocation)	548,593	28,860	9,693	3,145	590,290
20	AG	Attorney General	6,215	21,399	1,867	3,778	33,260
21	B&F	Budget & Finance	7,632	8,657	0	1,401	17,690
22	DHRD	Human Resources Development	1,646	3,868	0	776	6,291
23	GOV	Governor's Office	438	2,178	89	437	3,141
25	LGOV	Lieutenant Governor	22	1,333	159	268	1,781
26	TAX	Taxation	3,049	11,799	760	2,369	17,976
27	PSD	Public Safety	222,022	157,688	51,007	9,618	440,335
29	SEN	Senate	1,739	3,348	0	672	5,759
30	HR	House	5,155	6,533	0	1,311	13,000
31	SEC	Ethics Commission	199	325	0	65	589
32	LRB	Leg Reference	438	1,300	0	261	1,999
33	LA	Leg Auditor	249	975	0	196	1,420
34	OMBD	Ombudsman	133	455	0	91	680
		Total:	*8,568,738*	*854,492*	*422,556*	*115,299*	*9,961,085*
		Grand Total:	*12,029,241*	*1,857,785*	*612,975*	*150,000*	*14,650,000*
		General Fund - Property	0.71				
		Non General Fund - Property	0.29				

State of Hawaii

Cost Allocation Summary
FY 2014 and FY 2015

	Department (or Office) (1)	**Property** (2)	**Tort** (3)	**Auto** (4)	**Crime** (5)	**Total** (6)
1	Agriculture	$ 27,093	$ 15,639	$ 16,519	$ 2,153	$ 61,404
2	Business & Economic Developement	295,339	15,777	2,966	1,879	315,961
3	Dept. of Land & Nat. Resources	54,353	36,119	55,636	3,171	149,280
4	Airports	1,518,739	0	32,620	4,680	1,556,039
5	DOT Harbors	193,938	7,320	13,210	1,383	215,850
6	DOT Highway / Admin	64,149	739,998	40,395	4,428	848,970
7	Dept. of Education	3,891,418	296,338	83,782	41,283	4,312,821
8	Library Services	316,055	12,352	2,395	2,071	332,872
9	University of Hawaii	2,908,172	109,188	93,743	15,268	3,126,371
10	Research Corp. of UH	3,334	26,436	8,929	5,307	44,006
11	Dept. of Defense	99,324	9,848	12,054	1,533	122,759
12	Dept. of Health	224,177	61,727	67,996	9,542	363,441
13	Hawaii Health Systems Corporation	600,942	52,212	10,279	7,404	670,836
14	Hawaiian Home Lands	25,844	4,290	3,492	861	34,488
15	Judiciary	213,448	36,748	12,171	7,251	269,618
16	Human Services	47,620	44,490	59,834	8,817	160,762
17	HPHA	635,610	24,113	8,872	1,775	670,370
18	Labor & Industrial Relations	33,699	16,100	635	3,232	53,666
19	Accounting & General Services	622,142	31,380	30,329	3,436	687,287
20	Attorney General	6,215	21,399	1,867	3,778	33,260
21	Budget & Finance	7,632	8,657	0	1,401	17,690
22	Human Resources Development	1,646	3,868	0	776	6,291
23	Governor's Office	438	2,178	89	437	3,141
24	Commerce & Consumer Affairs	1,907	12,774	0	2,564	17,245
25	Lieutenant Governor	22	1,333	159	268	1,781
26	Taxation	3,049	11,799	760	2,369	17,976
27	Public Safety	222,022	157,688	51,007	9,618	440,335
28	Office of Hawaiian Affairs	3,001	85,080	3,236	718	92,035
29	Senate	1,739	3,348	0	672	5,759
30	House	5,155	6,533	0	1,311	13,000
31	Ethics Commission	199	325	0	65	589
32	Leg Reference	438	1,300	0	261	1,999
33	Leg Auditor	249	975	0	196	1,420
34	Ombudsman	133	455	0	91	680
		12,029,241	*1,857,785*	*612,975*	*150,000*	*14,650,000*

Exhibit 1

State of Hawaii

Property Premium Allocation
FY 2014 and FY 2015

	Department (or Office) (1)	**5-Yr Total Incurred** (All Claims) (2)	**Number of Claims** (>$250k Claims) (3)	**5-Yr Total Incurred** (>$250k Claims) (4)	**5-Yr Total Capped Incurred** (Cap = $250k) (5)
1	Agriculture	$ 8,117	0	$ 0	$ 8,117
2	Business & Economic Developement	112,912	0	0	112,912
3	Dept. of Land & Nat. Resources	11,973	0	0	11,973
4	Airports	12,749	0	0	12,749
5	DOT Harbors	0	0	0	0
6	DOT Highway / Admin	1,087	0	0	1,087
7	Dept. of Education	4,233,633	3	2,742,837	2,240,796
8	Library Services	10,550	0	0	10,550
9	University of Hawaii	660,670	1	371,892	538,778
10	Research Corp. of UH	10,500	0	0	10,500
11	Dept. of Defense	380	0	0	380
12	Dept. of Health	20,146	0	0	20,146
13	Hawaii Health Systems Corporation	266,481	0	0	266,481
14	Hawaiian Home Lands	0	0	0	0
15	Judiciary	56,427	0	0	56,427
16	Human Services	14,640	0	0	14,640
17	HCDCH	150,215	0	0	150,215
18	Labor & Industrial Relations	0	0	0	0
19	Accounting & General Services	462,042	0	0	462,042
20	Attorney General	0	0	0	0
21	Budget & Finance	0	0	0	0
22	Human Resources Development	0	0	0	0
23	Governor's Office	0	0	0	0
24	Commerce & Consumer Affairs	2,746	0	0	2,746
25	Lieutenant Governor	0	0	0	0
26	Taxation	0	0	0	0
27	Public Safety	24,452	0	0	24,452
28	Office of Hawaiian Affairs	0	0	0	0
29	Senate	0	0	0	0
30	House	7,216	0	0	7,216
31	Ethics Commission	81	0	0	81
32	Leg Reference	0	0	0	0
33	Leg Auditor	0	0	0	0
34	Ombudsman	0	0	0	0
	Total:	*6,067,017*	*4*	*3,114,729*	*3,952,288*

Exhibit 2

State of Hawaii

Property Premium Allocation
FY 2014 and FY 2015

	(1) Department or Office	(2a) 5-Yr Total Limited Incurred Losses	(2b) Department Loss %	(3a) 5-Yr Total Exposure Values	(3b) Department Exposure %	(4) Relative Loss Rate	(5) Assigned Credibility of Departmental Loss Rate	(6) Inter-Departmental Xmod	(7) FY 2012 Exposure Estimates	(7a) Xmod Weighted FY 2012 Exposure	(7b) Department %	(8) Allocated Premium
		Loss Limit = Unlimited	=(2a) / Total (2a)	Property Values in 000s	=(3a) / Total (3a)	=(2b) / (3b)	Assigned	=(5) x (4) + (1-(5)) x 1.000	Property Values in 000s	=(6) x (7)	=(7a) / Total (7a)	=(7b) xTotal Premium
1	Agriculture	$ 8,117	0.205%	$ 197,213	0.230%	0.891	10.0%	0.989	$ 39,443	$ 39,013	0.225%	$ 27,093
2	Business & Economic Development	112,912	2.857%	2,091,061	2.444%	1.169	10.0%	1.017	418,212	425,286	2.455%	295,339
3	Dept. of Land & Nat. Resources	11,973	0.303%	406,019	0.474%	0.638	10.0%	0.964	81,204	78,268	0.452%	54,353
4	Airports	12,749	0.323%	12,831,964	14.995%	0.022	15.1%	0.852	2,566,393	2,186,971	12.625%	1,518,739
5	DOT Harbors	0	0.000%	1,551,491	1.813%	0.000	10.0%	0.900	310,298	279,268	1.612%	193,938
6	DOT Highway / Admin	1,087	0.028%	510,578	0.597%	0.046	10.0%	0.905	102,116	92,375	0.533%	64,149
7	Dept. of Education	2,240,796	56.696%	21,815,346	25.493%	2.224	23.2%	1.284	4,363,069	5,603,609	32.350%	3,891,418
8	Library Services	10,550	0.267%	2,503,042	2.925%	0.091	10.0%	0.909	500,608	455,116	2.627%	316,055
9	University of Hawaii	538,778	13.632%	24,029,505	28.081%	0.485	25.0%	0.871	4,805,901	4,187,743	24.176%	2,908,172
10	Research Corp. of UH	10,500	0.266%	1,410	0.002%	161.235	10.0%	17.024	282	4,801	0.028%	3,334
11	Dept. of Defense	380	0.010%	793,671	0.927%	0.010	10.0%	0.901	158,734	143,025	0.826%	99,324
12	Dept. of Health	20,146	0.510%	1,744,942	2.039%	0.250	10.0%	0.925	348,988	322,813	1.864%	224,177
13	Hawaii Health Systems Corporation	266,481	6.742%	4,166,427	4.869%	1.385	10.0%	1.038	833,285	865,352	4.996%	600,942
14	Hawaiian Home Lands	0	0.000%	206,750	0.242%	0.000	10.0%	0.900	41,350	37,215	0.215%	25,844
15	Judiciary	56,427	1.428%	1,571,823	1.837%	0.777	10.0%	0.978	314,365	307,363	1.774%	213,448
16	Human Services	14,640	0.370%	345,741	0.404%	0.917	10.0%	0.992	69,148	68,573	0.396%	47,620
17	Hawaii Public Housing Authority	150,215	3.801%	4,723,474	5.520%	0.689	10.0%	0.969	944,695	915,273	5.284%	635,610
18	Labor & Industrial Relations	0	0.000%	269,591	0.315%	0.000	10.0%	0.900	53,918	48,526	0.280%	33,699
19	Accounting & General Services	462,042	11.691%	3,865,553	4.517%	2.588	10.0%	1.159	773,111	895,879	5.172%	622,142
20	Attorney General	0	0.000%	49,723	0.058%	0.000	10.0%	0.900	9,945	8,950	0.052%	6,215
21	Budget & Finance	0	0.000%	61,055	0.071%	0.000	10.0%	0.900	12,211	10,990	0.063%	7,632
22	Human Resources Development	0	0.000%	13,170	0.015%	0.000	10.0%	0.900	2,634	2,371	0.014%	1,646
23	Governor's Office	0	0.000%	3,500	0.004%	0.000	10.0%	0.900	700	630	0.004%	438
24	Commerce & Consumer Affairs	2,746	0.069%	8,649	0.010%	6.875	10.0%	1.587	1,730	2,746	0.016%	1,907
25	Lieutenant Governor	0	0.000%	175	0.000%	0.000	10.0%	0.900	35	31	0.000%	22
26	Taxation	0	0.000%	24,390	0.029%	0.000	10.0%	0.900	4,878	4,390	0.025%	3,049
27	Public Safety	24,452	0.619%	1,717,342	2.007%	0.308	10.0%	0.931	343,468	319,710	1.846%	222,022
28	Office of Hawaiian Affairs	0	0.000%	24,008	0.028%	0.000	10.0%	0.900	4,802	4,322	0.025%	3,001
29	Senate	0	0.000%	13,910	0.016%	0.000	10.0%	0.900	2,782	2,504	0.014%	1,739
30	House	7,216	0.183%	23,882	0.028%	6.542	10.0%	1.554	4,776	7,423	0.043%	5,155
31	Ethics Commission	81	0.002%	1,394	0.002%	1.260	10.0%	1.026	279	286	0.002%	199
32	Leg Reference	0	0.000%	3,500	0.004%	0.000	10.0%	0.900	700	630	0.004%	438
33	Leg Auditor	0	0.000%	1,993	0.002%	0.000	10.0%	0.900	399	359	0.002%	249
34	Ombudsman	0	0.000%	1,068	0.001%	0.000	10.0%	0.900	214	192	0.001%	133
	Total:	*3,952,288*	*100%*	*85,573,361*	*100%*	*1.000*		*1.000*	*17,114,672*	*17,322,002*	*100%*	*12,029,241*

Exhibit 1

State of Hawaii

Auto Liability Cost Allocation
FY 2014 and FY 2015

	Department (or Office) (1)	**5-Yr Total Incurred** (All Claims) (2)	**Number of Claims** (>$250k Claims) (3)	**5-Yr Total Incurred** (>$250k Claims) (4)	**5-Yr Total Capped Incurred** (Cap = $250k) (5)
1	Agriculture	$ 44,148	0	$ 0	$ 44,148
2	Business & Economic Developement	12,770	0	0	12,770
3	Dept. of Land & Nat. Resources	117,266	0	0	117,266
4	Airports	63,316	0	0	63,316
5	DOT Harbors	31,702	0	0	31,702
6	DOT Highway / Admin	94,308	0	0	94,308
7	Dept. of Education	242,798	0	0	242,798
8	Library Services	4,703	0	0	4,703
9	University of Hawaii	288,480	0	0	288,480
10	Research Corp. of UH	49,964	0	0	49,964
11	Dept. of Defense	23,600	0	0	23,600
12	Dept. of Health	258,532	0	0	258,532
13	Hawaii Health Systems Corporation	23,816	0	0	23,816
14	Hawaiian Home Lands	8,506	0	0	8,506
15	Judiciary	111,694	0	0	111,694
16	Human Services	353,187	0	0	353,187
17	HCDCH	31,335	0	0	31,335
18	Labor & Industrial Relations	5,792	0	0	5,792
19	Accounting & General Services	44,757	0	0	44,757
20	Attorney General	8,441	0	0	8,441
21	Budget & Finance	0	0	0	0
22	Human Resources Development	0	0	0	0
23	Governor's Office	0	0	0	0
24	Commerce & Consumer Affairs	997	0	0	997
25	Lieutenant Governor	889	0	0	889
26	Taxation	6,409	0	0	6,409
27	Public Safety	201,236	0	0	201,236
28	Office of Hawaiian Affairs	17,088	0	0	17,088
29	Senate	0	0	0	0
30	House	635	0	0	635
31	Ethics Commission	0	0	0	0
32	Leg Reference	0	0	0	0
33	Leg Auditor	0	0	0	0
34	Ombudsman	0	0	0	0
	Total:	*2,046,370*	*0*	*0*	*2,046,370*

Exhibit 2

State of Hawaii

Automobile Liability Cost Allocation
FY 2014 and FY 2015

	(1) Department or Office	(2a) 5-Yr Total Limited Incurred Losses	(2b) Department Loss %	(3a) 5-Yr Total Exposure Values	(3b) Department Exposure %	(4) Relative Loss Rate	(5) Assigned Credibility of Departmental Loss Rate	(6) Inter-Departmental Xmod	(7) FY 2012 and FY 2013 Exposure Estimates	(7a) Xmod Weighted FY 2012 and FY 2013 Exposure	(7b) Department %	(8) Allocated Premium
		Loss Limit = $250k	=(2a) / Total (2a)	Vehicle Count Average	=(3a) / Total (3a)	=(2b) / (3b)	Assigned, see note below	=(5) x (4) + (1-(5)) x 1.000	Vehicle Count Average	=(6) x (7)	=(7a) / Total (7a)	=(7b) xTotal Premium
1	Agriculture	$ 44,148	2.157%	178	3.248%	0.664	50.0%	0.832	168	140	2.695%	$ 16,519
2	Business & Economic Development	12,770	0.624%	16	0.292%	2.138	50.0%	1.569	16	25	0.484%	2,966
3	Dept. of Land & Nat. Resources	117,266	5.730%	802	14.632%	0.392	75.0%	0.544	866	471	9.076%	55,636
4	Airports	63,316	3.094%	394	7.188%	0.430	50.0%	0.715	386	276	5.322%	32,620
5	DOT Harbors	31,702	1.549%	127	2.317%	0.669	50.0%	0.834	134	112	2.155%	13,210
6	DOT Highway / Admin	94,308	4.609%	636	11.604%	0.397	75.0%	0.548	624	342	6.590%	40,395
7	Dept. of Education	242,798	11.865%	686	12.516%	0.948	50.0%	0.974	728	709	13.668%	83,782
8	Library Services	4,703	0.230%	24	0.438%	0.525	25.0%	0.881	23	20	0.391%	2,395
9	University of Hawaii	288,480	14.097%	780	14.231%	0.991	75.0%	0.993	799	793	15.293%	93,743
10	Research Corp. of UH	49,964	2.442%	36	0.657%	3.717	25.0%	1.679	45	76	1.457%	8,929
11	Dept. of Defense	23,600	1.153%	85	1.551%	0.744	25.0%	0.936	109	102	1.966%	12,054
12	Dept. of Health	258,532	12.634%	370	6.751%	1.871	75.0%	1.654	348	575	11.093%	67,996
13	Hawaii Health Systems Corporation	23,816	1.164%	107	1.952%	0.596	50.0%	0.798	109	87	1.677%	10,279
14	Hawaiian Home Lands	8,506	0.416%	28	0.511%	0.814	25.0%	0.953	31	30	0.570%	3,492
15	Judiciary	111,694	5.458%	18	0.328%	16.620	25.0%	4.905	21	103	1.986%	12,171
16	Human Services	353,187	17.259%	153	2.791%	6.183	50.0%	3.591	141	506	9.761%	59,834
17	HPHA	31,335	1.531%	86	1.569%	0.976	50.0%	0.988	76	75	1.447%	8,872
18	Labor & Industrial Relations	5,792	0.283%	2	0.036%	7.756	25.0%	2.689	2	5	0.104%	635
19	Accounting & General Services	44,757	2.187%	583	10.637%	0.206	75.0%	0.404	635	257	4.948%	30,329
20	Attorney General	8,441	0.413%	3	0.055%	7.536	25.0%	2.634	6	16	0.305%	1,867
21	Budget & Finance	0	0.000%	0	0.000%	0.000	25.0%	0.750	0	0	0.000%	0
22	Human Resources Development	0	0.000%	0	0.000%	0.000	25.0%	0.750	0	0	0.000%	0
23	Governor's Office	0	0.000%	1	0.018%	0.000	25.0%	0.750	1	1	0.014%	89
24	Commerce & Consumer Affairs	997	0.049%	0	0.000%	0.000	25.0%	0.750	0	0	0.000%	0
25	Lieutenant Governor	889	0.043%	1	0.018%	2.382	25.0%	1.345	1	1	0.026%	159
26	Taxation	6,409	0.313%	5	0.091%	3.433	25.0%	1.608	4	6	0.124%	760
27	Public Safety	201,236	9.834%	357	6.513%	1.510	50.0%	1.255	344	432	8.321%	51,007
28	Office of Hawaiian Affairs	17,088	0.835%	3	0.055%	15.256	25.0%	4.564	6	27	0.528%	3,236
29	Senate	0	0.000%	0	0.000%	0.000	25.0%	0.750	0	0	0.000%	0
30	House	635	0.031%	0	0.000%	0.000	25.0%	0.750	0	0	0.000%	0
31	Ethics Commission	0	0.000%	0	0.000%	0.000	0.0%	1.000	0	0	0.000%	0
32	Leg Reference	0	0.000%	0	0.000%	0.000	0.0%	1.000	0	0	0.000%	0
33	Leg Auditor	0	0.000%	0	0.000%	0.000	0.0%	1.000	0	0	0.000%	0
34	Ombudsman	0	0.000%	0	0.000%	0.000	0.0%	1.000	0	0	0.000%	0
		2,046,370	*100%*	*5,481*	*100%*	*1.000*		*1.000*	*5,623*	*5,188*	*100%*	*612,975*

Exhibit 1

State of Hawaii

Employee Faithful Performance Cost Allocation
FY 2014 and FY 2015

	Department (or Office) (1)	**5-Yr Total Incurred** (All Claims) (2)	**Number of Claims** (>$250k Claims) (3)	**5-Yr Total Incurred** (>$250k Claims) (4)	**5-Yr Total Capped Incurred** (Cap = $250k) (5)
1	Agriculture	$ 0	0	$ 0	$ 0
2	Business & Economic Developement	0	0	0	0
3	Dept. of Land & Nat. Resources	0	0	0	0
4	Airports	0	0	0	0
5	DOT Harbors	0	0	0	0
6	DOT Highway / Admin	0	0	0	0
7	Dept. of Education	0	0	0	0
8	Library Services	0	0	0	0
9	University of Hawaii	0	0	0	0
10	Research Corp. of UH	0	0	0	0
11	Dept. of Defense	0	0	0	0
12	Dept. of Health	0	0	0	0
13	Hawaii Health Systems Corporation	0	0	0	0
14	Hawaiian Home Lands	0	0	0	0
15	Judiciary	0	0	0	0
16	Human Services	0	0	0	0
17	HCDCH	0	0	0	0
18	Labor & Industrial Relations	0	0	0	0
19	Accounting & General Services	0	0	0	0
20	Attorney General	0	0	0	0
21	Budget & Finance	0	0	0	0
22	Human Resources Development	0	0	0	0
23	Governor's Office	0	0	0	0
24	Commerce & Consumer Affairs	0	0	0	0
25	Lieutenant Governor	0	0	0	0
26	Taxation	0	0	0	0
27	Public Safety	0	0	0	0
28	Office of Hawaiian Affairs	0	0	0	0
29	Senate	0	0	0	0
30	House	0	0	0	0
31	Ethics Commission	0	0	0	0
32	Leg Reference	0	0	0	0
33	Leg Auditor	0	0	0	0
34	Ombudsman	0	0	0	0
		0	*0*	*0*	*0*

Exhibit 2

State of Hawaii

Employee Faithful Performance Cost Allocation
FY 2014 and FY 2015

	(1) Department or Office	(2a) 5-Yr Total Limited Incurred Losses	(2b) Department Loss %	(3a) 5-Yr Total Exposure Values	(3b) Department Exposure %	(4) Relative Loss Rate	(5) Assigned Credibility of Departmental Loss Rate	(6) Inter-Departmental Xmod	(7) FY 2012 and FY 2013 Exposure Estimates	(7a) Xmod Weighted FY 2012 and FY 2013 Exposure	(7b) Department %	(8) Allocated Premium
		Loss Limit = $250k	=(2a) / Total (2a)	Employee Count	=(3a) / Total (3a)	=(2b) / (3b)	Assigned, see note below	=(5) x (4) + (1-(5)) x 1.000	Employee Count	=(6) x (7)	=(7a) / Total (7a)	=(7b) xTotal Premium
1	Agriculture	$ 0	0.00%	339	0.56%	0.000	25.0%	0.750	330	248	1.44%	$ 2,153
2	Business & Economic Development	0	0.00%	308	0.51%	0.000	25.0%	0.750	288	216	1.25%	1,879
3	Dept. of Land & Nat. Resources	0	0.00%	835	1.38%	0.000	50.0%	0.500	729	365	2.11%	3,171
4	Airports	0	0.00%	1,018	1.68%	0.000	50.0%	0.500	1,076	538	3.12%	4,680
5	DOT Harbors	0	0.00%	213	0.35%	0.000	25.0%	0.750	212	159	0.92%	1,383
6	DOT Highway / Admin	0	0.00%	1,058	1.75%	0.000	50.0%	0.500	1,018	509	2.95%	4,428
7	Dept. of Education	0	0.00%	24,953	41.18%	0.000	75.0%	0.250	18,981	4,745	27.52%	41,283
8	Library Services	0	0.00%	705	1.16%	0.000	50.0%	0.500	476	238	1.38%	2,071
9	University of Hawaii	0	0.00%	9,769	16.12%	0.000	75.0%	0.250	7,020	1,755	10.18%	15,268
10	Research Corp. of UH	0	0.00%	2,790	4.60%	0.000	50.0%	0.500	1,220	610	3.54%	5,307
11	Dept. of Defense	0	0.00%	311	0.51%	0.000	25.0%	0.750	235	176	1.02%	1,533
12	Dept. of Health	0	0.00%	3,117	5.14%	0.000	75.0%	0.250	4,387	1,097	6.36%	9,542
13	Hawaii Health Systems Corporation	0	0.00%	3,897	6.43%	0.000	50.0%	0.500	1,702	851	4.94%	7,404
14	Hawaiian Home Lands	0	0.00%	155	0.26%	0.000	25.0%	0.750	132	99	0.57%	861
15	Judiciary	0	0.00%	1,878	3.10%	0.000	50.0%	0.500	1,667	834	4.83%	7,251
16	Human Services	0	0.00%	2,413	3.98%	0.000	50.0%	0.500	2,027	1,014	5.88%	8,817
17	HPHA	0	0.00%	408	0.67%	0.000	50.0%	0.500	408	204	1.18%	1,775
18	Labor & Industrial Relations	0	0.00%	606	1.00%	0.000	50.0%	0.500	743	372	2.15%	3,232
19	Accounting & General Services	0	0.00%	884	1.46%	0.000	50.0%	0.500	790	395	2.29%	3,436
20	Attorney General	0	0.00%	700	1.16%	0.000	25.0%	0.750	579	434	2.52%	3,778
21	Budget & Finance	0	0.00%	338	0.56%	0.000	50.0%	0.500	322	161	0.93%	1,401
22	Human Resources Development	0	0.00%	112	0.18%	0.000	25.0%	0.750	119	89	0.52%	776
23	Governor's Office	0	0.00%	62	0.10%	0.000	25.0%	0.750	67	50	0.29%	437
24	Commerce & Consumer Affairs	0	0.00%	385	0.64%	0.000	25.0%	0.750	393	295	1.71%	2,564
25	Lieutenant Governor	0	0.00%	21	0.03%	0.000	25.0%	0.750	41	31	0.18%	268
26	Taxation	0	0.00%	452	0.75%	0.000	25.0%	0.750	363	272	1.58%	2,369
27	Public Safety	0	0.00%	2,357	3.89%	0.000	50.0%	0.500	2,211	1,106	6.41%	9,618
28	Office of Hawaiian Affairs	0	0.00%	119	0.20%	0.000	25.0%	0.750	110	83	0.48%	718
29	Senate	0	0.00%	103	0.17%	0.000	25.0%	0.750	103	77	0.45%	672
30	House	0	0.00%	201	0.33%	0.000	25.0%	0.750	201	151	0.87%	1,311
31	Ethics Commission	0	0.00%	10	0.02%	0.000	25.0%	0.750	10	8	0.04%	65
32	Leg Reference	0	0.00%	40	0.07%	0.000	25.0%	0.750	40	30	0.17%	261
33	Leg Auditor	0	0.00%	21	0.03%	0.000	25.0%	0.750	30	23	0.13%	196
34	Ombudsman	0	0.00%	14	0.02%	0.000	25.0%	0.750	14	11	0.06%	91
		0	*0%*	*60,592*	*100%*	*0.000*		*1.000*	*48,044*	*17,242*	*100%*	*150,000*

Exhibit 1

State of Hawaii

Liability Cost Allocation
FY 2014 and FY 2015

	Department (or Office) (1)	**5-Yr Total Incurred** (All Claims) (2)	**Number of Claims** (>$250k Claims) (3)	**5-Yr Total Incurred** (>$250k Claims) (4)	**5-Yr Total Capped Incurred** (Cap = $250k) (5)
1	Agriculture	$ 14,311	0	$ 0	$ 14,311
2	Business & Economic Developement	19,454	0	0	19,454
3	Dept. of Land & Nat. Resources	33,000	0	0	33,000
4	Airports	0	0	0	0
5	DOT Harbors	3,883	0	0	3,883
6	DOT Highway / Admin	7,866,895	2	7,309,108	1,057,787
7	Dept. of Education	112,681	0	0	112,681
8	Library Services	4,278	0	0	4,278
9	University of Hawaii	43,574	0	0	43,574
10	Research Corp. of UH	0	0	0	0
11	Dept. of Defense	8,292	0	0	8,292
12	Dept. of Health	9,533	0	0	9,533
13	Hawaii Health Systems Corporation	49,767	0	0	49,767
14	Hawaiian Home Lands	0	0	0	0
15	Judiciary	1,000	0	0	1,000
16	Human Services	958	0	0	958
17	HCDCH	21,651	0	0	21,651
18	Labor & Industrial Relations	0	0	0	0
19	Accounting & General Services	22,624	0	0	22,624
20	Attorney General	8,843	0	0	8,843
21	Budget & Finance	2,500	0	0	2,500
22	Human Resources Development	0	0	0	0
23	Governor's Office	0	0	0	0
24	Commerce & Consumer Affairs	0	0	0	0
25	Lieutenant Governor	0	0	0	0
26	Taxation	0	0	0	0
27	Public Safety	165,905	0	0	165,905
28	Office of Hawaiian Affairs	325,000	1	325,000	250,000
29	Senate	0	0	0	0
30	House	0	0	0	0
31	Ethics Commission	0	0	0	0
32	Leg Reference	0	0	0	0
33	Leg Auditor	0	0	0	0
34	Ombudsman	0	0	0	0
		8,714,147	*3*	*7,634,108*	*1,830,039*

Exhibit 2

State of Hawaii

Liability Cost Allocation
FY 2014 and FY 2015

	(1)	(2a)	(2b)	(3a)	(3b)	(4)	(5)	(6)	(7)	(7a)	(7b)	(8)
	Department or Office	5-Yr Total Limited Incurred Losses	Department Loss %	5-Yr Total Exposure Values	Department Exposure %	Relative Loss Rate	Assigned Credibility of Departmental Loss Rate	Inter-Departmental Xmod	FY 2012 and FY 2013 Exposure Estimates	Xmod Weighted FY 2012 and FY 2013 Exposure	Department %	Allocated Premium
		Loss Limit = $250k	=(2a) / Total (2a)	Employee Count	=(3a) / Total (3a)	=(2b) / (3b)	Assigned, see note below	=(5) x (4) + (1-(5)) x 1.000	Employee Count	=(6) x (7)	=(7a) / Total (7a)	=(7b) xTotal Premium
1	Agriculture	$ 14,311	0.782%	339	0.569%	1.374	25.0%	1.094	330	361	0.842%	$ 15,639
2	Business & Economic Development	19,454	1.063%	308	0.517%	2.056	25.0%	1.264	288	364	0.849%	15,777
3	Dept. of Land & Nat. Resources	33,000	1.803%	835	1.402%	1.287	50.0%	1.143	729	833	1.944%	36,119
4	Airports (Separate Commercial Coverage)	0	0.000%	0	0.000%	0.000	0.0%	1.000	0	0	0.000%	0
5	DOT Harbors	3,883	0.212%	213	0.358%	0.593	50.0%	0.797	212	169	0.394%	7,320
6	DOT Highway / Admin	1,057,787	57.801%	1,058	1.776%	32.547	50.0%	16.773	1,018	17,075	39.832%	739,998
7	Dept. of Education	112,681	6.157%	24,953	41.886%	0.147	75.0%	0.360	18,981	6,838	15.951%	296,338
8	Library Services	4,278	0.234%	705	1.183%	0.198	50.0%	0.599	476	285	0.665%	12,352
9	University of Hawaii	43,574	2.381%	9,769	16.398%	0.145	75.0%	0.359	7,020	2,519	5.877%	109,188
10	Research Corp. of UH	0	0.000%	2,790	4.683%	0.000	50.0%	0.500	1,220	610	1.423%	26,436
11	Dept. of Defense	8,292	0.453%	311	0.522%	0.868	25.0%	0.967	235	227	0.530%	9,848
12	Dept. of Health	9,533	0.521%	3,117	5.232%	0.100	75.0%	0.325	4,387	1,424	3.323%	61,727
13	Hawaii Health Systems Corporation	49,767	2.719%	3,897	6.541%	0.416	50.0%	0.708	1,702	1,205	2.810%	52,212
14	Hawaiian Home Lands	0	0.000%	155	0.260%	0.000	25.0%	0.750	132	99	0.231%	4,290
15	Judiciary	1,000	0.055%	1,878	3.152%	0.017	50.0%	0.509	1,667	848	1.978%	36,748
16	Human Services	958	0.052%	2,413	4.050%	0.013	50.0%	0.506	2,027	1,027	2.395%	44,490
17	HPHA	21,651	1.183%	408	0.685%	1.727	50.0%	1.364	408	556	1.298%	24,113
18	Labor & Industrial Relations	0	0.000%	606	1.017%	0.000	50.0%	0.500	743	372	0.867%	16,100
19	Accounting & General Services	22,624	1.236%	884	1.484%	0.833	50.0%	0.917	790	724	1.689%	31,380
20	Attorney General	8,843	0.483%	700	1.175%	0.411	25.0%	0.853	579	494	1.152%	21,399
21	Budget & Finance	2,500	0.137%	338	0.567%	0.241	50.0%	0.620	322	200	0.466%	8,657
22	Human Resources Development	0	0.000%	112	0.188%	0.000	25.0%	0.750	119	89	0.208%	3,868
23	Governor's Office	0	0.000%	62	0.104%	0.000	25.0%	0.750	67	50	0.117%	2,178
24	Commerce & Consumer Affairs	0	0.000%	385	0.646%	0.000	25.0%	0.750	393	295	0.688%	12,774
25	Lieutenant Governor	0	0.000%	21	0.035%	0.000	25.0%	0.750	41	31	0.072%	1,333
26	Taxation	0	0.000%	452	0.759%	0.000	25.0%	0.750	363	272	0.635%	11,799
27	Public Safety	165,905	9.066%	2,357	3.956%	2.291	50.0%	1.646	2,211	3,639	8.488%	157,688
28	Office of Hawaiian Affairs	250,000	13.661%	119	0.200%	68.389	25.0%	17.847	110	1,963	4.580%	85,080
29	Senate	0	0.000%	103	0.172%	0.000	25.0%	0.750	103	77	0.180%	3,348
30	House	0	0.000%	201	0.338%	0.000	25.0%	0.750	201	151	0.352%	6,533
31	Ethics Commission	0	0.000%	10	0.017%	0.000	25.0%	0.750	10	8	0.017%	325
32	Leg Reference	0	0.000%	40	0.067%	0.000	25.0%	0.750	40	30	0.070%	1,300
33	Leg Auditor	0	0.000%	21	0.035%	0.000	25.0%	0.750	30	23	0.052%	975
34	Ombudsman	0	0.000%	14	0.024%	0.000	25.0%	0.750	14	11	0.024%	455
		1,830,039	*100%*	*59,574*	*100%*	*1.000*		*1.000*	*46,968*	*42,868*	*100%*	*1,857,785*

Department of Accounting and General Services
Risk Management Cost Allocation
FY 14 and FY 15
Recalculation of GF SF

General Fund / Special Fund Split								
Dept.		**Property**	**Tort**	**Auto**	**Crime**	**Total**	**GF**	**SF**
Agriculture		27,093	15,639	16,519	2,153	61,404	18,421	42,983
	GF	8,128	4,692	4,956	646	18,421		
	SF	18,965	10,947	11,563	1,507	42,983		
						61,404		
Business & Economic Development		295,339	15,777	2,966	1,879	315,961	8,910	307,051
	GF	8,329	445	84	53	8,910		
	SF	287,010	15,332	2,882	1,826	307,051		
						315,961		
Land & Natural Resources		54,353	36,119	55,636	3,171	149,280	57,234	92,046
	GF	20,839	13,848	21,331	1,216	57,234		
	SF	33,514	22,271	34,305	1,955	92,046		
						149,280		
							84,565	442,079

DAGS - Cost Allocation FY 14 & FY 15					5/23/2012
Division	Prop	Tort	Auto	Crime	Allocated Cost
Base	697,721,358	884	607	884	
Premium	622,142	31,380	30,329	3,436	687,287
Stadium	48,929,095	38	2	39	
percentage of base	0.070	0.043	0.003	0.044	
premium	43,629	1,349	100	152	45,229
A.M.	33,555,000	33	411	36	
percentage of base	0.048	0.037	0.677	0.041	
premium	29,920	1,171	20,536	140	51,767
Others	615,237,263	813	194	809	
percentage of base	0.882	0.920	0.320	0.915	
premium	548,593	28,860	9,693	3,145	590,290
Total premium					687,287

DAGS Automotive Management - Cost Allocation FY 14 & FY 15					5/23/2012
Division	Auto	Tort	Prop	Crime	Allocated Cost
Base	411	33	33,555,000	33	
Premium	20,536	1,171	29,920	140	51,767
Motor Pool	341	14	144,000	14	
percentage of base	0.830	0.409	0.004	0.409	
premium	17,038	479	128	57	17,703
Parking Control	70	20	33,411,000	20	
percentage of base	0.170	0.591	0.996	0.591	
premium	3,498	692	29,792	83	34,064
Total premium					51,767

RISK MANAGEMENT - CODES

Allocation Code	DC	ABBREV	DEPARTMENT NAME	Allocation Code	CLASS	VEHICLE DESCRIPTION
1	A	AGR	AGRICULTURE	1	3110	Sedan, Coupe, Station Wagon
2	B	BEDT	BUSINESS, ECONOMIC DEVELOPMENT & TOURISM	2	3111	Van (passenger, cargo)
3	C	DLNR	STATE PARKS	3	3113	Bus (# of passengers, useage)
3	C1	DLNR	ADMIN, LM, HP, BOC, KIRC	3	3120	Truck & SUV (0-10,000 GVW)
3	C2	DLNR	DOFAW	3	3121	Truck (10,000-20,000 GVW)
3	C3	DLNR	DOCARE	3	3122	Truck (20,000-45,000 GVW)
3	C4	DLNR	DIV OF WATER RESOURCE MGT.	3	3123	Truck (over 45,000 GVW)
3	C5	DLNR	DIV OF AQUATIC RESOURCES (DAR)	3	3130	Trailer
3	C6	DLNR	DOBOR	3	3140	Ambulance (Hospital)
6	D	DOT	ADMINISTRATION	6	3141	Ambulance (Rescue)
4	D1	DOT	AIRPORTS-OAHU DISTRICT	4	3145	Fire Apparatus
4	D2	DOT	AIRPORTS-MAUI DISTRICT	4	3150	Tractor
4	D3	DOT	AIRPORTS-HAWAII DISTRICT (HILO)	4	3170	Miscellaneous
4	D4	DOT	AIRPORTS-KAUAI DISTRICT	4		
4	D5	DOT	AIRPORTS-HAWAII DISTRICT (KEAHOLE)	4	CODE	ISLAND
5	D7	DOT	HARBORS	5	1	OAHU
6	DA	DOT	HIGHWAYS-OAHU DISTRICT	6	2	MAUI
6	DB	DOT	HIGHWAYS-MAUI DISTRICT	6	3	HAWAII
6	DC	DOT	HIGHWAYS-HAWAII DISTRICT	6	4	KAUAI
6	DD	DOT	HIGHWAYS-KAUAI DISTRICT	6	5	MOLOKAI
6	DE	DOT	HIGHWAYS-MAUI DISTRICT (MOLOKAI)	6	6	LANAI
6	DF	DOT	HIGHWAYS-MAUI DISTRICT (LANAI)	6		
7	E	DOE	EDUCATION	7		
7	E1	DOE	DRIVER TRAINING	7	CODE	OWNER
8	E2	HSL	HAWAII STATE PUBLIC LIBRARY SYSTEM	8	S	STATE
7	E3	DOE	PUBLIC CHARTER SCHOOLS	7	L	LEASE
9	F	UH	UNIVERSITY OF HAWAII	9	O	OTHER
10	F1	RCUH	RESEARCH CORPORATION OF UH	10		
11	G	DOD	DEFENSE	11		
12	H	DOH	HEALTH	12		INSURANCE
13	HH	HHSC	HAWAII HEALTH SYSTEMS CORPORATION	13		COMP/COLL (includes Fire & Theft)
14	I	DHHL	HAWAIIAN HOME LANDS	14		X COVERED
15	J	JUD	JUDICIARY	15		if blank - not covered
16	K	DHS	HUMAN SERVICES	16		FIRE & THEFT
17	K1	DHS	HAWAII PUBLIC HOUSING AUTHORITY	17		X COVERED
18	L	DLIR	LABOR & INDUSTRIAL RELATIONS	18		if blank - not covered
19	M	DAGS	SURPLUS PROPERTY	19		
19	M1	DAGS	AUTOMOTIVE MANAGEMENT (OAHU)	19		
19	M2	DAGS	CENTRAL SERVICES (OAHU)	19		
19	M3	DAGS	HAWAII DISTRICT OFFICE	19		
19	M4	DAGS	STADIUM AUTHORITY	19		
19	M5	DAGS	MAUI DISTRICT OFFICE	19		
19	M6	DAGS	KAUAI DISTRICT OFFICE	19		
19	M7	DAGS	SFCA	19		
19	M8	DAGS	PUBLIC WORKS (PW)	19		
19	M9	DAGS	ADMINISTRATION	19		
19	MA	DAGS	KING KAMEHAMEHA CELEBRATION COMM (KKCC)	19		
19	MB	DAGS	AUDIT DIVISION	19		
19	MF	DAGS	INFORMATION & COMMUNICATIONS SVCS (ICSD)	19		
20	N	AG	ATTORNEY GENERAL	20		
21	O	B&F	BUDGET & FINANCE	21		
22	P	DHRD	HUMAN RESOURCE DEVELOPMENT	22		
23	Q	GOV	GOVERNOR'S OFFICE	23		
24	R	DCCA	COMMERCE & CONSUMERS AFFAIRS	24		
25	S	LGOV	LIEUTENANT GOVERNOR	25		
26	T	TAX	TAXATION	26		
27	V1	PSD	PUBLIC SAFETY	27		
29	Y	SEN	SENATE	29		
30	Y2	HR	HOUSE OF REPRESENTATIVE	30		
33	Y3	LA	LEGISLATIVE AUDITOR	33		
32	Y4	LRB	LEGISLATIVE REFERENCE BUREAU	32		
34	Y5	OMBD	OMBUDSMAN	34		
31	Y6	SEC	STATE ETHICS COMMISSION	31		
28	Z	OHA	OFFICE OF HAWAIIAN AFFAIRS	28		

State of Hawaii
Projected Costs for Risk Areas
10-May-12

Risk Area	Premium Cost	Deductible Costs	Allocated Overhead	**Total**
Property	11,000,000.00	1,000,000.00	29,240.51	**12,029,240.51**
Liability	1,300,000.00	350,000.00	207,784.81	**1,857,784.81**
Crime	150,000.00	-	-	**150,000.00**
Auto	-	500,000.00	112,974.68	**612,974.68**
Proj Risk Costs	12,450,000.00	1,850,000.00	350,000.00	**14,650,000.00**

Overhead
Allocation (info only)
Total to be allocated: $ 350,000

Risk Areas	YTD no of Claims		Allocted OH Cost
Property	66	8%	29,240.51
Liability	469	59%	207,784.81
Crime	0	0%	-
Auto	255	32%	112,974.68
	790	100%	350,000.00

Weight Formulas

Max = .250, MIN = .100
Max = .500 / MIN = .100
Max = .750, .500 / MIN = .100

Weight Minimums

0.050
0.100
0.150
0.200

Section 107 (6)

> (6) A recommendation of changes to administrative policies or amendments of law necessary to improve the risk management program of the State.

“Any recommendation of changes to administrative policies or amendments of law necessary to improve the risk management program of the State will be provided by the Risk Management Office.”

EXHIBIT 2

EXHIBIT 2

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
STATE RISK MANAGEMENT REVOLVING FUND (S-321-M)
Fund Analysis and Projections for FY 14 and FY 15

November 2013

(In 000's)

			5 year (1)	**Actual**	**Projected**	**Projected**
			Average	**FY 13**	**FY 14**	**FY 15**
Beginning Balance			**24,279**	**21,185**	**18,115**	**14,951**
Revenues						
Insurance Proceeds						
Assessments			14,342	12,436	13,376	14,676
Interest Income			319	50	50	50
Miscellaneous			30	21	20	20
Total Revenues			**14,691**	**12,507**	**13,446**	**14,746**
Expenditures						
Insurance Premiums						
Property			11,316	11,836	12,800	12,800
Liability			1,273	1,305	1,500	1,500
Crime			124	116	120	120
Subtotal - Premiums			**12,713**	**13,257**	**14,420**	**14,420**
Self Insured losses						
Property Losses			1,000	1,434	1,000	1,000
Tort Claims			278	236	400	400
Crime Losses			35	0	0	0
Auto Claims			388	343	400	400
Subtotal - Losses				**2,013**	**1,800**	**1,800**
Subtotal Insurance				**15,270**	**16,220**	**16,220**
Miscellaneous						
Loss Prevention Costs			0	0	10	10
Misc regulatory fees **(other relevant costs)**			15	18	20	20
Legislative adjustments **(other relevant costs)**			2			
Subtotal Miscellaneous			**21**	**18**	**30**	**30**
Operational Expenditures						
Personnel **(loss adjustement costs)**			220	297	350	365
Other Current Expenses **(Administrative costs)**			7	10	20	20
Subtotal - Operational			**227**	**307**	**370**	**385**
Total Expenditures			**16,229**	**15,577**	**16,620**	**16,635**
Net Surplus (Use) of Funds from Operations			**(923)**	**(3,070)**	**(3,174)**	**(1,889)**
Ending Balance			**22,742**	**18,115**	**14,941**	**13,062**

(1) Five year average is from FY 09 to FY 13