

Honolulu, Hawaii

FEB 11 2008

RE: S.B. No. 2783
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committee on Commerce, Consumer Protection, and
Affordable Housing, to which was referred S.B. No. 2783 entitled:

"A BILL FOR AN ACT RELATING TO LOSS MITIGATION,"

begs leave to report as follows:

The purpose of this measure is to reduce the potential loss
from earthquake damage by providing an incentive to homeowners to
retrofit their property with earthquake resistive devices.

Specifically, this measure provides the following:

- (1) Awards a grant out of the Loss Mitigation Grant Program to a qualified applicant to reimburse thirty-five per cent of the costs incurred for the purchase and installation of earthquake resistive devices in a single- or multi-family residential dwelling; provided that the maximum total of reimbursement shall be \$2,100 per dwelling;
- (2) Establishes procedures and criteria for an applicant to apply and qualify for a grant for earthquake resistive device;
- (3) Requires the Insurance Commissioner, in consultation with the Department of Defense, to develop criteria for earthquake resistive devices;



- (4) Adds earthquake resistive devices to the Loss Mitigation Grant Program under chapter 431, article 22, Hawaii Revised Statutes; and
- (5) Appropriates an unspecified sum out of the Hurricane Reserve Trust Fund to be deposited into the Loss Mitigation Grant Fund for the Department of Commerce and Consumer Affairs to use for the Loss Mitigation Grant Program.

Testimony in support of this measure was submitted by the Structural Engineers Association of Hawaii, The Hawaii Lumber Products Association, and one private individual. Testimony in opposition to this measure was submitted by the Department of Commerce and Consumer Affairs.

Most structures in Hawaii are potentially subject to moderate to severe seismic ground motion, and the Kiholo Bay Earthquake in October 2006 highlighted the numerous weaknesses of existing residential construction in Hawaii. The Loss Mitigation Grant Program offers homeowners refunds for the installation of wind resistive devices, which has resulted in an incentive for homeowners to protect their property from hurricane and other wind damage. Similarly, your Committee finds that offering homeowners refunds for the installation of earthquake resistive devices would lead to an increase in the number of homes retrofitted for earthquakes.

Your Committee notes the Insurance Commissioner's concerns regarding the requirement to consult with the Department of Defense in developing criteria for earthquake resistive devices as the Insurance Commissioner has the sole responsibility for running the Loss Mitigation Grant Program. Furthermore, your Committee recognizes the Department's concerns regarding the relatively short timeframe to establish criteria for earthquake resistive devices, especially in light of the ongoing study of earthquake mitigation techniques being conducted by Federal Emergency Management Agency (FEMA) and the University of Hawaii. However, testimony indicated that this study will be ready in time for the Commissioner to develop criteria by January 1, 2009.

Accordingly, your Committee has amended this measure by:

- (1) Deleting language that requires the Insurance Commissioner to develop criteria for earthquake



resistive devices in consultation with the Department of Defense;

- (2) Changing the effective date of this measure from July 1, 2008 to July 1, 2050, to ensure further discussion by the Committee on Ways and Means; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and style.

Your Committee believes that providing an incentive to homeowners to retrofit their property with earthquake resistive devices fulfills the intent of this measure, which is to reduce potential loss from earthquake damage.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Affordable Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2783, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2783, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Commerce, Consumer
Protection, and Affordable
Housing,


RUSSELL S. KOKUBUN, Chair



