

LINDA LINGLE
GOVERNOR
JAMES R. AIONA, JR.
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: (808) 586-2850
Fax Number: (808) 586-2856
www.hawaii.gov/dcca

LAWRENCE M. REIFURTH
DIRECTOR
RONALD BOYER
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-FOURTH LEGISLATURE
Regular Session of 2008

Thursday, March 27, 2008
2:00 p.m.

TESTIMONY ON SENATE BILL NO. 2783, S.D. 2, H.D. 1 – RELATING TO LOSS MITIGATION

TO THE HONORABLE MARCUS R. OSHIRO, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is J. P. Schmidt, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). The Department opposes this bill.

First, the loss mitigation grant fund has been funded from the principal of the Hawaii Hurricane Relief Fund (HHRF) which was set up to assist citizens in the event of a hurricane. Earthquake mitigation has a different purpose and therefore moneys from HHRF should not be used to fund it. While we would not necessarily oppose a tax credit for earthquake loss mitigation, such a program should be funded from either the general fund or another source but not HHRF moneys. Also, to be clear, putting earthquake mitigation aside, we oppose use of HHRF principal for the loss mitigation grant program as it pertains to hurricane mitigation. HHRF principal is needed to pay the claims of its future policyholders. HHRF is already transferring about \$6 million

dollars a year in earned interest to the general fund and these moneys could be used to fund hurricane mitigation.

Second, the Department believes that continuing the existing loss mitigation grant program is a step in the wrong direction. The Administration has proposed SB 3013 to replace the loss mitigation grant program with a hurricane retrofit tax credit. We think the tax credit concept is superior because the present money grant isn't providing a sufficient incentive to homeowners or is too cumbersome for easy use. Since the public is more familiar with the tax credit concept and would be able to claim this credit as part of their tax return, we believe that changing the grant program to a tax credit program would make obtaining the benefit easier and thereby achieve the ultimate goal of increased mitigation.

For your information, the loss mitigation grant program has awarded 271 grants for a total payout of \$388,259 from September 1, 2006 to February 1, 2008. It should be noted that the Department has undertaken significant efforts to promote the loss mitigation grant program. These include newspaper advertisements and articles, interviews on television, radio promotion, public education events conducted with the Structural Engineers Association of Hawaii and the Building Industry Association, a flyer distributed to customers by Zephyr and HECO, a payroll stub announcement to State workers, a letter mailed to over 3,000 licensed contractors, and co-sponsoring of a handbook on disaster preparedness and loss mitigation techniques. These are in addition to promotional efforts undertaken by the private sector. Thus, we think the program has been well promoted.

Third, we note that there is an ongoing study of earthquake mitigation techniques being conducted by FEMA and the University of Hawaii. This study is due out in the summer of 2008. Until this study is done, we cannot comment on the feasibility or cost-effectiveness of a government earthquake mitigation program. Earthquake mitigation techniques for Hawaii construction are not self-evident. It would be more prudent for

the Legislature to wait until this study is completed so that it can be evaluated and any legislation introduced be based upon its findings, including estimates on what might constitute an appropriate cap amount for assistance.

Fourth, we are skeptical that a wind tunnel can be justified as a spending priority in these tight fiscal times. We are concerned that there might be only intermittent use of a wind tunnel and that this would not justify or recoup the initial expense.

Fifth, the Department believes that it may be beneficial to prepare a report on comprehensive natural disaster impact zones for the State of Hawaii. However, the Department opposes funding any such study from the hurricane reserve trust fund.

We thank this Committee for the opportunity to present testimony on this matter and ask that this bill be held.



DEPARTMENT OF CIVIL AND ENVIRONMENTAL ENGINEERING
UNIVERSITY OF HAWAII AT MANOA

2540 Dole Street, Holmes Hall 383, Honolulu, Hawaii 96822

March 27, 2008

TO: State of Hawaii – House of Representatives
Committee on Finance (FIN)
State Capitol, Conference Room 308

SUBJECT: **SB2783 SD2 HD1 - Relating to Loss Mitigation**
Hearing Date: Thursday, March 27, 2008, 2:00 PM.

ATTENTION: Chair Oshiro, Vice Chair Lee, and Members of the House Committee on Finance

I am a professor of structural engineering in the department of civil and environmental engineering at the University of Hawaii at Manoa. I serve as principal investigator on a project funded by State Civil Defense to develop a hurricane saferoom test facility at the Diamond Head Civil Defense Operation center. I am submitting this testimony in my capacity as PI on this project, and as a private individual.

Because of my background in hazard mitigation research and preparedness, I am in strong support of SB 2783 SD2 HD1. In particular, I am offering this testimony in support of the appropriation of funds to support annual operation of the SCD/UH Hurricane Saferoom Test Facility.

The SCD/UH Hurricane Saferoom Test Facility will enable the testing of hurricane resistive saferooms, and window and door opening protection systems, when subjected to wind-borne debris and cyclic wind loading pressures. Similar test facilities have been developed at Texas Tech University, Louisiana State University and Florida. Design of the test facility is now complete and the various components are being ordered. The test equipment will be assembled and installed in an existing warehouse facility at SCD Diamond Head facility this summer.

There is considerable interest from the local construction and material supply industry for testing of locally manufactured saferooms and hurricane protection systems. It is anticipated that after two years of operation the test facility will be self-sufficient based on revenue generated by its testing operations. However, for the first two years funding will be required to operate the facility for saferoom testing, single wall opening protection testing, educational and outreach activities. The facility will be used to inform the public about the need for hurricane saferooms and protective devices. It will also be used to promote the Loss Mitigation Grant Program, and to demonstrate the potential consequences of seeking protection from a hurricane in a home that does not have hurricane resistive devices.

The 2007 legislative appropriation of \$450,000 was for a one year period to cover the design, fabrication and installation of the test facility. Operation of the facility for the first year of testing is estimated at \$150,000 to cover salary and benefits for the research technician operating the facility, and funds for maintenance and repair of the equipment, and fabrication of test specimens. Funds are also included for certification of the test facility by the International Code Council (ICC) so that products tested at the facility will qualify for ICC certification. This is highly desirable so that these products can then be used throughout the USA, and not only in Hawaii.

As Principal Investigator of the SCD/UH hurricane saferoom test facility, I am in strong support of a SB2783 SD2 HD1 appropriation of \$150,000 for operation of the facility for the 2008-2009 fiscal year.

Thank you very much for this opportunity to express my support for this bill.

Ian Robertson, P.E., Ph.D.
Professor and Principal Investigator, 956-6536

A handwritten signature in black ink that reads "Ian Robertson".

Emailed to: FINtestimony@capitol.hawaii.gov
Testimony to the House Committee on Finance
Thursday, March 27, 2008. Room 308 2:00 pm
RE: SENATE BILL 2783SD2HD1 -- RELATING TO LOSS MITIGATION

By Michael P. Hamnett
47-655 Hui Kelu Street, No. 5
Kaneohe, Hawaii 96744
Phone: (808) 292-2838

Chair Oshiro, Vice Chair Lee, and Members:

My name is Michael Hamnett. I am Executive Director of the Research Corporation of the University of Hawaii and a research faculty member at the University of Hawaii. I have worked in the field of disaster preparedness and mitigation for the past 26 years. I have chaired the Statewide Hazard Mitigation Forum since 1998 and I currently sit on the Hawaii Hurricane Relief Fund Board of Directors.

I am testifying in support of Senate Bill 2783 SD 1 HD1, suggesting only technical budgeting amendments. I have testified strongly in favor of SB2783SD2 all through the Senate and then House PSM and House CPC and I stand by that testimony now that CPC has worked with our group on an revised HD1.

The Hazard Mitigation Forum and State Civil Defense clearly recognize that the current State Multi-hazard Mitigation Plan could be improved. And, Dr. Cheryl Anderson of the Social Science Research Institute is working the State Civil Defense to revise the county mitigation plans for which updates are required by FEMA in the next year or so. The updated county plans will provide a foundation for further improvements in the state plan.

As for funding for the Loss Mitigation Grant Program and the new initiative in HD1, I would recommend \$1 million be allocated from the interest of the hurricane trust fund into the Loss Mitigation Grant Fund, with \$550,000 set aside for (Section 7) the Loss Mitigation Grant Program administered by DCCA; \$150,000 set aside for the (Section 8) public awareness campaign; \$150,000 be set aside for the (Section 9) test facility operations by undertaken by State Civil Defense and the University of Hawaii; and \$150,000 set aside for the (Section 11) Natural Hazard Mapping Strategic Planning by UH Manoa.

In conclusion, I would strongly recommend that the Legislature pass SB2783SD2HD1. Thank you for the opportunity to submit testimony.



**Hawaii
Association of
REALTORS®**
www.hawaiiirealtors.com

The REALTOR® Building
1136 12th Avenue, Suite 220
Honolulu, Hawaii 96816

Phone: (808) 733-7060
Fax: (808) 737-4977
Neighbor Islands: (888) 737-9070
Email: har@hawaiiirealtors.com

March 25, 2008

The Honorable Marcus R. Oshiro, Chair

House Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

**RE: S.B. 2783, SD2, HD1 - Relating to Loss Mitigation
Hearing Date: March 27, 2008 @ 2:00 p.m., Room 308**

Dear Chair Oshiro and members of the House Committee on Finance,

On behalf of our 10,000 members in Hawaii, the Hawaii Association of REALTORS® (HAR) supports the intent of S.B. 2783, SD2, HD1.

S.B. 2783, SD2, HD1 will 1) expand the Loss Mitigation Grant Program to include earthquakes; 2) extend the Loss Mitigation Grant Program for 3 years; 3) appropriate funds for the Loss Mitigation Grant Fund; and 4) require the Insurance Commissioner to report on the feasibility of a natural disaster relief program.

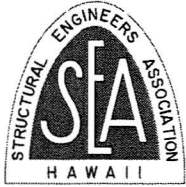
As HAR stated in previous testimonies on S.B. 2783, the Legislature enacted laws that appropriated 1) \$29 million and any future interest since 2002 from the Hawaii Hurricane Relief Fund (HHRF) to the General Fund; 2) \$4 million from the HHRF to tsunami preparedness efforts; and 3) \$4 million from the HHRF to the Loss Mitigation Grant Fund.

Although we are opposed to utilizing the principal from the HHRF for any purpose other than the original intent, we could support efforts to create a statewide natural disaster policy to help property owners prepare for and protect against losses from all future catastrophic events, not only hurricanes. The program or policy should recognize the respective responsibilities of property owners, private insurance markets and all levels of government in preparing for - and recovering from - devastating events.

We request that in conference committee, both Houses consider deleting Section 6 or any appropriation from the HHRF to the Loss Mitigation Grant Fund. Monies are still available in that fund since appropriations in previous years have not fully expended the balance of the fund. Accordingly, there is still \$3.4 million available.

We look forward to reviewing the report from the Insurance Commissioner.

Mahalo for the opportunity to testify.



STRUCTURAL ENGINEERS ASSOCIATION OF HAWAII
P.O. Box 3348, Honolulu, Hawaii 96801

March 27, 2008

TO: State of Hawaii – House of Representatives
Committee on Finance (FIN)
State Capitol, Conference Room 308

SUBJECT: **SB2783 SD2 HD1 - Relating to Loss Mitigation**
Hearing Date: Thursday, March 27, 2008, 2:00 PM.

ATTENTION: Chair Oshiro, Vice Chair Lee, and Members of the House Committee on Finance

The Structural Engineers Association of Hawaii (SEAOH) is the local chapter of the National Council of Structural Engineering Associations (NCSEA), with over 200 active members in Hawaii. The members of SEAOH have an historic and ongoing role in the development and implementation of building codes and criteria relating to seismic and hurricane resistant design of new structures and the retrofit of existing structures. Ian Robertson, President of SEAOH, has just completed a three year term as chair of the Hawaii State Earthquake Advisory Committee (HSEAC) of State Civil Defense, while Gary Chock, SEAOH past-president, is the chief technical author of the Wind Resistive Devices Technical Specifications for the Loss Mitigation Grant program administered by the Insurance Division of the Department of Commerce and Consumer Affairs.

SEAOH is in strong support of Senate Bill 2783 SD2 HD1, "Relating to Loss Mitigation". All buildings in Hawaii are subject to hurricanes, and most are potentially subject to moderate to severe seismic ground motion. The recent Kiholo Bay earthquake, which was well below the maximum anticipated intensity for Hawaii County, highlighted numerous weaknesses with existing residential construction in Hawaii. The adoption of the International Building Code in the State Building Code for application throughout Hawaii will go a long way to reducing these types of damage during future earthquakes. However, there is a large inventory of existing residential buildings in Hawaii, Maui and Honolulu Counties which were built under much older codes and do not have adequate seismic resistance. For many years, SEAOH has organized workshops, seminars, and technical publications intended to encourage homeowners to retrofit their homes for earthquakes and hurricanes. The Loss Mitigation Grant Program offering grants for installation of wind resistive devices has lead to an increase in the number of homes retrofitted for hurricanes, and the same would occur if earthquake resistive devices are added to this program as proposed in SB2783 SD2 HD1. Since the same elements of the building system are used to resist earthquake and hurricane forces most earthquake resistive retrofit devices will also enhance the hurricane resistance of the building structure. Therefore, there will be dual risk reduction benefits for the homeowner.

The University of Hawaii Department of Civil and Environmental Engineering is currently involved in a research project funded by FEMA to develop seismic retrofit procedures for post-and-pier foundations, one of the residential construction systems most frequently damaged during the Kiholo Bay earthquake. Ian Robertson (SEAOH president) is principal investigator on this project, while Gary Chock (SEAOH past-president) is a Co-PI. Both HSEAC of State Civil Defense and SEAOH are providing review oversight for the project. The project objective is to develop engineered seismic retrofits for post-and-pier foundations that can be implemented by homeowners, or their contractor, in most cases without additional input from a design professional. The project final report, including proposed retrofit measures, will be available in Fall 2008, and those retrofit techniques could be incorporated into the criteria for earthquake resistive devices to be developed by the insurance commissioner under the provisions of SB2783 SD2 HD1. **It is therefore recommended that the effective date for installation of earthquake resistive devices be changed from July 1, 2008 to January 1, 2009 to allow time for development of the requirements for earthquake resistive devices.**

Because of the likely costs of typical residential seismic retrofits, hurricane resistive saferooms and window protection systems, **SEAOH strongly supports the proposed increase in the grant program to 50% of the cost of the retrofit with a maximum total reimbursement per dwelling of \$5,000.** This increase will serve as added incentive for homeowners to perform these retrofits. **SEAOH also strongly supports the appropriation of funds to advertise and promote the Loss Mitigation Grant Program through education and outreach activities.**

STRUCTURAL ENGINEERS ASSOCIATION OF HAWAII
P.O. Box 3348, Honolulu, Hawaii 96801

The following appropriation levels are suggested for the committee's consideration:

Section 7: Loss Mitigation Grant Program administered by DCCA	\$550,000
Section 8: Public Awareness Campaign administered by DCCA	\$150,000
Section 9: Safe Room Testing Facility Operation administered by SCD	\$150,000
Section 11: Strategic Planning Report on Natural Disaster Hazard Mapping by UHM, COE	\$150,000

Thank you very much for the opportunity to express our strong support for this bill.

For the Structural Engineers Association of Hawaii:



Ian Robertson, S.E., Ph.D.
SEAOH 2008 President 956-6536

www.seaoh.org

**Testimony of Gerald Peters and
The Hawaii Lumber Products Association (HLPAA)**

(FIN) House Committee on Finance/ Thurs March 27, 2008/ Room 308 / 2:00 pm

RE: SENATE BILL 2783SD2 HD1- RELATING TO LOSS MITIGATION

Chair Oshiro, Vice Chair Lee, and Members:

My name is Gerald Peters. I am testifying in **strong support** of this legislation but with important suggested amendments for appropriation/funding source and amount which may help insure this bill is not vetoed.

I am testifying on behalf of (1)The Hawaii Lumber Products Association;

(2) As the volunteer legislative co-ordinator for 13 years of the Loss Mitigation Ad Hoc Group of private sector, building industry associations, academia, and public sector individuals and organizations;

(3) Myself as an individual. I run a Licensed General Engineering and General Contracting Corporation, with hurricane protection as one line of our several specialties, and also for four years have produced and co-hosted with Mike Buck on Clear Channel Broadcasting, KHVH, a weekly all island, live call in home improvement show.

This bill will re authorize and allow an improved Loss Mitigation Grant Program (LMGP) to continue. It also includes many other useful initiatives: natural disaster hazard mapping, a comprehensive review of the widely misunderstand HHRF Statute, operating funds for the Safe room and wind resistive devices testing center, and, very importantly the addition of earthquake loss mitigation, which engineers tell us will has a dual usefulness, at the same time help hurricane and tropical storm wind resistance, particularly for our weakest & oldest houses.

Importantly, the LMGP re authorization will give a fall back option to the thousands with paid off older, weaker houses who are dropping hurricane insurance due to costs up to \$2000 a year for hurricane only, an increase of 500% or more in 7 years via a chance to get access to their left behind hurricane relief fund money.

The LMGP authorization and appropriations were initiated by your Disaster Emergency Preparedness Act of 2005 (DEPA) (July 2, 2005 Override session) and the 3 year authorization is running out this coming June 30. LMGP is 30 months old, but half of that time was spent setting it up, and only two ads were run by the Ins. Division.

This SD2 addresses the weaknesses learned during the 31 months to date, including improved incentives for the public, the addition of earthquake/hurricane combination strengthening, and provision for a meaningful public awareness program in co-ordination with the FEMA, State, and County sanctioned Hawaii Statewide Mitigation Forum, Chaired by Dr. Michael Hamnett, founding member of the Ad Hoc Group also.

This SD2 also includes continuing support for the Diamond Head Crater disaster preparedness devices – safe room testing facility. The testing facility is a joint venture of the UH School of Civil Engineering, State Civil Defense, and all the leading engineering and building associations and members. It was also authorized by your DEPA override. Future building and shelter safety devices, and the \$450,000 invested so far in the facility equipment will be wasted without this bill becoming law.

There is considerable confusion and misinformation about how much of the authorized trust fund corpus and how much of the annual interest was actually released and spent. There has been \$6 million appropriated for the LMGP – \$4 million from the corpus and \$2 million from the HHRF annual interest (\$6 million) which goes into the General Fund...HOWEVER, only a total of approximately \$600,000 has actually been spent for the LMGP, leaving \$3.4 million returned to the HHRF corpus and to the General Fund.

Nevertheless, in this tight budget year, a conservative approach to funding and using a 16% piece of the HHRF interest instead of the corpus is the only option to avoid a veto, in our group's opinions.

Our earnest request is for the House to remove the trust fund as a source of funding in this HD1, and instead use a small slice of HHRF interest as follows: \$1 million be allocated from the interest of the hurricane trust fund into the Loss Mitigation Grant Fund, with \$550,000 set aside for (Section 7) the Loss Mitigation Grant Program administered by DCCA; \$150,000 set aside for the (Section 8) public awareness campaign; \$150,000 be set aside for the (Section 9) test facility operations by undertaken by State Civil Defense and the University of Hawaii; and \$150,000 set aside for the (Section 11) Natural Hazard Mapping Strategic Planning by UH Manoa.

As always, and for more than a decade of working with many of you, our sincere mahalo and appreciation for your steadfast support of disaster preparedness and the LMGP.

#####



PACIFIC GUARDIAN LIFE

March 25, 2008

To: THE HONORABLE MARCUS OSHIRO, CHAIR, THE HONORABLE MARILYN LEE,
VICE CHAIR, AND MEMBERS OF THE HOUSE COMMITTEE ON FINANCE

Subject: Testimony regarding SB No. 3019, S.D.1 - Relating to Insurance

Dear Chair Oshiro, Vice Chair Lee, and Members of the Committee:

Pacific Guardian Life Insurance Company, Ltd. supports SB No. 3019, S.D.1 – Relating to Insurance.

Pacific Guardian Life Insurance Company, Ltd. supports SB No. 3019, S.D.1 (“Bill”) because it will allow Hawaii domestic insurers to invest in a manner similar to their peers in the U.S. insurance industry while still providing significant protections to policyholders. By clarifying and modernizing some areas of permitted investments, the investment limitations in the Bill remain identical to or within those promulgated by the National Association of Insurance Commissioners (“NAIC”) Model Investment Law. In addition, by moving toward uniformity with NAIC Model Investment Law, this Bill will allow Hawaii insurers to compete on a more level playing field with non-Hawaii based insurers. Specifically, the Bill makes three changes that bring it closer to the NAIC Model Investment Law:

- (1) The Bill allows investment in non-dividend and dividend paying US equities within certain limits of admitted assets or surplus. Unlike existing Hawaii law and similar to this Bill, the Model Investment Law does not discriminate between non-dividend and dividend paying equities. The Model Investment Law has similar limits to those noted in this Bill.
- (2) The Bill generally replaces fixed charge requirements for issuers of corporate bonds and preferred stocks owned by insurers with a Securities Valuation Office (“SVO”) rating or ‘exempt’ requirement. The Model Investment Law does not speak to fixed charges, but instead focuses on the overall credit worthiness of the investment through the SVO rating designation. The Model Law’s approach appears more logical, as it is the SVO of the NAIC that is ultimately charged with providing credit ratings for securities held by insurers. And the assessment of credit ratings by the SVO should include consideration of issues well beyond fixed charge ratios of issuers.
- (3) The Bill clarifies limitations on investment in foreign securities with limitations that are identical to the NAIC Model Investment Law.

These three changes do bring Hawaii law closer to the NAIC Model Law and provides for a clearer, more consistent approach to the investments of insurers within the framework of protecting policyholder interests that is the bellwether of all NAIC model laws. Pacific Guardian Life Insurance Company, Ltd. supports SB No. 3019, S.D.1.

Thank you for the opportunity to testify on SB No. 3019, S.D.1.

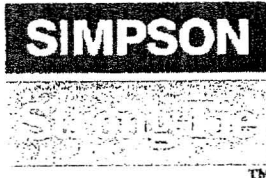
Respectfully submitted,

PACIFIC GUARDIAN LIFE
INSURANCE COMPANY, LTD.

By: 

Douglas M. Goto

Its: Executive Vice President



SIMPSON STRONG-TIE® COMPANY, INC.

The World's "No Equal" Connector Company

808 Ahua Street, MB#85 • Honolulu, Hawaii 96819
Phone: 808.479.1216 • Fax: 808.941.9079

March 26, 2008

**State of Hawaii – House of Representatives
Committee on Finance (FIN)
State Capitol, Conference Room 308
Hearing Date: Thursday, March 27, 2008, 2:00 PM.
RE: SENATE BILL 2783 SD2 HD1 – RELATING TO LOSS MITIGATION**

Attention: Chair Oshiro, Vice Chair Lee, and Members of the House Committee on Finance.

Testimony of: Timothy J. Waite, P.E., Sales Engineer for the Simpson Strong-Tie Company

Simpson Strong-Tie is an \$863 million sales international manufacturing company specializing in hurricane and earthquake devices. Simpson Strong-Tie Company has manufactured wood-to-wood and wood-to-concrete connectors since 1956. Our company is recognized by architects, engineers and homebuilders as the leading manufacturer of structural connectors. My responsibilities include Hawaii and the South Pacific.

Simpson Strong-Tie Company is in strong support of Senate Bill 2783 SD2 HD1, "Relating to Loss Mitigation" We are also in strong support of the proposed increase in the grant program to 50% of the cost of the retrofit with a maximum total reimbursement per dwelling of \$5,000. We also strongly support the appropriation of funds to advertise and promote the Loss Mitigation Grant Program through education and outreach activities. We also recommend that the effective date for installation of earthquake resistive devices be changed from July 1, 2008 to January 1, 2009 to allow time for development of the requirements for earthquake resistive devices.

This program is very important to the people of Hawaii providing them assistance to retrofit their homes in the absence of adequate emergency shelters in a future hurricane or seismic event. The Loss Mitigation Grant Program is only in its beginning stages after years of development and needs to be given the proper opportunity for the public to participate. Loss mitigation is seen throughout the world as a long term, sustained challenge because citizens' interest rises and falls based on the news of storms and earthquakes.

We consider this an excellent bill for building the program momentum and, in particular, for adding the availability of earthquake mitigation devices as an eligible item for the grants. The Loss Mitigation Grant Program provided the impetus for our company to invest valuable engineering and lab time to develop new connectors for Hawaii's unique construction. By building upon this program our company will be encouraged to continue product development and work closely with the UH Civil Engineering Department, State Civil Defense, and the structural engineering community to provide cost effective retrofit solutions for the people of Hawaii. Adding funds to advertise and promote the Loss Mitigation Grant Program through education and outreach activities will help make the public aware of this program. Adding earthquake provisions to this grant will enhance the program and also help the hurricane resistance of the buildings. We are closely working with SEAOK and the University of Hawaii to make sure hurricane and earthquake resistant devices are readily available for the people of Hawaii at an affordable cost.

(FIN) House Committee on Finance

Thurs March 27 , 2008 Room 308 2 pm

RE: SENATE BILL 2783SD2HD1 -- RELATING TO LOSS MITIGATION

TESTIMONY OF T.R. BONGARTZ of Hawaii Security Shutters, Inc.

Chair Oshiro, Vice Chair Lee, and Members;

My name is T.R. Bongartz. I am a small business owner who has been selling hurricane protection products for ten years in Hawaii. I am a very strong supporter of the Loss Mitigation Grant Program, and am testifying in *strong support* of this Legislation.

This bill will make tremendous improvements to the program which are badly needed:

1. It will advertise and promote the program so that folks know there is an incentive for them to protect their homes and property. Then get rid of all the Bureaucratic Impediments in the Program that suggest and portray what I perceive to be an overall negative and lets make this program so difficult attitude on the part of DCCA that no one will bother to use the Grant Program.

2. It will increase the incentive from the present 35% to 50% and increase the cap to realistic amounts which are the same as the Florida Grant Program which copied ours Hawaii program starting in 2006 and authorized \$250 million.

However, the bill will not make the present Grant Program more responsive to the public in the area of "approved products", and the Insurance Division needs to improve its technical administration.

THE MOST IMPORTANT THING, OF COURSE, IS TO BE SURE THIS IMPORTANT OPPORTUNITY FOR THE PUBLIC TO HAVE MATCHING GRANT ACCESS TO ITS OWN MONEY LEFT BEHIND IN THE HURRICANE RELIEF FUND DOES NOT CONTINUE TO FALL VICTIM TO POLITICS. THE ADMINISTRATION SHOULD NOT SEEK TO FIND REASONS TO VETO THIS PROGRAM JUST BECAUSE THE MAJORITY CAME UP WITH IT....AND I AM SPEAKING AS A REPUBLICAN WHEN I SAY THAT!

Thank you for the opportunity to present this testimony.

TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-FOURTH LEGISLATURE
Regular Session of 2008

Thursday, March 27, 2008
2:00 p.m.

WRITTEN TESTIMONY ONLY

**TESTIMONY ON SENATE BILL NO. 2783, SD 2, HD 1 - RELATING TO
LOSS MITIGATION.**

TO THE HONORABLE MARCUS R. OSHIRO, CHAIR, AND MEMBERS OF
THE COMMITTEE:

My name is Lloyd Lim. I take no position on this bill, but I wish to offer some comments as a concerned citizen. Although I work for State government, I am testifying solely in my capacity as a private citizen and not in any official capacity.

The loss mitigation grant program sets a disturbing precedent for government programs. First, it gives money away to people to buy things. Second, it gives some private businesses a price subsidy for their products and services. Both of these would make for a bad and impractical general rule, and therefore they may not be good policy. It used to be that people were willing to stand on their own two feet and all they asked for from government was a level playing field. Apparently, those days are behind us. The grant program puts us a step further down a slippery slope towards an untenable policy position. It started with the tax credit for solar water heaters, then became the hurricane retrofit grant program, and now we heading off to do earthquake mitigation grants. What is next? The grant program is like drinking soda. It tastes good, but it really isn't good for you. Paying people to do socially desirable things is a high spending path that we shouldn't go down when the State has so many other pending priorities. So what should we do about mitigation? Perhaps we should leave it to the market to determine the appropriate allocation of resources.

Insurance companies that give a credit for installation of hurricane clips generally provide about a 10% premium credit. That reflects their actuarial and engineering judgment about the impact of these devices. In light of that limited impact, I suggest that spending on this program is not necessary.

Thank you for the opportunity to submit testimony to the Committee.