



TESTIMONY BEFORE THE HOUSE COMMITTEE ON
CONSUMER PROTECTION & COMMERCE & JUDICIARY

RE: HB 924 – RELATING TO INSURANCE

Wednesday, February 23, 2011

CONFERENCE ROOM 325

2:00 P.M.

MAURICE T MORITA, ASSISTANT DIRECTOR

HAWAII LABORERS-EMPLOYERS COOPERATION & EDUCATION TRUST

Chair Herkes, Chair Keith-Agaran, and Members of the Committees:

My name is Maurice Morita, Assistant Director, of the Hawaii Laborers-Employers Cooperation & Education Trust (Hawaii LECET), a labor-management partnership between the Laborers Union, Local 368, and our unionized contractors.

The Hawaii LECET strongly supports HB 924, HD 1- Relating to Insurance which will clarify the laws relating to the interpretation of commercial liability insurance policies affecting the construction industry.

One thing that needs to be understood, the construction industry is not asking for a “retroactive coverage for insurance arising out of construction defects which may cause property damage and bodily insurance”. For examples, contractors have a 10 years statute of limitation to cover a construction project. The construction company paid for this insurance which covers property damage and bodily insurance for 10 years. If the project was built in 2005, the contractors are responsible for any construction defects to 2015 or for ten years. This is already paid for.

The Group Builder’s case is giving the insurance companies an “out” from paying for the ten years contractors may have paid for. This bill will restore the insurance coverage the contractors purchased to cover them for the ten years they are responsible for. Without this insurance coverage, a catastrophic construction defect which have may caused property damage and/or bodily injury, could bankrupt the construction company. This may not only affect the contractors, but may go down the line to the designers, architects, if this is a state project, it can affect the state of Hawaii.

We know the insurance companies are testifying they will look at this and cover the contractors prospectively. But we are asking you to help the contractors to have the insurance companies cover for them for the ten years they already may have paid for.

Thank you for the opportunity to testify.

SECTION 1. (a) The legislature finds that:

924

- (1) The construction industry is one of Hawaii's most important industries, and is vital to the economic and social welfare of the citizens of Hawaii;
- (2) Insurance companies doing business in Hawaii and providing insurance to contractors have long represented that their insurance policies covered claims for bodily injury and property damage arising from construction defects. For years, contractors, and others involved in the construction industry, including owners, architects, engineers, and sureties, and even the State of Hawaii itself, relied on the insurers' representations and promises. Contractors purchased the insurance, paid premiums, and reasonably expected coverage would be provided. Indeed, coverage was provided -- insurance companies have honored their promises and provided coverage;
- (3) In 2010, the Hawaii intermediate court of appeals decided *Group Builders, Inc. and Tradewind Insurance Company, Ltd. v. Admiral Ins. Co.* (Haw. App. 2010), which held that construction defect claims are not "occurrences" under contractors' commercial general liability policies, and therefore that such policies do not cover bodily injury or property damage arising from construction defects;
- (4) The *Group Builders* decision takes away insurance coverage that already existed, and which has been relied upon by citizens throughout the state for many years. The decision could be economically disastrous to not only contractors, but to persons who have suffered injuries, property owners, and even the State of Hawaii. One single catastrophic accident could result in hundreds of millions of dollars of damages, which would not be covered by insurance. In 1981, a walkway in a hotel in Kansas City, Missouri collapsed, killing 114 people and injuring 216. Under the *Group Builders* decision, the insurance policies covering contractors would not cover such claims. If the coverage is not restored, numerous contractors, subcontractors, and others in the construction industry could go out of business, if just one claim is asserted against them;
- (5) The purpose of this Act is to ensure that the insurance coverage that contractors have already paid for is provided. This Act does not change the terms of the contracts of insurance as they existed, were represented, and understood at the time they were entered into. This Act serves and furthers broad societal interests.

SECTION 2. Chapter 431, article 1, Hawaii Revised Statutes, is amended by adding one new section to part I to be appropriately designated and to read as follows:

"§431:1-__ Insurance policies issued to contractors. (a) For purposes of this section:

- (1) "contractor" has the same meaning as set forth in Hawaii Revised Statutes § 444-1; and
- (2) "liability insurance policy" means a contract of insurance that covers occurrences of damage or injury during the policy period and insures a contractor for liability arising from construction-related work.

(b) In interpreting a liability insurance policy issued to a contractor, a court shall presume that the work of a contractor that results in injury and/or property damage, including damage to the work itself or other work, is an accident unless the injury or property damage is intended and expected by the insured. Nothing in this section:



February 23, 2011

Committees: Committee on Consumer Protection & Commerce and
Committee on Judiciary

Time /Place: Conference Room 325 at 2:00 p.m.

RE: SUPPORT FOR HB 924, HD 1 RELATING TO INSURANCE

Dear Chairs Herkes, Yamane, Keith-Agaran, Rhoads and Committee Members:

My name is Amy Blagriff, Honorary AIA Honolulu. Since 2003, I have served as the Executive Vice President of the local Chapter of the American Institute of Architects here in Hawaii. I am here to offer **SUPPORT** for HB 924 on behalf of the AIA Hawaii State Council – representing over 900 architects and other allied design professionals across our State.

AIA Hawaii respectfully asks that you pass HB 924 to address the negative impact that the *Group Builders* case could have in these very fragile economic times—on all design and construction projects in Hawaii. The decision by the Hawaii intermediate court of appeals in the *Group Builders* case could have a significant negative impact on design professionals and their insurance, and this bill would offer a much-needed course correction.

Thank you for allowing AIA the opportunity to join our construction allies in SUPPORT of Bill 924, relating to Insurance.

Mahalo,

Amy Blagriff, Honorary AIA Honolulu
Executive Vice President, AIA Honolulu
Also Representing the AIA Hawaii State Council on matters of state-wide interest

Direct: 808-628-7244

Email: amy@aiahonolulu.org

Web: www.aiahonolulu.org



SHIOI CONSTRUCTION, INC.

General Contractor • LIC #ABC 12379

TO: THE HONORABLE ROBERT N. HERKES, CHAIR AND
MEMBERS OF COMMITTEE ON CONSUMER PROTECTION & COMMERCE

THE HONORABLE GILBERT S. C. KEITH-AGARAN, CHAIR AND
MEMBERS OF COMMITTEE ON JUDICIARY

SUBJECT: H.B. 924, HDI RELATING TO INSURANCE.

Dear Chairs Herkes and Keith-Agaran and Members of the Committee,

Shioi Construction, Inc. strongly supports the passage of HB 924, HD1.

The *Group Builders, Inc. and Tradewind Insurance Company, Ltd. vs. Admiral Ins. Co.* decision by the Hawaii Intermediate Court of Appeals that now effectively dissolves coverage for General Liability Insurance as well as Owner Controlled Insurance Programs (OCIP) or Contractor Controlled Insurance Programs (CCIP) for projects completed up to ten years ago typically called the Statute of Repose as required by HRS Section 657-8.

Shioi Construction, Inc. has been in business since 1948 and currently employs about 176 staff and trades people. Over the past 10 years we have paid General Liability & Excess Insurance premiums of \$2,257,597. In addition we have paid another \$2,136,246.00 for OCIP/CCIP premiums, leaving a grand total of \$4,393,843 paid to Insurers for defense of claims on construction defects or funds to settle these claims in full. The Admiral decision has provided a legal basis for insurance companies to ignore insurance contracts already paid in full that we have relied on for more than 20 years to protect against catastrophic claims.

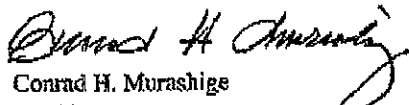
We are now involved with Arbitration on a completed project and have tendered notice to our insurer. The Insurer has not yet responded if they will provide defense coverage or contribute to an eventual settlement. This claim, if not covered, could in the extreme worst case scenario cause our company to file for bankruptcy or significantly restructure operations. This lack of coverage impacts our subcontractors, suppliers, architects & engineers, and most significantly owners/developers. Without these liability coverages, surety companies (bonding) may eventually refuse to provide performance/completion bonds that owners like the State of Hawaii or Counties rely on.

Shioi Construction, Inc. urges the joint committees to pass this measure and reinstate the insurance coverage that contractors, subcontractors and developers paid for.

Thank you for considering our concerns on the above measure.

Sincerely,

Shioi Construction, Inc.


Conrad H. Murashige
President

LATE TESTIMONY

OAHU
98-724 Kuahao Place
Pearl City, Hawaii 96782-8029
Telephone: (808) 487-2441 • FAX: (808) 487-2445

KAUAI
4023 Halau Street
Lihue, Hawaii 96766-5534
Telephone: (808) 245-3975 • FAX (808) 245-3977



building solutions

TO: THE HONORABLE ROBERT N. HERKES, CHAIR AND
MEMBERS OF COMMITTEE ON CONSUMER PROTECTION & COMMERCE

THE HONORABLE GILBERT S.C. KEITH-AGARAN, CHAIR AND
MEMBERS OF COMMITTEE ON JUDICIARY

SUBJECT: H.B. 924, HD1 RELATING TO INSURANCE.

NOTICE OF HEARING

DATE: Wednesday, February 23, 2011
TIME: 2:00 pm
PLACE: Conference Room 325

Dear Chairs Herkes and Keith-Agaran and Members of the Committee,

dck pacific construction, LLC **strongly supports** the passage of HB 924, HD1.

In *Group Builders, Inc. and Tradewind Insurance Company, Ltd. v. Admiral Ins. Co.* (Haw. App. 2010), the Hawaii intermediate court of appeals held that there was no insurance coverage for contractors and subcontractors for injuries or property damage caused by construction defects. The decision takes away insurance coverage that already existed, and which has been relied upon by the construction industry and by citizens throughout Hawaii for years. HB924, HD1 would restore that coverage and the rights and benefits that contractors and subcontractors have paid millions of dollars for.

Although some insurance companies have issued endorsements, they are all different and if they provide coverage, they only provide coverage from the date of endorsement forward. They provide no coverage for work completed over the past 10 years under policies in effect prior to the *Group Builders* decision. This means that there may be **no insurance coverage** for injuries or property damage claims that arise from construction defects on projects that were completed in the last 10 years, such as the J.A. Burns School of Medicine, the Kapolei Judiciary Center, or the Kauai Judiciary Building, just to name a few. If such a horrific accident were to occur in Hawaii at one of these completed projects, there may be no insurance coverage under the *Group Builders* decision. The findings of this court case will not only hit the large contractors in the pocketbook, it also jeopardizes the existence of hundreds of smaller contractors and subcontractors throughout the state. This is a crisis that should be addressed immediately.

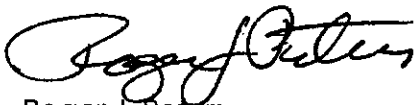
The Honorable Robert N. Herkes
Page 2

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reinstate the insurance coverage that contractors, subcontractors and developers paid
for.

Thank you for considering our concerns on the above measure.

Very truly yours,

dck pacific construction, LLC

A handwritten signature in black ink, appearing to read "Roger J. Peters". The signature is fluid and cursive, with a large initial "R" and "P".

Roger J. Peters
Executive Vice President & General Manager

LATE TESTIMONY

FOREST CITY
MILITARY COMMUNITIES
HAWAII



February 23, 2011

TO: THE HONORABLE ROBERT N. HERKES, CHAIR AND
MEMBERS OF COMMITTEE ON CONSUMER PROTECTION & COMMERCE

THE HONORABLE GILBERT S.C. KEITH-AGARAN, CHAIR AND
MEMBERS OF COMMITTEE ON JUDICIARY

SUBJECT: H.B. 924, HD1 RELATING TO INSURANCE.

NOTICE OF HEARING

DATE: Wednesday, February 23, 2011
TIME: 2:00 pm
PLACE: Conference Room 325

Dear Chairs Herkes and Keith-Agaran and Members of the Committee:

Forest City Hawaii **strongly supports** the passage of HB 924, HD1.

In *Group Builders, Inc. and Tradewind Insurance Company, Ltd. v. Admiral Ins. Co.* (Haw. App. 2010), the Hawaii intermediate court of appeals held that there was no insurance coverage for contractors and subcontractors for injuries or property damage caused by construction defects. The decision takes away insurance coverage that already existed, and which has been relied upon by the construction industry and by citizens throughout Hawaii for years. HB924, HD1 would restore that coverage and the rights and benefits that contractors and subcontractors have paid millions of dollars for.

Although some insurance companies have issued endorsements, they are all different and if they provide coverage, they only provide coverage from the date of endorsement forward. They provide no coverage for work completed over the past 10 years under policies in effect prior to the *Group Builders* decision. This means that there may be **no insurance coverage** for injuries or property damage claims that arise from construction defects on projects that were completed in the last 10 years, such as the J.A. Burns School of Medicine, the Kapolei Judiciary Center, or the Kauai Judiciary Building, just to name a few. If such a horrific accident were to occur in Hawaii at one of these completed projects, there may be no insurance coverage under the *Group Builders* decision. The findings of this court case will not only hit the large contractors in the pocketbook, it also jeopardizes the existence of hundreds of smaller contractors and subcontractors throughout the state. This is a crisis that should be addressed immediately.

Forest City Hawaii urges the joint committees to pass this measure and reinstate the insurance coverage that contractors, subcontractors and developers paid for.

Thank you for considering our concerns on the above measure.

Sincerely,


James C. Ramirez
Vice President, Construction



LATE TESTIMONY

February 9, 2011

TO: THE HONORABLE ANGUS I. K. McKELVEY, CHAIR AND
MEMBERS OF THE HOUSE COMMITTEE ON ECONOMIC
REVITALIZATION & BUSINESS

SUBJECT: H.B. 839 RELATING TO INSURANCE.
H.B. 924 RELATING TO INSURANCE.

NOTICE OF HEARING

DATE: Thursday, February 10, 2011
TIME: 8:00 AM
PLACE: Conference Room 312

Dear Chair and Members of the Committee,

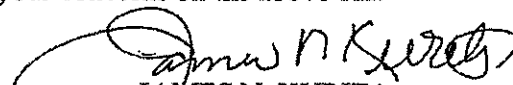
LY, Inc. **strongly support** HB839 and HB924, Relating to Insurance.

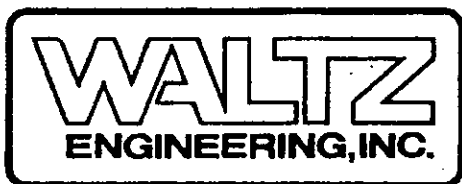
The intent of the bill is to negate the effects of the *Group Builders and Tradewind Insurance Co. v. Admiral Insurance Co.* court decision, and to ensure that the insurance coverage that contractors, subcontractors, and other construction industry participants have already paid for is provided. Contractors and others have long paid insurance premiums for insurance coverage in their Commercial General Liability (CGL) policies that would cover bodily injury and property damage resulting from defective workmanship. The insurance policies themselves supports the interpretation of coverage, the insurance carriers calculated the risk in the premiums they charged to their insured, and the insurance carriers provided coverage for such claims, until the *Group Builders*' decision.

The results of the *Group Builders* decision could be disastrous. Insurance carriers have already denied coverage for claims based on this decision. Some insurance carriers have issued endorsements, but the endorsements are all different and if they provide coverage, they only provide coverage from the date of the endorsement forward. There is no coverage for work that has already been completed. If a catastrophic accident occurred on a project that has already been completed, the insurance carriers would not be legally obligated to cover the claims as a result of the *Group Builders* decision, even though the contractors paid for the coverage. We ask you to fix this significant problem.

LYZ, Inc. **strongly support** the passage HB839 and HB924, and respectfully ask that the bill be passed out of the committee.

Thank you for considering our concerns on the above bill.


JAMES N. KURITA
Vice President/COO



LATE TESTIMONY

500 ALA KAWA STREET, #119 • HONOLULU, HAWAII 96817 • PH: (808) 842-7955 • FAX: (808) 842-3985 • LIC #BC-14014

TO: THE HONORABLE ROBERT N. HERKES, CHAIR AND
MEMBERS OF COMMITTEE ON CONSUMER PROTECTION & COMMERCE

THE HONORABLE GILBERT S.C. KEITH-AGARAN, CHAIR AND
MEMBERS OF COMMITTEE ON JUDICIARY

SUBJECT: H.B. 924, HD1 RELATING TO INSURANCE.

NOTICE OF HEARING

DATE: Wednesday, February 23, 2011
TIME: 2:00 pm
PLACE: Conference Room 325

Dear Chairs Herkes and Keith-Agaran and Members of the Committee,

Waltz Engineering, Inc. **strongly supports** the passage of HB 924, HD1.

In *Group Builders, Inc. and Tradewind Insurance Company, Ltd. v. Admiral Ins. Co.* (Haw. App. 2010), the Hawaii intermediate court of appeals held that there was no insurance coverage for contractors and subcontractors for injuries or property damage caused by construction defects. The decision takes away insurance coverage that already existed, and which has been relied upon by the construction industry and by citizens throughout Hawaii for years. HB924, HD1 would restore that coverage and the rights and benefits that contractors and subcontractors have paid millions of dollars for.

Although some insurance companies have issued endorsements, they are all different and if they provide coverage, they only provide coverage from the date of endorsement forward. They provide no coverage for work completed over the past 10 years under policies in effect prior to the *Group Builders* decision. This means that there may be **no insurance coverage** for injuries or property damage claims that arise from construction defects on projects that were completed in the last 10 years, such as the J.A. Burns School of Medicine, the Kapolei Judiciary Center, or the Kauai Judiciary Building, just to name a few. If such a horrific accident were to occur in Hawaii at one of these completed projects, there may be no insurance coverage under the *Group Builders* decision. The findings of this court case will not only hit the large contractors in the pocketbook, it also jeopardizes the existence of hundreds of smaller contractors and subcontractors throughout the state. This is a crisis that should be addressed immediately.

Waltz Engineering, Inc. urges the joint committees to pass this measure and reinstate the insurance coverage that contractors, subcontractors and developers paid for.

Thank you for considering our concerns on the above measure.

LATE TESTIMONY

Elayer Enterprises Limited
dba MAUI INDUSTRIAL METAL FABRICATORS
License No. C - 19546

P.O. Box 61
Puunene, Hawaii 96784

Ph: (808) 871-4740
Fax: (808) 871-2188

TO: THE HONORABLE ROBERT N. HERKES, CHAIR AND
MEMBERS OF COMMITTEE ON CONSUMER PROTECTION & COMMERCE

THE HONORABLE GILBERT S.C. KEITH-AGARAN, CHAIR AND
MEMBERS OF COMMITTEE ON JUDICIARY

SUBJECT: H.B. 924, HD1 RELATING TO INSURANCE.

NOTICE OF HEARING

DATE: Wednesday, February 23, 2011
TIME: 2:00 pm
PLACE: Conference Room 325

Dear Chairs Herkes and Keith-Agaran and Members of the Committee,

MAUI INDUSTRIAL METAL FABRICATORS strongly supports the passage of HB 924, HD1.

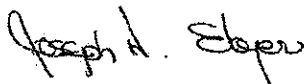
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Although some insurance companies have issued endorsements, they are all different and if they provide coverage, they only provide coverage from the date of endorsement forward. They provide no coverage for work completed over the past 10 years under policies in effect prior to the *Group Builders* decision. This means that there may be **no insurance coverage** for injuries or property damage claims that arise from construction defects on projects that were completed in the last 10 years, such as the J.A. Burns School of Medicine, the Kapolei Judiciary Center, or the Kauai Judiciary Building, just to name a few. If such a horrific accident were to occur in Hawaii at one of these completed projects, there may be no insurance coverage under the *Group Builders* decision. The findings of this court case will not only hit the large contractors in the pocketbook, it also jeopardizes the existence of hundreds of smaller contractors and subcontractors throughout the state. This is a crisis that should be addressed immediately.

MAUI INDUSTRIAL METAL FABRICATORS urges the joint committees to pass this measure and reinstate the insurance coverage that contractors, subcontractors and developers paid for.

Thank you for considering our concerns on the above measure.

Sincerely,



Joseph D. Elayer
President
Maui Industrial Metal Fabricators



Henry's Equipment Rental & Sales, Inc.

LATE TESTIMONY

P. O. Box 4070, Waiānae, Hawaii 96792 Ph: 696-2879 Fax: 696-7837 License ABC21835 PUC 107-C Operating Since 1983

TO: THE HONORABLE ROBERT N. HERKES, CHAIR AND
MEMBERS OF COMMITTEE ON CONSUMER PROTECTION & COMMERCE

THE HONORABLE GILBERT S.C. KEITH-AGARAN, CHAIR AND
MEMBERS OF COMMITTEE ON JUDICIARY

SUBJECT: H.B. 924, HD1 RELATING TO INSURANCE.

NOTICE OF HEARING

DATE: Wednesday, February 23, 2011
TIME: 2:00 pm
PLACE: Conference Room 325

Dear Chairs Herkes and Keith-Agaran and Members of the Committee,

Henry's Equipment Rental & Sales, Inc. strongly supports the passage of HB 924, HD1.

In *Group Builders, Inc. and Tradewind Insurance Company, Ltd. v. Admiral Ins. Co.* (Haw. App. 2010), the Hawaii intermediate court of appeals held that there was no insurance coverage for contractors and subcontractors for injuries or property damage caused by construction defects. The decision takes away insurance coverage that already existed, and which has been relied upon by the construction industry and by citizens throughout Hawaii for years. HB924, HD1 would restore that coverage and the rights and benefits that contractors and subcontractors have paid millions of dollars for.

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Henry's Equipment Rental and Sales, Inc. urges the joint committees to pass this measure and reinstate the insurance coverage that contractors, subcontractors and developers paid for.

Mahalo for considering our concerns on the above measure.

Frances Kama-Silva

LATE TESTIMONY

JAYAR CONSTRUCTION, INC.

1176 Sand Island Parkway
Honolulu, Hawaii 96819
Tel (808) 843-0500, Fax (808) 843-0067
Contractor's License ABC-14156

February 23, 2010

**To: The Honorable Robert N. Herkes, Chair and Members of the Committee on
Consumer Protection & Commerce**

**The Honorable Gilbert S.C. Keith-Agaran, Chair and Members of the
Committee on Judiciary**

Subject: H.B.924, HD1 Relating to Insurance

Dear Chair Herkes and Keith-Agaran and Members of the Committees,

Jayar Construction, Inc. strongly supports the passage of HB 924, HD1.

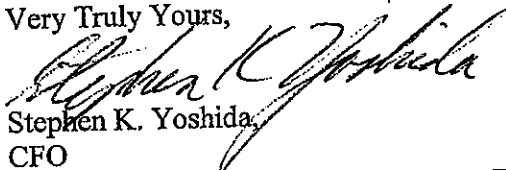
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Jayar Construciton, Inc. urges the committees to pass this measure and reinstate the insurance coverage that contractors, subcontractors and developers paid for.

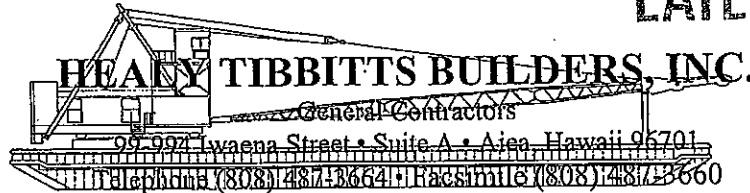
Thank you for considering our concerns on the matter.

Very Truly Yours,


Stephen K. Yoshida,
CFO

"An Equal Opportunity Employer"

LATE TESTIMONY



February 23, 2011

TO: THE HONORABLE ROBERT N. HERKES, CHAIR AND
MEMBERS OF COMMITTEE ON CONSUMER PROTECTION & COMMERCE

THE HONORABLE GILBERT S.C. KEITH-AGARAN, CHAIR AND
MEMBERS OF COMMITTEE ON JUDICIARY

SUBJECT: H.B. 924, HD1 RELATING TO INSURANCE.
NOTICE OF HEARING

DATE: Wednesday, February 23, 2011
TIME: 2:00 pm
PLACE: Conference Room 325

Dear Chairs Herkes and Keith-Agaran and Members of the Committee,

Healy Tibbitts Builders, Inc. **strongly supports** the passage of HB 924, HD1.

In *Group Builders, Inc. and Tradewind Insurance Company, Ltd. v. Admiral Ins. Co.* (Haw. App. 2010), the Hawaii intermediate court of appeals held that there was no insurance coverage for contractors and subcontractors for injuries or property damage caused by construction defects. The decision takes away insurance coverage that already existed, and which has been relied upon by the construction industry and by citizens throughout Hawaii for years. HB924, HD1 would restore that coverage and the rights and benefits that contractors and subcontractors have paid millions of dollars for.

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Healy Tibbitts Builders, Inc. urges the joint committees to pass this measure and reinstate the insurance coverage that contractors, subcontractors and developers paid for.

Thank you for considering our concerns on the above measure.

Very truly yours,
Healy Tibbitts Builders, Inc.

Richard A. Heltzel
President



LATE TESTIMONY

TO: THE HONORABLE ROBERT N. HERKES, CHAIR AND
MEMBERS OF COMMITTEE ON CONSUMER PROTECTION & COMMERCE

THE HONORABLE GILBERT S.C. KEITH-AGARAN, CHAIR AND
MEMBERS OF COMMITTEE ON JUDICIARY

SUBJECT: H.B. 924, HD1 RELATING TO INSURANCE.

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PLACE: Conference Room 325

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ONO CONSTRUCTION, LLC urges the joint committees to pass this measure and reinstate the insurance coverage that contractors, subcontractors and developers paid for.

Thank you for considering our concerns on the above measure.

A handwritten signature in black ink, appearing to read 'Member Mauerger', is written over a horizontal line.

Standard Sheetmetal & Mechanical, Inc., dba:



LATE TESTIMONY

STANDARD CONSTRUCTION GROUP

3375 Koapaka Street, D185 ♦ Honolulu, Hawaii 96819 ♦ BC-21228
Phone: (808) 839-0909 ♦ Fax: (808) 836-7927 ♦ admin@standardhawaii.com

TO: THE HONORABLE ROBERT N. HERKES, CHAIR AND
MEMBERS OF COMMITTEE ON CONSUMER PROTECTION & COMMERCE

THE HONORABLE GILBERT S.C. KEITH-AGARAN, CHAIR AND
MEMBERS OF COMMITTEE ON JUDICIARY

SUBJECT: H.B. 924, HD1 RELATING TO INSURANCE.

NOTICE OF HEARING

DATE: Wednesday, February 23, 2011
TIME: 2:00 pm
PLACE: Conference Room 325

Dear Chairs Herkes and Keith-Agaran and Members of the Committee,

Standard Sheetmetal & Mechanical Inc dba Standard Construction Group strongly supports the passage of HB 924, HD1.

In *Group Builders, Inc. and Tradewind Insurance Company, Ltd. v. Admiral Ins. Co.* (Haw. App. 2010), the Hawaii intermediate court of appeals held that there was no insurance coverage for contractors and subcontractors for injuries or property damage caused by construction defects. The decision takes away insurance coverage that already existed, and which has been relied upon by the construction industry and by citizens throughout Hawaii for years. HB924, HD1 would restore that coverage and the rights and benefits that contractors and subcontractors have paid millions of dollars for.

Although some insurance companies have issued endorsements, they are all different and if they provide coverage, they only provide coverage from the date of endorsement forward. They provide no coverage for work completed over the past 10 years under policies in effect prior to the *Group Builders* decision. This means that there may be **no insurance coverage** for injuries or property damage claims that arise from construction defects on projects that were completed in the last 10 years, such as the J.A. Burns School of Medicine, the Kapolei Judiciary Center, or the Kauai Judiciary Building, just to name a few. If such a horrific accident were to occur in Hawaii at one of these completed projects, there may be no insurance coverage under the *Group Builders* decision. The findings of this court case will not only hit the large contractors in the pocketbook, it also jeopardizes the existence of hundreds of smaller contractors and subcontractors throughout the state. This is a crisis that should be addressed immediately.

Standard Sheetmetal & Mechanical Inc dba Standard Construction Group urges the joint committees to pass this measure and reinstate the insurance coverage that contractors, subcontractors and developers paid for.

Thank you for considering our concerns on the above measure.

Sincerely,

A handwritten signature in black ink, appearing to read 'Stanley Salcedo', with a long horizontal line extending to the right.

Stanley Salcedo – President
Standard Sheetmetal & Mechanical, Inc.
dba Standard Construction Group



LATE TESTIMONY

TO: THE HONORABLE ROBERT N. HERKES, CHAIR AND
MEMBERS OF COMMITTEE ON CONSUMER PROTECTION & COMMERCE

THE HONORABLE GILBERT S.C. KEITH-AGARAN, CHAIR AND
MEMBERS OF COMMITTEE ON JUDICIARY

SUBJECT: H.B. 924, HD1 RELATING TO INSURANCE.

NOTICE OF HEARING

DATE: Wednesday, February 23, 2011
TIME: 2:00 pm
PLACE: Conference Room 325

Dear Chairs Herkes and Keith-Agaran and Members of the Committee,

Island Flooring Co., Inc. strongly supports the passage of HB 924, HD1.


In *Group Builders, Inc. and Tradewind Insurance Company, Ltd. v. Admiral Ins. Co.* (Haw. App. 2010), the Hawaii intermediate court of appeals held that there was no insurance coverage for contractors and subcontractors for injuries or property damage caused by construction defects. The decision takes away insurance coverage that already existed, and which has been relied upon by the construction industry and by citizens throughout Hawaii for years. HB924, HD1 would restore that coverage and the rights and benefits that contractors and subcontractors have paid millions of dollars for.

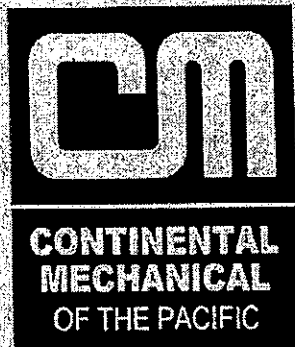
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Island Flooring Co., Inc. urges the joint committees to pass this measure and reinstate the insurance coverage that contractors, subcontractors and developers paid for.

Thank you for considering our concerns on the above measure.

Sincerely,


Raymond S. Mori
CEO



LATE TESTIMONY

February 22, 2011

THE HONORABLE ROBERT N. HERKES, CHAIR AND
MEMBERS OF COMMITTEE ON CONSUMER PROTECTION &
COMMERCE

THE HONORABLE GILBERT S.C. KEITH-AGARAN, CHAIR AND
MEMBERS OF COMMITTEE ON JUDICIARY

SUBJECT: H.B. 924, HD1 RELATING TO INSURANCE

NOTICE OF HEARING

DATE: Wednesday, February 23, 2011
TIME: 2:00 pm
PLACE: Conference Room 325

Dear Chairs Herkes and Keith-Agaran and Members of the Committee,

Continental Mechanical of the Pacific strongly supports the passage of HB 924, HD1.

In *Group Builders, Inc. and Tradewind Insurance Company, Ltd. v. Admiral Ins. Co.* (Haw. App. 2010), the Hawaii intermediate court of appeals held that there was no insurance coverage for contractors and subcontractors for injuries or property damage caused by construction defects. The decision takes away insurance coverage that already existed, and which has been relied upon by the construction industry and by citizens throughout Hawaii for years. HB924, HD1 would restore that coverage and the rights and benefits that contractors and subcontractors have paid millions of dollars for.

Although some insurance companies have issued endorsements, they are all different and if they provide coverage, they only provide coverage from the date of endorsement forward. They provide no coverage for work completed over the past 10 years under policies in effect prior to the *Group Builders* decision. This means that there may be **no insurance coverage** for injuries or property damage claims that arise from construction defects on projects that were completed in the last 10 years, such as the J.A. Burns School of Medicine, the Kapolei Judiciary Center, or the Kauai Judiciary Building, just to name a few. If such a horrific accident were to occur in Hawaii at one of these completed projects, there may be no insurance coverage under the *Group Builders* decision. The findings of this court case will not only hit the large contractors in the pocketbook, it also jeopardizes the existence of hundreds of smaller contractors and subcontractors throughout the state. This is a crisis that should be addressed immediately.

February 22, 2011

Continental Mechanical of the Pacific urges the joint committees to pass this measure and reinstate the insurance coverage that contractors, subcontractors and developers paid for.

Thank you for considering our concerns on the above measure.

Regards,
Continental Mechanical of the Pacific



Samuel T. Fujikawa
Chief Executive Officer