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TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION
AND COMMERCE

TWENTY-SIXTH LEGISLATURE
Regular Session of 2011

Monday, March 14, 2011
2 p.m.

**TESTIMONY ON SENATE BILL NO. 1270, S.D. 2 - RELATING TO THE HAWAII
HURRICANE RELIEF FUND.**

Comments

TO THE HONORABLE ROBERT HERKES, CHAIR, AND MEMBERS OF THE
COMMITTEE:

My name is Gordon I. Ito, State Insurance Commissioner ("Commissioner"),
testifying on behalf of the Department of Commerce and Consumer Affairs
("Department"). The Department takes no position on this bill, which removes an
unspecified sum of money from the Hawaii Hurricane Relief Fund ("HHRF"). However,
the Department submits the following comments.

If there is a severe hurricane in Hawaii, there is a substantial likelihood that
HHRF must restart to provide hurricane insurance to Hawaii's homeowners. That role is
important not just because it will protect homeowner's from being forced placed at high
rates, but also because it will facilitate the mortgage lending and real estate businesses
in Hawaii. HHRF can help to prevent a severe economic downturn.

HHRF will need moneys to restart operationally. In addition, HHRF will need
moneys to buy reinsurance. If HHRF does not have money to buy reinsurance, then
HHRF could be substantially delayed when it tries to re-enter the market. We would
suggest that HHRF keep at least \$70 million for this purpose.

We thank this Committee for the opportunity to present testimony on this matter.

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE
ON
SENATE BILL NO. 1270, S.D. 2

March 14, 2011

RELATING TO THE HAWAII HURRICANE RELIEF FUND

Senate Bill No. 1270, S.D. 2, appropriates an unspecified amount of funds from the Hawaii Hurricane Relief Fund (HHRF) into the general fund for FY 12 as a means to balance the State's budget and maintain the levels of programs determined to be essential for education, public health, and public welfare. It also requires that no less than an unspecified amount be retained in HHRF and that the funding transferred be reimbursed by the general fund under a schedule determined by the Director of Finance starting no later than FY 14.

We support the concept of this bill and ask that it be passed out of committee for continued discussion as a contingency. However, we prefer that the bill be amended to its original form to provide the maximum flexibility in its use should it be deemed necessary.



HIIA

Hawaii Independent Insurance Agents Association

March 10, 2011

To: Representative Robert N. Herkes, Chair
Representative Ryan I. Yamane, Vice-Chair
Committee on Consumer Protection & Commerce

From: Sonia M. Leong, Executive Director
Hawaii Independent Insurance Agents Association

Re: SB1270 SD2 SSCR626 – Relating to The Hawaii Hurricane Relief Fund
Hearing: Monday, March 14, 2011 2:00 pm Conference Room 325

The Hawaii Independent Insurance Agents Association (HIIA), a property & casualty insurance agents trade association objects to the proposal to appropriate funds from the Hawaii Hurricane Relief Fund into the State general fund to balance the State budget.

While we empathize with the state budget dilemma, we believe that the HHRF funds should remain for the purpose for which it was established. The purpose of establishing the "Fund" was to provide protection and relief from the catastrophic hurricane exposure. The "Funds" were collected from policyholders, from property & casualty insurers, and from mortgage recording fees. Therefore, the "Funds" were collected from these sources for a specific purpose.

The forecasters tell us it is a "when" a hurricane hits and not an "if" hurricane hits. Perhaps consideration might be given once again to loss mitigation incentives.

Thank you for this opportunity to present testimony.

CPCtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 13, 2011 10:26 PM
To: CPCtestimony
Cc: swartzg001@hawaii.rr.com
Subject: Testimony for SB1270 on 3/14/2011 2:00:00 PM

Testimony for CPC 3/14/2011 2:00:00 PM SB1270

Conference room: 325
Testifier position: support
Testifier will be present: No
Submitted by: gregory swartz
Organization: Individual
Address:
Phone:
E-mail: swartzg001@hawaii.rr.com
Submitted on: 3/13/2011

Comments:

With the reimbursement provision, I support this bill instead of HB1043, HD 1.

However, I do not really think that the findings in Section 1 are accurate. Clearly, more needs to be done to reduce existing spending and stop all new spending or extension of existing programs that are not an emergency or otherwise critical. An increase in the State's budget is clearly untenable.

March 14, 2011

The Honorable Robert N. Herkes, Chair
House Committee on Consumer Protection & Commerce
State Capitol, Room 325
Honolulu, Hawaii 96813

RE: S.B. 1270, S.D. 2, Relating to the Hawaii Hurricane Relief Fund

HEARING: Monday, March 14, 2011 at 2:00 p.m.

Aloha Chair Herkes, Vice Chair Yamane and Members of the Committee:

I am Myoung Oh, Government Affairs Director of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, testifying on behalf of its 8,500 members. HAR opposes S.B. 1270, S.D. 2, which appropriates funds from the Hawaii Hurricane Relief Fund ("HHRF") into the State general fund.

On September 11, 1992, Hurricane Iniki struck Kaua'i, causing \$1.6 billion in damage. The devastation caused by Iniki left many insurance companies unable to obtain reinsurance, which rendered them incapable of providing insurance to the people of Kaua'i. Numerous real estate transactions were stalled or fell through as a direct result, leaving prospective homeowners and renters of investor-owned properties in limbo. Many parties, including HAR, worked on the formation of the HHRF during the 1993 legislative session.

Three revenue sources built the HHRF: (1) premiums from hurricane property insurance policies; (2) assessments from insurance companies; and (3) special mortgage recording fees paid by mortgagees/homeowners who did not pay cash for their property. In July 2001, the State stopped collecting the special mortgage recording fee.

HAR believes that in the unforeseeable future, should a severe hurricane strike Hawai'i, the HHRF should have appropriate funds in order to restart the HHRF. These funds will allow the HHRF to provide hurricane insurance, in a timely fashion, to Hawaii's homeowners for reinsurance.

Based upon the need to maintain funds in the HHRF, HAR would ask this Committee to retain a balance of at least \$70,000,000, as indicated by the State Insurance Commissioner, if any appropriation is made from the HHRF.

Mahalo for the opportunity to testify.